MASTERCLASS 2019

Closing the Loop Between Asset Valuation and Condition Assessment Processes

Queensland IPWEA INSTITUTE OF PUBLIC WORKS ENGINEERING AUSTRALASIA

Notes from Panel Discussion

Unit rates – do some comparisons with neighbours but consider climate and conditions
Think about what are the points of difference such as haulage. Have an understanding of what makes up the costs. If using Road Alliance data be aware it is a couple of years out of date.

Milestone date for valuations – try to have completed by 31 March each year

Condition rating scale – IPWEAQ uses 1-5 but you need to pay attention to asset in at 4-5. It appears this is consistent and easy to replicate

Example of data collection – Sewerage project over \$800k, stormwater and manholes \$1.2 mill (including smoke testing) but savings from operations provided by the data

Age data – condition assessment should be done on the older assets only if they are over 50% depreciated and look at those rates 4-5. Look at degradation each 3 years

Audit Committees – can be used as a resource to challenge assumptions, provide independent critique and look over the instructions to valuers

Holy Grail – is not close but have picked off some of the big ones. Another 3 years will improve outcomes and quality

Engineers – desire one point of truth and it was suggested it should be the mapping system as engineers love maps. Focus on sourcing the truth from valuation information and data owners

QAO – looking for consistency in the valuation process. They train their team and contract staff at least once per year.

Comments to Note

QAO to audit AMPs in 2020.

Cost versus Benefit.

Sample size versus Risk.

Importance of Communication and terminology between engineering and finance.

Work towards being as one with asset recognition, budgeting, op ex versus cap ex, WIP, capitalisation among our Councils

Need one single point of truth on assets. Those that had multiple asset registers (one for eng and one for finance data) struggled despite their being good reconciliation processes.

There was a need to have good relationships and understanding between the asset owner, operators and finance staff.

Experience and education on asset management was an issue for all Councils. Staff turnover and general lack of experience is impacting the process and making Council rely on external consultants. That further impacts on the quality of data as it is not owned by the Council.
The procurement process right through to asset recognition creates issues for asset valuation and asset management in general as well as the long-term financial viability of the Council.

KISS principle as some valuers trying to make it complex when it should be simple.

The majority of attendees advised that 1 – 5 was the condition scale. Same had different scales for different types of assets. Some used the 1 – 10 scale. Some Council had guides to use to determine the condition with photos or written explanations.

Most Council were looking towards a rolling comprehensive valuation program of 3 to 5 years. Desktops done annually if no comprehensive.

Sample sizes were 20 – 30%.

On lives/condition/unit rates some Councils were looking to their neighbours for validation and checking. It was recognised however that even Council close to them might have different haulage costs, soil types etc that would influence the length of life, costs and condition degradation. FNQROC shares information and data.

Some Council were doing the condition assessments in house however many were using consultants due to lack of resources and expertise. There was also a feeling that the QAO would respect the answer of a consultant over that of a Council staff member. Councils also felt they placed too much trust in the valuers. "Condition Assessments" were also done by the community and Councillors and this information and process being adhoc but political needed to be managed somehow. Assets in the public eye get more attention.

Some Council were using technology and asset management processes to improve data. This included road conditions assessment tools, smoke testing, CCTV, drones etc. The costs versus benefit needed to be considered and the data needs to be able to reduce operational costs to be of value to the process.

There were a lot of issues with the asset management process in the areas of impairing or writing off assets when renewed, clearing of WIP in a timely manner and keeping any unlinked systems reconciled financially and operationally.

Terminology was also raised as an issue as engineering and accounting often interpreted information differently.

Asset management policies should include guidance on lengths of life, valuation and condition.

Good process is to have the engineers in the room when doing initial meetings with the auditors.

Audit committees are a good source for challenging assumptions and checking the tender specification for valuers. Council needed to adopt the changed valuations and confirm the assumptions used in a formal resolution.

There was room for improvement with the documentation of valuations and related processes. This assisted new staff on the job and supports the audit process.

Still a big issue where all the asset management work is done, plans are in place and Council decides at a political level not to support the implementation and goes in favour of creating pet projects.

There were suggestions to bring asset valuation date back to 31 Dec or 31 March however some were concerned whether there would be a material difference to 30 June. Process should be started as soon as last audit completed so that the resources can be managed both internally and externally.

Asset management plans should be reviewed frequently so that information is up to date.

Issues of the environment, general economic climate and local booms all needed to be considered in the long-term asset management planning.

QRA data is not always useful in the process.

Service levels need to be known as these had an impact on the condition rating and the actions of Council at each rating. If a leave to fail them DNR (do not resuscitate) needs to be placed on the register.

Comments contributed by these attendees

Boulia

Valuing every 3-5 years, works with neighbours, has IT Vision, Roads recently valued, 7 asset types, small team, different methodologies between valuers. Will integrate into tender in future years

Torres

Challenges are the personnel changes, no interaction with neighbouring councils. Earlier revaluation timeframe with same resources will be an issue.

QAO

Review RTQ prior to issue of tender – Sept. Valuations as early as possible. Use standard proforma i.e. RTQ doc or CPA guide and have valuations tests at interim audit.

Livingstone

Valuations @ 1 July. Earlier indexation assessments. 3 – 5 years, scope to audit committee Council reviews valuations.

North Burnett

2 systems, Assetic (computer program) not integrated but reconciliations done.