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IPSAS, RICS, other standards.are key to operations of Lagos State Valuation Office

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In this interview with Moses Adeniyi, he sheds light into the statutory role of the Lagos State Valuation Office, the contention on the Land Use Charge and Tenement rate, and the clear lines of demarcation between the professional services of Engineers and Valuers, among other pressing matters of concern. Excerpts:

Can you give insights into the major roles of this Office in the practice of Valuation in Lagos State?

The Lagos State Valuation office was established prima facie, a professional valuation office of the State Government. It was established to assist the Local Government Councils in generating revenue via tenement rates. Be that as it may, the Office has been trying to make relevance in ensuring that it is forth coming on areas it is saddled with the responsibility of carrying-out valuation of public assets; valuation on decision making process where the Lagos State Government is involved; valuation for some organisations which the Office has been assigned duty to carry out; sometimes valuation for what we call “Burden Items” for disposal of public assets when it concerns the Lagos State Government. The Office is also called upon to handle some valuations when business agencies of the government are taking some decisions having to do with public-private partnership. We have been trying to do these, and as well, we are now seeking for an upgrade of the Office to be in the position to carry-out valuations that will satisfy international standards of best practices. By and large these are the major areas of concerns of the Office.

What sort of upgrade are you envisioning for the Office?

The Office is already an Agency, but the situation surrounding its existence is such that it is established by a law that places its sphere of function under the Ministry of Local Government. However, the operations and assignments that the Office is carrying-out presently transcend the level of local government jurisdiction, so this is the upgrade the office is seeking in terms of its sphere of operation. The Office is a Lagos State Agency but saddled with handling Local government affairs. In whole, the office is looking up to having a status that empowers it to operate in somewhat like a semi-autonomous body that will make it comparable to other professional valuation Offices all over the world.

With the domestication of the International Valuation Standards (IVS) in the Green Book, how is the Office trying to align to these standards?

Fortunately, I’ve been a member of the Estate Surveyors and Valuers Registration Board of Nigeria (ESVARBON), I’m a member of the National Council of the Nigerian Institute of Estate Surveyors and Valuers. I’ve also served as the past national secretary. My concern basically is on professionalism, and upholding international standards. I’m also the Chairman of the African Real Estate Society, West African Chapter. This international exposure has really made me to see things so particular to upholding

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International Valuation Standards and best practices. In all the reports of our Valuations, we ensure that the standards expected of us to be upheld globally as enshrined in the IVS, in the RICS (Royal Institute of Chartered Surveyors) book and the Green Book is upheld. The key thing about ethics, and the key thing about reporting standards are what we abide with.

We actually championed the implementation of the International Public Sector Accounting Standards (IPSAS) in Nigeria, especially as it pertains to valuation of public assets. We championed this alongside our State treasury office, the Accountant General's Office. Lagos State was the first tier of government to transit into what we call "the Cash basis to Acquire basis" expected by the IPSAS implementation. We championed that, and Lagos state was actually the first State to make publication following the Standards enunciated in IPSAS. We coordinate the valuation of public assets which has to do with infrastructure assets in terms of roads, bridges, canals among others.

Does the Office possess any oversight power over the conducts and the practices of Valuers in Lagos?

Not really. ESVARBON has that oversight function. The Office mainly oversees issues regarding valuation within the State Government on valuation of public assets, or other duties relating to properties assigned to it by the State Government. We do not have oversight function relating to Valuers in the State. That duty resides largely in the law that established ESVARBON.

Don't you think that domesticating powers of oversight function in the Agency will further improve the professional conducts of practitioners in Lagos?

It could, but that would be done by liaising with ESVARBON. I think going further in my own opinion, it could be in a form like the Inspector General's Office of Land Surveyors assisting the Surveyors' Registration Council of Nigeria in oversight function. If the law permits to have this in terms of liaising, that will be on a good surface.

Is there any move the Office is making to extend its sphere of operation to valuation of private assets?

If it bothers on tax, the law permits us. Just as the Office was established to address issues of tenement rate, if the law permits, we can also extend to valuation of private assets for tax purposes. If also by chance there is an issue on arbitration for example, and it's stated clearly that a public Valuation Office should intercede in the process that could be done. Recently there was a court case where a public Valuer was needed and we had to come in to resolve the case. We also know that there are several private Valuers that are into property valuation and nothing should be done to take away those valuations from them. What we can do is to have a kind of oversight function in Liaising with ESVARBON to ensure that the right standards are upheld in Valuation processes.

Coming to the issue of Land Use charge and Tenement rate, don't you consider this as double taxation?

