

# A REVIEW OF ASSET MANAGEMENT PRACTICE IN MALAYSIAN LOCAL GOVERNMENTS

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## **Abstract**

Public assets management is very critical to the development countries around the world. Without proper practice of asset management infrastructural decay will be eminent as such service delivery by the public authority might significantly be affected. The practice and performance of Malaysian public asset management with specific attention to local authorities' asset management need to examine. Within this domain, works are carried out on an ad-hoc basis. Besides that, reactive maintenance is employed which is associated with various disadvantages. More so, works is carried out without proper systematic planning in execution. It is conceived that the asset and facilities are not performing well and as such incur high maintenance cost. Government agencies including the local government are responsible for managing the nation's physical assets and facilities to deliver a quality service to the public. Therefore, effective asset management is necessary to ensure the asset and facilities provided are managed and able to serve the intended purpose for which it is constructed. The public authority's responsiveness is always re-aligned with such responsibilities. Therefore, adequate and efficient asset management will promote production and effective services delivery.

**Keywords:** asset management, public assets, local government, public authority

## **1.0 Introduction**

The term asset management means different thing to different people. Similarly, the relationship that exists in the term property management, facilities management and estate management in some cases asset management is seen to embrace all these terms (Gibson, 1999). Asset management is a structured process that seeks to ensure best value for money from property assets in serving the strategic needs of local authorities (Local Government Asset Management Guidelines, 2005). Another definition according to RICS (2008) strategic asset management is the activity that seeks to align the asset base with the organisation corporate goals and objectives. It ensures that the land and buildings asset base of an organisation is optimally structured in the best corporate interest. Due to the

significance of asset management, developed nations such as United Kingdom, United States and Australia have taken proactive to rebuild their public sector property management as a means to address these prevalent problems (De Carlo, 2007).

Similarly, the Malaysian government is looking seriously at the issue of management and maintenance of public property assets which can affect the reputation of the government in providing good services to the public (Yusof, 2013). In Malaysia asset management focused on building operations that involve maintenance management, space management and security management (Zailan, 2001). Currently, the practice of asset management in Malaysia is based on maintenance works without proper systematic planning, where by works are carried out on an ad-hoc basis or reactive management (Abu Mansoor, 2011). However, reactive maintenance has many disadvantages such as no asset maintenance management plan, reduce the life expectancy of assets, uneconomical long term lost, slow repairing process and increase the agencies burden (Yusof, 2013).

## **2.0 Theoretical Overview of Asset Management**

Assets are defined as tangible items such as plant, structures, equipment, pipelines and wires, vehicles and related information which are used technically to control systems used to serve corporate or commercial purposes (Hasting, 2010). The term asset can be used to describe many different types of assets including monetary assets, structural assets, machinery and plants, property and equipment. Asset can be both tangible and intangible assets which include monetary assets such as knowledge and physical assets such as buildings (Fernholz & Fernholz, 2006; Howarth, 2006). In relation to legal rights, property law defines assets as the relationship between an individual and an object or resource. The property relationship confers a legally enforceable right that is a bundle of rights entitling the holder to control an object or resource.

Once it is understood that property describes the relational interplay between individual and object rather than the object itself, the characteristic of property rights is easier to appreciate (Hepburn, 2001). A broader interpretation of assets was employed by Lyons (2004) as not only land and buildings but also intangibles assets such as intellectual property, the radio spectrum and government shareholdings. Almost any usable object, corporeal or incorporeal, is capable being owned; although restrictions upon what is capable of being owned. However, another definition of public property assets which refers to physical resources that are neither owned privately nor by the state including those assets that are not closely regulated by the state (Berge, 2007). More so, Kyle et al (2000) definition of real property begins with the surface of a parcel of land and moves on the owner's right of the air above the surface as well as soil and minerals beneath the surface, as well as anything permanently attached to this land either by nature or by human hands.

## **3.0 Public Asset Management from International Perspectives**

Asset management practice is not about following international guidelines, but it is the realisation of the need for an integrated process combined with different abilities and specialisations in order to deliver the required level of administrative purposes and aims with the available resources. The effort is also about recognising asset management intervention as a viable to attain organisational objectives. If guidance on this concept is to

be developed, it needs to be adjusted and designed in accordance with an overall decision-making framework that considers the range of likely good practices and international standards.

