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Strengthening Public Sector Operational Asset Management through Current Operational Value (COV) under IPSAS 45 and 46: An Audit and Risk Framework

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Abstract

Purpose: This study examined the application of Current Operational Value (COV) in public-sector asset management, specifically focusing on the Fire and Rescue Department of Malaysia (JBPM) under International Public Sector Accounting Standards (IPSAS) 45 and IPSAS 46. The study aimed to develop a framework for implementing COV, which emphasises audit and risk management to improve the decision-making processes.

Methodology: Qualitative data were collected through semi-structured interviews with representatives of JBPM, accountants, and auditors from the Ministry of Housing and Local Government (KPKT). Thematic analysis was utilised to identify the impact of COV across financial reporting and risk management.

Findings: The findings highlighted six (6) focus areas where COV can strengthen asset management, namely financial reporting, risk management, resource allocation, investment decisions, budget planning, and compliance. The COV enhances the accuracy and transparency of financial information by aligning asset values with actual usage and service potential, further facilitating risk-based auditing and lifecycle monitoring, improving resource distribution and budget forecasting, and supporting compliance with IPSAS standards through standardised training and reporting practices.

Limitations: The study focused on operational assets and excluded property and plant.

Practical Implications: The proposed framework provides public sector managers and auditors with guidance to improve accountability, optimise resource utilisation, and support evidence-based decision-making.

Originality/ Value: This study is among the first to integrate COV into audit and risk management in Malaysia, contributing to more transparent and efficient public-sector asset management.

Keywords: Current Operational Value (COV), Jabatan Bomba dan Penyelamat Malaysia (JBPM), IPSAS 45, IPSAS 46, public sector accounting

This article is part of a research on The Impact of Current Operational Value (COV) on Public Sector Asset Management: A Case Study of Fire and Rescue Department of Malaysia (Jabatan Bomba dan Penyelamat Malaysia) Under IPSAS 45 and IPSAS 46 through *Geran Penyelidikan Perakaunan dan Kewangan Sektor Awam Tahun 2025* (JANM.600-20/1/7 Jld. 2 (83)).

1.0 Introduction

Effective asset management in the public sector is essential to ensure accountability, transparency and efficient resource utilisation. Government agencies are not only expected to provide accurate and reliable information regarding the assets managed but also to handle the operational risks and strict regulatory requirements. Nevertheless, in practice, achieving these expectations is not always straightforward, especially when traditional valuation methods do not reflect the actual condition or usage of assets.

In recent years, COV has gained attention as a more relevant approach to asset valuation. Unlike historical cost methods, the COV focuses on the current service potential of an asset, considering its use and remaining useful life. This focus makes COV more suitable for public sector organisations, where assets are primarily used to deliver services rather than generate profit.

Nevertheless, adopting COV is not only a technical change in accounting. The adoption also presents new challenges, for instance, in terms of risk management and auditing processes. Estimating the current value of assets typically involves judgment and assumptions, which could lead to uncertainties if not properly managed. Concurrently, auditors require clear guidelines to ensure that financial reporting remains consistent and reliable.

In essence, there is a need for a more integrated approach that combines asset valuation, risk management, and audit requirements. This study addressed the stated gap by developing a framework that supports the implementation of COV in the public sector. The framework aimed to improve decision-making and strengthen overall asset management practices by linking the elements together.

2.0 Literature Review

2.1 Current Operational Value (COV)

A measurement framework known as COV was developed to address key aspects of service delivery across numerous assets owned by public-sector organisations. The framework demonstrates the amount a company would have to pay at the measurement date for the remaining service potential of an asset (IPSASB, 2023).

In the Statement of Financial Position, COV represents the amount the entity would pay at the measurement date for the remaining service potential of the existing assets. On the other hand, COV illustrates the consumption of assets in providing services based on the conditions present at the measurement date in the Statement of Financial Performance (IPSASB, 2023).

As a measure to capture the unique characteristics of assets held in the public sector, COV measures assets according to ‘existing use’. This term refers to how an asset or group of assets is utilised and how such utilisation generally reflects the policy objectives of the entity operating the asset (IPSASB, 2023). For example, JBPM focuses on the safety and well-being of the public. Therefore, fire stations and equipment are operated for delivering emergency services rather than generating commercial returns.

2.1.1 Measurement of Current Operational Value

Measurement is a fundamental component of financial statements and is often dependent on sophisticated models and professional judgment, rendering it inherently subjective. Therefore, the selection of an appropriate measurement basis for assets and liabilities is important to achieve the objectives of public sector financial reporting. Effective measurement enables users to assess:

i. The cost of services delivered during the reporting period, whether measured in historical or current terms.
ii. The operational capacity of the entity to continue delivering services in the future using its physical resources.
iii. The financial capacity of the entity to support and finance its ongoing activities (IPSASB, 2024).

The items must be measured in monetary value to be recognised in financial statements. Such recognition is achieved through the measurement process, which requires selecting an appropriate measurement basis and method (Vardiashvili, 2019). As outlined in IPSAS 46, measurement currently provides a comprehensive framework that consolidates the principal concepts and measurement guidance into a single standard. The standard also clarifies how different measurement approaches should be applied in practice across the public sector. The standard highlighted the importance of current value and introduced updated approaches to replace earlier methods, including COV, which is used for measuring assets, cost of fulfilment for measuring liabilities, and fair value, which is applicable to both assets and liabilities, replacing the former "market value" approach.

The guidance on fair value is consistent with the framework established in International Financial Reporting Standards (IFRS) 13, Fair Value Measurement (Druzhilovskaya, 2021; ICAEW, 2023). Fair value is appropriate when an asset is primarily held for the ability to generate economic benefits, such as producing cash inflows, reducing cash outflows, or being sold. The International Public Sector Accounting Standards Board (IPSASB) determined that the fair value approach is not suitable for measuring the current value of assets used in operations. Instead, IPSASB introduced COV as a more relevant basis for such assets (Druzhilovskaya, 2021; ICAEW, 2023).

Both the market approach and the cost approach can be applied to determine the COV. In some situations, an active market may exist for an identical asset, making the market approach a straightforward and effective valuation method (Vardiashvili, 2025). The market approach involves using prices and relevant data from market transactions involving identical or comparable assets, liabilities, or groups of assets and liabilities (Maisuradze & Vardiashvili, 2023). The COV can be measured based on either the price to acquire an identical or similar asset in that active market or the cost to produce an identical or similar asset when such an active market exists.

Correspondingly, the likelihood of an active market decreased as assets became more specialised. In these cases, the cost approach is more applicable. For example, if market prices are only available for new assets, but the asset being valued is used, adjustments must be made to reflect the asset's current condition and remaining useful life. Regardless of the approach used, the fundamental goal remains the same, which is to represent the value of the asset in its current state and function for service delivery under existing market conditions (IPSASB, 2023).

A reliable acquisition price for a similar asset may not be available in the absence of an active market. Therefore, the COV must be estimated based on the cost of developing or producing the asset by using readily available pricing data. For instance, most military assets, such as aircraft, do not have active markets, as these assets often cannot be purchased as complete and comparable items. In such cases, estimating the COV requires calculating the cost of individual components, such as the fuselage and engines, and the cost of assembling them into a similar asset. These estimates must also be adjusted for age, condition, and functionality (IPSASB, 2023).

2.2 Risk Management

According to the international risk management standard ISO 31000, risk refers to "the effect of uncertainty on objectives," while risk management refers to "coordinated activities to direct and control an organization with regard to risk" (Rezvani et al., 2023). Ahmeti et al. (2017) referred to risk as an individual's perception and response to the unknown, and it can yield a more accurate, case-specific understanding when defined by incorporating industry-specific characteristics alongside the organisation's profile. Generally, risk was primarily viewed as a threat of potential losses, leading organisations to minimise exposure and avoid instability. Nevertheless, over time, risk has also been recognised as a source of potential opportunities, where certain risks can be managed to create value (Collier, 2009).

ISO 31000 provides internationally recognised principles and guidelines for risk management. The standardisation offers a structured framework that helps organisations identify, assess, treat, monitor, and communicate risks across all domains regardless of size or sector (International Organisation for Standardisation, 2018). Malaysia has adopted this standard through MS ISO 31000:2010, which defines risk management as the coordinated activities used to direct and control organisations with respect to risk (Department of Standards Malaysia, 2010). Mikes (2009) noted that industries often adapt control systems to suit their own circumstances, which indicates that risk management frameworks are not applied similarly across organisations.

Traditional approaches tend to focus on exposures that may lead to losses or no change in position at best (Madushanki & Ekanayake, 2022). In contrast, more holistic frameworks such as enterprise risk management (ERM) have become increasingly prominent because these frameworks enable organisations to identify, assess, and respond to risk systematically (Woon et al., 2011). The most widely used ERM model is the Committee of Sponsoring Organisations of the Treadway Commission (COSO) framework. This framework presents risk management across three (3) dimensions: components such as risk assessment, response, and monitoring; objectives including strategic, operational, reporting, and compliance; and organisational levels, namely subsidiary, business unit, and entity (COSO, 2004).

