

Lessons from Recent Complaints

What recent complaints tell us, and how to avoid the same issues

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Introduction

The Australian Property Institute (API) receives complaints each year relating to the conduct of Members. While each complaint and any related investigation remains confidential, a number of recurring themes have been identified, and most of the issues raised are avoidable.

Key lessons from recent complaints are set out below. Each section explains what was identified through the complaints process and what Members can do to avoid a similar outcome. None of these issues are new; they reflect professional obligations that apply to every Member.

All valuations must be completed in accordance with the API Rules of Professional Conduct (Rules). It is the responsibility of each Member to review the Rules regularly and to remain up to date with them.

1. Confirming and Following Instructions

Issues Identified

A number of complaints have arisen from misalignment between client instructions and the delivered report. Instructions were too brief, unclear or not documented, or were varied during the engagement without being confirmed in writing. In some matters, the purpose of the valuation was misunderstood and the report was not prepared in accordance with the agreed scope.

Lessons Learnt

- Confirm all instructions, and any variation to them, in writing and retain a record on file;
- ensure you and the client have a shared understanding of the purpose, scope, assumptions, limitations and reporting requirements before work commences; and
- prepare the report in accordance with what was agreed.

Where the agreed instructions cannot be met, raise this with the client before proceeding.

2. Client Communication and Report Delivery

Issues Identified

Clients complained where no progress updates were provided, or where delivery of the report was delayed without reasonable justification or advance notice. In several matters, a lack of communication turned a minor concern into a formal complaint.

Lessons Learnt

- Agree a realistic timeframe for delivery of the report, and make every effort to meet it;
- inform the client promptly where a delay is likely or unavoidable, and provide a revised delivery date; and
- communicate clearly, openly and honestly throughout the engagement.

Many disputes begin with a misunderstanding that early communication could have resolved.



3. Insufficient Inspection and Disclosing Any Limitations

Issues Identified

Some valuation reports did not include a clear description of the form and extent of the inspection and any limitations on the *Valuer's* inspection. Other reports based on a limited inspection or a desktop assessment omitted the disclosures required to explain the basis of the valuation and its limitations to the client and other intended users.

Lessons Learnt

Valuers must ensure that valuation reports contain accurate details and adequate evidence of their inspection of the subject property, together with the date of inspection and the date of valuation. Time and date stamped photographs provide a reliable record of the inspection undertaken and assist in evidencing the Valuer's compliance with professional obligations.

Where the agreed instructions specifically requested a less than comprehensive physical inspection to be undertaken by the Valuer, the valuation report must clearly disclose, in addition to normal disclosures, the form and extent of the Valuer's inspection, and any limitations arising from the instructions and the limited or restricted inspection:

- the form and extent of the inspection [a limited (or partial) on-site or limited off-site inspection (kerbside)], and any limitations arising from the instructions;
- that a less than comprehensive inspection of the asset was undertaken by the Primary Valuer, in accordance with the written instructions; and
- the effect this may have on the opinion of value contained in the valuation report.

Where the agreed instructions request the Valuer to conduct a desktop process, the report must, in addition to normal disclosures, state:

- that the asset was not physically inspected by the Valuer;
- any requirements, qualifications or limitations arising from the instructions; and
- the effect that no inspection may have on the qualified opinion contained in the desktop report.

4. Ensuring Report Wording Reflects the Work Undertaken

Issues Identified

Some reports contained wording that did not reflect the professional service provided or the type and agreed purpose of the report. For example, desktop reports referred to a physical inspection, and reports on inspected properties included wording indicating that no inspection had taken place.

Lessons Learnt

- Before signing and issuing a report, thoroughly review the wording to ensure it accurately reflects the work undertaken, the agreed instructions and the purpose of the report, and remove any statements that are incorrect and/or do not apply.
- conflicting and incorrect statements may mislead the client and other intended users of the report.

5. Correct Use of the PropertyPRO Template

Issues Identified

Complaints identified the PropertyPRO template being used for purposes other than first mortgage security valuations of in-scope residential properties.

Lessons Learnt

- Use the PropertyPRO template only for in-scope residential property types, and only for first mortgage security purposes; and
- where you receive an instruction to use PropertyPRO for any other purpose, decline the instruction and refer it back to the instructing party.

Using the PropertyPRO report template outside its intended purpose is a breach of a Member's professional obligations and may result in a finding of professional misconduct.

6. Responsibility for Report Content and Acknowledging Sources

Issues Identified

Text, photographs, images, plans, data or analysis obtained from third parties were included in reports without acknowledgement of the source.

Lessons Learnt

A Valuer is responsible for all information contained within a report, including material obtained from others. Where third party material is used, the source must be appropriately disclosed and acknowledged.

Using third party material without acknowledgement may constitute plagiarism and may result in a finding of professional misconduct.

7. Independence and Conflicts of Interest

Issues Identified

Actual or perceived conflicts of interest remain a leading source of complaints. Issues arise where prior involvement, relationships, or other factors that may influence independence are not disclosed.

Lessons Learnt

- Take reasonable steps to identify any circumstance that could be seen as an actual, perceived or potential conflict of interest before accepting an instruction;
- where a conflict exists, advise all affected parties in writing before commencing work; and
- proceed only where the conflict can be appropriately managed and the client has acknowledged it in writing. Where it cannot be managed, decline the instruction.

Independence is vital to the Valuer's role and must be maintained, both in fact and in perception. Transparency is critical to maintaining professional integrity.

8. Raising Concerns About Another Member

Issues Identified

Some matters involved words, actions or conduct that injured, or had the potential to injure, directly or indirectly, the reputation of the API or other API Members.

Lessons Learnt

Members with a genuine concern about another Member's conduct should raise it with the API through the complaints process, rather than publicly. Any complaint should be made in good faith, be properly founded and be consistent with your professional obligations.

Before You Issue a Valuation Report, Check:

- Are the instructions, and any variations, confirmed in writing?
 - Does the report reflect the agreed purpose, scope, assumptions and limitations?
 - Has the client been kept informed about progress and timing?
 - Does the report accurately describe the inspection undertaken, including the inspection and valuation dates?
 - Have any limitations on the inspection, and their effect on the valuation, been disclosed?
 - Has all template wording that does not apply been removed?
 - Is the report format correct for the purpose?
 - Has every source of third party material been acknowledged?
 - Have any conflicts of interest been identified, disclosed and appropriately managed?
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These insights reflect common areas of professional risk identified through the complaints process under the *API Professional Conduct Policy*. Members are encouraged to incorporate these lessons into their professional practice to enhance the quality, transparency and defensibility of their valuation work.

Questions about any of these matters are welcome at standards@api.org.au.