

Exposure Draft

January 2012

Comments requested by 24 February 2012



South African Standard on Assurance Engagements (SASAE)

ASSURANCE ENGAGEMENTS ON BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) VERIFICATION CERTIFICATES

REQUEST FOR COMMENTS

The Committee for Auditing Standards (“CFAS”) of the Independent Regulatory Board for Auditors (“IRBA”) approved the release of the proposed South African Standard on Assurance Engagements (SASAE) 3502 *Assurance Engagements on Broad-Based Black Economic Empowerment (B-BBEE) Verification Certificates (SASAE 3502)* for publication in January 2012. This proposed SASAE may be modified in light of comments received, before being issued in final form.

The proposed SASAE 3502 may be downloaded free of charge in .pdf format from the IRBA website at <http://www.irba.co.za>.

Respondents are asked to submit their comments electronically to the Director: Standards - Sandy van Esch (svanesch@irba.co.za). All comments will be considered a matter of public record and will ultimately be posted on the IRBA website (www.irba.co.za). Comments may also be faxed for the attention of the Director: Standards at: +27 086 575 6535 or mailed to:

The Director: Standards
The Independent Regulatory Board for Auditors
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Comments should be submitted by **24 February 2012**.

The mission of the IRBA is to endeavor to protect the financial interests of the South African public and international investors in South Africa through the effective and appropriate regulation of audits conducted by registered auditors in accordance with internationally recognized standards and processes.

In line with the IRBA's legislative mandate, the IRBA objectives are to create the framework and principles to contribute to the protection of the public who rely on the services of registered auditors and to support registered auditors who carry out their duties competently, fearlessly and in good faith. The goal is to help create an ethical, value-driven financial sector that encourages investment, confidence and promotes sound practices by *developing and maintaining auditing and assurance standards which are internationally comparable*. The statutory responsibility of the Committee for Auditing Standards (CFAS) is to assist the IRBA to:

- develop, maintain, adopt, issue or prescribe auditing pronouncements;
- consider relevant international changes by monitoring developments by other auditing standard-setting bodies and sharing information where requested; and
- promote and ensure the relevance of auditing pronouncements.

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PROPOSED SASAE 3502:
ASSURANCE ENGAGEMENTS ON B-BBEE VERIFICATION CERTIFICATES

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EXPLANATORY MEMORANDUM

Introduction

This memorandum provides background to, and an explanation of, the proposed *South African Standard on Assurance Engagements (SASAE) 3502, Assurance Engagements on Broad-Based Black Economic Empowerment (B-BBEE) Verification Certificates* (the proposed SASAE 3502). The Committee for Auditing Standards (CFAS) approved the proposed SASAE 3502 in November 2011 for exposure.

Background

The Department of Trade and Industry dti's Statement 005 *Broad Based Black Economic Empowerment Verification* (Statement 005) empowers the Independent Regulatory Board (IRBA) to approve those registered auditors, who meet certain pre-requisites, to provide B-BBEE assurance services and to issue valid B-BBEE Verification Certificates. The registered auditors will be referred to as "*B-BBEE approved registered auditors*" and will retain their existing IRBA registration number but this will be followed with the letter "(B)" and must be displayed on all B-BBEE Verification Certificates issued by them, to evidence their *B-BBEE approved registered auditor* status.

The International Audit and Assurance Standards Board (the IAASB) has not developed a subject specific International Standard on Assurance Engagements applicable to this type of engagement. The proposed SASAE 3502 has been developed in consultation with the dti as a subject matter specific SASAE, applicable to B-BBEE verification assurance engagements performed by B-BBEE approved registered auditors, that meet the requirements of both the dti and the IRBA.

The CFAS has drawn on the principles in the extant *International Standard on Assurance Engagements (ISAE) 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information* (ISAE 3000), the proposed ISAE 3000 (Revised), and the proposed SASAE 3502 *Assurance Engagements on Greenhouse Gas Statements* (SASAE 3502) as a subject matter specific ISAE, in the preparation of the proposed SASAE 3502. It is hoped that the proposed SASAE 3502 will contribute to the development of other assurance standards that enhance the quality of subject matter specific assurance engagements undertaken by registered auditors.

Relationship with other pronouncements

The IRBA currently prescribes the entire suite of *International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements* as those to be applied by all registered auditors in public practice in South Africa when providing such services to their clients. The *International Framework for Assurance Engagements* (the Framework) identifies those engagements to which the principles based ISAE 3000 apply and provides a framework for the development of subject specific assurance engagements, such as this proposed SASAE 3502.

Where a subject matter specific ISAE is relevant to the subject matter of a particular engagement that ISAE applies in addition to ISAE 3000. Consequently, once the proposed SASAE 3502 is issued and effective, it will apply in South Africa in addition to ISAE 3000 and will have the same authority as other subject specific ISAEs issued by the IAASB¹.

¹ Refer the *Amended Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services* issued 15 December 2011.

Relationship with guidance or notices issued or prescribed by the dti

Statement 005 requires B-BBEE approved registered auditors to comply with guidance or notices issued and or prescribed by the dti and the IRBA in the performance of such engagements. The existing dti requirements are contained in the *Framework for Accreditation and Verification by all Verification Agencies* (the *Verification Manual*) published as *Board Notice 776 in Government Gazette (GG) No 31255 on 18 July 2008*, and prescribed for use by Verification Agencies accredited by SANAS with effect from publication date, namely 18 July 2008.

The *Verification Manual* incorporates the relevant provisions of SANAS R47-02 in paragraphs 1 to 21 (GG pages 1 to 30), with requirements specific to Verification Agencies accredited by SANAS in the conduct of such engagements. Appendix 1 (GG pages 31 to 39) contains examples of the format of B-BBEE Certificates that meet the requirements of SANAS and the dti. Those requirements differ to that required by the IRBA of B-BBEE approved registered auditors and consequently, B-BBEE approved registered auditors shall comply with the requirements in SASAE 3502 instead, once issued and effective.

Appendices 2 to 8 (GG pages 40 to 76) of the *Verification Manual* contain the “*Methodologies for Verification of Broad – Based Black Economic Empowerment (B-BBEE) Codes of Good Practice* (the Codes)” with requirements and practical guidance for Verification Agencies providing “B-BBEE verification services”. These Appendices provide practical guidance when determining the scores for individual scorecard elements and the resultant B-BBEE Status in accordance with the criteria in each of the Codes of Good Practice: Series 100 to 700 and 800, as reflected on B-BBEE Verification Certificates issued. Consequently, the CFAS regards the guidance in Appendices 2 to 8, as useful guidance for B-BBEE approved registered auditors and their engagement teams, albeit the guidance does not follow the drafting convention of SASAE 3502 Requirements and Application and Other Explanatory Material.

As a transitional arrangement B-BBEE approved registered auditors, and their engagement teams, are required to consider the guidance for Verification Agencies in Appendices 2 to 8 of the *Verification Manual*, adapted as necessary to meet the requirements of SASAE 3502, when performing B-BBEE assurance engagements and issuing B-BBEE Verification Certificates after **1 October 2011**.

The dti is currently reviewing the Codes and it is anticipated that in this process the *Verification Manual* will be reviewed and more detailed guidance for determining the individual scorecard elements may be incorporated in a revised SASAE 3502.

Significant Matters

Direct reporting engagements

The proposed SASAE 3502 recognises that a B-BBEE assurance engagement comprises a *direct reporting engagement*, as the B-BBEE approved registered auditor evaluates the underlying information provided by the measured entity and determines the **subject matter** (namely, the **scores determined for each individual scorecard element** and overall **B-BBEE Status**) against the **criteria** contained in the legislative requirements of the dti, namely the *Broad-Based Black Economic Empowerment (B-BBEE) Act*, the *Codes of Good Practice* and other legislative requirements relevant to individual scorecard elements.

It is expected that the conduct of these engagements in accordance with this SASAE will contribute to a consistent application of assurance standards and professional ethics, thus encouraging quality in performance of such engagements thereby enhancing the credibility of B-BBEE Verification Certificates and contributing to transformation initiatives in South Africa.

Levels of assurance

Consistent with the extant ISAE 3000 and the proposed ISAE 3000, the SASAE 3502 recognises that two levels of assurance are possible for such engagements, namely, **reasonable assurance** and **limited assurance**. The approach taken in SASAE 3502, as is more fully explained below, is that the engagement cannot be described as an ISAE 3000 or SASAE 3502 engagement without the requirements accommodating both limited and reasonable assurance engagements.

Since the issuing of B-BBEE Verification Certificates commenced from 2008, the measured entity and its customers have become accustomed to receiving only the B-BBEE Verification Certificate reflecting the Scorecard and B-BBEE Status on the face of the Certificate. There has not been any indication on the B-BBEE Verification Certificate of the extent of work performed or level of assurance conveyed by the independent Verification Agency issuing the B-BBEE Verification Certificate. This may have led to an expectation that “absolute” assurance was being given on the Scorecard and resultant B-BBEE Status, which was not in fact the case.

The concept of reasonable assurance and limited assurance being expressed on a B-BBEE Verification Certificate will, initially, not be well understood by intended users. The SASAE 3502 has been developed to facilitate a better understanding of the differences. The “Objectives”, in paragraph 11, explain the nature of, and difference between, limited assurance and reasonable assurance engagements. In particular, that a limited assurance engagement is one in which the B-BBEE approved registered auditor reduces engagement risk to a level that is acceptable in the circumstances of the engagement, but where that risk is greater than for a reasonable assurance engagement. Accordingly, the set of procedures performed in a limited assurance engagement is limited compared with that required for a reasonable assurance engagement.

The proposed definition of a limited assurance engagement also explains that in such engagements the nature and extent of procedures performed are planned to obtain a level of assurance that is, in the B-BBEE approved registered auditor’s professional judgment, meaningful to the intended users. The B-BBEE approved registered auditor is required to select procedures appropriate to the circumstances of the B-BBEE assurance engagement based on an assessment of the risks of material misstatement for individual scorecard elements. Given the nature of the B-BBEE assurance engagement mandating inquiry and analytical review as the primary means of obtaining evidence, is inappropriate for a meaningful level of assurance to be expressed for a limited assurance engagement.

Consequently, the guidance in the proposed SASAE 3502, helps readers better understand the similarities and differences between the two levels of assurance. It includes the explicit statement that professional judgments about materiality are made in light of surrounding circumstances, but are not affected by the level of assurance; that is, for the same intended users, materiality, for a reasonable assurance engagement, is the same as for a limited assurance engagement. This is because materiality is based on the information needs of intended users. In a B-BBEE assurance engagement the suitability of the criteria and the appropriateness of the subject matter, are not affected by the level of assurance.

For the same reasons, the required level of preparation of the underlying information by the measured entity is the same for a reasonable assurance engagement, as it would be for a limited assurance engagement, since the scores for the individual scorecard elements are determined based on that underlying information, and thus should not differ, irrespective of whether a limited assurance or reasonable assurance engagement is undertaken.

Who decides whether the engagement should be limited assurance or reasonable assurance

Management of the measured entity is responsible for deciding whether they require limited or reasonable assurance on their B-BBEE Verification Certificate, regard being had to the

level of assurance being meaningful to the intended users. Factors that management might consider include:

Reasonable assurance engagements:

- where the B-BBEE Status is high for example, Contributor Levels 1 or 2;
- in circumstances where the assessed risk of material misstatement is higher, such as where complex ownership structures exist;
- where high reputational risks exist for example where Sector Codes apply such as the Financial Services Sector, and the B-BBEE Status is to be widely advertised;
- where there is a change in B-BBEE Status, previously assured, for example, to higher Contributor Levels 1 or 2; and
- in the case of measured entities, where the B-BBEE Verification Certificate will be used for purposes of submitting material tenders to government in terms of the Preferential Procurement Policy Framework Act, No 5 of 2000 and Regulations Pursuant thereto (the PPPFA).

Limited assurance engagements:

- for a B-BBEE Status at Contributor Levels 3 to 8; and
- for a Qualifying Small Enterprise (QSE) at Levels 3 to 8.

In such circumstances, a limited assurance conclusion may be meaningful to the intended users and quite acceptable to them. In addition, limited assurance engagements may be expected to take less time and result in cost savings for such measured entities.

As discussed below, the proposed SASAE 3502 also introduces guidance designed to help readers better understand the differences in the nature, timing and extent of work performed for B-BBEE assurance engagements for reasonable assurance and limited assurance levels.

