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Together in Excellence

Assurance engagements on Broad-Based Black Economic Empowerment (B-BBEE) Verification certificates

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Discussion of SAICA Border Kei District Association and University of Fort Hare

General feedback

Legal requirement

The legal requirement for clients requiring an assurance report on certificates was a concern to respondents. If no legal requirements exist, clients would be hesitant to obtain an assurance certificate due to the cost implications. If the service is not performed regularly by audit firms, compliance with registration requirements (with IRBA) may result in cost exceeding income for practitioners.

Materiality

Respondents noted that the guidance provided for the calculation of materiality was not clear and that difficulties and differences in calculating and applying the materiality requirement as per the standard would result in differences between members. Respondents felt that more guidance should be provided on the methods and parameters for the calculation of materiality.

Currently approved verification agencies

The role that registered verification agencies (not audit firms) will play was a concern to respondents. Procedures performed by approved auditors and verification agencies will vary enormously and respondents expressed concern over maintenance of an appropriate standard. Users of the certificates will need to be educated on the different types of reports and roles of the auditor and verification agency respectively.

Questions for discussion

1. Respondents felt that, where the audit was conducted by the auditor, auditing the verification certificate, cost savings may be achieved, however, where no audit was conducted, respondents felt that the costs will increase in order to ensure compliance with the standard is achieved.

- The client may not be willing to pay for such services should the requirement not be required by law (or, for example the *Preferential Procurement Policy*).
2. The guidance was considered satisfactory, however, respondents stated that client's needs and requirements should be the primary deciding factor in deciding to perform a reasonable or limited assurance engagement.
 3.
 1. Respondents agreed
 2. Respondents felt that professional judgment should be applied when deciding whether to perform additional procedures. Respondents stated that a "Guideline of additional procedures would be beneficial, however to perform these additional procedures would remain up to the auditors' professional judgment.
 4. Respondents were satisfied with the differences between the limited and reasonable assurance engagements.
 5. Respondents liked the distinction that the columnar format presented.
 6. Respondents thought this was clearly stated
 7. Respondents were satisfied with the summary of work performed, however concern was noted over the inclusion of "Performing such additional procedures as we considered necessary". No alternative was noted.
 8. Respondents were satisfied with this. Respondents also noted that professional judgment should be applied from this point forward.
 9. Respondents were satisfied.
 10.
 1. Respondents were satisfied with the inclusion of all items
 2. Respondents agreed with the place of inspection
 3. Refer question comment 7) above
 4. Respondents noted that, should the certificates be prepared by verification agencies for the client, the verification agency may not be satisfied with the auditors signing off the certificate issued by them and also the auditors issuing the sequential certificate number.
 5. No objection to the inclusion of the *Restriction of liability* was noted
 11. Respondents noted that auditors should not be excluded from performing an engagement based on the audit firm size and client size, however, respondents also noted that the auditor should not accept engagements where they do not have the necessary skill and competence to perform the engagement. The code of professional conduct should ensure only appropriate engagements are accepted by the auditor.

12. Respondents noted that as their registration is with IRBA, the IRBA should ensure that members are up to date with any legislation changes made by the Department of Trade and Industries
13. Respondents were concerned over the legal requirement requiring an assurance report for a B-BBEE certificate. Should the assurance report not be required by law, due to costs, clients would not see this as a necessary requirement.

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