

# Exposure Draft

**Proposed Quality Control for Valuation & Appraisal Practice**

**August 10, 2015**



**This document is submitted for comment. Comments are requested by  
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**Prepared by the Quality Control Standards Committee of IACVA**

Comments should be addressed to [QC@iacva.org](mailto:QC@iacva.org)

## **Overview – The Growth of the Profession and Need for Quality Controls**

The valuation and appraisal profession continues to be impacted by a global need for quality services. The awareness of stakeholders of valuation and appraisal services has increased significantly in the last decade. This has, of course, caused many to take a closer look at our profession, and especially how valuation and appraisal engagements are performed, how reports are written and presented by professionals to stakeholders.

The current question from stakeholders (particularly from regulators) is: How does this *profession* ensure the delivery of quality services and reports?

Currently, the answers to that question are not always flattering. Unlike other professions, there is no uniform system for monitoring or inspection. Yet, because of the importance being placed on the results of valuation and appraisal services, it is time to take the profession to the next level and establish uniform quality control standards and peer review. The continued *public trust* is at stake for each and every practitioner!

### **A Short History**

The valuation and appraisal profession is not a new occupation. It evolved first with appraisal practices for tangible assets (real estate, machinery, inventory, etc.). In the 1990's the occupation of business valuator became popular with both appraisers and other professional consultants involved in mergers and acquisitions, then valuation for tax purposes (gifting, estate). Valuation reports have become an important element in many situation of litigation or other dispute where an independent value is needed or required by a judge, arbitrator or mediator where the value of a business is in dispute.

In early 2001, accounting standards setters at FASB and IASB/IFRS established uniform accounting standards for business combinations and impairment testing. These standard setters invented the concept of “fair value” that has become widely accepted by global business as well as government regulators.

There are numerous valuation professional organizations (VPOs) that attract members whose purpose is to provide training, examination, certification and updating. The members of the VPOs provide the professional valuation and appraisal services to a wide variety of entities for diverse and varied purposes.

### **The Call for Better Quality**

In recent years there has been a growing call from government regulators for uniformity of valuation and appraisal standards, particularly for valuation services. Most VPOs have promulgated robust professional standards to be followed and adhered to by their respective members. Most of the VPO's professional standards are comparable with each other. Nevertheless, there have various initiatives by government regulators in certain countries to convince VPOs that a single set of valuation standards would be in the best interest of stakeholders, contending that the standards of the various VPOs are merely creating confusion in the minds of customers and stakeholders alike.

The response to the urgings of regulators has been a general agreement by each VPO that a single set of standards is a great idea, as long as the standards everyone agrees to are the standards of each unique VPO! Impossible, since each VPO believes that its particular professional standards are the best and most correct!

