

Asset Management Accountability Framework

Guidance material - version 1

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1. AMAF approach

Purpose

The purpose of this guidance is to assist agencies implement the Asset Management Accountability Framework released in early 2016.

Non prescriptive framework and devolved accountability

In line with Victoria's output management framework, the Asset Management Accountability Framework (AMAF) reflects a devolved accountability model allowing agencies the flexibility to appropriately manage their assets to deliver services. The AMAF outlines a series of principles and parameters which Responsible Bodies and Accountable Officers must establish to comply with the mandatory requirements for attestation. It allows them to set and tailor their own specific asset standards, benchmarks and processes (including their own internal monitoring and compliance requirements), to suit their organisational and operational needs. With this in mind, the AMAF does not prescribe specific asset standards that must be met, nor does it include central monitoring of implementation.

Application of the AMAF

The AMAF applies to non-current assets (physical and intangible), including information and communication technology (ICT) assets that are controlled by government departments, agencies, corporations, authorities and other bodies that are captured by the Standing Directions of the Minister for Finance made under the *Financial Management Act 1994* (FMA). It does not apply to financial assets. The framework also applies where asset management activities are devolved and fully or partially outsourced.

The AMAF details both mandatory asset management requirements (practices Accountable Officers **must** implement— detailed in Appendix 1 of the AMAF) and general guidance for agencies responsible for managing assets (practices Accountable Officers **should** implement – detailed in Appendix 2 of the AMAF).

Existing budget and funding processes

The AMAF does not introduce any new significant asset management requirements from what is contained within the current *Sustaining Our Assets* framework. However, the AMAF aims to improve transparency and accountability through an attestation process. Given this increased accountability, the process of attestation may identify existing maintenance, service or asset gaps. The AMAF does not propose any changes to the existing budget management processes and departments are encouraged to continue:

1. prioritising asset management needs within their resource budget;
2. determining if existing funds are adequate; and
3. making a case for additional funds, when existing funds are not adequate.

2. Asset thresholds, values and definitions

Definition of assets

The Asset Management Accountability Framework (AMAF) uses a definition of 'asset' broadly consistent with the current ISO 55000 Standards on asset management and the Australian Accounting Standards. This definition of assets is based on the concept of: 'an item or thing that has potential value to an organisation, and for which the organisation has a responsibility'. The AMAF does not apply to financial assets (discussed below).

The Australian Accounting Standards Board also provides further detail on what may or may not be considered an asset through the paper '*Framework for the preparation and presentation of financial statements*':

'89. An asset is recognised in the balance sheet when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

90. An asset is not recognised in the balance sheet when expenditure has been incurred for which it is considered improbable that economic benefits will flow to the entity beyond the current accounting period. Instead, such a transaction results in the recognition of an expense in the income statement. This treatment does not imply either that the intention of management in incurring expenditure was other than to generate future economic benefits for the entity or that management was misguided. The only implication is that the degree of certainty that economic benefits will flow to the entity beyond the current accounting period is insufficient to warrant the recognition of an asset.'

Source: http://www.aasb.gov.au/admin/file/content105/c9/Framework_07-04_COMPdec07_01-09.pdf

The AMAF is flexible and scalable to suit the different types and values of assets defined by different agencies. Given this broad definition of assets and in line with Victoria's devolved accountability model, Accountable Officers have the discretion to define precisely what constitutes an asset to suit particular operational needs.

Financial assets

The AMAF does not apply to financial assets, which includes assets such as stocks, bonds and cash. The AMAF is designed for other non-current assets and sufficient governance frameworks for financial assets already exist.

Asset thresholds

The AMAF does not prescribe the asset thresholds required for its mandatory requirements as the type, value and significance of assets managed by agencies differs substantially. It would be reasonable for Accountable Officers to consider setting their own thresholds subject to any relevant accounting standards and /or relevant financial management directions or guidance.

