

# Pre-Audit Red Book Checklist



# WANT TO GET READY FOR AN AUDIT OF YOUR GLOBAL REDBOOK VALUATION FILES?

## ASK YOURSELF THESE 7 QUESTIONS

Our Auditor outlines the most common areas of non-compliance and how to avoid them.

To help you prepare for any audit of Valuation files, we have prepared this simple checklist

### 1. Undertaking a Red Book Valuation



If you or your firm is regulated by RICS, then you and your firm cannot have valuers undertaking valuations to standards other than Red Book. Where non-RV personnel contribute to valuations or undertake valuations they must be supervised by a RV who signs off on and takes responsibility for the valuation.

RICS Red Book is a Global standard. In PS 1.2 of the Red Book it states that *“The firm and all RICS members within the firm must ensure that all processes and valuations are fully compliant with the mandatory requirements in these global standards. This includes valuations that are not the responsibility of an RICS member.”*



### 2. Have you carried out conflict of interest/previous involvement checks?



Our audits have found that in some limited cases, the firm/member fails to carry out a formal conflict of interest/previous involvement check. In deciding to undertake a valuation, valuers must undertake conflict of interest /previous involvement checks against the firm’s property and client databases and in respect of both the firm and the valuer. The extent of those checks and the results of the checks must be recorded in a file note and a statement made in the terms of engagement and in the report.



### 3. Have you a signed Terms of Engagement before services are provided?



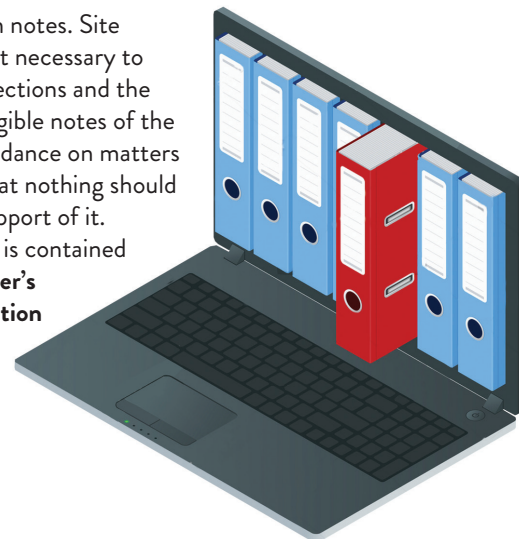
It’s extremely important that firms and members have a signed Terms of Engagement (TOE) in place before providing valuation services. Every valuation undertaken is a Red Book valuation unless excluded under VPS 1.5.4 of the Red Book. In each case the valuer must issue compliant terms of engagement fully compliant with VPS 1.3 which lists eighteen items of minimum content. A copy of the TOE signed by the client must be kept on file. Where the firm/member is undertaking a valuation for a bank with which there is a Service Level Agreement, there may be no need to issue individual TOE’s. SCSi has a *sample document* for drafting compliant TOE documents available as free download on [www.scsi.ie/Regulation/valuerregistration/home](http://www.scsi.ie/Regulation/valuerregistration/home)



## 4. Are your inspections and investigation notes recorded and stored?



All valuation files should include adequate inspection and investigation notes. Site inspections and investigations must always be carried out to the extent necessary to produce a valuation. VPGA 8 of Red Book contains guidance on inspections and the matters affecting value to which a valuer should have regard. Clear, legible notes of the inspection should be recorded in the file notes. VPGA 8 also gives guidance on matters about which assumptions may be made. There is a general principle that nothing should appear on a valuation report that does not have a note in the file in support of it. Guidance for site inspection notes for residential mortgage valuations is contained in IRLVS 3.1. **Often, bank valuation forms are very brief and the valuer's responsibility to gather the information necessary to produce a valuation will extend beyond the bare information needed to complete the report form.**



## 5. Are your Comparables detailed enough?



While files will often contain comparable information, there is little or no analysis of the comparable information and no exercise in providing a linkage and rationale between the comparables and the valuation figure reported.

## 6. Are your Reports clear and detailed?



The standard of reports varies from the brief one page document devoid of minimum content to well written and structured reports that comply fully with the requirements of VPS 3 – Valuation Reports. Again, every valuation is a Red Book valuation and valuation reports must be clear and unambiguous, deal with all matters in the terms of engagement and include the minimum content of VPS 3.2, of which there are sixteen items. Please refer to the SCSl sample Reports for guidance on minimum content for valuation reports.

It is good practice to attach a copy of the terms of engagement as an appendix to the report.



## 7. Rules of Conduct – Some helpful points



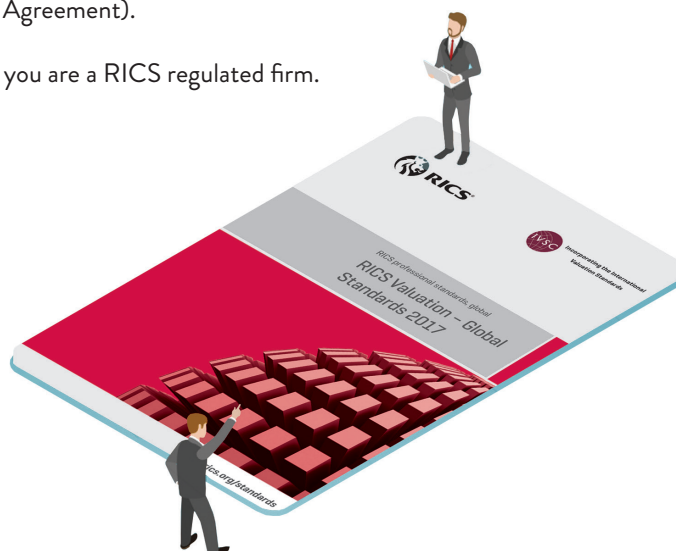
A. Have you remembered to have your complaints handling procedure in place? SCSl is happy to help if you have any questions.



B. If you operate as a sole principal you are required to have arrangements in place for a possible event of incapacity or death of a sole practitioner (Locum Agreement).



C. Place 'Regulated by RICS' on firm's letterhead if you are a RICS regulated firm.



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