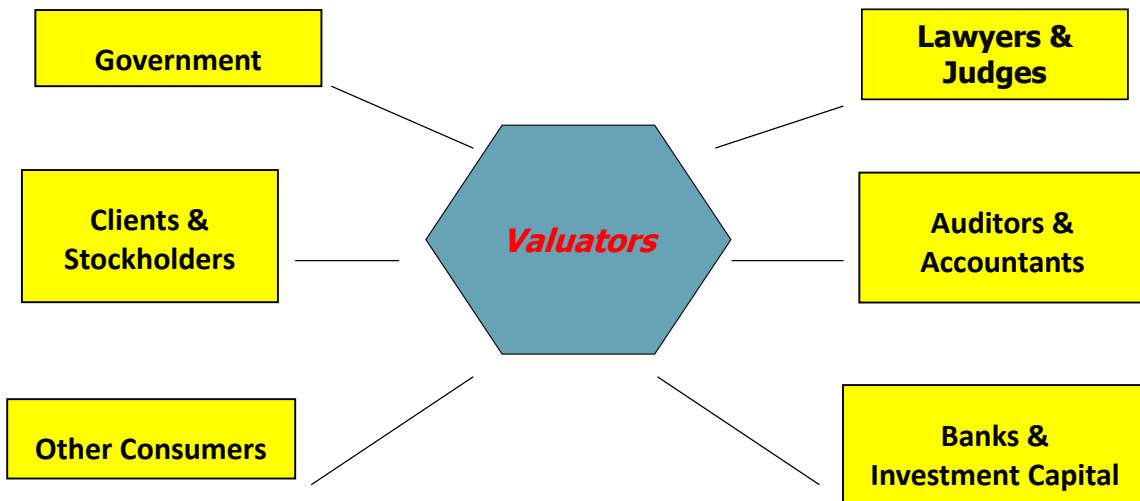
### **An Era of Self-Regulation**

The view of professional valuers and appraisers by many stakeholders and regulators is not as a distinct profession, but rather a group of individual practitioners. While practices should be uniform from valuator to valuator, or appraiser to appraiser, there are many practitioners who still do not follow best practices. They do not use accurate data, or they do not do adequate research required to have an informed opinion. Some even make basic math errors.

VPOs generally provide mechanisms in their organizations to deal with bad practitioners. All have established a system where complaints about bad valuations/appraisals can be filed with the VPO, investigated and then appropriately dealt with. However, this a negative mechanism that only works if someone actually files a complaint! The failure to affirmatively investigate poor and bad practices has hurt the image of the valuation and appraisal profession, resulting in erosion of the public trust

### **The Public Trust**

For a *professional* to be generally relied upon, there is always an element of public trust. Doctors enjoy the public trust, like the accounting profession and other long-standing professions, the public trust is an important and key element to maintaining the highest regards of a profession. This high regard, or public trust makes the services of the professional valued and even sought out by stakeholders. In the case of valuers and appraisers, stakeholders included our clients, their accountants, bookkeepers, auditors and lawyers. Stakeholders include judges, banks and stockholders, etc.



VPOs have left monitoring of their members’ practices to efforts after-the-fact. This means that valuers and appraisers have no mechanism within the VPO to show that they are performing

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their engagements with up-to-date methodologies and techniques, or that their written reports meet the minimum requirements under VPO professional standards. Many other professions, notably the accounting profession, require their members who perform certain services to subject themselves to a system of peer-review, and have established quality control standards used for measurement of performance of engagements during peer review.

### **Quality Control – A Better Profession**

As the valuation and appraisal professions have evolved, more reliance is being placed upon the professional opinions of practitioners. This brings additional scrutiny by stakeholders.

The valuation professional is ready for the next step in evolving the profession. It is time to accept accountability in order to promote better public trust. Establishment of quality control for valuation and appraisal practices will go a long way to improving the public trust. Adding a system of peer review is the logical next step for this profession.

IACVA will offer the valuation and appraisal profession a blue-print to establishing transparent quality control for firms that provide valuation and appraisal services. These standards will be available on a voluntary basis to any and all valuation and/or appraisal firms.

IACVA will encourage the adoption of quality control standards in such firms at the earliest possible date.

This important step in the journey of professionalism will help the public perception on a valuation and appraisal profession.

It is time to be a profession, and not just professionals!

Respectfully submitted

***The IACVA Quality Control Standards Committee***

Toronto, Canada

August 10, 2015

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# Quality Control for Valuation & Appraisal Practice

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## I. Introduction

### A. *Scope of This Section*

1. This section addresses a firm's responsibilities for its system of quality control for its valuation and appraisal practice. This section is to be read in conjunction with the IACVA Professional Standards – General & Ethical Standards, and other relevant ethical requirements.
2. Other professional standards set forth by law set out additional requirements and guidance on the responsibilities of firm personnel regarding quality control procedures for specific types of engagements.
3. In addition, professional standards applicable to membership in a professional association or society shall be considered for achieving and maintaining any quality control system for valuation and appraisal.
4. A system of quality control consists of policies designed to achieve the objective set out in paragraph XX and the procedures necessary to implement and monitor compliance with those policies.

### B. *Authority of the QCVAP*

1. This section applies to all firms with respect to engagements in their valuation and appraisal practice. The nature and extent of the policies and procedures developed by an individual firm to comply with this section will depend on various factors, such as the size and operating characteristics of the firm and whether it is part of a network.
2. Quality Control for Valuation and Appraisal Practice (“QCVAP”) embraces the objective of the firm in following the QCVAP and the requirements designed to enable the firm to meet that objective. In addition, QCVAP contain related guidance in the form of application and other explanatory material, as discussed further in this material that provides context and relevancy for a proper understanding of the QCVAP and definitions.
3. The objective provides the context in which the requirements of QCVAP are set and is intended to assist the firm in the following:
  - a. Understanding what needs to be accomplished
  - b. Deciding whether and what more needs to be done to achieve the objective

