



ASSET MANAGEMENT IN LOCAL GOVERNMENT

Report assessment on current level of knowledge
and internal procedures, processes and systems

ABSTRACT

This is an assessment report prepared for UNDP / STAR2 project aiming to support the training curricula development on Asset Management for local government representatives

Prepared by

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Disclaimer

This assessment report was prepared as part of the technical assistance of STAR2 (Consolidation of Territorial and Administrative) Project funded by United Nations Development Program (UNDP) in Albania. The report was prepared by Zhani Shapo expert on local governance. The authors' views expressed in this document do not necessarily represent those of STAR2, UNDP or other STAR2 donors.



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Abbreviations

AMP	Asset Management Plan
LGU	Local Government Units
MoFE	Ministry of Finance and Economy
PEFA	Public Expenditure Framework Assessment
PFM	Public Finance Management
UNDP	United Nations Development Program



Knowledge assessment on asset management and procedures at municipality level

Background situation

For strategic, operational and financial reasons, asset management is becoming an increasingly important area of decision making for municipal governments. New demands for better service provision, further decentralisation of central government, potential synergies and changing roles in the public and private sectors are creating the need for better management and accountability of municipal resources, asset management as one of them. Open and effective management and reporting of public property resources is an important aspect of local community trust on their dignities. Lately as part of the justice reform in Albania, have been significant concern about actual and potential misuse, abuse or corruption especially related to misappropriation and disposal of public property (for private gain).

The National Strategy for Decentralization and Local Governance has paved the way for completing the process of transferring public immovable properties by year 2020, law "On Local Self-Government" has reinforced recognition of the right and responsibility of property to municipalities. The process of transfer of immovable property to local units in Albania started from year 2001 is still ongoing and municipalities are now key owners on several public properties. The transfer process seems complicated in terms of properties typology such as: local public buildings, schools, primary health clinics, roads, and public spaces (recreation area, cultural centres etc.). Some municipalities having a good public finance management system (PFM system) make good efforts to manage their assets especially the immovable ones while only few consider them as a benefit to their budget management and taking into consideration their opportunity cost by different way of use of municipal assets. In many cases, the register of assets is not updated or even worst having just a list of assets items with no financial value for either the entry value not for their current / book value.

Decentralization process is enlarging the number and the value of the asset portfolio of Albanian municipalities. This automatically rises the need for improved asset management knowledge and capacities in terms of both human resources and infrastructure. Taking into consideration still the modest level of local finance resources the asset management becomes prerogative for a better support of municipal functions / service delivery. On January 1st municipalities received six new functions delegated from Central Government / different line ministries. Together with the specific funds as a support for these functions were delegated the respective assets. In many cases, the assets were delivered as a list of items with no clear



inventory procedures and associated book value (entry, amortization and present value of the assets). Living aside this handicap, the reality of service delivery from new functions at local level shows that municipalities have combined assets from different activities and made possible for better asset management, resulting in a short period impressive improvement. This is an evidence of improved asset management at local level and the important need for a better planning and asset management system in general at the local level.

Based on Public Expenditures and Financial Accountability (PEFA) assessment for five municipalities in Albania, prepared by ECORYS for SECO, 27 March 2017, municipalities have in place some elements on asset management. The indicator PI 12 “Asset Management” of PEFA has been assessed with a “C” for Tirana and Fier Municipalities and respectively “C+” “D” and “D+” for Kucova, Tropoja and Berat municipalities. In general, they maintain register of their assets, but their ability to exploit those assets is limited. Assets are recognized at their historic or fair value depending on the type of asset (i.e., tangibles/intangibles). Depreciation is calculated on a group basis and often not for every single asset. Following the TAR implementation, for the major part of the assets inherited by the communes, the information is severely weakened by errors and gaps in the legal documentation and other problems associated with ownership (such as fixed assets of communes not registered, others not disposed at all, thus causing troubles to determine the net book or worth value). Adding to this, inventory processes provide only partial information on the assets usage, value, location and age.

Law 10296/2010 “on Financial Management and Control” establishes a system for proper management of assets, including: assigning responsibilities within the institution for assets management, establishing and regularly updating a register of assets, documenting all purchases, sales or disposition of assets, and undertaking a complete physical inventory on the assets at least once a year. The register of assets should contain information on: name of assets, purchase value, subsequent capital investment that increased asset value, accumulated depreciation and accumulated maintenance costs.

There is an increased interest in the strategic role that asset management can have for municipal governments and their residents. As the processes of decentralization, urbanization and economic development in the urban areas of the municipalities continue, there is growing need to provide better living and working conditions for rapidly growing populations through better service provision and improved access to amenities. Effective use of the asset base is an important factor contributing to increases in municipal revenues and successful performance. For example, the value of fixed assets of a municipality can amount to a multiple of its yearly expenditures. Hence, there is strong incentive for local governments to develop their fixed asset base as a productive resource to help in the attainment of public goals.



Methodology

The assessment methodology is based on information collected from municipality representatives aiming to get a good understanding on the level of knowledge and internal procedures and processes they have, in order to facilitate the development of the training curricula and help to the level possible the informative sessions on asset management. Since this assessment aims only to support the development of the training curricula by identifying those areas of asset management which needs a deeper focus during the technical training we have developed training curricula outline which were confirmed from Ministry of Finance which than served as a basis for preparing template questionnaires for municipality representatives. The questionnaire was structured in four chapters: (i) general information on municipality; (ii) internal procedures; processes; systems; documents and methods for asset management at municipalities; (iii) municipality functions / services supported by assets and their respective conditions; (iv) internal audit and control with a focus on asset management.

The questions addressed, and the respective information collected helped to identify issues, problems, capacity needs, structures, infrastructure, and procedures in place, legal framework and internal regulations with regard asset management processes.

Our survey pool consists of 61 municipality therefore, based on the statistical methods, for achieving a result with a maximum margin of error of +/- 10% and a level of confidence of 90% we need a pool of 27 to 31 municipalities. The questionnaires were sent by email, as well as meetings with municipality representatives, to all 61 municipalities and received information from 29 municipalities, therefore all prerequisites are achieved.

We have a very good representative sample of municipalities that have provided information, covering different size of municipalities (small, medium, big), geographic presence and social economic development. This report reflects findings as well from the informative sessions that were organized with municipalities aiming to get more insides on asset management and identify the key staff dealing directly or indirectly with asset management at each municipality.

General findings

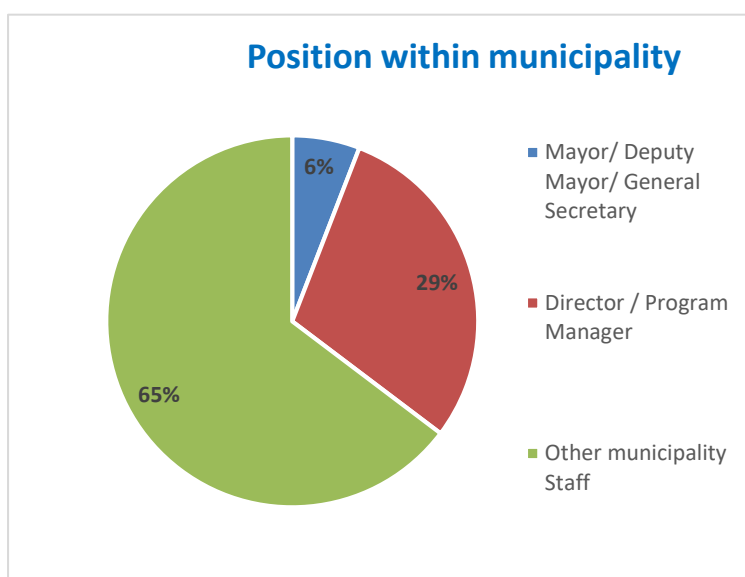
The municipality representatives welcomed the STAR2 initiative to support municipalities on capacity building on asset management. On direct meetings, we had with municipality staff (mainly from finance and budget department), they shared the needs for training in this sector. They recognize the asset management is an area where they had no trainings at all until now and have very little knowledge.

Findings from the informative sessions are highlighted Survey findings are represented also through pie graphs to show proportion of specific answers to the total possibilities for the given question.