2.2.1 Risk Management in the Public Sector

The same principles, standards, and models of risk management also apply to the public sector (Ahmeti & Vladi, 2017). Nevertheless, public-sector risks are often more complex because the consequences extend to society beyond organisational performance at large. Large bureaucratic structures can make proactive risk management challenging (Dobrea & Ene, 2006), and the presence of multiple layers of operations and objectives further complicates implementation (Siti Zabedah et al., 2019). Public agencies, unlike private firms, cannot simply adopt private-sector approaches, as the objectives of both agencies differ. Public agencies often operate without a profit motive and in conditions that are effectively monopolistic (Cuganesan et al., 2012).

A further distinction lies in accountability. Private firms are accountable to shareholders who choose to invest their capital in such firms. Contrarily, public institutions are accountable to citizens who finance them through taxation (Vincent, 1996). In this context, effective risk management is central to governance because it supports the responsible use of public resources and strengthens oversight, particularly in contractual arrangements (Bebe et al., 2019). The literature on public sector risk management is also largely concentrated in Europe and other developed countries. In these regions, governance and accountability requirements are stronger (Crawford & Stein, 2004; Woods, 2009; Collier & Woods, 2011; Chen & Bozeman, 2012; Hood & Smith, 2013).

Introducing the COV approach to public-sector asset valuation adds a further layer of risk to accrual accounting. Unlike historical cost models, COV requires periodic estimates of the current service potential of an asset based on factors, such as operational condition, functionality, and replacement indicators. Since these estimates depend on judgment, the estimates create scope for inconsistent valuations, biased assessments, and data reliability issues, particularly for specialised operational assets such as motor vehicles owned by JBPM, which lack active markets or standard benchmarks.

These uncertainties can be understood as measurement and estimation risks that should be identified, assessed, and controlled systematically under ISO 31000 and the COSO ERM framework. Therefore, applying these frameworks to the COV process requires clear governance arrangements, well-defined responsibilities, and careful documentation of assumptions such as operational condition factors, verification of data quality, and validation of valuation models. Control measures, such as periodic reassessment of operational condition scores, peer review of valuation assumptions and sensitivity analysis of key parameters, enable the reduction of valuation error and strengthen the credibility of reported figures.

In the accrual accounting context, the quality of earnings and the dependability of financial reporting are affected directly by uncertainties in asset valuation. According to Cohen et al. (2017) and Johnston and Soileau (2020), organisations with more robust risk management systems typically have higher accrual quality since these organisations are better at handling estimation uncertainty. As a result, to increase transparency, generate more accurate service potential measurements, and strengthen stakeholder trust in their financial reporting, public organisations such as JBPM may benefit from incorporating ERM concepts into the COV valuation process.

2.2.2 Risk Management in the Malaysian Public Sector

Various initiatives have been introduced in Malaysia to strengthen governance and improve efficiency within the public sector. One (1) significant development was the issuance of the 2007 Guideline on Good Governance by the Chief Secretary to the Government, which aimed to improve administrative integrity and reinforce accountability (Siti Zabedah et al., 2019). In addition, the Prime Minister's Directive No. 1 emphasised the need for stronger accountability and

highlighted the role of risk management in public administration (Bebe et al., 2019; Abdul Gani et al., 2020). Despite its intentions, the directive has been criticised for offering only general guidance and providing limited detail on the implementation of such practices (Abdul Gani et al., 2020).

The gap between the policy and implementation is further reflected in the findings disclosed in the Auditor-General's Report. The report identified weaknesses in adopting risk management practices across several government agencies, including the Royal Malaysian Customs Department (Auditor-General, 2013). Resultantly, the Ministry of Science, Technology and Innovation introduced MS ISO 31000:2010 through the Department of Standards to provide a more structured approach to risk management in the public sector (Bebe et al., 2019). The absence of comprehensive and detailed supporting policies continues to pose challenges, which results in uneven and inconsistent implementation across government bodies (Abdul Gani et al., 2020).

2.2.3 Risk Management and Accrual Accounting

"Accrual basis is the accounting basis under which transactions and other events are recognised when they occur (and not only when cash or its equivalent is received or paid). The elements recognised under accrual accounting are assets, liabilities, net assets/equity, revenue and expenses." (Accountant General's Department of Malaysia, 2021, p. 7). Revenues and expenses in accrual accounting are recognised when both are earned or incurred, rather than when cash changes hands, for instance, in cases such as depreciation, provisions, contingent liabilities or contingent assets. Since these accruals rely on judgment, estimation and assumptions, the accruals naturally involve uncertainties. Risk management is designed to address such uncertainties. ISO 31000 or COSO ERM provide tools to identify the reliability of those estimates and how the uncertainties affect them.

In terms of compliance and reporting risk, International Financial Reporting Standards (IFRS) under International Accounting Standards (IAS), specifically IAS 37: Provisions, Contingent Liabilities and Contingent Assets, require entities to disclose provisions, contingent liabilities, and contingent assets. On the other hand, IFRS 13: Fair Value Measurement sets out the framework for fair value measurement and related disclosures (IASB, 2018a; IASB, 2018b). In the Malaysian private sector, financial reporting, particularly among listed firms, is governed by the Malaysian Financial Reporting Standards (MFRS). For example, MFRS 137 outlines requirements for recognising and disclosing provisions, contingent liabilities, and contingent assets, closely reflecting IAS 37. Similarly, MFRS 13 adopts the framework of IFRS 13 in guiding fair value measurement (MASB, 2018a; MASB, 2018b). These standards provide a comprehensive basis for reporting financial uncertainties. Nevertheless, their effectiveness ultimately depends on how consistently the standards are interpreted and applied in practice.

A comparable framework exists in the public sector under the Malaysian Public Sector Accounting Standards (MPSAS). MPSAS 19 outlines disclosure requirements for provisions and contingencies, with an explicit emphasis on transparent financial reporting (Accountant General's Department of Malaysia, 2021, p. 5). Nevertheless, despite the formal alignment with private sector principles, differences in institutional context and implementation capacity may affect the extent to which these standards achieve the intended outcomes.

Issues related to earnings quality further highlight the importance of organisational practices beyond formal reporting standards. Existing literature generally highlights a positive association between strong risk management systems and higher-quality earnings. Firms with more developed risk controls tend to produce more reliable accrual estimates. In contrast, weaker systems are often linked to greater estimation errors. For instance, Cohen et al. (2017) suggested that ERM improves the flow of operational information and supports more effective planning, which reduces the likelihood of significant financial adjustments. In turn, this feature enables more accurate accrual estimation. Similarly, Johnston and Soileau (2020) provided evidence that firms implementing ERM practices experience fewer accrual errors, which contributes to more dependable earnings figures. These findings imply that the benefits associated with reporting standards are closely tied to the underlying quality of risk management within organisations.

The latest international guidance on the recognition, measurement, and valuation of public sector assets is provided in IPSAS 45 and IPSAS 46. Both standards are relevant to risk management because asset management, impairment, valuation uncertainty, and disclosure quality may affect financial risk, operational risk, and accountability in the public sector. The MPSAS discussed earlier is based on IPSAS developed by the International Federation of Accountants

(IFAC) (Accountant General's Department of Malaysia, 2023). Nevertheless, IPSAS 45 and IPSAS 46 represent newer international developments in asset management (IPSASB, 2023).

2.3 Audit Requirements to Enhance the Decision-making Process

2.3.1 Audit Requirements

Organisations in public and private sectors are subject to audit requirements as part of broader efforts to ensure transparency, accountability, and compliance with relevant laws and regulations (Financial Reporting Council, 2025). These requirements outline general expectations, procedures, and reporting obligations that guide auditors when examining internal controls, financial statements, and organisational activities. In practice, IFAC helps in ensuring that audits are conducted consistently and impartially, while also maintaining professional standards. Audit requirements also help protect stakeholder interests, improve the reliability of financial information, and support more informed decision-making by clarifying what should be reviewed and how the process should be undertaken. More broadly, audit requirements underpin the level of trust placed in organisational reporting.

At the international level, auditing practices are largely shaped by the International Standards on Auditing (ISA), which had been issued by the International Auditing and Assurance Standards Board (IAASB, 2021). These standards are widely recognised and provide a principles-based framework that is applicable across different types of entities, including corporations and public sector organisations. The ISA outlines key aspects for the audit process, such as risk assessment, evidence gathering, audit planning, and reporting (IAASB, 2021). Although jurisdictions may differ in their regulatory environments, the framework is designed to promote a consistent approach to auditing while maintaining audit quality and professional integrity.

