Guidelines for the Review of Capital Asset Management Systems & Processes

March 2013

Introduction

The purpose of this document is to provide broad guidance to tertiary education institutions (TEIs) and asset management reviewers (Reviewers) on the recommended processes to follow when undertaking asset management reviews as part of Tertiary Education Commission's (TEC) Capital Asset Management Monitoring Framework.

The objectives of this document are to:

- achieve a degree of consistency in the approach used between various Reviewers;

- assist Reviewers and TEIs to understand what activities should occur, and in what order, as well as the recommended outputs from the process; and

- list mandatory outputs that Reviewers must provide to TEIs, which include:

  o a completed copy of the Capital Asset Management Maturity Tool with comments and scores of the Reviewer clearly visible; and

  o an improvement plan that outlines the results of the review and initiatives that TEIs could undertake ranked in terms of priority towards achieving better overall value-for-money.[1]

> **Mandatory** **Reporting requirements**
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> In years when TEIs obtain independent reviews, TEIs are required to send copies of their improvement plans **and** completed Capital Asset Management Maturity Tools to camenquiry@tec.govt.nz by 31 May (or later by agreement between TEIs and TEC).

The approach outlined in this document is broadly recognised as good practice but not necessarily best practice. TEIs and their chosen Reviewers are free to use other approaches if these are deemed to be more applicable to the particular needs of those TEIs. Where outputs or processes are mandatory these are labelled in this document. All other steps are open to discussion and negotiations between TEIs and their Reviewers.

1. Definition of Scope

Suggested timing – three to four weeks ahead of the site visit[2]

Following confirmation of engagement, the Reviewer will liaise with an individual appointed by a TEI (known as a Senior Responsible Manager) to define the scope of the review. The Senior Responsible Manager will normally be a facilities manager or chief financial officer although this person's role will vary based on the organisational structure of that TEI.

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[1] Refer to The Treasury's guide *Better Capital Planning & Decision Making* for more information on value-for-money in the context of public sector asset management.
[2] Note that the suggested timing of activities in this guide is indicative only and is intended as a guide to Reviewers and TEIs. Reviewers and TEIs are free to agree to other timing if this better meets the needs of those involved.

To assist the Reviewer, the Senior Responsible Manager may choose to provide a copy of the TEI's organisational chart and highlight the roles of the people who will be involved in the review.

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Mandatory **Use of the Asset Management Maturity Tool**

The scope of the review must cover each of the elements of the Capital Asset Management Maturity Tool although the scope can also cover any additional elements deemed necessary by the Senior Responsible Manager or recommended by the Reviewer.

When considering elements to review, the Reviewer should focus on areas most likely to improve value-for-money for that TEI.[3] This could include, for example, improving the quality of accountability information, reducing asset or service delivery risks or reducing the long-term cost of delivering services by improving asset ownership, leasing and maintenance strategies.

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2. Information gathering

Suggested timing – three to four weeks ahead of the site visit

The Reviewer is responsible for gathering relevant information based on the agreed scope of the review. This information should include:

- all current processes and policies at the TEI related to asset management;
- relevant information on existing asset management information systems (i.e. financial systems, inventory systems etc.);
- a copy of all existing asset management plans or equivalents; and
- a recently completed (i.e. within the past 2-3 months) self-assessment using the Capital Asset Management Maturity Tool.

Based on this information the Reviewer will be able to determine policies, procedures and processes requiring particular focus during the physical site visit as well as what other information might still be needed to perform a proper review.

3. Pre-review workshop (optional if required)

Suggested timing – one to two weeks ahead of the site visit

Before the review is conducted, the Reviewer can host a pre-review workshop or video/teleconference with key management staff. The Reviewer and Senior Responsible Manager should seek to include representatives from all affected departments and relevant levels within the TEI. This is likely to include facilities, finance or general management staff.

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[3] Refer to The Treasury's guide *Better Capital Planning & Decision Making* for more information on value-for-money in the context of public sector asset management.

