



An Investigation of Causes of Variance in Property Rating Valuation: Valuers' Point of View

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Abstract

Valuation is the foundation of property rating administration which is, in most cases, subject to voidable variance. Property rating variance occurs when two valuers come up with wide margin values on the same hereditament. Therefore, the correctness of the assessed rateable values significantly impacts other rating administration components. The rateable value will seem to be fair if the margin of variation is not too wide between the rate demanded by the rating authority and the one expected as reasonable by the taxpayers. Therefore, this study's focus was to investigate the causes of variance in assessed rateable values from the point of view of property rating valuers. The purposive sampling method was adopted among registered estate surveyors and valuers in Kwara State, Nigeria. This study adopted a qualitative research approach. The qualitative data were obtained from an interview survey with eight valuers, and content analysis was employed to analyse the data. Findings showed that specialisation, valuers' opinion on the rating valuation input variables, lack of due diligence, corruption, all-inclusive law, the ambiguity of the rating law, information in the tone-of-the-list, lack of proper sanction, gratification by ratepayer are some of the causes of variance in rateable value. This study discovers new variables of specific application to variation in rating valuation, a departure from the general application of valuation variance to rating as obtained in the existing literature. Prompt correction of the identified causes of variance could pave the way for the effective role of the stakeholders in rating administration.

Keywords: *rateable value, rating authority, tone-of-the-list, variance, valuation*

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1. Introduction

Valuation significance in rating administration cannot be overemphasised as it is the foundation of rating administration. Valuation variance is the difference in opinion of values between two or more valuers on the same subject property and the same purpose. Valuation for rating purposes is a statutorily specified task because the processes and procedures must be followed according to how they are spelt out in the statute document. One of the types of machinery that are in place to minimise variance in the valuation for rating purposes is the adoption of tone-of-the-list for the valuation of hereditament in each rating area. Variance in rateable values of the rating authority and that of the ratepayer is one of the bases for appeals (Bond and Brown, 2012). Among factors that can minimise variance in rating value, according to Atilola *et al.* (2017), is the inappropriate adoption or compliance with the tone of the list. This document contains input variables that serve as a guide to valuers in undertaking the valuation of hereditament towards bridging the gap in values.

However, it is surprising that valuation variance still exists in rating valuation due to neglect or disregard for the intended role of tone-of-the-list in the valuation of the hereditament, as revealed in the studies of Munshifwa *et al.* (2016) in Zambia and Atilola (2018) in Nigeria. This, therefore, suggests that the syndrome of valuation variance is prone to both statutory valuation and non-statutory valuation. The causes of valuation variance revealed from empirical studies of Levy and Schuck (1999), Harvard (2001), Bretten and Wyatt (2001), Boyd and Irons (2002), Ayedun *et al.* (2012), Akinjare *et al.* (2013), Ayedun *et al.* (2014), Effiong (2015), Adegoke (2016), Munshifwa *et al.* (2016) and Atilola *et al.* (2019) experience, client's influence, lack of market indices, lack of sanctions for professional negligence and misconduct, absence of quality control amongst other factors. Only the study of Atilola *et al.* (2019) seemed to have empirically studied variance in rating valuation by adopting a quantitative approach. Thus, this study investigated the causes of variance in rating valuation from a qualitative approach to identify new terminologies that could be used to discuss the causes of variance in rating valuation. The scope of this study is limited to property rating valuation in Kwara State, Nigeria, as one of the noted states in the country that does engage valuers in property rating valuation. Therefore, the essence of this study is to identify the new terminologies that could be used to explain the factors causing variance in rateable values. The following section is a review of the literature, which is followed by the methodology adopted for the study. The fourth section presents the study's findings, while the last section discusses the findings and concludes the study.

2. Variance in Property Valuation

The literature on variance in valuation is explored to identify factors causing variance in rateable value since there is little research on this phenomenon in rating valuation. The discussion in this section of the paper is in two parts. The first part is on property valuation, while the second part focuses on the causes of variance in property valuation. The discussion here is grouped into three broad categories: the valuers' characteristics, legal factors, and the valuation environment and process.

2.1 Property Valuation

Property valuation is the art and science of estimating the value of an interest in landed property for a specific purpose at a particular time (Achu *et al.*, 2015; Adegoke, 2016). A valuation can be grouped into two categories: statutory and non-statutory valuation. Examples of statutory valuation are rating and compensation valuation, while non-statutory valuation includes merger and acquisition, sales and accounting purposes. Statutory valuation is any type of value determination exercise in which its process and procedure are provided explicitly by a reference book of the statute. For instance, in rating valuation the statute offers, there must be the tone of the list (Atilola *et al.*, 2019).

2.2 Causes of Valuation Variance

As presented by Atilola *et al.* (2019), there are three causes of valuation variance. These identified causes are; the valuer's characteristics, legal factors and valuation and environmental factors.