The primary objective of an audit under the ISA is to provide reasonable assurance that financial statements are free from material misstatement and prepared in accordance with the applicable reporting framework (IAASB, 2021). The notion of "reasonable assurance" reflects a high, but not absolute, level of confidence. The notion also recognises that auditors must rely on professional judgement in determining whether sufficient and appropriate evidence has been obtained.

Currently, the ISA framework is applied, either directly or with local adaptations, in more than 130 jurisdictions globally, including the United Kingdom, Australia, Singapore, and Malaysia (Financial Reporting Council, 2025; IPSASB, 2022). This widespread adoption has contributed to improved consistency and comparability in audit practices across borders (International Auditing and Assurance Standards Board, 2023). In turn, the adoption supports the functioning of global capital markets by increasing the credibility of financial reporting. In terms of multinational firms and international investors, the alignment is particularly important, as it improves the reliability and comparability of financial information across different regulatory environments.

By building on the global framework provided by the ISA, Malaysia has developed its own regulatory environment to ensure that these principles are implemented effectively at the national level. Audit requirements in Malaysia have been established to promote the preparation of accurate, reliable, and transparent financial statements. These requirements are grounded in statutory and professional frameworks that govern both private sector and public sector entities. Under the Companies Act 2016, most companies are required to audit their financial statements annually by an approved auditor, although certain categories of private companies may qualify for audit exemption based on prescribed criteria. Although this requirement applies broadly, publicly listed companies are typically subjected to more stringent compliance and disclosure expectations due to their greater accountability to external stakeholders.

Consistent with the international emphasis on audit quality and comparability, audits in Malaysia are conducted in accordance with the requirements of the ISA, alongside the Approved Standards on Auditing (ASA) issued by the Malaysian Institute of Accountants (MIA) This dual framework reflects the adoption and localisation of global auditing standards in Malaysia, which ensures that audit practices remain aligned with international expectations while accommodating domestic regulatory needs. The standards provide guidance on key audit processes, including risk assessment, evidence collection, auditor responsibilities, and reporting.

Besides compliance with technical standards, Malaysian auditors are also bound by professional ethical requirements outlined in the MIA By-Laws on Professional Ethics, Conduct, and Practice. These requirements also align with the Code of Ethics issued by the International Ethics Standards Board for Accountants (IESBA), which reinforces core principles such as integrity, objectivity, professional competence, confidentiality, and professional behaviour. Collectively, these regulatory and ethical structures demonstrate how the broader ISA framework is operationalised within Malaysia, further contributing to the credibility of financial reporting and strengthening trust in the auditing profession.

On the other hand, to ensure accountability and proper management of public funds, the National Audit Department undertakes audits for public sector organisations in accordance with the Audit Act 1957 and relevant INTOSAI (International Organisation of Supreme Audit Institutions) standards. These standards help to ensure that auditors maintain independence, integrity, and professional competence throughout the audit process. By following the demanded legal and professional requirements, audits in Malaysia not only meet regulatory obligations but also strengthen stakeholders' confidence and support good governance practices.

2.3.2 Audit Requirements in the Public Sector

Auditing within governmental organisations in the public sector is essential for promoting accountability, transparency, and effective governance. As a measure to ensure the efficient and responsible management of public resources, independent evaluations of financial statements, operational activities, and compliance with legal and regulatory requirements are necessary. By strengthening financial management practices, identifying weaknesses in internal controls, reducing risks, and improving budgetary oversight, public sector audits contribute to greater governmental transparency and operational efficiency. Regular audits also enhance the quality of public service delivery by encouraging continuous improvements in government operations (Harman, 2025).

Furthermore, public sector auditing plays a critical role in helping to maintain accountability and public trust in governmental institutions. Independent audits conducted at the federal, state, and agency levels involve the collection of audit evidence systematically, detailed data analysis, and the issuance of professional audit opinions. This process evaluates whether the produced financial statements are free of material misstatements caused by fraud or error (Mohd Nassir & Awang, 2025).

In the public sector, the internal audit unit is responsible for undertaking financial, compliance, and performance audits. Internal auditors inspect operational and financial data to ensure that reported records are accurate, complete, and reliable (Mohd Nassir & Awang, 2025). In addition, by assessing whether ministries and agencies properly manage their financial records and comply with applicable laws and accounting standards, independent auditors provide assurance on the financial statements and issue audit opinions. These auditors also determine whether the financial statements provide an accurate and fair picture of the financial situation of a company (Mohd Nassir & Awang, 2025). The Auditor General also ensures that accounting records are maintained up to date and that financial statements are prepared correctly. Compliance audits undertake an assessment to determine whether public sector organisations are following the rules, laws, and guidelines that apply to them. On the other hand, performance audits assess whether the government is running its operations effectively, efficiently, and cost-effectively, and whether fixed goals have been set (Mohd Noor et al., 2023).

The Ministry of Finance (MOF) in Malaysia adopts the MPSAS as the official accounting framework for the public sector. The MPSAS is based on the IPSAS. Under the regulations of the Financial Procedure Act 1957 and the Ministerial Functions Act 1969, the MOF is responsible for developing financial policies, implementing integrated government financial management accounting systems, and ensuring proper public financial management. The MOF also mandated all federal, state, and local government agencies to prepare financial statements in accordance with MPSAS to ensure consistency and compliance with international best practices. Subsequently, these financial statements are audited by the National Audit Department of Malaysia (NADM). The audit process comprises two (2) stages: the interim audit and the final audit. The interim audit is undertaken to identify possible material misstatements in the financial statements through analytical procedures, substantive testing, and tests of controls. After the financial statements are completed and submitted for audit, the final audit is conducted. Auditors review, verify, and analyse the final figures reported in the financial statements at this stage. In accordance with the ISA, auditors must determine the materiality levels for possible

misstatements. ISA 320 states that materiality requires professional judgement and is based on whether the financial statements present a true and fair view (IAASB, 2018).

By evaluating the economy, efficiency, and effectiveness of governmental operations, public sector audits preserve public funds and improve service delivery. These audits provide assurance to stakeholders, including citizens, legislators, and oversight bodies, that government activities are undertaken with integrity and in the public interest (Harman, 2025; Mohd Noor et al., 2023). Historically, stakeholders were satisfied with audit opinions and the assurance that financial statements presented a true and fair view. The current technological advancements have transformed financial processes over the years by enabling accountants to obtain information instantly and allowing markets to respond in real time. Hence, the audited information is now expected to be accurate, reliable, and timely (Mohd Nassir & Awang, 2025). Auditors are now required to employ advanced technologies and software to collect, process, analyse and make sound judgements from large volumes of data (Mohd Noor et al., 2023). Following the revision of the Audit Act 1957, NADM now has 1,856 government-linked companies (GLCs) and almost 474 agencies that require auditing (Mohd Noor et al., 2023). Thus, a smooth auditing process necessitates clear guidelines for measuring assets, especially motor vehicles and operational assets, by using the COV method.

2.3.3 Audit Requirements and Decision-making

Audit requirements are critical for ensuring that decision-makers have access to reliable and accurate information in government, business, or non-profit organisations. These requirements ensure that financial statements provide a true and fair representation of the financial position and performance of an entity by establishing clear auditing standards. The financial statements also strengthen governance, particularly in the public sector, by lowering risks, increasing transparency, and improving overall organisational performance (Mohamad Zam, 2025). The quality of an audit directly affects the quality of the decisions made by decision-makers. Stakeholders, such as investors, regulators, policymakers, and the public, can use accurate, timely and clear financial information to assess the degree to which a company is performing financially, make smart use of its resources, and identify ways to improve. On the other hand, weak or non-compliant audits can lead to bad decisions, money losses, policy failures, and a loss of public trust (Mohd Nassir & Awang, 2025; Harman, 2025).

Adhering to a well-known auditing standard, such as the ISAs, International Code of Ethics for Professional Accountants (IESBA Code), or local equivalents such as Malaysia's Approved Standards on Auditing (ASAs), ensures that audits are undertaken consistently, with independence, and professional integrity. In the public sector, following the MPSAS ensures that government financial statements are even more comparable, reliable, and aligned with global best practices. In today's fast-paced global economy, where markets and policies often change quickly, showing a true and fair picture of financial information is important. Independent auditors give the public confidence that reports are accurate and fair, and ensure that public money is spent wisely.

In addition, modern auditing is increasingly incorporating advanced data analytics, automation, and artificial intelligence (AI) to enable auditors to analyse large volumes of transactions and identify irregularities more efficiently. These technological developments support faster, more evidence-based decision-making in public and private sectors, which enables organisations to respond to emerging challenges more effectively. Overall, by reducing the risks of errors, fraud, and mismanagement, while promoting accountability, transparency, and sustainable development, auditing standards and practices strengthen the decision-making process. Future audits should extend beyond compliance by providing meaningful insights that support strategic planning, performance improvement, and the creation of long-term value (Mohd Nassir & Awang, 2025).

