

Appraising the Appraisers: Where Competence Meets Compliance

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ABSTRACT

Quality assessments and their intended applications are influenced by the roles and responsibilities of appraisers, particularly on how they implement the appraisal and valuation process to provide a well-supported opinion of value, considering all relevant factors. This study aims to evaluate the competence level in the terminologies used in preparation of appraisal and valuation reports as well as adherence of local government employees to the appraisal system used for the disposal of equipment and assets as mandated by law that could lead to an improved appraisal system. Nonetheless, improvements on knowledge acquisition and adherence to appraisal process must be addressed to ensure that the objectives and guidelines concerning the disposal of government assets are fulfilled in an acceptable manner. The findings indicate that "estimated useful life" is the most frequently used term, while "impairment loss" is the least commonly referenced in the preparation of appraisal and valuation reports. The employees followed the standards outlined in the procedures manual when conducting inspections. However, proper sequence when carrying out appraisals were not consistently observed but with acceptable reasons. This affected their judgement, leading to improper justifications for declaring properties unserviceable and disposing of them. Without knowledge and competence, the improper justifications can lead to failure to prepare an updated list of assets and inaccurate or poorly documented reporting requirements. To address these issues, the following actions are recommended to include reviewing the current guidelines and laws to prevent future audit findings related to improper disposal justifications, offer training to employees on relevant topics, promote accountability and responsibility, establish an appraisal committee, implement regular inventory, emphasize honest and accurate computations.

Keywords: Appraisal, Disposal Assets, Local Government, Knowledge, Compliance

INTRODUCTION

An appraisal system is more than just a method for assigning a monetary value to assets. It's a comprehensive framework that helps assess the marketability, usefulness, and suitability of equipment and other government assets. By having such a system in place, local governments can ensure that they are making informed decisions about which assets to retain, upgrade, or dispose of. Valuation is not a one-size-fits-all process. The method used to value assets like machinery and equipment can vary significantly depending on the specific circumstances of the examination which includes market value, replacement value and depreciated value. Knowledge on the terms comprising these values is important because the stakes are high, and the consequences of misjudging an asset's value can be costly. Market Value is an approach that considers what a

buyer would pay for an asset in the current market (Adriano, 2023). It is often used for assets that are easily sold or traded. Replacement Value is the method

that estimates how much it would cost to replace an asset with a similar one. It is useful for assets that are critical to operations but not easily sold. Depreciated Value takes into account the asset's original cost minus depreciation over time (Fattinnanzi, 2020). It is commonly used for assets that lose value as they age.

Putting into practice a proper appraisal system may be tough, particularly in the local government where assets are inter-related and varied. Nevertheless, advantages outnumber the challenges that include efficiency, transparency, and sustainability. Thus, knowledge is significant in the implementation of efficiency in the process of appraisals where the precise valuing of assets, the local governments are able to maximize resource distribution and minimize waste (Henz & Oliveira, 2024). Transparency, on the other hand, gives a transparent and clear process for decision-making, lowering the chances of mismanagement in the appraisal process that results in enhanced compliance (Gupta, et. al, 2020). Sustainability ensures assets are utilized optimally, making them last longer and lowering the requirement for early replacements where knowledge and compliance play a vital role (Tang & Higgins, 2022; Petrescu, et. al., 2020). Typically, an appraisal system is more than a mechanism for the valuation of assets, it is a strategic asset that allows local governments to make intelligent choices regarding the disposal of assets.

The subtlety of valuation and the customization of the appraisal process to fit the unique circumstances, local governments can release important efficiencies and make certain that their assets remain useful to the public. Effective appraisal systems enable governments to optimize resource distribution and reduce waste, with support from knowledge and compliance resulting in asset management (Gavrikova, et. al, 2020) and optimization among local government (Ravaghi, et. al. 2023). Transparency in appraisal processes ensures clean decision-making, minimizing the possibility of mismanagement and improving compliance. Research on public performance focuses on the significance of transparency and accountability in government functioning to secure compliances (Puspita Dewi, et. al., 2024). While not explicitly about appraisal systems, these research paper concentrate on degree of knowledge and scope of compliance with appraisal standards that are significant in property dispositions. Asset sustainability guarantees optimal use of assets, lengthening their lifespan while minimizing the necessity for early replacements (Lamberte, et. al 2019; Demartini, et. al, 2024). The notion syncs with wider debates in sustainable management practices in public administrations.

