

# **Asset Management Accountability Framework**

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The Secretary  
Department of Treasury and Finance  
1 Treasury Place  
Melbourne Victoria 3002  
Australia  
Telephone: +61 3 9651 5111  
Facsimile: +61 3 9651 5298  
[dtf.vic.gov.au](http://dtf.vic.gov.au)

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# 1. Overview of the Asset Management Accountability Framework

## 1.1 Background and overview

The Asset Management Accountability Framework (AMAF) establishes a flexible and non-prescriptive set of requirements which aim to ensure Victorian public sector Accountable Officers manage asset portfolios appropriately. It applies to non-current assets (physical and intangible), including information and communication technology (ICT) assets, 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). However, it does not apply to financial assets. Elements of the framework also apply where asset management activities are devolved and fully or partially outsourced. Land, buildings, infrastructure, plant and equipment comprise the bulk of Victoria's non-current assets, according to value.

Beyond the principles of the framework, this document details both mandatory asset management requirements (practices Accountable Officers **must** implement—see Appendix 1) and general guidance for agencies responsible for managing assets (practices Accountable Officers **should** implement—see Appendix 2).

Being non-prescriptive in its implementation, the framework allows Responsible Bodies and Accountable Officers flexibility to manage their organisation's assets in a manner that is consistent with government requirements, their own specific operational circumstances and the nature of their asset base. The AMAF outlines how assets should be managed across their whole lifecycle to support service delivery objectives. It also outlines the policies and processes Accountable Officers must and should establish to ensure asset management activities are appropriately implemented where their organisation has devolved or fully or partially outsourced asset management activities. It does not, however, prescribe how Accountable Officers should deliver their organisation's services, what their service delivery objectives should be or what asset standards Accountable Officers should set or meet.

### Asset management responsibilities

Asset management is the coordinated activities of an organisation, carried out over an asset's whole lifecycle, to realise full value from assets in delivering their service delivery objectives. Realisation of value will normally involve a balance of costs, risks, opportunities and performance benefits<sup>1</sup>.

The Department of Treasury and Finance (DTF) is responsible for ensuring the AMAF remains up to date and consistent with legislation and other associated government asset policies and frameworks. DTF is also responsible for advising government on whole of government asset management issues, which assists government in making decisions on asset planning, acquisition, operational and disposal matters.

Accountable Officers, on the other hand, are responsible for applying the AMAF principles and requirements to manage assets under their control.

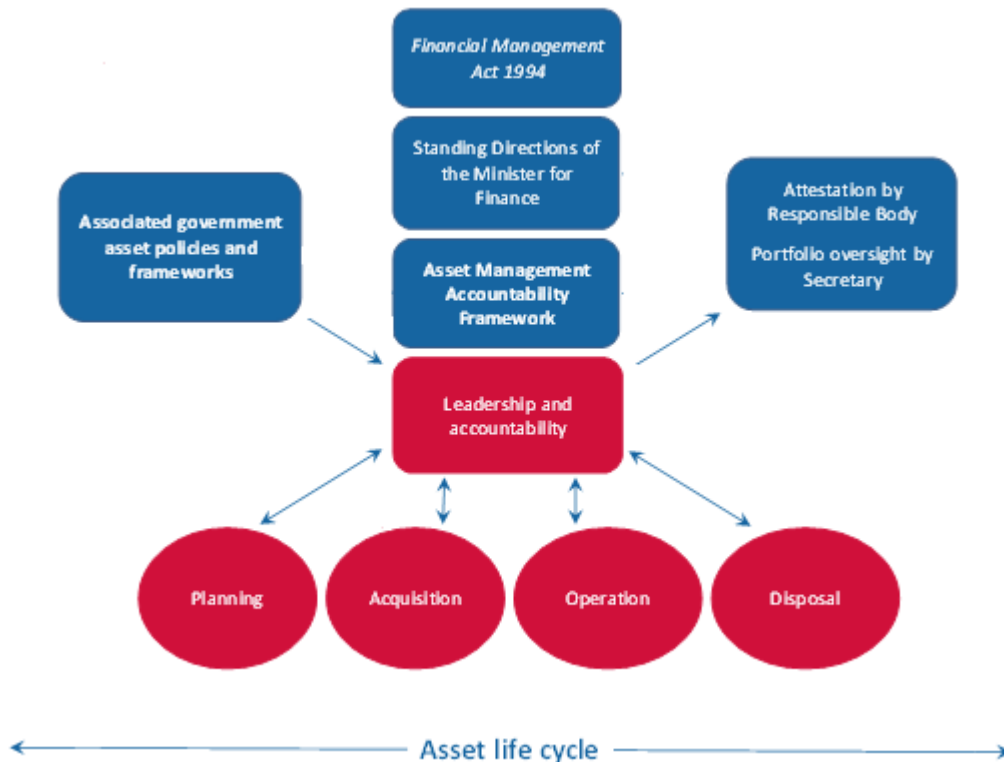
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<sup>1</sup> International Standards Organisation - ISO55000

The AMAF is complemented by a suite of other government resource allocation and asset-related policies and frameworks that Accountable Officers must consider when supporting their organisation’s service delivery and asset management. Figure 1 illustrates how the AMAF fits within the Government’s resource management framework, with further detail provided in the following sections of this document.

Appendix 1 outlines an Accountable Officers’ mandatory attestation requirements under the AMAF. Attestation will be mandatory for 2017-18 annual reports.

**Figure 1: The relationship between the AMAF and other government policies**



## 1.2 Purpose of the Asset Management Accountability Framework

The role of public assets in Victoria is to support the delivery of government services to the community, including preserving cultural and heritage assets with unique historical, cultural or environmental attributes. This framework seeks to ensure Accountable Officers are managing Victoria’s sizeable portfolio of assets efficiently and effectively. If an asset does not, or will not, contribute effectively to a service over time<sup>2</sup>, it should not be held or used by the public sector. Decisions about asset ownership and retention should always be service driven.

<sup>2</sup> Some assets such as protected transport corridors may be an option to meet a potential future service need and should be evaluated over the long term.

However, ownership and use of assets is just one mechanism of delivering a service and should only be considered as one part of broader service delivery planning. Other resources, such as front-line service delivery staff and contracted non-government organisations, also contribute to an organisation's capacity to deliver its services. Therefore, it is important that Accountable Officers:

- identify their organisation's current and future service needs and standards;
- plan their organisation's services;
- consider all means of service delivery available; then
- plan and manage their organisation's assets and other resources to effectively and efficiently deliver services;
- adequately evaluate and monitor risks to assets and service delivery; and
- 'learn by doing' by adapting service delivery and asset management to measured performance outcomes.

