

**ASSET MANAGEMENT – POLICY REVIEW, ASSESSMENT
AND CAPACITATION OF ASSET MANAGEMENT OFFICIALS
(TECHNICAL AND FINANCE)**

PROJECT CLOSEOUT REPORT

CONTRACT: VILP/S/011

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Prepared for:

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**ASSET MANAGEMENT – POLICY REVIEW, ASSESSMENT
AND CAPACITATION OF ASSET MANAGEMENT
OFFICIALS (TECHNICAL AND FINANCE)**

iLembe District Municipality and Local Municipalities

PROJECT CLOSE-OUT REPORT

Conducted By:

PLATINUM FINANCIAL SOLUTIONS

DECEMBER 2022

TOWARDS AN OPTIMAL STRATEGIC AND FUNCTIONAL AM BUSINESS MODEL

1. INTRODUCTION

Iron Vase (PTY) Ltd trading as Platinum Financial Solutions (PFS) was engaged by Vuthela during the 2020/2021 financial year to improve asset management skills and strengthen the working relations with technical and finance, in the end each department will begin to appreciate the role played by each member of the team in THE asset life cycle management, as well as in improving service delivery, performance and reporting. The project supports iLembe District Municipality, KwaDukuza, Mandeni, as primary beneficiaries as well as Ndwedwe and Maphumulo Municipalities as secondary beneficiaries.

The overall focus of this assignment is as follows:

The **project objective** of the project would be to achieve the following objectives:

- ❖ To improve on infrastructure investments made and to improve on the process of managing municipal assets.
- ❖ To ensure that credible information relating to fixed is assets is produced.
- ❖ To ensure the collaboration between the technical engineering and finance departments, in that, the asset life cycle is understood by all
- ❖ To improve and ensure that each Municipality and municipal officials are adequately capacitated in order for them to independently prepare a credible budget for new capital acquisitions, replacement assets, maintenance budget and prepare a Generally Recognised Accounting Practice (GRAP) compliant fixed asset register.
- ❖ To improve and ensure that budget provision for repairs and maintenance of all assets, especially infrastructure, allows municipalities to cost effectively extend the working life of assets and provide uninterrupted services to the community.
- ❖ Thus ensuring that service delivery is improved.

- ❖ To improve on asset management skills and strengthen the working relations with technical and finance, in the end each department will begin to appreciate the role played by each member of the team in asset life cycle management, as well as in improving service delivery, performance and reporting.
- ❖ To ensure that the municipalities comply with rules and regulations on preparing capital budgets and managing the fixed asset life cycle.
- ❖ To ensure that the municipalities comply with the implementation requirement and legislative requirement of Municipal Standard Chart of Accounts with regards to Fixed Assets
- ❖ To ensure that transparency and accountability is strengthened which will yield positive results in the attainment of service delivery.
- ❖ **Capacity for capital investments and asset maintenance management, and treasury functions:** Currently capital spending is focused on extending access to basic services and is financed mostly by national government transfers and own revenue. Improving capital budgeting capacity and the treasury capacity of the municipalities to access and manage loan financing is urgent to increase investment and maintenance of economic infrastructure. There is also a need to review budget priorities to better facilitate LED, to ensure adequate budget allocations are made to the municipal units responsible for spatial/town planning, development approvals, business licensing and health/safety inspections.

2. PROJECT SCOPE AND ACTIVITIES

This assignment's objective is to **improve asset management skills and strengthen** the working relations with technical and finance, in the end each department will begin to recognize the role played by each member of the asset management team in asset management life cycle management, as well as improving service delivery, performance and reporting.

This includes understanding of:

- **Asset life cycle**; compliance with **rules and regulation**; understanding relevant **GRAP standards** and alignment **with Municipal Standard Chart of Accounts (MSCOA)** on asset management (tangible and intangible assets), the alignment of asset management plans and policies with asset maintenance plans to ensure maximum usage of an asset until it is replaced.

Hence the overall focus of this assignment is to improve and strengthen integrated planning, and collaborative asset management throughout the asset life cycle.

Project Activities

1. Conduct skills/ learning assessment of all officials involved in asset management (Finance and Technical) including Interns and review the Asset Management unit structure;
2. Develop a training manual based on needs analysis, using accredited manuals developed by National Treasury.
3. Consult with stakeholders responsible for asset management on the structure and outputs of the project.
4. Develop an Inception Report setting out a detailed project plan in consultation with the PSC.
5. Conduct an in-depth review and analysis of asset management policies, Standard Operating Procedures (SOP) and Fixed Asset Registers (FAR) for all **three** municipalities

and all **five** on training of asset management officials. Also consider recommendations from municipal infrastructure asset management training conducted previously.

