

The Verification and Monitoring of the Quality of the Evaluation Activity of Goods

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According to the art 5. Alig.1 letter d) and f) from O.G. 24/2011, approved by Law 99/20133 with subsequent modifications, the National Association of Authorized Evaluators in Romania “monitors the application, in the evaluation activity of the authorized evaluators of the evaluation standards adopted by it and it monitors the meeting of the professional rules and principles governing the activity of the authorized evaluators.”

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JEL Classification: G32; G33; C39

1. Introduction

Monitoring activity has a prevention feature, as its aim is to ensure a high degree of the evaluation services and it includes the implemented policies and procedures of the authorized evaluators, in order to meet the requirements of the ANEVAR evaluation standards, of the basic ethic principles of the profession. This activity runs according to the Regulation of the Verification and Monitoring Committee and according to the organizing procedure of the verification and monitoring of the quality of the evaluation activity. To do that, on a yearly basis, all the main active members, as well as the corporate members, of the association board are mandated to provide information regarding the evaluation activity in the previous year.

2. The object of the monitoring activity

The verification of the evaluation activity run by authorized evaluators, members of ANEVAR, is made on: (a) policies and procedures implemented by authorized evaluators to ensure the meeting of the regulations and professional principles that governs the activity of the authorized evaluators stipulated in the Ethic Guide of the authorized evaluator profession, approved by the Decision of the national Conference no. 1/2012 (still named “The ethical code of the profession”); (b) policies and procedures applied by authorized evaluators in order to ensure the meeting of the requirements of the mandatory evaluation Standards for the running of the evaluation activity, approved by the Decision of the National Conference (still called “Evaluation Standards”).

3. Principles

The activity of the Commission runs by meeting the following principles: a) transparency, according to which the verification and monitoring process of the quality of the services provided by authorized evaluators is made based on regulations and procedures approved by the Governing Board and given to the ANEVAR members; b) privacy, according to which the members of the Commission and the DVM are mandated not to provide confidential information they have access to within the verification and monitoring process of the activity run by the members of the Association; c) prevention, according to which the activity of the Commission and of the DVM is to prevent the use, by the members of the Association, of practices that are not allowed by the ethical Code of the profession and the Evaluation Standards; d) uniformity and equality, according to which a verification cycle will include all authorized evaluators and is to create balanced and continuous verification practices so that to an authorized

evaluator won't be verified, given the meeting of the requirements imposed by quality, more frequent than other authorized evaluators.

4. The stages of the verification and monitoring process

The verification and monitoring procedure designed to ensure the quality of the evaluation activity supposes the passing through the following stages: a) the reporting of the annual activity by authorized evaluators, active members of the Association, allowed to activate; b) the planning of the inspection activity; c) the running of the inspection and the verification of the quality of the evaluation activity by the DVM, finalized through the inspection note; d) the analysis, of the Commission, of the inspection notes issued by the DVM and the verification book reports; e) the approval, by the Board of directors of the rating given to the verified authorized evaluator, as well as of the corrective measures and the recommendation proposed by the Commission; f) the monitoring, by the Commission, of the implementation, by the authorized evaluator of the measures disposed by the Board of Directors.

5. The inapplicability of the privacy principle reported to the verification inspector

Authorized evaluator who make the subject of the verification of the quality of the evaluation activity cannot summon the privacy of the owned information regarding the client and the run activities run in the name of the designed inspector within the quarterly inspection program.

Under the present Regulation, authorized evaluators included in the inspection program are professionally mandated to provide the inspector with any information considered private reported to third parties, in order to carry out an effective control of the evaluation activity quality by the professional organism invested with specific authority regarding this scope.

Particularly, at the request of the inspectors' team, authorized evaluators that are part of the inspection program are mandated to: a) provide all justifying documents and provide all needed explanations for the verification of the data accuracy in the annual activity report, as well as from the working folders selected for the inspection; b) to ensure the inspectors' access which run the verification regarding the insurance of the quality for the contracts/orders of evaluation services, so that one can identify the field of the evaluation mission, in the case of the working folders and the documentation they manage or keep, which come under the field of verification and are used in order to document the probes that support the conclusions of the inspection; c) taking note of the observations of the inspections in order to ensure the quality, by signing the inspection notes and to provide a written communication to the Commission, on agreed terms, about the implementation method of the corrective measures disposed as a result of the inspection.

