APV

Technical Paper

Quality Review Checklists

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About APV

APV provides specialist valuation, asset management and asset accounting services for a wide range of organisations and sectors. While based in Australia, we enjoy close partnerships with our clients across the globe, including hundreds of local, state and national governments, their agencies, universities, manufacturing and transportation businesses and not-for-profit organisations.

Our services include:

- Financial reporting valuations delivered in accordance with the IFRS, IPSAS, FASB or jurisdictional standards (such as AASB / XRB) covering land, buildings, transport infrastructure, water and waste water infrastructure, energy infrastructure, plant and equipment, etc.
- Insurance valuations for public sector, not-for-profit sector and commercial assets.
- Asset accounting advice with respect to valuation and depreciation methodologies and compliance reviews
- Asset management advise and training with respect to asset management frameworks, plans and systems
- Customised training and professional development with a focus on asset accounting and asset management.

As leaders in our field, we are proud of our unblemished record of audit approval. APV is comprised of a mix of valuers, engineers, quantity surveyors, accountants and IT specialists. We tailor our services to meet client needs, helping them get the most from their assets and plan effectively for the future.

And while valuation and depreciation can be complex, we keep it simple. We’re constantly evolving to offer customers more flexibility and control. We use leading methodologies and custom-built valuation tools that are compliant, comprehensive, logical and truly relevant.

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Introduction

This guide includes two checklists which will assist in –

- assessing the appropriateness and compliance of the valuation methodology and
- ensuring the audit process runs smoothly with minimal issues.

Assessing the compliance and appropriateness of the valuation methodology is a critical part of the initial planning and procurement process. The methodology is the foundation of the valuation and if a poorly design methodology is used, it will only result in major problems later which cannot be easily remedied.

The valuation and depreciation of assets under the accounting standards is a complex process and requires strong technical knowledge and understanding of the accounting standards as well as a fully compliant methodology. This includes compliance with over a dozen accounting standards.

Our experience also indicates that for many entities, the major frustration relating to the valuation process relates to the external audit process. The attached guidance will greatly assist in making that part of the process smoother, quicker and easier.

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Methodology Checklist

Introduction

This methodology checklist has been developed to assist entities undertake a Quality Assurance Review of their Valuation and Depreciation figures prior to the External Audit Review.

Instances of non-compliance should be reviewed in light of the overall materiality and either amended or reasons for the non-compliance documented and provided to the auditor.

The checklist is not exhaustive but covers most common issues and requirements of the relevant prescribed requirements.

Current value Considerations

Consideration	Ref	Compliance?
Asset Register Has the Asset Register been established and maintained appropriately so that all assets are recorded at an appropriate level (ie. Segments, components, parts) and can be identified (location, description, etc)?		
'Current value' or 'Current Operational value' Methodology		
Does the methodology take into account the various factors that drive the determination of value? E.g. Does it take into account general obsolescence, condition, location and restrictions or is a non-compliant Depreciated Replacement Cost approach based on depreciation concepts?	1	
Have the assets been split into parts (short-life and long-life parts) to enable proper valuation and depreciation? If a threshold has been set – is the threshold appropriate?	2	
Has a separate value and depreciation expense been determined for each part? If not – has the decision not to do so been tested to ensure that it has not produced material misstatement?	2	
Has 'sufficient and appropriate evidence' been produced to support the critical assumptions? Consider evidence to support the Replacement cost, Condition, Valuation Profile, obsolescence assumptions, etc.	3	
Is the result of the valuation consistent with the Asset Management system? Compare the WDV as a percentage of Gross Value with condition data provided by the engineers.	4	
Date of last effective valuation Consider the length of time since last revaluation and whether it is likely that the current value has moved materially since that time. Ie. Does the WDV reflect a 'true and current' view of the current value of the assets? Have the underlying assumptions been assessed at the end of the year and considered in light of the valuation?	5	
Assessing Independent Experts Did the person giving the valuation possess the appropriate qualifications, experience and independence? Was the scope of the valuation exercise limited in some way? Did they fully understand the requirements of the Accounting Standards?	6	