3.0 Research Methodology

3.1 Research Design

This study utilised a qualitative method based on perspectives gained from agencies under the KPKT by specifically focusing on JBPM in two (2) locations. The sample selection was based on the availability of relevant data and the willingness of the agencies to participate in the research.

3.2 Sampling

Guided by the criterion that informants must be directly involved in public-sector asset management, including responsibilities related to accounting, procurement, monitoring, or auditing physical assets, a purposive sampling technique was applied. This approach was selected to ensure that the study gathered rich, relevant, and credible insights from individuals with direct experiences in the recognition, valuation, and utilisation of government assets. Purposeful sampling is particularly appropriate in exploratory studies in which participants' professional roles and contextual knowledge are essential to understanding complex management and valuation processes (Bouncken et al., 2026).

3.3 Data collection procedure

The data collection involved a qualitative approach. Interviews were conducted with nine (9) representatives from JBPM, four (4) accountants, and two (2) internal auditors from KPKT. The participants were selected due to their important roles in alignment with this topic. The representatives from JBPM offered practical insights into the daily implications of adopting COV in relation to financial reporting, asset management, resource allocation, and budgeting. On the other hand, accountants and auditors shared their perspectives on how COV affects risk management, compliance, and the auditing process, which ensures that financial statements remain accurate and compliant with IPSAS standards. Table 1 below lists the details of the informants for the interview:

Table 1: Organisations and Informants

No.	Organisation	Informant's Role	No. of Informants
1.	JBPM Putrajaya	Asset Management Personnel	3
2.	JBPM Meru Raya, Ipoh	Asset Management Personnel	6
3.	KPKT	Accountant	4
4.	KPKT	Auditor	2

The duration of each interview session with the participant ranged from approximately 45 minutes to one (1) hour. All interviews were conducted in person to allow for deeper interaction and clarification of responses, except for the auditors, who were interviewed online through Google Meet.

In addition, archival searches and interviews were undertaken concurrently. Preliminary archival searches identified relevant standards, practices, and issues that guided the development of the interview guide, as summarised in Table 2 below.

Table 2: Archival Source

Source	Documents Reviewed	Relevance to the Study
Accounting Standard	International Public Sector Accounting Standards	Guidance on asset recognition and measurement requirements
Internal Documents	Asset Registers	Understanding asset recording and monitoring
Internal Documents	Operational Records	Understanding asset management practices

Discussions were also undertaken with government accountants from the relevant agencies and auditors from the selected ministry to confirm the scope and context of the study. Subsequent archival searches were then undertaken to validate and complement the findings of the interview. Details of both archival searches and interviews are presented in the subsequent sections.

3.3.1 Interviews

The researchers conducted semi-structured interviews with accountants and auditors from KPKT. An interview guide (Refer to Appendix I) was developed based on issues related to public-sector asset measurement identified from the literature and discussions with officers from the relevant AGD departments. The guide ensured that all respondents would be asked only the same questions. Furthermore, before the interviews, the guide was emailed to the respondents

to help them understand the aims of the issues to be discussed. The interviews involved 15 respondents, who represented one (1) ministry and two (2) government agencies.

3.4 Ethical Considerations

This study considered all relevant ethical considerations. Scientific and Ethical Review Committee of the university has approved the questions with approval number: Re: U/SERC/56(A)-549/2025. The respondents' information was handled with the highest level of confidentiality, and their privacy was protected.

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4.0 Data Analysis and Findings

The objective of this study was to develop a framework for implementing COV in the public sector. The study focused on risk management and audit requirements to improve decision-making processes. The objective was achieved through interviews undertaken with representatives from JBPM Putrajaya and Meru Raya, Ipoh and accountants and auditors from KPKT. The interview was specifically designed to gather perspectives on how COV impacts various financial processes, including financial reporting, risk management, compliance, and audit procedures. The findings are summarised into six (6) key focus areas:

4.1 Financial Reporting

The COV is expected to improve the accuracy and relevance of financial information by ensuring that asset values reflect not only historical acquisition costs, but also actual usage and remaining service potential of the assets. Additionally, this method shifts from rigid depreciation schedules and enables financial statements to provide a more truthful representation of asset condition, which is in alignment with IPSAS 46. Resultantly, users of financial reports, including auditors, managers, and policymakers, are better informed regarding the current utility of public assets. This finding is supported by Informant 3, who stated that "It makes sense because we also consider population density, such as urban versus rural. People can then see the real value. With historical cost, the justification for requesting a new machine isn't clear. We need to keep referring to logs, and it becomes difficult to explain why replacements are necessary."

The perspective stated above reinforces the role of COV in strengthening financial reporting. By aligning valuations with actual usage and service potential, the use of COV reduces reliance on outdated historical costs and administrative logs. This measure produces financial statements that justify asset replacements better and provide decision-makers with a clearer, evidence-based understanding of asset conditions. This finding aligns with the previous study by Vardiashvili (2025). The author concluded that COV improves transparency and accountability by more accurately reflecting resources, service capacity, and financial sustainability of an entity, which improves the relevance of financial reports to decision-making.

Further analysis was performed using thematic analysis through ATLAS.ti. The result is illustrated in Figure 1.

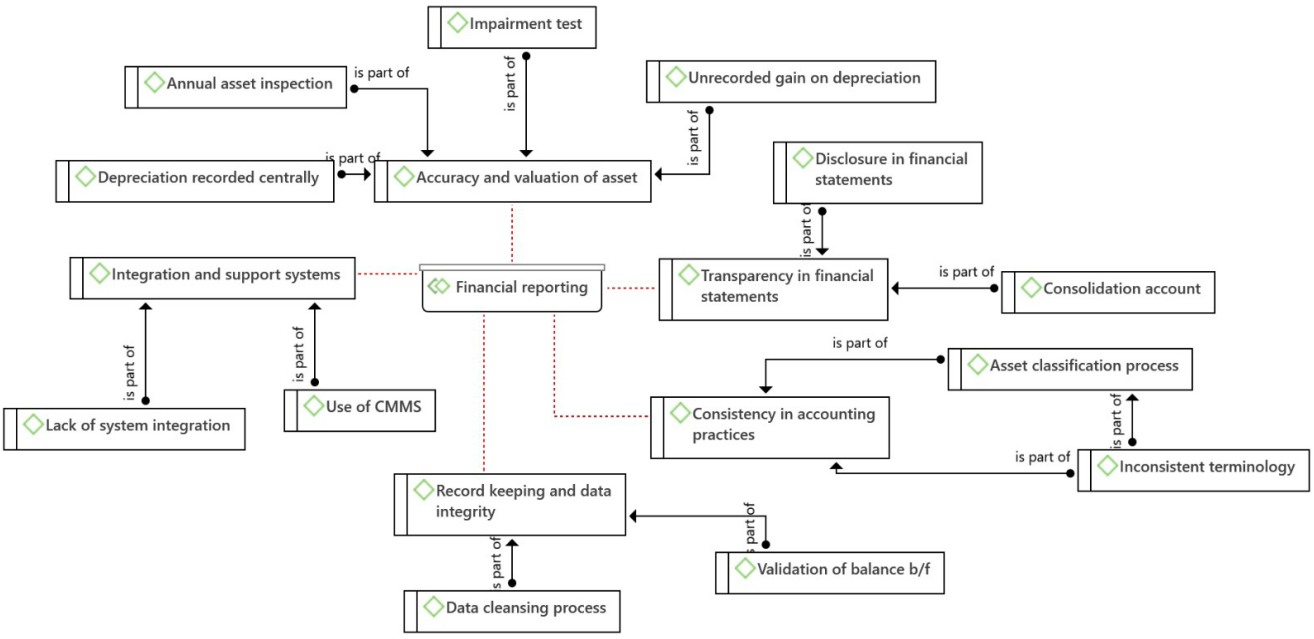

Figure 1: Result for Financial Reporting

Figure 1 illustrates the key themes and categories related to financial reporting. The figure highlights the systematic and procedural issues affecting transparency and consistency.

The key themes related to the financial reporting practices identified from the interviews are presented in Table 3 below.

Table 3: Financial Reporting Theme

Accuracy and Valuation of Assets	The first theme is related to accuracy and valuation of assets. This theme encompasses issues such as the requirement for annual asset inspection, the recording of depreciation (which is handled only at the ministerial level), and unrecorded gain due to disposal. Strengthening these practices will ensure that asset values are captured accurately, which further supports fair and transparent reporting.
Consistency in Accounting Practices	The second theme is focused on the consistency in accounting practices. Consistency should be applied in the asset classification process and the usage of uniform terminology for the asset. These practices will enhance the reliability and credibility of financial information.
Record Keeping and Data Integrity	The third theme is record-keeping and data integrity. This theme emphasises the importance of maintaining accurate records through proper validation of opening balances and systematic data cleansing processes. Strengthening these processes can reduce errors and support decision-making.
Integration and Support Systems	The fourth theme focuses on integration and support systems. The use of Computerised Maintenance Management Systems (CMMS) and improving system integration will streamline processes, improve efficiency, and ensure that financial data flows across departments seamlessly. This integration supports highly effective decision-making and reporting.
Transparency in Financial Statements	The final theme is transparency in financial statements. Adequate disclosures in the notes to the financial statements and in the details of the consolidated accounts are vital to enhancing transparency. These practices improve accountability and increase stakeholders' trust in financial reporting.