Municipalities are lacking capacities to manage efficiently their assets:

- *Staff have limited knowledge, sometime basic information is missing*
- *25% of municipalities have no dedicated structures with clear role and responsibilities in place*
- *30% of municipalities declare that do not have any systems for asset management in place*
- *A good number of municipalities are lacking periodic inventory and reassessment of assets*
- *No periodic reporting. Some of them report only when this is specifically requested to them*
- *Lack of internal rules and regulations, sometime even no audit trail for asset management system defined*
- *Ministry of Finance and Economy instruction is clear; but needs further clarification;*
- *Information and communication system is the weakest point of asset management.*
- *Municipalities very rare share information with community and involve them in important decision with regard asset management.*
- *Internal audit and control has a good focus on asset management*
- *Investment on new assets are not related with municipality policies; plans and strategies (priorities)*



We got information from three categories of municipality representatives: (i) high executive or political level such as mayor, deputy mayor and general secretary (ii) Directors; (iii) municipality specialist dealing with assets. Most of information comes from the specialist within the municipality that deal with asset directly or indirectly followed by Directors (mainly budget director or public



services), while having very little presentation from the high executive / political level (deputy mayors).

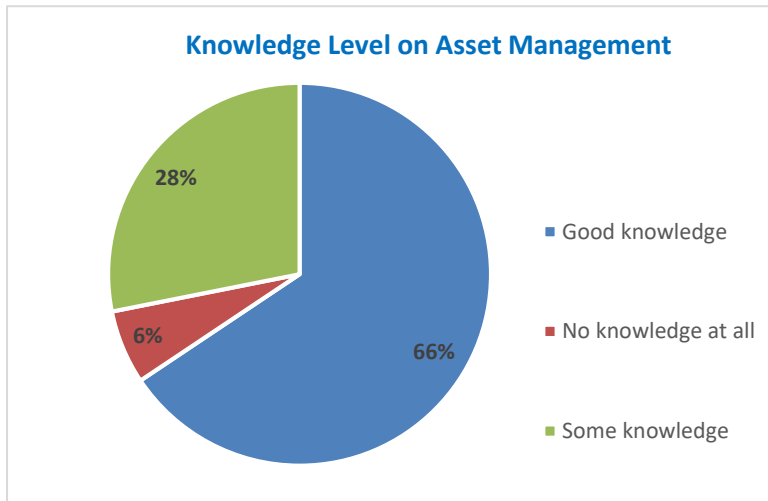


Figure 2. Knowledge level of municipality representatives

More than 65% of participants declare they have good knowledge of asset management, something that when combined with other technical questions on asset management issue they fail to know the correct understanding. Any how one third (28%) of participants declare they have some knowledge as well as 6% have declared having no knowledge at all on asset management.

I. Asset management at municipality

Asset management plays an important role in supporting municipality functions / offering services to local community. Municipal assets are property owned, controlled or used by the local governments. They can be managed directly or indirectly for the benefit of their constituents in the attainment of local service delivery goals. Municipal asset management is the process of inventory, valuation, use, strategic portfolio reviews, reporting and auditing of municipal assets as part of the decision-making process of local governments. The main benefits of an effective asset management system are to help local governments to:

- i. Provide local residents with improved services based on municipal asset use (such as infrastructure, potable water systems, cleaning and waste management, kindergartens etc.);
- ii. Increase revenues;
- iii. In case the municipality is intending to borrow from the commercial market (domestic or foreign one) the asset management system helps to improve the overall credit rating for the Municipality;
- iv. Attract more domestic and foreign investors;
- v. Improve land valuation (for example, through relocation of public properties, sale and leases, and improvements in infrastructure such as better roads) that make land assets attractive for productive and real estate purposes;

- vi. Enhance the environment and improve quality of life (for example through public parks and greenways);

An effective asset management system can provide useful information to mayors and budget program managers (directors) as well as other stakeholders, about the actual and potential net worth and asset base of the municipality.

1. Asset management system within municipalities

Asset management starts with the assessment of your current practices and assets, proceeds to the planning phase, and then concludes with the implementation phase. The process, however, is continuous in that once you have implemented and reported, new information will be available where assessing your assets and policies starts over again. This highly depend on the size and complexity of the local government. What is important is to focus on the principles behind good asset management.

In a schematic way the asset management system, consist of the following:



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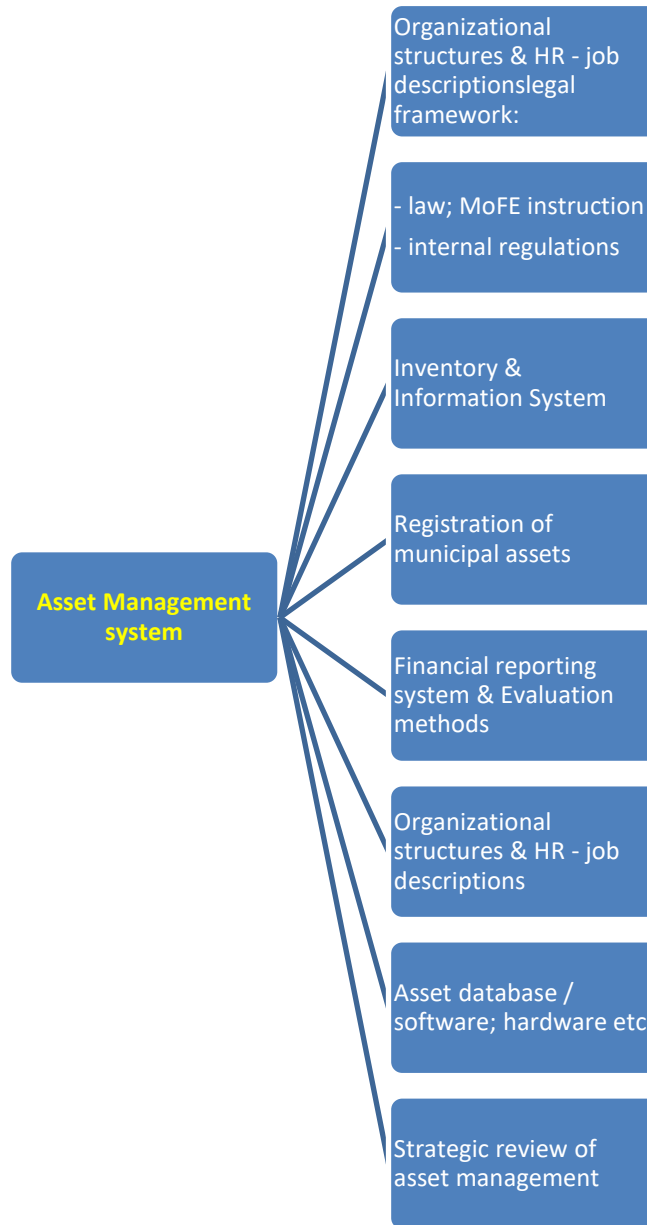


Figure 3. Asset management system pillars



In order to assess the entire system, questions have been asked to each of these pillars of the asset management system.

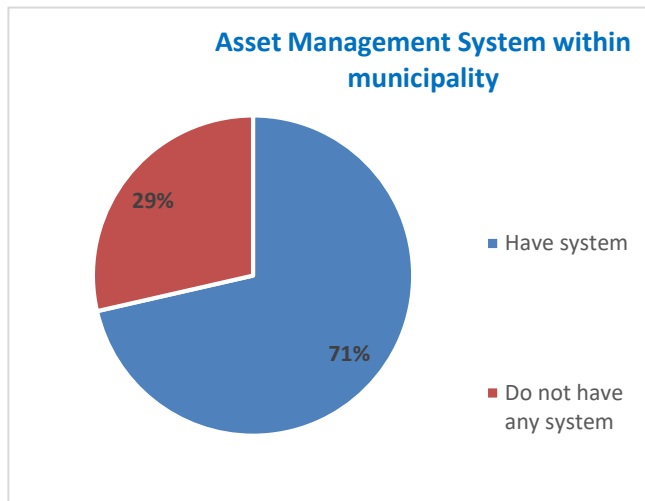


Figure 4. Current situation on Albanian Municipalities with regard asset management system

We are not sure whether interviewee had this entire structure in their definition of the asset management system, anyhow it results that more than 70% of the interviewee that answer this question declare they have a system.