4. QCVAP use both unconditional and presumptive professional requirements, to describe the degree of responsibility imposed on firms choosing to adopt QCVAP, as follows:
  - a. Unconditional requirements. The firm is required to comply with an unconditional requirement in all cases in which such a requirement is relevant. QCVAP use the word *must* to indicate an unconditional requirement.
  - b. Presumptively mandatory requirements. The firm is also required to comply with a presumptively mandatory requirement in all cases in which such a requirement is relevant; however, in rare circumstances, the firm may depart from a presumptively mandatory requirement, provided that the firm documents the justification for the departure and how the alternative policies established or procedures performed, in the circumstances were sufficient to achieve the objectives of the presumptively mandatory requirement. QCVAP use the word *should* to indicate a presumptively mandatory requirement.
5. If a QCVAP provides that a procedure or action is one that the firm "should consider," the consideration of the procedure or action is presumptively required, whereas carrying out the procedure or action is not. The professional requirements of a QCVAP are to be understood and applied in the context of the explanatory material that provides guidance for application.
6. When necessary, the application and other explanatory material provides further explanation of the requirements and guidance for carrying them out. In particular, it may:
  - a. Explain more precisely what a requirement means or is intended to cover.
  - b. Include examples of policies and procedures that may be appropriate in the circumstances.

The words *may*, *might*, and *could* are used to describe these actions and procedures. Although such guidance does not, in itself, impose a requirement, it is relevant to the proper application of the requirements. The application and other explanatory material may also provide background information on matters addressed in QCVAP. When appropriate, additional considerations specific to governmental entities or smaller firms are included within the application and other explanatory material. These additional considerations assist in the application of the requirements in QCVAP. They do not, however, limit or reduce the responsibility of the firm to apply and comply with the requirements in QCVAP.

7. QCVAP include, under the heading "Definitions," a description of the meanings attributed to certain terms for purposes of the QCVAP. These are provided to assist in the consistent application and interpretation of QCVAP and are not intended to override

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definitions that may be established for other purposes, whether in law, regulation, or otherwise.

### II. Objective

The objective for the firm is to establish and maintain a system of quality control to provide it with reasonable assurance that

- a. The firm and its personnel comply with professional standards and applicable legal and regulatory requirements and
- b. Reports issued by the firm are appropriate in the circumstances.

### III. Requirements

#### A. *Applying and Complying With Relevant Requirements*

1. Personnel within the firm responsible for establishing and maintaining the firm's system of quality control should have an understanding of the entire text of this section, including its application and other explanatory material, to understand its objective and apply its requirements properly.
2. The firm should comply with each requirement of this section unless, in the circumstances of the firm, the requirement is not relevant to the specific services provided by a firm's valuation and appraisal practice.
3. The requirements are designed to enable the firm to achieve the objective stated in this section. The proper application of the requirements is, therefore, expected to provide a sufficient basis for the achievement of the objective. However, because circumstances vary widely and all such circumstances cannot be anticipated, the firm should consider whether there are particular matters or circumstances that require the firm to establish policies and procedures in addition to those required by this section to meet the stated objective.

#### B. *Elements of a System of Quality Control*

The firm must establish and maintain a system of quality control. The system of quality control should include policies and procedures addressing each of the following elements:

- a. Leadership responsibilities for quality within the firm (the tone at the top)
- b. Relevant ethical requirements
- c. Acceptance and continuance of client relationships and specific engagements
- d. Human resources
- e. Engagement performance
- f. Monitoring



Policies and procedures established by the firm related to each element are designed to achieve reasonable assurance with respect to the purpose of that element. Deficiencies in policies and procedures for an element may result in not achieving reasonable assurance with respect to the purpose of that element; however, the system of quality control as a whole may still be effective in achieving the objective. The firm should document its policies and procedures and communicate them to the firm's personnel.