Overall, as outlined in Table 3, it is suggested that greater accuracy, consistency, integration and disclosure reinforce the quality, transparency, and accountability of financial reporting.

4.2 Risk Management

The COV framework incorporates contextual factors, such as geographical and operational variability, which enables a more detailed assessment of asset performance across different locations. For instance, comparative findings between JBPM Putrajaya and JBPM Meru Raya, Ipoh, demonstrated how COV captures differences in consumption rates and asset stress due to local operational intensity.

Informant 2 pointed out that:

> "There are two (2) situations. For example, in terms of the extent of protection capacity provided by the assets, the Location A Fire Station might be valued at RM3 million, and the Location B Fire Station at RM3 million as well. But the difference is that the machines in Location B have much higher usage, even though the asset value recorded is the same."

This statement indicates a risk in asset management where the recorded value is the same, but the actual condition and performance highly differ. This finding is consistent with the IPSAS 46 principle, which denotes that COV reflects changes in the asset values since the previous measurement date. Decision-makers may assume that both stations have equal capacity without considering factors such as age and usage. Utilising COV helps capture the real service potential of assets. Hence, risks from ageing or overused operational equipment are clearly observable and can be addressed in planning, as ageing equipment is associated with material deterioration and an increasing probability of failure over time (Bragatto & Milazzo, 2016). The ability to reflect location-based risk enables improved asset monitoring and lifecycle risk assessments. Further analysis was performed using ATLAS.ti, and the results are demonstrated in Figure 2.

Figure 2 illustrates three (3) main themes of risk, namely operational, functional and technical, and strategic risks. Operational risks relate to how assets are utilised, maintained, and documented. Focusing on these risks through improved record-keeping systems will ensure the timely maintenance of assets. Such improvements also align with disposal decisions and actual asset usage, supporting more efficient resource allocation and reducing wastage. For example, the main risk with older assets is related to wear and tear. Alternatively, the concern for newer assets could be whether operators have received adequate training to handle these assets. On the other hand, functional and technical risks highlight the importance of ensuring that assets perform as intended and that the staff handling them have adequate skills to maintain them. For highly specialised operational equipment, such as helicopters, Informant 13 highlighted the need for qualified technical personnel to oversee such equipment. This skill includes assessing whether personnel in relevant divisions, such as engineering, possess the required qualifications. If the related personnel lack the necessary qualifications but are still expected to undertake repairs, this limitation poses significant risks and raises concerns regarding their credibility should any issues arise. Investing in technical training and adopting suitable technologies can reduce breakdowns, improve efficiency, and increase the reliability of asset-based decisions. The finding revealed that strategic risks are considered in the broader environment where the assets operate. Harmonising practices across departments and accounting can improve consistency in risk management for location-specific factors.

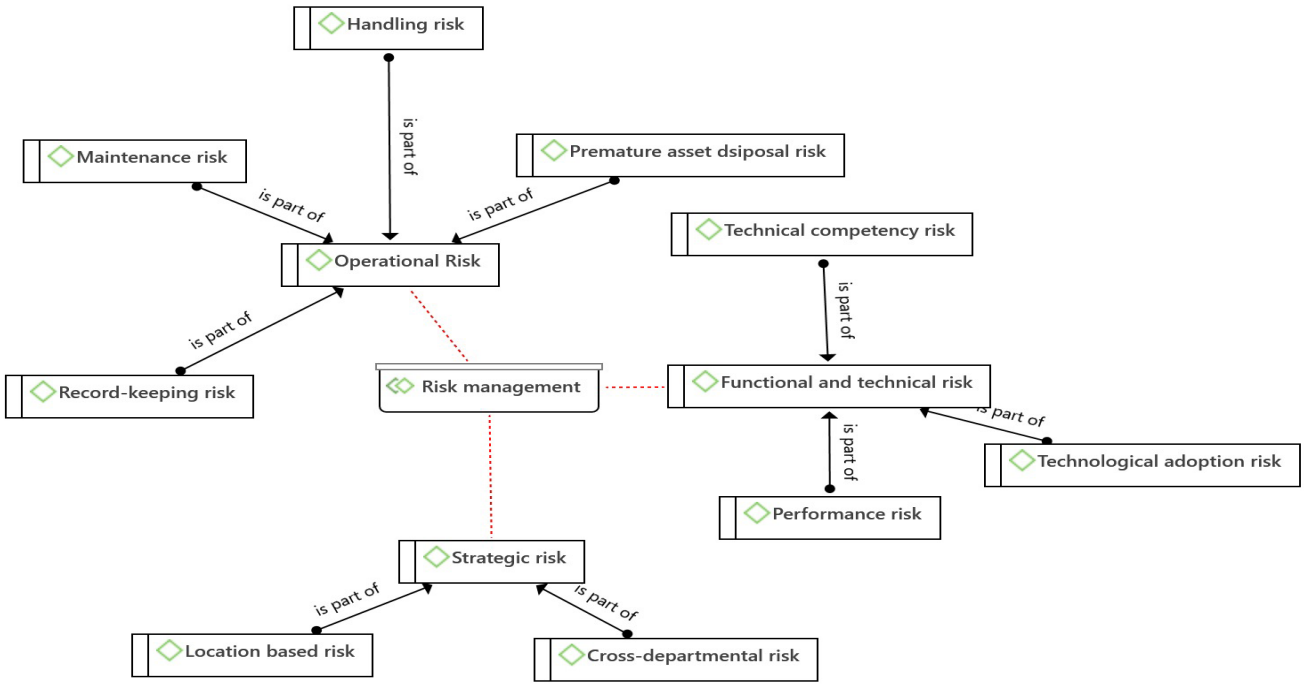

Figure 2: Result for Risk Management

4.3 Resource Allocation

The COV supports more rational and evidence-based decision-making in resource distribution by aligning reported asset values with actual utilisation patterns. The COV balances operational data with managerial judgment to avoid overinvestment in underused assets and underinvestment in critical infrastructure.

Informant 3 highlighted that:

> "Through the e-logistics system, during major disasters, we can see which states have surplus assets. For example, I might require three (3) fire engines. I can check which states have them, determine how to transport them, and coordinate accordingly."

Informants 5 and 6 emphasised that:

> "Maybe when we see that one (1) fire station's asset is heavily utilised, while another station rarely uses theirs, we can just swap them. That saves money and no need to buy new ones. That's good resource allocation. Since it's rarely used, you can make use of the older engine instead."

These perspectives reflect the current reliance on asset availability and condition when making allocation decisions. Nevertheless, without incorporating COV, such decisions may overlook the relative service potential and long-term operational value of the assets. For instance, an older vehicle with high maintenance needs might be deployed simply because it is available. On the other hand, a higher-value, more reliable vehicle remains unused elsewhere.

Integrating COV into this process improves efficiency in budget utilisation and supports performance-based planning. Efficient management of diverse public sector assets is crucial for maximising resource use, reducing costs, and enhancing public service delivery (Kokogho et al., 2024). The integration of COV enables decision-makers to prioritise assets that deliver the highest value and reliability in critical operations. This measure not only improves operational readiness but also develops a clear audit trail for allocation decisions, demonstrating accountability and optimising public expenditure. This approach can reduce maintenance costs, extend asset lifespans, and ensure that limited resources are deployed where they will have the greatest impact over time. The findings from ATLAS.ti are presented in Figure 3 below.

