



Frequently Asked Questions (FAQs) on Assurance Engagements on Broad-Based Black Economic Empowerment (B-BBEE) Verification Certificates

INTRODUCTION

These FAQs on assurance engagements on B-BBEE verification certificates have been prepared by the Standards Department of the IRBA.

The questions and responses are based on enquiries received frequently by the Standards Department. They have been compiled for the use of issuers and users of B-BBEE verification certificates and Exempted Micro-Enterprise (EME) certificates. The questions and responses succinctly address topical issues. Examples provided are illustrative only, and are neither an exhaustive list of scenarios, nor all possible circumstances that may be encountered in practice. **Readers are cautioned to seek appropriate professional advice for more complex circumstances.**

In all instances, readers are encouraged to refer to the relevant sections of the IRBA *Code of Professional Conduct for Registered Auditors* and / or the SASAE 3502 *Assurance Engagements on Broad-Based Black Economic Empowerment Verification Certificates* - both of which are available for download from the IRBA website: www.irba.co.za.

PLEASE NOTE:

The guidance relating to the authority for a B-BBEE approved registered auditor to issue B-BBEE verification certificates and a registered auditor to issue EME certificates is based on the Broad-Based Black Economic Empowerment Codes of Good Practice gazetted on 9 February 2007 ("2007 B-BBEE Codes").

These FAQs do not address enquiries that may arise from the Amended Codes of Good Practice ("2013 B-BBEE Codes") gazetted on 11 October 2013.

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DEFINITIONS

For the purposes of these FAQs, the following terms have the following meanings:

- a) 2007 B-BBEE Codes — The Broad-Based Black Economic Empowerment Codes of Good Practice, issued in terms of section 9(1) of the B-BBEE Act, as gazetted on 9 February 2007 in the Government Gazette No. 29617, Vol. 500 (General Notice 112), and also includes Statement 005, which was issued after 9 February 2007 but before the 2013 B-BBEE Codes.
- b) 2013 B-BBEE Codes — The Amended Broad-Based Black Economic Empowerment Codes of Good Practice, issued in terms of section 9(1) of the B-BBEE Act, as gazetted on 11 October 2013 in the Government Gazette No. 36928, Vol. 580 (General Notice 1019).
- c) APA — The Auditing Profession Act, 2005 (Act No. 26 of 2005).
- d) Applicable Code — The 2007 B-BBEE Codes or any relevant Sector Code (issued prior to 11 October 2013) which may be applicable to the assurance engagement on B-BBEE verification certificates, but which does not include the 2013 B-BBEE Codes.
- e) Audit firm — An RA's or BAR's audit firm means a partnership, company or sole proprietor that is a registered auditor, registered with the IRBA in terms of section 38 of the APA.
- f) BAR — A B-BBEE approved RA, who is an individual registered with the IRBA as an RA, and who has approval from the IRBA to issue B-BBEE verification certificates.
- g) B-BBEE verification certificate – A certificate issued in terms of an Applicable Code, but does not include an EME certificate.
- h) DTI — The Department of Trade and Industry.
- i) EME — Exempted Micro-Enterprise.
- j) EME certificate — A certificate issued in respect of an EME based on an Applicable Code.
- k) IRBA Code — The IRBA *Code of Professional Conduct for Registered Auditors*, with which all RAs are required to comply.
- l) ISAE 3000 (Revised) — International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits Or Reviews Of Historical Financial Information*.
- m) ISQC1 — International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*.
- n) Measured entity — A measured entity means an entity as well as an organ of state or public entity subject to measurement under the 2007 B-BBEE Codes (Schedule 1, Part 2). A BAR's measured entity, for purposes of determining the audit firm's B-BBEE Status and Contributor Level, may include a network firm

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(Sections 290.13 to 290.24 of the IRBA Code) providing professional services, (as defined in the IRBA Code), that may include B-BBEE assurance services provided to the public. Such network firm may have partners, shareholders or directors who are non-auditors. Section 38 of the APA prohibits non-RAs from being owners, shareholders or directors in the RA's audit firm.