***C. Leadership Responsibilities for Quality Within the Firm***

1. The firm should establish policies and procedures designed to promote an internal culture based on the recognition that quality is essential in performing engagements. Such policies and procedures should require the firm's leadership (managing partner or board of managing partners, CEO, or equivalent principals) to assume ultimate responsibility for the firm's system of quality control.
2. The firm should establish policies and procedures designed to provide it with reasonable assurance that any person or persons assigned operational responsibility for the firm's system of quality control by the firm's leadership has sufficient and appropriate experience and ability, and the necessary authority, to assume that responsibility.

***D. Relevant Ethical Requirements***

The firm should establish policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements.

1. The firm should establish policies and procedures designed to provide it with reasonable assurance that the firm, its personnel, and, when applicable, others subject to independence requirements (including network firm personnel) maintain independence when required by relevant ethical requirements. Such policies and procedures should enable the firm to:
  - a. communicate its independence requirements to its personnel and, when applicable, others subject to them and
  - b. identify and evaluate circumstances and relationships that create threats to independence and to take appropriate action to eliminate those threats or reduce them to an acceptable level by applying safeguards or, if considered appropriate, to withdraw from the engagement when withdrawal is possible under applicable law or regulation.
2. Such policies and procedures should require:
  - a. engagement partners to provide the firm with relevant information about client engagements, including the scope of services, to enable the firm to evaluate the overall effect, if any, on independence requirements;

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- b. personnel to promptly notify the firm of circumstances and relationships that create a threat to independence so that appropriate action can be taken; and
  - c. the accumulation and communication of relevant information to appropriate personnel so that they satisfy independence requirements -
    - i. the firm can maintain and update information relating to independence, and
    - ii. the firm can take appropriate action regarding identified threats to independence that are not at an acceptable level.
3. The firm should establish policies and procedures designed to provide it with reasonable assurance that it is notified of breaches of independence requirements and to enable it to take appropriate actions to resolve such situations. The policies and procedures should include requirements for:
- a. personnel to promptly notify the firm of independence breaches of which they become aware;
  - b. the firm to promptly communicate identified breaches of these policies and procedures to:
    - i. the engagement partner or principal who, with the firm, needs to address the breach and
    - ii. other relevant personnel in the firm and, when appropriate, the network and those subject to the independence requirements who need to take appropriate action; and
  - c. prompt communication to the firm, if necessary, by the engagement partner and the other individuals referred to in subparagraph (b) (ii) of the actions taken to resolve the matter so that the firm can determine whether it should take further action.
4. At least annually, the firm should obtain written confirmation of compliance with its policies and procedures on independence from all firm personnel required to be independent by the requirements.

### *E. Acceptance and Continuance of Client Relationships and Specific Engagements*

1. The firm should establish policies and procedures for the acceptance and continuance of client relationships and specific engagements, designed to provide the firm with reasonable assurance that it will undertake or continue relationships and engagements only when the firm:
  - a. is competent to perform the engagement and has the capabilities, including time and resources, to do so;
  - b. can comply with legal and relevant ethical requirements; and

- c. has considered the integrity of the client and does not have information that would lead it to conclude that the client lacks integrity.
2. Such policies and procedures should:
    - a. require the firm to obtain such information as it considers necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement, and when considering acceptance of a new engagement with an existing client.
    - b. require the firm to determine whether it is appropriate to accept the engagement if a potential conflict of interest is identified in accepting an engagement from a new or an existing client.
    - c. if issues have been identified and the firm decides to accept or continue the client relationship or a specific engagement, require the firm to -
      - i. consider whether ethical requirements that exist under "Conflicts of Interest," apply, such as disclosure of the relationship to the client and other appropriate parties, and
      - ii. document how the issues were resolved.
  3. To minimize the risk of misunderstandings regarding the nature, scope, and limitations of the services to be performed, the firm should establish policies and procedures that provide for obtaining an understanding with the client regarding those services.
  4. The firm should establish policies and procedures on continuing an engagement and the client relationship that address the circumstances when the firm obtains information that would have caused it to decline the engagement had that information been available earlier. Such policies and procedures should include consideration of the following:
    - a. The professional and legal responsibilities that apply to the circumstances, including whether there is a requirement for the firm to report to regulatory authorities
    - b. The possibility of withdrawing from the engagement or from both the engagement and the client relationship

#### *F. Human Resources*

##### **1. The firm should have sufficient personnel available**

The firm should establish policies and procedures designed to provide it with reasonable assurance that it has sufficient personnel with the competence, capabilities, and commitment to ethical principles necessary to:

- a. perform engagements in accordance with professional standards and applicable legal and regulatory requirements and

- b. enable the firm to issue reports that are appropriate in the circumstances.