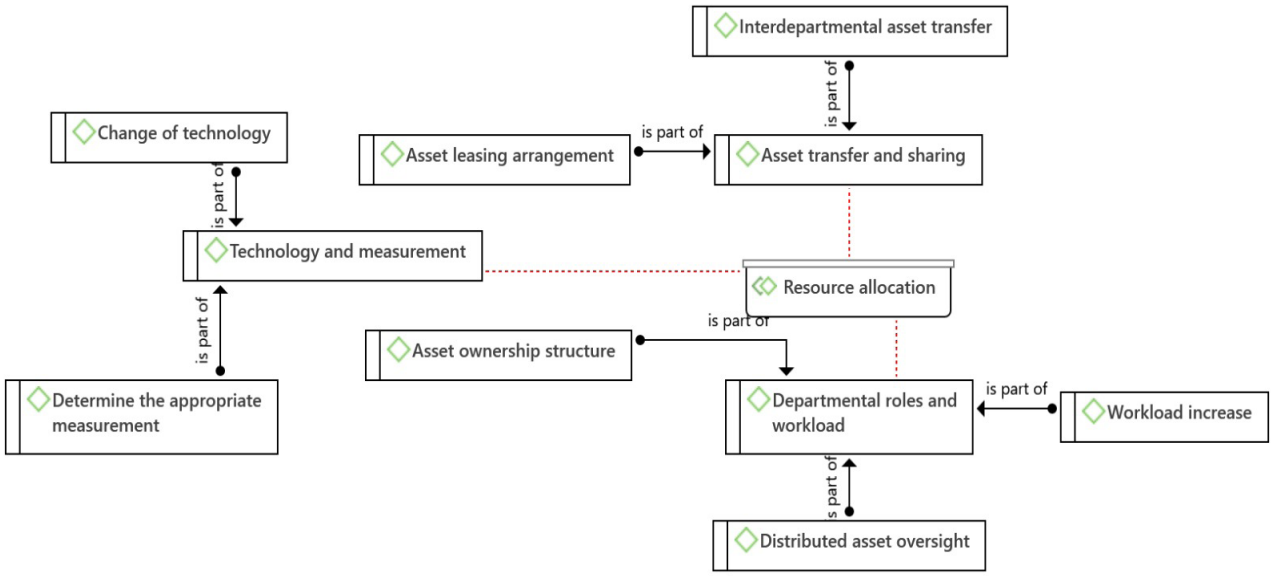

Figure 3: Result for Resource Allocation

The findings presented in Figure 3 illustrate three (3) main resource allocation categories.

4.3.1 Asset Transfer and Sharing

The first category is asset transfer and sharing, which encompasses practices such as interdepartmental asset transfers, COV-supported asset reallocations, and asset leasing arrangements. In addition, these mechanisms illustrate how assets are shared, transferred, or leased across departments to optimise resource allocation and reflect the administrative processes involved.

4.3.2 Technology and Measurement

The second category is technology and measurement. Issues such as technology transition in asset management, appropriate asset valuation methods, and methodological differences in valuation highlight the challenges involved in maintaining accurate and fair asset values. These findings demonstrate how technological changes and differences between COV and existing valuation methods influence the accuracy of asset measurement and, consequently, the efficiency in resource allocation.

4.3.3 Departmental Roles and Workload

Finally, the third category is related to departmental roles and workload. The third category emphasises the implications of asset governance structures. Codes such as decentralised maintenance responsibility, workload implications of asset allocation, and asset-type considerations demonstrate how dividing responsibilities across departments affects asset management. These issues often contribute to increased administrative and operational workloads, particularly when managing owned and leased assets with varying requirements.

4.4 Investment Decisions

Applying COV influences long-term capital planning and procurement cycles. The revised valuations often necessitate updates to asset registries and the prioritisation of replacements or upgrades based on remaining service potential. This measure ensures that investment decisions are grounded in operational realities rather than historical expenditure, which improves capital asset stewardship. Lifecycle infrastructure management, which emphasises safeguarding and maintaining public capital assets, reinforces this finding by highlighting the need to integrate asset valuation with long-term investment planning (Giglio et al., 2018).

Informant 10 viewed that:

> "Each asset has its own controller, and its maintenance records, such as downtime, repair costs, and servicing, must be accounted for. Once this evaluation is completed, the findings are submitted to the Accountant General's Department, which currently uses sample records to develop new policies. In line with international practice, when the recorded value of an asset reaches zero, it should normally be replaced."

The perspective above reflects how COV supports investment decisions by linking asset valuation with long-term capital planning. Maintenance costs, downtime, and repair history help to determine whether to continue investing in an asset or replace it once the value of the asset is exhausted. This finding is consistent with studies of commercial buildings in Australia, which demonstrate that effective maintenance records, covering repair costs, downtime, and servicing, are crucial for guiding investment decisions (West et al., 2024). By aligning replacement decisions with actual service potential rather than book value alone, decision-makers can prioritise upgrades and allocate resources more effectively, ensuring procurement cycles remain responsive to operational needs. The results from ATLAS.ti. are presented in Figure 4.

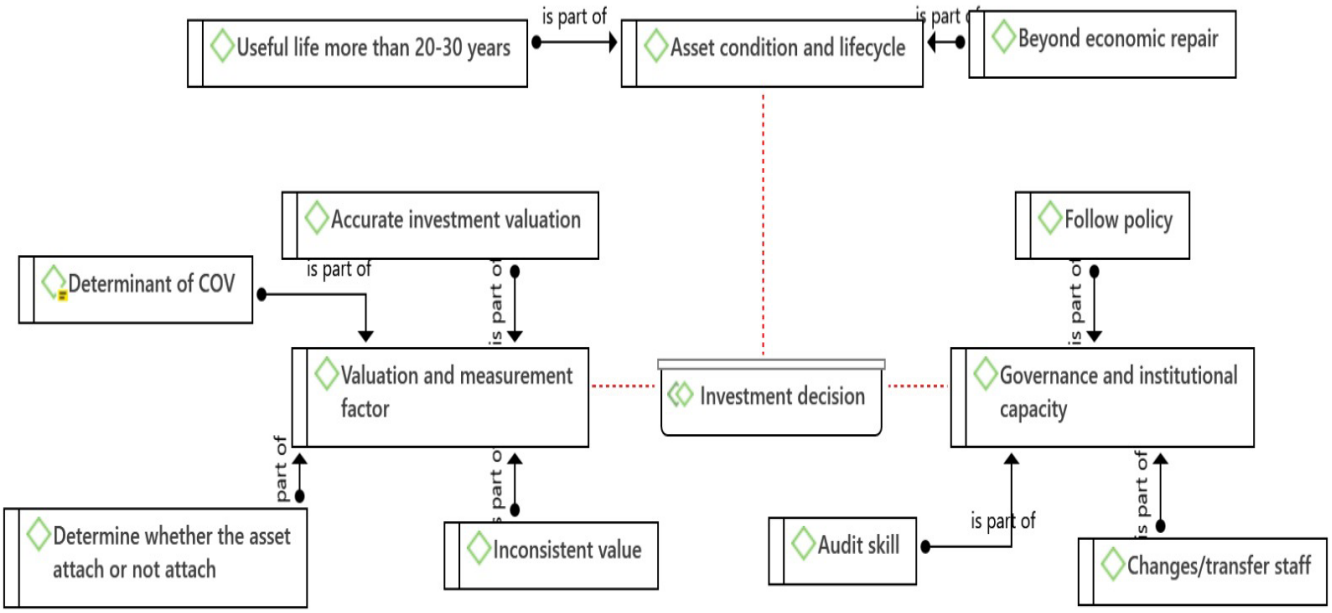

Figure 4: Result for Investment Decision

Figure 4 demonstrates that the codes were categorised into three (3) groups: asset condition and lifecycle, valuation and measurement factors, and governance and institutional capacity. For asset condition and lifecycle, investment decisions are influenced by the physical condition and longevity of the assets. Assets with a useful life of 20 to 30 years offer extended service potential. On the other hand, assets classified as beyond economic repair require timely replacement or disposal. Subsequently, valuation and measurement factors emphasise the importance of ensuring accuracy and consistency in asset measurement. The measurement basis of COV plays a crucial role in reflecting the true worth of assets, while determining whether an asset is attached or not attached is important for classification and reporting. Inconsistent valuations may undermine decision-making. Accurate and reliable valuation processes are essential to support rational investment decisions.

Finally, governance and institutional capacity highlight organisational factors that support effective asset management. Compliance with established policies is required to ensure standardisation and accountability in decision-making processes. Additionally, audit skills are necessary to validate asset records and improve transparency, while changes or staff transfers require continuous guidance and close monitoring during the initial stage. This measure ensures that they quickly adapt and maintain consistent decision-making.

4.5 Budget Planning

The utilisation of updated asset values through COV improves the reliability of budget forecasts and improves planning accuracy. This approach allows departments to better estimate maintenance needs, replacement timing, and funding requirements, further contributing to highly effective asset lifecycle management. As assets are valued closer to their real-time utility, financial planning emerges as data-driven.

According to Informant 11:

> "The issue is whether new procurements will be approved. Assets may need replacement, but will the government provide them? This is why a standardised method like COV is important because it provides clear criteria and justification."

This excerpt denotes how COV strengthens budget planning by standardising replacement criteria and offering evidence-based justifications. The use of COV helps departments secure funding with greater transparency and ensures that requests for budget align with actual asset conditions.

Notwithstanding that, Informant 8 argued that:

> "With straight-line depreciation, assets often appear fully depreciated on paper while still being in good condition. This creates a mismatch between accounting values and actual usability. COV provides a more representative measure, showing whether an asset is truly at the end of its life or still holds value."

This perspective reinforces how COV supports better decisions related to investment by ensuring that capital allocations are based on actual asset performance. This perspective is also consistent with the findings that cost information influences budgetary decision-making (Kuroki & Motokawa, 2022). Such information prevents premature replacements, maximises asset utility, and directs investment only where it is genuinely required.