6. Produce a comprehensive and implementable strategy, in consultation with the PSC and the municipalities concerned, to improve and strengthen integrated planning, and collaborative asset management between finance and technical/infrastructure departments throughout asset management life cycle.
7. To ensure that training is sustainability, establish a structure that allows new staff training and induction
8. A comprehensive and implementable strategy must ensure effective asset management and consider the following:
 - a. Legislative compliance
 - b. Improvement of service delivery
 - c. Prevention of financial losses
 - d. Socio-economic development
 - e. Maintaining the community's loyalty
 - f. Skills capacity
 - g. Asset Management linkage with Supply Chain, Performance and Risk management
 - h. Infrastructure Delivery Management System (IDMS)

3. PROJECT IMPLEMENTATION PLAN

No.	Project activities`	Outputs	Municipalities	Start Date	End Date	Status
Project Administration						
1	Project Inception Report	Project Inception Meeting Project Inception Report Detailed project plan	N/A			Completed
2	Monthly Project Status Reports	Monthly Project Status Report distributed to stakeholders	N/A			Completed as and when required
3	Project close out	Project Steering Committee Meeting Project close out report	N/A			Completed
Project Execution						
4	Inception consultations with stakeholders		First two weeks/August 2020			Completed
5	Review Asset Management policies, Fixed Asset Register and Standard Operating Procedures, ensure alignment with all	Updated policies and Standard Operating Procedures.	IDM,KDM and Mandeni			Completed

No.	Project activities`	Outputs	Municipalities	Start Date	End Date	Status
	relevant prescripts governing asset Management, including IDMS.					
6a	Conduct a comprehensive skills/ learning assessment of all Asset officials (Finance and Technical) including Interns and review the Asset Management unit structures, for iLembe, Mandeni, KwaDukuza municipalities	Status Quo Report on Asset Management staff capacity 1. Recommend staff Learnings needs 2. Suggested Asset unit structure	IDM, KDM, Mandeni, Ndwedwe and Maphumulo			Completed
6b	Review Asset Management policies, Fixed Asset Register and Standard Operating Procedures, ensure alignment with all relevant prescripts governing asset Management, including IDMS. Review of the Asset Registers and Maintenance Plans for iLembe, Mandeni and KwaDukuza Municipalities.	Status Report and findings to be raised 1. Asset Registers 2. Maintenance Plans Updated policies and Standard Operating Procedures	IDM, KDM, Mandeni			Completed

No.	Project activities`	Outputs	Municipalities	Start Date	End Date	Status
7	Design a training plan to respond to learning needs identified on 6a above.	Training Plan	IDM, KDM, Mandeni, Ndwedwe and Maphumulo			Completed
8	Establish a structure that allows new staff training and induction by developing a training manual	Training Sustainability	IDM, KDM, Mandeni, Ndwedwe and Maphumulo			Completed
9	Capacitate Asset Management Official as per training plan and knowledge assessment. (estimated number of trainees is 50)	Improved Asset management skills and strengthen working relations with Technical and Finance teams.	IDM, KDM, Mandeni, Ndwedwe and Maphumulo			Completed
10	Prepare presentations for MANCO at IDM, KDM and Mandeni municipalities Close out Report	Prepared a presentation for the MANCO of the respective municipalities	IDM, KDM, Mandeni			Completed

4. SUMMARY OF ACTIVITIES

4.1 Project administration

During the implementation of this project, the project steering committee convened meetings to discuss progress reports, Work performed to date as well as challenges experienced on the project. Below is a list of dates when the meeting were held:

- 11 August 2020
- 25 August 2020
- 15 September 2020
- 13 October 2020
- 02 February 2021
- 13 October 2021
- 08 March 2022
- 13 December 2022

There were many meeting scheduled in between the above mentioned dates however these meetings had to be postponed due to no quorum at the meetings as per initial adoption of the terms of reference. Furthermore, regular updates were provided to Ms Zama Soji (Co-ordinator: Project sponsor on the Vuthela LED Project).

4.2 Inception consultations with stakeholders

- Inception meeting was held **on 11 August 2020.**

4.3 Review Asset Management policies, Fixed Asset Register and Standard Operating Procedures, ensure alignment with all relevant prescripts governing asset Management, including IDMS.