## 2. **Assignment of Engagement Teams -**

- a. The firm should assign responsibility for each engagement to an engagement partner or principal and should establish policies and procedures requiring that:
  - i. the identity and role of the engagement partner or principal are communicated to management and those charged with governance; and
  - ii. the engagement partner or principal has the appropriate competence, capabilities, and authority to perform the role; and communicated to that individual.
- b. The firm should establish policies and procedures to assign appropriate personnel with the necessary competence and capabilities to:
  - i. perform engagements in accordance with professional standards and applicable legal and regulatory requirements and
  - ii. enable the firm to issue reports that are appropriate in the circumstances.

### ***G. Valuation and Appraisal Engagement Performance***

The firm should establish policies and procedures designed to provide it with reasonable assurance that engagements are performed in accordance with professional standards and applicable legal and regulatory requirements and that the firm issues reports that are appropriate in the circumstances. Such policies and procedures should include the following:

- a. Matters relevant to promoting consistency in the quality of engagement
- b. Supervision responsibilities
- c. Review responsibilities

The firm's review responsibility policies and procedures should be determined on the basis that suitably experienced engagement team members, which may include the engagement partner, review work performed by other engagement team members.

#### **1. Consultation**

The firm should establish policies and procedures designed to provide it with reasonable assurance that:

- a. appropriate consultation takes place on difficult or contentious issues;
- b. sufficient resources are available to enable appropriate consultation to take place;
- c. the nature and scope of such consultations are documented and are agreed upon by both the individual seeking consultation and the individual consulted; and
- d. the conclusions resulting from consultations are documented, understood by both the individual seeking consultation and the individual consulted, and implemented

## **2. Engagement Quality Control Review**

- a. The firm should establish criteria against which all engagements covered by this section should be evaluated to determine whether an engagement quality control review should be performed.
- b. The firm's policies and procedures should require that if an engagement meets the criteria established, an engagement quality control review should be performed for that engagement.
- c. The firm should establish policies and procedures setting out the nature, timing, and extent of an engagement quality control review. Such policies and procedures should require that the engagement quality control review be completed before the report is released.
- d. The firm should establish policies and procedures to require the engagement quality control review to include:
  - i. discussion of significant findings and issues with the engagement partner;
  - ii. reading the proposed valuation/appraisal report and all attachments;
  - iii. review of selected engagement documentation relating to significant judgments that the engagement team made and the related conclusions it reached; and
  - iv. evaluation of the conclusions reached in formulating the report and consideration of whether the proposed report is appropriate.

## **3. Criteria for the Eligibility of Engagement Quality Control**

- a. The firm should establish policies and procedures to address the appointment of engagement quality control reviewers and to establish their eligibility through:
  - i. the technical qualifications required to perform the role, including the necessary experience and authority, and
  - ii. the degree to which an engagement quality control reviewer can be consulted on the engagement without compromising the reviewer's objectivity.
- b. The firm should establish policies and procedures designed to maintain the objectivity of the engagement quality control reviewer. Such policies and procedures should provide that although the engagement quality control reviewer is not a member of the engagement team, the engagement quality control reviewer should satisfy the independence requirements relating to the engagements reviewed. Accordingly, such policies and procedures should provide that the engagement quality control reviewer:
  - i. when practicable, is not selected by the engagement partner or principal.

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- ii. does not otherwise participate in the performance of the engagement during the period of review.
  - iii. does not make decisions for the engagement team.
  - iv. is not subject to other considerations that would impair the reviewer's objectivity.
- c. The firm's policies and procedures should provide for the replacement of the engagement quality control reviewer when the reviewer's ability to perform an objective review is likely to have been impaired.

### **4. Documentation of the Engagement Quality Control Review**

The firm should establish policies and procedures on documentation of the engagement quality control review, which require documentation that:

- a. the procedures required by the firm's policies on engagement quality control review have been performed;
- b. the engagement quality control review has been completed before the report is released; and
- c. the reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgments that the engagement team made and the conclusions it reached were not appropriate.

