



RICS

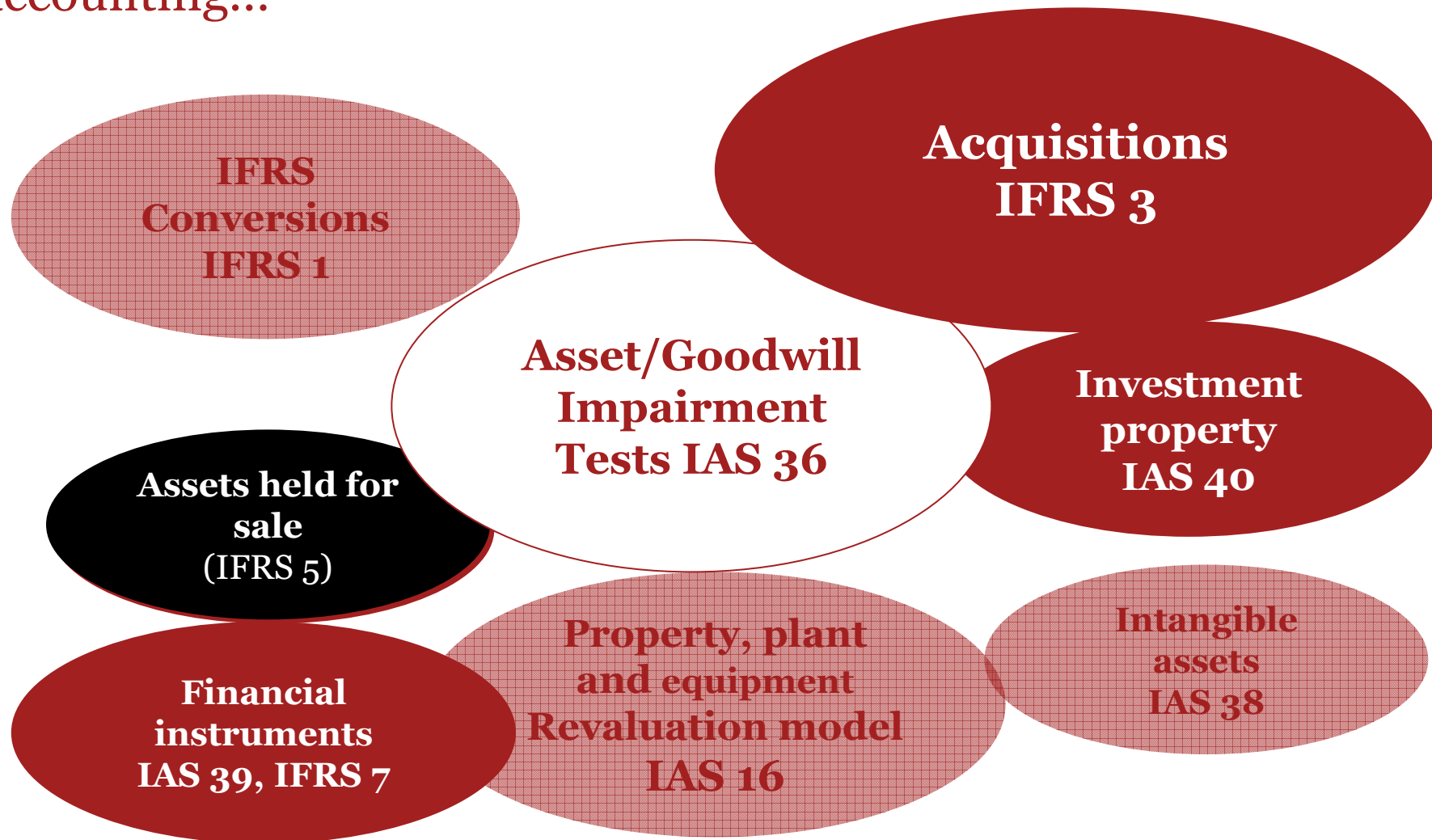
the mark of
property
professionalism
worldwide

