



Optimising asset management end-to-end

**Protect and maximise value
with these four pillars**



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KPMG.com.au

What we observe

Across asset intensive and infrastructure sectors we observe an increased number of clients facing challenges in managing and maximising the value from their assets.

The challenges that owners are facing – from making their investment decisions to selling/disposing their assets – have a compounding (deteriorating) impact on the asset management activities across an organisation's functions both for finance and asset management. In addition, sub optimal asset data and deteriorating information over time are impacting the ability to make informed decisions, and to extract the maximum value from assets.

In this report we:

- provide a better understanding of key opportunities to maximise value for asset intensive owners and managers (superfunds, government and corporates)
- outline potential factors and opportunities for increasing productivity and savings
- highlight how value can be created from managing assets in an effective and integrated manner across functions and activities such as asset management, valuation, financial functions and project risk management along the asset and financial lifecycle.

We listened to our clients

The analysis supporting our recommendations is based on KPMG expertise and experience on these matters, particularly on recent interviews with a representative sample of key infrastructure asset owners, as well as other publicly available information.

Get your asset management right – end-to-end – or miss opportunities

Aligning organisational objectives, asset needs, and customer expectations to ensure optimum development and use of assets across their whole lifecycle will provide the opportunity for shifting from a short term pain point of regulatory compliance requirements to a more rewarding mid-to-longer term integrated and aligned financial and non-financial strategic asset management view and planning.

Whilst government agencies and corporates adopt different approaches and strategies in managing their assets across the asset lifecycle, KPMG would like to encourage organisations to look at the benefit of integrating their asset management approaches across financial and non-financial functions such as project development/delivery, asset management, operations, and maintenance.

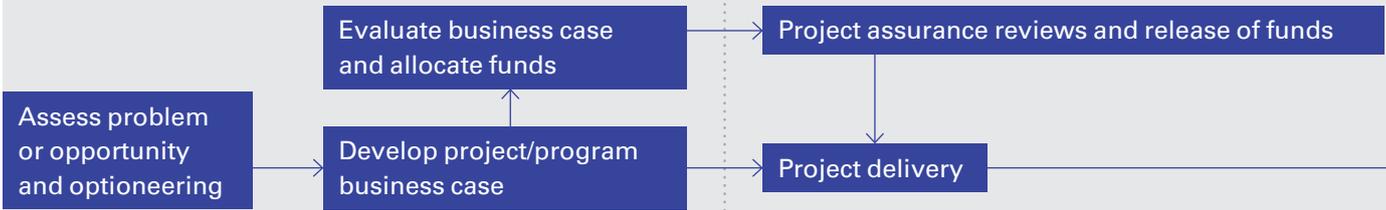
Improved decision making and cost savings can be achieved, and value added for an organisation and its stakeholders, by having alignment of these asset management functions better understood and improved. This enables an organisation's financial and non-financial functional areas to share the information and collaborate to achieve the objectives of the organisation.

Understanding the opportunities arising from using an end-to-end approach to asset management together with an integrated and cross functional approach to managing their assets will enable organisations to create growth opportunities and additional value from their assets.

With the four pillars outlined below, organisations can generate more value from their assets by integrating asset management within financial functions and the statutory requirements such as accounting and tax.



Getting it right end-to-end



Feasibility/business case

What is the value add for you?

- Realistic cost of project or value of opportunity
- Realistic timing of the project or opportunity
- Realistic risk exposure of project or opportunity
- Realistic most optimum option

Investment decisions

Build

- Assurance on desired project confidence level
- Proper asset capitalisation and linkage with non-financial functions

Buy/invest

Pillar 1 – Plan, select, build (or buy) and operate assets with confidence

- Probabilistic Capex modelling, cost peer review, project scheduling, quantitative risk analysis, cost and schedule contingency determination services

- Project delivery assurance, e.g. project progress review, independent Joint Confidence Level (JCL), schedule health check, project and contract management and project turnaround services

Pillar 2 – Prepare solid (asset management) foundation and build value upon

- Capital investment and prioritisation framework

- Asset Management Framework

Pillar 3 – Be disruptive by using clean data

- Data platform and alignment





Plan, select, build (or buy) and operate assets with confidence

The most common challenge for infrastructure asset developers and owners are fundamental constraints, including budgetary, timeline, uncertain benefits, and risks as well as delayed or cost overrun projects.

KPMG's unique integrated cost, schedule and risk approaches aim to significantly increase the likelihood of clients' success not only in selection of the right asset, development and delivery of their new major projects, and turnaround of delayed or cost-overrun projects, but also in probabilistic cost estimation of the optimum asset operation plan.

