

IVS Adoption : what does it mean ?

An example from NL



Netherlands Register for Certified Valuers (NRVT)

How did it start ?

Where does it stand for ?

Organizational structure

Compliance with International Standards

Continuing audit system

Adoption of IVS : a multi stage process





Certified Valuers : how did it start ?

- 2008 : financial crisis
- G20 : never again, regulators do something about it
- Regulators : Auditors how could you approve the valuations !
- Auditors : Valuers don't perform as they should
- Auditors&Valuers in NL : recommendations to improve

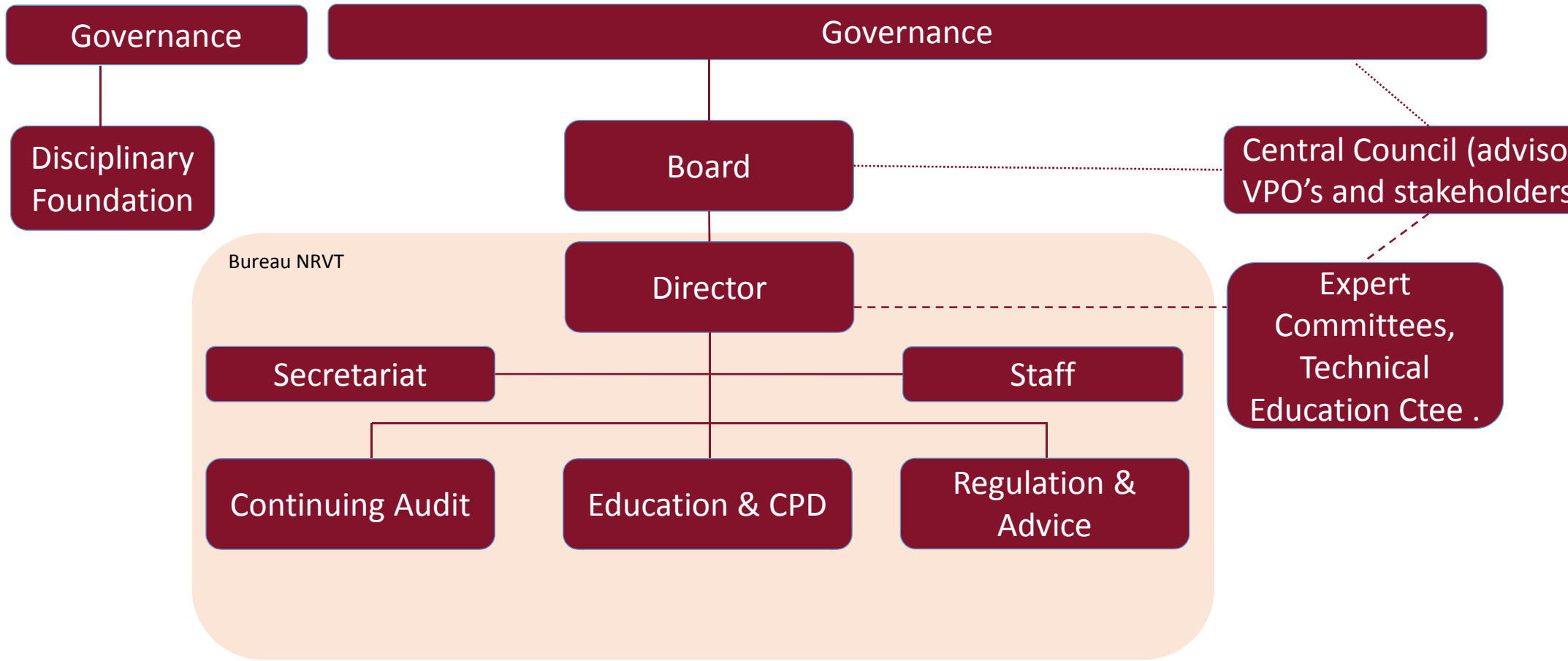
Regulators in NL :

create an independent register for certified valuers
continuing audit system will be a key activity