The factors common across many western societies are reflected in values and norms, legal and social institutions, and political systems, attitudes toward education and training, and separation powers. For instance, in Canada evolution of management structures and practices within the federal government is derived from three sources, this involves the state, local and federal government (McKellar, 2006): Those factors confronting Canada such as deficit and debt situations; government roles in response to changing societal demands; global competitiveness; and shifting the balance between centralisation and decentralisation of federal command and control systems (Hanis, 2012).

While in places like New Zealand, public asset management was computerised up to about 65% since 1996 (Kaganova et al, 2006). According to Dow et al. (2006) New Zealand is one of the most advanced reformers in the management of public property assets. The reform was driven by the introduction of the new public management system, accounting reforms, and recognition of the financial pay-off to better real estate asset management in the era of budget constraints. The most important triggers for the reform were the relationship between accounting reform and asset management reform, the degree of separation of ownership from management, and information systems (Dow et al., 2006). The reform clearly increased transparency and accountability in real property transactions as well as reducing the economic inefficiencies associated with public property (Brown et al., 1993; Edwards & Ellison, 2003; Haynes & Nunnington, 2010). The current legal and institutional arrangements for managing state real property are the result of a combination of historical factors and a radical restructuring of the economy and the government between 1984 and 1994. In that period, the Central Government implemented its reform program by passing a series of laws that resulted in (Dow et al., 2006).

In another region like Australia, asset management reform has derived logically and consistently from broader reforms to increase the productivity and efficiency of Australia's public sector and economy (Conway, 2006). The need to strengthen domestic competition and increase labour market flexibility has been a central, recurring theme of reforms. This has applied equally to the economy as a whole and to the government, leading to an increased use of market-type mechanisms in the public sector and to a profound transformation of the Australian public service. The need to make government more efficient and effective while strengthening its financial position has been another important motivation, leading to a completely reformed public budget process focused on outputs and outcomes, not inputs, and to progressively implement private-sector financial accounting and reporting practices in the public sector organisations (Conway, 2006).

#### **4.0 Malaysian Public Sector Asset Management**

In the context of Malaysian asset management, it mainly focuses on the building operations that involves maintenance management, space management or user requirements of space and security management. Apart from that, it also undertakes the property valuation, acquisitions and disposal which normally focus on the development of new buildings. As far as tenancy is concerned, the public sector organisation involvement is limited to the occupation of the office space in private buildings (Mohd Isa, 2000).

The Malaysian Government enacted and launched a Government Asset Management Policy in 2009. This outlined the direction and the implementation of Government assets. The Government is giving serious emphasis to asset management because large amounts of money have been invested to provide various facilities to the nation. The objectives of the Government Asset Management Policy is in line with the government's effort to create first class maintenance culture, which in accordance with first class infrastructure asset development that have been and will be implemented in Malaysia.

### 5.0 Total Asset Management Policy

The Government Asset Management Policy is the Total Asset Management Manual (TAMM) which places emphasis on the management of the government property assets in a systematic and holistic way in order to achieve optimum benefits of the assets. It also outlines the strategies and principles of the asset management applications to every government organisations. However, TAMM is only applicable to the Ministries and federal government departments. The Government of Malaysia has taken a step forward on the issues of management and maintenance of public assets with the introduction of a policy and manual of property management in 2009. The government has set up the asset management committee to determine the policy and guidelines on asset management for all government agencies.

