

### **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?

I don't think it is sufficiently clear what "all parties to the valuation engagement" means. Does this mean the client or the client and any other intended users? If it means "client", then I suggest the language be modified to be more clear. If it means the client and any other intended users, then that should be stated as well but I would argue that it is too broad to expect the valuer to reach all the other intended users.

The critical obligation is for the valuer to properly perform a valuation that will be credible for the intended use of the client and any intended users. This is what the Standards should address.

IVS 101 imposes an obligation for the valuer to prepare an letter of engagement and prescribes practices surrounding the valuation engagement. The standard is predicated on two assumptions that I do not think should be made on a global basis:

- 1) that the valuer and not the client initiate the assignment or prepare a letter of engagement and
- 2) if "all parties to the valuation engagement" means the client and any other intended users, that the valuer will even know who those other intended users are.

If the valuer attempts to communicate and fails, have they violated IVS?

In many circumstances, the clients regularly hire the valuer. This is acceptable because the valuer is ultimately responsible to always provide a credible valuation irrespective of any client instruction that would deter from that.

The MOU between IVSC and TAF states: "*It is agreed that where a word or term is defined in both the IVSs and in USPAP that , in so far as is possible, the definitions should be identical.*"

USPAP defines the scope of work as: *the type and extent of research and analysis in an appraisal or appraisal review assignment.*

It is not helpful to perpetuate a different meaning of *Scope of Work* between these two standards.

The IVS Scope of Work seems more appropriately considered A-Valuer-Written-Engagement-Agreement. The IVS 101 Introduction 10.1 uses a more apt phrase "terms of engagement". If it is considered desirable to require the valuer to generate an engagement letter, I suggest that the title of Scope of Work is not a very clear descriptor. Further, use of Scope of Work to describe an initial engagement letter deprives the Standards board of using this label for IVS 102 resulting in the less descriptive choices of "Implementation" or "Investigations and Compliance". What is the scope of work if not the nature and type of investigations one performs in order to value the asset? If the Standards Board wishes to retain a requirement that the valuer must be the one to write the engagement letter, I suggest a better term than Scope of Work be used.

Also, maintaining this standard means that unfortunately no completed valuation can ever be revised to make it subsequently IVS compliant. Any valuation that does not start out with the valuer creating an engagement letter outlining their scope of work cannot be retroactively made IVS compliant. This is a strategic course of action when trying to encourage use of global standards. This makes the IVS harder to be used globally at questionable benefit to public trust.

There does not need to be a requirement for an engagement letter at the outset in order to allow valuers to provide them. If a specific client or valuer strongly feels the need to understand the scope of work to be conducted, such communication can be easily arranged between themselves and the valuer without being prescribed in standards. Again, the importance is the incorporation of the scope of work in the report, not in an engagement letter.

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

A written scope of work for each valuation engagement is always possible. It is an unnecessary impediment to acceptable practice, but it is possible. I wonder if the fact that this question is being asked raises the greater question of whether IVS 101 "Scope of Work" requirements are truly needed.

The scope of work is one of the most fundamental and critical elements of a valuation. The requirement that it is included in each valuation report as per the draft of IVS 103 is quite appropriate. I suggest that should the reporting requirements ever be reduced, it should be requirement to maintain the scope of work in the valuer's workfile.

### ***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?

Yes

(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.

However, it is a limitation of the current draft that IVS does not include a mechanism to determine whether a valuer's scope of work is adequate for the client's intended use. This is a desirable objective but without a perfect solution. I note that USPAP offers two methods: the scope is acceptable when it meets or exceeds: what a valuers' peers would have done for the same or a similar assignment and the expectations of parties who are regularly intended users for similar assignments.

The scope of work of a valuation will certainly become the subject of a disagreement or legal claim. While the two tests offered by USPAP may not be a perfect answer, not addressing the question at all puts all valuers at greater risk.

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

Yes, standards should describe elements that are required to be in the report contents, not the format of the report.

(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?

Yes.

### **Other comments:**

- Question - do the client and other intended users have the same rights with regard to the valuer and the report?
- Valuation date - I suggest this can be easily construed to mean either "date of value" or "date of valuation report". In IVS "valuation date" means date of value. Given the IVS are global and there is necessary translation, why not use "date of value" which is less likely to be misinterpreted?
- Valuation Record - *this record shall include the key inputs, all calculations, investigations and analyses relevant to the final conclusion, and a copy of any draft or final report provided to the client.* "Any" or "every"? Should a draft report be something that needs to be retained? How does one distinguish between a draft and a final report under IVS?
- IVS 103 10.1 - it is important that the report be required to communicate the information necessary for proper understanding on the part of the client and intended users. While intended users are in the 2nd line, this important element should be addressed in the first sentence.

- *Special Assumption* is a term specific to IVS and with a specific meaning. It should be defined.
- Framework - Competence 50.1 IVS mandates that the valuer to be competent at the outset of the assignment. There is no provision for a valuer (both prior to accepting the assignment and again in the report) to disclose their lack of experience/competence and explain how they will become competent (i.e.: associate with another competent valuer, study etc.) As a client, there are times one would much prefer to work with a trusted but not-yet-competent valuer rather than hire an unknown valuer who professes competence. IVS won't allow this.
- Exception/Departure - Again, in the MOU between IVSC and TAF it states: *"It is agreed that where a word or term is defined in both the IVSs and in USPAP that , in so far as is possible, the definitions should be identical."* USPAP similarly recognizes the situation where an established law or regulation voids part of the standard. This is called a "Jurisdictional Exception" however, IVS uses the term "departure". To confuse matters further, USPAP historically allowed for "departure" similar to the IVS "exception" allowance. This created uncertainty among users and valuers and reduced public trust. "Departure" implies a choice on the part of the one choosing to deviate from a standard whereas "exception" implies no choice. I would respectfully suggest that these two terms be switched. Paragraph 60.1 seems to suggest that "exceptions" are recognized by IVS. It would be better to simply say that one cannot state a valuation is performed in compliance with IVS if an exception has been taken (again, suggest departure is a better term in this context).
- IVS 101 20.3 - how does one describe "extent of reliance"? If one wasn't going to rely upon the assistance, why would one have the assistance in the first place?
- IVS 104 Bases of Value - why does IVS need to include a non-exhaustive list of non-IVS-defined bases of value? I don't think this is helpful and may needless make the standards look too US/European centric.
- IVS 104 30.2 (g) ...to effect its disposal at the best price... would "transfer" be more appropriate than "disposal"?
- IVS 105 Valuation Approaches and Methods - 10.3 *"The goal in selecting valuation approaches and methods for an asset is to find the most appropriate method under the particular circumstance."* First part suggests multiple approaches and methods are selected and 2nd part suggests only one method is needed. Suggest simply that: "The goal is to select the applicable valuation approach(es) and method(s) under the particulate circumstances."

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