My opinion is purely that of the state on this. This is not really double taxation. What it has done is that it has merged into one, the tenement rate and the neighbour improvement charge. How it fares is a matter of Law. Like everything in the world, change is constant, so we can look into it for improvement but as of now the Land Use Charge is a law and I don't think its double taxation. It is a subject that is subject to review, and we can look into how we can make it more workable.

There has been an ongoing debate that paying Land Use charge and also having a separate provision for tenement rate amounts to double taxation, what's your view on this?

The Land Use Charge, like I said, has embedded in it tenement rate, ground rent and neighbourhood improvement charge. Therefore it's not double taxation; it's just one tax having three components. Like I said, these are some of the things that can be subjected to review based on public opinion, to look at how we enshrine best practices into it.

What are the valuation standards applied to arrive at the Value of assets in charging for Land Use?

It's a question of law. The law gives a formula of how that is done and it is called the statutory formula on Land Use Charge.

Can you comment on some of the challenges of the Office?

The main one is the matter of the Law. The existing law was for tenement rate and the world has grown beyond that. For instance in the UK where we took most of our standards of practice, we have the UK Valuation Office Agency which now has the tenement rate done by the Council, which has all other issues including those relating to taxation from ports, and also public asset valuation that was not envisaged then. Now we have the IPSAS that says all public assets must be properly valued

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for it to be brought down into the book. That was not envisaged earlier-on when the Lagos State Valuation Office was created for tenement rate. Therefore there is that challenge of the Law that hinges on tenement rate.

We also have the challenge of visibility. We are not so visible, and we are looking at getting strong into action to become visible, so that people can know the Office is existing as a professional body. We are also looking at liaising with ESVARBON as a professional body that we can work with. There is the statutory challenge but the key thing as I have mentioned earlier is that when the law is reviewed to capture the recent developments globally, then the Office will have the visibility and be able to play its roles to perform better for the government of the day.

Does the synthesizing of Accounting Standards into Valuation process now requires that Valuers must begin to acquire technical know-how in accounting?

Not really! The IPSAS requires you to know the value of properly assessed properties or assets of government. It is called property plants and equipment. That presupposes that where the government has some assets and there are skilled practitioners available, if for instance those assets are just acquired last year and you are carrying out the valuation of last year, that asset is at cost according to what is obtainable. But if that asset has gone past that year, in terms of three, four or two years down the line, those assets needs to be properly assessed for it to be inserted into the financial statement of the government. So that brings in the necessity to have Valuers involved in Public Sector Accounting, especially in the area of financial reporting. It is the same for the International Financial Reporting Standards (IFRS), which requires all private companies to value their assets before putting it into book. Earlier on, most companies do organise AGMs with just written reports, but now the standard requires that you should engage professionals where they are available. In Nigeria we have professionals who are available to carry out public sector asset valuation and this is not only for tangible assets alone, but also for intangible assets, such as intellectual properties, bonds and shares, stocks and so on. These are some of the assets that requires valuation.

There has been contention on the right to the valuation of some categories of assets and properties, such as intellectual property, plants and machineries; what is your position on this?

My position as a Valuer is that there is only one profession that is saddled with carrying out valuation for monetary worth of an asset. If you are talking of the efficiency of a machine, that's not going to be the duty of a Valuer. Evaluation of the asset can be done by the Engineers. Matters are clear on this. Engineers need to evaluate the assets to know the condition. According to one of the first in the class of late Estate Surveyor and Valuer, M.A. Bello, it was made clear that there should be no issue on the condition of a plant and equipment. That is why the condition could only be known by an Engineer. If a Valuer says he knows about that condition, it might peradventure be because he has knowledge in engineering practices. We do not need to tarry on that issue. But if we are talking of the estimated monetary worth of an asset, that resides solely in a skilled professional called the "Valuer".

However, It's not always all Valuers who are skilled in that aspect. Those who are trained specifically in the line of the asset in question, should carry-out the Valuation. There is a Valuer I know in Australia, whose main occupation as a Valuer is on appraisals of hospital equipment only. You would not find him engaging in the valuation of any other asset. So Valuers should also have areas of specialisation. Therefore, it is not to say that because someone is an Engineer he can value assets. No he cannot! From our basic training, the Engineers are not taught to value; they are taught to create, design, and maintain. When we talk of the maintenance of plants and equipment, if you call me to do that as a Valuer, I have to call an Engineer. Also if we are talking of valuation, I still may have to call an Engineer for guide because there is no way I can have an eye wide enough to see more than Engineer in terms of the condition of a machine. We all have our clear jurisdiction of duties; Engineers are for assessing condition, maintenance, creation and to design, while Valuers are for Valuation in determining the economic worth of an asset or property. That is clear; we (Valuers) do economics; the Engineers do more of chemistry, physics and mathematics.