Main differences between B-BBEE limited and reasonable assurance engagements

SASAE 3502 draws on the definitions in ISAE 3000 and applies to both limited assurance and reasonable assurance engagements. SASAE 3502 requires the B-BBEE approved registered auditor to select procedures appropriate to the circumstances of the engagement based on an assessment of the risks of material misstatement. Each requirement in the proposed SASAE 3502, unless otherwise stated, applies to both reasonable and limited assurance engagements. Requirements that apply to only one or the other type of engagement are indicated in a Table format with the letter **(L)** (denoting limited assurance) or **(R)** (denoting reasonable assurance) after the paragraph number. This is presented in this way so that:

- It is clear which requirements apply to limited assurance engagements and those that apply to reasonable assurance engagements; and
- The difference between the two can be more easily identified.

These requirements relate to:

- Understanding the entity and its environment;
- Identifying and assessing risks of material misstatement
- Overall responses to assessed risks and further procedures; and
- Obtaining evidence.

It is important to note that:

- Whilst the extent of work performed may result in a different level of assurance being expressed, the skills knowledge and experience required for a limited assurance engagement are identical to those required for a reasonable assurance engagement;
- The pre-conditions for acceptance of the engagement are identical for both limited and reasonable assurance engagements;
- The suitability of the applicable criteria is not affected by the level of assurance;

- Decisions regarding materiality are not affected by the level of assurance, that is, materiality for a reasonable assurance engagement is the same as for a limited assurance engagement; and
- The level of preparation of the underlying information, by the measured entity, is the same for both limited and reasonable assurance engagements.

The B-BBEE approved registered auditor's reasonable and limited assurance report

The B-BBEE approved registered auditor is required to provide a full assurance report to the measured entity together with the detailed analysis of the scores determined for each of the individual scorecard elements and overall B-BBEE Status. In addition, the proposed SASAE 3502 also requires the limited assurance or reasonable assurance conclusion to be included on the B-BBEE Verification Certificate (Refer Appendix A for illustrative certificates and examples of limited assurance and reasonable assurance reports).

Amongst other matters, the definition of a reasonable assurance engagement explains that the B-BBEE approved registered auditor's conclusion is expressed in a form that conveys his or her conclusion on the scores determined for individual scorecard elements (the subject matter information). Both limited assurance and reasonable assurance engagements, performed in accordance with SASAE 3502, require the B-BBEE approved registered auditor's assurance report to include an informative summary of work performed as the basis for the conclusion expressed to help intended users to understand the nature of the assurance conveyed:

- The B-BBEE approved registered auditor's conclusion in a reasonable assurance engagement is ordinarily expressed in the short form, follows a standard wording and only briefly explains the procedures performed in the individual circumstances of the engagement. This is because describing in detail the specific procedures performed would not assist users to understand that, in all reasonable assurance engagements where an unmodified report is issued, sufficient appropriate evidence has been obtained to enable the B-BBEE approved registered auditor to express a conclusion in the positive form.

In a limited assurance engagement, however, the level of assurance that the B-BBEE approved registered auditor obtains, can vary significantly depending on the procedures performed in the individual circumstances of the engagement. It is important therefore that the summary be written in an objective way that allows intended users to understand the work done as the basis for the B-BBEE approved registered auditor's conclusion. While it is difficult to describe the appropriate level of summation in a general way, in most cases it will not involve detailing the entire work plan. Nevertheless, it is important for it not to be so summarised as to be ambiguous, nor written in a way that is overstated or embellished.

- The B-BBEE approved registered auditor's conclusion in a limited assurance engagement, include a statement that *"The procedures performed depend on the assurance provider's judgement, but their nature is different from and the extent is substantially less than, a reasonable assurance engagement, and consequently they do not enable us to obtain the assurance necessary to become aware of all significant matters that might be identified in a reasonable assurance engagement."*

Compliance with IRBA Code of Professional Conduct and ISQC1

To ensure that the public interest is met in such engagements the SASAE 3502 is premised on the basis of the following two requirements:

Compliance with the IRBA Code of Conduct for Registered Auditors

- All registered auditors are required to comply with the IRBA Code of Professional Conduct for Registered Auditors (the IRBA Code) and by virtue of their registration

with the IRBA all B-BBEE approved registered auditors are required to be a member of an audit firm registered with the IRBA. SASAE 3502 accordingly requires B-BBEE approved registered auditors, their firms and engagement teams to comply with the IRBA Code, including the independence requirements for assurance engagements, that are not audits and reviews of historical financial information, and other ethical requirements, in the conduct of a B-BBEE assurance engagement.

Compliance with ISQC 1

- Registered audit firms are also required to comply with the *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 (ISQC 1)*. B-BBEE approved registered auditors must ensure that the requirements of *ISQC 1* are met in regard to the B-BBEE assurance services provided by their firm. In particular, relating to the client and engagement acceptance and continuance, engagement performance, monitoring, documentation and the collective skills, specialist knowledge and competence in assurance skills and techniques developed through training and practical application, to have sufficient competence in determining the appropriate scores for the individual scorecard elements and resultant B-BBEE Status of a measured entity to accept responsibility for the assurance conclusion.

Project Timetable

Subject to comments received on exposure of the proposed SASAE 3502, the CFAS intends to finalise the standard early in 2012.

Guide for Respondents

CFAS welcomes comments on all matters addressed in the exposure draft. Comments are most helpful when they refer to specific paragraphs, including the reason for the comments, and, where appropriate, make specific suggestions for any proposed changes to wording. When a respondent agrees with proposals in this exposure draft (especially those calling for change in current practice), it will be helpful for the CFAS to become aware of this view.

Request for Specific Comments:

The CFAS would welcome views on the following:

1. Do respondents believe proposed SASAE 3502 achieves an appropriate balance between improving the consistency and quality of B-BBEE assurance engagements and the potential cost of such engagements as a result of work effort required by the standard?
2. Do respondents agree with the factors to be considered by management when choosing whether to have a reasonable or limited assurance engagement? If not, what other factors should management consider?
3. Do respondents agree with the general approach taken in the proposed SASAE 3502 to limited assurance engagements on B-BBEE Verification Certificates, as outlined above? In particular:
 - 3.1. Do respondents agree that for such engagements a risk assessment is necessary in order to obtain a meaningful level of assurance; and
 - 3.2. In responding to the assessed risks, do respondents agree that the standard should direct the practitioner to design and perform further procedures whose nature, timing and extent are responsive to the assessed risks having regard to the level of assurance?

An alternative may be to specify only certain types of procedures (such as inquiry and analytical procedures) as the primary means of obtaining evidence.

4. If the general approach to limited assurance engagements on B-BBEE Verification Certificates is adopted in the final SASAE, do respondents agree with the specific differences between limited assurance and reasonable assurance engagements on B-BBEE Verification Certificates noted in the proposed SASAE?
5. Do respondents agree with the use of the columnar format with the letter — **L** (limited assurance) or — **R** (reasonable assurance) after the paragraph number to differentiate requirements that apply to only one or the other type of engagement?
6. Do respondents believe more guidance needs to be included in the proposed SASAE to assist readers in understanding the differences between limited assurance and reasonable assurance engagements on B-BBEE Verification Certificates and, if so, what should be included in that guidance?
7. Do respondents agree with the requirements and guidance in the proposed SASAE for a limited assurance engagement regarding the summary of procedures in the B-BBEE approved registered auditor's limited assurance report? In particular, will the proposed SASAE lead to reporting procedures with an appropriate amount of detail to effectively convey to users the level of assurance obtained by the B-BBEE approved registered auditor?
8. Do respondents agree with the requirements and guidance in the proposed SASAE for a limited assurance engagement describing the point at which additional procedures are required?
9. Do respondents agree with the related requirements concerning the B-BBEE approved registered auditor's response when there are matters that cause the B-BBEE approved registered auditor to believe the scores determined for individual scorecard elements may be materially misstated?
10. Do respondents agree with the form and content of the illustrative assurance reports included in Appendix A to the proposed SASAE?

In particular:

- 10.1. Do respondents agree that a full *reasonable assurance* or *limited assurance report* is provided to the measured entity, together with the signed B-BBEE Verification Certificate and detailed *Analysis of scores determined for the individual scorecard elements*?
- 10.2. Do respondents agree that the full report may be inspected at the offices of the measured entity on request?
- 10.3. Do respondents agree with the *Summary of work performed* included in the illustrative limited assurance report?
- 10.4. Do respondents agree that a summary of the B-BBEE approved registered auditor's conclusion shall be included on the face of the B-BBEE verification Certificate?
- 10.5. Do respondents agree with the "*Restriction on liability*" paragraph included in the assurance report?

The CFAS is also seeking comments on the matters set out below:

11. *Preparers, Users, Government Departments and Assurance Providers:*

Recognising that *Small and Medium-Sized Practices* who are *B-BBEE approved registered auditors* may be asked to provide B-BBEE Verification Certificates to *Large measured entities, Qualifying Small Enterprises and Exempt Micro Enterprises*, the CFAS invites comments on the scalability of the requirements and the form and content of the illustrative assurance reports.

12. *Transitional provisions:*

Recognising that the DTI's Statement 005 requires *B-BBEE approved registered auditors* to comply with guidance or notices issued and or prescribed by the dti and the IRBA in the performance of B-BBEE assurance engagements the IRBA welcomes comments on any difficulties anticipated in applying the transitional arrangements, requiring

PROPOSED SASAE 3502:
ASSURANCE ENGAGEMENTS ON B-BBEE VERIFICATION CERTIFICATES

consideration of the guidance for Verification Agencies in Appendices 2 to 8 of the *Verification Manual*, adapted as necessary to meet the requirements of SASAE 3502,

13. *Effective Date:*

Recognising that the proposed SASAE 3502 is a new subject specific assurance standard developed specifically to meet the needs of B-BBEE approved registered auditors, when providing assurance on B-BBEE Verification Certificates issued by them. Following publication of the National Treasury's *Preferential Procurement Policy Framework Act*, No 5 of 2000 and *Regulations* Pursuant thereto effective from 7 December 2011, an annual demand for thousands of valid B-BBEE verification certificates is anticipated, many of these are expected to be sought from B-BBEE approved registered auditors. Consequently, it is anticipated that an appropriate effective date for the SASAE will be within 3 to 6 months after issue of the final SASAE but with earlier application permitted. The CFAS welcomes comment on whether this will provide a sufficient period to support effective implementation of the SASAE.

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<p>Proposed South African Standard on Assurance Engagements (SASAE) 3502, <i>Assurance Engagements on B-BBEE Verification Certificates</i>, should be read in conjunction with the <i>Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services</i>.</p>
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PROPOSED SASAE 3502: ASSURANCE ENGAGEMENTS ON B-BBEE VERIFICATION CERTIFICATES

Introduction

1. The Department of Trade and Industry's (the "dti") Statement 005 Broad-Based Black Economic Empowerment Verification (Statement 005) empowers the IRBA to approve registered auditors who meet certain pre-requisites who are registered to provide B-BBEE assurance services and to issue valid B-BBEE Verification Certificates to measured entities. These are referred to as B-BBEE approved registered auditors.
2. Statement 005 requires B-BBEE approved registered auditors to comply with guidance or notices issued and or prescribed by the dti and the IRBA in the performance of such engagements. The existing dti requirements are contained in the *Framework for Accreditation and Verification by all Verification Agencies* (the *Verification Manual*) published as *Board Notice 776 in Government Gazette (GG) No 31255 on 18 July 2008*, and prescribed for use by Verification Agencies accredited by SANAS with effect from publication date, namely 18 July 2008.
3. The Verification Manual incorporates the relevant provisions of SANAS R47-02 in paragraphs 1 to 21 (GG pages 1 to 30), with requirements specific to Verification Agencies accredited by SANAS in the conduct of such engagements. Appendix 1 (GG. Pages 31 to 39) contains examples of the format of B-BBEE Certificates that meet the requirements of SANAS and the dti. Those requirements differ to that required by the IRBA and consequently, B-BBEE approved registered auditors shall comply with the requirements in the proposed SASAE 3502 from the effective date.
 - a) Appendices 2 to 8 (GG pages 40 to 76) of the *Verification Manual* contain the "*Methodologies for Verification of Broad – Based Black Economic Empowerment (B-BBEE) Codes of Good Practice (the Codes)*" with requirements and practical guidance for Verification Agencies providing "B-BBEE verification services". These Appendices provide practical guidance when determining the scores for individual scorecard elements and the resultant B-BBEE Status in accordance with the criteria in each of the Codes of Good Practice: Series 100 to 700 and 800, as reflected on B-BBEE Verification Certificates issued. Consequently, the guidance in Appendices 2 to 8, are regarded as useful guidance for B-BBEE approved registered auditors and their engagement teams, albeit the guidance does not follow the drafting convention of SASAE 3502 *Requirements and Application and Other Explanatory Material*.
 - b) As a transitional arrangement B-BBEE approved registered auditors, and their engagement teams, shall consider the guidance for Verification Agencies in Appendices 2 to 8 of the Verification Manual, adapted as necessary to meet the requirements of SASAE 3502, when performing B-BBEE assurance engagements and issuing B-BBEE Verification Certificates after 1 October 2011. (Ref: Para A1)
4. This Proposed SASAE is premised on the basis that (Ref: Para A2):
 - a) The B-BBEE approved registered auditor is a member of a registered firm that applies the requirements of *International Statement on Quality Control (ISQC 1) Quality Controls for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements*; and
 - b) The B-BBEE approved registered auditor, responsible for the engagement, and the members of the engagement team, are required to comply with the IRBA *Code of Professional Conduct for Registered Auditors* (the "IRBA Code").