It is interesting to notice that almost 8% of interviewer did not answer to this question. We believe they were not sure what the management system represents. Therefore we are going to elaborate the asset management system, with in the training curricula.

2. Dedicated structures and human resources

To have an effective asset management system within the municipality the concept of asset management must be integrated across the municipality administration. This means asset management should involve various staff members. A key component to capacity building is learning to speak the same language – in particular, finance, engineering and operations staff need to understand each other’s language, recognize that each party brings valuable information to the table and be willing to share that information.

As part of developing the municipality strategy, the municipality will need to identify roles and responsibilities for particular tasks, from planning and risk analysis through financial and technical to communication skills. Then assign these roles to specific individuals. There will need to be one person who has overall responsibility for asset management in terms of coordinating the integrated effort and reporting to council/board. It can help to identify a “dedicated structure / unit” within the municipality, charged with leading staff across departments through the development and implementation of asset management activities. It is important that people within the organization develop the capacity to continue to maintain the inventory, policies and other aspects of asset management activities, including periodic reporting to your council/board.



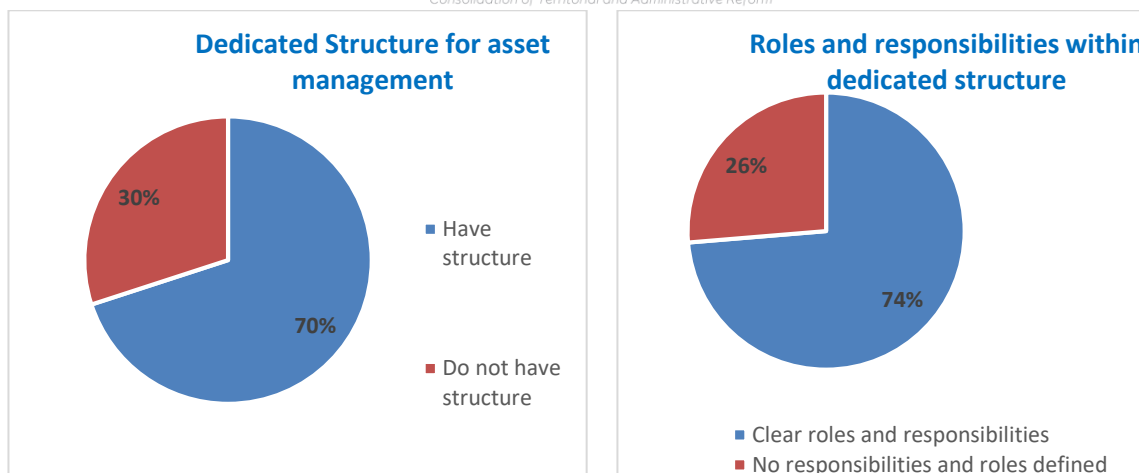


Figure 5. Dedicated Structures and clear roles and responsibilities defined

From the current situation assessment, we found out that about 70% of municipalities have dedicated structures dealing with asset management, while 26% of them declared that even when they have structures in place the roles and responsibilities are not clearly defined. *This is something beyond our training curricula, but we are going to highlight this finding within our information session that: (i) municipalities should have in place dedicated structures for an effective asset management and (ii) define clear roles and responsibilities for people involved in this engagement.*

3. Asset Information, registry, update and reassessment

Asset management starts with raising awareness and understanding among people across the local government, making asset management a priority and then acting. Key actions include the following:

- Asset Information – Know what municipality has, where it's located, its condition and its replacement costs.
- Future Demand – Understand what could happen, when it may happen and how municipality can manage it.
- Levels of Service – Determine how much service is going to be delivered (territory or population coverage) and what they need. Identify any surplus or underperforming assets.
- Option Analysis and Lifecycle Costing – Assess municipalities' options and know their costs.
- Option Selection – Make decisions based on good information and financial sustainability.

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An asset register – also known as a comprehensive asset inventory – is a recording system such as a spreadsheet or other software program that facilitates the storage of data relating to an asset or asset group. Local governments should develop and maintain an asset register, including an assessment of the physical condition, functionality, utilization (capacity) and criticality of each asset. This information should be assembled and updated on an ongoing basis, usually annually. Information in the register serves as the foundation for the local government’s asset management activities and asset planning and decision making. The register helps inform scheduled maintenance as well as emergency response and public safety actions to be taken in the event of a failure. Information generally included in an asset register tends to be on assets such as land, buildings, building mechanical systems and equipment, tracking items such as:

- ownership status (owned or leased);
- location and zoning;
- structural types;
- size (such as land area if applicable, square footage, vehicle capacity);
- age and history (past rehabilitation, repairs, maintenance activity, additions, renovations);
- value;
- current use;
- estimated service life;
- significant issues such as environmental liabilities.

Where a local government is small it may be able to initially use an Excel spreadsheet as opposed to a fully developed asset tracking system.

Every capital asset has a defined lifespan. In practice, an asset’s lifespan depends to a great extent on how the municipality manages the asset and the environmental conditions it’s exposed to. For example, a municipality may choose to minimize maintenance spending on an asset such as a vehicle, thus reducing its expected lifespan. The same local government may choose to rigorously maintain a given asset so as to avoid premature failure and the associated costs. Full lifecycle costing considers the entire cost of the asset, including all planning, design, construction, acquisition, operation, maintenance, rehabilitation and disposal costs. In asset management, it’s important to always reflect the full lifecycle costs of each asset. This will lead to better informed and more rational decision making. If a local government only considers up-front acquisition costs of a capital asset, it may make inappropriate asset decisions, particularly where various options have significantly different downstream maintenance costs.

To check if the above is performed within the Albanian municipalities we have posed several questions on this regard such as: (i) do municipalities have a register; (ii) do they update it; (iii) do they perform periodic inventory; (iv) do they reassess the assets. The situation is very positive in this case. Almost all municipalities have an asset registry (only 4% of them declare that have no registry at all) and they perform a period inventory of this registry (only 13% do not perform an inventory). While trying to cross check questions we have address on this regard unfortunately we found out that municipalities do not perform a periodic update (only 37% of them have this procedure in place) and 80% of municipalities perform asset reassessment



(revaluate the value of assets). We will provide more focus on this issue during the technical training sessions.