Economics is our core area of focus as Valuers and that's what we do. We deal more with the economic aspect of assets. For Engineers to venture into the economic aspect, leaving the Engineering aspect is a step in the wrong direction, and if that has been alluded to, all the contentions so far wouldn't have arisen.

To what extent have Valuers gone in engaging with Engineers for them to know the limit of their role in valuation processes?

I think we have gone a long way in this. During the time we had the issues between Engineer Gilbert Alegi and late ESV. M.A. Bello, the Association of Professional Bodies in Nigeria even waded into the issues. It is so clear we all use valuation in various spheres. Even in education, evaluation is the key focus and that's valuation. We both engage in evaluation, because you have to evaluate and assess. But the question is what are you assessing? Is it assessing or valuing for economic worth? If it is valuing for

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economic worth, that is clear, the only profession that has that function in Nigeria, is the Estate Surveyors and Valuers. But if you are valuing for a contract job like here in the State, you have to get valuation certificate for completion or for whichever level you've reached in the project. That's called valuation, and the Quantity Surveyors too come into this function. They use valuation for costing, but when you are talking of determining the economic worth, there is a clear cut jurisdiction and it is only the Estate Surveyors and Valuers that are registered and affiliated with the International Valuation Standards. You don't have Engineers in there. So for RICS as its concerns valuation, it is the Estate Surveyors and Valuers. For the Institute of Appraisal in America, it is the Estate Surveyors and Valuers, but if you are talking of valuation that has to do with non-economic worth, then it becomes wrong for a Valuer to struggle in that line.

However, Valuers need to upgrade themselves to abide with the International Standards and I think that's the benefit the Green Book is offering. While it might not be offering the best at the moment, we have at least started, and as it stands, whatever you need to do you have to abide by international best practices.

Nigeria Valuers need areas of specialization—Director, Lagos Valuation Office

The Director, Lagos State Valuation Office, ESV Adekunle Awolaja has said that practitioners of the Valuation profession needs to have specific areas of specialisation for them to offer professional services optimally.

Adekunle who serves as the Chairman, Real Estate Society, West Africa Chapter, said that the sole function of Estate Surveyors and Valuers is to carry-out valuation to determine the economic worth of an asset.

Speaking to Nigerian NewsDirect, he added that the determination of the economic worth of a property or any other asset is a duty that should not be contended with Valuers.

He said, "There is only one profession that is saddled with carrying out valuation for monetary worth of an asset. If you are talking of the efficiency of a machine, that's not going to be the duty of a Valuer. There is only one profession that is saddled with carrying out valuation for monetary worth of an asset."

He however stressed that the profession will experience better compartmentalization when Valuers have particular lines of properties and assets on which they carry-out valuation upon.

He stated in his words, "It's not always all Valuers who are skilled in every aspect. Those who are trained specifically in the line of the asset in question, should carry-out the Valuation.

"There is a Valuer I know in Australia, whose main occupation as a Valuer is on appraisals of hospital equipment only. You would not find him engaging in the valuation of any other asset. So Valuers should also have areas of specialisation.

He however faulted the contention of Engineers that they are in the right position to value certain assets as machineries, and power plants.

He stressed that their (Engineer) major role is to design, create, maintain and assess the service condition of machineries, stating that it is out of their jurisdiction to determine the economic worth of assets.

Speaking on the dichotomy of functions between Engineers and Valuers, Adekunle said "We all have our clear jurisdiction of duties; Engineers are for assessing condition, maintenance, creation and to design, while Valuers are for valuation in determining the economic worth of an asset or property.

He added that the determination of the economic worth of assets of any kind including intellectual properties, is the core area of focus to Valuers, which makes economics a central point of interest to them (Valuers).

He said "That is clear; we (Valuers) do economics; the Engineers do more of chemistry, physics and mathematics. Evaluation of assets can be done by the Engineers. Matters are clear on this.

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“Engineers need to evaluate the assets to know the condition. It is clear that there should be no issue on the condition of a plant and equipment. But if we are talking of the estimated monetary worth of an asset, that resides solely in a skilled professional called the ‘Valuer’.”

He added that, “it is not to say therefore that because someone is an Engineer he can value assets. No he cannot! From our basic training, the Engineers are not taught to Value; they are taught to create, design, and maintain.”

He however urged Estate Surveyors and Valuers in the Country to adhere to the dictates of international best practices of the profession in providing services.

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