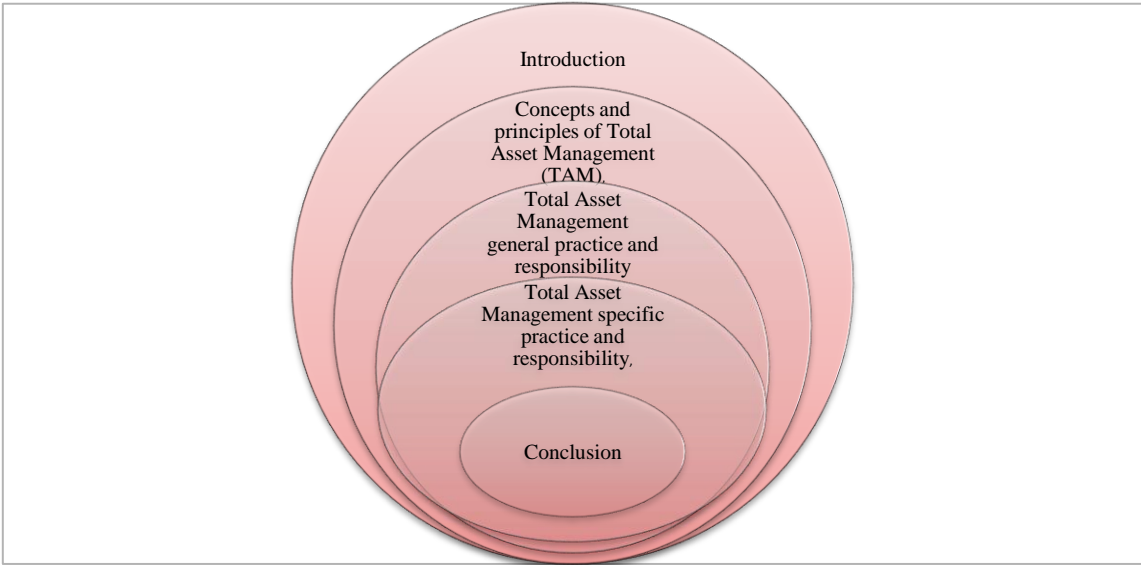


Figure 1.1: Stages Total Asset Management Manual (Literature Survey, 2014)

Total Asset Management Manual of 2009 specified that government assets have been identified as property belonging to or owned or under the control of the government which includes movable assets, immovable assets (land, infrastructure and buildings), live assets, and intellectual property. The TAMM manual covers the whole of the government asset as mentioned above, except for the intellectual property. With this, the best practice of asset management approach known as TAM is introduced, with TAMM as part of the implementation strategy. In combating this, the government has taken the initiatives which

are not solely responsible for maintenance management but to include TAM as a whole (Abu Mansor, 2011).

## 6.0 Factors Affecting Asset Management in Malaysia

The factors affecting asset management in Malaysia are itemized as presented in the table provided below. These factors negatively affect the effectiveness in asset management practice.

Table 1.1 Factors Affecting Asset Management in Malaysia, Adopted from Raja Mazlan and Abdul Hakim (2007).

Problems	Effects	Possible Causes	Possible Contribution for Causes	Possible Solutions
Disintegration of Structure	Accidents, Negative Image	Faulty structural design / unsafe designs	Incompetent plan approver Incompetent structural designer / engineer	Provide Adequate Training
		Defects in materials and components (Miles & Syagga, 1987)	Low-quality materials selected due to fund constraint / lack of client's knowledge on construction	Allocate adequate fund Appointment of consultant
			Construction work not conforming to specification	Provide adequate supervision and monitoring
		Lack of maintenance**	Poor maintenance planning and management	Appoint trained/ experienced maintenance personnel
Fund / Resources Constraints	Implementation organisational maintenance policy			
Elemental Failure (roof, ceiling, plumbing, infrastructure etc)	Disruptions to business, negative image / reputation	Shoddy workmanship	Unskilled foreign labours Inadequate supervision / Incompetent supervisor	Provide Adequate Training and monitoring
		Defects in materials and components	Low material quality	Allocate adequate fund Appointment of consultant
			Construction work quality not conforming to specification	Provide Adequate Training and monitoring
		Construction errors, due to ambiguity or inadequate supervision and monitoring during construction	*Ethics, incompetent supervisors	Provide Adequate Training and monitoring
Lack of maintenance**				
Poor building & facility condition	Sick building syndrome, lower morale of users (worker, visitor, etc), Negative image/rep	Poor maintenance job undertaken	Ambiguous Contract/SLA	Appointment of experienced maintenance manager
		Vandalisme	Awareness	Education/ Community Culture Improvement
			Inappropriate Design	Integration of design & construction stage
		Inappropriate design / selection of material	No consideration of maintenance during design stage No feedback from users	POE application Involvement of maintenance-related expert during design stage

## 7.0 Conclusion

There are various issues associated with asset management in Malaysia. This affects productivity negatively. Some of these issues involves; disintegration of structure, poor building facility failure which is associated with unsafe structural design or defects in materials used in the building. Building components failure as a result of poor workmanship, construction errors, poor supervision and sometimes ambiguity design or job execution, this causes sudden disruption in business and also affect reputation negatively. Other factors affecting asset management in Malaysia include inappropriate design or selection of building component, poor maintenance culture which affect the comfort of the working place.

Therefore, adequate funds and training needs to be provided for better asset management in Malaysian. There should be adequate plan and strategy for asset put in place for asset management instead of emergency maintenance. Public authority should promote development through efficient asset management which will also assist in preserving the government reputation in discharging it is civic responsibilities.

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