3. Minimum information requirements

Comprehensive, accurate and up-to-date information on assets is vital for effective asset management. Accurate recording, identification, valuation and reporting procedures must be established so that decisions to maintain, modify, rehabilitate, find an alternative use for, or dispose of an asset are sound. An agency cannot make these decisions effectively if it does not have ready access to the necessary information.

Accountable Officers must establish appropriate record keeping processes to meet operational needs and to satisfy relevant accounting standards and disclosure requirements. Maintaining appropriate record keeping processes will support the Accountable Officer to undertake internal or external audits that may be conducted of its asset management practices. Some examples of minimum information requirements drawn directly from the AMAF are provided below.

Examples of minimum information requirements

The AMAF is a non-prescriptive framework and therefore does not contain an exhaustive list of the asset information requirements that an Accountable Officer should maintain. This takes into account the wide variety of agencies required to comply with the AMAF and the variation in the size and nature of their services and assets.

However, the AMAF does outline some of the core documents and information requirements that an Accountable Officer would be expected to maintain. This list is not exhaustive and is only a guide to the type of information that an internal audit committee, review mechanism or DTF could potentially request. The list below provides examples directly from the AMAF that outline documentation requirements.

AMAF section 3.1.2 - Governance

Allocating asset management responsibility

Accountable Officers must document:

- who is responsible for monitoring compliance with AMAF and ensuring that systems and processes to support the AMAF are in place; and
- who is responsible and accountable for decision making for the varying stages of an asset's life cycle.

When asset management functions are devolved or outsourced, including to entities excluded from the Standing Directions, Accountable Officers must have appropriate internal management processes established to ensure that they and their outsourced providers or entities excluded from the Standing Directions are maintaining and managing assets to the required standard(s) (e.g. regular performance reporting).

AMAF section 3.1.4 - Performance management

Key performance indicators

In order to ascertain the performance of an agency's assets, key performance indicators (KPIs) should be established. Useful KPIs could be based around:

- operational performance of the asset for its service delivery objectives (e.g. the quality of the service delivered by using the asset, user satisfaction);

- asset utilisation (e.g. capacity usage, survivability, functionality, Occupational Health and Safety standards, environmental impact, legislative, regulatory or statutory compliance, condition reports); and
- operating costs (e.g. cleaning and energy costs, maintenance expenditure).

These KPIs can be financial or non-financial, qualitative or quantitative, leading or lagging.

AMAF section 3.2.2 - Asset management strategy

A key requirement of the AMAF is for Accountable Officers to develop an asset management strategy to guide their overall asset management activities for its entire asset base over the whole asset lifecycle on a portfolio basis.

For some Accountable Officers, the asset management strategy may be a single document, whereas for others, such as asset intensive agencies, multiple documents may be required.

When developing this strategy, secretaries and Responsible Bodies that have broader portfolio relationship or oversight responsibilities, should consider asset management strategies developed by other agencies within their portfolio.

Risk management and contingency planning

As part of their asset management strategies, Accountable Officers must incorporate asset risk management planning, which describes the risk management strategies and actions (e.g. treatment plans) to be implemented for assets under their control.

AMAF section 3.4.2 - Monitoring and preventive action

Accountable Officers must establish processes to identify, monitor and record the condition of their assets. Accountable Officers must also proactively identify potential asset performance failures and identify options for preventive action. This should also include processes for handling and investigating failures, incidents and non-conformities with asset management strategies and procedures.

AMAF section 3.4.3 - Maintenance of assets

A maintenance program must be regularly reviewed by the Accountable Officer to determine whether the maintenance effort is being allocated to the appropriate assets and is providing the desired outcomes.

Information management

Accurate recording, identification, valuation and reporting procedures must be established so that decisions to maintain, modify, rehabilitate, find an alternative use for, or dispose of an asset can be soundly based. An Accountable Officer cannot make these decisions effectively if they do not have ready access to the necessary information. As such, Accountable Officers must establish asset information management systems (AIMS), including asset registers.

Asset registers are also required under section 44B of the FMA.