Throughout the asset lifecycle, KPMG's integrated quantitative cost, schedule and risk analysis methodologies and capabilities,

including probabilistic CAPEX and OPEX risk modelling, Joint Confidence Level (JCL) and integrated project controls will support clients in selection, development, delivery and operation of their major assets.

While during the project delivery phase, we assess the probability of success from the cost and scheduling perspective, our probabilistic OPEX methodology supports clients for having reliable cost estimation and an optimum operation plan for their available budget during operation.

35% of the clients interviewed stated that they have no or limited ability to benchmark asset performance.

"Assets are our source of revenue, understanding of assets is a priority."

**Energy distribution organisation,
Head of Asset Management**



Prepare solid foundation and build value upon it

The Asset Management Framework is the foundation for establishing a line of sight between all asset management decisions and business objectives. It allows organisations to understand their asset base, increase performance, lower total cost of ownership, maintain safe and compliant operation, and derive enhanced value across the full asset lifecycle.

The implementation of an Asset Management Framework which considers the whole of life of the assets will assist in the efficient and effective management of assets and appropriately manage performance, risk, and cost. It offers a long term, optimised and sustainable approach for the whole-of-life management

of assets to enable the delivery of organisational objectives. It translates an organisation's goals and objectives into a coherent set of performance objectives for assets and/or asset systems, and provides a high level approach for achieving these.

45% of the clients interviewed stated that they have difficulty discerning baseline performance of assets.



Use relevant clean data to be disruptive

Improving data information through the alignment of financial and non-financial information and analysing them with data analytics will enable organisations to make more informed strategic decisions and potentially harness disruptive technology and automation.

Management can increase assurance that all levels of the organisation have access to the best available information upon which to make decisions that will best meet the short-term and long-term organisational objectives. Improved visibility and insights on assets will enhance increasing

investor confidence in future capital investment projections and prioritisations, a better control of the assets and better balance sheet integrity. This will minimise the changes of audit issues and improve statutory compliance and help to balance short- and long-term costs and benefits.

75% of the clients interviewed stated that they have data misalignment between the fixed and physical asset registers, and

55% have difficulty in making asset strategy and planning decisions due to lack of good data.

“Our super-fund owner is very interested in preserving assets and having them producing money.”

Broadcasting, Financial Controller

“It is difficult to be proactive, good data aligned between financial and non-financial functions would allow a more strategic approach and more informed decisions.”

Public transport, Financial Controller



Unleash the real value of your assets

Clients will have the opportunity to gain a clear understanding of the asset value, assisting finance and asset management to manage effectively the assets for a more effective strategic long-term financial and asset lifecycle planning and informed decision making.

The valuation output will be the common point of view both from finance and operations and will enhance a more rewarding mid-to-long-term strategic asset management prospective and planning.

In particular there will be the opportunity to have less surprises and less risk, through:

- Better asset information and integrity, better compliance, less unexpected write offs, improved compliance with requirements
- Better control and transparency of the assets, through improved confidence in capital forecasting, better asset replacement costs decisions, improved visibility and understanding of asset lives and components.

60% of the clients interviewed stated that they face unexpected write offs, and

65% have difficulty to accurately value assets and lifecycle costs.

“I have hundreds of millions of dollars in problems, I need a way to effectively componentise and value my assets!”

Telecommunication, Fixed Asset Manager

Realising the opportunity

Asset intensive owners (superfunds, government and corporates) have opportunities to identify, develop and optimise assets, which potentially enable them to harness disruptive technology and automation.

KPMG believes that the key points of this article increase the focus of asset owners on the opportunities and added value created by using an integrated approach in managing assets across financial and non-financial asset lifecycle functions. This will also support internal compelling business cases to frame improved strategic planning and undertake significant beneficial improvements.

Ian Jedlin
Partner, Deals, Tax and Legal,
KPMG
T: +61 2 9335 8207
E: ijedlin@kpmg.com.au

Salvatore Lacaria
Partner, Audit, Assurance and Risk,
KPMG
T: +61 2 8865 6114
E: slacaria@kpmg.com.au

Andrew O'Connor
Partner, Engineering and
Asset Management, KPMG
T: +61 7 3225 6923
E: aconnor11@kpmg.com.au

Bernie Lauinger
Partner, Management Consulting,
KPMG
T: +61 2 6248 1009
E: blauinger@kpmg.com.au

Pedram Danesh-Mand
Director, Audit, Assurance and Risk,
KPMG
T: +61 2 9346 6104
E: pdaneshmand@kpmg.com.au

Mary McGeoch
Associate Director, Engineering
and Asset Management, KPMG
T: +61 425 793 175
E: mmcgeoch@kpmg.com.au

Massimo Gozzo
Associate Director, Deals,
Tax and Legal, KPMG
T: +61 2 9455 9212
E: mgozzo@kpmg.com.au

[KPMG.com.au](https://www.kpmg.com.au)



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