Appropriateness of Valuation Indices If indices were used to do the valuation – • Were the indices appropriate and relevant for the specific assets being re-valued • Are the indices reasonable based on market movements and prior year indices • Were they applied correctly to the asset class • If not applied by an external valuer, the financial statements clearly indicate the valuation has been provided by management and not the valuer. • Did the revaluation also include assessment of additions, deletions and changes in condition?	7	

Depreciation expense Considerations

Consideration	Ref	Compliance?
Review the Depreciation Methodology Policy		
How has 'depreciation expense' been calculated? Does the methodology take into account the various factors that drive the consumption of the asset's service potential in determining the part of the assets' Useful life? Does the method used ensure compliance with the accounting standards and other prescribed requirements?	1	
Does the method attempt to 'match the pattern of consumption' of the asset's service potential? Is the pattern adopted consistent with the agency's 's understanding of how the asset is consumed? If not – which is correct? Note: unless there is evidence to suggest otherwise it is appropriate to adopt straight-line pattern for depreciation expense calculations.	1	
Has depreciation been calculated for each part (short-life and long-life) that exhibits a different Useful Life? Note that if the calculation has been done at 'component level' only this requirement has not been satisfied	2	

Reference Notes

1 When using the cost approach, you must first determine the Replacement Cost and then adjust it for 'obsolescence'. The standards also clarify that the adjustment for obsolescence is not related in any way to depreciation expense concepts such as useful life.

Failure of the methodology to take into account the various factors, or use of an algorithm based on depreciation expense concepts, will result in non-compliance with the accounting standards.

2 The standards require that '*each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately*'. This issue was also covered by the AASB May 2015 Residual Value decision.

IAS8 Example 3 also clarifies that if applying straight-line depreciation expense it must be calculated as the (Carrying Amount - Residual Value) / RUL. This means that the valuation needs to provide current tvalues for both the short-life and long-life parts of each component.

Due consideration also needs to be given to materiality. In order to ensure the valuation process is cost effective it is normal practice to adopt 'thresholds' to ensure that cost is not wasted on collecting data or undertaking calculations that do not warrant the additional cost. Depending upon the size of the asset portfolio the level of threshold for asset recognition may vary.

3 There are a number of Auditing Standards that have a direct impact in relation to infrastructure assets. These relate to –

- Audit Evidence
- Audit of Accounting Estimates
- Management Representations
- Using the Work of an Expert
- Auditing Current value measurements & Disclosures

In essence, and in relation to infrastructure assets, they mandate the auditor -

- obtain sufficient and appropriate evidence over the completeness and accuracy of the asset register
- assess the appropriateness and logic of the valuation and depreciation methodologies
- ensure that the methodologies fully comply with the Accounting Standards. In particular the Measurement and Property Plant and Equipment standards
- assess the competence, experience and objectivity of any experts used within the valuation and depreciation exercise
- obtain representations from management over a range of issues
- obtain sufficient and appropriate evidence to support the critical assumptions used within the methodology.

If the valuer is unable to supply sufficient and appropriate evidence to support the critical assumptions used within the methodology it is likely to be because –

- the assumptions are incorrect
- the method does not comply with the prescribed requirements
- it does not take into account the cyclical maintenance and renewal lifecycle of the asset
- there is no evidence to support the assumptions

4 Not only does the auditor have to take into account what they are told, they must also draw upon their knowledge gained from other sources and consider whether the information supplied is consistent with the information supplied by other sections within the same entity.

Of critical importance is the need to consider the financial statement information in light of the Asset Management information. For example the auditor could compare the WDV expressed as a percentage of Gross Value against condition data provided by the engineers. These should be consistent. If the engineers (via their Asset Management Plans) indicate the condition of the asset portfolio is good the accounting figures should also reflect the same. If they don't this most likely indicates that the valuation methodology does not accurately reflect the level of remaining service potential and therefore materially misstates the WDV and associated Depreciation expense.