- c) The B-BBEE approved registered auditor, responsible for the engagement, and the members of the engagement team recognise that B-BBEE assurance services may be regarded as being in the public interest, and accordingly, the B-BBEE approved registered auditor and members of the engagement team shall consider the relevant independence requirements, in the IRBA Code. Where it is not possible to reduce the independence threat to an acceptable level, the B-BBEE approved auditor shall refuse to accept or continue the B-BBEE verification assurance engagement.

Relationship with other pronouncements

5. The *International Framework for Assurance Engagements* (the Framework) identifies those engagements to which the *International Standard on Assurance Engagements* (ISAE) 3000 applies. As this subject-specific proposed SASAE is relevant to B-BBEE verification assurance engagements, it applies in addition to ISAE 3000.
6. Guidance in the International Standards on Auditing (ISAs) and International Standards on Review Engagements (ISREs) may be useful to the B-BBEE approved registered auditor and engagement team, in applying this Proposed SASAE.

Scope

7. This Proposed SASAE deals with assurance engagements by B-BBEE approved registered auditors to report on a B-BBEE Verification Certificate issued to measured entities that reflects their Scorecard Elements and B-BBEE Status, determined in accordance with the Codes of Good Practice on Broad Based-Black Economic Empowerment (the "B-BBEE Codes of Good Practice")² and any relevant Sector Codes.
8. The subject matter in the context of these assurance engagements comprises the scores determined for the individual Scorecard Elements and overall B-BBEE Status reflected on the B-BBEE Verification Certificate issued for a measured entity;
9. The applicable criteria for determining the scores and weightings applied to individual scorecard elements comprise: the B-BBEE Codes of Good Practice as set out in the Generic Scorecard, the adjusted Generic Scorecard, the Qualifying Small Enterprise Scorecard, relevant Sector Codes Scorecards³, the requirements applicable to Exempt Micro Enterprises and any other applicable guidelines issued by the dti, and any other relevant legislation as provided for in the B-BBEE Codes of Good Practice.

Effective Date

10. This guidance is effective for B-BBEE verification assurance engagements commencing on or after <date⁴>.

Objectives

11. The objectives of the B-BBEE approved registered auditor when conducting a B-BBEE verification assurance engagement are (Ref: Para A3-A4)
 - a) To obtain either *reasonable assurance*, or *limited assurance*, as appropriate, about whether, the scores for individual Scorecard Elements, and the resultant B-BBEE Status of the measured entity has been determined in accordance with the relevant Codes of Good Practice or Sector Codes and are free from material misstatement, whether due to fraud or error; and

² Issued in Notice 112 of 2007

³ Refer Appendix B2 for a list of Sector Codes issued and analysis of the different scorecard elements and comparative weightings.

⁴ Date to be determined when the final SASAE is issued.

- b) To express the B-BBEE approved registered auditor's conclusion, in a form appropriate to a reasonable assurance engagement, or a limited assurance engagement, by reflecting the Scorecard Elements and B-BBEE Status determined in the B-BBEE Verification Certificate, with an accompanying written assurance report and detailed scorecard conveying that level of assurance.
- c) To report⁵ their reasonable or limited conclusion, in accordance with their findings, based on the work performed and evidence obtained, about whether:
- i) In the case of a **reasonable assurance engagement**, the individual Scorecard Elements, and the resultant B-BBEE Status reflected in the B-BBEE Verification Certificate, prepared on the basis of information provided by management, are determined, in all material respects, in accordance with the Generic Codes of Good Practice on Black Economic Empowerment or relevant Sector Codes; or
 - ii) In the case of a **limited assurance engagement**, anything has come to the B-BBEE approved registered auditor's attention, that causes the B-BBEE approved registered auditor to believe, on the basis of the work performed, that the Individual Scorecard Elements and the resultant B-BBEE Status reflected on the B-BBEE Verification Certificate, prepared on the basis of information provided by management, are not determined, in all material respects, in accordance with the Generic Codes of Good Practice on Black Economic Empowerment or relevant Sector Codes.
- d) The objective of a B-BBEE approved registered auditor⁶ in the case of an **Exempt Micro-Enterprise (EME)** is to report⁷ their conclusion on information provided by management, based on evidence obtained from certain procedures performed:
- i) whether the entity's income / turnover for the past financial period is equal to, or less than R5 million⁸; and
 - ii) whether the ownership held by black persons or black women is 50% or more; and
 - iii) where the business is a start-up enterprise: whether levels of potential individual contracts for which they are tendering do not exceed R5 million⁹;
 - iv) by expressing one of the following conclusions:
 - a conclusion where the financial statements of the EME for the financial period have been audited by the registered auditor; or
 - a conclusion where the financial statements of the EME for the financial period have been independently reviewed by the registered auditor; or
 - a conclusion, based on the work performed, and evidence obtained, where the financial statements have been neither audited nor independently reviewed.

⁵ Refer illustrative reports in Appendices A1 to A4

⁶ An EME Certificate may be issued by **any registered auditor, including a B-BBEE approved registered auditor, and** any person who qualifies as for appointment as **an accounting officer** as provided for in the Close Corporations Act.

⁷ Refer illustrative EME Certificate in Appendix A5

⁸ Or: less than or equal to R2.5 million (Tourism Sector) and R1.5 million (Construction Sector) respectively

⁹ A start-up enterprise is an entity that has been in operation for less than 12 months; the EME certificate is valid only for contracts with a single value of R5 million or less, if >R5 million but < R35 million, require a QSE Verification Certificate; and if >R35 million, require a Verification Certificate based on the Generic Scorecard. This provision applies regardless of the revenue of the start-up enterprise.

- e) To communicate further as required by this SASAE, regulatory requirements, contractual terms, or to those charged with governance, in accordance with the B-BBEE approved registered auditor's findings.

Definitions

12. For the purposes of this SASAE the following terms have the meanings attributed below:

<i>Applicable Criteria</i>	The scores and weightings applied to individual scorecard elements are determined by the Codes of Good Practice as set out in the Generic Scorecard, the Qualifying Small Enterprise Scorecard and relevant Sector Codes Scorecards (gazetted in terms of Section 9 of the B-BBEE Act) and those applicable to Exempt Micro Enterprises.
<i>B-BBEE Act</i>	Broad Based Black Economic Empowerment, Act No 53 of 2003
<i>B-BBEE approved registered auditor</i>	The individual registered auditor who has applied for, and provided evidence that he or she has met the pre-requisites and such further requirements as are prescribed from time to time by the IRBA for approval as a " <i>B-BBEE approved registered auditor</i> ", including completion of any educational and CPD requirements, payment of the registration and annual fees and whose measured entity achieves and maintains the B-BBEE Status required by the dti.
<i>B-BBEE Verification Engagement:</i>	A B-BBEE Verification Engagement is an assurance engagement performed to obtain sufficient appropriate evidence regarding the scores determined by a measured entity in respect of individual scorecard elements and the resultant B-BBEE Status based on the information provided and the application of the Generic Codes of Good Practice or relevant Sector Codes.
<i>B-BBEE Codes:</i>	Means the <i>Codes of Good Practice on Broad-Based Black Economic Empowerment</i> published as <i>General Notice 112 in Government Gazette No. 29617 on 9 February 2007</i> as part of the Broad-Based Black Economic Empowerment Act, Act No. 53 of 2003.
<i>B-BBEE Status</i>	The B-BBEE Status refers to the overall rating on the Scorecard that determines the measured entity's B-BBEE Level Contributor Status as 1 to 8 or as a non-compliant contributor.
<i>B-BBEE Sector Codes</i>	B-BBEE Sector Codes as Gazetted by the Minister of Trade and under section 9(1) ¹⁰ of the B-BBEE Act
<i>B-BBEE Verification Certificate:</i>	The B-BBEE Verification Certificate issued by the B-BBEE approved registered auditor which reflects the score allocated to individual Scorecard Elements and the overall B-BBEE Status of a measured entity that meets the reporting requirements specified in this Proposed SASAE (refer Appendices A1-A5).
<i>B-BBEE Verification Assurance Report:</i>	Limited or reasonable assurance report by the B-BBEE approved registered auditor which accompanies the B-BBEE Verification Certificate (refer Appendices A1-A5).
<i>Control risk:</i>	The risk that a misstatement that could occur in an assertion from which the elements of the scorecard of the measured entity are derived and B-BBEE Status determined, and that could be

¹⁰ Start-up enterprise has been in operation for less than 12 months at the measurement date

	material, individually or when aggregated with other misstatements, will not be prevented or detected and corrected on a timely basis by the measured entity's internal control.
<i>Detection risk:</i>	The risk that the B-BBEE approved auditor's procedures will not detect a misstatement that exists in an assertion from which the individual elements of the scorecard of the measured entity are derived, that results in the B-BBEE Status reflected on the B-BBEE Verification Certificate, being materially misstated
<i>Inherent risk</i>	The susceptibility of an assertion from which the individual elements of the scorecard of the measured entity are derived and B-BBEE Status determined to misstatement that could be material assuming that there were no related internal controls.
<i>Engagement risk</i>	The risk that the approved auditor expresses an inappropriate conclusion when the scores determined for Individual Scorecard Elements results in the B-BBEE Status reflected on the B-BBEE Verification Certificate, being materially misstated.
<i>Engagement partner</i>	The partner or other person in the firm who is registered with the IRBA as a B-BBEE approved registered auditor and who is responsible for the engagement and the B-BBEE Verification Certificate and B-BBEE verification assurance report issued by the firm.
<i>Intended Users:</i>	The person, persons or class of persons within, or external to the measured entity who will seek to rely on the B-BBEE Verification Certificate, Scores determined for Individual Scorecard elements and the resultant B-BBEE status. This may include internal and external parties, such as, <i>internal</i> : the directors or persons with a similar status within the measured entity; <i>external</i> : customers, including government entities and departments requiring a B-BBEE Verification Certificate for tenders submitted in accordance with the PPPFA and Regulations ¹¹ . The responsible party may be one of the intended users, but not the only one.
<i>Risk of material misstatement:</i>	The risk that the score determined for an individual scorecard element and the resultant B-BBEE Status is materially misstated.
<i>Misstatement</i>	The difference between the score claimed by the measured entity for individual scorecard elements and the scores determined on the basis of information provided and supporting evidence calculated in accordance with the B-BBEE Codes or Sector Codes and resultant B-BBEE Status. Misstatements may arise from differences in interpretation and may be intentional or unintentional and may include omissions.
<i>Misstatement of fact</i>	Misstatement of fact (with respect to other information disclosed in the financial statements) – Other information unrelated to matters appearing in individual scorecard elements and the resultant B-BBEE Status or the assurance report that is incorrectly stated or presented. A material misstatement of fact may undermine the credibility of the B-BBEE Verification Certificate.
<i>Professional judgement</i>	The application of relevant training knowledge and experience, within the context provided by assurance and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of a B-BBEE verification

¹¹ The Preferential Procurement Policy Framework Act, No 5 of 2000 and Regulations Pursuant thereto

	assurance engagement.
<i>Professional scepticism:</i>	An attitude that includes a questioning mind being alert to conditions that may indicate possible misstatement and a critical assessment of evidence supporting the individual Scorecard Elements and resultant B-BBEE Status.
<i>Responsible Party:</i>	The person (or persons) in the measured entity responsible for the collation and preparation of the information supporting the individual scorecard elements for the B-BBEE Verification Certificate in accordance with the Codes of Good Practice and relevant Sector Codes.
<i>Sampling:</i>	The application of assurance procedures to less than 100% of items within the populations relating to the various individual scorecard elements such that all sampling units have an equal chance of selection in order to provide the approved auditor with a reasonable basis on which to draw conclusions about the entire population and accuracy of the calculation of the score determined for each element. (Ref: Para A5-A7)

Requirements

ISAE 3000

13. The B-BBEE approved registered auditor may not represent compliance with this Proposed SASAE unless the approved registered auditor has also complied with the requirements of this Proposed SASAE and ISAE 3000. (Ref: Para A8)

Acceptance and continuance

Skills, Knowledge and experience

14. The B-BBEE approved registered auditor shall:
- Have sufficient assurance skills, technical knowledge and experience, and sufficient competence to determine scores for individual Scorecard Elements and the resultant B-BBEE Status of a measured entity, in accordance with the Codes of Good Practice or relevant Sector Codes¹², to accept responsibility for the assurance conclusion, the B-BBEE Verification Certificate issued and the assurance report; and
 - Be satisfied that the assurance engagement team and any external or internal experts collectively possess the necessary professional competencies and resources, including a working knowledge of relevant legislation affecting B-BBEE and the determination and reporting of scores for individual scorecard elements and the appropriateness and sufficiency of evidence obtained; and
 - A working knowledge of financial reporting standards and contractual arrangements affecting the determination of B-BBEE scores for complex B-BBEE ownership structures in accordance with the Codes of Good Practice¹³.