Research Objectives

The primary aim of this research is to evaluate the knowledge level of local government employees in relation to the terminologies in preparation of appraisal and valuation reports as well as to examined the extent of adherence to which these employees comply regarding property appraisal guidelines. With the data gathered from the respondents, related literature and studies, the researcher aims to formulate recommendations to enhance the appraisal system in the disposal of government properties in the local government units. The specific questions for this research study are (1) What is the current level of competence among local government employees regarding the terminologies used in preparation of appraisal and valuation reports? (2) To what extent do local government employees adhere to property appraisal guidelines in their appraisal operations?

LITERATURE REVIEW

The important literature and studies are discussed as follows;

Competence and Extent of Adherence on Preparation of Appraisal and Valuation Reports

Appraisal and valuation reports are essential documents applied across government agencies (Department of Budget and Management, 2024). These reports are an objective measurement of the value of government assets and properties. Preparing these reports involves following set of standards and guidelines to guarantee accuracy, reliability, and transparency. Valuers and appraisers must adhere to ethical requirements such as integrity, objectivity, impartiality, confidentiality, competence, and professionalism (International Valuation

Standard Council, 2022) in which having competence and adherence to guidelines is necessary to public ethics. These are fundamental in maintaining public confidence and ensuring that reports are unbiased and reliable. The public employees must possess the technical expertise and capability necessary to carry out valuation assignments effectively. This includes understanding various valuation methods (Kasim, et. al, 2025), accounting or finance terms, market scenarios, and regulatory requirements. It is important to understand market conditions, economic movements, and environmental factors while making sound valuations which includes considering the impacts of environmental pollution on property value (Uzoamaka, et. al, 2025).

Compliance with set standards is crucial to ensure the credibility and reliability of valuation and appraisal reports (Musa, et. al, 2024). Reports should be in line with applicable standards such as the disclosure of the basis of value, used methodologies of valuation, and assumptions made throughout the process of valuation. Reports should provide an evident statement of the scope of work, utilized methodologies, major inputs, assumptions, computations and conclusions arrived at. It makes users, decision makers, employees in general to be aware of the process of valuation and the outcome. Proper records of the process of valuation are essential for accountability purposes and future reference. Records must contain documentation of investigation, analysis, and conclusions. Appraisal review and mechanism is essential in verifying that valuations are accurate and in compliance with standards (Tymoshchuk, 2020). Reviews confirm the accuracy of assumptions, methodologies, and conclusions drawn from the valuation process.

In spite of the significance of compliance with standards, there are various challenges such as complexity of valuation assignments, regulatory differences, environmental and social considerations, and technological changes. However, these challenges can be another topic to pursue. Valuations usually entail sophisticated assets or special market conditions that need specialized knowledge and skills. Environmental and social considerations (Sandhu, 2021) may prove challenging to incorporate into valuations where information is limited or uncertain. The increasing use of technology in valuations requires professionals to stay abreast with the latest tools and methods while still meeting standards that currently exist. The production of appraisal and valuation reports requires comprehensive knowledge of ethical guidelines, technical proficiency, as well as compliance with established standards. Following these standards is essential in the preservation of integrity and reliability in such reports (Department of Finance, Department of Budget and Management, National Economic and Development Authority, 2020).

Government Disposal of Equipment and Other Assets In general, disposal of equipment and other assets is regulated by the Department of Budget and Management Manual on the Disposal of Government Property and other laws. The guidelines shall include unserviceable, obsolete, forfeited, abandoned, excess or surplus to government needs, junk or scrap materials. Disposal of activities involves determination and evaluation of disposable property which is the subject of this research guiding towards review and improvement of policies. Determination of disposable property forms the following conditions; "Property can no longer be repaired or reconditioned wherein maintenance costs outweighs service benefits. The property is no longer necessary as well as unused supplies and materials". The other appraisal is establishing the value of the property to dispose and adequate documentation should be in line.

Each year, local government unit make budget to acquire fixed assets to provide public services at its best. In the long run, it should be that these fixed assets are for disposal which should be in an efficient, consistent and equitable form. Additionally, where disposal of equipment and other assets policy and guidelines exist in conformity with the procurement practice will result in realizing value for money in accordance with the public service, government financial administration and public procurement acts. The current research study, therefore, will offer insights for the local government units to manage procurement policy and guidelines where their practices are harmonized. Property disposal plays critical role in the cycle whether to recycle, sell or transfer the property because of various reasons such as it is "no longer needed because of altered procedures, purposes or usage patterns are obsolete, taking up storage space, not required in the foreseeable future, at their best selling time to realize optimum returns, no longer meeting occupational health and safety requirements, discovered to contain hazardous materials, and/or beyond repair but can be sold for scrap.