- Summary of overall findings - Refer to Annexure A, B and C respectively for the consolidated reports per municipality was prepared and annexed to the close out report (iLembe District Municipality, Kwa Dukuza Local Municipality and Mandeni Local Municipality).
- The municipal officials were engaged on various dates to be able to facilitate this process.

4.4 Conduct a comprehensive skills/ learning assessment of all Asset officials (Finance and Technical) including Interns and review the Asset Management unit structures, for iLembe, Mandeni, KwaDukuza municipalities

- Summary of skills assessments and for a detailed report refer to Annexure D.
- Municipal officials were engaged on the following dates to conduct the skills reviews:
 - 26 May 2021
 - 20 October 2021
 - 30 November 2021

4.5 Review Asset Management policies, Fixed Asset Register and Standard Operating Procedures, ensure alignment with all relevant prescripts governing asset Management, including IDMS.

- Summarised findings as per Annexure A, B and C. Refer to detailed consolidated reports Annexure A, B and C attached.

4.6 Review of the Asset Registers and Maintenance Plans for iLembe, Mandeni and KwaDukuza Municipalities.

- Summarised findings as per Annexures A, B and C. Refer to detailed consolidated reports Annexure A, B and C attached.

4.7 Design a training plan to respond to learning needs identified.

- Summarise scope coverage to a manual Annexure D

4.8 Capacitate Asset Management Official as per training plan and knowledge assessment. (estimated number of trainees is 50)

- Training was held at the Ebandla Hotel in the iLembe District on the following dates:
 - 19 July 2022
 - 26 July 2022
- The training was well attended during both sessions by all five (5) municipalities within the District.
- The findings were summarised and presented to the delegates and the deficiencies were highlighted as per the scope of the project.
- A training manual as well as a presentation was prepared and issued to each delegate who attended the training.
- The session was very interactive and concerns raised by the respective delegates were addressed in the sessions.
- Refer to detailed report Annexure E

5. DEVELOPMENT OF ASSET MANAGEMENT STRATEGY

A strategy has been developed as part of the process of implementation. The municipalities need to develop this strategy as and when challenges are identified. This strategy can be incorporated into the Asset Management: District Forum. Refer to Annexure F.

- Summarise and refer to detailed report Annexure F

6. PROPOSAL ON ASSET MANAGEMENT DISTRICT FORUM

The iLembe District should consider to establish an Asset Management District Forum to meet the needs of each of the municipalities within its Districts.

The following advantageous proposals on Asset Management should be considered for the iLembe District whereby a consistent approach as well as the benefits that can be derived from the establishment of a District Forum can be evaluated:

- Develop an Asset Management District Forum
- To develop Best practises in adopting a comprehensive Asset Management Strategy for each of the municipalities within the District. This would also allow the officials to develop the technical skills set to address complex technical matters for the District.
- To provide a uniform and a consistent approach to asset management including policy formulation, development of maintenance plans and ensuring that there is no duplication of expenditure to maintain assets within the ambit of the local and District functions where these functions overlap, if applicable.
- Adopt a risk based approach to asset management.
- Ensure a consistent approach is adopted in the District in accounting and recording for assets.

- Ensure consistent implementation of all recommendations as per the legislative requirements, GRAP Reporting requirements and ultimately the effective and efficient utilisation of resources.
- Developing a standard operating procedure manuals which can be aligned to each of the financial systems within the District.
- Capacitating new asset officials in a consistent manner.
- Improve audit outcomes for each financial year.

Furthermore, specific benefits that can be achieved by the iLembe District through the maturation of its asset management system can include, among other, the following:

- **Improved asset productivity** through life extension and reduction in failures
- **Increased efficiency** in asset maintenance through better targeting of needed work and elimination of non-valued added work
- **Risk reduction:** reduced uncertainty through better forecasting of failures and understanding of risk
- **Benchmarking:** ability to compare investments across asset classes through consistent approach and monetization of benefits
- **Improved effectiveness** of expenditure through focus on performance management and continuous improvement
- **Optimize use of human resources** by matching the workforce – in terms of size and composition – to the work required, rather than creating work to keep the workforce busy
- **Greater transparency** for internal and external stakeholders through use of data-driven decision-making and quantitative analysis for improved service delivery imperatives
- **Demonstrated social responsibility:** improving the organization’s ability to, for example, contribute to employment creation and reduced poverty, reduce emissions, conserve resources and adapt to climate change, enables it to

demonstrate socially responsible and ethical business practices and stewardship.

- **Demonstrated compliance:** transparently conforming to legal, statutory, regulatory and government policy requirements, as well as adhering to asset management standards, policies and processes, can enable demonstration of compliance.

