



# DIVYA JYOTI FOUNDTION

A REGISTERED VALUERS ORGANISATION (RVO)

Regd. With Insolvency and Bankruptcy Board of India, Govt. Of India, Delhi

## **INSPECTION POLICY**

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## 1. Preamble

A sound inspection system plays an important role in contributing the effectiveness of Monitoring policy. The inspection policy is a part of monitoring policy.

To ensure that the Registered Valuers (RVs) and Registered Valuers Entities(RVEs) are working as per the guidelines set out by Insolvency and Bankruptcy Board Of India (IBBI), inspection of the data and records submitted by RVs and RVEs is to be conducted by RVOs. Besides this, in order to know that RVs and RVEs have required infrastructure and their functioning is in-line with the commitments set out in the monitoring policy and as per the guidelines and under Acts and rules, inspection visits to the RV members are to be made.

As per the guidelines of IBBI, RVOs are required to have a board approved inspection policy and it is to be displayed in the RVOs website.

In compliance with the aforesaid governing board of Divya Jyoti Foundation Registered Valuers Organisation (DJF RVO) has adopted this Inspection Policy.

## 2. Mission

The mission of the inspection function in the RVO is to ensure whether the activities of Registered Valuers are compliant to laid down procedures and guidelines. The inspection conducted systematically, should be helpful in improving the quality of valuation work of the valuer and all stakeholders are updated about the functioning of The RVs and RVEs.

## 3. Objectives

- The objective of Monitoring & Inspection is to gather necessary information, records and documents to enable the Monitoring Committee, Governing Board of DJF-RVO and Authority [IBBI] to monitor the performance of valuers.
- To ensure that the registered valuer members and Entities of DJF RVO conform to the Valuation Standards, Code of Conduct, and important provisions of the Act and Rules applicable.
- To ensure that valuers members have required infrastructure and competencies to meet the expectation of the stakeholders.
- To make the assessment available to RV's, to enable them to remove inadequacy if any.

## 4. Definitions

In this Policy, unless the context otherwise requires -

- (a) "Act" means the Companies Act, 2013 (18 of 2013);
- (b) "Annexure" means an annexure to this policy;
- (c) "Asset Class" means distinct group of assets that have been classified as class of assets by the Insolvency and Bankruptcy Board of India and requires separate set of valuers for valuation under the Companies (Registered Valuers and Valuation) Rules, 2017;

Provided that the Insolvency and Bankruptcy Board of India has so far made only three asset classes viz. Land & Building; Plant & Machinery; and Securities or Financial Assets.

- (d) "Authority" means the Insolvency and Bankruptcy Board of India [IBBI] who has been specified by the Central Government under section 458 of the Companies Act, 2013 (18 of 2013) to perform the functions under the Companies (Registered Valuers and Valuation) Rules, 2017;
- (e) "Bye-Laws" means the Bye-Laws of the DJF Registered Valuers Organisation as amended from time to time;
- (f) "Certificate of Practice" means the certificate of practice granted to a registered valuer member who has completed the requisite training of the DJF Registered Valuers Organisation in respect of valuation of an asset class or classes;
- (g) "Code of Conduct" means the code of conduct for the registered valuers as given in Annexure-I to the Bye-Laws of DJF Registered Valuers Organisation
- (h) "Company" means a company registered under the Companies Act, 2013 (18 of 2013) or under the Companies Act, 1956 (1 of 1956);
- (i) "Governing Board" means the Board of Directors of the DJF Registered Valuers Organisation constituted under the applicable provisions of the Companies Act, 2013 (18 of 2013);
- (j) "DJF RVO" means the Divya Jyoti Foundation, Registered Valuers Organisation duly incorporated as section 8 company under the Companies Act, 2013 with its registered office at DJF 1E, 1<sup>st</sup> Floor, S – 505 School Block, Shakarpur, East Delhi, Delhi-110092 and recognized as registered valuers organization by the Insolvency and Bankruptcy Board of India under Rule 13 of the Companies (Registered Valuers and Valuation) Rules, 2017;
- (k) "Monitoring Committee" means the committee constituted by the Governing Board of DJF Registered Valuers Organisation in accordance with Article 13.2(1)(b) of its Articles of Association, Bye-law 8(1)(b) of its Bye-Laws, and applicable provisions of the Companies (Registered Valuers and



