

# The impact of the Government Immovable Asset Management Act (GIAMA) on the Department of Public Works, South Africa

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## Abstract

**Purpose of the paper:** To investigate of the impact of the Government Immovable Asset Management Act (GIAMA, No. 19 of 2007) on immovable asset management by the Department of Public Works (DPW), South Africa, which is mandated to be the custodian of all immovable assets utilized by National Departments.

**Methodology.** Primary sources included survey questionnaires and interviews with relevant managers of all business units involved in life cycle asset management within DPW. The units are Asset Investment Management, Professional Services, Policy and Key Accounts Management. The population was subdivided into three levels of management (Chief Directors, Directors, Deputy Directors). Stratified random sampling identified a total of 30 out of a total population of 80 managers from the four units. A total of 27 completed questionnaires were received and analysed.

**Findings** The study established that the roles and goals of the different business units are not properly aligned to strategic goals of the department. The asset register in the department was not updated. A number of asset management policy and skills gaps need to be addressed to comply with GIAMA. It is recommended that DPW should ensure that it addresses the gaps in the asset management systems, policies, skills and asset management planning in the department to ensure compliance.

**Practical implications.** Implementation of the recommendations should contribute to the optimization of the fixed assets owned by the South African government and to service delivery to User Departments.

**Keywords:** Asset register, asset management plan, asset strategy, Government Immovable Asset Management Act, immovable assets, life cycle asset management

## 1. Introduction

In terms of the Constitution of the Republic of South Africa of 1996 (Act No. 108 of 1996) the National Department of Public Works has been mandated to be the Custodian of government's immovable assets including the provision of accommodation requirements; rendering expert built environment services to User Departments (RSA, 2007).

Custodians and users of immovable assets should have a uniform approach of immovable asset management (Hastings, 2010; Vanier, 2000; Wilson, 1999). Historically, custodians bore the cost for immovable assets. In terms of the principle of devolved accountability, total infrastructure and accommodation cost, which includes cost relating to immovable assets, must be borne by the User Departments (Australian Department of Treasury, 2010; RSA, 1999; RSA, 2004). It was, therefore, imperative that a uniform immovable asset management framework be established to ensure consistent immovable asset management in government which has led to the promulgation by the President of the Republic of South Africa, on 27 November 2007, of the Government Immovable Asset Management Act (GIAMA, No. 19 of 2007).

The implementation of GIAMA is aimed at promoting coordination in the use of immovable assets with service delivery objectives of a National or Provincial Department and efficient utilisation of immovable assets, and to optimise the cost of service delivery. Within the context of its provision, the implementation of GIAMA will have impacts on life cycle asset management by the National Departments. The current immovable asset management environment in the National Department of Public Works is uncoordinated, re-active, mainly characterised by inefficiencies and ineffective business processes.

The deterioration of buildings due to a lack of proper asset maintenance can lead to future financial burdens, pose legal and other industrial relations conflicts and affect the delivery of services, these and other similar challenges made it justifiable to undertake this research with the aim of assessing the potential impacts of GIAMA on life cycle asset management. A number of such indicators were used to measure the levels of impact of GIAMA since it was enacted in 2007. The indicators included asset management systems, immovable asset management policies and the level of skilled personnel in the department.

## **2. Research Methodology**

Primary sources included survey questionnaires and interviews with relevant managers in the Department. Secondary data included theory from previous research, current theories and official documents of the department including strategic plans, guidelines, policies and relevant legislations.

The population in this study consist of all DPW personnel. The targeted units include all business units involved in life cycle asset management within DPW. The units are Asset Investment Management, Professional Services, Policy and Key Accounts Management. The population was subdivided into three levels of management (Chief Directors, Directors, Deputy Directors) from the units involved in Immovable Asset Management. The information was obtained through stratified random sample where a total of 30 requested to participate in the survey out of a total population of 80 managers from the four branches. A total of 27 completed questionnaires were received and analysed, reflecting a confidence level of 95% with a margin of error of just over 15% (Hashim, 2010).

The majority (67%) of respondents were from Asset Investment Management, 19% from Key Account Management, 7% from Policy and 7% from Professional Services. More than two-thirds of the respondents are from Asset Investment Management, which is the branch that is central to the implementation of GIAMA in the department. The branch is also involved with life cycle immovable asset management. Key Accounts Management was represented by 19% of all the respondents, which is a good representation as the branch is also involved in assisting the User Departments in the compilation of UAMPs.