Valuation work Auditors' perspective

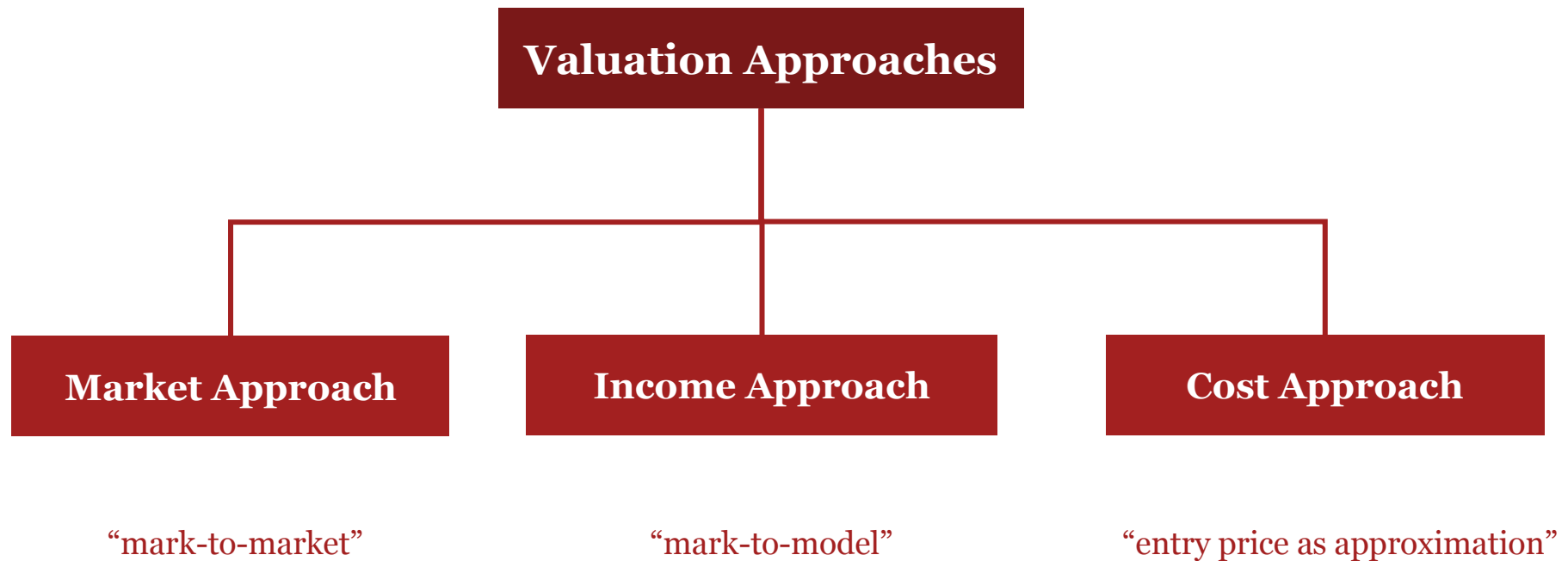
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PricewaterhouseCoopers

**RICS Romania – Annual Valuation Conference
23 November 2011**

Increased relevance of valuation as an essential part of accounting...



Valuation approaches and methods to derive the Fair Value



Fair Value Measurements

*“Are you prepared to meet your
auditor’s expectations ?”*

The view of your auditor...

**International Standard on Auditing (ISA) 545:
*Auditing Fair Value Measurements and Disclosures***

„ ... addresses audit considerations relating to measurement, presentation and disclosure for material assets, liabilities, and specific components of equity presented or disclosed at fair value in financial statements.“

Establish standards and provide guidance on auditing fair value measurements and disclosures contained in financial statements.

For the audit your auditor will focus on ...