Preconditions for the engagement

15. The approved registered auditor shall be satisfied that appropriate procedures regarding the acceptance and continuance of client relationships and B-BBEE verification assurance engagements have been followed by the firm.

¹² Refer Appendix B

¹³ Refer Appendices 2 to 8 of the dti's *Verification Manual*

16. The approved registered auditor shall accept or continue a B-BBEE verification assurance engagement only when (Ref: Para A9):
- a) The B-BBEE approved registered auditor has no reason to believe the relevant ethical requirements in the IRBA Code, including the independence requirements in Section 291, will not be satisfied;
 - b) The B-BBEE approved registered auditor is satisfied that the engagement team collectively have the appropriate competence and capabilities; and
 - c) The basis upon which the engagement is to be performed has been agreed, through:
 - i) Establishing the preconditions for the B-BBEE verification assurance engagement are present;
 - ii) Confirming there is a common understanding between the approved registered auditor and the engaging party of the terms of the engagement, including the engagement partner's reporting responsibilities and the responsibilities of those determining the measured entity's individual scorecard elements, and those responsible for preparing the measured entity's information for purposes of the assurance engagement, which may include management, responsible parties or the accounting authority;
17. If the B-BBEE approved registered auditor obtains information that would have caused the firm to decline the engagement had that information been available earlier, the approved registered auditor shall communicate that information promptly to the firm, so that the firm and the B-BBEE approved registered auditor can take the necessary action.
18. In order to establish whether the pre-conditions for the B-BBEE verification assurance engagement are present (Ref: Para A10-A12):
- a) the B-BBEE approved registered auditor shall determine whether the roles and responsibilities of the appropriate parties are suitable in the circumstances; and
 - b) The engagement exhibits all of the following characteristics :
 - i) The relevant B-BBEE Codes or relevant Sector Codes on which the Scorecard Elements and B-BBEE Status are to be determined are clearly identified and are appropriate in the circumstances;
 - ii) The underlying information provided by the measured entity is sufficient and appropriate for determining the scores for individual scorecard elements included in the B-BBEE Verification Certificate;
 - iii) The B-BBEE registered auditor will have access to the evidence needed to support the conclusion;
 - iv) The B-BBEE approved registered auditor's conclusion, whether reasonable assurance or limited assurance, is to be contained in a written report to the measured entity that accompanies the B-BBEE Verification Certificate; and
 - v) In the case of a limited assurance engagement, a meaningful level of assurance can be obtained.

Where the preconditions for the engagement are not present

19. If the preconditions for the B-BBEE verification assurance engagement are not present, the B-BBEE approved registered auditor shall discuss the matter with the engaging party. If changes cannot be made to meet the preconditions, the approved registered auditor shall not accept the engagement unless required by laws or regulations to do so. However, an engagement conducted under such circumstances does not comply with ISAE's. Accordingly the B-BBEE approved registered auditor

shall not include any reference within the assurance report to the engagement being conducted in accordance with ISAE 3000 or any other ISAEs.

20. If it is discovered after the engagement has been accepted that one or more preconditions for an assurance engagement is not present, the B-BBEE approved registered auditor shall discuss the matter with the appropriate parties, and shall determine:
- a) Whether the matter can be resolved;
 - b) Whether it is appropriate to continue with the engagement; and
 - c) Whether, and if so how, to communicate the matter in the assurance report.

Responsibilities of management

21. The B-BBEE approved registered auditor shall obtain the agreement of the management, responsible parties or the accounting authority of the measured entity that it acknowledges and understands its responsibility for: (Ref: Para. A11, A12)
- a) Designing, implementing and maintaining such internal control as the entity determines is necessary to enable the preparation of the B-BBEE scores for individual Scorecard Elements and determination of the B-BBEE Status reflected on the B-BBEE Verification Certificate that is free from material misstatement;
 - b) Clearly identifying the relevant B-BBEE Codes or relevant Sector Codes that will comprise the criteria applicable to the engagement and reaching agreement with the B-BBEE approved registered auditor regarding any differences in interpretation to be applied;
 - c) The preparation of the detailed information and supporting documentation applicable to the calculation of all relevant Individual Scorecard Elements based on underlying information selected by the management from the components comprising the measured entity, as permitted by the Codes of Good Practice, and in accordance with information extracted from the audited or unaudited financial statements and underlying records of the measured entity for the measurement period¹⁴;
 - d) Identifying significant events subsequent to the financial year end of the measured entity that might affect the determination of the scores;
 - e) Ensuring access by the B-BBEE approved registered auditor and engagement team to internal parties responsible for the preparation of the underlying information and supporting evidence needed for determining the scores for individual Scorecard Elements and the B-BBEE Status; and
 - f) Facilitating access to external third parties for purposes of obtaining supporting evidence as may be required.

Agreeing the terms of the engagement

22. The agreed terms of the engagement as required by ISAE 3000 shall include:
- a) The objective and scope of the engagement;
 - b) The responsibilities of the B-BBEE approved registered auditor and registered firm;

¹⁴ Ordinarily, the measurement period will coincide with the financial period of the measured entity, for which audited, independently reviewed, or compiled annual financial statements have been prepared.

- c) The responsibilities of the measured entity, including those described in paragraph 21;
- d) The identification of the relevant B-BBEE Codes or Sector Codes that comprise the criteria to be applied;
- e) Reference to the expected form and content of the B-BBEE Verification Certificate, and limited or reasonable assurance report and detailed scorecard elements to be provided to the measured entity; and
- f) An acknowledgement that the measured entity agrees to provide a representation letter at the conclusion of the engagement. (Appendices C and D)

Acceptance of a change in the terms of the engagement

23. The B-BBEE approved registered auditor shall not agree to a change in the terms of the engagement where there is no justification for doing so. If such a change is made the B-BBEE approved registered auditor shall not disregard evidence that was obtained prior to the change.

Acceptance of a change for a significant event subsequent to the period end

24. The scores for individual scorecard elements of a measured entity shall be based on the audited or independently reviewed or compiled financial statements of the measured entity as at the period end and for the period ending on that date.
25. Where the measured entity's circumstances have changed significantly after its financial period end, but prior to the issue of the B-BBEE Verification Certificate and accompanying assurance report, that might materially affect the scores determined for individual scorecard elements and the resultant B-BBEE Status, for example, where a B-BBEE deal is concluded during the following financial period, materially affecting the level of Black Ownership, the B-BBEE approved registered auditor considers whether it is appropriate for the individual scorecard elements to be determined taking account of that subsequent event.
26. Where the measured entity circumstances have changed significantly after its financial period end, but after the issue of the B-BBEE Verification Certificate and accompanying assurance report, a new B-BBEE Verification Certificate may be sought by the measured entity and if supported by sufficient appropriate evidence may be issued by the same B-BBEE approved registered auditor who issued the original B-BBEE Verification Certificate or another B-BBEE approved registered auditor or accredited Verification Agency.

Professional scepticism and professional judgment

(Ref: Para. A13–A17)

27. The B-BBEE approved registered auditor and engagement team shall plan and perform the engagement with an attitude of professional scepticism recognising that circumstances may exist that cause the measured entity information to be materially misstated.
28. An attitude of professional scepticism means the B-BBEE approved registered auditor and engagement team makes a critical assessment, with a questioning mind, of the validity of evidence obtained and is alert to evidence that contradicts or brings into question the reliability of documents or representations by the responsible party.
29. Exercising professional scepticism during the verification engagement requires the investigation of and reasonable questioning of documentation presented and management's representations to assess the effect of potential misstatements on scores awarded to Individual Scorecard Elements.

30. This includes comparing the documents and representations presented by the measured entity to financial statements that are audited, independently reviewed or are unaudited, and other corroborative evidence, to identify any inconsistencies in the evidence and ensure that any such inconsistencies are appropriately addressed.

Planning and Performing the Engagement

Planning (Ref: Para. A18-A19)

31. The B-BBEE approved registered auditor shall plan the engagement so that it will be performed in an effective manner, including setting the scope, timing and focus of the engagement and determining the nature, timing and extent of planned procedures that are required to be carried out in order to achieve the objective of the engagement.
32. The B-BBEE approved registered auditor shall identify the characteristics of the measured entity engagement that define its scope including ascertaining the classification of the measured entity to determine which Codes of Good Practice or Sector Codes apply to the verification engagement. Such classification may be one of the following:
- a) An Exempted Micro-Enterprise;
 - b) A Qualifying Small Enterprise to which the QSE Scorecard applies;
 - c) Enterprises to which the Generic Scorecard applies;
 - d) Enterprises to which the Sector Codes apply;
 - e) Start-up enterprises which have operated for less than 12 months will be treated as EMEs (Exempted Micro Enterprises); and
 - f) Specialised enterprises that do not have an ownership element, such as: state owned entities, higher education institutions, non-profit companies and companies limited by guarantee.
33. The B-BBEE approved registered auditor shall also:
- a) Consider the factors that, in the judgement of the engagement partner, are significant in directing the engagement team's efforts;
 - b) Consider the results of engagement acceptance or continuance procedures and, where applicable, whether knowledge gained on other engagements performed by the engagement partner or other partner of the firm for the entity, is relevant;
 - c) Ascertain the nature timing and extent of resources necessary to perform the engagement; and
 - d) Determine the impact of the internal audit function, if any, on the engagement.

Materiality in planning and performing the engagement

Determining materiality when planning the engagement (Ref: Para A20-A30)

34. The B-BBEE approved registered auditor shall consider materiality when:
- a) Planning and performing the B-BBEE verification assurance engagement, including when determining the nature, timing and extent of procedures;
 - b) Evaluating whether the underlying information and scores determined for individual scorecard elements is free from misstatement; and
 - c) Determining the final scores and weightings for individual scorecard elements that affect the total score and the resultant B-BBEE Status.

35. Materiality is considered in the context of quantitative and qualitative factors affecting the Scorecard Elements.

- a) Materiality is considered primarily *qualitatively* in respect of the following (Ref: Para A25):
 - i) Ownership – voting rights and economic benefits to black shareholders;
 - ii) Management – board participation and those appointed in top management; and
 - iii) Employment equity in respect of black persons appointed to senior, middle and junior management positions;
- b) Materiality is considered primarily *quantitatively* in the context of the underlying information expressed in rand values for (Ref: Para A26-A27):
 - i) Skills development spend;
 - ii) Preferential procurement in respect of procurement suppliers who claim to be Black Owned and thereafter B-BBEE procurement spend relative to total measured procurement spend for the period;
 - iii) Enterprise Development Qualifying Contributions; and
 - iv) Socio Economic Development Qualifying Contributions.

