



## Summary of our report

# Reflections from our audits: *Investment and asset management*



Often when we think of public assets, we picture physical assets that are owned and managed by public entities. We rely on roads and rail assets to travel, electricity networks to power our homes and businesses, wastewater and storm water networks to protect our environment and health, hospitals to treat those who are unwell, and school buildings where our children learn.

The public sector also has an increasing amount of financial assets, such as cash, deposits, shares, and derivatives. Financial assets are used to help fund various public services that New Zealanders expect to receive.

We used our work programme for 2015/16 to look at whether New Zealand is getting the best from its public assets. We looked at a range of topics to assess how well the public sector plans for, funds, manages, and maintains infrastructure and other assets to optimise long-term service delivery for New Zealanders.

We found that public entities with significant investments in financial assets have reasonably good structures and systems for managing and governing those assets. However, at a whole-of-government level, thought needs to be given to financial asset risks and the challenges and opportunities that those risks present. In our view, there should be an overarching investment strategy for the Crown's financial assets. There is such a strategy for physical assets.

Our work on investment and asset management has reinforced what is needed to make good decisions about investing in assets, and what needs to be done to manage assets well.

### Engage more effectively with people

To make good investment decisions there needs to be effective engagement by public entities with the people receiving the services about the service levels they expect and the affordability of those expectations. We found that public entities could engage more effectively with people about these matters.

### Take into account the whole life of assets

Public entities tend to have well-reasoned business cases for investing in assets, but the cases do not always take into account the whole life of the proposed asset. Also, public entities are not always thinking about whether their decisions to invest in assets are best for the public sector as a whole, including the expected benefits and how they will be measured.

#### Vital statistics:

- 36 pages
- Presented to Parliament on 1 August 2017
- Download from [www.oag.govt.nz](http://www.oag.govt.nz)
- Contact: [reports@oag.govt.nz](mailto:reports@oag.govt.nz)

## Work co-operatively with other entities

Public entities should work co-operatively with other entities, where it is sensible to do so, to address the challenges and opportunities that can affect investment and asset management. This includes central and local government working more effectively together for the benefit of New Zealanders.

## Get better information about the condition of assets

Often, better information is needed about the condition and performance of assets. The information needs to be analysed and used to monitor asset performance, and, in the case of physical assets, to make good choices and judgements about maintaining, renewing, and replacing assets to optimise the delivery of public services.

Without good reporting and information about assets, governors cannot make deliberate and informed decisions about how to invest in, and manage, the assets they govern.

### Questions decision-makers should ask themselves

Throughout the report, we pose a number of questions that we think decision-makers in public entities need to be able to answer about investing in and managing assets. These questions are important if public assets are to continue to deliver essential public services over the long term.

We asked:

- How will you continue to engage with people about those decisions and the services the assets provide?
- Do you clearly understand, and have you considered, the challenges and opportunities you face?
- Do you regularly review challenges and opportunities to inform your investment and asset management decisions?
- Do you have a compelling case for investment?
- Have you been realistic and used reasonable assumptions?
- Have you planned for the entire life of the asset?
- Have you looked at how to join up with others and maximise value?
- Have you clearly defined the benefits you are seeking and how you will measure those benefits?
- Do you have the right information about assets to make good decisions?
- Do you have systems where the data about assets can be readily analysed and used to manage those assets?
- Have you involved the right people in the decisions about assets?
- Are you receiving the information needed to monitor how effectively assets are managed?