

# Molefi Kubuzie

**BOARD MEMBER  
FOR THE TANGIBLE ASSET BOARD  
OF THE IVSC**



Molefi Kubuzie currently serves as a board member for the Tangible Asset Board of the IVSC. He served on numerous boards and held various senior executive positions in the Property, Infrastructure, and Valuation Profession. He is the former National President of the South African Council for the Property Valuers Profession and a former member of the Advisory Forum Working Group of the International Valuation Standard Council (IVSC). He is the former Deputy Managing Director for NAFCOC Properties, and Former Executive General Manager for the City of Johannesburg Asset and Property Management. He is a Former Chief Director in Portfolio Analysis and Director of Property Valuation for the National Department of Public Works. He served on the following boards Gauteng, Limpopo, and Ekangala Valuation Appeal Boards and Property Sector Charter Council.





# G20 IVS DEPARTURE PRINCIPLE

**When is a valuation deemed to be compliant or non-compliant with the departure principle of International Valuation Standards?**

## **1. International Valuation Standard Council (ivsc)**

It is a non-profit voluntary membership-based organization that sets International Valuation Standards to advance the quality of the valuation profession. Its membership comprises more than 200 members operating in 137 countries academic institutions, Voluntary Professional Organizations, Valuation Service Bodies, Corporates, Institutional members, regulators, practicing professionals, etc.

"Its primary objective is to build confidence and public trust in valuation by producing standards and securing their universal adoption and implementation for the valuation of assets across the world"

Valuation practices around the world are diversified and complex. The complexity is also triggered by a myriad of different legislative prescripts and or laws of each member country. This therefore brings to the fore the issue of how member countries ensure compliance with the International Valuation Standard.

The International Valuation Standard is principle-based and applies to all asset classes. There are three distinct

technical Asset Boards, namely the Tangible Asset Board, the Intangible Asset Board, and the Business Valuation Board develops and sets asset-specific standards.

Given the diversity of laws in different world jurisdictions, how does the International Valuation Standard guarantee and provide for full compliance of valuation reports from members and countries with diversified legal prescripts and or laws?

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## **2. International Valuation Standard (IVS)**

The International Valuation Standard comprises the General Framework and Asset Standards. The General Framework is mandatory to all asset class standards, be they tangible, intangible, or business valuation whereas the asset-specific standard applies to a specific asset class namely tangible, intangible asset, or business valuations. The asset standards are more technical and specific to a particular asset class.

3. IVSC recognises the following fundamental principles

- a) The sanctity and independence of legislators and regulators in member countries in setting and developing their own applicable laws within their own jurisdictions
- b) Acknowledging the sovereignty and legislative authority of various governments both at the local, provincial/state, or national levels of countries.
- c) Sovereign equality of States
- d) Encouraging compliance with local laws, regulations, and or authoritative requirements of independent regulators and or state organs.

**4. Compliance with IVS**

All valuations that are performed and referred to as being compliant with IVS must fully comply with all the provisions of the International Valuation Standards, that is compliance with both the general framework and the applicable asset standard for that valuation. The valuer is expected to comply fully with both the general framework and the applicable asset class standard.

**5. Can a valuer deviate from the International Valuation Standard but still claim compliance with IVS?**

Yes, the IVS does permit a deviation from IVS in cases where the departure principle is applicable.

5.1 Operative Key conditions for the Departure Principle in line with paragraphs 60.1, 60.2 60.3, and 60.4 of the IVS

60.1 "Departure is a circumstance where specific legislative, regulatory, or other authoritative requirements must be followed that differ from some of the requirements within IVS. Departures are mandatory in that a valuer must comply with legislative, regulatory, and other authoritative

requirements appropriate to the purpose and jurisdiction of the valuation to follow IVS. A valuer may still state that the valuation was performed in accordance with IVS when there are departures in these circumstances. To depart

60.2 The requirement to depart from IVS pursuant to legislative, regulatory, or other authoritative requirements takes precedence over all other IVS requirements.

60.3 As required by IVS 101 Scope of Work, paragraph 20.3 (n) and IVS 103 Reporting para 10.2 the nature of any departures must be identified (for example identifying that the valuation was performed in accordance with IVS and local tax regulations. If there are any departures that significantly affect the nature of procedures performed, inputs and assumptions used, and or valuation conclusion (s), a valuer must also disclose the specific legislative, regulatory, or other authoritative requirements and the significant ways in which they differ from the requirements of IVS ( e.g. identifying that the relevant jurisdiction requires the use of only a market approach in a circumstance where IVS would indicate that the income approach should be used.

60.4 Departure deviations from IVS that are not the result of legislative, regulatory, or other authoritative requirements are not permitted in valuations performed in accordance with IVS

5.2 Is departure permissible in IVS

Yes, departure is permissible in IVS, provided there is full compliance with paragraphs 60.1 to 60.4.

Only permissible in instances where valuers must comply with applicable local laws, regulations, and other authoritative requirements.

Compulsory disclosure of the relevant and mandatory laws, regulations, or other authoritative requirements is a must. Therefore, a valuer is obliged to prove compliance to some law, regulation/s, or other authoritative requirements as a basis necessitating deviation from the provision and compliance to IVS. Otherwise, the valuation report cannot be referred to as complying with IVS.

Departure from standard to comply with legislative and regulatory requirements that conflict with the standards are allowed only if they fully comply with section 60 of IVS"

A valuer can only depart from the International Valuation Standards (IVS) as described in section 60 of the General Standards Framework, which is mandatory due to legislative requirements or other authoritative requirements but still claim compliance to IVS.

Non-compliance to the provision of section 60 of the IVS renders a valuation non-compliant to IVS.



## **JB ENVIRO CONSULTANTS PVT. LTD.**

### **ADDRESS**

**“ UTSAB”, Gr. Floor, 10B, Lake East 5<sup>th</sup> Road,  
Santoshpur, Kolkata-700 075, West Bengal, India**

**Tel – 033 - 4062 8154 / 033 - 2416 4461**

**Web Address : [www.bdecpl.com](http://www.bdecpl.com)**

**E - mail : [bdecpl@gmail.com](mailto:bdecpl@gmail.com)**

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