2.2.1 Valuer's Characteristics

The factors under this heading are the factors that affect valuers' actions in the course of executing valuation engagement. The following factors constitute valuers' characteristics:

a) *Experience*

The length of experience of valuers' involvement in valuation exercises, among other aspects of estate surveying and valuation practice, will indicate the relevance of knowledge, skill, level of competence and expertise of said valuer in valuation. This factor was identified from the works of Harvard (2001), Bretten and Wyatt (2001), Ayedun *et al.*(2012), Akinjare *et al.*(2013), Effiong (2015), Munshifwa *et al.*(2016) and Adegoke (2016).

b) *Unrealistic Valuation Assumption*

Harvard (2001), Effiong (2015), Munshifwa *et al.* (2016) and Adegoke (2016) identified the assumptions made by valuers in the course of valuing property as a possible cause of variance in valuation. For instance, the study of Munshifwa *et al.* (2016) affirmed that such as overrated rental value on one side and underrated rental value on the other side, or erroneously taken of gross rent for net rent, or outgoings, depreciation, decapitalisation, tenant share, construction cost rate among others adopted would cause variance in rateable values.

c) *The Integrity of the Valuer*

Integrity refers to the display of the art of honesty, reliability or uprightness in the discharge of professional services towards the client or other interested persons attached to the service being rendered. Munshifwa *et al.* (2016) are of the view that valuers should avoid actions that can negatively affect professional integrity in the discharge of their professional service to the clients. The study of Adegoke (2016) also recognised that if this is missing in a valuer, it may be a cause of variance in general valuation practice.

d) *Valuers' Training in Rating Valuation*

Training in rating valuation is often associated with on-the-job learning. The training could be in the form of short courses, seminars, conferences and continuing professional development programmes (Babawale, 2008; Effiong, 2015).

e) Requisite Registration with the Statutory Regulatory Body

This is the engagement in the act of value determined by a non-duly registered person. Regulatory body certification is required for any person to be registered as competent to practice the profession of estate surveying and valuation. This was noted in the study of Adegoke (2016). In Nigeria, certification is issued by ESVARBON. It is upon the attainment and verification of a professional qualification that enables a valuer to practice (Federal Government of Nigeria, 1975; Adegoke, 2016). The lack of this prerequisite in the practice of valuation in Nigeria may contribute significantly to valuation variance regarding registered versus non-registered persons.

f) Academic Qualification

It is often believed that the skills displayed by a valuer have a direct relationship to his educational achievement. This is based on the knowledge that has been attained during school. In other words, it could be said that the higher the academic achievement, the more thorough the valuation exercise. Ayedun *et al.* (2012) identified this as part of the factors affecting valuation variance.

2.2.2 Legal Factors

Rating assessment is a statutory valuation; therefore, the place of rating law is crucial in the estimation of rateable value. The factors identified in the literature on variance in determining the assessed value are channelled toward two points. The first is the comprehensiveness of the law, while the second deals with the explicitness of the law. The details on these 2 points are explained as follows:

a) The comprehensiveness of Tax Law

This is when the rating law is all-inclusive on matters such as assessment equation, depreciation rate, and decapitalisation rate, among others related to the assessment of rateable value. From the study of Oni and Ajayi (2011) and Babawale and Nubi (2011), it was established that one of the reasons for variance in the assessed value under the Land Use Charge Law (2001) of Lagos State, Nigeria was that the assessment equation in the law is not comprehensive enough. A similar view was shared by Atilola (2013) on the Kwara State Land Charge Law (2009), as the Kwara State law is a replica of that of Lagos State.

b) The explicitness of the Tax Law

Munshifwa *et al.* (2016) revealed that the primary cause of variance in rateable value among assessors in Zambia is associated with the vagueness of valuation instructions and the time lag between valuation dates. Another dimension of this factor was the discretionary power of the Statutory Officers. This refers to the unambiguity of rating law on the meanings and interpretations of the relevant law sections related to assessment. Authors such as Atilola (2013) observation on the Kwara State Land Charge Law, Babawale (2013a), Babawale and Nubi's (2011) and Oni and Ajayi (2011) observations on the Lagos State Land Use Law attested to this fact. The authors criticised the discretionary power given to Statutory Officers under the law and the effect it could have on the final determination of the assessed value.

