

Checklist for Revaluations

INTRODUCTION

This self-assessment checklist for revaluations of property, plant and equipment will help to ensure your agency's revaluation processes reflect better practice - the items in this checklist do not represent mandatory policies. The questions in this checklist should be revisited regularly to facilitate continued compliance with the *Non-Current Asset Policies for the Queensland Public Sector* (including Better Practice Guidelines for Valuation Instructions located within NCAP Tools), AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*.

OBJECTIVE

To ensure the agency's property, plant and equipment has been properly valued at fair value and reported

No	Question	Yes	No	Improvements/ Actions Required
<u>GENERAL</u>				
1	<ul style="list-style-type: none"> Are there robust systems and processes in place (i.e. a framework) to ensure that the values of property, plant and equipment at the end of each reporting period materially reflect their fair value? Are these systems/processes documented in the agency's Financial Management Practice Manual? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	<ul style="list-style-type: none"> Has a responsible officer been assigned by management to undertake revaluations of property, plant and equipment? Does the responsible officer have the appropriate skills, competencies and experience in asset valuations? For example – skills and experience from undertaking revaluations for similar assets in prior years; a working knowledge of Australian Accounting Standards, or a strong working relationship with the asset manager/accounting manager. 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	<ul style="list-style-type: none"> Are the accounting policies relating to the valuation of property, plant and equipment clearly understood by personnel co-ordinating or involved in one or more of the following:- <ul style="list-style-type: none"> ✓ the revaluation process ✓ the determination of reasonableness of the fair value assigned to items; and ✓ the system accounting process (e.g., the asset manager, valuer, systems accountant)? <p>Refer to the <i>Non-Current Asset Policies for the Queensland Public Sector</i> (NCAPs) and AASB 13 <i>Fair Value Measurement</i>.</p> Are the accounting policies relating to the valuation of property, plant and equipment implemented into agency systems, processes, Financial Management Practice Manual and other agency specific policies? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	<ul style="list-style-type: none"> Are the results from the revaluations and related adjustments explicitly endorsed by senior management? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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<u>REVALUATIONS – USE OF INDICES AND SAMPLING TECHNIQUES</u>				
7	<ul style="list-style-type: none"> • To ensure selection of an appropriate index, have the following factors been considered:- <ul style="list-style-type: none"> ✓ type of asset being revalued ✓ location of the asset ✓ timing of when the index will be available ✓ components used in arriving at the index? • Are there arrangements in place for the agency to assess the appropriateness of indices prior to being used for the revaluations? • Is this process documented in the Financial Management Practice Manual? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	<ul style="list-style-type: none"> • Does the agency document in its Financial Management Practice Manual the type of indices to be used in relation to particular asset classes? • Does the Financial Management Practice Manual document how those indices are to be applied to asset values? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	<ul style="list-style-type: none"> • Has the agency communicated with other agencies with similar assets in similar locations to determine whether:- <ul style="list-style-type: none"> ✓ economies of scale can be achieved by undertaking a co-ordinated approach to identifying appropriate indices? ✓ there are any key learnings from the application of particular indices or the revaluation process (generally) undertaken by the other agencies? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	<ul style="list-style-type: none"> • Where a sample of assets is selected for valuation, are the methodology adopted and the key assumptions used for selecting the sample assessed on a regular basis to ensure they remain statistically valid? • Has the approach for rolling valuations been assessed annually to ensure it takes into account changes in particular circumstances that could impact the valuation? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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<u>REVALUATIONS – SPECIFIC APPRAISALS</u>				
11	<ul style="list-style-type: none"> • When selecting a qualified valuation professional, have the following factors been considered:- <ul style="list-style-type: none"> ✓ In the case of land valuations - is the valuer registered under the Queensland <i>Valuers Registration Act 1992</i>? ✓ Does the professional have any particular skills or past experience in valuing the type of assets required? ✓ Does the professional have any experience in valuing assets in a public sector environment? ✓ Does the professional understand the requirements of AASB 13, AASB 116, AASB 136, and the NCAPs, and have a valuation approach to ensure compliance with these? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	<ul style="list-style-type: none"> • Does the agency prepare comprehensive instructions that outline the information required to ensure compliance with AASB 13 measurement principles and disclosure requirements? <p style="margin-left: 20px;"><i>Refer to the NCAP Tools 'Better Practice Guidelines for Valuation Instructions' and 'Sample Valuation Letters'.