Valuation) Rules, 2017;

(l) "Monitoring Officer" means an Officer of DJF-RVO either appointed or designated so, who shall perform the functions assigned to the Monitoring Officer under the Monitoring Policy and Inspection Policy;

(m) "Partnership entity" means a partnership firm registered under the Indian Partnership Act, 1932 (9 of 1932) or a limited liability partnership registered under the Limited Liability Partnership Act, 2008 (6 of 2009);

(n) "Registered Valuer" means a person who has been granted certificate of registration by the authority under Rule 6 of the Companies (Registered Valuers and Valuation) Rules, 2017 and has been granted certificate of practice by the DJF Registered Valuers Organisation in respect of valuation of an asset class or classes and the term "valuer" shall be construed accordingly;

(o) "Registered Valuers Organisation (RVO)" means a legal entity recognized as registered valuers organization by the Insolvency and Bankruptcy Board of India under Rule 13 of the Companies (Registered Valuers and Valuation) Rules, 2017;

(p) "Rules" means the Companies (Registered Valuers and Valuation) Rules, 2017 as amended from time to time;

(q) "Valuation Standards" means the standards of valuation as notified or modified by the Central Government under Rule 18 of the Companies (Registered Valuers and Valuation) Rules, 2017;

(r) Provided that until the valuation standards are notified or modified by the Central Government, the valuation standards would mean the standards of valuation adopted by the DJF Registered Valuers Organisation;

(s) "Valuer Member" means a person who possess the required qualification and experience as per Rule 4 of the Companies (Registered Valuers and Valuation) Rules, 2017 and has completed the mandatory educational course as a student member of the DJF Registered Valuers Organisation in respect of valuation of an asset class or classes;

Unless the context otherwise requires, words and expressions used but not defined in this policy shall have the meanings respectively assigned to them in the Companies Act, 2013 (18 of 2013) and Rules made thereunder.

## **5. Functions of Monitoring Committee**

The monitoring committee shall review the summary reports of inspection received and analyze by monitoring officer during a quarter and give such direction as deemed necessary to the monitoring officer.

Monitoring Committee shall ensure that compliance has been obtained from the RV members or



RVEs wherever required. The monitoring committee whenever necessary may refer the matter to disciplinary committee for such action in case of such members who are found to be perennial defaulters.

## 6. **Functions of Monitoring & Inspection Department**

Monitoring & Inspection department is responsible for planning , conducting, reporting, reviewing and following up for the compliance and closure and also deciding on scope and timing of audit and inspection with the approval of Monitoring committee.

The Monitoring and Inspection department shall prepare Annual Inspection Plan (AIP), keeping in view with the periodicity prescribed in this document and place before the monitoring committee for approval.

## 7. **Rating of the Members**

The inspection department shall place before the monitoring committee records regarding the compliance status of the members. Based on the records submitted by the registered valuer members, the Monitoring Committee will evaluate the performance of the members and categorize them into three categories :-

(i) **Compliant:** Members submitting the information regularly and fully complying with the provisions of the Act, rules, regulations, and guidelines issued thereunder, and the bye-laws, the Code of Conduct, and directions given by the Governing Board.

(ii) **Semi-Compliant:** Members submitting information with delay or are irregular in complying with policy or partly comply with the provisions of the Act, rules, regulations, and guidelines issued thereunder, and the bye-laws, the Code of Conduct, and directions given by the Governing Board.

(iii) **Non-Compliant:** Members who are not filing any information with the Monitoring Committee at all are considered as Non-Compliant.

## 8. **Coverage & Effective Date**

The Inspection Policy shall be implemented from the first day of April, 2020. Inspections would be introduced in stages with different types of valuer professionals included at each stage.