2.2.3 *Valuation Environment and Process Factors*

The valuation environment and process significantly influence valuation execution (Levy and Schuck, 2005; Harvard, 2001; Babawale and Omirin, 2012). The factors that could cause variance in rateable values under this heading are:

a) Absence of Quality Control

Quality control is the internal mechanism of an organisation to ensure that the correct thing is done (International Association of Assessing Officers, 2016). For instance, the lapses in the 1993 rating valuation in Dar Es Salaam, Tanzania, were adduced to a lack of quality control. Kelly and Musunu (2000) posit that the variation in rateable values results from a lack of quality control by the Dar Es Salaam rating authorities.

b) Absence of Professional Sanctions for Negligence and Misconduct

Professional bodies often sanction erring members for misconduct or negligence as a way of correcting them. However, if this medium of discipline erring member is weak or absent, valuers may not take their professional engagement seriously (Kelly and Musunu, 2000; Boyd and Irons, 2002; Babawale, 2007; Babawale, 2013b; Effiong, 2015).

c) Market Indices for the Input Variables

The unavailability of market indices could cause variation in valuation. Authors have used different phrases or clauses to express market indices for the input variables. For instance, Effiong (2015) used "*lack of market data*", "*available market information to each valuer and source of market data*" (Ayedun *et al.*, 2012) ", "*different parameters and adequate market information*" (Akinjare *et al.*, 2013); "*problem of relevant data*" (Adegoke, 2016); "*differences in comparable, absence of a central market, lack of market transparency and insufficient comparable*" (Munshifwa *et al.*, 2016). This factor was also identified as a cause of variance in mortgage valuation by Bretten and Wyatt (2001). Bond and Brown (2012) posit that there is a central data bank in the UK from where a Valuation Officer derives their input variables. In countries such as Tanzania, Botswana and Taiwan, an institution of the state is authorised to provide information on the input variables (Kayuza, 2006; Lin, 2010; Svensson and Leima, 2014).

d) Client's Influence

This deals with clients' inducement to influence the outcome of valuation in their favour (Levy and Schuck, 1999; Levy and Schuck, 2005; Nasir, 2006; Adegoke and Aluko, 2007; Ayedun *et al.*, 2012; Iroham, 2012). This practice may be for monetary gain or the guarantee of further valuation assignment (Bretten and Wyatt, 2001; Amidu and Aluko, 2007a; Amidu and Aluko, 2007b; Amidu *et al.*, 2008; Achu, 2013; Achu *et al.*, 2015). This factor could cause variance in valuation when valuers yield to the 'tune' of the clients (Ayedun *et al.*, 2014; Akinjare *et al.*, 2013; Adegoke, 2016; Effiong, 2015).

From the literature review on the causes of variance in valuation, twelve factors were identified under three categorisations. The factors are experience, unrealistic valuation assumptions, the integrity of the valuer, valuers' training in rating valuation, requisite registration with the statutory regulatory body and academic qualification. Others include the comprehensiveness of tax law, the explicitness of the tax law (legal factors), the absence of quality control, the lack of sanctions for negligence, market indices for input variables and the client's influence

(valuation environmental and process factors). These factors were probed to arrive at new terms that could be used in replacement.

3. Methodology

A survey approach was adopted in investigating the causes of variance in rateable value. The study area is Kwara State, a Nigerian state where rating valuation is carried out (Adi, 2012). The state has a long history of rating valuation exercises. The qualitative data was collected through an in-depth interview survey by a research assistant. The research assistant was part of the pilot survey and was also trained on how to conduct the interview. In addition to this fact, the research assistant is a graduate of estate management, a lecturer at one institution in Kwara State and an elected member of the Nigerian Institution of Estate Surveyors and Valuers. These qualities possessed by the research assistant make them appropriate and suitable for the interviewer. Eight valuers in the state have the required experience in rating valuation as they have been involved in some previous exercises in the state. These eight valuers were identified from a pilot survey, where those who undertook rating valuations were asked to indicate.

Three different approaches can conduct interviews: an unstructured, open-ended interview, semi-structured open-ended interview and structured closed-ended interview (Creswell, 2007). In the semi-structured open-ended interview, the interviewers have a list of questions that have been prepared. Although the interviewees express themselves based on their understanding of the phenomenon being studied, the interviewer uses the prepared questions to control the interviewees when going out of the theme of the discussion. The semi-structured open-ended interview is germane since it allows the researcher to gather detailed, direct and concise facts from the interviewees about the studied phenomenon. For this reason, it was adopted in this study to elicit information from the valuers on the causes of variance in rateable value.

The face-to-face interview approach is most appropriate when the interviewees are available. The level of concentration given to the interview by the interviewees could be determined by the interviewer as a result of physical contact. In addition, the interview has to detail potential rather than online charting or telephone calls because the interviewer can observe some documents that the interviewees used to support their points (Miles and Huberman, 1994; Creswell, 2007). A face-to-face interview was adopted in this study because of its merit over online chat and telephone calls.

Contact was made with the interviewees through telephoning and WhatsApp messaging by the researcher, informing them that the research assistant would be coming for the interview. Their contact details were given to the interviewer. The research assistant used the contact details to book appointments with interviewees before going to their offices. Before the interview began, the research assistant introduced himself to the interviewees and the purpose of the interview. He also informed them that the interview would be recorded with an audio tape. The interviewees were assured that the information would be used solely for the research. All the interviewees consented to the use of audio tape for the recording. The interviewees were conscious of the audio recording, as they asked the interviewer to put the recording on halt when telephone calls interrupted the discussion. The adoption of audio recording during an interview was preferred to note-taking because of its time-saving and ability to capture all the required information (Creswell, 2007; Wynter, 2014). On average, each interview took about 45 minutes.