Government services are changing in a new environment of growing demands and expectations encompassing greater attention to enhancing efficiency and effectiveness as well as value for money, and ongoing development of new technology, as stated by Masaro (2018). Additionally, for disposal functions to be effectively carried out, the presence of disposal policies and procedures is essential and should be in effect. Yet, obtaining the optimal value for public money and performing the disposal responsibility efficiently, effectively and transparently the commitment and dedication of local government staff and other interested bodies for carrying out disposal tasks efficiently and effectively are vital in the achievement of the objective of the disposal activities.

Based on Dubale (2021), "unserviceable properties are those properties which are not serving a function to an organization and needed disposing of their location, usually they might be, surplus, obsolete, scrap, excess, and waste items which must be removed by the premises of the organizations." The government's unserviceable properties are under current and correct appraisal and valuation prior to its disposal wherein local government units can utilize disposal criteria to manage efficiently and act on the increasing demands and expectations as well as ensure safe environment and fiscally responsible means wherein appraisal and valuation are to be considered.

How valuation is done on assets such as machineries and equipment differ depending on the specific circumstances of the examination (Diestelow, 2022) wherein knowledge on the terminologies necessary in presenting valuation and appraisal reports is dependent on it. There are formulas to consider, accounting specifications that matters, standards on estimated life and useability among others are affected whenever employees don't know about these terms. Moreover, knowing is not enough since local government units should understand and appreciate the need of these terms in preparing their reports. They should not be intimidated of the terms that are mostly used in accounting even though they are not accounting majors.

Research Paradigm

At the local government level, property valuation is of utmost significance in a way that government properties are appraised at their actual prices and disposed of appropriately. It is the aim of this study to assess the level of competence among employees in the local government in developing appraisal and valuation reports and to assess their compliance with property appraisal guidelines. Through acquiring responses from the respondents and literature, the current study intends to come up with actionable recommendations to enhance the appraisal system. Evaluation of competence is applicable as it concerns certain understanding of existing gaps in knowledge of local government employees regarding appraisal and valuation processes and its corresponding terminologies. Compliance evaluation is the assessment of the extent to which employees follow stipulated guidelines and the determinants of compliance. Implications are translated into practical suggestions to enhance employee training, enhanced compliance with rules, and streamlining of the system of appraisal to enable more effective disposal of government properties guided by the terminologies in reports preparation.

RESEARCH METHODOLOGY

This research study was conducted using descriptive research design through quantitative method. The researcher used the descriptive research method using validated and tested survey questionnaire due to its appropriateness to the specified problems presented in this study. The respondents of this research study were employees of selected local government units in Albay, Region V that have positions as to General Service Officers and Staff, Accountant, and Engineers. This research study used purposive sampling technique since the population was already identified which is the selected local government units in Albay, Bicol Region. Thirty-three (33) participants were asked to fill out the survey-questionnaire. Limited number of respondents was based on the criteria to include selected employee positions. Data were collected, summarized, and processed through statistical tools which were then interpreted and analyzed. This research study used the following statistical tools such as frequency, percentage, weighted mean and standard deviation that were presented in tables wherein responses were summarized, classified, and tabulated. These statistical tools were used to provide better interpretation, presentation and analysis of data.

RESULTS AND DISCUSSIONS

The results and discussions are as follows;

TABLE 1 Competence in the Terminologies in Preparation of Appraisal and Valuation Reports (N=33)

INDICATORS	MEAN	SD	INTERPRETATION
1. Acquisition Cost	3.82	1.13	Competent
2. Appraisal	3.79	0.96	Competent
3. Appraised Value	3.76	1.06	Competent
4. Depreciation	3.61	1.25	Competent
5. Depreciable Amount	3.55	1.25	Competent
6. Carrying Amount	3.30	1.21	Competent
7. Salvage Value	3.48	1.25	Competent
8. Useful Life	3.91	0.80	Competent
9. Estimated Useful Life	3.97	0.77	Competent
10. Deterioration	3.76	0.61	Competent
11.Economic Obsolescence	3.42	0.79	Moderately Competent
12.Functional Obsolescence	3.45	0.90	Moderately Competent
13. Junk or Scrap Value	3.79	0.96	Competent
14. Obsolete Property	3.88	0.93	Competent
15. Unserviceable Property	3.78	10.05	Competent
16. Exchange Transactions	3.45	0.90	Moderately Competent
17. Impairment Loss	3.27	1.38	Moderately Competent
18. Effective Remaining Useful Life	3.82	0.95	Competent
19. Effective Useful Life	3.91	0.80	Competent
20. Locally Manufactured Properties	3.64	0.99	Competent
21. Sound Value	3.55	0.90	Competent
22. Fair Value	3.73	0.98	Competent
23. Current Market Value	3.91	1.10	Competent
24. Plant, Property and Equipment	3.82	1.13	Competent
25. Disposal or Disposition or Divestment	3.64	0.99	Competent
OVERALL	3.68	0.79	Competent