- o) RA — An individual auditor registered with the IRBA in terms of section 37 of the APA, any of whom may issue EME certificates in terms of an Applicable Code.
- p) SASAE 3502 — The South African Standard on Assurance Engagements (SASAE) 3502, *Assurance Engagements on Broad-Based Black Economic Empowerment (B-BBEE) Verification Certificates*.
- q) Statement 005 — Code 000, Statement 005: Broad-Based Black Economic Empowerment Verification as gazetted on 23 September 2011, which is deemed to form part of the 2007 B-BBEE Codes.

PART A – GENERAL

SECTION 1: AUTHORITY TO ISSUE EME AND B-BBEE VERIFICATION CERTIFICATES

1 *Can my audit firm or network firm be accredited by the IRBA to become a verification agency?*

No, the IRBA does not accredit verification agencies; this is done by the South African National Accreditation System (SANAS). The IRBA approves RAs (individuals) as “B-BBEE Approved Registered Auditors (BARs)” to conduct assurance engagements on B-BBEE verification certificates.

Where a BAR provides B-BBEE assurance services from a network firm (IRBA Code sections 290.13-290.24) and not the BAR's audit firm, the network firm is neither accredited by, nor registered with the IRBA. However, the details of the network firm must be advised to the IRBA and are recorded by Registry as being associated with the individual BAR's audit firm.

2 *How can I be approved by the IRBA to conduct B-BBEE assurance engagements?*

The individual seeking approval must be an RA. The RA must complete the IRBA Application Form 3 that may be downloaded free of charge from www.irba.co.za - click on “B-BBEE Verification Assurance” under the “Functions” menu and must pay the prescribed fee.

The RA must have successfully completed the B-BBEE Management Development Program course, through either the UNISA Graduate School of Business Leadership or the University of the Witwatersrand.

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The BAR's measured entity must, within 12 months of approval, and annually thereafter, provide evidence to the IRBA that the BAR's measured entity is at least a Level 3 Contributor to B-BBEE.

3 Where can I find out if the issuer of an EME certificate or B-BBEE verification certificate is registered as an RA (for EME certificates issued) or a BAR (for EME or B-BBEE verification certificates issued)?

This can be found by going to the **RA Search** webpage on the IRBA website: www.irba.co.za and click on the "Search" box to find an RA or BAR in your area. Alternatively, you may contact Registry telephonically at +27 87 940 8800 or email registry@irba.co.za.

4 What should I do when I cannot find the name of the issuer of an EME certificate or B-BBEE verification certificate among the names of RAs or BARs on the IRBA's website?

It might be one of two possible situations:

(a) The issuer does not claim to be an RA or BAR:

- EME certificates may also be issued by any accounting officer or verification agency; B-BBEE verification certificates may also be issued by a verification agency.
- In the case of an issuer claiming to be an accounting officer, users should contact the relevant accounting officer's professional institution (recognised by the CIPC) to find out whether the issuer is a member. For a list of recognised accounting officer institutions, go to the last page of: https://www.saica.co.za/Portals/0/Technical/LegalAndGovernance/Companies%20Act/CC_Regulations.pdf.
- In the case of an issuer claiming to be a verification agency, users should contact SANAS to ascertain whether the issuer is accredited with them. For a list of accredited verification agencies, go to: http://home.sanas.co.za/?page_id=1021.

(b) The issuer claims to be an RA or a BAR:

- The issuer is in fact, neither an RA nor a BAR, and accordingly is "holding out" to be an RA, which is considered a criminal offence. Any member of the public may lodge a complaint with the IRBA regarding such an allegation. Go to the IRBA website: www.irba.co.za and select: **Legal / Complaints** to follow the process to submit a complaint.
- In case you cannot find an RA (or BAR) on the IRBA website's search function, enquire directly from the IRBA's Registry Department on phone: +2787 940 8800 or by emailing: registry@irba.co.za.

5 Does the IRBA issue or validate B-BBEE verification certificates issued?

No. The IRBA regulates all RAs and approved BARs.

The IRBA neither issues, nor validates, B-BBEE verification certificates issued by BARs or EME certificates issued by RAs.

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Should a member of the public wish to establish the authenticity of a certificate, they should refer such queries to the alleged issuer of that certificate.