In the process of conducting the in-depth interviews, some hindrances were encountered. The most significant critical limitation was time wasted as most interviewees are in private practice

and often have appointments to catch up with. As a result, most appointments with the research assistant were cancelled and rescheduled.

The subsequent effect of cancelling and rescheduling of appointment for the interview by most interviewees resulted in the prolongation of time concluding the interviews to 3 months.

The information obtained from the recorded audio tape interviews was transcribed and processed in NVIVO 1. To not reveal the interviewees' real identity during the analysis, each was allotted an identity number. The identity number given to the interviewees are VII, VI2...VI8. This means that valuer interviewee 1st, valuer interviewee 2nd, up to the 8th valuer interviewed.

The position of the law in Nigeria, in particular, section 7(d) of the Kwara State Tenement Law (2006) as regards the appointment of registered Estate Surveyors and Valuers rating valuation informed the choice of the valuer as the target population for this study. This quoted law stated that persons appointed by the rating authority board for determining the value for rating purposes "shall be qualified estate surveyors and valuers, registered by the Estate Surveyors and Valuers Registration Board of Nigeria".

4. Result

From the in-depth interviews conducted, the goal was to identify the causes of variance in rateable values from those valuers' that have been involved in rating valuation. The data gathered from the interviewees are presented below:

4.1 Valuers' Characteristics

These factors were peculiar to the valuer and his engagement in the rating valuation exercise. The following factors were identified:

a) Experience in Rating Valuation

This is when the valuer, having participated in many rating valuation exercises, equips himself/herself with adequate basic knowledge in rating valuation practice. This is often determined by how often a valuer is involved in rating valuation or the length of time a valuer has been participating in rating valuation. This was mentioned as the factor causing variance in rateable value by interviewees VII, VI3, VI4, VI5, VI7, and VI8. Interviewee VI3 gave an illustration of this by citing a case he was involved in:

"...I want to give you some example(s). I was to value a property in Kabba. It was a storey building. I went there, it was an old building, and I told the owner that the value is NGN 46,000. The owner did not say anything and went to pick the valuation report prepared by one of the Valuers in the state (real name redacted for ethical reason, though one of the registered estate surveyors and valuers in the study area). I was shocked when I opened it, and I saw NGN 46,000 in the report. The Alhaji was looking at me and asking what type of man is this? So, experience counts in this type of job (Interviewee, VI3)."

What can be deduced from the above comment is that when two valuers that are experienced in valuation engaged in valuing a property for the same purpose, the difference in the opinion of values would not be significant. The view of interview VI5 is similar to this. He stated:

“...most valuers' who engage in rating valuation do not consider it as a matter of interest. Rather as a matter of keeping body and soul together. Because there are some valuers that are very good in management and agency, so, when there is demand for valuation jobs, they put in even though when they know that their nature does not suit rating valuation (Interviewee, VI5).”

Interviewee VI5 sees the experience from the point of view of long-time experience that eventually leads to specialisation. In other words, the interviewee is saying that valuers with long years of experience in valuation will ultimately have better competence in rating aspects than those without. The long-time experience in rating valuation would have given the valuers the required experience in this field of professional engagement.

b) Unrealistic Valuation Assumption

Judgmental opinions of the valuers may arise in the situation of an open decision for the valuers. This may occur primarily in bringing the gross rent to net rent, where assumptions are to be made regarding the percentage of gross rent to be adopted as the outgoing. Since the statute did not provide the minimum and maximum range, if the variation of percentage between or among valuers is wide, say 5%-40%, the value arrived at by the valuer adopting 5% will be at a wide variation with the other one with 40%. This becomes necessary because of the heterogeneous characteristics of the property and no specification of acceptable range in the provisions of the applicable statute. The parameters needed to be adjusted to suit the property at hand to be valued. So, during the rating valuation, assessors could make some assumptions which may not be realistic. This causes the variance in the opinion of values between valuers. The interviewees describe such assumptions as 'the valuers' opinion, subjective or judgement' on the valuation input variables. This factor was identified by interviewees VI2, VI3, VI4, VI7 and VI8 as part of what contributes to variance in rateable values:

“...Other factors that might be responsible for variation are the assumptions that individual valuers made on the input variables adopted for their assessment. Some may say my outgoing is 5%, while some may say their own is 10% or 20%. So, the final output from these will be wide variance rateable values (Interviewee VI7).”

To these interviewees, variance in rateable values would exist when the assumptions made in the process of deriving their valuation input variables are exhaustive. From the instance given on outgoing by interviewee VI7, when such an instance manifests in other valuation input variables, there is every tendency that there would be a wide variance in the final valuation figures.

c) Valuers' Negligence

This is the act of carelessness by a professional in discharging his duty. This factor was described by interviewee VI5 *"I want to believe that most valuers in Nigeria are not inclined towards responsibility for negligence in valuation...."*. Interviewees VI1, VI6, and VI7 also acknowledged this.