### **Managing assets effectively**

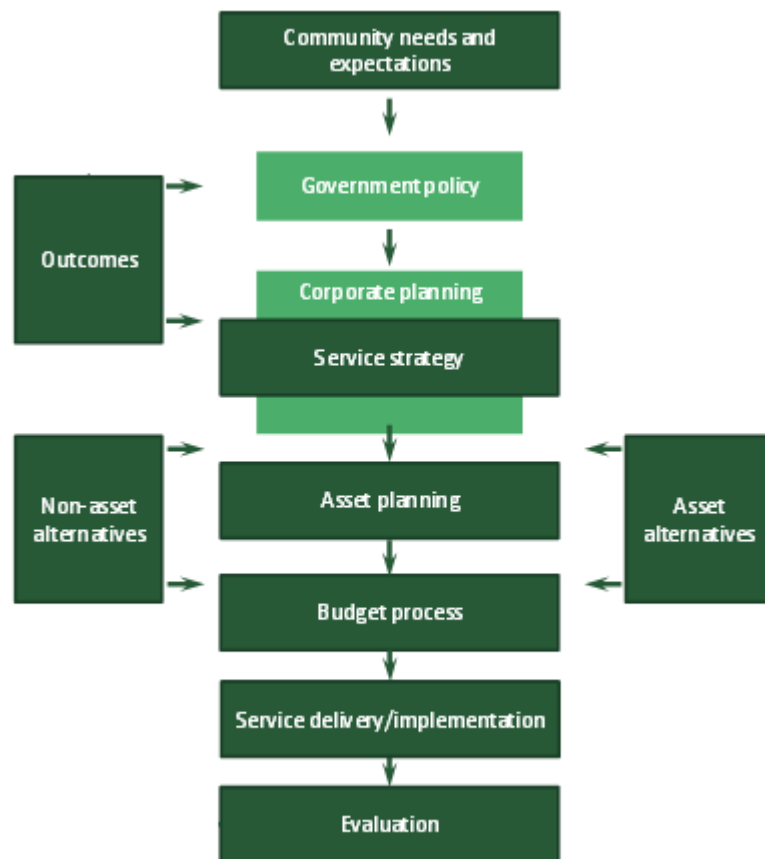
Sound asset management requires the effective planning, acquisition, operation and disposal of the most appropriate assets to meet current and likely future service delivery demands. It also involves Accountable Officers incorporating asset management into their organisation's overall corporate planning frameworks.

Effective asset management is achieved by:

- matching assets to service delivery needs;
- establishing asset standards to meet service delivery needs and standards;
- managing assets within available resources and legal/technical requirements;
- balancing competing service and asset needs and priorities, including whether assets are fit for purpose and aligned with government policy objectives, and selecting options that best meet desired government outcomes;
- adopting a whole of lifecycle approach to planning asset investment and management decisions;
- monitoring, evaluating and improving the performance of assets, including planning for uncertainty or the use of 'real options' where appropriate;
- being responsive to foreseen and unforeseen changes in demand or use;
- having appropriate strong asset management accountability and responsibility processes, systems, risk management and reporting requirements in place;
- establishing responsibility and accountability for maintaining, and efficiently and effectively using the assets already in place;
- ensuring informed decision making through adequate asset information, including asset condition, existing and alternative asset use and residual value;
- identifying and managing the risks of asset ownership and operation for continuity of service for integration into overall risk management frameworks; and
- adopting a continuous improvement and adaptive management approach to asset investment policies and practices.

Effective asset management should result in appropriate service delivery and value outcomes from assets over their lifecycles, including adapting approaches where circumstances change, within the available resources. Figure 2 outlines how asset planning and management interface with service planning and budgetary and evaluation processes.

**Figure 2: Service planning interface with asset planning and management**



### 1.3 AMAF principles

The AMAF is based on a set of guiding principles. All asset management decisions should be guided by these principles:

- **Service delivery focused (Figure 3)**
  - All asset management activities aim to support service delivery throughout the State.
  - Planning includes evaluating all potential methods to meet demands for service delivery.
  - All asset management decisions are based on service delivery needs and outcomes.

**Figure 3: Service delivery is at the core of asset management**





- **Integrated into planning frameworks**
  - Asset planning and management are integrated into relevant government policy and planning frameworks, and budgetary and evaluation processes and are aligned with organisational objectives.
- **A whole of lifecycle approach**
  - A whole of lifecycle approach, incorporating real options analysis where appropriate, to planning asset investment and management decisions.
  - Planning and management take into account all costs incurred throughout the lifecycle of the assets, from acquisition to disposal, and related benefits and risks.
- **Informed decision making**
  - Asset management decisions evaluate all potential methods to meet the demands for service delivery, including engaging the private sector, non-asset solutions and demand management strategies.
  - Asset management decisions consider meaningful performance measurement of assets, through key performance indicators and monitoring of outcomes.
- **Responsible and accountable**
  - Accountability for service delivery and asset management are mutually dependent.
  - Ownership, control, accountability, responsibility and reporting requirements for assets are established, relevant, clearly communicated and implemented, including for outsourced services.
  - Asset information management systems (AIMS) are maintained at a level that meet organisational and government information, decision making and reporting requirements.
  - Asset-related risks are fully integrated into the organisational risk management framework.
- **Considerate of government policies and priorities**
  - All asset management activities are undertaken as part of the Government’s overall resource allocation and management framework.
  - Asset management decisions aim to achieve government outcomes.

## 1.4 Outcomes sought

Through the AMAF, and its other asset-related frameworks and policies, the Government aims to:

- efficiently provide the services required by Victorians by ensuring that assets are appropriately planned, built, acquired, used, maintained and exited from or disposed of;
- support service delivery by providing the right assets at an appropriate time and location in appropriate amounts;
- enhance the service potential of assets through improved management of the existing asset base. This includes exercising flexibility to delay asset acquisition, expansion or disposal where changed circumstances warrant;
- maximise value for money, by taking account of the full costs (including embedded option value) of acquiring, holding, using and disposing of assets throughout their lifecycles, as well as exploring private sector engagement options;

- only acquire assets that are required to support service delivery or cultural outcomes;
- manage any associated asset risks efficiently and effectively;
- apply lessons from the performance of the existing asset base when considering new investment; and
- consider the use of non-asset service delivery alternatives to minimise demand for new assets.

## 2. The asset lifecycle

Non-current physical assets (including ICT assets) have a long life (greater than 12 months). They consume resources to acquire or create them and keep them in operational condition over their lifetime.

Many decisions about assets have long-term implications. Figure 4 outlines the key elements of the AMAF and issues Accountable Officers should consider in managing assets throughout the lifecycle.

**Figure 4: The AMAF asset lifecycle**



In addition to overarching leadership and accountability elements, the stages through which an asset generally passes during its life are the:

- **planning** stage, where the need is identified and the requirement for a new asset is planned for and justified;
- **acquisition** stage, where the asset is purchased, constructed, or otherwise created;
- **operation** stage, where the asset is used for its intended purpose. This stage may be marked by periodic refurbishment or major repair, requiring the asset to be taken out of service for periods of time; and
- **disposal** stage, initiated when the economic life of the asset has expired, when there is no longer a need for the service provided by the asset or the asset in the provision of the service has disappeared.

The stages of the asset lifecycle align with key stages of the investment lifecycle and high value/high risk (HVHR) guidelines. However, the investment lifecycle and HVHR guidelines focus on processes that should be adopted when contemplating investing in new services or assets, or major upgrades to existing services and assets. The AMAF asset lifecycle outlines processes that must and should be adopted to manage entire asset bases.

The AMAF applies to all stages of the asset lifecycle, but focuses on requirements for the planning and operation stages, and leadership and accountability arrangements. Other government policies and frameworks complement the AMAF across all stages of the lifecycle, particularly the acquisition and disposal stages. Accountable Officers should be aware of these, and ensure they comply (if applicable), when undertaking their asset management responsibilities.

Decisions taken about an asset in one stage can affect its performance and costs in others. For example, inadequate attention to maintenance can accelerate the need for major repairs, or shorten the operational life of the asset. Conversely, careful management of existing assets can extend their effective life and avoid or defer the need for new acquisitions. Design and materials used in the construction of an asset can also affect the operational cost of the asset over its whole lifecycle. Therefore, all stages of the lifecycle should be considered when making decisions about an asset or asset management more broadly.

## 3. Key requirements

The following sections outline key requirements of the AMAF that Accountable Officers must and should follow to implement effective asset management systems.

An effective asset management system provides a structured approach for the development, coordination and control of asset related activities undertaken by an organisation, and for aligning these activities with the organisation's service delivery objectives.

The AMAF applies to an organisation's assets as defined under the Australian Accounting Standards and asset thresholds established by each Accountable Officer. The AMAF is designed to be flexible enough to serve assets of varying size and function across government that support a range of service outcomes. Accountable Officers must apply the mandatory requirements of the AMAF consistent with their organisation's asset threshold.