Any member of the public may lodge a complaint with the IRBA regarding a B-BBEE verification certificate issued by a BAR, or EME certificate issued by an RA, that is alleged to be incorrect or invalid. Go to the IRBA website: www.irba.co.za and select: **Legal / Complaints** to follow the process to submit a complaint.

6 May RAs still issue EME certificates and BARs issue B-BBEE verification certificates based on the 2007 B-BBEE Codes?

Yes, RAs may issue EME certificates and BARs may issue B-BBEE verification certificates based on the **2007 B-BBEE Codes**, until such time as the **2013 B-BBEE Codes** become effective.

PART B - EME CERTIFICATES

SECTION 2: FORMAT OF EME CERTIFICATES

7 Who may issue an EME certificate?

All RAs qualify as accounting officers and accordingly are permitted by the DTI to issue EME certificates in terms of any Applicable Code. SANAS accredited verification agencies may also issue EME certificates (2007 B-BBEE Codes, Statement 000, para. 4.5; *Preferential Procurement Policy Framework Act, 2011: Preferential Procurement Regulations*, 2011, Part 3, section 10(1)).

The RA is required to apply the relevant guidance in SASAE 3502 (para. 5) when undertaking an engagement to issue an EME certificate based on an Applicable Code.

When an RA issues an EME certificate, the certificate must be signed by the RA issuing the certificate (IRBA Code, sections 150.5–150.6 and SASAE 3502, para. 107, A94 and Appendix A3).

When an accounting officer who is not an RA issues an EME certificate, then that person must comply with the requirements, if any, set by that individual's relevant professional body.

8 Is there a specific format for EME certificates that RAs are required to comply with?

Yes, there is a specific format for EME certificates, which is stipulated in SASAE 3502 (para. 107–114, A92–A96, the illustrative example in Appendix A3, and illustrative wording of an RA's conclusion on an EME certificate in Appendix A4).

When an RA provides an EME certificate in terms of an Applicable Code, the RA complies with the IRBA's auditing pronouncements including SASAE 3502 (para. 5, 9–13).

9 *May an RA display the IRBA logo on an EME certificate?*

No, RAs may not display the IRBA logo on any EME certificate (SASAE 3502, para. A96).

10 *What details about the RA and the RA's audit firm must be reflected on an EME certificate?*

All EME certificates signed by an RA must disclose:

- The individual RA's full name;
- The name and logo of his/her audit firm;
- The audit firm's practice number at the IRBA;
- The individual RA's registration number at the IRBA;
- The wording, "registered auditor" beneath the individual RA's name;
- The RA's contact details; and
- The individual RA's signature and signing capacity (i.e. RA, director, partner or sole practitioner) in accordance with the signing convention in the IRBA Code paragraphs 150.5 and 150.6.

SECTION 3: MARKETING

11 *What B-BBEE services may an RA, who is not a BAR, advertise?*

An RA who is not a BAR may advertise any professional services of their firm relating to B-BBEE, including the provision of EME certificates, provided that the firm does not advertise that it provides B-BBEE: "verifications", "audits" or "assurance" services, unless that sole practitioner or one or more of the audit firm's partners or directors, is also a BAR.

RAs must apply section 150.2 and 250 of the IRBA Code in marketing and promoting their and their firm's services to ensure they do not bring the auditing profession into disrepute.

PART C – B-BBEE VERIFICATION CERTIFICATES

SECTION 4: FORMAT OF B-BBEE VERIFICATION CERTIFICATES

12 *Who may sign a B-BBEE verification certificate?*

Only BARs may sign a B-BBEE verification certificate, provided he/she has complied with the requirements of SASAE 3502 (Statement 005; SASAE 3502, para. 107, A94 and Appendices A1 and A2).

13 If the BAR issues B-BBEE verification certificates from a firm that is not an audit firm, is that firm a network firm of the BAR's audit firm in terms of the IRBA Code?

Yes, the BAR's measured entity which may include the BAR's audit firm, and any associated firm that provides the B-BBEE assurance services, both of which must be displayed on the BAR's B-BBEE verification certificate, are network firms of the BAR's audit firm. A network firm is a firm or entity that belongs to a network and is defined in the IRBA Code as:

A larger structure:

- (a) Aimed at co-operation; and*
- (b) That is clearly aimed at profit or cost sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand name, or a significant part of professional resources.*

14 Is there a specific format and disclosures on a B-BBEE verification certificate issued by a BAR?

Yes, there is a specific format and disclosures, which is stipulated in SASAE 3502 (para. 107–114, A92–A96, and illustrative examples in Appendices A1 and A2).