5 The Property Plant and Equipment standards requires that '*revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using current value at the reporting date*.' In particular - '*Some items of property, plant and equipment experience significant and volatile changes in current value, thus necessitating annual revaluation*.'

In relation to a period of 3 to 5 years it further states that this would only apply to items where there is insignificant change in value. '*Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in current value. Instead, it may be necessary to revalue the item only every three or five years*.'

Consider –

- whether it is likely that the current value has moved by more than 5% since last date of valuation.
- The length of time since last comprehensive revaluation. Three years is generally considered the maximum.
- Whether appropriate indices or desktop updates have been applied in the interim years.

6 Just because you're an accountant does not mean you have the experience, expertise and specialist knowledge to do specialised tax or insolvency work. The same applies for experts being used to value specialised public sector assets.

Sometimes the decision of which valuer to appoint is made on price alone without due consideration given to the ability of the valuer to provide an output that fully complies with all prescribed requirements. Consider –

- The valuers experience in valuing specialised public sector assets (years, number of clients, qualifications)

- Their reputation and past performance (number of qualifications, client feedback)
- The approach and methodology
- Their understanding of the applicable accounting standards.

7 Sometimes entities take it upon themselves to apply an index to a previous valuation. While there is nothing necessarily wrong with this practice it is imperative that the index used is appropriate for the specific asset.

The incorrect application of these indices could lead to material misstatement. The use of one generic index across all asset classes or an entire asset class is also likely to lead to material misstatement.

Audit Checklist

How do you ensure you are prepared for your auditors?

Auditors are concerned with more than just calculations as under the Auditing Standards they need to gain assurance with respect to a number of audit representations. This includes gaining sufficient and appropriate audit evidence enabling them to certify that they have obtained the necessary comfort.

While not exhaustive, the following list provides an over-view of some key aspects that need to be covered to ensure the safe passage of audit. It should be used as a checklist in preparation for the annual audit.

The processes are split into those that should be done before or during the valuation and those which should be completed after the valuation. Greater details of each process are included on the pages following the checklist.

AUDIT CHECKLIST

Before and during the valuation	Done?
Plan but don’t over-design	
Get the valuation procurement process right	
Engage Audit in the Process sooner than later	
Create Clear Lines for Communication	
Once the draft Valuation Methodology is developed invite audit to provide feedback.	
Involve audit in discussions regarding use of sampling and appropriateness of sample sizes.	
Review the Asset Register to ensure it is complete and accurate.	
Review the Asset Register to ensure dimension and valuation critical data is accurate.	
Invite Audit to attend some Inspections	

After the valuation	Done?
Document and Confirm Key aspects of the Non-Current Assets Policy.	
Document in detail the final Valuation and Depreciation methodology	
Document the process used to undertake the valuation including how the evidence was captured.	
Annual Review of Unit Rates and Replacement cost.	
Annual Review of factors and assumptions critical to the calculation of the Current value and Depreciation	
Document the process and results of an internal review by management	
Undertake some high level analytics and compare to previous years’ results.	
Complete a ‘Movement Reconciliation’ supported by appropriate details for each movement.	

Before and during the valuation

We find that many mistakes are made prior the valuation even being started. Any underlying problems with the methodology or even the capability of those responsible for delivering the valuation will impact the whole of the project.

To ensure these problems do not occur action needs to be taken prior to the conduct of inspections. This includes such things as cleaning and validating the asset register as much as possible.

Prior to and during the valuation the following processes should be undertaken and assessed for performance.