Accountable Officers need to be aware of other requirements (e.g. enabling legislation) that applies to planning, acquiring, managing, operating and disposing of their organisation's assets.

Further guidance on good asset management practices can be found in the international standard ISO 55000 *Asset Management series*.

### 3.1 Leadership and accountability

#### 3.1.1 Overview

##### **Resourcing and skills**

Accountable Officers must ensure that asset management functions are established and that their organisation is appropriately resourced with qualified and skilled asset management staff.

Accountable Officers should determine the resources required (e.g. staff, equipment and systems), and the skills and education needed by their asset management staff for each stage of the asset lifecycle. The skills, education and training required will vary depending on existing capability within the organisation. 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 to ensure their staff are appropriately skilled and trained.

Ongoing training and education is required to maintain the appropriate standards of asset management. This can include encouraging staff to attend relevant training or seminars, subscribing to relevant publications, on-the-job training and coaching, and engagement with industry experts.

##### **Promotion of asset management**

Asset management leadership and accountability is a key part of the AMAF and applies to all stages of the asset lifecycle. Effective asset management is supported by organisational leaders who promote the principles and policies of asset management.

In promoting/communicating the AMAF and the organisation's asset management strategy, an Accountable Officer should require staff to be informed of:

- the role of asset management within the organisation; and
- their contribution, role and responsibilities for asset management.

Management should drive implementation and adherence to the AMAF, the organisation's asset management system and any supporting policies. Management should also drive a culture of continuous improvement in asset management.

Management should also proactively promote the implementation of the AMAF and asset management more broadly within the organisation will ensure that asset management adds value and is not just a compliance process. It should also support the Victorian public sector to deliver high quality and efficient services to the community.

Without leadership and accountability at all levels in an organisation, but particularly from management and Accountable Officers, an organisation's asset management strategy and service delivery objectives may be ineffective.

### 3.1.2 Governance

Accountable Officers must establish appropriate governance frameworks to support the management of assets in their direct control, as well as being considerate of the governance frameworks that other organisations within their portfolio have to support management of assets in their control.

#### **Allocating asset management responsibility**

Responsibility, authority and accountability for all stages of the asset lifecycle must be clearly defined and allocated within an Accountable Officer's operating frameworks. This includes allocating, documenting and clearly communicating relevant asset management responsibilities and accountabilities for staff. Conversely, all asset management activities must only be carried out with proper authorisation, including appropriate financial and other delegations.

As part of this, Accountable Officers must document:

- who is responsible for monitoring compliance with the AMAF and ensuring systems and processes to support the AMAF are in place; and
- who is responsible and accountable for decision making for each stage of an asset's lifecycle.

Ultimate accountability for asset management within the organisation resides with the Responsible Body, which is consistent with the attestation requirements for various functions of the Standing Directions of the Minister for Finance.

The allocation of asset management responsibilities and accountabilities should be incorporated into relevant staff performance plans. Appropriate resources should be allocated to support staff with these responsibilities/accountabilities.

Where 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).

#### **Other policies**

Accountable Officers should also consider their organisation's alignment with the processes and principles outlined in the international standard *ISO 55000 Asset Management Series*, as appropriate.

### 3.1.3 Application and Attestation

#### Standing Directions of the Minister for Finance

The Standing Directions of the Minister for Finance are made under the FMA, Section 8, establishing standards for financial management accountability, governance, reporting and practice for public sector bodies.

The purpose of the Directions is to achieve a high standard of public financial management and accountability in the Victorian public sector in line with the principles of sound financial management in the FMA.

The Standing Directions focus on accountability and achieving key control objectives. They provide sufficient flexibility for application by organisations of different sizes and scope. Where appropriate, the Standing Directions are supported by specific requirements set out in DTF Procedures and additional Guidance supporting the Standing Direction.

The new Standing Direction 3.4.9 – ‘Managing Assets’ which mandates the AMAF has been released with this policy document for information only, with it to come into effect on 1 July 2016. From this date it will replace the existing Standing Direction 3.4.9 – ‘Physical and Intangible Assets.’

It is important to note that government 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.

#### Application and attestation

The AMAF is enforced by the Standing Directions which set out a number of matters relevant to the AMAF, including:

- those Victorian Public Sector agencies that are subject to AMAF (i.e. those that are subject to the Standing Directions); and
- requirements to demonstrate compliance with AMAF, including public attestation in annual reports.

As part of the Standing Directions, from the conclusion of the 2017-18 financial year, the Responsible Body must attest in their annual report, that their organisation is compliant with the requirements of the Standing Directions. The organisation’s audit committee, or an alternative review mechanism when there is no audit committee<sup>3</sup>, must verify this view prior to finalising attestation. Agencies are also subject to any other requirements under the Directions to ensure compliance and support the attestation.

Ensuring compliance with the AMAF will require asset management to be overseen by senior staff, at an appropriate level determined by the Accountable Officer. It will also help ensure that asset management systems for all stages of an asset’s lifecycle are appropriately implemented, reviewed and monitored.

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.

#### Portfolio relationship

Under section 13A of the *Public Administration Act 2004*, the Department Head (Secretary) has responsibilities for advising the portfolio Minister on matters relating to relevant portfolio entities

<sup>3</sup> Refer to provisions in the Standing Directions on the role of the Responsible Body when the agency has been exempt from audit committee requirements..

and for working with and providing guidance to these entities. Consistent with this role, Department Heads are expected to advise the portfolio Minister if any significant asset management issues relating to their relevant public entities arise, where necessary. This is separate to attestation.

### **3.1.4 Performance management**

#### **Monitoring asset performance**

It is important that asset performance is appropriately and continuously reviewed and evaluated to verify that required outcomes, including service delivery objectives, are being achieved and that agencies 'learn by doing', which supports continuous improvement. In order to assess whether these objectives are being achieved Accountable Officers should:

- identify their organisation's service needs and standards;
- plan their organisation's services;
- consider all means of service delivery available; then
  - identify their organisation's asset needs;
- establish and set asset standards or benchmarks required to achieve these service objectives;
- plan, monitor and manage their organisation's assets, including asset-related risks to effectively deliver services in line with the established standards or benchmarks; and
- evaluate performance, the effectiveness of the established standards and benchmarks and, where appropriate, implement changes to support continuous improvement.

Accountable Officers must establish performance standards and targets for their assets, considerate of available resources that form part of their broader service planning goals. Accountable Officers must also establish and maintain management processes to regularly record, monitor and assess performance, and use those results to improve performance. Performance should be monitored by Accountable Officers against their own established asset standards, targets or benchmarks to establish whether assets are being managed effectively, underperforming or costly to own and operate.

There are a number of factors to be considered when setting and monitoring targets to assess an asset's performance, including:

- service delivery needs;
- physical condition;
- utilisation;
- functionality; and
- financial performance.

When comparing performance outcomes against asset standards or benchmarks, the criteria should be considerate of, where possible, relevant data from other comparable organisations or assets. The performance and utilisation of assets must be reviewed periodically.

Asset performance monitoring and continuous improvement strategies must also be incorporated into the overall corporate and strategic planning framework.

#### **Asset management system performance**

In addition to monitoring the performance of assets, Accountable Officers must establish systems and processes for monitoring the performance of both:

- their assets; and
- the overall asset management systems themselves;



to ensure that the systems have been implemented and maintained, and are effective in meeting asset management requirements and responsibilities.

This monitoring should also ensure that the overall asset management system is updated as knowledge improves and circumstances change.

Commencing in 2020-21 Responsible Bodies must, at least every three years, conduct a self-assessment of the level of asset management maturity within their organisation, and other organisations within their annual report, and state this in their annual report. As part of this self-assessment, Responsible Bodies must evaluate:

- the maturity of their asset management systems and practices;
- the maturity of their systems and practices against their aspirational target; and
- their path towards achieving their aspirational target.