### **5. Differences of Opinion**

- a. The firm should establish policies and procedures for addressing and resolving differences of opinion within the engagement team with those consulted; and, when applicable, between the engagement partner or principal and the engagement quality control reviewer.
- b. Such policies and procedures should enable a member of the engagement team to document that member's disagreement with the conclusions reached after appropriate consultation.
- c. Such policies and procedures should require the following:
  - i. Conclusions reached be documented and implemented
  - ii. The report not be released until the matter is resolved

### **6. Engagement Documentation**

- a. The firm should establish policies and procedures for engagement teams to complete the assembly of final engagement files on a timely basis after the engagement reports have been released.

- b. The firm should establish policies and procedures designed to maintain the confidentiality, safe custody, integrity, accessibility, and retrieve-ability of engagement documentation.
- c. The firm should establish policies and procedures for the retention of engagement documentation for a period sufficient to meet the needs of the firm, professional standards, laws, and regulations

#### *H. Monitoring*

##### **1. Firm's Policies and Procedures for Monitoring**

The firm should establish a monitoring process designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively. This process should:

- a. include an ongoing consideration and evaluation of the firm's system of quality control, including inspection or a periodic review of engagement documentation and reports for a selection of completed engagements;
- b. require responsibility for the monitoring process to be assigned to a partner or partners or other persons with sufficient and appropriate experience and authority in the firm to assume that responsibility; and
- c. assign the performance of monitoring the firm's system of quality control to qualified individuals.

##### **2. Evaluating, Communicating and Remedying Identified Deficiencies**

- a. Any system of quality control has inherent limitations that can reduce its effectiveness. Deficiencies in individual engagements covered by this section do not, in and of themselves, indicate that the firm's system of quality control is insufficient to provide it with reasonable assurance that its personnel comply with applicable professional standards.
- b. The firm should evaluate the effect of deficiencies noted as a result of the monitoring process and determine whether they are either
  - i. instances that do not necessarily indicate that the firm's system of quality control is insufficient to provide it with reasonable assurance that it complies with professional standards and applicable legal and regulatory requirements and that the reports issued by the firm are appropriate in the circumstances, or
  - ii. systemic, repetitive or other significant deficiencies that require prompt corrective action.
- c. The firm should communicate to relevant engagement partners or principals, and other appropriate personnel, deficiencies noted as a result of the monitoring process and recommendations for appropriate remedial action.

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- d. Recommendations for appropriate remedial actions for deficiencies noted should include one or more of the following:
  - i. Taking appropriate remedial action in relation to an individual engagement or member of personnel
  - ii. The communication of the findings to those responsible for training and professional development
  - iii. Changes to the quality control policies and procedures
  - iv. Disciplinary action against those who fail to comply with the policies and procedures of the firm, especially those who do so repeatedly
- e. The firm should establish policies and procedures to address cases when the results of the monitoring procedures indicate that a report may be inappropriate or that procedures were omitted during the performance of the engagement. Such policies and procedures should require the firm to
  - i. determine what further action is appropriate to comply with relevant professional standards and legal and regulatory requirements, and
  - ii. consider whether to obtain legal advice.
- f. The firm should communicate, at least annually, the results of the monitoring of its system of quality control to engagement partners or principals and other appropriate individuals within the firm, including the firm's leadership. This communication should be sufficient to enable the firm and these individuals to take prompt and appropriate action, when necessary, in accordance with their defined roles and responsibilities to provide a basis for them to rely on the firm's system of quality control. Information communicated should include the following:
  - i. A description of the monitoring procedures performed
  - ii. The conclusions drawn from the monitoring procedures
  - iii. When relevant, a description of systemic, repetitive, or other significant deficiencies and of the actions taken to resolve or amend those deficiencies

### **3. Networks**

Some firms operate as part of a network and, for consistency, may implement some of their monitoring procedures on a network basis. When firms within a network operate under common monitoring policies and procedures designed to comply with this section, and these firms place reliance on such a monitoring system, the firm's policies and procedures should require that

- a. at least annually, the network communicate the overall scope, extent, and results of the monitoring process to appropriate individuals within the network firms and



- b. the network communicate promptly any identified deficiencies in the quality control system to appropriate individuals within the relevant network firm or firms so that the necessary action can be taken in order that engagement partners in the network firms can rely on the results of the monitoring process implemented within the network, unless the firms or the network advise otherwise.