Asset Information Management Systems (AIMS)

An AIMS must maintain up-to-date asset information as well as an historical record of both financial and non-financial information over each asset's life cycle for:

- asset planning;
- asset performance monitoring and reporting; and
- accountability.

The functional requirements of an AIMS will depend on the size and nature of an agency's operations and asset portfolio, and should be configured to be fit-for-purpose. However, information in the AIMS must be readily accessible to individuals who are accountable for the control and management of a nominated asset or group of assets.

For an AIMS to fully support effective decision making about asset utilisation, it should:

- be comprehensive, and include all relevant assets under the control of the Accountable Officer;
- be structured in a way that allows different classifications of assets to be distinguished, and treated appropriately;
- capture details of all transactions affecting the assets, as they occur;
- have associated procedures, controls and audit trails to maintain the integrity of the information; and
- include financial information.

This will enable an Accountable Officer to undertake more informed decision making, by being able to assess:

- the current condition of its assets;
- when assets need to be replaced;
- information required to meet financial and regulatory requirements;
- asset locations;
- the level and frequency of asset maintenance programs;
- life cycle costs by asset or program; and to identify
- the individual or organisational unit accountable for the asset.

AMAF section 4.4.4 - Asset valuation

As part of this process, Accountable Officers must document policies and procedures for the revaluation of assets.

Asset management systems

Most Accountable Officers will have a variety of existing systems, processes and documentation that support asset management. The AMAF does not prescribe one system or set of documents in order to meet its mandatory requirements. Where appropriate and sufficient processes and systems already exist, even where they vary across the agency, the Accountable Officer may determine that these are sufficient to meet the mandatory requirements of the AMAF.

Existing reporting requirements under the FMA

All Responsible Bodies have existing responsibilities under the Financial Management Compliance Framework (FMCF), some of which relate to managing assets. However, the FMCF is a reporting framework, not an accountability one. The introduction of an AMAF accountability mechanism is intended to complement existing FMCF requirements, by including additional accountability, and not create duplication. A DTF explanatory framework document supporting the *Whole of Government Compliance Framework* helps describe this:

“Implementing the *Financial Management Compliance Framework* throughout Government is a significant proposition and it is important to emphasise that it is a reporting framework, not an accountability framework. Consequently, departmental secretaries will only be held accountable for ensuring a portfolio summary report is

prepared and signed on behalf of the Portfolio Minister and forwarded to the Minister for Finance. Overall compliance responsibility still rests with each entity's Responsible Body and Accountable Officer.”

Source: Whole of government compliance framework – Explanatory framework document, January 2011

4. Implementation

a. Attestation and partial attestation

Relevant definitions for this section:

Terms used in this section such as 'Accountable Officer,' 'Responsible Body' and 'Agency' have the same meaning as defined in the Standing Directions.

Application and attestation

The AMAF strengthens accountability for asset management through annual attestation, overseen by senior staff in the agency, to compliance with the AMAF. Attestation ensures that all stages of an asset's life cycle are appropriately reviewed, monitored and managed. Responsible Bodies will be required to attest to their agency's compliance with the AMAF in 2017-18 Annual Reports.

The new Standing Direction 3.4.9 – 'Managing Assets' which mandates the AMAF will come into effect on 1 July 2016. The AMAF and new Standing Direction 3.4.9 – 'Managing Assets' have been modelled on the approach taken for risk and insurance to maintain consistency in attestation processes.

It is important to note that government financial management frameworks are periodically revised. It is likely there will be a new Direction comparable to Direction 3.4.9 – 'Managing Assets' with any revision to the full set of Standing Directions.

The attestation requirement contained in ***Standing Direction 3.4.9 – 'Managing Assets'*** states that:

'The Responsible Body must ensure the public sector agency complies with the mandatory requirements set out in the Asset Management Accountability Framework'.

Procedures under the Direction then state that:

- a) From the conclusion of 2017-18, as part of financial year compliance reporting, the Responsible Body must include a statement of attestation in the public sector agency's annual report that the agency has complied with the mandatory requirements of the *Asset Management Accountability Framework*.
- b) For public sector agencies with an Audit Committee, this statement must be verified by the Audit Committee.