“If, for instance, in the course of carrying out field measurement, if there is a mistake in our field measurement, this could also lead to a discrepancy between valuers' estimate values. If you are measuring the length and breadth to get the area of a particular property and is not properly done due to faulty tape or inexperienced tapers. (Interviewee VI1).”

Another interviewee stated:

“Attitude of the valuer also matters in valuation assignment because valuer is obliged to give a duty of care to his client. So, if a valuer is careless or exhibits negligence in his duty and the other one is not careless or exhibits negligence in his duty, there would be differences in their result. Or if both of them display one form of negligence or the other in carrying out the professional assignment, that will lead to some forms of variation in their assessment of rateable values (Interviewee VI7). “

Therefore, this suggests that when there is no due diligence in carrying out valuation exercises among valuers, it will result in variance in values.

d) The Integrity of the Valuer

Integrity is synonymous with honesty, reliability or uprightness exhibited by a valuer in discharging his professional services towards a client or other interested persons that require their services. This factor was identified by interviewees VI6 and VI7 and was extensively discussed by interviewee VI6 using his personal experience during a rating valuation exercise as an example. He informed me that:

“...Because during our rating valuation exercise, we are tempted like that, some of the ratepayers said, 'Oga', we know that your assessment is for the imposition of property tax on us, help us, do it like this and take this. Instead of rent being NGN 400,000.00, help us tell the government that NGN 100,000 is the value. Instead of paying NGN 40,000, that is 10% of the value as tax, and we will be paying NGN 10,000. You too take this". We told them that no, no, no, we don't do that kind of a thing. That is another area in which there can be a kind of variation for those valuers that are not disciplined (Interviewee VI6).”

'Oga' is often used in Nigeria context to mean a boss or master, but in the context of this interviewee, it means the valuer. 'Do it like this' and 'take this' as used in the interview context to reduce the assessed value and take this money for the anticipated assistance you are rendering to us. The interviewee capped it up by describing those valuers that collected money from ratepayers to reduce their rateable values as those that are not disciplined or corrupt. This factor is similar to the client's influence, but it is explained in detail in one of the subsequent sections of this analysis.

Furthermore, interviewee VI7's submission was drawn from his experience with his boss in the preparation of the valuation list. His account was:

“... integrity matters too because, like I said, when we are doing the Ilorin-West rating valuation, the principal partner makes sure that he

goes through all the assessment field sheets and vet the valuation list before appending his signature. This suggests that he values his integrity as the valuer that has been doing the job for up to 30 years. He would not want a little mistake on the valuation list to tarnish his integrity (Interview VI7)."

From interviewee VI7 submission, he sees integrity as a 'good reputation'. This implies that a valuer who cares about his reputation would comply with the profession's ethics. In other words, an honest man is a man with a good reputation. This factor can be likened to the motto of NIESV, which is honesty and devotion.

4.2 Legal Factors

This includes the comprehensiveness and explicitness of the statutes and regulations that guide rating valuation assessment.

a) The Comprehensiveness of the Rating Law

This factor was identified by interviewee VI7, "*The law will seem to be comprehensive and all-inclusive if it is detailed enough to contain all the required operational guides to avoid unnecessary assumptions due to ambiguities and insufficient fundamental provisions*" What can be induced from the comments of this interviewee is that rating is a statutory valuation which its law ought to be comprehensive about all that is needed for the determination of rateable value.

b) The Explicitness of the Rating Law

The presence of unambiguity in the rating law simplifies and encourages the use of particular meanings or interpretation of the law. Interviewee VI7's comment on this was that when the rating law is ambiguous, it gives room for diverse interpretations of the law. The interviewee stated that "*...when the fact needed for the rating valuation is not stated in a proper way, it gives room for individual interpretation, or what I may refer to as induced assumptions (such as adoption of various percentages to deflate the gross rent to net rent), that may result to differences in rateable values*".

4.3 Valuation Environment and Process Factors

The valuation environment and process factors include valuation inputs variables, market indices, the absence of professional sanctions for negligence and misconduct, client's influence and the absence of quality control.

a) Market Indices for the Input Variables

Market indices for the valuation parameters are essential to carry out a meaningful valuation. Although market value may not be required in the determination of rating value, however, the assessed value must have some elements of the market value. The lack of these parameters or not being available in a formal way was identified by four interviewees. "*It depends on the information*" (VI1); "*So, if two valuers come to value a property, the information at the disposal of one valuer may not be the same for the other valuer*" (VI3); "*the hereditament is the same, but the parameters they are using vary...So, the main problem of variation in valuation is that of data*" (VI6); "*availability of data input*" (VI7). The market indices are referred to as information, parameters and data input by the interviewees. What can be induced here is that when there is no central databank from where the critical valuation input variables can be

derived, it will lead to variance in rateable values. The central databank recognised in rating valuation is often referred to as the tone of the list.