#### **4. Complaints and Allegations**

- a. The firm should establish policies and procedures designed to provide it with reasonable assurance that it deals appropriately with
  - i. complaints and allegations that the work performed by the firm fails to comply with professional standards and applicable legal and regulatory requirements, and
  - ii. allegations of noncompliance with the firm's system of quality control.
- b. As part of this process, the firm should establish clearly defined channels for firm personnel to raise any concerns in a manner that enables them to come forward without fear of reprisals.
- c. If, during the investigations into complaints and allegations, deficiencies in the design or operation of the firm's quality control policies and procedures, or instances of noncompliance with the firm's system of quality control by an individual or individuals are identified, the firm should take appropriate actions.

##### ***1. Documentation of the System of Quality Control***

- 1. The firm should establish policies and procedures requiring appropriate documentation to provide evidence of the operation of each element of its system of quality control.
- 2. The firm should establish policies and procedures that require retention of documentation for a period of time sufficient to permit those performing monitoring procedures and peer review of the firm to evaluate the firm's compliance with its system of quality control or for a longer period if required by law or regulation.
- 3. The firm should establish policies and procedures requiring documentation of complaints and allegations described in paragraph (H) (4), above, and the responses to them.

#### **IV. Definitions**

For the purposes of QCVAP, the following terms have the meanings attributed as follows:

***Engagement documentation.*** The record of the work performed, results obtained, and conclusions that the practitioner reached (also known as working papers or workpapers).

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**Engagement partner or principal.** The partner, principal or other person in the firm who is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm and who, when required, has the appropriate authority from a professional, legal, or regulatory body.

**Engagement quality control review.** A process designed to provide an objective evaluation, before the report is released, of the significant judgments the engagement team made and the conclusions it reached in formulating the report. The engagement quality control review process is only for those engagements, if any, for which the firm has determined that an engagement quality control review is required, in accordance with firm policies and procedures.

**Engagement quality control reviewer.** A partner, other person in the firm, suitably qualified external person, or team made up of such individuals, none of whom is part of the engagement team, with sufficient and appropriate experience and authority to objectively evaluate the significant judgments that the engagement team made and the conclusions it reached in formulating the valuation or appraisal report.

**Engagement team.** All partners and staff performing the engagement and any individuals engaged by the firm or a network firm who perform procedures on the engagement. This excludes external specialists engaged by the firm or a network firm.

**Firm.** A form of organization permitted by law or regulation and that is engaged in the practice of valuation and/or appraisal.

**Inspection.** A retrospective evaluation of the adequacy of the firm's quality control policies and procedures, its personnel's understanding of those policies and procedures, and the extent of the firm's compliance with them. Inspection includes a review of completed engagements.

**Monitoring.** A process comprising an ongoing consideration and evaluation of the firm's system of quality control, including inspection or a periodic review of engagement documentation, reports, for a selection of completed valuation/appraisal engagements, designed to provide the firm with reasonable assurance that its system of quality control is designed appropriately and operating effectively.

**Partner or principal.** Any individual with authority to bind the firm with respect to the performance of a professional services engagement. For purposes of this definition, partner may include an employee with this authority who has not assumed the risks and benefits of ownership. Firms may use different titles to refer to individuals with this authority.

**Personnel.** Partners and staff.

**Professional standards.** Standards established by IACVA and/or other recognized credentialing association or unit formed for the purpose of holding its members out to the public with the highest of professional standards designed and enforced to increase the public trust.

**Reasonable assurance.** In the context of this standard, a high, but not absolute, level of assurance.

***Relevant ethical requirements.*** Ethical requirements to which the firm and its personnel are subject, which consist of the IACVA Professional General and Ethical Standards applicable regulatory agencies that are more restrictive.

***Staff.*** Professionals, other than partners, including any specialists that the firm employs, directly or indirectly.

***Suitably qualified external person.*** An individual outside the firm with the competence and capabilities to act as an engagement partner (for example, a partner of another firm).

#### **V. Adoption by Other VPOs**

These standards may be adopted firms whose members are also members of other valuation professional organizations (VPO) upon notification to IACVA.

#### **VI. Effective Date**

The anticipated effective date of these standards applicable is of December 1, 2015.