As gleaned on the results, the highest indicator is estimated useful life which means that the employees are competent in using and determining the disposable government assets' useful life necessary in preparing appraisal and valuation reports. Estimated useful life is the average number of years an asset is considered useable before full depreciation. Hence, having competence on this estimated useful life is important to understand because before declaring the property for disposal you must be able to determine its useful life. However, employees must be updated on the standard estimated useful life of equipment, machineries,

furniture and other assets as well as should aligned with the accounting standards. The employees have competence or knowledge on the common terms that is required of them to understand. However, the least indicator is impairment loss which means that this is the least known factor among employees who are tasked to prepare appraisal and valuation reports. Impaired asset acquires impairment loss whenever its market value is less than the value listed on the books. In addition, impairment loss should be recognized as reduction in the carrying amount of asset due to declining value. Impairment loss as an accounting term should be understood by the employees since they are justifying the disposal of the unserviceable government properties and other assets wherein, they must be able to see if there is a declining value.

TABLE 2 Extent of Adherence on the Property Appraisal Guidelines (N=33)

INDICATORS	MEAN	SD	INTERPRETATION
1. Establishment of committee for appraisal and valuation.	3.73	1.15	Great Extent
2. Adherence to the general appraisal process (e.g., ocular inspection, seek price reference, compute the appraised value).	3.64	1.08	Great Extent
3. Proper conduct of inspection of the unserviceable property or equipment to verify justification for disposal and determine the existence of the property	3.82	0.95	Great Extent
4. Committed to accurately determine the condition of the property and reasonableness of the appraised value	3.73	0.88	Great Extent
OVERALL	3.73	0.95	Great Extent

Based on the results of the study, the highest adhered indicator is “proper conduct of inspection of the unserviceable property or equipment to verify justification for disposal and determine the existence of the property” which means that the employees adhere appropriately to the compliance of what has been specified in the manual of procedures in the proper conduct of inspection. However, the least adhered indicator is “adherence to the general appraisal process (e.g., ocular inspection, seek price reference, compute the appraised value)” which means that the employees are somehow not consistent on observing or following the sequence in the conduct of appraisal that could affect their judgement on the inspection activities leading to improper justifications of unserviceable properties for disposal. Although, the employees comply with the conduct of inspection, there is a necessity that appraisal and valuation process follow certain steps accordingly. These steps form part of the conduct of inspection to be done with due diligence. Additionally, despite such least adherence, employees ensure that reasons are provided and justified. More importantly, results shows that extent of adherence in property appraisal guidelines are followed to a great extent.

CONCLUSIONS

Majority of the terminologies to consider in preparing appraisal and valuation reports are known to the employees but those are basically needed in formulating justifications in the disposal of government properties and other assets. However, competence of the terminologies needs improvement particularly those terms that are based on accounting standards wherein non-accountants may be hesitant to learn or unable to appreciate its uses. Employees adhere appropriately to the compliance of what has been specified in the manual of procedures in the proper conduct of inspection. However, the appraisal and valuation process requires steps to be followed in which employees must be acquainted with. Consistent update of the records and conduct of actual inventory can help the employees manage the appraisal process. Familiarity with the existing property appraisal guidelines including important terminologies, formula, laws and regulations requires improvement, deeper understanding and appreciation along with continuous training may lead to increase competence.

RECOMMENDATIONS

The local government must conduct trainings on accounting for non-accountants focusing on the terminologies,

formula and other appraisal related topics. Review the existing laws and guidelines against the actual practices of the local government employees to prevent any unnecessary audit findings. The local government together with other government agencies may conduct trainings on the process of appraisal and valuation particularly on price information referencing, appraised value computation, documentation and report submission. The training must be accompanied with actual inspection and updating of the government properties and other assets. Requiring the local government to submit updated and established status of all government properties and other assets under their accountability and responsibility.

Tailored training to fill the knowledge gaps that have been identified. Streamlining guidelines to make them more accessible and usable. Establishing periodic monitoring and feedback mechanisms to ensure compliance with guidelines. Local governments can make their property valuation process should be more transparent and efficient, thereby enhancing their property management and disposal capabilities.

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