The variables which were used to measure the potential impact of GIAMA included the following: business processes to be followed in the acquisition of immovable assets, asset register management policy, immovable asset management policies, immovable asset management systems, leasing management strategies, life cycle costing, investment and option analysis strategies and new skills required (Appendix A).

The descriptive statistics calculated in the independent variable were summarised to describe the data collected. Results were measured in categories. Questions were developed representing the dependent variables. Survey items were summed together for a composite score per category. The responses were then coded and items analysed to determine internal consistency and reliability.

### 3. Research Findings

#### 3.1 *The relationship between DPW business units, life asset management and the implementation of GIAMA (Questions 1-5, Appendix A)*

Responses indicated that the respondents are aware of their role in the department and the role of all the respondents is clearly defined.

The results also indicated that 43% of interviewees agree that the department has goals that are aligned to the immovable asset management mandate. This is critical in any asset management organisation (National Treasury of South Africa 2004:12) .

The majority of respondents (78%) confirmed that they are clear about their role in the implementation of GIAMA. This can be attributed to the fact that 67% of the interviewees are from the Asset Investment Management Branch which is responsible for the implementation of GIAMA which includes implementation and development of custodian asset management plan for National Departments.

The results also indicate that 65% of the interviewees agreed that they have an action plan for GIAMA implementation. It can be argued that since the majority of respondents have an action plan for GIAMA the effectiveness of the plans will impact on the implementation of the Act. The plan will have to identify the gaps that need to be closed to ensure smooth implementation of GIAMA.

#### 3.2 *Immovable asset management policies within the department (Questions 6-9, Appendix A)*

Asset management activities are to be undertaken subject to policy guidelines of the department to ensure uniformity, efficiency and effectiveness. Also, asset management activities are to be undertaken within an integrated government asset management policy guideline. It has been verified through the data collected that 82% of respondents agree that the department do have some policies in place which is critical for the implementation of GIAMA. Since only some policies are in place it can be confirmed that there are policy gaps that may need to be addressed. This was also supported by an overwhelming majority of respondents (92%) agree that the implementation of GIAMA will demand that new policies be put in place by DPW for effective implementation of GIAMA.

This clearly indicates that the implementation of GIAMA will have an impact on policies within the department. It will also be important for DPW to review the effectiveness of existing policies as the research data indicates that 65% of respondents believe that the asset management policies in the department are not effective. This will mean that apart from new policies that GIAMA will demand to be put in place, the current immovable asset management policies need to be reviewed to ensure that they are relevant and effective.

It was also noted that 100% of respondents agreed that asset management policies are extremely important in the immovable asset management life cycle. This shows that all the respondents do value need for immovable asset management policies in the department which can give assurance that there will be buy in from all affected business units when new policies have to be put in place. The immovable asset management policy will also impact on the

service delivery and customer satisfaction as verified by 91% of respondents who agreed that level of customer satisfaction will be improved.

### *3.2 Asset register management system in the department (Questions 10-13, Appendix A)*

The asset register is at the core of effective and efficient management of immovable assets. Almost 43% of respondents agree that the asset register in the department is in an average condition, indicating a need to review and update it.

An updated asset register is central to development of credible immovable asset management plan as stated in section 6(a) of GIAMA. Virtually all (96%) of respondents agree that an updated asset register is important in the development of asset management plan and funding in the department, while nearly 60% of the respondents indicated that they are uncertain whether a detailed asset management system exists in the department. This implied that the data integrity in the asset register will need to be updated. Most (56%) of the respondents disagree that the department can succeed in updating the asset register without additional capacity.

### *3.4 Immovable asset management planning and performance of assets (Questions 14-24,26, Appendix A)*

Asset management planning in any organisation will enable asset management concepts to be integrated in long and medium term plans, with the identification of all necessary resources that will be required to achieve the strategic and operational asset management goals.

More than three-quarters (78%) of the respondents indicated that they are clear about their role in the implementation of GIAMA and 65% of the interviewees agreed that they have an action plan for GIAMA implementation.

The importance of asset management planning was supported by 83% of the respondents who indicated that immovable asset management planning is extremely important in terms of GIAMA.

It can be concluded that all the respondents agree that in terms of GIAMA asset management planning is viewed as important. As part of asset planning performance measures need to be done regularly. It can be concluded that within the department there is no common understanding of how often asset performance measures should be done within the department. Section 13(d) (ii) of GIAMA states that the custodian must ensure that the performance of the immovable assets be assessed every five years as part of immovable asset planning.