15 May a BAR display the IRBA logo on a B-BBEE verification certificate?

No. A BAR is not permitted to display the IRBA logo on any B-BBEE verification certificate (SASAE 3502, para. A96).

16 What details about the BAR and the BAR's audit firm must be reflected on a B-BBEE verification certificate issued?

All B-BBEE verification certificates issued by a BAR must disclose:

- The individual BAR's full name;
- The name and logo of his/her audit firm;
- Name of the BAR's measured entity (if different from the audit firm);
- The audit firm's practice number at the IRBA;
- The individual BAR's registration number at the IRBA (followed by the letter B);
- The wording, "B-BBEE approved registered auditor" beneath the individual BAR's name;
- The BAR's contact details; and
- The individual BAR's signature and capacity (i.e. BAR and director, partner or sole proprietor) in accordance with the signing convention contained in the IRBA Code paragraphs 150.5 and 150.6 (SASAE 3502, para. 107, A94, Appendices A1 and A2)

BARs may not state that they are "IRBA accredited" or a "verification agency" as this is misleading. Note that the description by a BAR of: "B-BBEE verification analyst" or

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“technical signatory”, to indicate the capacity in which they are signing, is also inappropriate.

SECTION 5: INDEPENDENCE

17 Which independence sections of the IRBA Code relate to B-BBEE assurance engagements?

When accepting a client or engagement to provide B-BBEE assurance services, in circumstances where the BAR’s audit firm is not also appointed to perform an audit or review of the client’s financial statements, the BAR should consider whether there are any conflicts of interest in accordance with section 291, “Independence – Other Assurance Engagements” of the IRBA Code.

If the BAR’s audit firm is also engaged in an audit or review of the financial statements of the measured entity, he/she should also consider section 290, “Independence – Audit and Review Engagements”.

18 May a BAR provide B-BBEE assurance services to an audit or review client of the BAR’s audit firm?

It depends. The BAR will need to consider what other services are provided to the client and whether they result in threats to independence (such as a self-review threat). Where the BAR identifies possible threats to independence, he/she should consider whether adequate safeguards are available to reduce the threats to an acceptable level, and documents his/her decision in the working papers (IRBA Code, section 100.20 and SASAE 3502 para. 22, A7-A9 and 94-98, A88-A90).

In general, performing other assurance work for an audit or review client does not result in threats to independence. When performing an audit or review of financial statements, the audit or review engagement team must be independent of the client (IRBA Code section 290). Before a BAR accepts the B-BBEE assurance engagement for that same client, the audit or review engagement team (which may or may not already include the BAR) should reconsider whether the new engagement results in independence threats, such as a self-review threat (IRBA Code section 291).

However, where an audit firm has provided an audit or review client with permissible B-BBEE non-assurance services (such as advice on improving the B-BBEE score or preparation of the B-BBEE score card), and is then approached by the same client to issue a B-BBEE verification certificate, a self-review threat arises and the BAR should consider whether adequate safeguards can be implemented. For example, the engagement team that has provided the non-assurance services should not be the same engagement team involved in the B-BBEE assurance engagement. The BAR should consider section 291 of the IRBA Code to determine whether the assurance engagement team is independent of the client.

19 May a BAR provide both B-BBEE assurance services and B-BBEE non-assurance services to the same client?

No. The same individual BAR cannot provide B-BBEE assurance services to a client for which he/she has already performed B-BBEE non-assurance services (such as

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advice on improving the B-BBEE score or the preparation of the B-BBEE score card which is the subject matter of the assurance engagement), as the independence threats would be insurmountable. This applies even if the B-BBEE non-assurance services was performed by an individual under the direction, control and supervision of that BAR rather than directly by that BAR him/herself.

The BAR's audit firm, or network firm, may provide both types of services, provided that it complies with the requirements in the IRBA Code, sections 291.140–291.150 "Provision of Non-assurance Services to Assurance Clients", which deals with instances where non-assurance and assurance services are provided to the same client which may create self-review, self-interest and advocacy threats. Possible safeguards include using a separate engagement team to perform the non-assurance services.

