

10 October 2014

IVSC Standards Board
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Dear Sirs,

Consultation Paper – Structure and Scope of the International Valuation Standards

On 11 July 2014 the IVSC issued the above Consultation Paper for consideration.

The document was issued seeking a response from interested parties before 10 October 2014.

The Australian Valuation Standards Board comments (red) in response to the questions are detailed below:

Question 1

Paragraph 15.1 describes two alternative views on what constitutes a “standard”. Please indicate whether you agree with either statement a) or b) below:

- a) the word standard in the context of the IVSs should be reserved only for rules or principles that have to be applied, or

NO.

- b) the word standard in the context of the IVSs means a required level of quality and will necessarily include not only rules and principles but also guidance and supporting information to assist consistent application of those rules and principles?

Yes Standards should encapsulate the things that are mandatory. However they must be accompanied by Technical Information Papers and other guidance that assist in the application of the standards. To not consider guidance and supporting information along with rules and principles is nonsensical.

Question 2

Paragraph 15.2 describes two alternative views on what is meant by the word “mandatory” in the context of standards. Please indicate whether you agree with either statement a) or b) below:

- a) a satisfactory level of compliance with the IVSs can be achieved by following only the Requirements in the standards and that all other material issued by the IVSC is of no relevance in determining compliance, or

No.

- b) a satisfactory level of compliance with the IVSs can only be achieved by following the Requirements and also having regard to the supporting information and guidance included in the standards.

Yes. Whilst primary compliance with standards should constitute best practice, should a decision be made that an alternative approach is justified by the facts of a particular assignment it will need to be justified. Courts and Professional Indemnity Insurers would want to see why someone has “strayed” from the guidance provided and this may be covered by other supporting IVSC material.

Question 3

Paragraph 15.3 describes confusion that has been identified by some around the purpose of the current TIPs. To assist the Board in considering whether changes are appropriate and if so what those changes should be, please answer the following questions:

- 3a** Do you consider that the title “Technical Information Paper” is an appropriate description for the content of the TIPs issued to date and for those proposed TIPs for which public exposure drafts have been issued?

- a) Yes, or

Yes – It doesn’t really matter what it is called – it is the quality of content that is critical, not the name.

- b) No

If you have answered no please provide reasons for your view and suggest a preferred alternative.

N/A

- 3b** Do you find the content of the current TIPs helpful in understanding and applying the IVSs?

Yes.

If you do not, please identify any other material that you rely on to support the interpretation and application of the IVSs.

N/A

- 3c** Is there anything in the current TIPs that you consider should not be included, or that should not form part of the standards? If you believe there is please explain what should be excluded and why.

No.

Question 4

Do you agree that the Board should issue commentaries, guidance and information to support the concepts, principles and requirements in the standards? If you disagree please explain what alternative sources providers and users of valuations can use and how diversity of application and interpretation across different jurisdictions and markets can be avoided.

Yes, the Board should issue commentaries, guidance and information to support the concepts, principles and requirements in the standards.

Question 5

This consultation paper highlights four other sets of international standards that are in use in the financial markets and the different types of pronouncement that fall within their scope. An overview of each is provided in the Appendices. Please indicate if you consider that there are any aspects of the way these standards are presented that the Board should consider as a way of improving the presentation and clarity of the IVSs.

Appendix 1 – International Standards of Actuarial Practice

Defining “must”, “should”, “shall” and “may” (whichever of these words are used) would be beneficial for IVSs.

Not sure that the path taken with ISAP2 is one that should be followed by IVSC. Such information should be considered, however, does not have to be followed (as long as the decision is documented).

“Additional material issued that is not part of their international standards” – whilst they say they show practices commonly used by actuaries and are not intended to define the practice or practices that would be adopted by all actuaries, any legal person worth his salt would query any left field practices.

Valuations sit in a very litigious space – a job for the IVSC on another day.

Appendix 2 – International Financial Reporting Standards

Appropriate approach.

Appendix 3 – The IAASB Engagement Standards

Appropriate approach, noting that the Standards are grouped rather than numbered (IFRS).

“Additional material issued that is not part of the standards” – similar comment to Appendix 1 above. How do you draw a line that says the information we put out is for the fun of it? Lawyers do not know what fun is.

Question 6

When it adopted a structure for the standards that contained five different categories of pronouncement the Board was responding to requests for a clear distinction be made between those parts that included mandatory requirements and those that contained supporting guidance. It

also considered that a taxonomy that grouped similar types of pronouncement together would make it easier for users to navigate to the parts relevant to their needs. However, some other standard setters do not make the same distinction. For example the IFRSs are simply numbered consecutively according to the date of their first issue, with no attempt to group by the type of topic each standard addresses.

Do you believe that the current structure of the IVSs that groups pronouncements into five different categories with distinct titles is easy to understand and use? If not, what alternative would you prefer?

The current grouping is easy to understand and use. It is highly likely that IFRS practitioners only understand numbers.

Question 7

In the document Scope and Content of the International Valuation Standards², issued in August 2013, the Board explained that the scope and level of detail are examined during the consultation process for each new pronouncement. However, its general approach is to include all those concepts and principles which it can identify as being widely accepted across different geographic regions and that can be applied across different jurisdictions. Simple explanations or illustrations of how those concepts and principles can be applied to different genres of asset or for different valuation purposes may also be included. It also will ensure that there is sufficient detail to address any inappropriate practice that has been identified during the progress of the project.

The Board will generally exclude from the IVSs any matter that reflects requirements arising from national law or regulation or from established practice in a particular jurisdiction but which either does not arise or that conflicts with those in other jurisdictions. The IVSs may refer to valuation methods or techniques, provide high level explanations of those methods or give examples of when their use may be appropriate. Finally, the paper confirms that the IVSs are not intended to provide educational material and will not examine methods defined or discussed in the standards at the level of detail necessary to apply them in practice.

Do you agree with these limitations on the scope of the IVSs? If not, please describe the types of additional material you believe should be included or matters currently included you believe should be excluded.

The API has no issue with the limitations on the scope of the IVSs.

However, one has to query why the IVSC would not go down the track and look to providing educational material and examining methods defined or discussed in the standards at the level of detail necessary to apply them in practice. It may be more appropriate for such development by the IVSC rather than some monopolistic VPO or equivalent.

Yours faithfully,



R. R. Dupont
On behalf
Australian Valuation Standards Board
Australian Property Institute