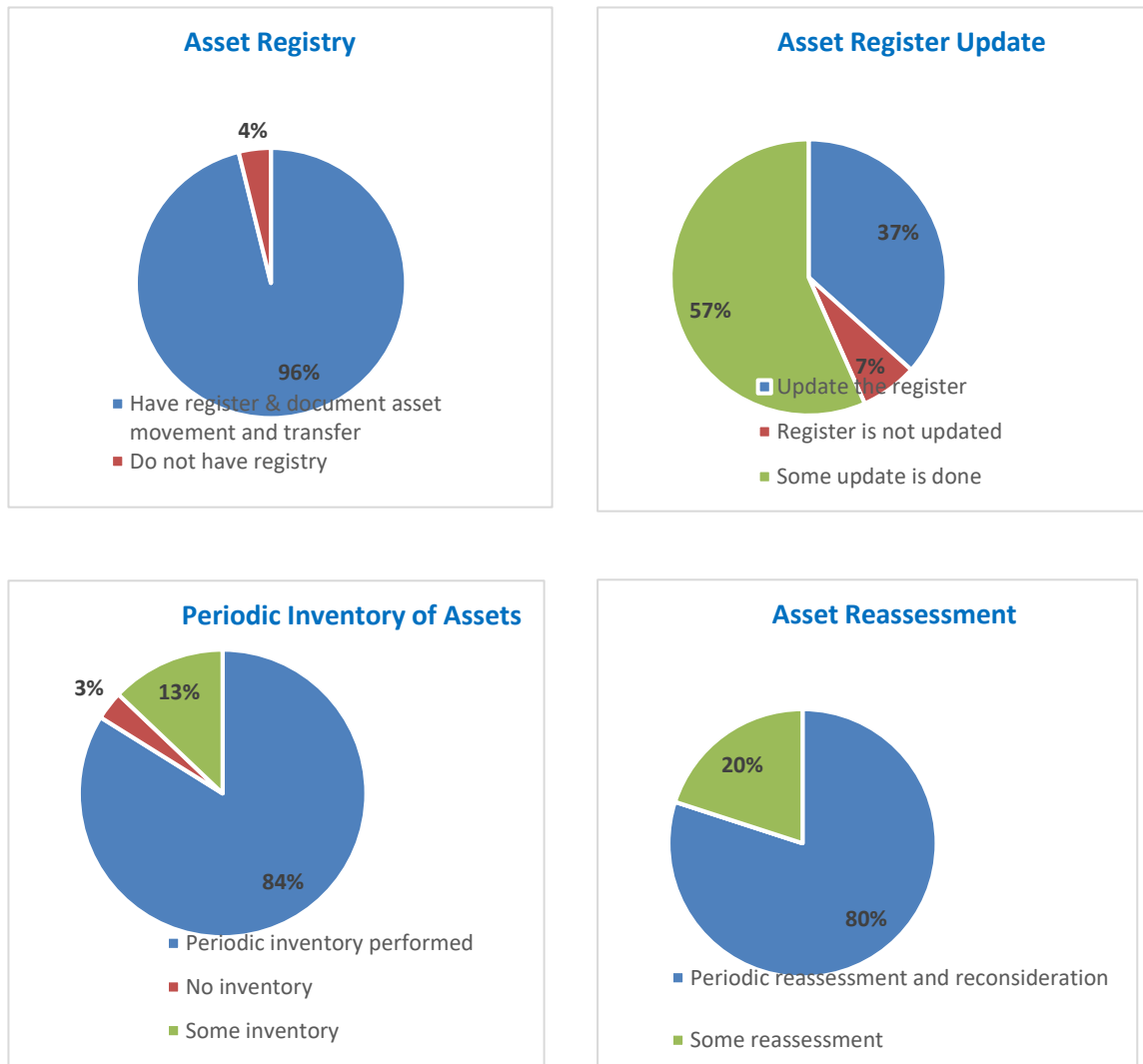


Figure 6. Asset registry, update, inventory and reassessment

4. Asset Management strategy

The major benefit of strategic planning is the promotion of strategic thought and action. A strategic plan spells out where an organization wants to go, how it's going to get there, and helps decide how and where to allocate resources, ensuring alignment to the strategic priorities and objectives. It will help identify priorities and guide how municipal fiscal revenues are spent into the future. The strategic plan usually includes a vision and mission statement, and key organizational priorities with alignment to objectives and action plans. Given the growing



economic and political significance of infrastructure, the asset management plan will become a central component of most municipal strategic plans, influencing municipal priorities, objectives, and actions.

An asset management plan (AMP) is a key component of the municipality’s planning process linking with multiple other municipal sectorial plans and documents.

For example: The General Development Plan (Plani Përgjithshëm Vendor) should utilize and influence the land use policy directions for long-term growth and development as provided through the GDP.

Medium Term Budget Program (MTBP) should both utilize and conversely influence the financial forecasts within the long-term financial plan.

Capital Budget / Project Investment Plans – The decision framework and infrastructure needs identified in the AMP form the basis on which future capital budgets are prepared. v Infrastructure Master Plans – The AMP will utilize goals and projections from infrastructure master plans and in turn will influence future master plan recommendations.

By-Laws, standards, and policies – The AMP will influence and utilize policies and by-laws related to infrastructure management practices and standards.

Regulations – The AMP must recognize and abide by industry and senior government regulations.

Service Business Plans (For example the one on integrated municipal waste management plan; Water and Sanitation plan etc) – The service levels, policies, processes, and budgets defined in the AMP are incorporated into business plans as activity budgets, management strategies, and performance measures.

Considering the importance of asset management strategies and plans, we have addressed questions related to this subject to municipalities. Unfortunately, we have found some serious issues in this respect:

- More than 30% of the municipalities have no strategy for asset management at all;



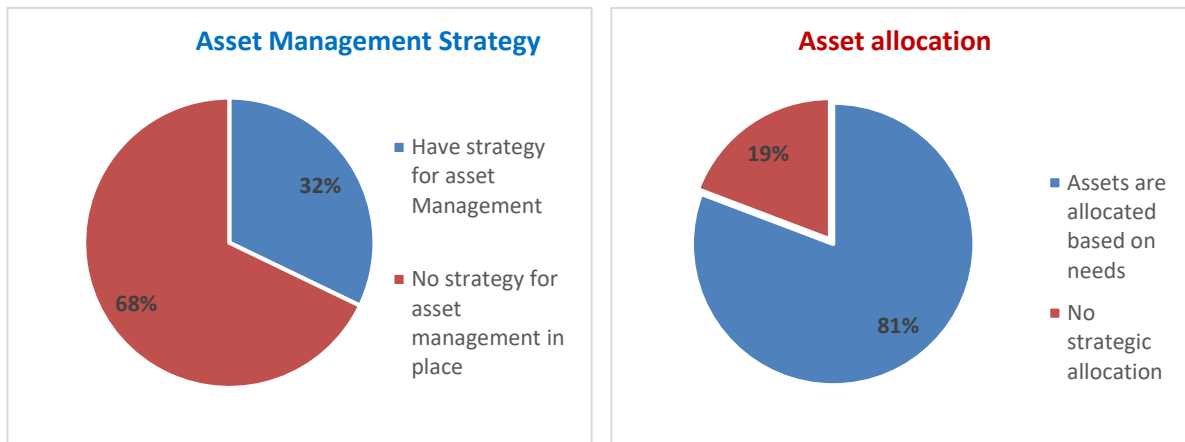
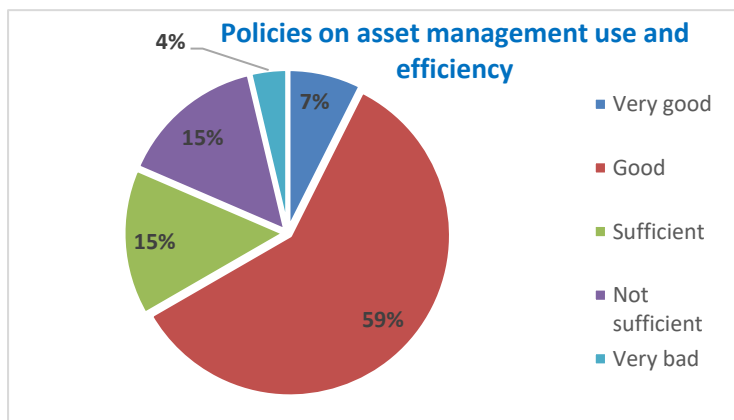


Figure 7. Current situation on asset management strategy

5. Internal procedures on asset management, documentation and policies

One of the key principles of asset management is the link between asset management and the long-term financial plan. In best practice terms, this means a minimum ten-year planning timeframe. The municipality long-term financial plan should consider both the costs of depreciating assets at replacement value and revenue sources to match those costs, as well as key assumptions. It should compare short and long-term asset renewal needs to revenues and include multiple financing options based on a range of service levels. To develop such a plan, your local government will need to know your costs, formulate a range of potential revenue strategies and plan for any expected revenue shortfalls. Taking such an approach will help your local government achieve service and asset financial sustainability over the long term. For smaller local governments there will be fewer assets to track and the financial plan will correspondingly be simpler.



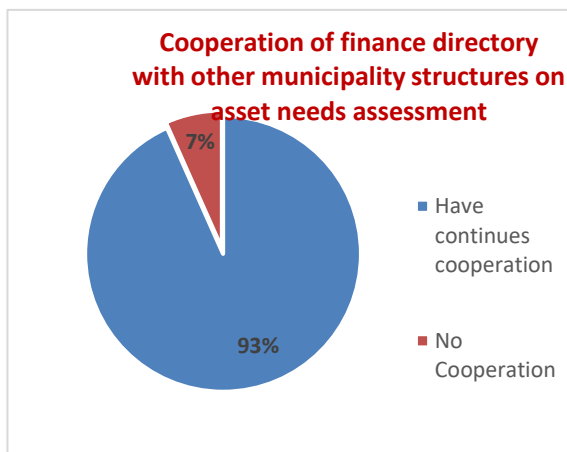
We have asked municipalities how they consider their own policies on asset management use and their efficiency. To a high degree (almost 60%) they consider their internal policy as efficient and only to a very small percentage (only 4%) as not efficient at all (very bad). Taking into consideration other question on asset strategy and plan probably

the interviewee is not clear about policies on asset management in order to assess the asset efficiency.

