

24 February 2012

COMMENTS ON PROPOSED SASAE 3502

The comments in respect of the proposed SASAE 3502 on assurance engagements on B-BBEE Verification Certificates are set out below.

1. I do believe that the proposed SASAE 3502 achieves the quality as required by assurance engagements. The potential costs could significantly be impacted by the requirements of a "reasonable assurance engagement", due to the additional audit requirements expected in a "reasonable assurance".
2. Why have 2 levels of assurance? Who would be responsible for selecting the appropriate level of assurance to perform the B-BBEE verification? More guidance is required in this regard. Auditors will most likely rather want to express a negative assurance in form of a limited assurance due to the risk involved and the client would save more in costs in a limited assurance due to the level of work required in a limited assurance engagement.
3. Limited assurance engagements will need to be more specific on what matters to consider in obtaining an understanding of the internal controls.
4. The differences between reasonable assurance and limited assurance is clear and understandable by the registered auditor, but the general public and users of the B-BBEE verification certificates would generally not know the difference between a positive and negative assurance.
5. If the two levels of assurance is adopted, the columnar format does make it easier for the registered auditor to note the differences between the 2 levels of assurance.
6. More guidance is needed when a reasonable or limited assurance engagement is required. In other words:
 - What factors to consider in selecting between limited and reasonable assurance?
 - Who is responsible for selecting the appropriate level of assurance?
 - Would the client be able to state which assurance they want the auditor to perform?
 - Would the risks and understanding of the client obtained by the auditor determine the level of assurance to provide?
7. With reference to the summary of work included in the assurance report, this should rather be documented in the engagement letter and not in the limited assurance report as well, as these may differ from one another, therefore opening up the risk of limited assurance reports issued by registered auditors looking vastly different.
8. The point where additional work is required in a limited assurance is clear and in my opinion therefore do not think that additional guidance is required.
9. I agree with the auditors response set out in the proposed standard regarding material misstatements identified.
10. I agree with the content of the reports, verification certificates and analysis of scores, except as detailed in 10.3 below.
- 10.2 I agree that the report and analysis should not be issued with the verification certificate and should only be available to the public at request and approval by measured entity.

10.3 I don't feel that the summary of work performed should be included in the report, as this could differ from one engagement to the next. The summary is set out in the engagement letter.

Other comments:

1. It is apparent that IRBA will be regulating registered auditors who will be issuing B-BBEE verification certificates and that registered auditors will have to comply with SASAE 3502 once finalized. However there still appears to be some confusion regarding the following:
 - 1.1 Will SANAS accredited firms still need to comply with the verification manual issued by the Dti?
 - 1.2 Will SANAS continue to regulate other verification agencies other than registered auditors registered with IRBA?
 - 1.3 Will IRBA take over the accreditation and regulate all verification agencies issuing B-BBEE verification certificates in future?
 - 1.4 If IRBA will be taking over the accreditation of other verification agencies, how will the verification agencies who are not registered auditors be complying to ensure quality and understanding the requirements as set out in the SASAE 3502?
 - 1.5 Will registered auditing firms issuing B-BBEE verification certificates fall under a firm review, as this is seen as special risk assurance work or would these engagements fall under the 3 year inspection cycle and review per partner?
2. More guidance is required on how to calculate quantitative materiality for the following elements: (A26 to A27)
 - Skills development spend
 - Preferential procurement
 - Enterprise development
 - Socio economic development

Guidance to include the following:

- What basis will be used to calculate materiality?
- How to calculate materiality and determine materiality for quantitative elements?
- Consider giving guidance on how to calculate materiality based on a % table combined with a risk factor in order to calculate materiality?

Prepared by:

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