Before and during the valuation	Comment	Done?
Plan but don't over-design A good plan is essential to a good outcome but planning to the finest detail or over-designing may lead to critical and/or costly mistakes. Valuation by nature is a specialised profession requiring specialist knowledge of the assets, accounting standards, valuation standards and appropriate experience. Sometimes people without the necessary skills or experience develop overly complex, inefficient and often non-compliant approaches based on their understanding of what is required.	If you are going to engage experts (whether internal or external) to do the work for you respect that they have greater knowledge in the area and allow them to advise on the best and most cost-effective way to undertake the project. Rather than tell the expert how to do their job it is better to first get their advice and then ask questions to ensure it meets your needs. A poorly designed or inefficient approach established at the beginning of the project will impact every stage of the project. If it is non-compliant or seriously flawed it will significantly increase the audit risk.	

<table>
<tr><th>Before and during the valuation</th><th>Comment</th><th>Done?</th></tr>
<tr><td>Get the valuation procurement process right

Make sure you understand what is important, the analysis is undertaken by those who know what to look for and you are going to get what you need. The aim is to procure ‘value for money’ which requires a comparison of value (quality & output received) against the cost to acquire it.

Sometimes procurement processes get in the way of making the best decisions. Sometimes this is because of –

• A weighting system is used which skews everything towards price at the expense of more important aspects.
• The analysis of the tender is undertaken by people who don’t really understand what is needed.
• The tender specification is focussed on doing something a particular (but substandard, non-compliant or inefficient) way rather than achieving the necessary outcome.
• The process is based on making life easy for the tender panel by reducing the number of tenders to analyse. This often is achieved setting a range of entity-wide mandatory factors that are irrelevant to the ability to deliver the project.</td><td>The impact of asset related balances (valuation and depreciation) on the financial statements are typically the ones that cause audit the most angst and concern. This is due to their high materiality, subjectivity and complexity. It therefore makes sense that appropriate effort is put into ensuring the procurement process delivers the firm best able to deliver value for money and full compliance.

Aspects such as the methodology, experience, past performance, guarantee of an unqualified audit report, ability to value add, quality management certification, ability to liaise with auditors and post-valuation service are more important than price alone.

Price will of course always be important but if the final product turns out to be sub-standard or non-compliant (but cheap) it will be a complete waste of money.

Due consideration also needs to be given as to the best strategy to achieve your goals. For example - while traditionally you may have engaged external consultants, there may be less risk and more value-for-money achieved by using specialised software or undertaking a collaborative approach with the experts.

Best practice procurement dictates that for these types of services a price/quality evaluation model should be utilised where price is excluded from weightings. Each tender should be assessed from a quality perspective using the same criteria, and then cost should be considered with objective reasoning being given if it is proposed to accept a tender which is more expensive than a tender that meets the minimum quality standards.</td><td></td></tr>
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Before and during the valuation	Comment	Done?
Engage Audit in the Process sooner than later This would include discussions on asset classes to be valued, general approach and methodology, software being used, components, use of external experts, audit process, what they are looking for in terms of 'sufficient and appropriate evidence' etc.	This provides audit with the opportunity to identify and discuss potential issues and their expectations. Inviting their involvement also creates a better working relationship and opens communication channels. If there any potential issues or audit's expectation of what is required is different from yours it is critical that these be identified at the start. This allows any issues to be addressed rather than becoming a stumbling block at the end of the audit process.	
Create Clear Lines for Communication This also includes communicating with external experts such as valuers. It is important that audit knows who to talk to and how to get hold of them. If you are using external experts, ensure they understand the role of audit and are happy to field audit queries (even six months after final delivery).	During the peak audit season auditors work under extreme pressure and timeframes. If they identify an issue or need information, it must be provided as quickly and as accurately as possible. The longer it takes to provide the necessary response or if the response leads to other concerns the longer it will take to finalise the audit and allow the financial statements to be signed off. Rather than try and answer all queries yourself (and potentially providing a misleading response) instruct the auditor to talk directly to the person who knows best how to answer the query. If work was performed by an external expert instruct the auditor to discuss the issues directly with the external expert.	
Once the draft Valuation Methodology is developed invite audit to provide feedback. This will include defining the valuation basis, method to calculate gross value, components, factors used to determine depreciation, condition scoring matrix, valuation profiles, etc.	While audit may not want to 'express an opinion' on the appropriateness of the methodology it does provide the opportunity to identify potential issues. Better to address the issues before too much work begins than have a major issue at financial statement time.	