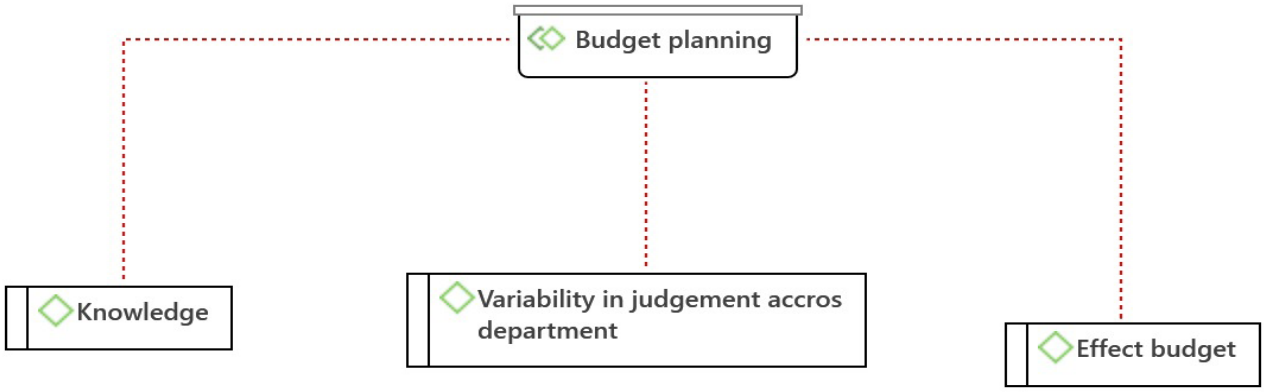

Figure 5: Result for Budget Planning

Figure 5 illustrates how the COV requires sufficient knowledge, consistent judgment across departments, and effective budgeting to measure an asset.

4.6 Compliance

The adoption of COV demands a high degree of technical competence to ensure consistent, standardised implementation. Developing compliance includes training finance officers, asset managers, and auditors on the principles and application of IPSAS 46. Compliance with public sector accounting standards requires integrating professional judgment, audit trails, and expert valuation input to maintain transparency, comparability, and accountability in financial reporting.

Informant 6:

"For training, the process needs to be reset first by clarifying what data should be captured."

Informant 5:

"There must be a standardised training module."

These views highlight that compliance is not only about correctly applying IPSAS 46 but also about ensuring that staff receive structured and standardised training. By embedding COV into formal training modules, organisations can safeguard consistency, comparability, and adherence to accounting standards, which further strengthens transparency and accountability in financial reporting. This notion aligns with findings from prior studies, which denote that continuous training in governance and regulations is essential for building a culture of compliance and accountability (Efunniyi et al., 2024).

Figure 6 illustrates that compliance with audit procedures and regulatory requirements must be supported by proper record-keeping, transparency, and standardisation. Compliance with financial regulations is a central concern in auditing (Balogun et al, 2023). Clear policies and guidelines on COV should be established to ensure consistency, complemented by structured training modules to build staff capacity. For strengthening policy acceptance and promoting effective governance, a well-communicated justification for adopting COV is also essential.

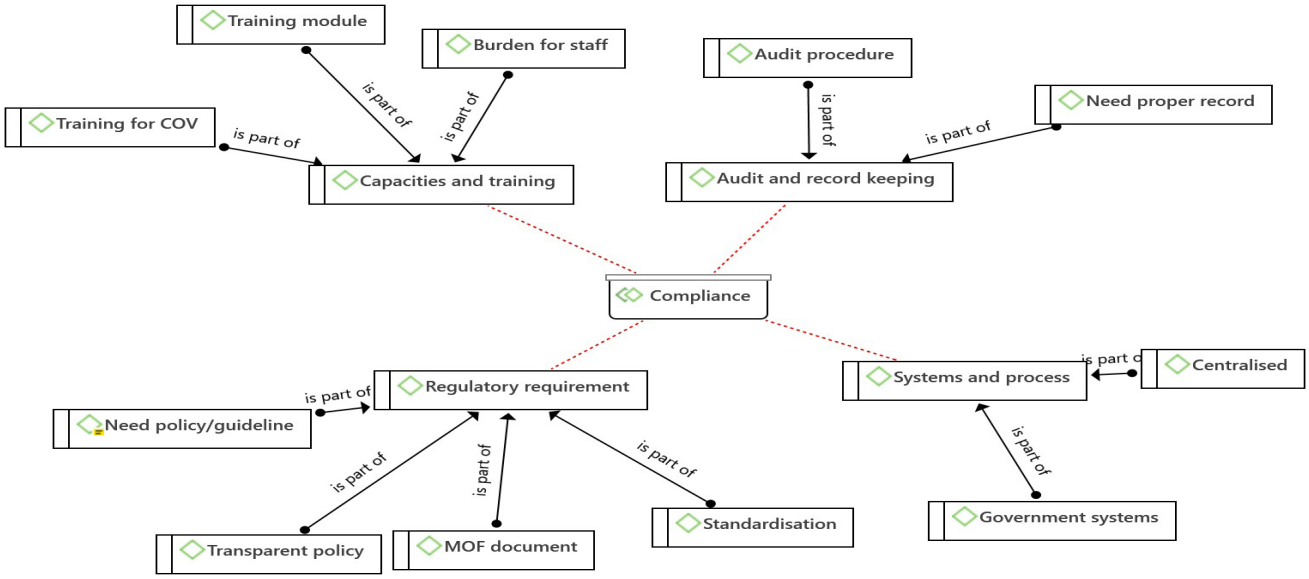

Figure 6: Result for Compliance

Based on the discussion above, the following framework was developed:

Figure 7: Key Focus Areas of the Impact of COV on Public Sector Asset Management

Figure 7 illustrates the proposed framework for implementing COV in the public sector. The six (6) key implementation contexts comprise financial reporting, risk management, resource allocation, investment decisions, budget planning, and compliance. Within financial reporting, COV provides a more accurate reflection of asset usage and remaining service potential, moving away from traditional depreciation practices and aligning with IPSAS 46. From a risk management perspective, COV requires agencies to consider location-specific and operational variability and support lifecycle risk assessments, which ensures that risks tied to asset performance are effectively monitored. For resource allocation, the framework guides decision-makers to align asset values with utilisation patterns, thereby avoiding over-investment or under-investment. In the context of investment decisions, COV supports updated and reliable asset registries, which enable prioritisation of replacements and upgrades based on actual service potential rather than arbitrary timelines. In terms of budget planning, adopting COV improves forecast reliability and supports financial planning that is more responsive and data-driven. Finally, the compliance context highlights the importance of equipping staff with the technical competence required to meet IPSAS 46 requirements and ensure standardisation. Collectively, these six (6) contexts establish a structured pathway for the public sector to implement COV as part of its asset management strategy, thereby enhancing transparency, efficiency, and sustainability in the use of public resources.

5.0 Conclusion

By integrating risk management and audit considerations to strengthen strategic decision-making on asset management, this study develops and proposes a comprehensive framework for implementing COV in the public sector. Data collected through interviews conducted with nine (9) representatives from JBPM and six (6) representatives from KPKT revealed six (6) key areas underpinning the framework: financial reporting, risk management, resource allocation, investment decisions, budget planning, and compliance. The findings indicated that COV improves the accuracy, transparency, and accountability of financial reporting significantly by aligning asset values with actual usage patterns and remaining service potential. The use of COV reduces dependence on outdated historical cost approaches and enhances the relevance of public-sector financial information.

From a risk management perspective, COV offers a more nuanced assessment of asset conditions across varying operational contexts. The detailed assessment enables decision-makers to better anticipate, monitor, and mitigate

risks related to ageing assets, intensive utilisation, and limited technical competency. In parallel, integrating COV into resource allocation and investment planning supports highly rational, evidence-based decision-making by directly linking asset performance, lifecycle conditions, and service potential to capital planning and procurement cycles. The integration minimises inefficiencies arising from overinvestment, underutilisation, or premature asset replacement. At the same time, the integration ensures that limited public resources are allocated to initiatives generating the greatest public value and align with principles of good governance, accountability, and audit.

Importantly, this study emphasises that the successful adoption of COV requires more than technical valuation adjustments and necessitates broader institutional transformation involving training, compliance, and integrated organisational processes. Establishing standardised training modules, system integration, and capacity building across agencies is essential to achieve comparability, consistency, and compliance with IPSAS 45 and 46. Public sector organisations can enhance financial stewardship, strengthen institutional accountability, and support more sustainable long-term asset management planning by embedding COV within audit and risk management practices. Overall, the findings position COV as a valuable framework for improving public-sector asset management while ensuring that financial reporting reflects operational realities and public service outcomes more accurately.

