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**Managing Infrastructure
Assets, one year on –
lessons learnt**

Today's presentation

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1. Themes from last year's presentation
2. Recent audits and reports
3. Continuing and changing themes
4. New theme
5. ANAO Better practice guide

Themes from audits 2000 to 2010

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1. Assets not properly maintained
2. Life-cycle budgeting and planning not conducted
3. Ineffective planning and decision-making
4. Ineffective contracts for PPPs
5. Reporting on asset performance should be more accountable

Audits since Sept 2010 – continuing area of audit interest

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Commonwealth

- Better practice guide on the strategic and operational management of assets by public sector entities
- Capitalisation of Software
- 2009-10 Major Projects Report

New Zealand

- New Zealand Transport Agency: Information and planning for maintaining and renewing the state highway network
- New Zealand Transport Agency: Delivering maintenance and renewal work on the state highway
- Transpower New Zealand Limited: Managing risks to transmission assets

Queensland

- Expenditure under the Nation Building - Economic Stimulus Plan at 31 August 2010

Victoria

- Management of the Freight Network
- Security of Infrastructure Control Systems for Water and Transport
- Auditor-General's Report on the Annual Financial Report of the State of Victoria
- Management of Major Road Projects
- Business Planning for Major Capital Works and Recurrent Services in Local Government
- Management of Prison Accommodation using Public Private Partnerships
- Biotechnology in Victoria: the Public Sector's Investment

→ *Last year's themes continue... plus new theme*

Theme 1: Assets not properly maintained

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Audits continue to find assets are not properly maintained...

...new focus this year: Audit findings this year have shown that there is ***ineffective planning*** for asset management and maintenance.

Some examples...

Assets not properly maintained

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- Nationally, the state highway network continued to show signs of deterioration caused by rutting
 - Effect on expenditure levels could be significant
 - Current program of maintenance and renewal work will not maintain the network at current levels of service.

(New Zealand Transport Agency: Information and planning for maintaining and renewing the state highway network, 2010)

Lack of formal asset management documentation

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- \$1.6 billion of VIC assets have no asset management plans
 - cannot determine capital expenditure needs.
(Business Planning for Major Capital Works and Recurrent Services in Local Government, 2011)

Theme 2: Life-cycle budgeting and planning not conducted

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- ABS's and IP Australia's current practices did not support life-cycle costing of intangible assets.

(Capitalisation of Software, 2010)

- Little evidence that Victorian councils audited considered life-cycle costs in managing assets.

(Business Planning for Major Capital Works and Recurrent Services in Local Government, 2011)

Theme 3: Ineffective planning and decision-making

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Audits continue to find issues with planning and decision-making...

... new focus this year: Audit findings this year show weaknesses in ***information to decision-makers*** resulting in investments being placed at risk.

Some examples...

Inadequate information to decision-makers

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- Weaknesses in forecasting traffic and estimating benefits for Victorian road projects give decision-makers false confidence about project's capacity
- Can't verify the reliability of cost estimates for PPP vs. public sector procurement.

(Management of Major Road Projects , 2011)

- $\frac{3}{4}$ Victorian councils audited could not demonstrate that councillors received enough information to support investment decisions
- Business cases not sufficiently developed.

(Business Planning for Major Capital Works and Recurrent Services in Local Government , 2011)

Theme 4: Ineffective contracts for PPPs

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- No assurance that assets are being appropriately maintained
 - likely the state will receive the assets back in a poorer condition than expected.

(Management of Prison Accommodation Using Public Private Partnerships, 2010)

Theme 5: Asset information and reporting

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- Incomplete information about conditions to inform day-to-day maintenance and renewal of structures such as bridges on the NZ state highway network.

(New Zealand Transport Agency: Information and Planning for Maintaining and Renewing the State Highway Network , 2010)

- There were issues with accuracy and completeness of information in the current DMO systems for reporting on project status to senior management.

(2009-10 Major Projects Report, 2010)

- Transpower NZ lacked coordinated asset information in a way that could inform medium and long term strategy.

(Transpower New Zealand Limited: Managing risks to transmission assets, 2011)

New theme: Need for more support from central agencies

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- The Victorian Department of Treasury and Finance supports procurement phase but not the operational phase of contracts.

(Management of Prison Accommodation using Public Private Partnerships, 2010)

- Local Government Victoria did not scrutinise the basis for individual councils' plans and budgets.

(Business Planning for Major Capital Works and Recurrent Services in Local Government, 2011)

ANAO's Better Practice Guide

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Guide to the public sector → relevant resource for any asset management

Principles of asset management

- asset acquisitions, disposal and life-cycle management decisions are **integrated** into an entity's strategic and organisational planning
- asset planning decisions are based on an **evaluation** of alternatives, which assesses risks and benefits, and applies the Government's core procurement principle of value for money across the **asset's life cycle**
- an effective **control structure** is established for asset management
- **accountability** is established for asset condition, use and performance
- Disposal decisions are based on **analysis** of the methods which achieve the best available net return

(Better Practice Guide on the Strategic and Operational Management of Assets by Public Sector Entities, 2010)