### **Key performance indicators**

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

- operational performance of the asset in meeting 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.

Establishing KPIs and targets for assets should be driven by government policy objectives, established service standards, and available resources. Accountable Officers sometimes need to make an informed decision balancing the service, asset standards and performance they would like to achieve with costs, while taking into account competing priorities and available resources.

Establishing KPIs and targets that incorporate benchmarks against other like assets provides a useful comparison of asset performance alongside other organisational KPIs and objectives.

### **Reporting to government**

Reporting to government and central agencies on asset management and performance may be required to assist government in making informed resource allocation decisions.

There are several asset-related reporting requirements that Accountable Officers provide to government and central agencies, which can change over time.

Through its asset information management system (AIMS), an Accountable Officer must also ensure that the organisation can provide relevant asset information and performance data to government and central agencies as required, and is flexible enough to respond to reasonable information reporting requests by the Government.

### **Evaluation of asset performance**

As part of the performance management process, an Accountable Officer must regularly review the performance of its organisation's assets. They must also make any necessary changes to their organisation's asset management and risk management processes and systems. This will allow the organisation's asset base to continue to achieve the organisation's service delivery objectives, within available resources.

### 3.1.5 Other requirements

Accountable Officers should establish asset management processes that help ensure:

- their organisation's assets support the services it delivers;
- their organisation's assets contribute to achieving government outcomes and meeting their organisation's service delivery needs; and
- continuous improvement and adaptive learning in managing and maintaining their organisation's assets.

Additionally, Accountable Officers must ensure there are appropriate risk management strategies and processes to support asset management, including processes to identify and maintain assets that are at risk of critical service failure.

Accountable Officers should also consider their organisation's alignment with the processes and principles outlined in the international standard ISO 55000 *Asset Management Series*, as appropriate.

## 3.2 Planning

### 3.2.1 Overview

Accountable Officers should systematically identify their organisation's service delivery and asset needs over time, to establish a plan on how to manage their entire asset base and how to manage individual assets throughout their lifecycle. This should be based on long-term service planning to meet future service needs and demand.

Identifying changing asset needs by developing an asset management strategy assists Accountable Officers to:

- identify options and prioritise investment and divestment needs;
- develop business cases as appropriate;
- undertake cost benefit and real options analyses;
- consider non-asset alternatives;
- implement the appropriate accounting treatment and requirements for individual assets; and
- identify funding options.

### 3.2.2 Asset management strategy

A key requirement of the AMAF is for Accountable Officers to develop an asset management strategy for their organisation's entire asset base over the whole asset lifecycle on a portfolio basis.

The asset management strategy must be integrated into the organisation's overall planning framework, guided by the efficient and effective delivery of quality services. Incorporating the asset management strategy within the organisation's overall planning processes will enable an Accountable Officer to make the most appropriate decisions about the organisation's asset profile, particularly when responding to such factors as:

- new or changing service delivery requirements;
- alternative methods of service delivery;
- impact of alternative resource combinations on service outcomes;
- resourcing changes; or
- evolving technology.

The asset management strategy should consider various options to achieve the organisation's desired service delivery results, and include an evaluation of the costs, benefits and risks associated with each option.

The strategy must outline how the Accountable Officer will use the organisation's assets to support its service delivery objectives and incorporate planning for assets (including proposed upgrades, acquisitions and disposals) over different periods of time (e.g. short term: one to three years, medium term: four to nine years, and long term: 10 or more years). Accountable Officers should consider their organisation's existing asset base condition, capacity, capability and usage. They should also consider available resources, funding constraints and competing service and asset priorities. Accountable Officers should also give consideration to:

- the policy, legal and accountability environment the organisation operates in;
- the organisation's service delivery goals and objectives;
- the organisation's corporate management and planning framework;
- external or market factors (commercial, technological, environmental, or industry implications) and risks to those factors;
- the asset lifecycle, and how assets will be managed throughout the cycle, including the ability to scale-up, delay acquisition or dispose of assets;
- lifecycle costs of the assets;
- resource availability;
- private sector delivery options;
- stakeholder needs;
- performance monitoring, risk management processes and skills needed by staff;
- the Accountable Officer's asset management systems and process;
- non-asset alternatives to service delivery;
- the need to rationalise operations to improve service delivery or enhance cost effectiveness;
- continuous improvement of asset management and adaptive learning within the organisation; and
- current and forecast demand for service delivery.

While addressing these issues, the strategy should be at an appropriate level to the organisation, commensurate with the size and functions of the organisation.

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

The strategy is intended to be used for internal management purposes, and must be evaluated by senior management, and updated where applicable, to ensure it remains suitable and effective.

### **Risk management and contingency planning**

Risk management should be an integral part of an organisation's culture, whether positive (opportunities) or negative (threats). It should also be reflected in the organisation's policies, systems and processes to ensure sound financial management as well as efficient and effective service delivery. This also applies to asset management.

Effective asset management includes identifying and assessing risks to enable well-informed decisions about risk management and treatment plans.

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. Accountable Officers must continue to monitor and evaluate the effectiveness of their risk management measures on a regular basis and, if necessary, redefine them.

When developing asset risk management plans, consideration should be given to examining risks across the whole asset lifecycle. Asset risk management plans should consider inclusion of the following risks:

- physical failure;
- operational;
- financial;
- occupational health and safety;
- third party; and
- stakeholders.

As part of their organisation's business continuity plans, required under the Standing Directions, Accountable Officers should develop procedures for identifying and responding to incidents and emergency situations, and maintaining the operational continuity of critical assets for service delivery.

### **Planning for uncertainty and using real options**

Good asset management requires the planning and acquisition of the most appropriate assets to meet current and future service delivery demands. This requires informed decisions about which assets are needed, where and in what numbers. However, future service delivery demands and an asset's performance meeting those demands may be subject to significant uncertainty.

For example:

- future service delivery demand may depend on demographic, environmental or technological outcomes, which are uncertain at the time of making decisions on asset planning; and
- the performance of an asset may change due to the availability and price of inputs or due to unforeseen changes in the condition of the asset.

Effective asset management includes identifying and assessing uncertainties to enable Accountable Officers to respond when uncertain outcomes are realised. Adopting 'real options' or identifying alternative options which can be pursued if uncertainties materialise provide organisations with flexibility to adapt when these uncertain outcomes are realised.

Where an organisation's ability to achieve its service delivery objectives may be affected by significant uncertainty, Accountable Officers should consider the value of acquiring or preserving real options that could be exercised to adapt to changing circumstances. In these circumstances, Accountable Officers should incorporate planning for uncertainty and real options in their organisation's long-term service planning, asset management strategies and risk management and contingency planning.

### **3.2.3 Business cases for new asset proposals**

All asset proposals seeking additional funding from government or seeking private sector involvement should be developed in accordance with guidelines and methodologies developed by DTF or otherwise endorsed by the Government. Requirements for business cases and processes for the State budget are updated on an annual basis and are communicated to departments and agencies by DTF. When developing business cases for new asset proposals, organisations should utilise information they have collected through their AIMS and asset management strategy to

demonstrate the need for additional investment. Business cases should factor in all relevant capital and output costs, including any output price increase required to offset additional capital assets charge and depreciation costs (if applicable).

### **3.2.4 Other policies**

Other policies developed by or on behalf of Accountable Officers, such as financial, human resources, risk management, planning, occupational health and safety, and knowledge management should consider current asset management requirements so that these requirements are evaluated, and where relevant, incorporated into key plans and practices across the organisation.

Accountable Officers should also consider their organisation's alignment with the processes and principles outlined in the international standard *ISO 55000 Asset Management Series* as appropriate.