Under the current ***Standing Directions***, Responsible Body means for a:

- government department, the Accountable Officer; and for
- every other public sector agency, the board.

Under Section 42 of the ***Financial Management Act***, an Accountable Officer means:

Unless the Minister otherwise determines—

- a) the Accountable Officer for a department is the department head of that department; and
- b) the Accountable Officer for a public body is the chief executive officer, by whatever name called, of that body.

For departments, the Secretary is also the Accountable Officer and will be required to provide a statement of attestation within their annual report that their entity complies with

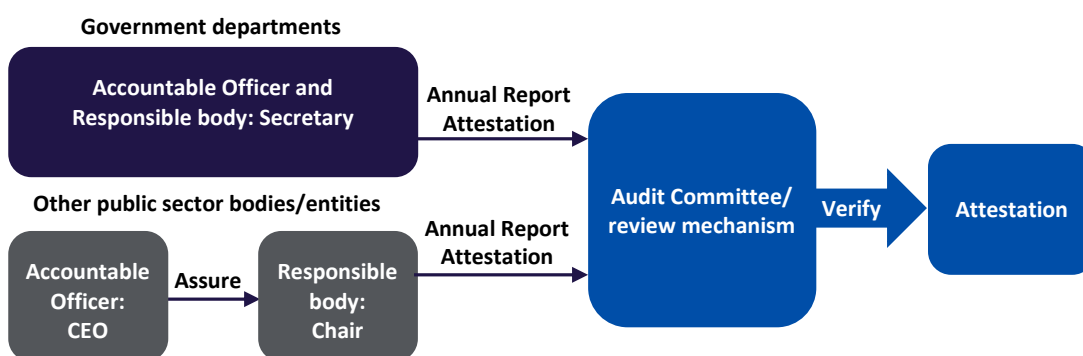
the Direction. Part 5 below provides further clarity on the role of Accountable Officers in both departments and public bodies and the scope of their oversight responsibilities with regard to attestation.

For entities that have their own Board, the Accountable Officer (usually the chief executive officer) will be required to assure the Chair of that Board that the entity complies with the Direction and the Chair will then be required to provide a statement of attestation within their annual report that their entity complies with the Direction.

Where the agency has an Audit Committee, the committee will be required to verify compliance with the Direction before the attestation can be given. For Responsible Bodies that do not have an Audit Committee, an alternative review mechanism¹ will be required to verify compliance with the Direction.

The below diagram provides a broad overview of the attestation process for both Departments and other public sector bodies with their own annual report.

Diagram 1



Transitional arrangements (before attestation is mandated for 2017-18 annual reports)

The AMAF commenced with the publication of the policy document in early 2016. However, it is acknowledged that agencies will need a transition period prior to full compliance.

The AMAF does not require attestation until the 2017-18 annual report. Internal certification processes will need to be undertaken in the preceding year to ensure that the systems and processes established are robust and effective. This is intended to encourage Responsible Bodies to both test compliance with the AMAF, and to prepare for the attestation process as part of their 2017-18 annual report.

DTF has developed this guidance material to help Responsible Bodies transition to the new attestation requirements in the AMAF, including requirements to establish internal certification processes over the next couple of years. DTF will also ensure there will be forums to support the implementation of AMAF. This will include:

- using existing forums such as the Infrastructure Policy Reference Group to discuss implementation issues that Departments are experiencing; and

¹ Refer to provisions in the Standing Directions on the role of the Responsible Body when the agency has been exempt from audit committee requirements.

- convening the AMAF working group twice yearly for asset management practitioners to discuss and address AMAF implementation issues that have been raised in their portfolios.