At first stage, registered valuer members who have been categorized as "Non-Compliant" shall be selected for inspection on a random sample basis. Second stage will cover members that fall under the "Semi-Compliant" category; and third & final stage will include members that are fully "Compliant" as per the Monitoring Committee.

It is proposed to cover following number of registered valuer members under the stated inspections over a period of five years:

(a) Non-Compliant cases- 100 percent

(b) Semi-Compliant cases- 25 percent

(c) Fully Compliant cases- 10 percent

The monitoring and inspection department with the approval of the Monitoring Committee shall decide the names of practicing registered valuer members belonging to each asset class to be included in the final selection list of each year.

Effort would be made to ensure that each registered valuer member who is presently 'non-compliant' is subjected to inspection at least once in five years and is brought to the fully compliant category. Further, it shall be ensured that all other members having substantial scale of practice and handling important valuation assignments, as may be decided by the Committee, are covered for inspection at least once in five years. The frequency of such inspections may vary owing to the following:

- (a) Review of the information/ documents received from the registered valuer members;
- (b) Any information received from other stakeholders and regulators;
- (c) Review of the information/ documents received from the registered valuer members;
- (d) Any information received from other stakeholders and regulators;
- (e) Any information received from the third party sources; and
- (f) On the direction of the Governing Board of DJF-RVO and/or from the IBBI.

If the registered valuer member is practicing as a partner of a firm or as a director of a company engaged in rendering valuation services, then the records of firm or company, as the case may be, shall be subject to inspection.

## 9. Period Of Inspection

The period of inspection shall be

- In case of a member with registration more than three years old, period of inspection shall be from the end-date covered under the last inspection till end of preceding completed financial year; or preceding three years, whichever is less.
- In case of a member with registration less than three years old, period of inspection shall be from the date of registration till end of preceding completed financial year.

Provided that no part of the reports, records and documents relating to the valuation assignments completed on or before the date of registration shall be subject to inspection and review.

**Note:** No registered valuer member shall be selected for inspection if he/she is in practice for less than one year.

## 10. Scope Of Inspection

The stated Inspection process shall apply to all the Valuation Services provided by a member as registered valuer under the provisions of Companies Act, 2013 and Rules made thereunder.

Once a registered valuer member is selected for inspection, its valuation engagement records and compliance records pertaining to the period of inspections shall be subjected to inspection.

The inspection shall cover:

- Compliance with the provisions of the Act, rules, regulations, and guidelines issued there under;
- Compliance with the Bye-Laws, the Code of Conduct, and directions given by the Governing Board of DJF RVO;
- Compliance with Valuation Standards;
- Systems and procedures for conducting valuation engagements
- Quality of reporting; and
- Training programmes for staff concerned with valuation functions, including availability of appropriate infrastructure.

## 11. Competencies

Inspection team shall possess the required knowledge to conduct the inspection. The inspection team should consist of officers having adequate knowledge and experience. The Inspection team should be unbiased and bring out non-compliances based on facts and figures but not based on assumptions.

## 12. Composition Of Inspection Team

The inspection team shall be constituted with their approval of Monitoring committee and the members of the inspection committee may include:

- (i) member of the Committee, or
- (ii) officer of DJF RVO, or
- (iii) member of the Governing Board of DJF RVO, or
- (iv) other professional valuer member(s),

either individually or jointly with other members or officers in any manner as determined by the Monitoring Committee.

It is hereby set out that the officer of DJF RVO who may be assigned the job to carry out inspection of any registered valuer member shall be sufficiently senior.