## **3.3 Acquisition**

### **3.3.1 Overview**

Acquisition decisions should be taken within an integrated planning framework that takes account of service delivery needs, corporate objectives, financial and budgetary constraints and the Government's overall resource allocation objectives. During the acquisition phases Accountable Officers must also adequately consider, on behalf of their organisation:

- solutions to support service delivery that do not involve asset acquisitions;
- risks in acquiring assets or delivering services;
- the appropriate procurement method; and
- the appropriate approval mechanism prior to acquisition.

### **3.3.2 Acquisition process**

As part of the acquisition process, an Accountable Officer must consider the:

- organisation's asset management strategy;
- nature of the organisation's assets to be acquired or created;
- market conditions and the implications for the organisation's asset cost (is it a buyers' or sellers' market?);
- industry capacity (i.e. the number of potential contractors or suppliers capable of supplying the assets);
- industry standard (how the assets are normally procured in the industry);
- suitability of contractors or suppliers;
- available resources to manage procurement of the organisation's asset; and
- relevant internal/external approval processes (e.g. Government approval processes as part of the annual State Budget).

To ensure a cost effective approach, non-asset solutions to service delivery should be considered before deciding to purchase fixed assets. Additionally, private sector engagement options should also be considered, such as the involvement of the private sector in the acquisition process or delivery of services.

### 3.3.3 Procurement method

Choosing an appropriate acquisition method is fundamental to the feasibility, development and ultimate success of the procurement. Accountable Officers are responsible for choosing the most appropriate method, and for identifying, assessing and allocating potential risks and optimising investment return. The acquisition should be undertaken based on the asset management strategy that the Accountable Officer has undertaken as part of their organisation's service delivery planning.

The method used to acquire assets should enable:

- appropriate allocation of risks and obligations to relevant parties;
- the definition of respective roles of those involved; and
- the required outcomes of the acquisition process.

The choice of procurement method should be made by considering costs, financial benefits, risks, delivery times and the period for which the asset is needed. The appropriate approval processes for acquiring an asset should also be followed.

### 3.3.4 Other requirements

Accountable Officers should consider their organisation's alignment with the processes and principles outlined in the international standard *ISO 55000 Asset Management Series* as appropriate.

## 3.4 Operation

### 3.4.1 Overview

During the operational phases to ensure their organisation's assets are appropriately managed, Accountable Officers need to consider:

- asset monitoring and asset performance;
- maintenance needs;
- asset valuations;
- asset utilisation; and
- asset functionality.

### 3.4.2 Monitoring and preventive action

Accountable Officers must establish processes to identify, monitor and record the condition of their organisation's 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.

If a critical asset service failure incident occurs, Accountable Officers must take action to control and address it, and make any necessary changes to organisational asset management practices to minimise the possibility of the incident reoccurring. Accountable Officers must also review and assess the effectiveness of any corrective actions they implement and make further adjustments as required.

Accountable Officers must also establish policies and procedures that securely protect their organisation's assets against fraudulent activity, theft or improper use.

### 3.4.3 Maintenance of assets

An appropriate maintenance program can sustain or extend an asset's useful life. The benefits of effective asset maintenance include:

- a long-term reduction in lifecycle costs;
- better asset performance and service;
- the optimisation of asset life; and
- improved public perception of the asset's service and safety standards.

Planning for asset maintenance enables targeted action to be undertaken in a timely and cost effective manner. This helps the organisation's asset portfolio to remain productive for the lowest possible long-term cost.

Accountable Officers must establish systems and processes for undertaking their organisation's maintenance activities.

Accountable Officers should ensure asset maintenance tasks are focused on high priority assets. High priority assets might include those that affect health and safety or are operationally critical while low priority assets might include those that have little value or have a relatively short expected life. There may also be assets that require little or no maintenance, for example furniture. Consideration will therefore need to be given to the resources Accountable Officers allocate to maintenance tasks.

The 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. As part of this review, the available resources for maintenance must be examined to ensure that assets are maintained to the standard established by the Accountable Officer with consideration for the impacts on service delivery.

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 their organisation's assets to an established acceptable standard, balanced against appropriate service delivery trade-offs over time.

#### **Information management**

Comprehensive, accurate and up-to-date information on assets is vital to effective asset management.

Access to information is important to ensure Accountable Officers can make informed decisions about the physical and financial performance of assets they control.

Accurate recording, identification, valuation and reporting procedures must be established so that informed decisions to maintain, modify, rehabilitate, find an alternative use for, or dispose of an asset can be made. An Accountable Officer or asset manager 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), which includes asset registers.

Under section 44B of the FMA asset registers are required to be established. The register of assets is to be in the form, and contain the information, determined by the Minister for Finance after consultation with the Victorian Managed Insurance Authority.

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 lifecycle for the purpose of:

- asset planning;

- asset performance monitoring and reporting; and
- accountability.

The functional requirements of an AIMS will depend on the size and nature of an organisation'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 assets under the control of the organisation;
- 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.

Having the above mentioned information stored in an AIMS will enable an Accountable Officer to undertake more informed decision making, by being able to assess or identify:

- the current condition of their organisation's 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;
- lifecycle costs by asset or program; and
- the individual or organisational unit accountable for the asset and the location of the asset.

Comprehensive information about assets can generate large amounts of data. Accountable Officers must define their minimum information requirements, based on what is outlined above. They must also implement effective processes to generate the required information and establish necessary controls. The information processes should be appropriate given the nature of the organisation.

The information in the AIMS must be regularly reviewed, to ensure that all of the Accountable Officer's organisation's asset-related information is up to date.

### **Record keeping**

As part of the AIMS, Accountable Officers must establish appropriate record keeping processes, to meet operational needs and to satisfy relevant accounting standards and disclosure requirements, including for their organisation's contingent and intangible assets. Effective record keeping will support the successful operation of the asset management system and associated processes.

It will also support the Accountable Officer in undertaking any internal or external audit or review that may be conducted of their organisation's asset management practices.

#### **3.4.4 Asset valuation**

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

These standards are available on the Australian Accounting Standards Board (AASB) website: [www.aasb.gov.au](http://www.aasb.gov.au)



Accountable Officers are also required to adhere to the applicable Financial Reporting Directions (FRDs) issued by DTF that relate to asset management, namely:

- FRD 103D – Non-financial physical assets;
- FRD 106 – Impairment of assets;
- FRD 109 – Intangible assets;
- FRD 115 – Non-current physical assets – First time adoption; and
- FRD 117 – Contributions of existing non-financial assets to third parties.

The FRDs are available on the DTF website:

[www.dtf.vic.gov.au/Publications/Government-Financial-Management-publications/Financial-Reporting-Policy/Financial-reporting-directions-and-guidance](http://www.dtf.vic.gov.au/Publications/Government-Financial-Management-publications/Financial-Reporting-Policy/Financial-reporting-directions-and-guidance)

Accountable Officers should also be cognisant of the Valuation Guidance which assists valuers and preparers in understanding the methodology and requirements for the measurement and valuation of non-current physical assets:

<http://www.dtpli.vic.gov.au/property-and-land-titles/valuation/government-valuations/asset-valuations-for-government#non-currentphysicalassets>

### 3.4.5 Other key requirements

In managing and monitoring their organisation's assets, Accountable Officers should also consider and assess:

- asset utilisation rates;
- how asset utilisation and functionality has and may change over time; and
- asset functionality requirements.

Accountable Officers should also consider their organisation's alignment with the processes and principles outlined in the international standard *ISO 55000 Asset Management Series*, as appropriate.

## 3.5 Disposal

Decisions to dispose of an asset require thorough examination and economic appraisal. Like acquisition decisions, they should be taken within an integrated planning framework that takes account of service delivery needs, corporate objectives, financial and budgetary constraints and the Government's overall resource allocation objectives.

Planning for disposal should start well before the economic life of the asset has ended or the need for the service has finished and should incorporate consideration of unplanned disposals or destruction of assets.