b) Absence of Professional Sanctions for Negligence and Misconduct

Professional bodies often chastise their members for misconduct or/and negligence as a way of correcting them. This act makes members up to the task in their professional engagement. However, when this medium of correction is ineffective or non-existent, members may not be up to the task of discharging their professional duties. The absence of professional sanctions was identified by interviewee VI5 who affirmed that:

“....where they know that they will be penalised for negligence, they would be more careful in the implementation of valuation or any professional engagement, and people make mistakes and get away with it.” (Interviewee VI5)

The point interviewee VI5 is making is that some variance in rateable values would not have happened in the first place if the appropriate bodies were on alert to avoid, prevent and watch out for negligence and misconduct in the valuation practice of its registered professionals, otherwise called policing. Due to a lack of policing in this regard, some valuers that ought to have been sanctioned for professional negligence are not brought to book. This act has therefore given those valuers the freedom to do whatever they want. This assertion was also supported by interviewees VI6 and VI7.

“...another issue that matters is punishment. Let me just use punishment. The article of Babawale (2007) in the NIESV Journal suggests that most cases of professional negligence are not pursued to the court. The cases are handled by the professional body, like our NIESV or ESVARBON. In most cases, members are protected. However, if valuers realised that they can be charged with negligence cases when they prepare a wrong valuation report, all valuers in Nigeria will sit tight.” (Interview VI7)

The term 'punishment' was used by interviewee VI7 to describe sanction, and 'member protection' was used to explain the absence of professional sanction. Interviewee VI6 used the clause 'not dragging the professional to court for the negligence of duty' to describe the lack of professional sanction. Interviewee VI6 believes that valuers were not often charged to court for the negligence of duty, which is why some of them do not exercise due diligence in their professional engagement. So, what can be made of their comments is that when valuers know that the chances of being sanctioned are low, they may not be meticulous in how they execute their work. When their cases of being sanctioned are high, they would be meticulous and exercise more due diligence in their professional duty.

c) Client's Influence

This is the client's offering of inducements to a valuer for the purpose of influencing valuation to his advantage. Although, this looks familiar with the valuer's integrity because both can influence the rateable value in favour of the client. But it differs from valuers' integrity because while a valuer's integrity involves financial reward in exchange for a reduction in rateable value, the client's influence may take any other form of inducements of no financial measures but influencing a procedure to advantage themselves. An example of this is the offer of admission of the valuer's child to a university or the client's offer of employment to the valuer's relative at the client's place of employment, influencing the posting of National Youth Service

Placement to the valuer's child or relatives place of preference. In fact, it is a form of exchange of favour but not always in monetary form. Interviewees VI6, VI7, and VI8 identified this factor. VI8 identified the manipulation of information by the client as a cause of variance in valuation. He submitted that when the same client gives valuers further details on the same property, it will result in valuation variance. Interviewee VI6 said:

“.... another problem is what they called "heuristic value". It is a situation whereby the value arrived at is influenced by the client. Where a valuer allows his client to dictate the value for him...Because during our rating valuation exercise, we are tempted like that.” (Interviewee, VI6)

In like manner, interviewee VI7 said:

“Literature has it that client influence may lead to variation in valuation on general note. A situation where your client wanted you to reduce the value or increase the value. Mostly is the reduction in value that is common from the perspective of the ratepayer because they do not want to pay high rates.” (Interviewee, VI7)

The concluding sentence by interviewee VI7 is worth noting. The sentence corroborates the earlier view of interviewee VI6 under the integrity of the valuer, where it was said that the ratepayer is offering money for a reduction in the rateable value. This, therefore, suggests that it is not only the client that instructs the valuation of the property that could influence the final figures, but those with direct or indirect interest can also influence the valuer by ways of inducements which may not be in direct financial form.

d) The Absence of Quality Control

Quality control is the internal mechanism of ensuring correct and appropriate things are done. This is often part of a valuation firm or rating authorities' quality assurance process in assessing properties, as recommended by the International Association of Assessing Officers (2016). This ensures that the computation of the valuation and the reports are free from all kinds of errors before presenting the final figures to the end users. The absence of quality control mechanisms was identified by interviewees VI5 and VI7 as the likely cause of variance in rateable values. Several of them did not put primary commitment to quality control on the job (Interviewee VI5). A firm's quality control strongly influences the assessed value (Interviewee VI7).

What can be induced here is that when a consultant valuation firm or the rating authority does not have a well-founded quality control mechanism as it relates to the process of determining the rateable values, variance in the assessed rateable values is unavoidable.

The interview summary on the causes of variance in rateable values is presented in Table 1. The causes were classified into three groups as it was raised in the literature review, and the new terminology was also shown in the table.

