

International Valuation Guidance Note No. 11

Reviewing Valuations

1.0 Introduction

- 1.1 A valuation review is a review of a Valuer's work undertaken by another Valuer exercising impartial judgement.
- 1.2 Because of the need to ensure the accuracy, appropriateness, and quality of Valuation Reports, valuation reviews have become an integral part of professional practice. In a valuation review, the correctness, consistency, reasonableness, and completeness of the valuation are considered.
 - 1.2.1 A valuation review may call for input from experts with specialist knowledge of construction costs, property income, legal and tax matters, or environmental problems.
 - 1.2.2 A valuation review provides a credibility check on the valuation under review, and tests its strength by focusing upon
 - 1.2.2.1 the apparent adequacy and relevance of the data used and enquiries made;
 - 1.2.2.2 the appropriateness of the methods and techniques employed;
 - 1.2.2.3 whether the analysis, opinions, and conclusions are appropriate and reasonable; and
 - 1.2.2.4 whether the overall product presented meets or exceeds Generally Accepted Valuation Principles (GAVP).
- 1.3 Valuations reviews are performed for a variety of reasons, including:
 - 1.3.1 Due diligence required of financial reporting and asset management;
 - 1.3.2 Expert testimony in legal proceedings and circumstances;

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- 1.3.3 A basis for business decisions; and
- 1.3.4 Determination of whether a report complies with regulatory requirements, where
 - 1.3.4.1 Valuations are used as part of the mortgage lending process, especially mortgages insured or regulated by the government, and
 - 1.3.4.2 It is necessary to test whether Valuers have met regulatory standards and requirements within their jurisdiction.

2.0 Scope

- 2.1 The requirements in this GN apply to the development and reporting of valuation reviews.
- 2.2 Compliance with this GN is incumbent upon any Valuer who, in a supervisory or managerial capacity, signs a valuation review, thereby accepting responsibility for the contents of that review.

3.0 Definitions

- 3.1 *Valuation Review.* A valuation assignment that covers a range of types and purposes. The principal characteristic all valuation reviews have in common is that one Valuer exercises impartial judgment in considering the work of another Valuer. A valuation review may support the same value conclusion in the valuation under review or it may result in disagreement with that value conclusion. Valuation reviews provide a credibility check on the valuation as well as a check on the strength of the work of the Valuer who developed it, as regards the Valuer's knowledge, experience, and independence.

In some States a valuation review may also be an update done by a Valuer of the same valuation firm that carried out the original valuation.

Valuation organisations around the world distinguish between various types of reviews, e.g., *administrative (compliance) reviews*, *technical reviews*, *desk reviews*, *field reviews*, reviews to ensure that a

valuation has been carried out in accordance with professional standards (where the bases of valuation used in the valuation under review are accepted), reviews that muster general market information to support or contest the value conclusion, and reviews that examine the specific data in the valuation under review with comparable data from a sample group.

- 3.2 *Administrative (Compliance) Review.* A valuation review performed by a client or user of valuation services as an exercise in due diligence when the valuation is to be used for purposes of decision-making such as underwriting, purchasing, or selling the property. A Valuer may, on occasion, perform an administrative review to assist a client with these functions. An administrative review is also undertaken to ensure that a valuation meets or exceeds the compliance requirements or guidelines of the specific market and, at a minimum, conforms to Generally Accepted Valuation Principles (GAVP).
- 3.3 *Technical Review.* A valuation review performed by a Valuer to form an opinion as to whether the analyses, opinions, and conclusions in the report under review are appropriate, reasonable, and supportable.
- 3.4 *Desk Review.* A valuation review that is limited to the data presented in the report, which may or may not be independently confirmed. Generally performed using a checklist of items. The reviewer checks for the accuracy of calculations, the reasonableness of data, the appropriateness of methodology, and compliance with client guidelines, regulatory requirements, and professional standards. Also see *field review*.
- 3.5 *Field Review.* A valuation review that includes inspection of the exterior and sometimes the interior of the subject property and possibly inspection of the comparable properties to confirm the data provided in the report. Generally performed using a checklist that covers the items examined in a desk review and may also include confirmation of market data, research to gather additional data, and verification of the software used in preparing the report. Also see *desk review*.

4.0 Relationship to Accounting Standards

- 4.1 The relationship between accounting standards and valuation practice is discussed in IVA 1.

5.0 Guidance

- 5.1 **In developing a valuation review, the Review Valuer shall**
- 5.1.1 **identify the client and intended users of the Valuation Review, the intended use of the Review Valuer's opinions and conclusions, and the purpose of the assignment;**
 - 5.1.2 **identify the subject property, the date of the valuation review, the property and ownership interest valued in the report under review, the date of the report under review, the effective date of the opinion in the report under review, and the Valuer(s) who completed the report under review;**
 - 5.1.3 **identify the scope of the review process to be performed;**
 - 5.1.4 **identify all assumptions and limiting conditions in the valuation review;**
 - 5.1.5 **develop an opinion as to the completeness of the report under review within the scope of work applicable to the assignment;**
 - 5.1.6 **develop an opinion as to the apparent adequacy and relevance of the data and any adjustments;**
 - 5.1.7 **develop an opinion as to the appropriateness of the methods and techniques used and develop the reasons for agreement or any disagreement with the report under review; and**
 - 5.1.8 **develop an opinion as to whether the analyses, opinions, and conclusions in the work under review are appropriate, reasonable, and supportable.**

- 5.2 In reporting the results of a valuation review, the Review Valuer shall**
- 5.2.1 state the identity of the client and intended users, the intended use of the assignment results, and the purpose of the assignment;**
 - 5.2.2 state the information that must be identified in accordance with paragraphs 5.1.1-5.1.4 above;**
 - 5.2.3 state the nature, extent, and detail of the review process undertaken;**
 - 5.2.4 state the opinions, reasons, and conclusions required in paragraphs 5.1.5-5.1.8 above;**
 - 5.2.5 indicate whether all known pertinent information is included; and**
 - 5.2.6 include a signed Compliance Statement in the review report.**
- 5.3 The Review Valuer shall not consider events affecting the property or market that occurred subsequent to a valuation, but only information that was readily available in the market at the time of the valuation.**
- 5.4 Reasons for agreement or disagreement with the conclusions of a valuation report should be fully explained by the Review Valuer.**
- 5.4.1 Where the Review Valuer agrees with the conclusions of a valuation report, reasons for such agreement should be fully explained and disclosed.**
 - 5.4.2 Where the Review Valuer does not agree with the conclusions of a valuation report, the reasons for such disagreement should be fully explained and disclosed.**
 - 5.4.3 Where the Review Valuer is not in possession of all the facts and information on which the Valuer relied, the Review Valuer must disclose the limitations of his or her conclusions.**

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- 5.5 Where the scope of the work undertaken is sufficient to constitute a new valuation, such valuation must conform to the requirements of the International Valuation Standards and IVS Code of Conduct.

6.0 Effective Date

- 6.1 This International Valuation Guidance Note became effective 30 April 2003.