Understanding the measured entity and its environment

36. The B-BBEE approved registered auditor and engagement team shall obtain an understanding of the following (Ref: Para A31-A32):

- a) Relevant industry, regulatory and other external factors including a working knowledge of the Codes and relevant Sector Codes applicable to the measured entity;
- b) The nature of the operations and information to be used in the determination of the scorecard elements:
 - i) Whether the measured entity comprises a single entity or group and if the latter, establish the complexity and diversity of the group;
 - ii) The nature of the measured entity's activities, inter alia: turnover, employee base, locations, related parties, ownership structures including any B-BBEE structured deals, and any other activities that might affect the determination of individual scorecard elements;
 - iii) The period applicable to the B-BBEE verification engagement and whether or not the entity has audited or reviewed financial statements;
 - iv) Whether or not a B-BBEE Verification Certificate has been obtained previously, if so when and by whom it was issued, the expiry date, and whether the Generic Code or relevant Sector Code was applied.

Limited Assurance	Reasonable Assurance
<p>37. L The engagement partner shall (Ref: Para A33-A34):</p> <ul style="list-style-type: none"> a) Obtain an understanding of the control environment and information system, including the related business processes, reporting roles and responsibilities, significant to the determination of individual scorecard elements of the measured entity; and b) Inquire about the results of the 	<p>38. R The engagement partner shall obtain an understanding of the measured entity and its environment, including the following components of the entity's internal control as the basis for identifying and assessing the risks of material misstatement (Ref: Para A33-A34):</p> <ul style="list-style-type: none"> a) The control environment;

Limited Assurance	Reasonable Assurance
<p>measured entity's risk assessment process as the basis for identifying risks of material misstatements in the underlying information on which the determination of individual scorecard elements will be based.</p>	<p>b) The entity's risk assessment process;</p> <p>c) The information system, including the related business processes, of the measured entity, reporting roles and responsibilities, significant to the determination of individual scorecard elements;</p> <p>d) Control activities relevant to the engagement; being those the engagement partner judges it necessary to understand in order to assess the risk of material misstatement at the assertion level and design further procedures responsive to the assessed risks. An assurance engagement does not require an understanding of all the control activities related to each scorecard element, or to every assertion relevant to them (Ref: Para A35-A37); and</p> <p>e) Monitoring of controls, including the internal audit function and its activities with respect to individual B-BBEE scorecard elements.</p>
	<p>39. R When obtaining the understanding required by the preceding paragraph, the engagement partner shall evaluate the design of controls and determine whether they have been implemented, by performing procedures in addition to inquiry of the entity's personnel.</p>

Procedures to obtain an understanding and to identify and assess risks

40. The procedures to obtain an understanding of the entity and its environment to identify and assess risks shall include the following: (Ref: Para A38-A41)
- a) Inquiries of those within the entity who, in the B-BBEE approved registered auditor's judgment, have information that is likely to assist in identifying and assessing risks of material misstatement due to fraud or error (Ref: Para A39, A41);
 - b) Analytical procedures; (Ref: Para A38, A42-A43) and
 - c) Observation and inspection. (Ref: Para A38, A44-A49)
41. If the engagement partner has performed other engagements for the entity, the engagement partner shall consider whether information obtained is relevant to identifying and assessing risks of material misstatement (Ref: Para. A50-A53).
42. The engagement partner and other key members of the engagement team, and any B-BBEE approved registered auditor's internal and external experts, shall discuss the

susceptibility of the entity's Scorecard Elements and B-BBEE Status to material misstatement whether due to fraud or error, and the application of the applicable criteria to the entity's facts and circumstances for individual scorecard elements. The engagement partner shall determine which matters are to be communicated to members of the engagement team, and to any B-BBEE approved registered auditor's external experts not involved in the discussion.

43. The B-BBEE approved registered auditor shall evaluate whether the entity's measurement of the scores for the individual scorecard elements has been determined in accordance with the relevant Codes and circumstances of the measured entity.

Internal Audit

44. Where the entity has an internal audit function that is relevant to the engagement the B-BBEE approved registered auditor shall:
- a) Determine whether, and to what extent, to use specific work of the internal auditors; and
 - b) If using the specific work of the internal auditors, determine whether that work is adequate for the purposes of the engagement.

Identifying and assessing risks of material misstatement

Limited Assurance	Reasonable Assurance
<p>45. L. The engagement partner shall identify and assess risks of material misstatement (Ref: Para A54-A55):</p> <ul style="list-style-type: none"> a) For individual scorecard elements, and b) At the assertion level for underlying information that might materially affect the scores determined, as the basis for designing and performing procedures whose nature, timing and extent (Ref: Para A56-A60): <ul style="list-style-type: none"> (i) Are responsive to assessed risks; and (ii) Allow the engagement partner to obtain limited assurance about whether the scores for individual Scorecard elements are determined, in all material respects, in accordance with the applicable criteria. 	<p>46. R. The engagement partner shall identify and assess risks of material misstatement (Ref: Para A54-A55):</p> <ul style="list-style-type: none"> a) For individual scorecard elements; and b) At the assertion level for underlying information that might materially affect the scores determined; as the basis for designing and performing procedures whose nature, timing and extent (Ref: Para A56-A60): <ul style="list-style-type: none"> (iii) Are responsive to assessed risks; and (iv) Allow the engagement partner to obtain reasonable assurance about whether the scores for individual Scorecard elements are determined, in all material respects, in accordance with the applicable criteria.

Causes of Risks of Material Misstatement

47. When performing the procedures required by paragraphs 44L or 45R, the engagement partner shall consider at least the following factors (Ref: Para A61):
- a) The possibility of intentional misstatement in individual scorecard elements;
 - b) The possibility of non-compliance with the Generic Codes or relevant Sector Codes generally recognized to have a direct effect on the determination of the scores;

- c) The possibility of omission of a potentially significant amount or key relevant information;
- d) Significant economic or regulatory changes, such as going concern and sustainability implications;
- e) The nature of operations, whether very diverse or for measured entities that operate in different industry sectors ;
- f) The complexity of calculations, for example, when determining scores and weightings for black ownership in complex B-BBEE structured deals;
- g) The risk of fronting, where the measured entity claims to have beneficial black ownership and management control in order to secure a more favourable B-BBEE scorecard rating and access to the award of large government tenders, but where such claims are deliberately misleading and unsubstantiated. Refer responses below for dealing with such circumstances.

Overall responses to assessed risks and further procedures

48. The engagement partner shall design and implement overall responses to address the assessed risks of material misstatement for the individual scorecard elements. (Ref: Para A62-A64)
49. The engagement partner shall design and perform further procedures whose nature, timing and extent are responsive to the assessed risks of material misstatement having regard to the level of assurance, reasonable or limited, as appropriate. (Ref: Para A62-A64)

Limited Assurance	Reasonable Assurance
<p><i>Fronting</i></p> <p>50. L The B-BBEE registered auditor assesses the risk of fronting by the measured entity and when identified shall Respond to assessed risks, by (i) developing and implementing overall responses, and (ii) determining the nature, timing and extent of procedures that are clearly responsive to the assessed risks, and performing those procedures. Those procedures shall involve primarily substantive analytical reviews and inquiries of appropriate personnel:</p> <ul style="list-style-type: none"> a. Obtaining the ownership structure of the measured entity and inquire about the relationship between the measured entity and the holding company, affiliates and subsidiaries and related parties; b. Obtaining an organisational structure of the measured entity and the job descriptions of a sample of employees in the structure; c. By observation and inquiry, ascertain the responsibilities of the directors / management to 	<p><i>Fronting</i></p> <p>51. R The B-BBEE approved registered auditor assesses the risk of fronting by the measured entity and when identified shall Respond to assessed risks, by (i) developing and implementing overall responses, and (ii) determining the nature, timing and extent of procedures that are clearly responsive to the assessed risks, and performing those procedures. Those procedures shall involve the following substantive procedures:</p> <ul style="list-style-type: none"> a. Obtaining the ownership structure of the measured entity and understanding the relationship between the measured entity and the holding company, affiliates and subsidiaries and related parties; b. Obtaining an organisational structure of the measured entity and the job descriptions of a sample of employees in the structure; c. Inspecting documentation which set out the responsibilities of the directors/management to determine who is actually participating in the

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Limited Assurance	Reasonable Assurance
<p>determine who is actually participating in the core activities of the measured entity;</p> <p>d. Inquire about the responsibilities, accountabilities and reward of black directors/management and ascertain whether they differ materially from the non-black directors/ management on the same level, and obtain explanations for material variations;</p> <p>e. Inquire of directors / management regarding unusual appointments and resignations of directors/ management; and</p> <p>f. Perform an analytical review of personnel records and inquire about significant differences in remuneration packages of black directors/ management compared to the non-black directors / management on the same level.</p>	<p>core activities of the measured entity;</p> <p>d. Confirming that the responsibilities, accountabilities and reward of black directors/management do not differ from the non-black directors/management on the same level, and explanations for material variations;</p> <p>e. Obtaining and reviewing the minutes of the meetings of the board of directors and management and confirming who is responsible for making strategic decisions;</p> <p>f. Inspecting a sample of personnel records and the above minutes for suspicious appointments and resignations of directors/management; and</p> <p>g. Inspecting personnel records to determine significant differences in remuneration packages of black directors/management compared to the non-black directors /management on the same level.</p>
<p>52. L Based on the procedures performed and the evidence obtained, evaluate whether the engagement partner's assessment of the risks that the scores determined for the "ownership" and "management" scorecard elements may be materially misstated remains appropriate.</p>	<p>53. R Based on the procedures performed and the evidence obtained, evaluate before the completion of the engagement whether the engagement partner's assessment of the risks that the scores determined for the "ownership" and "management" scorecard elements may be materially misstated remains appropriate.</p>

Obtaining evidence

54. The B-BBEE approved registered auditor shall obtain an understanding of the underlying information and other engagement circumstances sufficient to design and perform procedures in order to achieve the objectives of the engagement. In the case of a reasonable assurance engagement, the engagement partner's understanding shall include an understanding of internal control over the preparation of the subject matter information when relevant to the underlying subject matter and other engagement circumstances.
55. When designing and performing procedures, the B-BBEE approved registered auditor shall consider the relevance and reliability of the information to be used as evidence if:
- Evidence obtained from one source is inconsistent with that obtained from another; or

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- b) The B-BBEE approved registered auditor has doubts over the reliability of information to be used as evidence.

The B-BBEE approved registered auditor shall determine what changes or additions to procedures are necessary to resolve (a) and (b) and shall consider the effect of the matter, if any, on other aspects of the engagement.

Assurance Procedures (Ref: Para A65-A66 and A67)

56. The B-BBEE approved registered auditor shall apply assurance skills and techniques as part of an iterative, systematic engagement process.

57. The B-BBEE approved registered auditor shall apply professional judgment to determine the nature, timing and extent of procedures in accordance with the circumstances of the engagement.