Table 1: Summary of Findings on Causes of Variance in Rateable Value

S/ N	Factors classification	Variables from previous studies	Variables discovered from the study
1	Valuer's characteristics	Experience in rating valuation	Specialisation
		Unrealistic valuation assumption	Valuers' opinion on the rating valuation input variables
		The integrity of the valuer	Disciplined valuer/ incorruptible valuer/ good reputation/ Careless mistake/ lack of due diligence
2	Legal factors	The comprehensiveness of the law	All-inclusive rating law
		The explicitness of the law	Unambiguity of the rating law
3	Valuation environment and process	Availability of market indices for the input variables	Information in the tone-of-the-list
		Absence of professional sanction for negligence and misconduct	Lack of penalty for misconduct/ lack of punishment for misconduct/ protection of valuer by the regulatory board
		Client influence	Financial gratification by the ratepayer and manipulation of information by the ratepayer.
		Absence of quality control	Lack of control by rating authority/ valuation firm

5. Discussion and Conclusion

The focus of this study is to identify factors that cause variance in rateable values among valuers in rating exercises in Kwara State, and the results have been presented in section four of this paper. This section, therefore, discusses the findings of the study on the causes of variation in rateable values as follows:

- a) Experience of valuers in rating valuation: This is based on the frequency of a valuer participating in rating valuation. The frequency of such participation could be used to judge the valuer's adequacy and relevance of knowledge and skill in the determination of rateable values. This study confirms earlier studies by Harvard (2001), Ayedun *et al.* (2012), Akinjare *et al.* (2013), Effiong (2015), Adegoke (2016) and Munshifwa *et al.* (2016). This factor was identified in Munshifwa *et al.* (2016) study as one of the causes of variance in the Zambia rating assessment. The word specialisation may be used to substitute for long-term experience.
- b) Unrealistic valuation assumption: The studies of Harvard (2001), Effiong (2015), Adegoke (2016) and Munshifwa *et al.* (2016) are in agreement with this study's findings that assumptions made by valuers in the course of valuing property are a possible cause of variance in rateable value. The study of Munshifwa *et al.* (2016) again affirmed that the absurd assumption of the valuation input variables among valuers causes variance in rateable values. Effiong (2015) is more specific on this by illustrating those exhaustive assumptions in just one of the valuation input variables, such as construction cost per square meter between two or more valuers, which would cause valuation variance. This, therefore, suggests that when the assumptions on any of the valuation input variables are not within a close range among valuers, the resultant effect is variance in valuation. This was also affirmed by Bond and Brown (2012) concerning the UK de-capitalisation rate. Bond and Brown (2012) stated that a 1% difference in the de-capitalisation rate between two valuers could lead to about 20% variance in the final rateable values. Valuers' opinions on the rating valuation input variables could be used to replace unrealistic valuation assumptions concerning the determination of rateable value.

- c) The integrity of the valuer: Valuers' integrity refers to the display of the art of honesty, due diligence, reliability or uprightness in the discharge of professional services towards the client or other interested persons attached to the service being rendered. The study of Munshifwa *et al.* (2016) used the term 'corrupt valuation surveyor' to describe integrity. This factor was also identified in Adegoke's (2016) study. What this suggests as it relates to rateable values is that when a valuer compromises his integrity in valuing property for rating purposes, and another valuer holds to the profession's ethics in carrying out the valuation, there could be a variance in the rateable values. Thus, it suggests that words such as disciplined and incorruptible can be used to explain the integrity of the valuer.
- d) Furthermore, careless mistakes or lack of due diligence could reflect the integrity of the valuer. Instances that could come under this are calculation errors, lack of adequate market analysis, lack of sufficient time for the execution of valuation assignment and overwhelming workload. When a valuer is found wanting in any of these instances, it should be treated as negligence of duty on his part. Thus, a lack of due diligence or careless mistake could be used as a replacement for the integrity of the valuer.
- e) The comprehensiveness of the rating law: This fact was established as one of the reasons for variance in the assessment values under the Lagos State Land Use Charge Law (2001) and the Kwara State Land Charge Law in Babawale and Nubi (2011), Oni and Ajayi (2011), Babawale (2013a) and Atilola (2013) studies, respectively. This study identified the comprehensiveness of the rating law as a factor, and all-inclusive of the rating law was to describe it.
- f) The explicitness of the rating law: This is what Babawale and Nubi (2011), Oni and Ajayi (2011), Atilola (2013) and Babawale (2013a) refer to as a discretionary power of Statutory Officer. These authors linked this factor to the causes of variance in land charges in Lagos State and Kwara State. Munshifwa *et al.* (2016) study revealed that the primary cause of variance in rateable values among valuers in Zambia is associated with ambiguity in the Zambia Rating Act. Unambiguity of the rating law was used to express the explicitness of the rating law.
- g) Market indices for input variables: This is the availability of information on the valuation input variables. This information can either be derived from a central data bank, as the case in the UK (Bond, 2006) or issued by an institution, as the case in Tanzania, Botswana and Taiwan (Kayuza, 2006; Lin, 2010; Svensson and Leima, 2014). Bond (2006) says there is a 'basket of rent' from which the Valuation Officer in the valuation agency office derives comparable data for rating valuation in the UK. Authors have used different phrases or clauses to express market indices for the input variables. For instance, Effiong (2015) used "*lack of market data*", "*available market information to each valuer and source of market data*" (Ayedun *et al.*, 2012), "*different parameters and adequate market information*" (Akinjare *et al.*, 2013); "*problem of relevant data*" (Adegoke, 2016), "*differences in comparable, absence of a central market, lack of market transparency and insufficient comparable*" (Munshifwa *et al.*, 2016). This factor has also been identified as a cause of variance in mortgage valuation by Bretten and Wyatt (2001). Therefore, this suggests that information in the tone of the list could be used to describe market indices for input variables.
- h) Absence of professional sanctions for negligence and misconduct: Sanction is one of the measures imposed by professionals on erring members concerning negligence and