7. PROJECT CHALLENGES AND RECOMMENDATIONS

CHALLENGES:

Addressing organizational asset management issues remains a considerable challenge, taking into account the required resources and the municipalities' asset management structures, fixed asset registers that were evaluated and the projects that were assessed. The assessments identified critical control deficiencies and inefficiencies in each of the lines of enquiry tabled below. Within the lines of enquiry, the observations may be classified into major thematic areas of which streams are not exhaustive:

- Asset management organizational architecture: governance including risk management, controls, action plans developed and oversight frameworks over the municipality's assets;
- Bridging the gaps identified between the Finance and Technical Departments by introducing effective communication skills and improving the level of interaction between the 2 departments. Develop business processes to ensure effective communication by having formal regular meetings initiated on a project by project basis as an example.
- Processes that were identified to be deficient were highlighted and a response was developed and addressed as part of a training plan, strategy and training

that was conducted. This process needs to become more exhaustive in future as the needs of the business evolves.

- Dedicated asset management systems that are not necessarily fully compliant with the mSCOA prescripts as per MFMA Circular 80 need to be implemented fully.
- Asset management life-cycle optimization and best practices should be adopted including a review of conditional assessments, movement of assets repaired and tracking of work in progress ;
- Implementing asset management plans on a municipal-wide basis in accordance with the applicable asset management framework, policies, processes and procedures; and,
- Year-end accounting for assets including finalisation of the fixed asset register, conditional assessments and identifying potential assets for impairment, reporting and subsequently developing a Maintenance plan using the fixed asset registers as part of the processes. These should be clearly documented in a standard operating procedure manual.

Furthermore, there were many challenges that were experienced during the course of the project. Some of the most pertinent are listed below:

- Project was executed during the COVID-19 period which had an impact on meeting the project deliverables timeously.
 - Quorum at the Project Steering Committee meetings held virtually was not met when meetings were initiated for quarterly progress reports to be tabled.
 - Unavailability of the officials at the municipalities. Numerous meetings were initiated with municipal officials where it did not materialise resulting in delays in addressing the queries raised.
 - Information requests not provided timeously resulting in numerous subsequent visits to collect and collate information requests.

- The engineers could not facilitate the meetings and the selection of projects for inspection during the initial phase of the project. Alternative procedures were adopted to ensure that the requisite information was provided for the work to be carried forward. This has impacted on the timelines what were initially agreed upon.

RECOMMENDATIONS

Further recommendations have been listed below. Some of the benefits that can be derived from a comprehensive asset management framework is listed below:

- **Leadership driving an Asset Management strategy:** Addresses the elements of direction, oversight, and control which are needed to guide the development and operation of Asset Management Systems at municipalities including policy alignment, standard operating procedures aligned to the core financial system, evaluation of accounting policy framework for reporting purposes, etc.
- **Risk:** Addresses the responsibilities of the Asset Owner to establish risk tolerance and standards for risk assessment for the municipality
- **Roles and Responsibilities:** Addresses the accountability model for the key roles in the Asset Management System: Asset Owner, Asset Manager, Asset management Support staff, Service Provider.
- **Consolidation of Functions:** Addresses the need for organization along process rather than functional lines, as well as the need for a bringing together all pieces of the asset management function to ensure a lifecycle focus on the assets
- **Lifecycle Optimization:** Addresses the elements required to ensure that asset decisions are made based on total lifecycle costs. These elements include Asset Management policies, procedures, processes, data, and tools.
- **Performance Management:** Addresses the components of performance management needed to support asset management. These components

include metrics on asset, asset management, and asset management system performance, as well as feedback loops to drive continuous improvement.

- Data and Technology: Addresses the systems and data requirements needed to support the Asset Management System, in addition to data governance and analytical capabilities.
- A comprehensive standard operating procedure manual should be developed.
- A comprehensive maintenance plan should be developed separating the assets into categories of Preventative and corrective maintenance using the latest conditional assessments recorded in the fixed assets registers. This will ease the challenges in the budgeting phase when identifying any repairs and maintenance that may need to be undertaken.

8. CONCLUSION

The deliverables have been completed based on the terms of reference issued. Refer to Project Plan above for a detailed analysis on the deliverables.

We wish to thank all the respective parties, including municipal officials and members of the project sponsor - Ms Zama Soji that were involved in the project for their co-operation and assistance that has been rendered to be able to develop these processes.

9. APPROVAL AND CLOSE-OUT

	Prepared By	Approved By
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Date	December 2022	December 2022