Limited Assurance	Reasonable Assurance
<p>58. L Based on the engagement partner's understanding and consideration of areas where material misstatements are likely to arise, determine the nature, timing and extent of procedures to be performed to obtain a level of assurance that is meaningful to the intended users;</p> <ul style="list-style-type: none"> a) Perform those procedures; and b) If the engagement partner becomes aware of a matter(s) that causes the partner to believe the subject matter information may be materially misstated, the partner shall design and perform additional procedures sufficient to enable engagement partner auditor to: <ul style="list-style-type: none"> i) Conclude that the matter(s) is not likely to cause the subject matter information to be materially misstated; or ii) Determine that the matter(s) causes the subject matter information to be materially misstated. 	<p>59. R Based on the engagement partner's understanding (see paragraph 44), identify and assess the risks of material misstatement;</p> <ul style="list-style-type: none"> a) Respond to assessed risks, by: <ul style="list-style-type: none"> i) developing and implementing overall responses, and ii) determining the nature, timing and extent of procedures that are clearly responsive to the assessed risks, and performing those procedures. Those procedures shall involve substantive procedures (including obtaining corroborating information from independent sources, when relevant), and when relevant to the engagement circumstances, tests of the operating effectiveness of controls over data used by the approved registered auditor in measuring or evaluating the underlying subject matter (in a direct engagement such as this); and b) Based on the procedures performed and the evidence obtained, evaluate before the completion of the engagement whether the engagement partner's assessment of the risks that the subject matter information may be materially misstated remains appropriate.
<p><i>Sampling (Ref: Para A5-A7)</i></p> <p>60. L When sampling is used, the B-BBEE approved registered auditor shall, when designing the sample, consider the purpose of the procedure and the characteristics of the population from</p>	<p><i>Sampling (Ref: Para A5-A7)</i></p> <p>62. R When sampling is used, the B-BBEE approved registered auditor shall, when designing the sample, consider the purpose of the procedure and the characteristics of the population from</p>

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Limited Assurance	Reasonable Assurance
<p>which the sample will be drawn.</p> <p>61. L When sampling is used for tests of details in a limited assurance engagement the sample size will ordinarily be smaller than when used in similar circumstances in a reasonable assurance engagement.</p>	<p>which the sample will be drawn.</p> <p>63. R When sampling is used for tests of details in a reasonable assurance engagement the sample size will ordinarily be larger than when used in similar circumstances in a limited assurance engagement.</p>
<p><i>Fraud, laws and regulations</i></p> <p>64. L The B-BBEE approved auditor considers laws and regulations affecting the determination of scores for individual B-BBEE scorecard elements, in evaluating the sufficiency and appropriateness of evidence obtained to identify a risk of material misstatement.</p> <p>65. L The B-BBEE approved registered auditor shall respond appropriately to fraud or suspected fraud and non-compliance with laws and regulations identified during the engagement.</p> <p>66. L In such circumstances, where the B-BBEE approved registered auditor's firm is also responsible for the independent review of the financial statements of the measured entity, the engagement partner considers whether a reportable irregularity exists that might need to be reported to the Companies and Intellectual Properties Commission (CIPC).</p>	<p><i>Fraud, laws and regulations</i></p> <p>67. R The B-BBEE approved auditor considers other laws and regulations affecting the determination of scores for individual B-BBEE scorecard elements, in evaluating the sufficiency and appropriateness of evidence obtained to identify the risk of material misstatement.</p> <p>68. R The B-BBEE approved registered auditor shall respond appropriately to fraud or suspected fraud and non-compliance with laws and regulations identified during the engagement.</p> <p>69. R In such circumstances, where the B-BBEE approved registered auditor's firm is also responsible for the audit of the financial statements of the measured entity, the engagement partner considers whether a reportable irregularity exists that might need to be reported to the IRBA.</p>

70. The B-BBEE approved registered auditor shall accumulate differences affecting the determination of scores whether arising from differing interpretations of Codes or calculation errors identified during the engagement for discussion with management prior to determining the final scores for the B-BBEE Verification Certificate. (Ref: Para A67-A68)
71. The B-BBEE approved registered auditor shall evaluate the sufficiency and appropriateness of the evidence obtained in the context of the engagement (including whether it is a reasonable assurance or limited assurance engagement) and, if necessary in the circumstances, attempt to obtain further evidence. The approved registered auditor shall consider all relevant evidence, regardless of whether it appears to corroborate or to contradict the measurement or evaluation of the underlying subject matter against the applicable criteria. If the approved registered auditor is unable to obtain necessary further evidence, the approved registered auditor shall consider the implications for the engagement partner's conclusion. (Ref: Para A67)
72. The B-BBEE approved registered auditor shall evaluate the appropriateness of the quality of evidence in respect of its relevance and reliability in providing support for, or detecting misstatements in the subject matter on the basis of which scores are

calculated for individual scorecard elements. The reliability of evidence is influenced by its source and its nature and is dependent on the individual circumstances under which it is obtained. In certain circumstances forensic investigation may be necessary to obtain sufficient appropriate evidence. (Ref: Para A67)

Work performed by an B-BBEE approved registered auditor's expert

73. B-BBEE approved registered auditors may be requested to perform B-BBEE verification assurance engagements for measured entities of varying complexities. Some measured entities may require specialised skills and knowledge beyond those ordinarily possessed by their firm's own personnel. In such circumstances, the B-BBEE approved registered auditors shall determine whether there is a need to obtain the services of an expert.
74. When the work of the B-BBEE approved registered auditor's expert is to be used, the B-BBEE approved registered auditor shall also:
- a) Evaluate whether the B-BBEE approved registered auditor's expert has the necessary competence, capabilities and objectivity for the engagement partner's purposes. In the case of the approved registered auditor's external expert, the evaluation of objectivity shall include inquiry regarding interests and relationships that may create a threat to that expert's objectivity;
 - b) Obtain a sufficient understanding of the field of expertise of the engagement partner's expert;
 - c) Agree with the B-BBEE approved registered auditor's expert on the nature, scope and objectives of that expert's work; and
 - d) Evaluate the adequacy of the expert's work for the B-BBEE approved registered auditor's purposes.

Work performed by another B-BBEE approved registered auditor.

75. When the work of another B-BBEE approved registered auditor is to be used, the B-BBEE approved registered auditor shall be satisfied that work is adequate for the approved registered auditor's purposes.

Using the work of component registered auditors

76. When the B-BBEE approved registered auditor intends using the work of component registered auditors regarding components of the measured entity, the B-BBEE approved registered auditor shall:
- a) Communicate clearly with those component registered auditors about the scope and timing of their work on those components and their findings affecting individual scorecard elements; and
 - b) Evaluate the sufficiency and appropriateness of evidence obtained regarding those components and the process for including related information in the determination of scores for individual scorecard elements.

Written Representations

77. The B-BBEE approved registered auditor shall request from the responsible parties a written representation that it has provided the B-BBEE approved registered auditor with all information of which the appropriate parties are aware that is relevant to the engagement. (Appendix D)

Representations by the Responsible Party

78. The B-BBEE approved registered auditor shall obtain representations from the responsible party, as appropriate. Written confirmation of oral representations reduces the possibility of misunderstandings between the approved auditors and the responsible party.
79. During the engagement, the responsible party may make representations to the B-BBEE approved registered auditor, either unsolicited or in response to specific inquiries. When such representations relate to matters that are material to the measured entity's evaluation or measurement, the B-BBEE approved registered auditor shall:
- Evaluate their reasonableness and consistency with other evidence obtained, including other representations;
 - Consider whether those making the representations can be expected to be well informed on the particular matters; and
 - Obtain corroborative evidence where considered necessary.
- Evidence which is not corroborated cannot be used to reduce the risk of a verification engagement, for example, the B-BBEE status of suppliers that is based only on the suppliers' claim either written or verbal but is not supported by any independent assessment or documentation cannot be used when assessing the measured entity's B-BBEE Status for applications for tenders submitted in terms of the *Preferential Procurement Policy Framework Act (5/2000)*: and *Preferential Procurement Regulations, 2011*.
80. Representations by the responsible party cannot replace other evidence the B-BBEE approved registered auditor could reasonably expect to be available. When the B-BBEE approved registered auditor is unable to obtain sufficient appropriate evidence regarding a matter that has, or may have, a material effect on the evaluation or measurement of the measured entity, when such evidence would ordinarily be available, the measured entity shall score a zero, even if a representation from the responsible party has been received on the matter. The B-BBEE approved registered auditor shall consider the possibility that fronting may have occurred under such circumstances.
81. When written representations relate to matters that are material to the subject matter information, the B-BBEE approved registered auditor shall:
- Evaluate their reasonableness and consistency with other evidence obtained, including other representations (oral or written); and
 - Consider whether those making the representations can be expected to be well informed on the particular matters.
82. The date of the written representations shall be as near as practicable to, but not after, the date of issue of the B-BBEE Verification Certificate.

Requested Written Representations Not Provided or Not Reliable

83. If one or more of the requested written representations are not provided, or the B-BBEE approved registered auditor concludes that there is sufficient doubt about the competence, integrity, ethical values or diligence of those providing the written representations, or that the written representations are not reliable, the B-BBEE approved registered auditor shall:
- Discuss the matter with the appropriate parties;

- b) Re-evaluate the integrity of those from whom the representations were requested or received and evaluate the effect that this may have on the reliability of representations (oral or written) and evidence in general; and
84. Take appropriate actions, including determining whether the individual scorecard element shall reflect a zero (0), and considering the conclusion expressed in the limited or reasonable assurance report.

Subsequent Events

85. The B-BBEE approved registered auditor has no responsibility to perform any procedures regarding the subject matter information after the date of the assurance report. Nevertheless, when relevant to the engagement, the approved registered auditor shall consider the effect on the subject matter information and on the assurance report of events up to the date of the assurance report, and shall respond appropriately to facts that become known to the approved registered auditor after the date of the assurance report, that, had they been known to the approved registered auditor at that date, may have caused the approved registered auditor to amend the assurance report. The extent of consideration of subsequent events depends on the potential for such events to affect the subject matter information and the appropriateness of the engagement partner's conclusion.
86. The B-BBEE approved registered auditor shall consider the effect on the measured entity and on the assurance report, of events up to the date of measurement. Any events subsequent to the measurement date and prior to issuing the verification certificate may be referred to in the assurance report and may affect the scores determined for the individual scorecard elements and resultant B-BBEE Status, as reflected in the B-BBEE Verification Certificate, unless it provides confirmation of an event that existed at year end.

Other Information

87. When documents containing the subject matter information and the assurance report thereon include other information, of relevance to the B-BBEE status of the measured entity the B-BBEE approved registered auditor shall read that other information to identify material inconsistencies, if any, with the subject matter information or the assurance report and, if on reading that other information, the engagement partner:
- a) Identifies a material inconsistency between that other information and the subject matter information or the assurance report; or
 - b) Becomes aware of a material misstatement of fact in that other information that is unrelated to matters appearing in the subject matter information or the assurance report;
- the engagement partner shall discuss the matter with the appropriate parties and take further action as appropriate.

Engagement Quality Control Review

88. For those B-BBEE verification assurance engagements, for which the firm has determined that an engagement quality control review is required:
- a) The B-BBEE approved registered auditor shall take responsibility for discussing significant matters arising during the engagement with the engagement quality control reviewer, and not dating the assurance report until completion of that review; and
 - b) The engagement quality control reviewer shall perform an objective evaluation of the significant judgments made by the engagement team, including any

interpretations in the application of the Codes that might have a significant impact in determining individual Scorecard elements, and the conclusions reached in formulating the assurance report. Such evaluation shall involve:

- i) Discussion of significant matters with the engagement partner;
- ii) Review of the subject matter information and the proposed assurance report;
- iii) Review of selected engagement documentation relating to the significant judgments the engagement team made and the conclusions it reached; and
- iv) Evaluation of the conclusions reached in formulating the assurance report and consideration of whether the proposed assurance report is appropriate.

Forming the Assurance Conclusion

89. The B-BBEE approved registered auditor shall form a conclusion about whether the reported outcome of the measurement or evaluation of the underlying subject matter for individual scorecard elements is free from material misstatement. In forming that conclusion, the B-BBEE approved registered auditor shall consider:

- a) The engagement partner's conclusion regarding the sufficiency and appropriateness of evidence obtained; and
- b) An evaluation of whether uncorrected misstatements are material, individually or in aggregate.

90. If the B-BBEE approved registered auditor is unable to obtain sufficient appropriate evidence, a scope limitation exists and the B-BBEE approved registered auditor shall express a qualified conclusion, disclaim a conclusion, or withdraw from the engagement, where withdrawal is possible under applicable laws or regulations, as appropriate.

91. The B-BBEE approved registered auditor shall evaluate the conclusions drawn from the evidence obtained as a basis for determining the scores awarded to the individual Scorecard Elements reflected in the B-BBEE Verification Certificate. In reaching a conclusion, the B-BBEE approved registered auditor shall consider whether sufficient appropriate evidence has been obtained to reduce the risk of material misstatement in the scores determined for the individual Scorecard Elements.

B-BBEE Verification Certificate and Assurance report

The B-BBEE Verification Certificate requirements prescribed by Laws and Regulations

92. The B-BBEE approved registered auditor and the registered firm shall comply with the dti's requirements regarding the format and content of each and every B-BBEE Verification Certificate issued by the firm, namely: (Appendices A1 to A5)

- a) Clearly identifies the B-BBEE approved registered auditor and his or her IRBA **individual registration number** followed by the letter **(B)** and the firm's logo;
- b) Clearly records an approved B-BBEE Verification Certificate identification reference in the format required by the SASAE;
- c) Reflects relevant information regarding the identity and location of the measured entity;
- d) Identifies the Codes of Good Practice or relevant Sector Codes applied in the determination of the scores;
- e) Records the weighting points (scores) attained by the measured entity for each Scorecard element, where applicable, and the measured entity's overall B-BBEE Status; and

- f) The B-BBEE Verification Certificate and accompanying assurance report issued to the measured entity is valid for 12 months from date of issue and shall reflect both the issue and the expiry date thereon.
93. The B-BBEE approved registered auditor and firm must maintain such records as are necessary for all B-BBEE verification certificates issued to:
- a) Identify the B-BBEE approved registered auditor who has signed the Verification Certificates issued by the B-BBEE approved registered auditor's firm; and
 - b) Maintain such documentation and records as may be necessary to support the accuracy and reliability of the rating awarded to all Scorecard categories and resultant Contributor Level (B-BBEE Status) reflected on the B-BBEE Verification Certificates;
 - c) Maintains records of all BBEE Verification Certificates issued by the firm, and the expiry date, including identification of the relevant office and measured entity client; and
 - d) Upload the relevant information pertaining to the certificate on the dti BEE IT Portal containing the information underlying each B-BBEE Verification Certificate issued within 30 days of issuance of the certificate.

