

VALUATIONS ARE A NECESSITY AND NOT A LUXURY

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Valuations are one of the things Museum boards and directors generally wish would go away. One reason for this is that they are time consuming and if done properly, appear to be costly with little benefit.

The other reason is that we have all heard stories about the inaccuracies of the 'science'. This was recently experienced by a friend who attended a valuation clinic held by a reputable and knowledgeable group of valuers. She was told by the 'expert' the only thing to do with her item was to donate it to one of the local charity shops, as it was only worth a few dollars. But when she decided to offer it for auction it was sold for \$15,000 plus!

Valuations are necessary in two sorts of situations. Firstly, it is required when donors require a tax deduction. In this case it is necessary for the donor to obtain valuations from two 'approved' valuers under the Federal Department of Communications and the Arts (DCITA) Cultural Gifts Program. A list of approved valuers can be found on the DCITA website (www.dcita.gov.au/cgp).

Secondly, valuations are required to insure against the loss, damage or theft to collections. While these incidents are rare, accidents do happen, and it is often hard to justify the assumed value of an object after the event. If an institution does not hold up-to-date valuations, then this can lead to unpleasant situations between the insurer, the broker and the institution. In responding to a claim an insurer will look to the institution's asset/collection register and if no proper valuations are in place, this could lead to a long, drawn-out process in replacing the object.

In addition, all institutions are faced with a number of accounting standards, which now affect our annual reporting. All institutions are required to conform to Australian Accounting Standard [AAS] 10, requiring all assets to be re-valued every three years. If the institution is responsible to the government it will be governed by one of three other accounting standards:

AAS27 Local Government

AAS29 Government Agencies (either state or federal)

AAS31 Government (either state or federal)

According to a recent Internet search, many institutions (especially for AAS29 and AAS31) over the past few years have received qualified audits for not conforming to the Australian Accounting Standards in the valuation of their collections. Unfortunately, funding bodies look less favourably on institutions subject to qualified audits, making it that much harder when applying for grants.

There are some institutions that take the easy way out and just revalue their collections with a blanket adjustment, reflecting the inflation rate rather than looking seriously at its collection. Unlike other museum assets, the collection is something which should not be depreciated. Of course, most collections are unique and have many (if not all) items which are irreplaceable.