Understand Process for Determining Fair Value Measurements and Assess Risk

- Develop effective audit approach
- Determine nature, timing and extent of audit procedures

Using the Work of an Expert

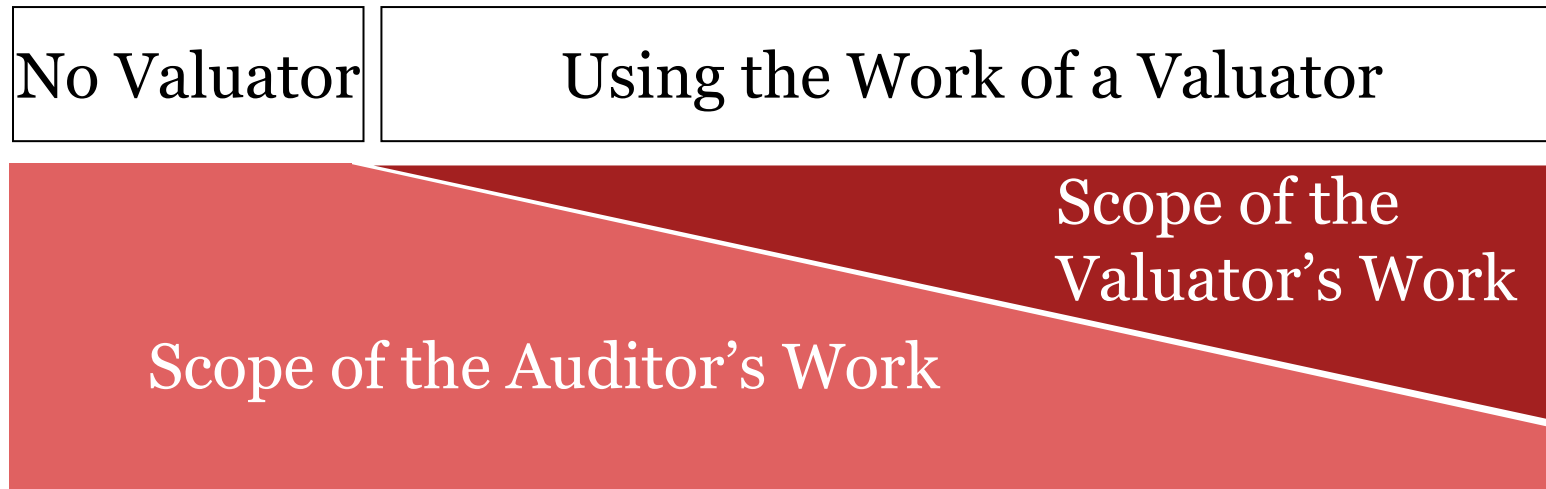
- Determine need to use work of expert (ISA 620)

Establish Completeness of Assets and Liabilities at Fair Value

Evaluate Appropriateness of Fair Value Measurements and Disclosures

- Is FVM in accordance with financial reporting framework?
- Is method applied consistently?

The trade-off using an external Valuator to assist in FV measurement



Does the Expert's Work include:

- Fair Value Opinion ?
- Indicative Values ?
- Plausibility of the Business Plan ?
- Valuation of certain assets only ?
- ...

In case of using an external Valuator, the audit process includes ...

Assessment of the external Valuator

- Evaluate professional competence of the Valuator (professional certification, experience and reputation in the field)
- Valuator's knowledge and previous experience on the matter considered
- Evaluate risk that an Valuator's objectivity will be impaired

Basis of value – is it appropriate for financial reporting?

Compliance with valuation standards / valuation practice

Assessment of the valuation approaches applied, reviewing input data and valuation assumptions (are sources relevant and reliable?)

Analyse the accuracy / correctness of the calculations

Reasonability of the valuation conclusions

Our Role

Our role as Experts (Valuation Reviewer in the audit process):

- We provide expert advice and solutions to support audit team
- We follow procedures and need adequate time
- We review valuation components – e.g. methodologies
- We review assumptions based on our specialized skills – e.g. discount rates
- We advise audit team on importance of certain assumptions, e.g. attrition
- We apply professional scepticism and push back using professional judgment

Audit team's role:

- Audit team is responsible for auditing underlying assumptions
- Audit team is responsible for materiality considerations
- Audit Partner makes final decision on significant issues

OUR COMPLETION MEMO CLEARLY ARTICULATE WHAT WE DID AND DID NOT DO, AND THOSE ISSUES ON WHICH WE DID NOT CONCLUDE.

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