Based on this finding during the informative *meetings it was attracted the attention of the participants (since they represent high management level) on some critical issues on this regard such as:*

- How municipalities make sure that their policy is appropriate for the size of their municipality?
- How to scale the municipality asset management policy to the size and nature (range and complexity) of its asset base, including the prevalence of critical or core assets?
- How the organization can benefit from asset management policies, how it works and how it justifies asset management activities?
- Management decisions will vary in complexity: there will be critical and non-critical decisions requiring differing degrees of analysis. Overall, it's better to start at a simpler, higher level and break it down into more detail at a later point as needed.
- The importance of the asset improvement Plan – Show municipality commitment for the future. Evaluate municipality internal capacity for doing this work, taking into consideration staffing, knowledge and skills, and roles and responsibilities.
- Identify staff who will be involved in asset management and equip them with training, direction and advice to effectively undertake these actions. Integrate asset management culture and practices with your existing systems and processes, such as connecting finance activities with engineering and risk management activities.

On some other key questions such as: (i) how they assess the municipality asset management process; (ii) if the budget directory cooperates with other units within the municipality on asset management; (iii) community engagement on important decision with regard asset management; (iv) if they include assets within their financial balance sheet etc, we have some encouraging answers.



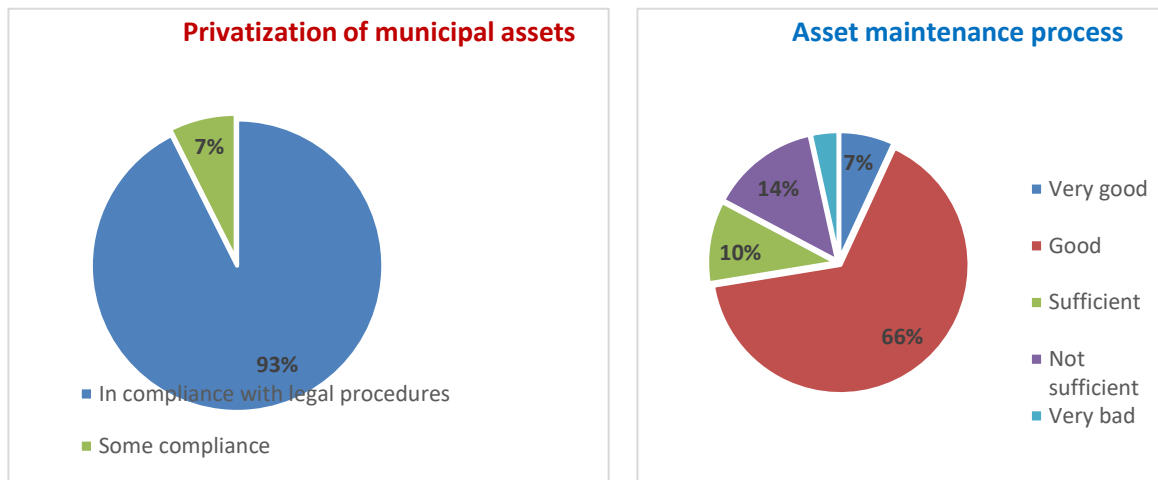


Figure 8. Current assessment on asset management process

One important findings to a high relevance for the Ministry of Finance is the fact that municipalities declare that their annual finance balance sheet include the municipalities assets. Since we were not sure about this fact, we have cross-checked this question with direct contacts we had with municipalities to get further information on this respect. We found out that:

- Municipalities have information only on “their asset” not on the ones they have received from the central government based on the CoM Decision for asset transfer.
- Municipalities do not continuously reevaluate their list of assets therefore they are not sure how to reflect them within the balance sheet.
- Some municipalities did not reply with information on this question since they were not sure how about the real process within the municipality.

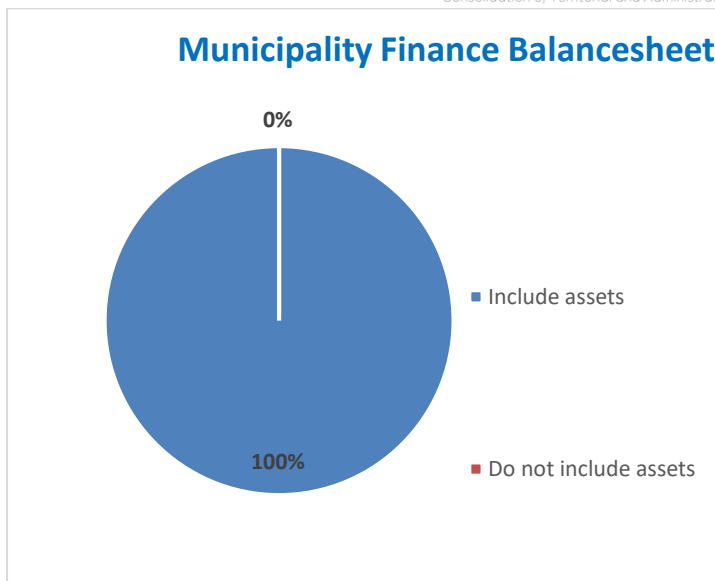


Figure 9. Current assessment on municipality annual balance sheet and assets as part of them

II. Use of Municipal Assets to support local services

All too often, we see procurement notifications from municipalities aiming to build in new infrastructure. What about the existing infrastructure? We only hear about renovation or improvement of existing assets when infrastructure starts failing. How is the existing infrastructure being managed? The dilemma for Local Government is that the community is looking for increased services with little or no service tariff rate increases. This leaves the local municipality Council struggling to find the appropriate finances required to deliver these services. With the focus from politicians being on the delivery of new infrastructure, the renewal element is generally overlooked in favour of a new community building, rather than investing back into the delivery of the existing. While there is a strong focus on growth in many parts of big municipalities (receiving inhabitants from other locations / municipalities), this is only a minor part of the bigger picture of becoming financially sustainable.

Assets are key to provide increase coverage service area to local community and service quality. The legislation mandates the Municipalities to provide a considerable number of functions (respective services). Very often mayors tend to focus on what they do, rather than what they provide to the local community. In many cases, service provision is a by-product of what they set out to do. To overcome this problem and to provide a framework in which municipalities can set their priorities, first they need to see what exactly they provide to their communities. In order to understand how these services are supported by concrete assets from municipalities we have assessed the support of these services with assets. The most important services that municipalities are providing today such as: roads infrastructure and public



transport; waste management and cleaning; potable water and sanitation; kindergarten and pre-university education; drainage and irrigation system; fire protection and rescue; primary health care etc.

Details are provided below, it is important to notice that the most supported service with assets are kindergarten and pre-university education institutions; followed by waste management and road cleaning while the worst performer are public transport; fire protection and primary health centres.

We have cross checked the survey result with the financial data from Albanian treasury system allocated by functions. As a result, we found out that the biggest investments are allocated on municipal premises Unfortunately municipalities are not investing based on priorities.

Table 1. Municipal service conditions – as assessed by municipal representatives

Service Conditions	Very good + good	Sufficient	Not sufficient + very bad
Municipal road conditions	57%	11%	18%
Waste management and roads cleaning	64%	21%	4%
Public transport	32%	32%	21%
Potable water and sanitation	50%	18%	21%
Health care centres	46%	21%	25%
Kindergarten and pre-university education institutions	71%	21%	0%
Drainage and irrigation system	64%	11%	18%
Fire protection and rescue centres	46%	4%	43%
Municipality premises	61%	7%	25%