Accountable Officers must comply with relevant approval processes and, where possible, select a disposal method including retirement, replacement, renewal or redeployment, that maximises the financial benefits associated with the disposal.

Accountable Officers should also consider their organisation's alignment with the processes and principles outlined in the international standard *ISO 55000 Asset Management Series* as appropriate.

## 4. Key terms/definitions

**Accountability:** the attribution of responsibility for asset management activities.

**Accountable Officer:** as defined in Section 3 of the FMA. 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.

**Agency:** means any public body or Department.

**Asset:** an item or thing that has potential value to an organisation, and for which the organisation has a responsibility. For the purposes of the Asset Management Accountability Framework, asset does not include financial assets.

**Asset management:** the coordinated activities of an organisation to realise lifecycle value from assets in delivery of its objectives.

Realisation of value will normally involve a balance of costs, risks, opportunities and performance benefits. When asset outputs or required service levels are pre-determined and non-negotiable, or when value is negative (e.g. dominated by risks or liabilities), 'realise lifecycle value' may represent minimising the combination of costs and risks.

**Asset management strategy:** a set of agreed principles and actions that determines how an organisation manages its assets over a defined period of time.

**Asset management system:** a set of interrelated or interacting elements of an organisation that establish asset management policies and objectives and processes to achieve those objectives.

A management system can address a single discipline or several disciplines. The system elements include the organisation's structure, roles and responsibilities, planning and operation.

The scope of a management system may include the whole of the organisation, specific and identified functions of the organisation and sections of the organisation, or one or more functions across a group of organisations. However, an asset management system will normally realise greater value if it takes a cross-functional approach over the asset lifecycle.

**Continual improvement:** an ongoing effort to improve performance.

**Functionality:** the range of activities and functions an asset delivers.

**Lifecycle:** the period of value realisation from an asset by an organisation. There may be a number of lifecycles within an asset's whole life. Lifecycle represents an organisation's view of an asset, whereas whole life covers an asset's continuing life history through potentially multiple cycles of ownership or responsibility (i.e. an asset for successive organisations).

**Lifecycle costing:** a key asset management tool that factors in the whole of life impacts of planning, acquiring, operating, maintain and disposing of an asset. It is a process that analyses the known costs over an asset or non-asset's life to reflect the true overall cost of acquiring an asset.

**Lifecycle processes:** include identification of needs, creation or acquisition, utilisation, care and disposal, decommissioning or renewal.

**Non-physical assets (intangible assets):** are identifiable non-monetary assets without physical substance. They are generally long-term resources of an organisation and derive their value from intellectual or legal rights, and from the value they add to the other assets.

Common examples include patents, copyrights, trademarks, designs, computer software and licenses.

**Organisation:** means any public body or Department.

**Physical assets:** comprise land, buildings, infrastructure, plant and equipment, cultural collections, natural resources and information and communication technology (ICT) assets.

**Public entity:** has the meaning as defined in the *Public Administration Act 2004*.

**Real option:** the right—but not the obligation—for an investor to undertake certain business initiatives and actions in the future to optimise the opportunities and risks of an investment over its lifecycle and mitigate the risks that an investment will be regretted. Real options do not eliminate the change of regret but seeks to limit the extent of the regret.

**Risk:** the effect of uncertainty on objectives.

**Risk management:** the coordinated activities to direct and control an organisation with regard to risk.

**Responsible Body:** has the meaning as defined by the Standing Directions of the Minister of Finance. 'Responsible Body' means:

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

**Useful life:** the period over which an asset is expected to provide the organisation with service.

**Utilisation:** how intensively an asset is being used to meet the Accountable Officer's service delivery objectives in relation to the asset's potential capacity.

# Appendix 1 – Mandatory requirements

The following details the mandatory requirements Responsible Bodies and Accountable Officers must meet to allow for full attestation of compliance with the framework. It does not include asset management requirements covered by other frameworks, for example meeting Australian Accounting Standards.

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.

Chapter	Area	Requirement	✓/✗
<b>Leadership and accountability</b>			
3.1	Overview and key requirements	<ul style="list-style-type: none"> <li>Accountable Officers must apply the mandatory requirements of the AMAF consistent with their organisation’s asset threshold.</li> </ul>	<input type="checkbox"/>
3.1.1	Resourcing and skills	<ul style="list-style-type: none"> <li>Accountable Officers must ensure that asset management functions are established and that they are appropriately resourced with qualified and/or skilled staff.</li> <li>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 to ensure their staff are appropriately skilled and trained.</li> </ul>	<input type="checkbox"/>
3.1.2	Governance	<ul style="list-style-type: none"> <li>Accountable Officers must establish appropriate governance frameworks to support the management of assets in their direct control, as well as being considerate of the governance frameworks that other organisations within their portfolio have to support management of assets in their control.</li> <li>Accountable Officers must comply with all mandatory requirements under other government policies when carrying out asset management planning and activities.</li> </ul>	<input type="checkbox"/>

Chapter	Area	Requirement	✓/✗
3.1.2	Allocating asset management responsibility	<ul style="list-style-type: none"> <li>Responsibility, authority and accountability for all stages of the asset lifecycle must be clearly defined and allocated within an Accountable Officer's operating frameworks. This includes allocating, documenting and clearly communicating relevant asset management responsibilities.</li> <li>All asset management activities must only be carried out under proper authorisation, including appropriate financial and other delegations.</li> <li>Accountable Officers must document who is responsible for monitoring compliance with the AMAF and ensuring that systems and processes to support the AMAF are in place.</li> <li>Accountable Officers must document who is responsible and accountable for decision making in relation to varying stages of an asset's lifecycle</li> <li>Where 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).</li> </ul>	<input type="checkbox"/>
3.1.3	Attestation requirements	<ul style="list-style-type: none"> <li>The Responsible Body's audit committee, or an alternative review mechanism when there is no audit committee<sup>4</sup>, must verify the Responsible Body's attestation of compliance with requirements of the Standing Direction on asset management prior to finalising the attestation in the annual report. Agencies are also subject to any other requirements under the Directions to ensure compliance and support the attestation.</li> </ul>	<input type="checkbox"/>
3.1.4	Monitoring asset performance	<ul style="list-style-type: none"> <li>Accountable Officers must establish performance standards and targets for their assets, considerate of available resources that form part of their broader service planning goals. Accountable Officers must also establish and maintain management processes to regularly record, monitor and assess performance, and use those results to improve performance.</li> <li>The performance and utilisation of assets must be reviewed periodically.</li> <li>Asset performance monitoring must also be incorporated into the overall corporate and strategic planning framework.</li> </ul>	<input type="checkbox"/>

<sup>4</sup> Refer to provisions in the Standing Directions on the role of the Responsible Body when the agency has been exempt from audit committee requirements..

