

# Conflict of interest in property valuation

## KEEPING IT ABOVE BOARD

How do conflicts of interest affect the implementation of the Municipal Property Rates Act (MPRA) and what can municipalities do to lessen their impact?

The purpose of the MPRA is to regulate the power of municipalities to impose rates on properties within their jurisdiction. Rates give municipalities a source of the revenue they need to meet their developmental responsibilities.

A municipality must prepare a valuation roll identifying all property within its jurisdiction. A municipal valuer is appointed to determine the market value of all the properties as at the date of valuation, and this valuation roll is maintained and updated annually.

In order to avoid any potential conflicts of interest, municipal valuers must disclose to their municipality any personal or private business interests that they, or any spouse, parent, child, partner or business associate of theirs, may have in any property in the municipality. Also, they may not use their position of municipal valuer for private gain or to improperly benefit another person.

Furthermore, they must comply with the professional code of conduct. More importantly, a municipal valuer may not perform a valuation of a property in which he or she, or any spouse, parent, child, partner or business associate of theirs, has a personal or private business interest.

If municipalities are not vigilant about managing potential conflicts of interest, properties may be omitted from the roll or

undervalued, or improved properties may be entered as vacant land. The consequences are that a municipality may reflect certain property values incorrectly, resulting in an additional burden on ratepayers.

There are municipal software packages that enable municipalities to audit their valuation rolls, matching them property by property against their billing systems and, through rigorous and iterative data cleansing, eliminating discrepancies. When this clean data set is mapped to a spatial layer, the municipality can review the completeness of its roll, because omissions will be revealed as gaps. A geographical information system, or GIS, is a powerful management tool, and the results of the implementation of such value-added services are significant for the revenue streams of the municipalities that subscribe to them.



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