It is further set out here that the other professional valuer member(s) must

- (i) be the registered valuer member of DJF RVO;
- (ii) be currently in the active practice of valuation in respect of asset class(es) for which he is undertaking inspection assignments;

For undertaking inspections, a valuer member should not have

- (i) been declared to be of unsound mind;
- (ii) been an undischarged bankrupt or applied to be adjudged as a bankrupt;
- (iii) been a non-resident person in India;
- (iv) any disciplinary or criminal action/proceedings pending against him;
- (v) been found guilty by the Disciplinary Committee or Governing Board of DJF RVO or by the IBBI;
- (vi) been convicted by any competent court for an offence punishable with imprisonment for a term exceeding six months or for an offence involving moral turpitude;
- (vii) been levied a penalty under section 271J of Income Tax Act, 1961;
- (viii) been imposed any warning or penalty or strictures against him by the competent authority;  
or
- (ix) been categorized as semi-compliant or non-compliant by the Monitoring Committee of DJF RVO.

Any valuer member empanelled for undertaking inspection on behalf of DJF RVO shall

- (i) Undergo requisite training as prescribed by the Monitoring Committee of DJF RVO;
- (ii) furnish the prescribed declaration at the time of accepting any inspection assignment; and
- (iii) sign the prescribed Deed of Confidentiality.

The Monitoring Committee shall maintain a panel of eligible and willing registered valuer member(s) who offer themselves to be considered for part of the inspection team of DJF RVO. The panel shall be valid for a period of two years.

### **13. Obligations Of The Registered Valuer Members**

Any registered valuer member selected for inspection shall

- (i) Produce to the inspection team or allow access to, any record, document or prescribed register maintained by the member or any other record or document which is of a class or description so specified, and which is in the possession or under the control of the member;
- (ii) Provide to the inspection team such explanation or further particulars in respect of anything produced in compliance with a requirement under sub clause (i) above, as the inspection team shall specify; and
- (iii) Provide the inspection team all assistance in connection with inspection;

- a. Where any information or matter relevant to a registered valuer member is recorded otherwise than in a legible form, the member shall provide and present to the inspection team a reproduction of any such information or matter, or of the relevant part of it in a legible form, with a translation in English or Hindi if the matter is in any other language, and if such translation is requested for by the inspection team.
- b. The registered valuer member shall, within 30 days of receipt of the bills from the inspection team, pay to the inspection team the cost of inspection including the out of pocket expenses as decided by the Monitoring Committee.

#### **14. Obligations Of The Inspection Team**

- The inspection team shall, while undertaking inspection of a registered valuer member, shall strictly comply with the terms of reference assigned to it as part of its appointment.
- The inspection team shall not take any extracts of the registered valuer member 'Clients' file or records examined by the team while conducting inspection, as a part of his working papers.
- The inspection team shall complete the inspection within the prescribed time frame.
- The inspection team shall raise bills to the registered valuer member covering the cost of inspection and out of pocket expenses as decided by the Monitoring Committee.

#### **15. Reporting**

On completion of a inspection visit to the registered valuer member, the Team shall submit its report to the Monitoring Officer setting out the scope of the inspection, the extent to which the registered valuer member complied with the terms of reference of team and relevant law and practice and other legislation, the extent to which professional competence has been tested and achieved and any other information which the Inspection Team would like to add in the report.

#### **16. Coverage and Area of Inspection**

As part of the record, the Inspection Report shall contain the following information:  
Details of office and registration of its proprietor/partner(s)/ director(s) with the IBBI;

- Details of staff kept by the Member during the period of inspection;
- Details of office systems and procedures with regard to compliance with the provisions of the Act, rules, regulations, and guidelines issued thereunder; or compliance with the Bye-Laws, the Code of Conduct, and directions given by the Governing Board of DJF RVO
- Details of training program for the staff with valuation functions;
- Whether the Member fully cooperated with the Inspection Team; and
- Whether he allowed complete and free access to DJF RVO inspection team to undertake inspection of

his information and records;

The Inspection Team shall examine and answer each of the following points with supportive reasons. If the answer to any issue is negative, the report shall contain the nature of shortcomings and also suggest steps to remove them within a reasonable period.