At this workshop the Reviewer will present and discuss the scope and methodology of the review. It is important that all present support and understand the objectives of the review.

4. Process mapping workshop (optional if required)

Suggested timing – up to one day prior to the site visit

The Reviewer may decide that there is insufficient background documentation to enable a proper assessment. In these situations, the Reviewer may request a workshop or discussion with the Senior Responsible Manager to map the relevant processes.

For example, the process of reviewing a maintenance plan may not be sufficiently documented to enable a third-party assessment. This may mean that the Reviewer cannot obtain a clear understanding of the processes that occur within that TEI. The Reviewer may call a workshop and involve key stakeholders where they will enquire into how maintenance plans are currently implemented.

5. Site Visit - Process verification

Suggested timing – site visit (day one)

The Reviewer will visit the TEI and meet with certain key personnel to discuss how asset management is conducted in that TEI. This will include reviewing actual processes against documented processes to identify any shortcomings. The reviewer should also assess the physical systems that support the business processes (e.g. ordering and payment systems, fixed asset registers, inventory systems etc.).

6. Assessment of processes and measures

Suggested timing – site visit (day one/two)

After the Reviewer has gathered all the information deemed necessary, the Reviewer will be able to assess and appraise the TEI's level of maturity in each of the elements on the Capital Asset Management Maturity Tool. A typical review would involve the Reviewer filling in the assessment on site so that questions can be asked as they arise.

7. Feedback Workshop or video/teleconference

Suggested timing – as soon as practicable following site visit

Feedback should be given to all key personnel that were involved in the review plus possibly senior management not interviewed during initial meetings. The Reviewer should present a draft summary of findings based on the criteria contained in the Capital Asset Management Maturity Tool and any additional areas identified and agreed in the scope at the beginning of the review.

Prior to this stage the TEI will have provided the Reviewer with a copy of its completed Capital Asset Management Maturity Tool as a point of comparison. This comparison exercise will give the Reviewer and the TEI a chance to discuss the reasons for differences in how CAM maturity has been assessed and an opportunity to amend both assessments if the evidence provided indicates that a change should be made.

The Reviewer should highlight positive areas, areas of concern and opportunities for improvement and invite feedback to incorporate into the final draft of the improvement plan.

8. Final report and Improvement Plan (within four weeks of review)

Suggested timing – as soon as practicable but no longer than four weeks following site visit

Based on feedback from the TEI and discussion at the workshop, the Reviewer should finalise its draft report for distribution back to the TEI.

TEIs are required to send copies of their improvement plans **and** completed Capital Asset Management Maturity Tools to camenquiry@tec.govt.nz by 31 May (or later by agreement between TEIs and TEC).

Mandatory **Feedback Required**

The feedback that must be provided to a TEI includes:

- A copy of the Capital Asset Management Maturity Tool with comments and scores of the Reviewer clearly visible.

- An improvement plan which outlines the results of the review and initiatives the TEIs could undertake ranked in terms of priority towards achieving better overall value-for-money.[4]

Reviewers are free to choose the format of an improvement plan to meet the needs of the TEI being reviewed. A typical improvement plan would cover the following areas:

- the indicative costs of delivering improvements being proposed in the improvement plan;
- the expected benefits, along with suggested ways of measuring success, of delivering the improvements;
- a realistic (proposed) delivery timeline that aligns to an indicative budget for delivering the improvements;
- nominated individuals (or teams) within the TEI that should be accountable for seeing that the improvement is delivered; and
- the likely impact of the improvement on the TEI's maturity score (with each improvement referenced back to the maturity item so that effectiveness and progress can be monitored).

Note – click here (1.15mb PDF) to see one example of an improvement plan prepared for a TEI under an earlier assessment model.

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[4] Refer to The Treasury's guide *Better Capital Planning & Decision Making* for more information on value-for-money in the context of public sector asset management.