However, in the case of a BAR who is a sole practitioner, it may not be possible to establish sufficient safeguards in the particular circumstances of the engagement to provide both B-BBEE non-assurance and B-BBEE assurance services to the same client and the BAR must then decline either the B-BBEE assurance service, or the B-BBEE non-assurance service.

20 Is a BAR allowed to issue a B-BBEE verification certificate while receiving B-BBEE benefits such as an enterprise development loan from the same client?

Where loans are provided by an audit or assurance client whose business is a bank or similar financial institution, and such loans have been made in the ordinary course of business on normal commercial terms, then such loans or guarantees would not ordinarily pose an independence threat (IRBA Code, sections 291.113–291.118).

However, where the assurance client is not a bank or similar financial institution, accepting a loan from such client creates a self-interest threat so significant that no safeguards could reduce the threat to an acceptable level, unless the loan or guarantee is immaterial to both the firm, or the member of the assurance team and their immediate family members, and the client (IRBA Code, section 291.116). In such circumstance the BAR is prohibited from accepting the B-BBEE assurance engagement.

Care should also be taken that business relationships with an assurance client do not create a self-interest threat so significant that no safeguards could reduce the threat to an acceptable level (IRBA Code, sections 291.119–291.120).

SECTION 6: CONSULTANTS

21 May a BAR make use of external consultants in a B-BBEE assurance engagement?

Yes, it is permitted. External consultants may be used to provide an expert's advice to a BAR in a B-BBEE assurance engagement or to provide direct assistance to the BAR (SASAE 3502, para. 75–77). Where an external consultant is used to assist on the B-BBEE assurance engagement, the BAR should consider whether the use of the expert may compromise the BARs independence (SASAE 3502, para. 75–77).

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Where consultants are used to provide assistance on the B-BBEE assurance engagement, this is done under the direction and supervision of that BAR (e.g. to assist with the obtaining of evidence regarding complex B-BBEE structures). The BAR should take care that the requirements of the IAASB's ISQC1 are met, and may find the requirements of the IAASB's ISA 620 *Using the work of an auditor's expert* useful. The BAR is still responsible for their assurance report on the client's B-BBEE verification certificate, and is required to comply with SASAE 3502 when performing B-BBEE assurance engagements.

22 Do referrals from external B-BBEE consultants pose any threat to independence?

The BAR must always consider the requirements of SASAE 3502, paras 20-21, and evaluates any possible conflicts of interest prior to accepting both the client and the B-BBEE assurance engagement.

If an external consultant refers clients to a BAR, and the fees from those referrals become significant to the BAR, then it is also necessary to consider whether there may be a self-interest or intimidation threat. A dependence on that external consultant and concern about losing future referrals of clients may also give rise to a self-interest or intimidation threat (IRBA Code, section 291.151 and 291.152).

SECTION 7: MARKETING

23 What B-BBEE related services may a BAR advertise?

A BAR may advertise any B-BBEE assurance services and the provision of EME certificates, provided that due regard is given to the IRBA Code (sections 150.2 and 250).

In marketing and promoting their firm's services, BARs must ensure they do not bring the auditing profession into disrepute. BARs may also not make exaggerated claims and disparaging references to the work of others (IRBA Code, section 150.2 and 250).

24 Is a BAR allowed to pay or receive a referral fee to a third party?

Yes, provided that the BAR has regard to sections 240.5–240.7 of the IRBA Code.

SECTION 8: SECOND OPINIONS

25 What should a BAR do when approached to issue a B-BBEE verification certificate to replace a current B-BBEE verification certificate (in issue) that was not provided by that BAR?

The BAR will have to ascertain who issued the current B-BBEE verification certificate that has not yet expired, and investigate the reasons for requesting a replacement B-BBEE verification certificate.

The BAR must apply professional skepticism in the circumstances, and must take steps to ensure the facts and circumstances that were available in the preparation of the current B-BBEE Certificate are ascertained prior to accepting the client and engagement. The BAR must consider the IRBA Code (sections 210.15 and 230.1 - 230.3).