Chapter	Area	Requirement	✓/✗
3.1.4	Asset management system performance	<ul style="list-style-type: none"> <li>Accountable Officers must establish systems and processes for monitoring the performance of both: <ul style="list-style-type: none"> <li>– their assets; and</li> <li>– the overall asset management systems themselves;</li> </ul> <p>to ensure that the systems have been implemented and maintained, and are effective in meeting asset management requirements and responsibilities.</p> </li> <li>From 2020-21 Responsible Bodies must, at least every three years, conduct a self-assessment of the level of asset management maturity within their organisation, and other organisations within their annual report, and state this in their annual report. As part of this self-assessment, Responsible Bodies must evaluate: <ul style="list-style-type: none"> <li>– the maturity of their asset management systems and practices;</li> <li>– the maturity of their systems and practices against their aspirational target; and</li> <li>– their path towards achieving their aspirational target.</li> </ul> </li> </ul>	<input type="checkbox"/>
3.1.4	Reporting to Government	<ul style="list-style-type: none"> <li>Through its asset information management system (AIMS), an Accountable Officer must also ensure that the organisation can provide relevant asset information and performance data to government/central agencies as required, and is flexible enough to respond to reasonable information reporting requests by the Government.</li> </ul>	<input type="checkbox"/>
3.1.4	Evaluation of asset performance	<ul style="list-style-type: none"> <li>As part of the performance management process, an Accountable Officer must regularly review the performance of its organisation's assets. They must also make any necessary changes to their organisation's asset management and risk management processes and systems. This will allow the organisation's asset base to continue to achieve the organisation's service delivery objectives, within available resources.</li> </ul>	<input type="checkbox"/>
3.1.5	Other Requirements	<ul style="list-style-type: none"> <li>Accountable Officers must ensure there are appropriate risk management strategies and processes to support asset management established, including processes to identify and maintain assets that are at risk of critical service failure.</li> </ul>	<input type="checkbox"/>
<b>Planning</b>			
3.2.2	Asset management strategy	<ul style="list-style-type: none"> <li>A key requirement of the AMAF is for Accountable Officers to develop an asset management strategy for their organisation's entire asset base over the whole asset lifecycle on a portfolio basis.</li> <li>The strategy must outline how the Accountable Officer will use the organisation's assets to support its service delivery objectives and incorporate planning for assets (including proposed upgrades, acquisitions and disposals) over different periods of time (e.g. short term: one to three years, medium term: four to nine years, and long term: 10 or more years). The strategy must be evaluated by senior management, and updated where applicable.</li> </ul>	<input type="checkbox"/>

Chapter	Area	Requirement	✓/✗
3.2.2	Risk management and contingency planning	<ul style="list-style-type: none"> <li>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.</li> <li>Accountable Officers must continue to monitor and evaluate the effectiveness of their risk management measures on a regular basis and, if necessary, redefine them.</li> </ul>	<input type="checkbox"/>
<b>Acquisition</b>			
3.3.1	Overview	<ul style="list-style-type: none"> <li>During the acquisition phases Accountable Officers must adequately consider, on behalf of their organisation: <ul style="list-style-type: none"> <li>solutions to support service delivery that do not involve asset acquisitions;</li> <li>risks in acquiring assets or delivering services;</li> <li>the appropriate procurement method; and</li> <li>the appropriate approval mechanism prior to acquisition.</li> </ul> </li> </ul>	<input type="checkbox"/>
3.3.2	Acquisition process	<ul style="list-style-type: none"> <li>As part of the acquisition process, an Accountable Officer must consider the: <ul style="list-style-type: none"> <li>organisation's asset management strategy;</li> <li>nature of the organisation's assets to be acquired or created;</li> <li>market conditions and the implications for the organisation's asset cost (is it a buyers' or sellers' market?);</li> <li>industry capacity (i.e. the number of potential contractors or suppliers capable of supplying the assets);</li> <li>industry standard (how the assets are normally procured in the industry);</li> <li>suitability of contractors or suppliers;</li> <li>available resources to manage procurement of the organisation's asset; and</li> <li>relevant internal/external approval processes (e.g. Government approval processes as part of the annual State Budget).</li> </ul> </li> </ul>	<input type="checkbox"/>
<b>Operation</b>			
3.4.2	Monitoring and preventive action	<ul style="list-style-type: none"> <li>Accountable Officers must establish processes to identify, monitor and record the condition of their organisation's assets.</li> <li>Accountable Officers must establish processes to proactively identify potential asset performance failures and identify options for preventive action.</li> <li>If a critical asset service failure incident occurs, Accountable Officers must take action to control and address it, and make any necessary changes to asset management practices to minimise the possibility of the incident reoccurring.</li> <li>Accountable Officers must also review and assess the effectiveness of any corrective actions they implement and make further adjustments as required.</li> <li>Accountable Officers must also establish policies and procedures that securely protect their assets against fraudulent activity or improper use.</li> </ul>	<input type="checkbox"/>

Chapter	Area	Requirement	✓/✗
3.4.3	Maintenance of assets	<ul style="list-style-type: none"> <li>Accountable Officers must establish systems and processes for undertaking their maintenance activities.</li> <li>The 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. As part of this review, the available resources for maintenance must be examined to ensure that assets are maintained to the standard established by the Accountable Officer with consideration for the impacts of service delivery.</li> </ul>	<input type="checkbox"/>
3.4.3	Information management	<ul style="list-style-type: none"> <li>Accurate recording, identification, valuation and reporting procedures must be established.</li> <li>Accountable Officers are required to establish an asset information management system (AIMS), which includes asset registers.</li> <li>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.</li> <li>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 lifecycle.</li> <li>Accountable Officers must define their minimum information requirements, based on what is outlined in section 3.4.3. They must also implement effective processes to generate the required information and establish necessary controls.</li> <li>The information in the AIMS must be regularly reviewed, to ensure that all of the Accountable Officer's organisation's asset-related information is up to date.</li> </ul>	<input type="checkbox"/>
3.4.3	Record keeping	<ul style="list-style-type: none"> <li>As part of the AIMS, Accountable Officers must establish appropriate record-keeping processes, to meet operational needs and to satisfy relevant accounting standards and disclosure requirements, including for their organisation's contingent and intangible assets.</li> </ul>	<input type="checkbox"/>
3.4.4	Asset valuation	<ul style="list-style-type: none"> <li>As part of asset valuation, Accountable Officers must document policies and procedures for the revaluation of assets.</li> </ul>	<input type="checkbox"/>
<b>Disposal</b>			
3.5		<ul style="list-style-type: none"> <li>Accountable Officers must comply with relevant approval processes and, where possible, select a disposal method including retirement, replacement, renewal or redeployment, that maximises the financial benefits associated with the disposal.</li> </ul>	<input type="checkbox"/>



## Appendix 2 - Guidance

Chapter	Area	Guidance
<b>Leadership and accountability</b>		
3.1	Overview and key requirements	<ul style="list-style-type: none"> <li>Accountable Officers should ensure decisions about asset management, including ownership and retention are always service driven and take account of all stages of the lifecycle.</li> </ul>
3.1.1	Resourcing and skills	<ul style="list-style-type: none"> <li>Accountable Officers should determine the resources required (e.g. staff, equipment and systems), and the skills and education needed by their asset management staff for each stage of the asset lifecycle.</li> </ul>
3.1.1	Promotion of asset management	<ul style="list-style-type: none"> <li>Management should drive implementation and adherence to the AMAF, the organisation's asset management system and any supporting policies.</li> <li>In promoting/communicating the AMAF and the organisation's asset management strategy, an Accountable Officer should require staff to be informed of: <ul style="list-style-type: none"> <li>the role of asset management within the organisation; and</li> <li>their contribution, role and responsibilities for asset management.</li> </ul> </li> <li>Management should drive a culture of continuous improvement in asset management.</li> <li>Management should ensure asset management supports the Victorian public sector to deliver high quality and efficient services to the community.</li> </ul>
3.1.2	Allocating asset management responsibility	<ul style="list-style-type: none"> <li>Accountable Officers should ensure allocation of asset management responsibilities and accountabilities should be incorporated into relevant staff performance plans.</li> <li>Appropriate resources should be allocated to staff with asset management responsibilities.</li> </ul>
3.1.4	Monitoring asset performance	<ul style="list-style-type: none"> <li>Performance should be monitored by Accountable Officers against their own established asset standards, targets or benchmarks to establish whether assets are being managed effectively, underperforming or costly to own and operate.</li> <li>When comparing performance outcomes against asset standards or benchmarks, the criteria should be considerate of, where possible, relevant data from other comparable organisations or assets.</li> </ul>
3.1.4	Asset management system performance	<ul style="list-style-type: none"> <li>The performance monitoring processes should ensure that the overall asset management system is updated as knowledge improves and circumstances change.</li> </ul>
3.1.4	Key performance indicators	<ul style="list-style-type: none"> <li>In order to ascertain the performance of an organisation's assets, key performance indicators (KPIs) should be established.</li> <li>Establishing KPIs and targets for assets should be driven by government policy objectives, established service standards, and available resources.</li> </ul>

