

Comment on IVS Exposure Drafts by the Property Institute of New Zealand Standards Board

IVS 101: SCOPE OF WORK IVS 102: INVESTIGATIONS & COMPLIANCE IVS 103: REPORTING

IVS 101 Scope of Work

- a) Do you agree that it is the valuer's responsibility to communicate the scope of the assignment to all parties to the valuation engagement? If not, why?

We disagree. This is because the valuer often only has direct communication with the instructing party. A number of instructing parties such as property managers and lawyers act as agents for clients whilst the scope of works document is frequently sent to these agents and signed on behalf of clients. As a result, it is not always possible to directly ascertain and confirm that the scope of works has been communicated to all parties. Therefore, we believe that it would be an onerous requirement on the valuer to specifically confirm that the scope of works document has been communicated to all parties prior to completion of the assignment. However, we are of the opinion that it is the valuers responsibility to communicate the scope of works to the instructing party as a minimum requirement.

- b) Do you agree that a written scope of work for each valuation engagement is not always possible or necessary? If not, why?

Yes, we agree that a written scope of works for each valuation engagement is not always possible or necessary. However, we are of the opinion that the standards should strongly recommend that a written scope of works be produced for the majority of valuations and that this is best practice.

IVS 102 Investigations and Compliance

- c) Do you agree that a valuer must perform sufficient investigations and procedures to assess the appropriateness of all inputs and assumptions? If not, why?

In principle, we agree with the above statement. However, we note that valuers regularly rely upon information provided by other professionals which have expertise in their given fields.

- d) Do you agree that significant limitations that impair a valuer's ability to assess the appropriateness of the inputs and assumptions should result in a valuation not being in compliance with IVS? If not, why?

Yes we agree. We are of the opinion that a report should specifically identify those inputs and assumptions as the reasons for not being in compliance with the IVS.

IVS 103 Reporting

- e) Do you agree with moving from a prescriptive to a principle-based reporting format? If not, why?

We disagree. Specifically, we believe that item 5 of the current standard provides a practical and not overly prescriptive list of matters which valuation reports shall reference. This to some extent provides a platform for consistency in reporting. We note that item 3 allows for variations for certain asset classes or applications.

- f) Do you accept that a report can take any form providing it sets out a clear and accurate description of the scope of the assignment, its purpose and intended use and discloses of significant inputs assumptions? If not, why?

We disagree. Refer above e).

IVS 200: BUSINESS AND BUSINESS INTERESTS

- a) In IVS 2013, all substantive portions of IVS 200 Business and Business Interests were labelled as “commentary” (except for scope and effective date). This label seems to have created some confusion amongst stakeholders as to whether the standard was mandatory. The Board’s position is that all aspects of IVS 2017 should be mandatory and this Exposure Draft has removed the “commentary” label for clarity. Do you agree with the removal of the commentary label?

Yes, we agree with the removal of the ‘Commentary’ label. Use of the label may suggest that the paragraphs located under that label have a lesser authoritative standing than paragraphs stating a requirement of the standard. However, commentary paragraphs are intended to amplify the meaning of the requirement paragraphs and therefore should be regarded as having equal standing to a requirement paragraph. The label is thus unhelpful.

- b) The Board believes that the standard presented in this Exposure Draft can be applied in the valuation of business and business interests regardless of the purpose of the valuation (acquisitions, mergers and sales of businesses, taxation, litigation, insolvency proceedings and financial reporting). Do you agree? If not, for what purpose(s) do you believe this standard cannot be applied? Why?

Yes, we agree that the standard, as presented in the Exposure draft, can be applied regardless of the purpose of the valuation

- c) Are there any further topics or special considerations that you feel the Board should add or remove from IVS 200 Business and Business Interests? If so, what are they and what is your rationale?

We agree with the scope of the standard, as presented in the Exposure draft.

IVS 300: PLANT AND EQUIPMENT

- a) In IVS 2013, all substantive portions of IVS 220 Plant and Equipment were labelled as “commentary” (except for scope and effective date). This label seems to have created some confusion amongst stakeholders as to whether the standard was mandatory. The Board’s position is that all aspects of IVS 2017 should be mandatory and this Exposure Draft has removed the “commentary” label for clarity. Do you agree with the removal of the commentary label?

Yes, we agree.

- b) The Board believes that the standard presented in this Exposure Draft can be applied in the valuation of plant and equipment regardless of the purpose of the valuation (secured lending, sales of plant and equipment, taxation, litigation, insolvency proceedings and financial reporting etc.). Do you agree? If not, for what purpose(s) do you believe this standard cannot be applied? Why?