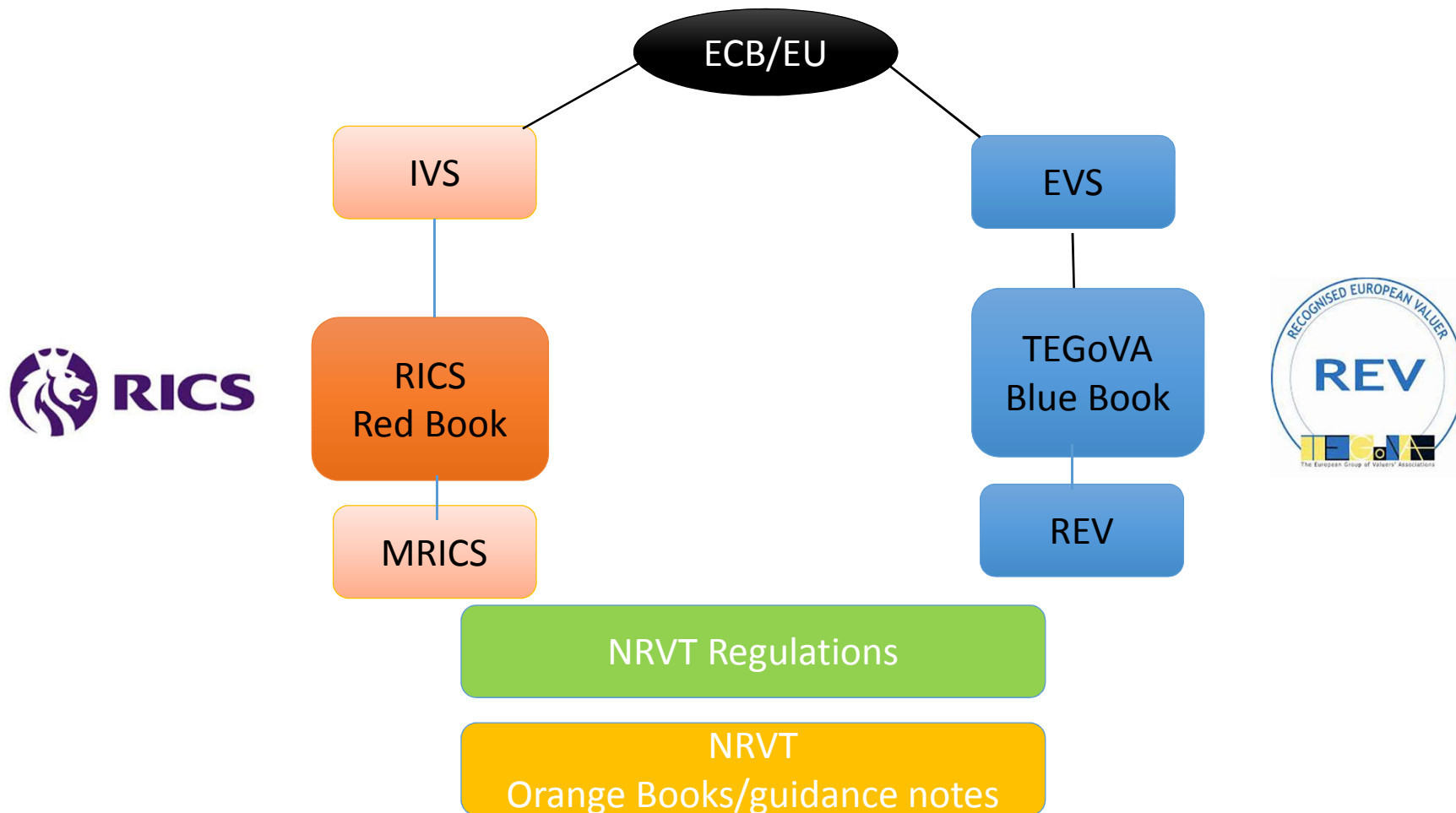


Certified Valuers : where does it stand for ?

- At the start : resistance from all VPO's (Netherlands Valuers are 'selfregulated')
- Solution : make clear NRVT's independent position
 - Register only, not an interest group
 - Formulate valuer qualifications based upon international standards
 - Define basis education for valuers
 - Define each year the CPD (but don't give courses)
 - Develop a system of continuing audit
 - Start an independent disciplinary foundation
 - Communicate regularly with VPO's and stakeholders of valuations