Chapter	Area	Guidance
3.1.5	Other requirements	<ul style="list-style-type: none"> <li>Accountable Officers should establish asset management processes that help ensure: <ul style="list-style-type: none"> <li>their organisation’s assets support the services it delivers;</li> <li>their organisation’s assets contribute to achieving government outcomes and meeting their organisation’s service delivery needs; and</li> <li>continuous improvement and adaptive learning in managing and maintaining their organisation’s assets.</li> </ul> </li> <li>Accountable Officers should also consider their organisation’s alignment with the processes and principles outlined in the international standard ISO 55000 <i>Asset Management Series</i>, as appropriate.</li> </ul>
<b>Planning</b>		
3.2.1	Overview	<ul style="list-style-type: none"> <li>Accountable Officers should systematically identify their organisation’s service delivery and asset needs over time, to establish a plan on how to manage their entire asset base and how to manage individual assets throughout their lifecycle. This should be based on long-term service planning to meet future service needs and demand.</li> </ul>
3.2.2	Asset management strategy	<ul style="list-style-type: none"> <li>The asset management strategy should consider options to achieve the organisation’s desired service delivery results, and include evaluation of the costs, benefits and risks associated with each option.</li> <li>Accountable Officers should consider their organisation’s existing asset base condition, capacity, capability and usage when developing an asset management strategy. They should also consider available resources, funding constraints and competing service and asset priorities.</li> <li>When developing an asset management strategy, Accountable Officers should consider: <ul style="list-style-type: none"> <li>the policy, legal and accountability environment the organisation operates in;</li> <li>the organisation’s service delivery goals and objectives;</li> <li>the organisation’s corporate management and planning framework;</li> <li>external or market factors (commercial, technological, environmental, or industry implications) and risks to those factors;</li> <li>the asset lifecycle, and how assets will be managed throughout the cycle, including the ability to scale-up, delay acquisition or dispose of assets;</li> <li>lifecycle costs of the assets;</li> <li>resource availability;</li> <li>private sector delivery options;</li> <li>stakeholder needs;</li> <li>performance monitoring, risk management processes and skills needed by staff;</li> <li>the Accountable Officer’s asset management systems and process;</li> </ul> </li> </ul>

Chapter	Area	Guidance
		<ul style="list-style-type: none"> <li>– non-asset alternatives to service delivery;</li> <li>– the need to rationalise operations to improve service delivery or enhance cost effectiveness;</li> <li>– continuous improvement of asset management and adaptive learning within the organisation; and</li> <li>– current and forecast demand for service delivery.</li> </ul> <ul style="list-style-type: none"> <li>• The strategy should be at an appropriate level to the organisation's size and functions.</li> </ul>
3.2.2	Risk management	<ul style="list-style-type: none"> <li>• When developing asset risk management plans, consideration should be given to examining risks across the whole asset lifecycle.</li> <li>• As part of their organisation's business continuity plans required under the Standing Directions, Accountable Officers should develop procedures for identifying and responding to incidents and emergency situations and maintaining the operational continuity of critical assets for service delivery.</li> </ul>
3.2.2	Planning for uncertainty and using real options	<ul style="list-style-type: none"> <li>• Where an organisation's ability to achieve its service delivery objectives may be affected by significant uncertainty, Accountable Officers should consider the value of acquiring or preserving real options that could be exercised to adapt to changing circumstances.</li> <li>• Accountable Officers should incorporate planning for uncertainty and real options in their organisation's long-term service planning, asset management strategies and risk management and contingency planning.</li> </ul>
3.2.3	Business cases for new asset proposals	<ul style="list-style-type: none"> <li>• All asset proposals seeking additional funding from government or seeking private sector involvement should be developed in accordance with guidelines and methodologies endorsed by the Government and DTF.</li> <li>• When developing business cases for new asset proposals, organisations should utilise information they have collected through their AIMS and asset management strategy to demonstrate the need for additional investment.</li> <li>• Business cases should factor in all relevant capital and output costs, including any output price increase required to offset additional capital assets charge and depreciation costs (if applicable).</li> </ul>
3.2.5	Other policies	<ul style="list-style-type: none"> <li>• Other policies developed by or on behalf of Accountable Officers, such as financial, human resources, risk management, planning, occupational health and safety, and knowledge management should consider current asset management requirements so that these requirements are evaluated, and where relevant, incorporated into key plans and practices across the organisation.</li> <li>• Accountable Officers should also consider their organisation's alignment with the processes and principles outlined in the international standard ISO 55000 Asset Management Series as appropriate.</li> </ul>
<b>Acquisition</b>		
3.3.1	Overview	<ul style="list-style-type: none"> <li>• Acquisition decisions should be taken within an integrated planning framework that takes account of service delivery needs, corporate objectives, financial and budgetary constraints and the Government's overall resource allocation objectives.</li> </ul>

Chapter	Area	Guidance
3.3.2	Acquisition process	<ul style="list-style-type: none"> <li>• Non-asset solutions to service delivery should be considered before deciding to purchase fixed assets.</li> </ul>
3.3.3	Procurement method	<ul style="list-style-type: none"> <li>• Accountable Officers are responsible for choosing the most appropriate method, and for identifying, assessing and allocating potential risks and optimising investment return. The acquisition should be undertaken based on the asset management strategy that the Accountable Officer has undertaken as part of their organisation's service delivery planning.</li> <li>• The choice of procurement method should be made by considering costs, financial benefits, risks, delivery times and the period for which the asset is needed in addition to appropriate approval processes.</li> <li>• The method used to acquire assets should enable: <ul style="list-style-type: none"> <li>– appropriate allocation of risks and obligations to relevant parties;</li> <li>– the definition of respective roles of those involved; and</li> <li>– definition of the required outcomes of the acquisition process.</li> </ul> </li> </ul>
<b>Operation</b>		
3.4.3	Maintenance of assets	<ul style="list-style-type: none"> <li>• Accountable Officers should ensure asset maintenance tasks are focused on the higher priorities, within the available resources.</li> <li>• 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 their organisation's assets to an established acceptable standard, balanced against appropriate service delivery trade-offs over time.</li> </ul>
3.4.3	Information Management	<ul style="list-style-type: none"> <li>• The functional requirements of an AIMS will depend on the size and nature of an organisation's operations and asset portfolio, and should be configured to be fit for purpose.</li> </ul>
3.4.5	Other requirements	<ul style="list-style-type: none"> <li>• In managing and monitoring their assets, Accountable Officers should also consider and assess <ul style="list-style-type: none"> <li>– asset utilisation rates;</li> <li>– how asset utilisation and functionality has and may change over time; and</li> <li>– asset functionality requirements.</li> </ul> </li> <li>• Accountable Officers should also consider their alignment with the processes and principles outlined in the international standard <i>ISO 55000 Asset Management Series</i> as appropriate.</li> </ul>
<b>Disposal</b>		

Chapter	Area	Guidance
		<ul style="list-style-type: none"> <li>• Decisions to dispose of an asset require thorough examination and economic appraisal. Like acquisition decisions, they should be taken within an integrated planning framework that takes account of service delivery needs, corporate objectives, financial and budgetary constraints and the Government’s overall resource allocation objectives.</li> <li>• Planning for disposal should start well before the economic life of the asset has ended or the need for the service is finished and should incorporate consideration of unplanned disposals or destruction of assets.</li> <li>• Accountable Officers should also consider their alignment with the processes and principles outlined in the international standard <i>ISO 55000 Asset Management Series</i> as appropriate.</li> </ul>