Yes, we agree.

- c) Are there any further topics that you feel the Board should add or remove from IVS 300 Plant and Equipment? If so, what are they and what is your rationale?

No, everything is well covered.

IVS 400: REAL PROPERTY INTERESTS

- a) In IVS 2013, all substantive portions of IVS 230 Real Property Interests were labelled as “commentary” (except for scope and effective date). This label seems to have created some confusion amongst stakeholders as to whether the standard was mandatory. The Board’s position is that all aspects of IVS 2017 should be mandatory and this Exposure Draft has removed the “commentary” label for clarity. Do you agree with the removal of the commentary label?

Yes, it provides clarity and ensures Standards are followed and adhered to.

- b) Do you agree with Section 20.5, which states it is the valuers responsibility to state the extent of the investigation and source of the information to be relied on? If not, why not?

Yes, this will vary from job to job and therefore valuer is in best position to state the extent of investigation and source of information. This also clarifies to the reader what has been undertaken and relied upon. However, there may be circumstances where the client requires a specific inspection and therefore we believe in these instances it should be clearly detailed within the scope of works.

- c) The Board believes that the standard presented in this Exposure Draft can be applied in the valuation of real property interests regardless of the purpose of the valuation (secured lending, sales of real property, taxation, litigation, insolvency proceedings and financial reporting. etc). Do you agree? If not, for what purpose(s) do you not believe this standard can be applied? Why?

Yes, provides general principles that should be adhered to in all valuation assignments.

- d) Are there any further topics that you feel the Board should add or remove from IVS 400 Real Property Interests? If so, what are they and what is your rationale?

No, some double up with IVS 105 Valuation Approaches and Methods, but majority reiterates points explained in IVS 105, and expands in relation to real property.

IVS 410: DEVELOPMENT PROPERTY

- a) In IVS 2013, all substantive portions of IVS 233 Investment Property Under Construction were labelled as “commentary” (except for scope and effective date). This label seems to have created some confusion amongst stakeholders as to whether the standard was mandatory. The Board’s position is that all aspects of IVS 2017 should be mandatory and this Exposure Draft has removed the “commentary” label for clarity. Do you agree with the removal of the commentary label?

Yes

- b) The Board believes that the standard presented in this Exposure Draft can be applied in the valuation of both commercial and residential development property regardless of the purpose of the valuation (ie. establishing whether proposed projects are economically viable, loan security, acquisition, taxation, litigation, financial reporting etc.). Do you agree? If not, for what purpose(s) do you not believe this standard can be applied? Why?

Yes, in general, however the Exposure Draft is more specific to proposed development of commercial and residential buildings and less specific in terms of development land, such as a residential land subdivision.

- c) Are there any further topics that you feel the Board should add or remove from IVS 410 Development Property? If so, what are they and what is your rationale?

Add, possibly more clarification around land development.

IVS 500: FINANCIAL INSTRUMENTS

- a) In IVS 2013, all substantive portions of IVS 500 Financial Instruments were labelled as “commentary” (except for scope and effective date). This label seems to have created some confusion amongst stakeholders as to whether the standard was mandatory. The Board’s position is that all aspects of IVS 2017 should be mandatory and this Exposure Draft has removed the “commentary” label for clarity. Do you agree with the removal of the commentary label?

Yes, we agree with the removal of the ‘Commentary’ label. Use of the label may suggest that the paragraphs located under that label have a lesser authoritative standing than paragraphs stating a requirement of the standard. However, commentary paragraphs are intended to amplify the meaning of the requirement paragraphs and therefore should be regarded as having equal standing to a requirement paragraph. The label is thus unhelpful.

- b) The Board believes that the standard presented in this Exposure Draft can be applied in the valuation of financial instruments regardless of the purpose of the valuation (acquisitions, mergers and sales of businesses or parts of businesses, financial reporting, regulatory requirements, internal risk and compliance procedures and regulatory requirements). Do you agree? If not, for what purpose(s) do you believe this standard cannot be applied? Why?

Yes, we agree that the standard, as presented in the Exposure draft, can be applied regardless of the purpose of the valuation

- c) Are there any further topics that you feel the Board should add or remove from IVS 500 Financial Instruments? If so, what are they and what is your rationale?

We agree with the range of topics covered in the standard, as presented in the Exposure draft.