Preparing the assurance report

94. The assurance report shall be in writing and shall contain a clear expression of the B-BBEE approved registered auditor's conclusion that conveys the assurance obtained about the subject matter information.
95. The engagement partner's conclusion on the subject matter information shall be clearly separated from any emphasis of matter, findings, recommendations or similar information included in the assurance report, and the wording used shall make it clear that findings, recommendations or similar information is not intended to detract from the B-BBEE approved registered auditor's conclusion.
96. The B-BBEE Verification Certificate shall be in writing and shall reflect the scores determined for the individual Scorecard Elements and the resultant B-BBEE status of the measured entity.
97. The B-BBEE approved registered auditor shall also provide an analysis of the detailed scores attached to the B-BBEE Verification Certificate to the measured entity to illustrate how the scores were determined. (Appendix A1 and A3)
98. The following illustrative *B-BBEE Verification Certificate* with *accompanying assurance report* and analysis of the detailed scorecard elements are included in (Appendices A1-A5):
- *Example 1: B-BBEE Verification Certificate* issued, accompanying *reasonable assurance report* and analysis of the detailed scores for each of the seven scorecard elements of the Generic Scorecard or relevant Sector Code Scorecard of the Codes of Good Practice;
 - *Example 2: B-BBEE Verification Certificate* issued, accompanying *limited assurance report* and analysis of the detailed scores for each of the seven scorecard elements of the Generic Scorecard or Sector Code Scorecard of the Codes of Good Practice;
 - *Example 3: B-BBEE Verification Certificate* issued, accompanying *reasonable assurance report* and analysis of the detailed scores for each of the seven scorecard elements of the QSE Generic Scorecard or relevant Sector Code Scorecard of the Codes of Good Practice;
 - *Example 4: B-BBEE Verification Certificate* issued, accompanying *limited assurance report* and analysis of the detailed scores for each of the scorecard

elements for the QSE Generic Scorecard or Sector Code Scorecard of the Codes of Good Practice; and

- *Example 5 - B-BBEE Verification Certificate* for EMEs qualifying as Level 3, or Level 4, contributors based on the Criteria for Exempted Micro Enterprises (EME's) of the Codes of Good Practice.
99. As the measured entity will make the B-BBEE Verification Certificate publicly available to third parties seeking confirmation of the B-BBEE Status of the entity, or when submitting tenders to government, the B-BBEE approved registered auditor and his or her firm shall maintain a record of all B-BBEE Verification Certificates issued by the firm with a distinctive number. The *assurance report* and *detailed scores for each Scorecard Element* accompanying the B-BBEE Verification Certificate, is provided to the measured entity and are not publicly available documents. (Appendix A1 to A5)
100. The B-BBEE Verification Certificates are required to be uploaded to the dti Portal within 30 days of issue but is not regarded as including the accompanying *assurance report* and *analysis of the detailed scores for each Scorecard Element* which are provided to the measured entity and are not publicly available documents.

Other Communication Responsibilities

101. The engagement partner shall consider whether, pursuant to the terms of the engagement and other engagement circumstances, any matter has come to the attention of the engagement partner that should be communicated with the responsible party, the measurer or evaluator, the engaging party, those charged with governance or others.
102. The B-BBEE approved registered auditor may be requested by the measured entity to verify specific elements of the B-BBEE Codes in terms of contracts between the measured entity and a third party. In these circumstances the B-BBEE approved registered auditor shall follow the requirements of this SASAE bearing in mind the additional requirements included in the contract between the measured entity and the third party. For example the reporting requirements for these engagements might differ from the reporting requirements included in this SASAE.
103. The B-BBEE approved registered auditor shall consider other reporting responsibilities, including the appropriateness of communicating relevant matters that came to the attention of the B-BBEE approved registered auditor during the engagement, in a report to the management of the measured entity.

Documentation

104. The engagement partner shall prepare on a timely basis, engagement documentation that provides a record of the basis for the scores determined for individual scorecard elements and the overall B-BBEE Status and conclusion expressed in the accompanying assurance report that is sufficient and appropriate to enable an experienced engagement partner, having no previous connection with the engagement, to understand: (Ref: Para A68-A69)
- a) The nature, timing and extent of the procedures performed to comply with relevant ISAEs and applicable legal and regulatory requirements;
 - b) The results of the procedures performed, and the evidence obtained; and
 - c) Significant matters arising during the engagement, the conclusions reached thereon, and significant professional judgments, including interpretations of Codes applied in reaching those conclusions.
105. If the engagement partner identifies information that is inconsistent with the engagement partner's final conclusion regarding a significant matter, the

engagement partner shall document how the inconsistency was addressed. (Ref: Para A68-A69)

106. The engagement partner shall document sufficient appropriate evidence to support the scores determined for the individual scorecard elements and the resultant B-BBEE status of the measured entity as reflected in the B-BBEE Verification Certificate issued, the assurance conclusion expressed, and that the engagement was performed in accordance with this SASAE and ISAE 3000. (Ref: Para A68-A69)
107. Where questions of principle or judgment arise the documentation shall include all relevant facts that were known at the time the issue was identified, the consultations that took place and the conclusion reached. B-BBEE approved registered auditors apply professional judgement in determining those matters that are significant. The engagement documentation shall record the B-BBEE approved registered auditor's reasoning on all significant matters that required the exercise of judgment. (Ref: Para A68-A69)
108. It is neither necessary nor practical to document every matter the B-BBEE approved registered auditor considers. In applying professional judgment to assess the extent of documentation to be prepared and retained, the B-BBEE approved registered auditor shall consider what is necessary to provide an understanding of the work performed and the basis of the principal decisions taken. (Ref: Para A68-A69)

Withdrawing from the Engagement

109. After the engagement is accepted by the measured entity and the engagement partner concludes that the scorecard rating prepared by the measured entity is materially misstated, the engagement partner determines the appropriate score and engages with management to resolve the difference and requests the measured entity to rectify the scorecard. If the measured entity refuses to do so the engagement partner considers the implications for the B-BBEE Verification Certificate and assurance report.
110. The engagement partner also considers the firm's client and engagement continuance policies and determines whether or not to withdraw from the engagement

APPLICATION AND OTHER EXPLANATORY MATERIAL

Introduction

Provision of B-BBEE Verification certificates (Ref: Para.1, 2 and 3)

- A1. As indicated in paragraphs 1 and 2, the provision of B-BBEE verification assurance services by registered auditors is occasioned by legislative changes that recognise the confidence placed in the auditing profession in South Africa. As the engagement is unique to the B-BBEE Act in South Africa and the requirements of the Department of Trade and Industry (the dti), there are no extant international subject specific assurance standards that might be applied to such engagements. Consequently, as a transitional arrangement both this SASAE and the dti notices and guidance provide useful guidance for registered auditors.

Application of ISQC 1 Quality Controls for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements (Ref: Para.4)

- A2. The B-BBEE approved registered auditor may employ multidisciplinary teams with expertise in gathering sufficient appropriate assurance evidence of detailed aspects affecting the determination of scores for individual scorecard elements. In such circumstances, such employees may be employed in a services firm or entity owned by the registered audit firm and or its registered auditors who may be the sole B-BBEE approved registered auditor, and the engagement teams, partners or members of the audit firm, that is part of the “measured entity”. In such circumstances, the B-BBEE approved registered must ensure that the requirements of ISQC 1 are applied by the multi-disciplinary engagement team in the conduct of B-BBEE assurance engagements.

Objectives

Procedures for reasonable and limited assurance engagements (Ref: Para. 11 and 18)

- A3. The requirements distinguish between procedures that are appropriate where reasonable assurance is provided and those that might be appropriate where limited assurance is provided. Some procedures that are required only for reasonable assurance engagements may also be applied to limited assurance engagements. For example, although obtaining an understanding of control activities is not required for limited assurance engagements, in some circumstances, where information is recorded processed or reported only in electronic form, the B-BBEE registered auditor may nonetheless decide that testing controls and therefore obtaining an understanding of control activities is necessary for a limited assurance engagement.
- A4. This may apply in circumstances where sampling, including the use of CAATS, may be applied to tests of controls and for selecting individual items from a population for inspection. These might be applied to the following elements of a measured entity:
- The *ownership element* where there are employee share schemes with large numbers of participants;
 - The *employment equity element* where there are significant numbers of black employees; and
 - The *preferential procurement* element where volumes are significant.

Definitions

Sampling (Ref: Definitions and Par 60L, 61L, 62R and 63R)

- A5. Due to the nature of the populations underlying the individual scorecard elements, sampling approaches may not always be appropriate. For example in the case of complex ownership structures, it may not be possible to obtain an understanding of the complexity and hence the beneficial black ownership created by the structure by sampling the underlying shareholders’ register. In such cases an understanding of the complex structure must be obtained, irrespective of whether limited or

reasonable assurance is being expressed, in order to detect any material misstatements.

- A6. Where sampling is used, both monetary unit sampling (MUS) - for selecting items for analytical review or detailed testing, or attribute sampling when attempting to identify any instances of material errors in the population may be applied to the relevant populations underpinning the individual scorecard elements. B-BBEE approved registered auditors are advised to refer to ISA 530 Audit Sampling for guidance.
- A7. Where the measured entity is situated in multiple locations, the B-BBEE approved registered auditor considers whether samples selected from the underlying populations are drawn from all material sites or geographic locations that might influence the determination of the individual scorecard elements.

Requirements:

ISAE 3000

(Ref Para. 13)

- A8. ISAE 3000 includes a number of requirements that apply to all assurance engagements, including engagements in accordance with this SASAE. In some cases, this SASAE may include additional requirements or application material in relation to those topics.

Acceptance and Continuance

Preconditions for the engagement (Ref: Para. 16, 18 and 21)

- A9. It is important to ascertain whether the persons responsible for the preparation of the underlying information of the measured entity have the necessary knowledge and understanding of the applicable B-BBEE Codes, other relevant legislation, and the complexity of the individual scorecard elements, to enable the appropriate determination of the scorecard and B-BBEE status from the underlying information.
- A10. Where the measured entity does not have the expertise internally to adequately prepare the underlying information for the assurance engagement, it may be necessary to appoint B-BBEE advisory consultants to assist the entity's own staff.
- A11. Seeking the agreement of the appropriate parties that acknowledge and understand their responsibility to provide the B-BBEE approved registered auditor and engagement team with the following, may assist the B-BBEE approved registered auditor and engagement team in determining whether the engagement exhibits the characteristic of *access to evidence*:
- Access to all information of which the appropriate parties are aware is relevant to the preparation of the subject matter information such as records, documentation and other matters;
 - Additional information that the B-BBEE approved registered auditor and engagement team may request from the appropriate parties for the purpose of the engagement; and

- Unrestricted access to persons within the appropriate parties from whom the B-BBEE approved registered auditor and engagement team determines it necessary to obtain evidence.
- A12. The nature of relationships between the responsible party, the measured entity's staff responsible for preparing the information for purposes of the B-BBEE Scorecard Elements, may affect the B-BBEE approved registered auditor's and engagement team's ability to access to records, documentation and other information the B-BBEE approved registered auditor and engagement team may require as evidence to complete the engagement. The nature of such relationships may therefore be a relevant consideration when determining whether or not to accept the engagement.