Before and during the valuation	Comment	Done?
Involve audit in discussions regarding use of sampling and appropriateness of sample sizes. The determination of a suitable sample size may be done using professional judgement or in some cases may require extensive and complex mathematical formula. There are no hard and fast rules on how this must be done, and individual auditors may have different opinions on what constitutes and appropriate sample size based on the size and nature of the portfolio. Management needs to have an understanding of audit materiality and how this impacts on audit processes.	While there are no specific rules on determining the appropriate valuation sample size auditors are very familiar with the concept. In determining the valuation sampling approach due consideration needs to be given to materiality, stratification of the portfolio and risk of error. The inherent audit risk associated with a portfolio of a very large number of homogenous assets (such as roads, footpaths, drains and pipes) is very low and therefore a very small sample size may be appropriate but will need to vary depending on confidence over the accuracy of existing condition data. In contrast some asset portfolios (such as specialised buildings) tend to include few assets that could be deemed to be the same. As a result, the sample size may need to include 100% or all assets over a certain materiality threshold.	
Review the Asset Register to ensure it is complete and accurate. This will include removing any 'in-year capex' accounts from the register and updating the condition rating of assets affected by the capex. Ideally there should be documented evidence to show that this review was undertaken and to report the results. All assets scrapped or disposed during the year should also be removed from the asset register (at the time of disposal) with the resulting profit or loss reconciled to the income statement.	Asset Registers can very easily become in accurate or incomplete due to a range of reasons. Typically, new assets are acquired by the entity (either by purchase or contribution) and while they may be updated in the Asset Management System may not be updated in the Asset Register. Likewise, disposals may be updated in one but not all registers. If the starting point for the valuation is inaccurate the valuation and depreciation calculations will also be inaccurate. This review needs to be undertaken by in-house staff who have a more intimate knowledge of the portfolio than external consultants. It is important for asset management and finance staff to work together to review and proof the accuracy of all asset registers.	

Before and during the valuation	Comment	Done?
Review the Asset Register to ensure dimension and valuation critical data is accurate. This may include direct reconciliation to GIS or other systems and comparison of total area, length, etc with previous year's register. Ideally there should be documented evidence to show that this review was undertaken and to report the results.	As entities are improving their data, they often find they need to make changes to critical data such as lengths, widths, material type, etc. These changes can create big changes in valuations, so accuracy is important. While the data gathering may be done by either internal or external staff it is critical that the results be reviewed by internal staff and signed off as evidence of the review. It is important that the accounting treatment for adjustments to existing assets is appropriate.	
Invite Audit to attend some Inspections	While they may not necessarily want to attend inspections, it provides an opportunity for audit to see how the Valuation Methodology is translated in practice. In particular, how condition scoring and estimates of Remaining useful life, etc and assessed. This also provides an opportunity for audit to assess the competence and capability of the people undertaking the inspections.	

After the valuation

Once the valuation is completed there are a range of processes that should be completed. Essentially these relate to documenting what actually happened, how it was done, the assumptions used, outcomes achieved and a range of quality assurance processes.

This information will form the primary evidence used to undertake the auditors substantive testing procedures and should be provided to the auditor as an Audit Package.

After the valuation	Comment	Done?
Document and Confirm Key aspects of the Non-Current Assets Policy. These needs to include definitions, policies addressing the requirements of the Accounting Standards and other prescribed requirements and management's decisions with respect to how the valuation and depreciation was undertaken. The policy needs to be properly authorised and reviewed on a regular basis.	The Non-Current Assets Policy sets out a range of rules which dictate definitions, policies and specifically how the valuation and depreciation calculations are to be done. This includes such things as thresholds, valuation basis, depreciation method, management assumptions, etc. The auditor needs to understand these boundaries ensuring they comply with the prescribed requirements and the calculations have been completed in accordance with the policies.	

