

TECHNICAL REFERENCE

**Asset management – Guidance on the
alignment of financial and non-financial
functions in asset management**

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(ICS 03.100.01)

TECHNICAL REFERENCE

Asset management – Guidance on the alignment of financial and non-financial functions in asset management

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National Foreword

This Technical Reference (TR) was prepared by the Working Group on Asset Management (also known as National Mirror Working Group on ISO/TC 251 – Asset Management) set up by the Technical Committee on Enabling Processes under the purview of the Quality and Safety Standards Committee.

This TR is an identical adoption of ISO/TS 55010:2019, “Asset management – Guidance on the alignment of financial and non-financial functions in asset management”, published by the International Organization for Standardization.

NOTE 1 – Where appropriate, the words “Technical Specification / Report” are read as “Technical Reference”.

NOTE 2 – Reference to International/Overseas Standards are replaced by applicable Singapore Standards or Technical References.

This TR is a provisional standard made available for application over a period of three years. The aim is to use the experience gained to update the TR so that it can be adopted as a Singapore Standard. Users of the TR are invited to provide feedback on its technical content, clarity and ease of use. Feedback can be submitted using the form provided in the TR. At the end of the three years, the TR will be reviewed, taking into account any feedback or other considerations, to further its development into a Singapore Standard if found suitable.

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Asset management — Guidance on the alignment of financial and non-financial functions in asset management

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Foreword

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees. Each member body interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, governmental and non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the International Electrotechnical Commission (IEC) on all matters of electrotechnical standardization.

The procedures used to develop this document and those intended for its further maintenance are described in the ISO/IEC Directives, Part 1. In particular, the different approval criteria needed for the different types of ISO documents should be noted. This document was drafted in accordance with the editorial rules of the ISO/IEC Directives, Part 2 (see www.iso.org/directives).

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Any trade name used in this document is information given for the convenience of users and does not constitute an endorsement.

For an explanation of the voluntary nature of standards, the meaning of ISO specific terms and expressions related to conformity assessment, as well as information about ISO's adherence to the World Trade Organization (WTO) principles in the Technical Barriers to Trade (TBT) see www.iso.org/iso/foreword.html.

This document was prepared by Technical Committee ISO/TC 251 *Asset management*.

Any feedback or questions on this document should be directed to the user's national standards body. A complete listing of these bodies can be found at www.iso.org/members.html.

Introduction

The ISO 55000, ISO 55001 and ISO 55002 asset management standards have raised awareness of the importance of improving alignment between an organization's financial and non-financial functions, and this document provides guidance on how to achieve this. ISO 55001:2014, 7.5 d), states that "the organization shall determine the requirements for alignment of financial and non-financial terminology relevant to asset management throughout the organization".

As used in this document, financial functions refer to processes and activities such as managerial costing and accounting, budgeting, financing and valuation related to the assets. Non-financial functions are the complementary processes and activities, for providing a product or service from the assets.

The definition of "asset" in ISO 55000 differs from that of the generally accepted accounting principles (GAAP) or the International Financial Reporting Standards (IFRS). The term "asset" as primarily used in this document is defined in ISO 55000 and organizations need to be aware of this to avoid any misunderstanding. For the authoritative GAAP or IFRS definitions of asset, refer to the appropriate accounting standards, internal policies and experts.

In many organizations, the financial and non-financial functions of asset management are inadequately aligned. Often the financial accounting functions are predominantly focused on retrospective reporting of accounting/regulatory financial activities. However, there is a growing awareness in organizations of the need to focus on providing a managerial costing approach in order to support decision-making for the future. At the same time, the non-financial functions are recognizing the need to improve their understanding of the financial implications of their activities. These are examples of initial moves towards better alignment of the financial and non-financial functions with the aim of better decision-making and value realization.

Lack of alignment between financial and non-financial functions can be attributed to silos in an organization, including reporting structures, functional/operational business processes, and related technical data. The United States Government's "Government Accountability Office interviews with asset management experts"^[23] advises that "... silos are necessary to allow for the required level of specialization, but if these silos do not communicate, inefficiencies and errors in asset management result" and that "when asset management implementation fails, it is often because asset management staff and senior management are not in alignment".

Alignment needs to work both "vertically" and "horizontally". Vertical alignment means that financial and non-financial asset-related directives by top management are informed by accurate upward information flows, effectively implemented across the appropriate levels of the organization. Horizontal alignment means that financial and non-financial information that flows between departments (conducting functions such as operations, engineering, plant maintenance, financial accounting, financial management and risk management) uses the same terminology and refers to the assets identified in the same way.

The aim of this document is to encourage organizations to support alignment between these asset management functions and to provide guidance on how such alignment can be achieved. It also promotes the benefits that can be achieved for an organization and its stakeholders by having alignment of these asset management functions better understood, implemented and improved. This enables an organization's functional areas to share information and collaborate to achieve its objectives.

This document can assist users in applying the concepts of ISO 55000 and the requirements of ISO 55001. It provides additional advice and guidance over and above the explanations outlined in ISO 55002 on the benefits to be realized for an organization through alignment.

This document can be applied to all types of assets and by all types and sizes of organizations.

It is intended for use by personnel, at all levels in an organization, who are involved in asset management, including:

- top management and decision-makers, to derive the benefits that are achievable by better alignment between financial and non-financial functions;

- those in asset-related multidisciplinary functions who provide information to support decision-making or rely on the outcomes of those decisions;
- a wide range of personnel, including those who have responsibility for the technical planning, design, construction, operation, maintenance and performance of the assets and those with financial responsibilities such as accounting, financial planning, budgeting and financial reporting.

Knowledge and understanding of terminology and common language used by financial and non-financial functions can facilitate discussion, communication and exchange of information between these functions. [Clause 3](#) defines relevant terms. [Clauses 4 to 9](#) and related annexes provide a range of information on financial and non-financial functions in asset management, including information on asset management accounting principles.

Details concerning other International Standards and materials on asset management can be found on the ISO website, as well as on the ISO/TC 251 website at: <https://committee.iso.org/home/tc251>.

Asset management — Guidance on the alignment of financial and non-financial functions in asset management

1 Scope

This document gives guidelines for the alignment between financial and non-financial asset management functions, in order to improve internal control as part of an organization's management system. Alignment of these functions will enable the realization of value derived from the implementation of asset management detailed within ISO 55000, ISO 55001 and ISO 55002, particularly ISO 55002:2018, Annex F.

The guidance in this document is consistent with the requirements of ISO 55001 for an asset management system but does not add new requirements to ISO 55001 or provide interpretations of the requirements of ISO 55001.

For an example of an organization aligning its asset management functions, see [Annex F](#).

2 Normative references

The following documents are referred to in the text in such a way that some or all of their content constitutes requirements of this document. For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

ISO 55000, *Asset management — Overview, principles and terminology*