misconduct to correct them and do that which is ethically right. Effiong's (2015) finding suggests that failing to discipline erring valuers' for negligence contributes to valuation variance. Kelly and Musunu (2000) have recommended that valuers be charged some amount of money as a penalty for a wrong valuation exceeding a specific number to ensure that the assessment of rateable values is appropriately done. It then suggests that words such as lack of penalty for misconduct, lack of punishment for misconduct and protection of valuer by regulatory board or professional association could be used to describe the absence of sanction.

- i) Clients' influence: The practice of clients' influence may be of expert power (client pressure), coercive power (reducing the number of valuation assignments and refusal to pay valuation fee), reward power (promise of more valuation work and commitment to increasing the valuation fee) and information power (client withhold of certain information and client deliberately giving wrong information). This factor was identified in the analysis. This confirms the findings of previous studies such as Levy and Schuck (1999), Harvard (2001), Bretten and Wyatt (2001), Levy and Schuck (2005), Ayedun *et al.* (2012), Akinjare *et al.* (2013), Ayedun *et al.* (2014), Effiong (2015) and Adegoke (2016) that clients' influence causes variance in valuation. However, this study has established that it is not only the client that could influence the valuer concerning rating valuation. The ratepayer could influence the valuer by manipulating the required information to determine the rateable value. The ratepayer could also influence the valuers through financial inducement for a favour in reducing the rateable value.
- j) Absence of quality control: This is an internal mechanism of an organisation to ensure that the appropriate things are done. Kelly and Musunu (2000), Harvard (2001) and Bretten and Wyatt (2001) studies identified this factor as a cause of variance in valuation. Kelly and Musunu's (2000) study is specifically about the Tanzania rating valuation. This variable was established as a cause of variance in rateable values in the 1993 rating valuation in Dar Es Salaam. Kelly and Musunu (2000) further submitted that the Rating authority ought to have monitored the valuers by checking their field cards and ensuring that correct information is recorded on the card.

The findings of this study on factors such as professional qualification, academic qualification and valuers' training contradict previous studies' findings that these factors are causes of valuation variance. For instance, Adegoke (2016) study identified professional qualification, Ayedun *et al.* (2012) indicated academic qualification, while Effiong (2015) pointed to valuers training. The interviewees did not mention these three factors, nor did they state words that can be used to replace those factors. The respondents' views on these factors could be interpreted that there is no direct relationship between them and valuation variation. This might be because those studies were not on rating valuation.

Finally, the findings of this study agree with the quantitative study of Atilola *et al.* (2019) except for the training in valuation, academic qualification and professional qualification (requisite registration with the statutory regulatory body) that the interviewees did not mention. In addition, different terminologies were used to describe the variance in valuation.

This study has contributed to the existing body of knowledge by discovering new variables of specific application to variation in rating valuation, though generally based on the existing

literature on valuation practice, but slightly different from the previous ones obtainable in the literature. Furthermore, the study provided information that could be used to develop a questionnaire for a quantitative study. The information provided in this study could help the rating authority, the valuer and the professional regulatory body forge ahead on managing those identified factors. The prompt management of the identified factors causing variance in rateable value could help reduce tax evasion, tax avoidance, and the unrest associated with variance in assessed rateable value. This could, therefore, bring about efficiency in the rating administration as less objection and appeal would be witnessed and ratepayer willingness to pay. This could translate to a high collection ratio.

The major limitation of this study is the non-constituting of rating administration institutions in the study area. This limitation has led to seeking the opinion of the valuers alone on what they considered as the likely causes of variance in rateable value. The view of other stakeholders, such as the Rating Board, Assessment Appeal Tribunal, and Valuation Court, was not considered. The findings would have been different if the data gathered were supported by Assessment Appeals Tribunal or Valuation Court pronouncement on what causes the variance in rateable value in cases they examined. Hence, future research may be considered on causes of variance in rateable value by triangulating the views of these stakeholders.

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