After the valuation	Comment	Done?
Document in detail the final Valuation and Depreciation methodology used to produce the valuation and depreciation calculations adopted in the financial statements. This sets out how the methodology used addressed the various aspects of the Accounting Standards. It details the Asset Hierarchy and needs to demonstrate the accounting concepts, the calculations, key assumptions and how the raw data was used to determine the level of remaining service potential and the expected rate of consumption of that service potential. The methodology also needs to set out the key assumptions that were used and the appropriateness of using those assumptions. It needs to tie back to the Current Replacement Cost or Current Operational Value requirements and not be based on depreciation.	This is the most important piece of audit evidence that the auditor needs to gather. It provides the auditor with the complete picture of how the valuation and depreciation calculations were completed. It also provides key evidence that enables the auditor to gain assurance of a number of critical audit assertions and to judge compliance of the methodology against the prescribed requirements and methodologies used by other entities. Without a clearly documented methodology the audit will need to ask an inordinate number of questions to gain the necessary knowledge. This in turn will only result in increased audit time, cost and no doubt confusion or uncertainty. With a comprehensive, well documented and fully compliant methodology the auditor instantly gains a higher level of confidence in the approach and as various audit assertions can be easily satisfied, typically results in a lower audit risk assessment and should aid in a quicker and easier audit process. The auditor will of course still need to test the principles and assumptions in the methodology, so the methodology needs to accurately reflect the actual assumptions, processes and calculations used to produce the valuation and depreciation calculations.	

After the valuation	Comment	Done?
Document the process used to undertake the valuation including how the evidence was captured. These needs to details aspects such as – • High overview of the valuation process • The Data Capture process (Completeness) • Sampling and Validation • Quality Assurance process Even if the valuation is outsourced to an external firm, it is critical that the internal process be fully documented.	While a methodology document explains how the calculations were completed the auditor needs to gain evidence specifically about how the valuation process was implemented, what controls were put in place and how decisions were made about sampling, etc. This enables the auditor to gain assurance that the policy and methodology were both implemented as described and that reliance can be placed on the output. Without a clearly documented process the auditor will need to obtain the evidence by asking questions across the organisation. Often this leads to inconsistency in responses and further confusion which may result in the auditor spending additional and unnecessary time investigating concerns raised from those queries.	
Annual Review of Unit Rates and Replacement cost. Ideally there should be documented evidence to show that this review was undertaken and to report the results. The entity needs to document the pricing / indexation references it intends to use each year (in the asset accounting manual).	The standards require a review at the end of year to assess whether there is any evidence to suggest the carrying amount is significantly different from the current value. By nature, this includes a review of the Replacement cost. Even if an entity adopts a policy of revaluing every three years the prescribed requirements mandate that the annual review be undertaken and if there is evidence of a material change a revaluation must be undertaken. Quantification of the annual movement in current value must be documented so that the auditor can assess the materiality of current value increments / decrements.	

After the valuation	Comment	Done?
Annual Review of factors and assumptions critical to the calculation of the current value and depreciation Ideally there should be documented evidence to show that this review was undertaken and to report the results.	The standards require an annual review of the assumptions that drive the calculation of the current value and depreciation expense. Even if an entity adopts a policy of revaluing every three years the prescribed requirements mandate that the annual reviews be undertaken and if there is evidence of a material change a revaluation must be undertaken. The review needs to clearly document that the following aspects were reviewed and confirm the appropriateness (or show relevant changes made) of – • Condition Assessments (including impairment) • Residual value • Pattern of Consumption • Useful life and Remaining Useful Life	

