

The Director: Standards
Independent Regulatory Board for Auditors
PO Box 8237
Greenstone
1616

ATTENTION: Sandy van Esch

Dear Madam

COMMENTARY ON PROPOSED SOUTH AFRICAN STANDARD ON ASSURANCE ENGAGEMENTS 3502 - ASSURANCE ENGAGEMENTS ON BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) VERIFICATION CERTIFICATES

INTRODUCTION

As Deloitte & Touche we have reviewed the proposed standard and welcome the intention to provide a standard that provides guidance on the assurance engagements on B-BBEE audits. This will ensure some level of consistence and reference in this matter that is very new to many of us.

However, there are a number of concerns that we have regarding the standard. In some of those instances it appears as if there will be inconsistencies in delivering the B-BBEE verification services between the two regulatory bodies being IRBA and SANAS.

We believe that further clarification on this proposed standard is necessary to provide guidance.

EXECUTIVE SUMMARY

The high level commentary about the process of performing B-BBEE verifications is as follows:

1. Prior to the issue of the Statement 005 *Broad Based Economic Empowerment Verification* by the Department of Trade and Industry (DTI) SANAS was the only accreditation agency for B-BBEE verification services. SANAS would accredit an institution after doing a site visit to test the internal processes for compliance with the SANAS codes.

This proposed standard does not make mention of a similar process. It appears as if the intention for IRBA is to accredit an individual as opposed to an entity as previously done by SANAS. Can you clarify as to how this is going to work as opposed to the SANAS process?

2. This Standard will apply to all registered auditors, what about the entities accredited by SANAS that are not registered auditors? Is there any consideration that has been made for them?
3. We have always been in agreement that the audit profession is best places to perform B-BBEE verification because of the IRBA assurance standards and professional ethics but running the IRBA and SANAS programmes parallel to each other will lead to confusion and lack of consistency in the market when it comes to the pricing of these assignments and perceived quality. (i.e. registered auditors will quote higher fees as a result of the required level of compliance to the SASE3502 standard as opposed to SANAS accredited persons who are not required to comply with standard.)
4. It is not expressed clearly as to why there is a need to distinguish between reasonable assurance and limited assurance. This will not only confuse the registered auditors but it will confuse the user of the certificates. Is the intention of limited assurance to create an agreed upon procedures verification?

The guidance provided in the standard is not clear enough resulting in confusion. We suggest that the limited assurance option be scrapped.

5. Currently the DTI requires that each entity that is doing business with any state owned entity and any entity listed in the JSE should be in possession of a valid B-BBEE certificate. There is no mention of the assurance report.

It is not clear as to whether the assurance report is going to be for internal use by the client being audited or if it will be for distribution with the certificate. If it is for distribution with the certificates that could also result in confusion as the certificates issued by entities accredited by SANAS are not accompanied by assurance reports.

A detailed analysis of the proposed standard has been performed by our technical department. The commentary is included in the attached **Annexures A, B and C**.

CONCLUSION

For further discussion of the comments if necessary please do not hesitate to contact me at Deloitte & Touche, Private Bag X6, Gallo Manor, 2052 or alternatively by telephone at (011) 806 5110 or 071 017 0431, or by email to bnkasana@deloitte.co.za.

Yours faithfully,

Bongani Nkasana
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