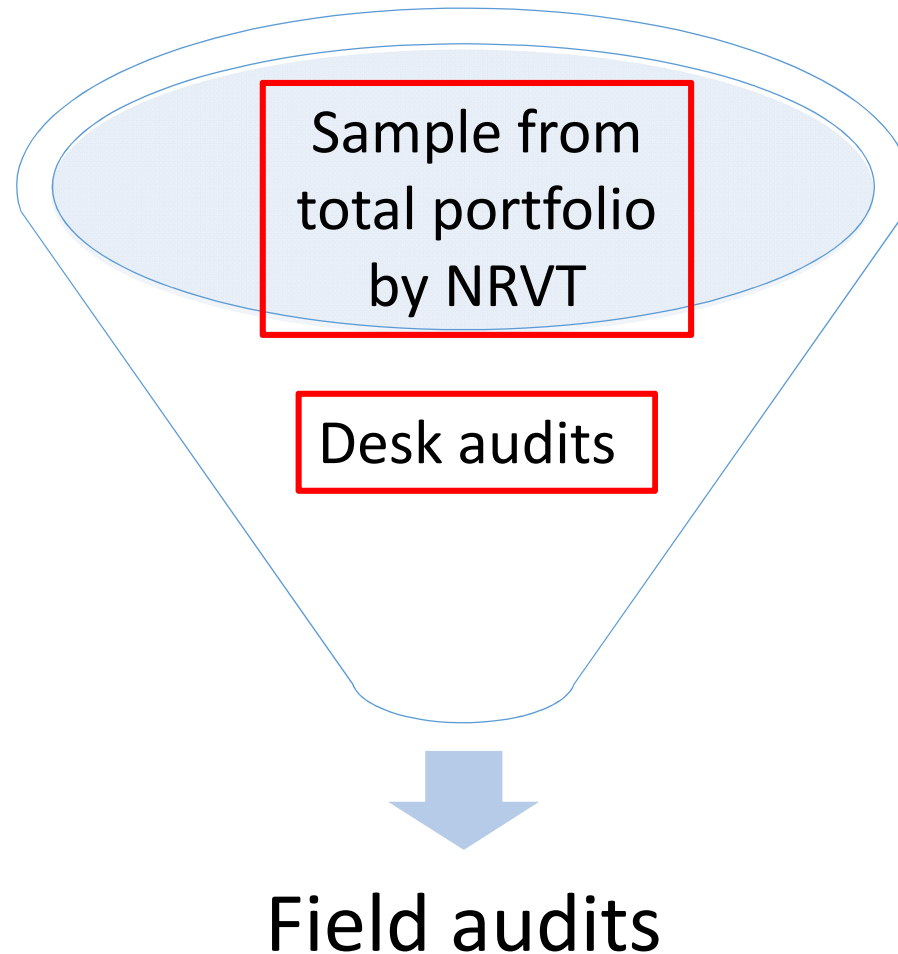


Compliance with Valuation Standards in NL



Continuing audit structure

Selection of valuers based upon questionnaires
random and/or stratified (risks involved)





Audit Example

Questionnaire : two purposes :

- Assemble knowledge about background/position/daily practice of the Valuer
- Conduct analyses of answers which deviate from the Valuer's daily practice



Data from the Questionnaire

- It is not about data as such but about the combination of data
- Two types of data :
 - About the content
 - those answers are the Valuer's interpretation of the questions to be answered
 - Meta data :
 - the circumstances under which the valuer replied such as :
 - time taken
 - date of reply
 - answer details



Priorities data-analysis set by Regulators

- Priorities from Central Bank / Financial Market Authority FMA
- Example : Valuers who value complex properties like shopping Centres :
 - FMA wants to monitor because of the financial risks
- Action in cooperation with FMA :
 - establish the norm /bandwith of the questionnaire
 - audit and register deviating answers



Example about possible answers

Valuer fills in :

- Les than 3 years of working experience
- Carries out less than 10 valuations each year
- Is claims to be a specialist in many valuation areas
- In his company no active quality control system

Conclusion : desk audit and field audit are required



Example : quality of answers given

- Several reminders before questionnaire was returned
- Some answers given :
 - If possible “unknown” or “not applicable” as answer
- Conclusion :
 - Valuer not cooperative
 - Probably ‘rushed through’ the questionnaire
 - Valuer isn’t interested, doesn’t want to think about the answers

Chances are that the questionnaire is useless > deskaudit required



Risk profile

Risk only identifies the chance on right or wrong :

- Valuers might have a high risk profile :
 - not because of the valuation outcome
 - but because of the object (nuclear power plant)
- *On the other hand* :
- Valuers might have a low risk profile :
 - because of the low risk of the object
 - although the valuations are bad

So a double check will be necessary



Double check

- Check 1 :
 - Risk analysis : 2 groups, one with high and the other with low risk profile
 - However, the method chosen might have its deficiencies

- Check 2 : Both groups will be compared to :
 - a blind sample from the whole population of valuers

just to make sure



Audit outcome : encourage to improve and maybe sanctions

- . Outcome is satisfactory, no action required
- . Encourage and advice to improve without a re-audit
- . Advice about coaching and additional education
- . Encourage and advice to improve with a re-audit
- . File a complaint at the Disciplinary Foundation
- . Immediate temporarily suspension followed by a complaint at the Disciplinary Foundation
- . Immediate unsubscription from the Register of Certified Valuers according to advice from the Disciplinary Foundation



Adoption of IVS : a multi stage process

- . Decision : independent register or certification within the VPO after consultation of Regulators and/or stakeholders
- . Set a time frame
- . Organizational structure
- . Only IVS or a combination with other (inter)national Standard setters
- . Continuing audit system
- . CPD system
- . Continuing monitor the system as a whole (feedback etc.)

IVS Adoption : what does it mean ?

A challenge but it can be done !