5.1 Practical Implications

The adoption of COV in public-sector asset management offers policymakers, auditors, and managers a more strategic and structured approach to improving decision-making. The COV facilitates evidence-based resource allocation, optimises maintenance and replacement planning and enhances the accuracy of budget forecasting by aligning asset valuations with actual utilisation patterns and remaining service potential. Resultantly, this adoption increases operational efficiency, ensures that limited public resources are deployed towards assets that deliver the highest public value, and minimises the risk of overinvestment, underutilisation, and inefficient capital deployment across the public sector.

Table 4 outlines the audit procedures to develop and propose a comprehensive framework for verifying data integrity, evaluating valuation methodologies, and assessing disclosure adequacy. These procedures align with IPSAS 45, IPSAS 46, the MPSAS, and INTOSAI audit principles.

Table 4: Audit Procedures

Audit Objective	Detailed Audit/ Procedures	Audit Evidence Required	Relevant IPSAS/ MPSAS References
Planning and Understanding the Entity	• Review policies by the entity on COV implementation and valuation methodology. • Identify asset classes selected for COV measurement and rationale. • Understand integration with asset systems (such as iGFMAS and others). • Assess understanding and adoption timeline of IPSAS 45/46 or MPSAS guidance of the management.	• COV policy documents • Asset register overview • Flowcharts of asset valuation processes • Minutes of accounting policy meetings	IPSAS 45: para. 15–25; IPSAS 46: para. 5–10; MPSASB (2023)
Internal Control Evaluation	• Evaluate segregation of duties between asset custodians, valuers, and finance officers. • Review authorisation and procedures for COV adjustments. • Assess system access and data integrity controls. • Examine training records and technical competencies for valuation personnel.	• Internal control manuals • Access logs • Training attendance records • Management review documentation	IPSAS 46: para. 42–45; AGD, Malaysia (2023)
Data Verification and Physical Inspection	• Obtain the fixed asset register and reconcile it to the general ledger. • Conduct physical verification on high-value or high-usage assets. • Review maintenance and utilisation logs to confirm operational data. • Investigate discrepancies or missing asset information.	• Fixed asset register • General ledger reconciliation • Inspection reports • Maintenance and utilisation data	IPSAS 45: para. 33–38; AGD, Malaysia (2023); Azhar & Kishan (2025)

Table 4: Audit Procedures (continued)

Audit Objective	Detailed Audit Procedures	Audit Evidence Required	Relevant IPSAS/ MPSAS References
Valuation Review and Analytical Procedures	• Review valuation techniques (such as replacement cost and service potential model).Test key assumptions: remaining service life, replacement cost, usage rate, and obsolescence. • Recalculate sample COV values to confirm accuracy. • Conduct trend analysis comparing COV and historical cost valuations. • Assess sensitivity to assumption changes.	• Valuation reports • COV calculation worksheets • Historical cost comparisons • Analytical review summaries	IPSAS 46: para. 20–35; IPSASB (2022)
Compliance and Disclosure Testing	• Verify disclosures of measurement bases and valuation assumptions. • Ensure consistency between note disclosures and underlying schedules. • Check for proper restatement of comparative data. • Evaluate completeness of disclosure on valuation uncertainty.	• Financial statements • Notes to accounts • Disclosure checklists • Comparative analysis reports	IPSAS 45: para. 40–49; MPSAS 17
Conclusion and Reporting	• Summarise audit findings and control deficiencies. • Assess whether COV-based asset values are free from material misstatement. • Provide recommendations on system improvement and documentation practices. • Issue an audit opinion on fair presentation of service potential.	• Audit summary report • Management letter • Auditor's opinion • Corrective action plan	INTOSAI ISSAI 1620; IPSAS 46 para. 50–52

Additionally, the framework emphasises compliance with IPSAS 45 and 46 and incorporates risk management considerations, which enable more effective internal audits and lifecycle monitoring. Standardised training modules and integrated systems ensure consistency across departments, which strengthens transparency and accountability in financial reporting. Overall, implementing COV allows public sector organisations to make informed investment decisions, improve asset stewardship, and increase the credibility and reliability of financial statements, further supporting sustainable public service delivery.

5.2 Limitations and Recommendations

This study exclusively focused on operational assets within the JBPM, excluding property, plant, and infrastructure assets, which may present distinct valuation complexities and management considerations. Furthermore, the findings of this study were derived solely from qualitative interviews conducted with selected representatives from JBPM and KPKT. Thus, the research approach may limit the broader generalisability of the findings to other public-sector organisations and administrative contexts. The study also reflects existing practices, perceptions, and institutional conditions at a particular point in time, all of which evolve alongside changes in policies, technological systems, governance structures, and resource allocation mechanisms.

As a measure to evaluate the wider applicability and scalability of COVs across the diverse public sector, future research should broaden the scope of the study by incorporating property, plant, and infrastructure assets. Additionally, quantitative approaches should be integrated by empirically assessing the financial, operational and governance impact of COV implementation over time to complement the qualitative findings. From a practical perspective, to facilitate consistent, transparent, and reliable adoption of COV practices, public sector agencies should prioritise developing a standardised training framework, integrated information systems, and comprehensive audit protocols. Embedding COV into long-term capital planning and performance-monitoring systems in public asset management would further strengthen resource allocation efficiency, enhance risk management capabilities, and reinforce accountability and sustainability.

Acknowledgment

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APPENDIX

Interview Guide

THE IMPACT OF CURRENT OPERATIONAL VALUE (COV) ON PUBLIC SECTOR ASSET MANAGEMENT: A CASE STUDY OF FIRE AND RESCUE DEPARTMENT OF MALAYSIA (JABATAN BOMBA DAN PENYELAMAT MALAYSIA) UNDER IPSAS 45 AND IPSAS 46

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Overview

The valuation of Property, Plant, and Equipment (PPE) plays a crucial role in supporting the operational efficiency of public sector agencies like Jabatan Bomba dan Penyelamat Malaysia (JBPM). Traditional valuation methods, such as historical cost, often fail to capture the true current operational value (COV) of these assets, potentially leading to inefficiencies in decision-making, resource allocation, and strategic planning. With the introduction of IPSAS 45 and IPSAS 46, which advocate for the use of COV in post-recognition measurement, there is a need to explore its practical implications for the public sector.

Research on the application of COV in Malaysia is still very limited, and only a few countries have adopted this method. Moreover, IPSAS does not provide clear guidance on its measurement, leaving room for interpretation and debate. Consequently, there is a scarcity of studies and publications that address the challenges and propose solutions for asset measurement in the Malaysian public sector. To address this gap, this study adopts a qualitative research approach through archival analysis and interviews.

Purpose of the Interviews

i. To obtain information to meet the following aims:
ii. To analyse the technical implications of applying Current Operational Value (COV) for motor vehicles and operational equipment at JBPM compared to existing methods.
iii. To determine the direct effects of applying COV on the Federal Government's financial statements using data simulation.
iv. To develop guidelines for the implementation of COV in the public sector, focusing on risk management and audit requirements to enhance decision-making processes.

Target Group

The target respondents are officers handling the assets in agencies, accounting and finance personnel and auditors from selected ministries.

Proposed Interview Guide: Representatives from JBPM and accountants

Preamble:
Informed consent
Permission to record.

Introduction

Tell us your name, designation, role within the organisation, and duration within the current role.

1. Financial Reporting:

i. How do you currently value motor vehicles and operational equipment at your organisation?

ii. What challenges do you foresee if the COV method is introduced for post-recognition measurement of motor vehicles and operational equipment?

2. Risk Management:

i. How do current asset valuation methods impact resource allocation and risk management strategies?

ii. How do you think COV will influence your risk management approach?

3. Decision-Making:

i. How will COV affect resource allocation and investment decisions within your organisation?

ii. Do you think COV provides a clearer understanding of the operational value of assets?

4. Compliance and Reporting:

i. How would you manage the transition from existing valuation methods to COV in terms of compliance with IPSAS standards?

ii. What additional training or tools would be necessary for implementing COV?

Proposed Interview Guide: Auditors

Preamble:
Informed consent
Permission to record.

Introduction

Tell us your name, designation, role within the organisation, and duration within the current role.

1. Audit Challenges:

i. How do you currently audit motor vehicles and operational equipment in public sector organisations using existing methods (historical cost, fair value)?
ii. What auditing challenges do you anticipate with the introduction of COV?

2. Risk and Compliance:

i. How do you assess the compliance risks associated with adopting COV as a measurement basis for public sector assets?
ii. What audit procedures would need to be adapted or introduced to verify COV asset valuations?

3. Transparency and Accuracy:

i. In your opinion, does COV provide more accurate asset valuations than existing methods?
ii. How might the adoption of COV affect the transparency and reliability of public sector financial statements?

4. Audit Recommendations:

i. What guidelines would you suggest for managing the risks associated with implementing COV in the public sector?
ii. What would you recommend to ensure smooth audit procedures for assets measured using COV?