After the valuation	Comment	Done?
Document the process and results of an internal review by management for accuracy, reasonableness, quality and consistency with the entities understanding of the portfolio. This essentially requires management to critically assess the outcomes of the valuation and to validate the accuracy and appropriateness of the key assumptions relied upon.	The responsibility for the figures reported in the financial statements rests with management. Even if an external valuer is appointed it is the responsibility of management to review the results and critically assess the outcomes of the valuation. This includes reasonableness, consistency, appropriateness and accuracy. Auditors are increasingly becoming concerned with entities just accepting work without checking it against the prescribed requirements, contract specification or their own knowledge. If this review is undertaken and documented the auditor is able to obtain some comfort over the management controls. This will aid in the audit process and may result in time and cost savings. Asset management personnel should provide evidence that a quality control process has been undertaken that provides assurance on the accuracy, completeness and valuation of all assets. Finance personnel should ensure that they review the information provided to them prior to finalising the financial report.	

After the valuation	Comment	Done?
Undertake some high-level analytics and compare to previous years' results. One year is sufficient but up to 5 years would be ideal. This should include comparison (at asset class level) of – • RC (% and amount of change) • WDV (% and amount of change) • WDV as a percentage (% change • Depreciation expense as a percentage of RC • Depreciation expense (% and amount change) • Min, Max and average depreciation rates applied by asset type • Min, Max and average unit rates applied by asset type.	Auditors need to assess the competence of management and their understanding of the results. The conduct of high-level analytics supported by management's explanation about the findings provides the auditor with a high level of assurance over the competency of the management and relative strength of the governance framework. The results also enable the auditor to identify significant trends and areas of audit focus as well as gain evidence over key disclosures provided in the financial statements.	

After the valuation	Comment	Done?
Complete a 'Movement Reconciliation' supported by appropriate details for each movement. This reconciliation is mandated by accounting standards as a disclosure note to the statements. It is essential that the various figures be validated and tied back to a list of assets or transactions that represent each figure.	If there is one thing that will cause serious grief during the audit it is a movement reconciliation that does not add or agree to the General Ledger. This reconciliation with supporting details forms an essential part of every organisation's 'financial statement workpapers'. It enables the auditor to identify major movements in account balances and to identify areas of audit focus and risk. It also provides the auditor with assurance that the account balance has been tested, validated and reconciles to the General Ledger. It gives assurance over completeness and accuracy. Failure to complete the reconciliation prior to the audit visit could result in errors being detected as part of the audit resulting in changes to the financial statements and increased audit concerns and risk. The following roll forwards should be prepared: • Each asset register with depreciation expense, profit / loss on sale, opening and closing cost / current value and accumulated depreciation reconciled to the general ledger control accounts. • Asset additions should be reconciled to the cash flow statement after adjusting for capital creditors and non-cash contributions • The asset revaluation reserve movements should be reconciled to each asset register and supporting current value indexation calculations.	

About the Author

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David is an accountant (Fellow CPA Australia) with a valuation, audit and asset management background. He is internationally recognised as a leading expert in the valuation and depreciation of public sector assets. He is a regular presenter at national and international conferences and is a Director of APV Valuers and Asset Management.

He has been actively involved with both the asset accounting and asset management of public sector assets over the past 30 years. This has included –

- Author of CPA Australia's guides to the valuation and depreciation of public and NFP sector assets under the international (IFRS and IPSAS -2013) and Australian (2016) accounting standards.
- Member of the Australian Accounting Standards Board special project team for 'Fair Value in the Public Sector' (2017–22)
- Chair of the Public Sector Assets Collaborative Group which is a special interest committee of 'the Asset Institute'. The group is comprised of representatives of the peak bodies with an interest in the asset management of public sector assets.
- Member of 10 person international review panel for the IPWEA International Infrastructure Financial Management Manual (IIFMM) (2023)

Prior to joining APV in 2006 he spent over 20 years with the Queensland Audit Office where he –

- Held responsibility for the audit of Queensland's local government sector and water sectors
- Managed the audit office's 'Contract Auditors Section'
- Chaired the 'Asset Valuation and Audit Advisory Group'