



Valuation Quality Assurance (QA) Program 2018 Summary

Valuation Services, Property NSW
1 July 2018 Land Values

Document Date: 27 June 2019

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1.0 Why we have a QA program

The Valuer General (VG) delegates the overall management of the valuation system to Valuation Services (VS), a division of Property NSW. Rating and Taxing (R&T) contractors provide valuations to VS and are responsible for the management and quality of the valuations they provide. VS is accountable to the VG for ensuring the land values provided are of high standard.

VS implemented a Quality Assurance (QA) program focused on ensuring the accuracy of land values as received from R&T contract valuers for 1 July 2018. Five key objectives were set to drive the focus and direction of the program. They were:

- 1 Ensuring that land values are accurate, consistent and evidence-based
- 2 The Register of Land Values is current, accurate and complete
- 3 Ensuring that applicable legislation and policies are complied with
- 4 Ensuring that QA processes are risk-based and demonstrated to be efficient and effective
- 5 Ensuring that documentation supporting land values is accurate, complete and fit for publication

Formal QA reviews are undertaken in each Local Government Area (LGA) before land values are accepted by the Valuer General (VG) and entered onto the register of land values.

A recommendation from an external review aimed at redesigning VS' QA processes included the restructure of staff to operate within project groups. This sought to improve the timeliness and consistency of QA activities while reducing competing priorities.

VS implemented a project group structure focusing staff skill sets and resources within designated functions including QA, policy review and advice, contractor performance monitoring and objections.

Targets for the number of properties to have their land values individually verified by contractors were exceeded. Land values meeting the programs standards and targets, coupled with the low number of non compliance issues registered against contractors indicated a overall high degree of confidence in the 1 July 2018 land values.

In summary, **land values were found to be of high quality in respect to compliance with internationally recognised statistical standards.**

2.0 What we did

Land values were determined for over 2.58 million properties across NSW. Land values were based on the analysis of over 46,000 property sales. Land values were initially QA'd by contract valuers prior to delivery to VS. The values and supporting market evidence were then QA'd by VS in accordance with QA program activities.

QA activities focused on higher risk areas and aimed to be performed earlier in the year to enable issues to be rectified in a timely manner. The QA activities completed were:

QA activities completed	Description of activity
<ul style="list-style-type: none"> 43 methodology reviews 	Comprehensive review of R&T contractors methods and processes in making valuations.
<ul style="list-style-type: none"> 44 compliance audits 	An audit against a contractor on an identified risk in their area.
<ul style="list-style-type: none"> 3 x complex land valuation improvement projects (<i>airports, water infrastructure sites and telecommunication sites</i>) 	Reviews into how complex lands are being valued which then inform any changes in Policy
<ul style="list-style-type: none"> An external added value of improvement (AVOI) consistency project (specific to sales analysis) 	A review of contractor's AVOI data for similar property types to determine consistency and identify anomalies.
<ul style="list-style-type: none"> QA on all contractor deliverables to determine suitability for publication. 	Contractors deliver various reporting documents throughout the program to VS.

The table below details the quality improvement initiatives undertaken during the program.

Quality Improvement Initiative	Description
QA risk register	Based on analysis, properties whose land value are at risk of large changes are added to a risk register, which then prioritises QA activities.
Contractor scorecard development	The scorecard measures and ranks the performance of contractors against contractual requirements. It aims to increase the overall quality of valuations and is set for trial in 2019.
QRP as a statistical standard review	A review on the quartile range percentile (QRP) was completed to better understand its role and usefulness as a statistical standard. The QRP measures the variation in values within a component. The review found it to be useful in determining the homogeneity of values within a component. It was recommended that it remain as a statistical standard.
Added Value of Improvement data	In order to make it easier to identify valuation trends and anomalies for stakeholders and customers, VS implemented the requirement for contractors to upload added value of improvement (AVOI) data within their market data files.
File specifications	So as to ensure appropriate data for individual properties is supplied consistently by all contractors in NSW, new file specifications have been developed and tested for rollout in 2019.

3.0 What we found and what next

What we found in 2018	What next for 2019
<ul style="list-style-type: none"> In undertaking a holistic review of market data toward the end of the year a number of inconsistencies in some sales adjustments were identified. 	<ol style="list-style-type: none"> Incorporate scrutiny over sales analysis and adjustments to 1 July progressively and prior to annual values delivery. Incorporate investigative reviews on contractors data deliverables into the program at both state wide level and local levels.
<ul style="list-style-type: none"> Methodology reviews were conducted on 43 LGAs considered to be higher risk. 38 were conducted internally by VS and 5 were conducted externally. Improvement opportunities were identified following a comparison of the internal and external reviews. 81 issues were raised and addressed following the methodology reviews. The issues related to contractors paired sales analysis, AVOI tables, general sales analysis, component group structures and valuation worksheets. 	<ol style="list-style-type: none"> Develop a best practice methodology review template. Future methodology reviews should focus on the accuracy of land values in areas subject to significant or unexpected market change. Investigate implementing a data check that highlights when smaller groups of properties within a component have value changes different from the value changes reflected by the individually valued benchmark properties. Introduce best practice that those small groups of properties (known as sub groups) be represented by the valuation of an additional benchmark property.
<ul style="list-style-type: none"> From a total of 44 compliance audits undertaken, 22 issues were created and addressed with contractors. The issues related to contractors component group structures, contractors benchmark component reports, sales analysis, paired sales analysis and valuation worksheets. 	<ol style="list-style-type: none"> Review contractors benchmark component group reports as a QA activity with the aim to ensure that they are easily readable and suitable for publication.
<ul style="list-style-type: none"> 369 monthly contractor progress reports, for each of the 41 contract areas, were reviewed. Overall, the reports covered the required material and provided a beneficial insight into the contractors work in their contract area. Some reports varied in quality between contractors and this was addressed with the contractors concerned. 	<ol style="list-style-type: none"> Develop a best practice monthly progress report for R&T contractors.