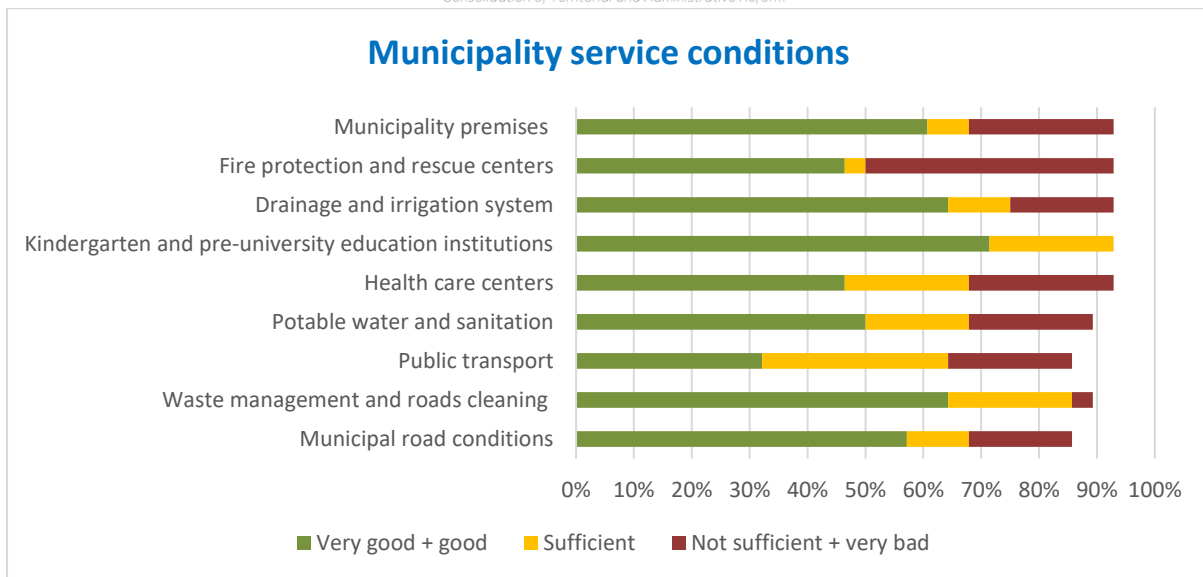


Figure 10. Services conditions – semafor bar

Table 2. Best performers

Best conditions	Very good + good
Kindergarten and pre-university education institutions	71%
Waste management and roads cleaning	64%
Drainage and irrigation system	64%
Municipality premises	61%
Municipal road conditions	57%
Potable water and sanitation	50%
Health care centres	46%
Fire protection and rescue centres	46%
Public transport	32%

III. Internal audit control and asset management

1. Control environment

National and local governments need a common framework that clearly establishes the authority of local government on their assets. In some countries, this framework of laws, regulations, and management of local properties has existed over a long period of time. In Albania the processes of reform and transition have accelerated decentralization and



strengthened the authority of the municipal governments. Although laws may have been promulgated, there can be, in many instances, areas of contradiction and lack of clarity that potentially discourage local governments in their asset decision making initiatives (as indicated in different studies and assessment developed). The framework consists of the applicable laws and regulations that affect the ownership and management of public assets.

The legal systems define property ownership including rights and responsibilities, sale and registration differently. The laws and norms guide the management, use, acquisition and disposition of public property. They are important in determining who might be the ultimate beneficiary of the services and financial returns that municipal assets can provide. The laws and regulations normally establish the right and obligations to register properties, methods of valuation for transaction purposes (buying, selling, leasing, and giving on concession) as well as the processes that apply for eminent domain cases. The laws also establish the instances and authorities for appeal and arbitration. The legal framework starts from the Albanian Constitution followed by several specific laws and by-laws. Our aim in this assessment was to check specific procedures, having in mind the legal requirements, such as:

- i. Internal audit and control
- ii. Ministry of Finance and Economy instruction
- iii. Clear roles and responsibilities defined in order to avoid conflict of interest
- iv. Documentation of asset use process
- v. Audit trail on asset management
- vi. Written monitoring regulations

Important to notice that:

1. Internal audit is focused on the asset management area;
2. Ministry of Finance instruction provides to a good degree clear guidance on asset management; while need for further clarification. We are going to share this with the ministry of finance / harmonization unit as directly interested on this regard;
3. Roles and responsibilities are in most of the municipalities clearly defined and are providing for avoidance of conflict of interest;
4. Documentation process is not really a best practice. More than 30% of municipalities declare that they have some level of documentations. We are going to highlight this finding during both informative sessions and technical trainings;
5. Municipalities have in almost 80% of the cases written regulations;
6. 40% of the municipalities declare that do not have an audit trail on asset management processes (something that needs to be addressed with a specific focus during the technical training sessions).



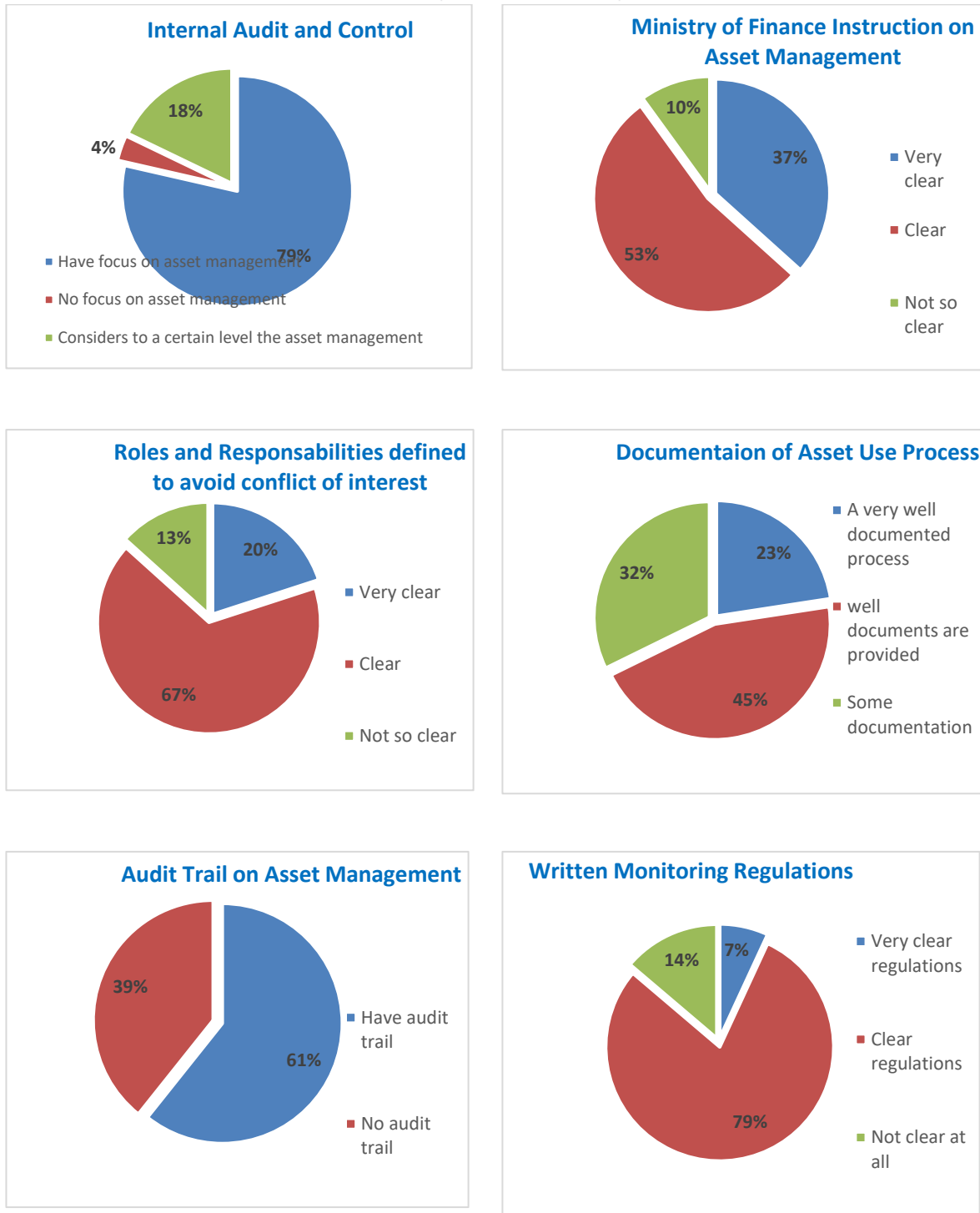


Figure 11. Current assessment on asset management and internal audit and control

2. Information and communication

Communication is of high importance in developing and implementing an asset management program, particularly because of the involvement of different disciplines and levels within different directories at the municipality, that typically have different perspectives and ways of talking about specific asset needs. In its communications and reporting plan, the municipality must pay particular attention in:

- linking different municipality service performance measures in a clear and direct way to the municipality's vision and priority areas
- defining clear and precise performance measures and strategies
- clarifying goals and related accomplishments in a concise way
- reporting progress made in each of the service performance areas
- illustrating what has been done to meet goals and what still needs to be done

Because asset management is a fact-based system, it allows for an objective dialogue among all parties. As a system of communication, the practice of asset management can help municipalities to:

- Improve confidence in municipality service objectives by clearly reporting achievements and failures and progress toward established goals
- Provide a first step in helping mayors to understand the extent of the responsibilities vested in them
- Help executives within the municipality (mayor, deputy mayor, general secretary, directors of services) at all levels to understand the condition and needs of their area of responsibilities and define needs for improvement or different management.