The refuse of an authorized evaluator to allow the inspectors' access to the working documentation of the missions, in order to verify the quality of the evaluation activity according to the inspection program represents an official misconduct.

6. Inspection note

The observations of the inspection team designed to run the verification of the evaluation activity quality are taken within the inspection note. It is issued by the investors' team and is signed both by the designed inspectors and the inspected authorized evaluator.

The inspection note is issued duplicated, one is registered and is kept by the verified authorized evaluator, and the other one is kept by inspectors, who are mandated to register it at the general registry of the Association.

The inspection note mainly includes mentions regarding the noncompliance issues reported to the Evaluation Standards and the provisions of the Ethical Code of the profession observed subsequently to the inspection, as well as the reasons at the basis of the inspectors' observations.

6. The verification rating

Under the observations of the DVM, presented within the inspection note, the CVM determines a percentage between 0% and 100% gained through the reporting of the points earned by the

verified authorized evaluator to the total points corresponding to the verified objectives, given the conditions stipulated through the present procedure, considering the eventual objections and observations presented to the verified authorized evaluator in the inspection note;

The gained rating of the verified authorized evaluator is determined depending on the agreed percentage, according to the criteria stipulated in align. (1), as follows:

- If the agreed percentage is between 86-100%, the evaluator gains **Rating A**;
- If the agreed percentage is between 71-85%, the evaluator gains **Rating B**;
- If the agreed percentage is between 51-70% , the evaluator gains **Rating C**;
- if the agreed percentage is between 0-51%, the evaluator gains **Rating D**.

7. The future of the evaluator profession

One needs to promote both some adequate evaluation standards and the organization of advanced specialization courses for the actualization of the technical knowledge of the evaluators. In the recent evolution of the demand for such services we observe that alongside the demands coming from various investors for an independent and professional opinion regarding the value of a potential acquisition, the conformation requirements to a series of changing regulations lead to the growth of the demand for more and more complex evaluations.

In the case of financial reporting, for the taxation of proprieties or various transactions, during the insolvency processes or within the settlement of various misunderstandings, a series of specific regulations has been developed, with a fundamental role of the evaluation within the decision-making process, so that a competent, independent opinion, avoiding any conflict of interests is absolutely necessary. It is clear that the evaluator profession must adapt itself to these continuously changing demands, as the role of ANEVAR is to provide the necessary framework needed for the evaluators' training so that they could meet the new requirements of the market.

Given the expectancy that the market would need more and more qualitative evaluation services, the evaluator profession must have a more and more significant role in the society.

Financial reporting creates certain opportunities for evaluators, opportunities we must be ready to access in the future and I believe that ANEVAR has all the advantages to provide the needed support.

We must not forget that financial reporting is the subject of the auditing process and this is why the conclusions of the evaluation must be clearly presented in the evaluation reports, according to the detailed report requirements within the evaluation standards.

More and more financial reporting standards imply, directly or indirectly, the need of using the evaluation services, talking either about the presentation of certain assets or liabilities in the company's balance sheet at their “just value” either one demands the verification of the owner's equity of generating future benefits that would support the accounting value in the financial reports (the depreciation test).

Lately, financial reporting standards have come into power, allowing, for example, the financial investments company to present their investments in major shares packs at their just value in the balance sheet instead of the consolidated reporting or which ask the banks for estimations.

Future losses for certain given loans with a high risk degree – losses estimated based on the updated cash flows – and to report them in their financial statements. All these changes aim at increasing the trust of the financial statements' users in the activity run by the respective company and implies evaluation techniques that are specific to the evaluator profession.

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Conclusions

The evaluator profession will play a significant role in the future, as the increase of the public's trust in this profession would be essential for the solving of some complex challenges.

Authorized evaluators, members of ANEVAR must be always the first option for the users of the evaluation services, irrespective of the fact that the evaluation regards the conformation to a regulation requirement or if it is necessary to a transaction between private parties. This can be only realized through professional competence and by respecting all the requirements of the professional code of conduct.

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