It was also verified that 52% of respondents agreed that the department does conduct life cycle costing as part of immovable asset planning as stated in section 5(c) (iii) of GIAMA that the cost of immovable asset as well as operational and maintenance cost throughout its life cycle should justify its acquisition in relation to the cost of the service.

Most (78%) of respondents agreed that the department does not have an evaluation tool to measure the maintenance backlog as part of immovable asset planning.

### *3.5 The availability of asset management skills and training within the department (Question 25, Appendix A)*

The immovable asset management environment within government is diverse, complex and fragmented and as results diverse skills are required. Responses verified that 65% of respondents agree that the department does not conduct regular training sessions on the implementation of GIAMA. The training sessions would assist in identification of the skills gaps and interventions required.

#### 4. Conclusion

The study has revealed that while the preparation and successful implementation of immovable asset management plans have significant benefits to the User department as it improves service delivery. It was found that the goals of business units within the department of Public Works are not properly aligned and integrated to the strategic goals of the department, with a negative effect on service delivery by the department.

The department also requires a variety of additional skills in order to comply with GIAMA and to deliver on its immovable asset management mandate. In order for DPW to comply with all the requirement of GIAMA, the department should be able to account for all its assets and manage them effectively and efficiently. The department needs to ensure that it maintains and manages a computerized asset register so that all accounting, statistical information and transactions can easily and accurately be handled.

The results of the study also pointed at the fact that the asset register in the department has not been updated. It has also been ascertained that the department has limited number asset management policies in place for activities related to life cycle asset management. To ensure that the department achieves efficiency and effectiveness, immovable asset management has to be done within a coordinated policy framework. The study also concluded that the implementation of GIAMA by DPW will have an impact on asset management systems, asset management policies, skills and asset management planning in the department.

#### 5. Recommendations

It is recommended that the National Department of Public Works review and evaluate GIAMA implementation progress and limitations to ensure that all the gaps in the life cycle of immovable assets are identified and addressed.

It is further recommended that the DPW:

- Ensures that the roles and goals of business units involved in the implementation of GIAMA are clarified, aligned and integrated to strategic goals of the department.
- Assesses the state of the asset management systems in the department and ensure that all immovable asset systems are integrated, comprehensive and updated to enable the department to manage its immovable assets efficiently and effectively in line with GIAMA.
- Identifies immovable asset management policy gaps in the department and review current asset management policies that will provide guidance that will lead to asset best practice in the department.
- Develop human resource strategy that will assist in addressing the asset management skills required by the department for the implementation of immovable asset management planning in line with GIAMA.

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	<b>Appendix A</b>
1	How would you characterize the role of your business unit in life cycle asset management?
2	Does your department have clear goals for AM?
3	Are the goals and objectives properly integrated into the strategic objectives?
4	Is your business unit clear on its role in the implementation of GIAMA?
5	Is there an action plan for the implementation of GIAMA by your business unit?
6	Does the department have relevant immovable asset management policies in place?
7	Will the implementation of GIAMA require new asset management policies to be developed?
8	How important is the asset management policy in life cycle asset management?
9	How effective is the asset management policies of your organisation?
10	“An asset register is the system that records all information about the asset status and condition. Its purpose is to keep records of the organization’s asset and their respective values and attributes.” Do you agree with this definition?
11	Does your organization have accurate and complete asset register system?
12	How important is an updated asset register in the development of asset management plans and funding in the Department?
13	Does your organization keep a comprehensive building equipment system?
14	How important is immovable asset management planning in terms of GIAMA?
15	How well are your organization’s assets performing from operational, functional and financial perspective?
16	At what point in the process does your organization use performance measures?
17	How often does your organization monitor the performance of their assets?
18	How well are your organization’s assets performing from operational, functional and financial perspective?
21	Does the Department have a priority rating system for maintenance projects?
22	Does the Department conduct life cycle costing for its immovable assets?
23	Does the Department have an evaluation tool to measure the maintenance backlog of assets and remaining life of immovable assets?
24	Has your Department established the costs for the implementation of GIAMA?
25	Does your Department conduct regular training sessions on the implementation of GIAMA to all affected units?
26	Can the implementation of GIAMA lead to an improved level of customer satisfaction?