

August 31, 2011

IVSC

Response to Second Exposure Draft:  
Proposed Code of Ethical Principles for  
Professional Valuers

# Contents

General Observations & Comments

3

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We generally agree with the approach taken in the revised Proposed Code of Ethical Principles for Professional Valuers, in that the code is laid out in the form of several fundamental principles that are crucial to any code of conduct, while allowing for flexibility in the detailed requirements for their application. We also agree with limiting the purpose of the implementation examples in the document to illustrative only.

We have the following main comments:

- The document provides one example of a safeguard in the work environment (A1.4) against various ethical threats as “periodically changing the professional valuer responsible for a recurring valuation.” The same potential safeguard is also pointed to later in the document (A2.12) as a means of minimizing bias or the perception of bias.

We recommend that this example be either removed or modified. There are adequate other safeguards in place which obviate the need for such measure, without requiring costly and unnecessary professional valuer rotation. Examples of such other internal controls include concurring valuer review (this would be another professional valuer reviewing the valuation of the primary valuer), an organized internal “peer review” process performed by a separate department (akin to “internal audits”). External controls typically in place, which serve the same purpose, include various audit and regulatory reviews of the valuation output, many of which are ongoing in nature.

In the event the IVSC decides to not remove the above example, we recommend that it modifies the statement by inserting “unless controls are in place to minimize the perceived threat” (i.e., “periodically changing the professional valuer responsible for a recurring valuation, *unless controls are in place to minimize the perceived threat*”).

This would be similar to the approach taken by the IVSC in the discussion of the fundamental principle of Objectivity as it relates to recurring valuations. In particular, in discussing examples of situations which merit the adoption of safeguards relating to objectivity, the document states: “providing recurring valuations of the same asset *unless controls are in place to minimise the risk of self-review.*” [Emphasis added]

Not making the suggested clarification may result in practices that are unnecessary and not cost-beneficial.

- In discussing the principle of Professional Competence and Due Care, the exposure draft states:

“A2.19. A professional valuer shall apply the International Valuation Standards to the extent that they are applicable to the valuation assignment, subject to any statutory or regulatory requirements relevant to the assignment that may require modification of or departure from those standards.”

We recommend that a reference should not be made to IVS in particular, as there may be other valuation standards that may be applicable or that may be endorsed by an organization adopting the IVSC’s code of ethical principles model. Instead, we recommend that reference be made to “*the relevant valuation standards* to the extent they are applicable to the valuation assignment...” Alternatively, or in addition to the above, IVS may be provided as an example of a set of such standards.

We believe that this recommendation is consistent with the non-mandatory nature of IVS, and the non-mandatory nature of the specific discussions and examples provided in IVSC’s revised Proposed Code of Ethical Principles for Professional Valuers.