Partial attestation

DTF acknowledges that the amount of work required to be fully compliant with the mandatory requirements of the AMAF will vary between agencies. Therefore, the framework provides for partial attestation, which will allow Responsible Bodies to attest in their annual reports to compliance with the Standing Direction, but to specify where they do not fully meet mandatory requirements. Where an agency has only partially complied with the Direction, the attestation must include an explanation of remedial actions to address areas of partial compliance.

b. Monitoring and audit

DTF's role in monitoring

As part of its role providing advice to Government on investment decisions, DTF will always consider the robustness of supporting information. In the case of asset funding proposals, this may include information derived from asset management systems and strategies (e.g. a case for funding where there is existing asset stock may include information on the stock condition and how the proposal is consistent with the agency's asset management strategy). This includes for budget submissions and, particularly for government business enterprises, other major threshold investment decisions requiring the Treasurer's approval. Other information requests may be generated by Cabinet and its sub committees, the Treasurer and other Ministers. Should this occur, DTF will endeavour to provide reasonable lead times and take account of the unique differences in processes, procedures and documentation between departments.

The AMAF provides scope for DTF to request information from Accountable Officers on their asset management processes and practices through, for example, section 3.1.4 (Performance Management Reporting to Government), which states:

'Through its asset information management system (AIMS), a Responsible Body must also ensure that it can provide relevant asset information performance data to government and central agencies as required, and is flexible enough to respond to reasonable information reporting requests by Government.'

The term 'reasonable' when used in relation to information reporting requests aims to limit voluminous and burdensome reporting, while providing Government the flexibility to access information required to understand and address emerging and changing issues in asset management. DTF will endeavour to consult with departments on the content and form of most information requests.

Role of the Audit Committee

The Audit Committee (or where there is no audit committee, an alternative review mechanism²) should assume a leading role in the agency governance and oversight matters. The Audit Committee should be actively involved in monitoring financial management compliance issues, and should work closely with internal audit.

² Refer to provisions in the Standing Directions on the role of the Responsible Body when the agency has been exempt from audit committee requirements..

c. Self-assessment of maturity

Responsible Bodies will be required for their own management purposes to conduct a self-assessment of their asset management maturity at least every three years. This means the first self-assessment would need to be undertaken, at the latest, three years after attestation becomes mandatory (2020-21). This may incorporate both an overall self-assessment of current asset management maturity and particular aspects of their performance (e.g. leadership or maturity in asset management planning). DTF will be developing a more comprehensive asset management maturity scale and accompanying guidance to support Responsible Bodies in this assessment. Responsible Bodies may also wish to refer to the National Asset Management Assessment Framework currently utilised by local government. Information can be found at:

www.lgam.info/national-asset-management-assessment-framework

www.aceg.org.au/file/1606/download?Ftoken=iFhbLR-8eLjnZv-NxgBD_FwJyWM72yz3Jqqv3eC29Ei

5. Scope of accountability

Under the attestation model, Responsible Bodies and Accountable Officers both have responsibilities on behalf of their agency. It can be difficult to determine the scope of responsibilities given the complex governance structures under which portfolios carry out their functions. This section provides some guidance on the scope of attestation responsibilities for various entities, drawing on existing accountabilities under the *Public Administration Act 2004* (PAA), the FMA and the Standing Directions.

Role of an Accountable Officer

An Accountable Officer is responsible for implementing the actions necessary to ensure that their entity is complying with the Standing Direction.