</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	<ul style="list-style-type: none"> • Have all current potential exposures and risks been identified and assessed in the development of the valuation instructions and/or development of internal valuation models? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14	<ul style="list-style-type: none"> • Are the valuation instructions endorsed by key internal stakeholders within the agency prior to forwarding to the successful professional? • Are these instructions endorsed by the Audit Committee prior to their issue? • Are the valuation instructions reviewed and approved by management? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15	<ul style="list-style-type: none"> • Does the agency have a policy to periodically rotate external professionals to provide assurance over the reliability of values supplied from year to year? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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16	<ul style="list-style-type: none"> Are the key assumptions used in internal and external valuation models clearly understood, documented and disclosed in the financial statement notes? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<ul style="list-style-type: none"> Are the key assumptions supported by sound evidence, for example, engineering reports, industry trends, sales data etc.? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17	<ul style="list-style-type: none"> Are the results of revaluations reviewed for 'reasonableness' by management? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<ul style="list-style-type: none"> Is a review undertaken after completion of specific appraisals, to assess whether the indices previously applied were representative of fair value movements in those prior years? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<ul style="list-style-type: none"> Are there arrangements in place to gauge the ongoing reliability of those indices (in light of the extent of movement in fair values resulting from the current period specific appraisals)? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<ul style="list-style-type: none"> Are these arrangements documented in the Financial Management Practice Manual and linked to the development of appropriate indices for the next period? (refer to 8-13 above). 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18	<ul style="list-style-type: none"> Has the agency communicated with other agencies with similar assets in similar locations to determine whether:- 			
	<ul style="list-style-type: none"> <ul style="list-style-type: none"> ✓ economies of scale can be achieved by undertaking a co-ordinated approach to specific appraisals? ✓ there are any key learnings from the specific appraisals undertaken by the other agencies? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<u>FINANCIAL REPORTING DISCLOSURES *</u>				
19	<ul style="list-style-type: none"> Has the agency disclosed the effective date of the revaluation? (refer to para 77(a) of AASB 116) 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20	<ul style="list-style-type: none"> Has the agency disclosed whether an independent professional was involved? (refer to para 77(b) of AASB 116) 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21	<ul style="list-style-type: none"> Have the methods and significant assumptions applied in estimating fair values been disclosed for each relevant class of asset? (refer to para 93(d) of AASB 13) 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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22	<ul style="list-style-type: none"> Has the agency disclosed the level of the fair value hierarchy? (refer to para 93(b) of AASB 13) 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23	<ul style="list-style-type: none"> Is there a policy in place about transfers between different levels of the fair value hierarchy? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24	<ul style="list-style-type: none"> Has the agency disclosed the measurement bases used to determine gross amounts? (refer to para 73(a) of AASB 116) 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25	<ul style="list-style-type: none"> Has the agency separately disclosed (within the movements reconciliation required by para 73(e) of AASB 116) the increases and decreases in asset values, per class, resulting from the revaluation? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26	<ul style="list-style-type: none"> For valuations determined based on Level 3 of the fair value hierarchy, has the agency separately disclosed the gains and losses included in the operating result? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27	<ul style="list-style-type: none"> Has the agency separately disclosed details of its asset revaluation surplus (including the increases and decreases in asset values, per class, resulting from the annual revaluation)? (refer to para 77(f) of AASB 116) 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28	<ul style="list-style-type: none"> Where the highest and best use of a non-financial asset(s) differs from its current use, has the agency disclosed this fact and the reason why the asset(s) is being used in a manner that differs from its highest and best use? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Note: The disclosures provided in this table is not a complete list of disclosure for assets carried at fair value. Agencies should refer to AASB 13 and AASB 116 for the complete set of disclosure requirements.

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