AMAF Guidance Note

Adopting a risk-based approach to AMAF compliance assurance and maturity assessments

CM ref: D21/113612

# Introduction

The Asset Management Accountability Framework (AMAF) is a mandatory, non‑prescriptive framework for managing public assets in Victoria. This approach seeks to ensure that an organisation’s implementation is both fit for purpose and achieves organisational objectives.

This Guidance Note assists Victorian public sector agencies to implement asset management strategies and undertake assurance activities, which consider the size, criticality and service delivery objectives of assets held. In undertaking those activities, a risk‑based approach should be applied to ensure the organisation’s assets support service delivery objectives.

The criticality of assets varies significantly across Victorian public sector agencies. Asset criticality refers to its importance to service delivery, or the extent to which an asset failure or unavailability would impact on the social or economic wellbeing of the Victorian community. Risk assessments are important in determining which assets are critical to agency performance. A targeted, risk and evidence‑based approach, can direct effort to managing assets of greatest risk and avoid resources being unnecessarily committed to activities of low criticality.

Compliance assurance activities measure the robustness of an organisation’s processes for planning, monitoring and managing assets, and meeting the AMAF’s mandatory requirements. They support maturity assessments and ensure processes are being followed and appropriate controls are in place to maintain compliance. They also form the basis of evidence for undertaking annual attestations and developing a plan for improvement.

Agencies must comply with 41 mandatory compliance requirements, and two key reporting requirements:

* **attestations** – Responsible bodies must attest to their agency’s compliance with the mandatory requirements of the AMAF in their annal report
* **maturity assessments** – To support the dual goals of increasing transparency and working towards best practice in asset management, agencies will need to complete a self-assessment of their asset management maturity and present this in their 2020-21 annual reports, with further assessment every three years.

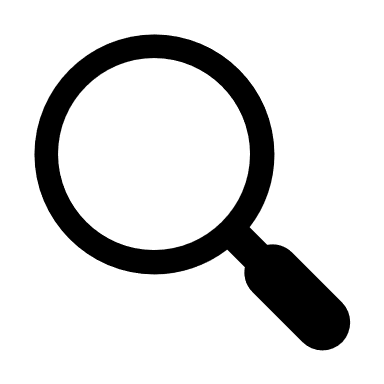
While attestation of compliance with the AMAF should be underpinned by robust evidence of compliance, a scaled approach to compliance assurance ensures the level of evidence is sufficient based on the asset class.

Fig 1: The role of compliance assurance in the attestation, maturity assessment and continuous improvement

**Annual attestation**

**Continuous improvement**

* Compliance
* Non‑compliance
* Material   
  non‑compliance
* Innocence
* Awareness
* Developing
* Competence
* Optimising



* Leadership and accountability
* Planning
* Acquisition
* Operation
* Disposal

**Compliance assurance**

**Maturity self‑assessment**

# Applying a risk-based approach

Identical approaches to compliance assurance may not be the most effective approach to meeting mandatory requirements in the AMAF. Under a risk and evidence‑based approach to AMAF compliance assurance, agencies should establish and maintain compliance assurance strategies that are consistent with, and proportionate to, the risk profile of their asset and service delivery objectives. The strategy should clearly establish the priorities and extent of compliance assurance activities with specific consideration of:

* size, value and lifecycle cost of assets within the asset portfolio;
* criticality and sensitivity of service delivery objectives;
* impact of individual implementation activities on the organisational risk profile;
* potential cost and non‑cost risks of compliance deficiencies; and
* resource requirements of individual AMAF compliance assurance options.

Under this approach, asset management activities that support significant risk reduction would be prioritised through more extensive assurance, compared with activities that have been assessed to have a lesser risk impact.

In practice, a scaled approach to AMAF compliance assurance may:

* prioritise assurance activities for condition monitoring and preventative or routine maintenance, to respond to an existing asset base with a high rate of deterioration;
* prioritise assurance activities for asset acquisition and disposal, to respond to high volume asset turnover;
* provide extensive resources for assurance activities, to respond to a large, high-value asset portfolio with critical, performance sensitive service delivery objectives; or
* provide fewer resources for assurance activities, to respond to a small, low-value asset base, that deliver on non‑critical, non‑sensitive service delivery objectives.

# Applying a AMAF compliance and maturity rating

Fig 2: Compliance and maturity ratings to be applied to each mandatory requirement to determine the target level of compliance and rate the maturity level