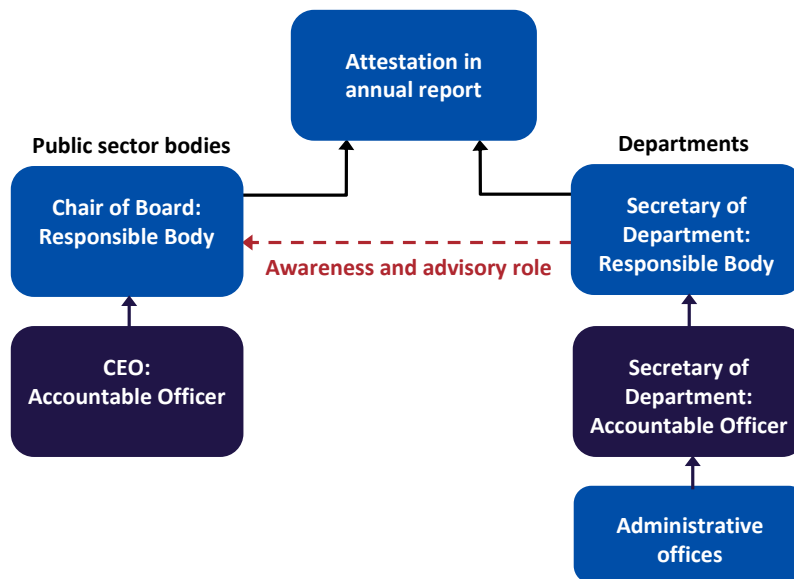
Role of a Responsible Body

A Responsible Body is responsible for verifying and attesting that their entity, and any other entities within their annual report, is complying with the Standing Direction.

The diagram below broadly demonstrates the accountability relationships between different types of Responsible Bodies and Accountable Officers. In particular, the diagram highlights the scope of accountability for a Department Head (Secretary) and the public entities/bodies that report directly to the same Minister. That is, Responsible Bodies that are not Departments, but are public bodies/entities, are responsible for their own attestation. The Secretary of a department is responsible for attesting on behalf their department and any administrative offices associated with that department. Portfolio relationships are discussed in Part 6.

Diagram 2

Accountability relationships



Outsourced and Devolved assets

The AMAF provides a number of mandatory requirements regarding outsourced and devolved assets. Where a Responsible Body has contracted out or entered into a franchising arrangement for particular assets or services with associated assets, they still hold responsibility for attesting to compliance with the AMAF for those assets. Some examples drawn directly from the AMAF of these responsibilities are highlighted below:

AMAF Section 3.1.1

Where asset management activities are devolved or outsourced including to entities excluded from the Standing Directions, Accountable Officers must ensure that contracted service providers or entities excluded from the Standing Directions have arrangements in place for their staff to have the skills and training to meet the key requirements of devolved and outsourced assets and functions.

AMAF Section 3.1.2

Where asset management functions are devolved and outsourced, including to entities excluded from the Standing Directions, Accountable Officers must have appropriate internal management processes established to ensure that they and their outsourced providers or entities excluded from the Standing Directions are maintaining and managing assets to the required standard(s) (e.g. regular performance reporting).

AMAF Section 3.4.3

Where asset management activities are devolved or outsourced including to entities excluded from the Standing Directions, Accountable Officers should ensure that appropriate mechanisms are in place to confirm that the service providers or entities excluded from the Standing Directions are maintaining the assets to an established acceptable standard, balanced against appropriate service delivery trade-offs over time.

When asset management functions are devolved to any small entities that are excluded from complying with the Standing Directions and therefore not subject to the AMAF, Portfolio Department Accountable Officers retain responsibility for ensuring that appropriate asset management arrangements are in place for the devolved functions. These arrangements need to consider the requirements of the AMAF and be proportionate to the collective nature of the asset management responsibilities of the entities as a class.

6. Portfolio relationships

Oversight under the Public Administration Act 1994

The portfolio oversight provision contained in 3.1.3 (Attestation) of the AMAF reiterates existing requirements under the PAA and Standing Directions. This provision is a reminder that Secretaries or portfolio departments have existing responsibilities in relation to working with, and providing guidance to portfolio agencies and supporting their minister in relation to their portfolio entities. These will continue irrespective of the attestation process.

Under section 13A of the PAA, the Department Head (Secretary) has responsibilities for advising the portfolio Minister on matters relating to relevant portfolio agencies, including that they meet their responsibilities as a public entity, and for working with and providing guidance to these public entities. As this Section of the PAA indicates, these responsibilities are primarily advisory. Portfolio agencies will still be accountable for their own compliance.

Assets managed by multiple agencies

In cases where assets are managed by multiple agencies within a portfolio, Responsible Bodies may not need to attest to compliance with some mandatory requirements of the framework for some assets when another agency within the portfolio has a clearly defined responsibility for meeting that mandatory requirement.