We have asked municipality representatives to assess their current procedures with regard information and communication and have found out that municipalities are divided almost in half by having and not having a communication system in place. Three questions were posed to elaborate this part of asset management at municipalities: (i) Information and communication system; (ii) Reporting period on asset management and (iii) Transparency and publication of decisions related with Asset management.



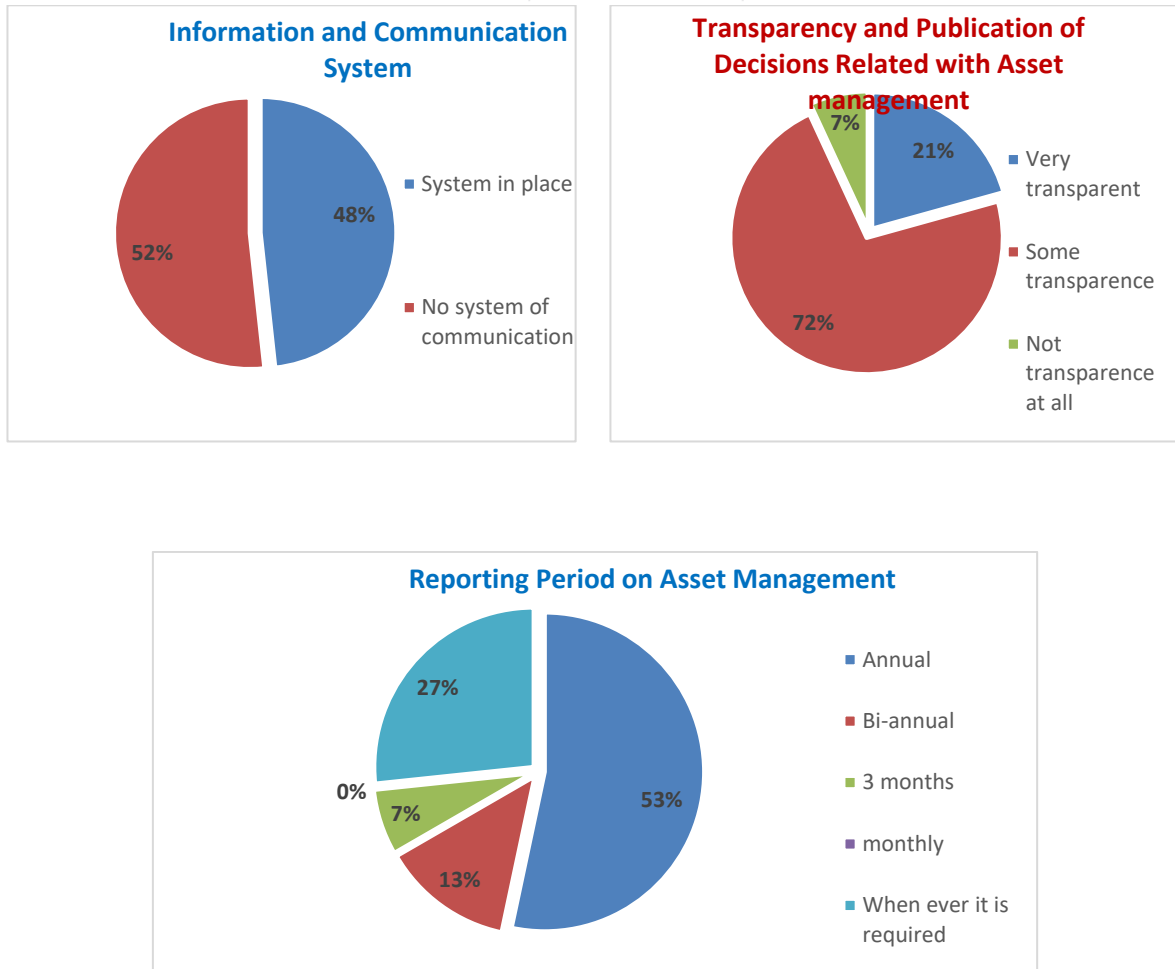


Figure 12. Current assessment on information and communication on asset management

By comparing the answers of this question with the one on municipality transparency and publication of their decisions on asset management we get two different situations (on this second question 30% of the interviewer answer that they do not make public their decisions on asset management). Therefore, we believe probably the interviewers were not sure on their answer - either they are not aware of the rule that requires 3-monthly report on asset management or they do not consider that this report must be made public.

3. Risk management

By paying close attention to risk, the municipalities can make sure to devote available resources to the right assets at the right time. Part of the municipality asset management strategy and

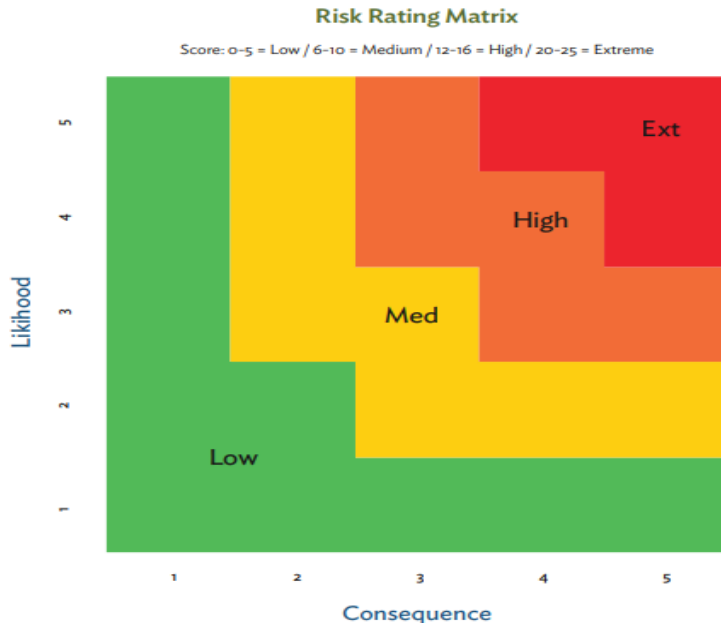


Figure 13. Risk Rating Matrix: Score 0-5 = low / 6-10 = Medium / 12-16 = High / 20-25 = Extreme

respective plan is a risk management approach which helps to prioritize the resources, optimize municipality budget, avoid unnecessary costs and achieve a higher return on municipality's investments in capital assets. By identifying and assessing the level of risk associated with each potential asset failure, municipalities can target scarce resources to ensure vital services remain available and critical assets

are appropriately inspected, monitored and covered by preventative maintenance. Risk analysis is about determining the likelihood and consequence of asset failure, each rated for criticality from low to extreme. Consequences are typically classified as economic, operational, social and environmental and public health and safety.

The risk rating diagram can give a good idea of the methodology used by many public-sector organizations. As risk likelihood and consequence increase, the rating moves from low to extreme. It's best to carry out risk modelling before assessing asset condition. In fact, risk assessment should direct how and when you assess condition. Assets with an extreme criticality rating should receive detailed condition assessment, engineering reviews and field monitoring

This is a basic technique, unfortunately not used so far, that is why we have posed three simple questions to assess current procedures municipalities have on this regard such as: (i) do they have internal regulations on risk management; (ii) do they have measures plan for control and security of assets and if they (iii) secure assets from natural calamities.

It is important to notice that only 41% of the interviewed municipalities have internal regulations with regard risk management. From which not all of them have a plan of measures for asset control and their security and furthermore only 63% of them dedicate budget to secure their assets. We would like to underline that Ministry of Finance has expressly asked our team to pose a question on existence of internal rules and regulations. Based on this finding we



had the chance that during the informative sessions to attract the intention on this important legal requirement while the technical training will aim to build the local representatives capacities on this regard.