- (a) Whether the Member has regularly filed necessary reports and returns with the DJF RVO;
- (b) Whether the Member has conducted valuations only in respect of those assets or asset class(es) for which he is registered with the IBBI;
- (c) Whether the Member has, while undertaking valuation assignments, fully adhered with the applicable provisions of Companies Act, 2013;
- (d) Whether the Member has fully adhered with the conditions of registration set-out in Rule 7 of the Companies (Registered Valuers and Valuation) Rules, 2017;
- (e) Whether the Member has, while undertaking valuation assignments, fully complied with the Valuation Standards as required under Rule 8(1) of the Companies (Registered Valuers and Valuation) Rules, 2017;
- (f) Whether the Member has, while undertaking valuation assignments, fully complied with the provisions of Rule 8(2) & (3) of the Companies (Registered Valuers and Valuation) Rules, 2017;
- (g) Whether the Member has maintained all the reports, records and documents relating to valuation assignments for the prescribed period of three years from the completion of each such assignment as required under Rule 7(f) of the Companies (Registered Valuers and Valuation) Rules, 2017;
- (h) Whether the Member as fully complied with the Code of Conduct of DJF RVO; if not, state the clauses thereof violated;

**Note:** *The Inspection Team is required to give its observations/comments on adherence by the Member separately with each clause of the Code of Conduct.*

- (i) Whether, during the period of inspection, the Member has temporarily surrendered / restored his membership with the DJF RVO in compliance with the provisions of Rule 9 of the Companies (Registered Valuers and Valuation) Rules, 2017;
- (j) Whether, during the period of inspection,
  - a. Any complaints were received against the member with respect to the:
    - (i) Valuation engagements;
    - (ii) Non-compliance with the regulatory provisions under any law; or
    - (iii) General conduct of the member with his clients & other stakeholders.

- b. Any Valuations were challenged in any Court;
  - c. Any warnings or penalties or strictures were imposed by the competent authority;
  - d. Any Disciplinary proceedings were initiated against the member;
  - e. Any legal action was initiated against the member;
  - f. He was conviction for an offence;
  - g. Any criminal proceedings are pending against the member;
  - h. He has applied or declared as un-discharged bankrupt.
- b) Whether the Member has satisfactory mechanism in place for redressal of all grievances received; also provide the following details:
- (i) Number of grievances received and disposed off;
  - (ii) Nature/type of grievances received;
  - (iii) Average period of disposal of grievances; and
  - (iv) Percentage of cases where any grievance was re-addressed by the complainant
- c) In case a partnership entity or company is the registered valuer, whether only the partner or director who is a registered valuer for the asset class(es) that were valued was allowed to sign and act on behalf of it;
- d) In case a partnership entity or company is the registered valuer, whether it disclosed to the company concerned, the extent of capital employed or contributed in the partnership entity or the company by the partner or director, as the case may be, who signed and acted in respect of relevant valuation assignment for the company;
- e) In case a partnership entity or company is the registered valuer, whether it immediately informed the authority on the removal of a partner or director, as the case maybe, who was a registered valuer along with detailed reasons for such removal; and
- f) Any other issue considered important by the inspection team.

## 17. **Compliance & Closure of Inspection Reports**

The inspection report shall be closed with all the compliances within 3 months from the date of inspection.

## 18. **Cost Of Inspection**

The cost of inspection including the limit of out of pocket expenses payable to the inspection team shall be decided by the Monitoring Committee from time to time and shall be paid by the registered valuer member. The amount shall be paid by the registered valuer member within 30 days of receipt of the bills from the inspection team.

**19. Reports To The Authority**

The Monitoring Committee shall submit a report to the authority in the manner specified by the authority with information collected during inspections.

**20. Review Of The Inspection Policy**

The implementation of the Inspection Policy will be monitored and reviewed by the Monitoring Committee at half-yearly interval and annually by the Governing Board of DJF RVO.

The Inspection Policy may be amended from time to time and shall be reviewed annually by the Governing Board every year in line with change in management policies, regulatory guidelines and inputs from members etc and will remain in force till further instructions of the Governing Board or by the IBBI.

