

# ASSET MANAGEMENT IN THE PUBLIC SECTOR

**REPOSITIONING LOCAL GOVERNMENT FOR A FUTURE WE DESIRE**

iLGM

# AIM

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- ▶ To stimulate discussion and make recommendations on the reforms required to address the asset management challenges facing the public sector.

# Asset Management framework

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- ▶ There is no regulation on asset management in the public sector.
- ▶ Unlike disciplines like supply chain, financial management etc.
- ▶ Consequences of lack of regulation are:
  - ▶ No Skills / competency framework
  - ▶ No professional association
  - ▶ Disproportionate allocation of effort vs value of assets.
  - ▶ Job descriptions inconsistent (as opposed to Financial Managers, Risk officers, CFOs etc)
  - ▶ Responsibilities not adequately defined
  - ▶ Not all government entities have asset managers.

# Legislative framework

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- ▶ **MFMA**
  - ▶ 3 e's and Transparency
  - ▶ Safeguarding of assets
  - ▶ As register, as prescribed; however, no prescription.
- ▶ Disclosure in the Annual Financial Statements is subjective.
- ▶ AGSA report to parliament of 2016/17 PFMA and MFMA audits, the number 1 reason for qualifications; and pervasive.

# Potential responsibilities of Asset Managers

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- ▶ Asset Register – Intangible, Moveable and Immoveable
- ▶ Asset Management policy(ies) [alignment to asset management strategy?]; which may include some or all of
  - ▶ Life cycle management (ISO 5500)
  - ▶ Stock take
  - ▶ Accounting for assets
  - ▶ Reconciliations between expenditure and register
  - ▶ Asset tracking
  - ▶ Allocation of sub entities to ensure accountability is reflected in the asset register.
  - ▶ Valuation of assets
  - ▶ Procurement of assets
    - ▶ Avoid acquisition of items already available.
    - ▶ Visibility of what's available.

# Use of asset register

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- ▶ **Some entities have two registers**
  - ▶ One for maintenance and repairs
  - ▶ Another for AFS and audit purposes
    - ▶ Usually don't reconcile / agree.
- ▶ **Where one exists, only for use by AGSA, as opposed to a useful decision making tool that it is.**

# Reform required from Municipalities

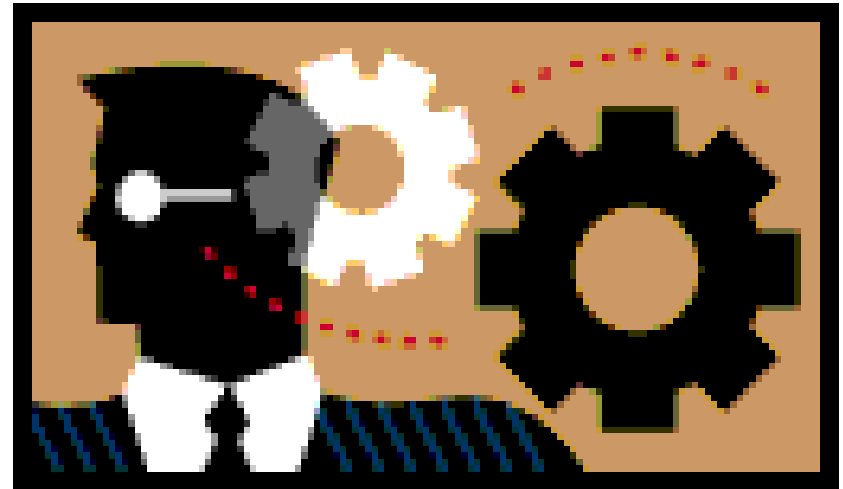
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- ▶ Assessment of each entity standing on asset management matters
  - ▶ People
  - ▶ Process
  - ▶ Technology
- ▶ From the assessment, identify changes required, and change.
- ▶ Define Asset management in the local government sphere, and with the intention to influence National Treasury in ensuring proper guidance is provided to LG entities. (Bottom up approach)
- ▶ Conduct evaluation of levels of professionals required by type of municipality. (**Job creation opportunity at local level**)
- ▶ Completeness of asset registers by entities and proper valuation thereof.
- ▶ Change management on asset management, e.g. implications of not accounting for assets, codify critical and imperative assets and Inventory e.g. RDP Houses..

# Reform from iLGM

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- ▶ Professionalise Asset Management in the Local Government Sphere.
- ▶ Lobby National Treasury for more specific guidance and the specific profession.
- ▶ Fitness for purpose Index for Local Government.





# Reform from National Treasury

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- ▶ Define Asset Management
- ▶ Provide guidelines / regulations that match the definition.
- ▶ Professionalise Asset Management
- ▶ Change Management process re above.

# Discussion

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A journey of a thousand miles begins with one step.

*Lao Tzu*