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| --- | --- | --- | --- | --- |
| Compliance | Maturity rating | Descriptor | System status (0‑4)\* | Effectiveness of application (0–4)\* |
| N/A | – | Not Applicable |  |  |
| Partial/Non comply | Innocence  (0) | Systems and process are not in place, limited awareness of the AMAF requirement. | No asset management policy, procedure, process document or manual providing any direction. | No evidence of personnel using the information available.  Desired outcomes to support business objectives are unknown. |
| Awareness (1) | Systems and processes are being developed, effectiveness of application is not consistent, some knowledge of the AMAF mandatory requirement. | Asset management system are being developed within a reasonable agreed timeframe, and development of documented information has commenced. | Relevant practices are derived and driven by personal knowledge and experience, not always referring to the relevant system requirements.  Desired outcomes to support business objectives are known but not achieved. |
| Developing (2) | Systems and processes are being embedded, often applied effectively, with clear links to the AMAF mandatory requirement. | System documentation, providing direction is at released version. All requirements are communicated and there is a reasonable understanding of involved personnel of its intended purpose and its impact on asset management objectives. | System requirements are being utilised to drive work practices and assist personnel to be safe, effective and productive. Desired outcomes to support business objectives are known with partial achievement. Work currently under development to achieve the remaining outcomes. |
| Comply | Competence (3) | Systems and processes fully in place, consistently applied and systematically meeting the AMAF requirement, includes a continuous improvement process to expand system performance above AMAF minimum requirements. | System information is fully implemented and controlled within an asset management system. Documents have been reviewed and revisions (if applicable) have been driven through proper consultation. An assurance program is in place. | Competent resources are being applied with rigour and discipline. Personnel proactively report system improvements where applicable. Leaders monitor and report on performance and its alignment with business objectives. System feedback drives resource planning to make improvements.  Desired outcomes to support business objectives have been achieved. |
| Optimising  (4) | Systems and processes are now leading practice, exceeding the AMAF mandatory requirement, and constantly being improved to align with support and drive organisation’s objectives. | System improvements are selectively chosen, justified and implemented only when future performance requirements in conjunction with external benchmarking add incremental value to the achievement of business objectives. | All practices are always conforming to the requirements of a best practice culture where all controls are fully effective. Desired outcomes to support business objectives have been achieved. Ongoing review and optimisation of outcomes are planned. Delivers against optimised outcomes. |

\*The overall rating is the lowest rating value between *System status* and *Effectiveness of application.*

This rating system should be used by all agencies in undertaking compliance assurance activities and is the model for reporting on maturity assessments. Agencies will rate the system status (0–4) and effectiveness of the application (0‑4). The overall rating is the lowest score of the two ratings.

The rating system and AMAF Compliance and Maturity Rating tool attached to this Guidance Note is based on a model introduced by the Department of Transport, which was initially developed in 2017‑18 with the assistance of VicTrack building on the Institute of Asset Management’s asset management maturity scale, and aligns with the International Standards Organisation ISO 55000 Asset Management. Since 2017‑18, the tool has been trialled by the Department on a yearly basis and has been progressively refined, with involvement from the Department and its agencies.

The rating‑based tool defines two key activities:

* **the maturity target** – Agencies should establish a target for each mandatory requirement, which may change over time depending on changes to the asset base, risk and service objectives; and
* **the actual maturity level** – assessment of whether a system is in place to address an AMAF requirement and whether that system is being effectively applied, present evidence to substantiate an assessment, consider whether a compliance deficiency is material (compared with target maturity level).

A consistent approach to assessing compliance allows government to compare performance (actual and desired) across portfolios and provide an understanding of relative risks and performance improvement needs.

This approach should reinforce the principles of a well‑considered, proactive, targeted and value-for-money approach to AMAF implementation. To ensure this, the organisation’s approach to compliance assurance should:

* be adapted to the organisation's unique asset portfolio;
* respond to the organisation's specific service delivery objectives and risks;
* consider available resources and value-for-money outcomes;
* incorporate AMAF principles of continuous improvement; and
* be clearly documented within the agency's asset management framework.

Considerations that underpin the priorities and extent of assurance activities should also be documented in parallel with the proposed approach. For material deficiencies, this should also include information on the asset class with deficiency and rationale for why it was considered material.

A clearly documented approach to compliance assurance demonstrates sound understanding of the responsibilities and risks associated with an organisation’s management of an asset portfolio and provides further evidence of a considered, strategic approach to AMAF implementation. The AMAF Compliance and Maturity Rating tool attached to this Guidance Note can assist agencies to summarise and capture the assessments and approaches.

Maturity assessment reporting is undertaken in addition to the attestations, including the disclosure of material compliance deficiencies. The maturity assessment does not replace other requirements as part of the Standing Directions 2018 under the *Financial Management Act 1994*.

Should an organisation adopt a different rating system, this should be discussed with DTF in advance of the commencement of the 2020‑21 self‑assessment reporting.

# Embedding continuous improvement in AMAF compliance assurance

The maturity assessment process is underpinned by a principle of continuous improvement. The maturity assessment tool will help agencies target effort for improvement.

Compliance assurance approaches should evolve over time to target emerging issues identified within organisations, including through their audit committees. This ensures that assurance activities do not prioritise obsolete risks at the expense of new risks. Changes to the compliance assurance strategy may be in response to numerous factors, including:

* internal or external audits;
* identified performance deficiencies;
* incident investigations or complaints;
* changes to the organisational risk profile;
* changes to the asset portfolio;
* changes to service delivery objectives or performance standards; or
* process changes.

All refinements to compliance assurance strategies should be clearly documented to demonstrate the strategic shift in priorities.