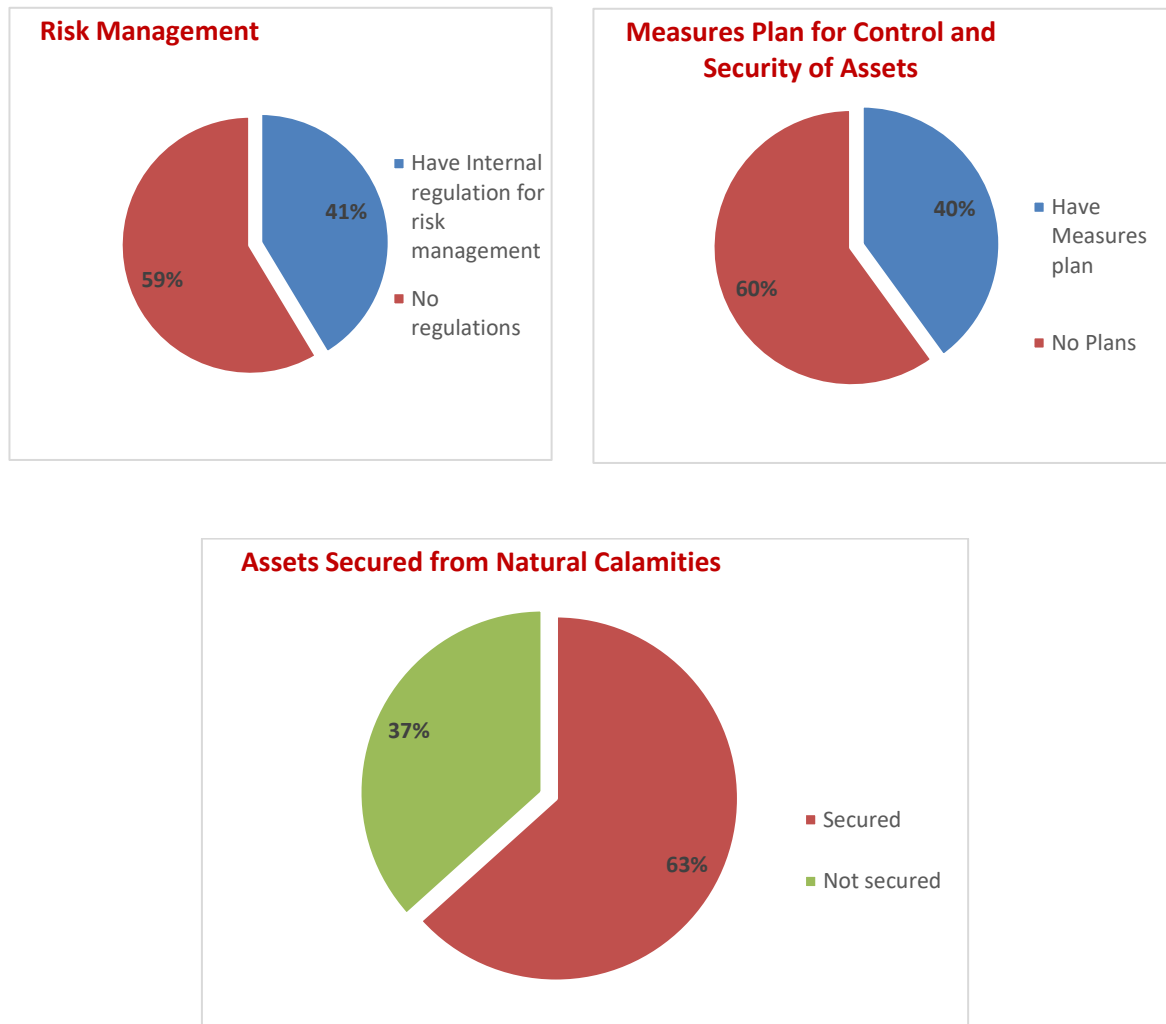


Figure 14. Current assessment on Asset Risk Management

4. Monitoring

To assess the current procedures that municipalities have in place for monitoring asset management we have posed four questions to the respective municipalities: (i) do municipalities have measures to monitor asset management process; (ii) do they have written monitoring regulations; (iii) do they have efficient monitoring system in place and (iv) the level of HR capacities dealing with internal audit of asset management. The answers we got are very encouraging probably because this section is part of the internal auditing and control and how

this is related with the asset management. Municipalities have in place internal audit and control structures and asset management because of the Ministry of Finance instructions and guidance existence have provided a positive impact on this regard.

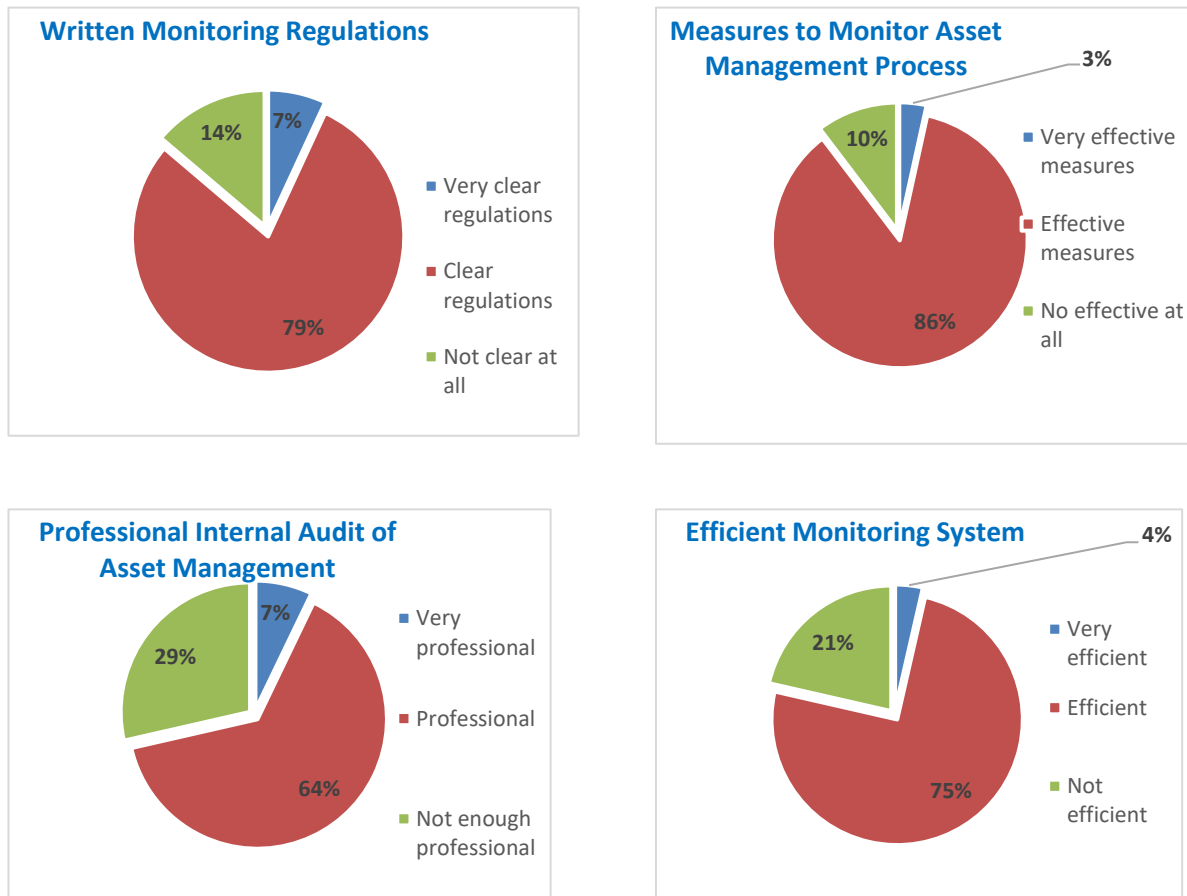


Figure 15. Current assessment on Asset Management Monitoring

As the result of this part of the survey the situation with regard the internal audit structure of municipalities consist of good professional and very good ones to a level of more than 70% of the answers; they maintain efficient monitoring system (more than 75% of the answers); they have clear monitoring written regulations (more than 80% of the answers) and they implement effective monitoring measures (almost 90% of the answers).