Professional Scepticism

Professional scepticism (Ref: Par 27 – 29)

- A13. Professional scepticism includes being alert to, for example:
- Evidence that is inconsistent with other evidence obtained.
 - Information that calls into question the reliability of documents and responses to inquiries to be used as evidence.
 - Circumstances that suggest the need for procedures in addition to those required by this SASAE.
 - Indications of fronting that suggest the need for procedures in addition to those required by this SASAE.
- A14. Maintaining professional scepticism throughout the engagement is necessary if the B-BBEE approved registered auditor is, for example, to reduce the risks of:
- Overlooking unusual circumstances.
 - Over generalising when drawing conclusions from observations.
 - Using inappropriate assumptions in determining the nature, timing, and extent of the procedures and evaluating the results thereof.
- A15. Professional scepticism is necessary to the critical assessment of evidence. This includes questioning inconsistent evidence and the reliability of documents and responses to inquiries. It also includes consideration of the sufficiency and appropriateness of evidence obtained in the light of the circumstances.
- A16. Unless the engagement involves assurance about the genuineness of documents, the B-BBEE approved registered auditor may accept records and documents as genuine unless the B-BBEE approved registered auditor has reason to believe the contrary. Nevertheless, the B-BBEE approved registered auditor's is required by paragraph 29 to consider the reliability of information to be used as evidence.
- A17. The B-BBEE approved registered auditor cannot be expected to disregard past experience of the honesty and integrity of those who provide evidence. Nevertheless, a belief that those who provide evidence are honest and have integrity does not relieve the B-BBEE approved registered auditor of the need to maintain professional scepticism.

Planning and performing the engagement

Planning (Ref: Para. 31 to 33)

- A18. QSE and EME B-BBEE engagements or more straightforward engagements (see paragraph 32) may be conducted by a very small engagement team. With a smaller team, coordination of, and communication between, team members is easier. Establishing the overall engagement strategy for a smaller engagement, or for a more straightforward engagement, need not be a complex or time-consuming exercise. For example, a brief memorandum, based on discussions with the entity, can serve as the documented engagement strategy if it covers the matters noted in paragraph 33.
- A19. The B-BBEE approved registered auditor discusses elements of planning with the entity when determining the scope of the engagement or to facilitate the conduct and management of the engagement (for example, to coordinate some of the planned procedures with the work of the entity's personnel). Although these discussions often occur, the overall engagement strategy and the engagement plan remain the B-BBEE approved registered auditor's responsibility. When discussing matters included in the overall engagement strategy or engagement plan, care is required in order not to compromise the effectiveness of the engagement. For example, discussing the nature and timing of detailed procedures with the entity may compromise the effectiveness of the engagement by making the procedures too predictable.

Materiality

Determining materiality when planning the engagement (Ref: Para. 34 to 35)

- A20. Professional judgments about materiality are made in light of surrounding circumstances, but are not affected by the level of assurance, that is, for the same intended users (namely, those seeking a B-BBEE Verification Certificate from potential suppliers, when considering quotes and tenders for procurement from such potential suppliers), materiality for a reasonable assurance engagement is the same as for a limited assurance engagement because materiality is based on the information needs of intended users.
- A21. Misstatements, including omissions, are considered to be material if they, individually, or in the aggregate, could reasonably be expected to influence relevant decisions of intended users taken on the basis of the scores determined for individual scorecard elements and the overall score affecting the B-BBEE Status of the measured entity. Since scores for individual elements are determined on the basis of information provided by the measured entity, where the underlying information provided is incomplete, the omission of relevant information will directly affect scores determined for that individual element, including the possibility of no score being awarded.
- A22. The B-BBEE approved registered auditor's consideration of materiality is a matter of professional judgment, and is affected by the B-BBEE approved registered auditor's perception of the common information needs of intended users as a group. In this context, it is reasonable for the B-BBEE approved registered auditor to assume that intended users:

- Have a working knowledge of the Codes of Good Practice, relevant Sector Codes, and relevant legislation and contractual arrangements affecting the underlying information, and calculation of scores, for individual elements, and a willingness to study the criteria with reasonable diligence;
- Understand that the underlying information supporting the individual elements is prepared and assured to appropriate levels of materiality, and have an understanding of any materiality concepts included in the applicable criteria;
- Understand any inherent uncertainties involved in the measuring or evaluating the underlying information for individual scorecard elements; and
- Make reasonable decisions on the basis of the underlying information for individual scorecard elements taken as a whole.

A23. As B-BBEE Verification Certificates issued are:

- valid for only one year from date of issue; and
- individual elements scores may, in terms of the Codes, be based on scores determined at the measurement date rather than necessarily or consistently based on the information for the financial period / year of the measured entity;

the B-BBEE approved registered auditor considers the materiality of adjustments that might materially affect past or current underlying information for individual scorecard elements, or is likely to affect such future underlying information for individual scorecard elements and the effect on the determination of the scores for those individual scorecard elements.

A24. Materiality is considered in the context of qualitative factors and, when applicable, quantitative factors. The relative importance of qualitative factors and quantitative factors when considering materiality in a particular engagement is a matter for the B-BBEE approved registered auditor's professional judgment.

A25. Qualitative factors (Ref: Para 35(a)), apply primarily to the *Ownership, Management and Employment Equity* elements of the scorecard may include such things as:

- The interaction between, and relative importance of, various components of the subject matter information when the measured entity comprises complex components, in particular in considering circumstances where:
 - Different Sector Codes apply to material components of a measured entity that is a single entity, or a group of entities with diverse components, operating in different industries. In such circumstances, it may be appropriate for diverse components to be clustered as separate measured entities, based on the relevant Generic Code or Sector Code applicable and materiality considered for each separate measured entity as a whole; and
 - The measured entity is a Qualifying Small Enterprise (QSE) the selection of the four individual scorecard elements to be assured

determines the nature of underlying information and hence whether qualitative or quantitative materiality considerations will apply.

- Whether a misstatement in the underlying information affects compliance with relevant laws or regulations;
- Whether a misstatement is the result of an intentional act or is unintentional, for example, when fronting practices may be encountered or suspected;
- Whether a misstatement is significant having regard to the B-BBEE approved registered auditor's understanding of known previous communications to users, for example, in relation to the expected outcome of the measurement or evaluation of the underlying subject matter; and
- Whether a misstatement relates to the relationship between the responsible party, the measurer or evaluator, or the engaging party or their relationship with other parties.

A26. Quantitative factors (Ref: Para 35(b)), primarily applicable to expenditures and other underlying information for *Skills Development, Preferential procurement, Enterprise Development and Socio Economic Development* and relate to the magnitude of misstatements relative to reported amounts for those aspects of the underlying information that are:

- Expressed numerically; or
- Otherwise related to numerical values (for example, the number of observed deviations from a control may be a relevant quantitative factor when the deviation indicates that the underlying information for individual scorecard elements will be materially misstated affecting the determination of scores for that element).

A27. When quantitative factors are applicable, planning the engagement solely to detect individually material misstatements overlooks the fact that the aggregate of individually immaterial misstatements may cause the scores determined for individual scorecard elements to be materially misstated affecting the overall score for and B-BBEE Status. It may therefore be appropriate when planning the nature, timing and extent of procedures for the B-BBEE approved registered auditor to determine a quantity less than materiality for the underlying information as a basis for determining the nature, timing and extent of procedures.

A28. Materiality relates to the individual scorecard elements, overall score and B-BBEE status reflected on the B-BBEE Verification Certificate covered by the assurance report. Therefore, when the engagement covers selected scorecard elements, for example QSE or entities subject to the Adjusted Generic Scorecard or Exempt Micro Enterprises (EMEs), materiality is considered in relation to only those elements covered by the assurance engagement and report.

A29. Intended users and their need for B-BBEE Verification Certificates issued by B-BBEE approved registered auditors, may include for example:

- Management and those charged with governance of an entity who use information about the B-BBEE status of their entity for:
 - identifying transformation imperatives for suppliers, customers, employees, and the broader community, including identification of opportunities and initiatives to be implemented by the entity;
 - supplying the entity's B-BBEE Verification Certificates to their customers and communicating their B-BBEE Status in the media to the general public;
 - obtaining B-BBEE Verification Certificates from suppliers when considering quotes and tenders in their supply chain management process, especially in selecting suppliers in the case of public entities and government department where tenders are required, to comply with the *Preferential Procurement Policy Framework Act, No 5 of 2000 and Regulations* pursuant thereto (the PPPFA).
 - Market participants: for example, issuers listed on the JSE Securities Exchange, investors (both local and foreign), other stakeholders such as suppliers, customers, employees, and the broader community in the case of voluntary disclosures. Their information needs may relate to decisions to buy or sell equity in the entity; lend to, trade with, or be employed by the entity; or make representations to the entity or others, for example, politicians.
 - While the B-BBEE Verification Certificates issued by B-BBEE approved registered auditors is made publicly available, the distribution of the accompanying analysis of the detailed scorecard elements and reasonable or limited assurance report is restricted to the measured entity appointing the B-BBEE approved registered auditor.
- A30. If during the engagement the BBEE approved registered auditor concludes that a lower materiality than that initially determined is appropriate, it may be necessary to revise materiality, and determine the nature, timing and extent of the further procedures.

Understanding the Measured entity and its environment

Professional Judgment (Ref: Para. 36)

- A31. The B-BBEE approved registered auditor uses professional judgment to determine the extent of the understanding and the nature, timing and extent of procedures to identify and assess risks of material misstatement that are required to obtain reasonable or limited assurance, as appropriate. The B-BBEE approved registered auditor's primary consideration is whether the understanding that has been obtained and the identification and assessment of risks are sufficient to meet the objective stated in this SASAE. The depth of the understanding that is required by the B-BBEE approved registered auditor is less than that possessed by management in managing the entity, and both the depth of the understanding and the nature, timing and extent of procedures to

identify and assess risks are less for a limited assurance engagement than for a reasonable assurance engagement.

- A32. Obtaining an understanding and identifying and assessing risks is an iterative process. Procedures to obtain an understanding of the entity and its environment and to identify and assess risks by themselves do not provide sufficient appropriate evidence on which to base the assurance conclusion.

Relevant Components of Internal Control (Ref: Para. 37L–38R)

- A33. In a limited assurance engagement, while it may often be appropriate to inquire of the entity about control activities and monitoring of controls relevant to the preparation of the underlying information for the individual scorecard elements, it will ordinarily not be necessary to obtain a detailed understanding of these components of the entity's internal control.
- A34. The understanding of relevant components of internal control may raise doubts about whether sufficient appropriate evidence is available for the B-BBEE approved registered auditor to complete the engagement. For example, (see also paragraphs A35-A37 below and A63-A64):
- Concerns about the integrity of those preparing the underlying information for the B-BBEE scorecard elements may be so serious as to cause the B-BBEE approved registered auditor to conclude that the risk of management misrepresentation is such that an engagement cannot be conducted.
 - Concerns about the condition and reliability of an entity's records may cause the B-BBEE approved registered auditor to conclude that it is unlikely that sufficient appropriate evidence will be available to support an unmodified conclusion on the B-BBEE Verification Certificate. In such circumstances, the B-BBEE approved registered auditor discusses the effect on the scores to be determined for individual elements with management and if sufficient appropriate evidence is not obtained for those individual elements, considers whether any score can be determined and if not, none is to be determined for that individual element a **zero (0)** is reflected on the B-BBEE Verification Certificate.

Control Activities Relevant to the Engagement (Ref: Para. 38R (d))

- A35. The B-BBEE approved registered auditor's judgment about whether particular control activities are relevant to the engagement may be affected by the level of sophistication, documentation and formality of the entity's information system, including the related business processes, relevant to the preparation of the underlying information for individual scorecard elements. It can be expected that in larger and more complex entities, a greater level of sophistication, documentation and formality of information systems and related control activities relevant to the individual scorecard elements is likely to be encountered.
- A36. In the case of very small entities (QSE's and EMEs) or immature information systems, particular control activities are likely to be more rudimentary, less well-documented, and may only exist informally. When this is the case, it is less

likely that the B-BBEE approved registered auditor will judge it necessary to understand particular control activities in order to assess the risks of material misstatement and design further procedures responsive to assessed risks.

- A37. In some circumstances, not all relevant data flows and associated controls may be documented. For example, it may be more likely that control activities with respect to source data collection in large and more complex measured entities are more sophisticated, well-documented, and more formal than control activities with respect to subsequent data processing and reporting for smaller entities (see also paragraphs A34 and A63-A64).

Procedures to obtain an understanding and to identify risks

Analytical Procedures for Obtaining an Understanding of the Entity and Its Environment and Identifying and Assessing Risks (Ref: Para. 40)

- A38. The nature of the B-BBEE Verification Certificate engagement is such that the preparation of the underlying information for individual scorecard elements may be extracted from information used in the preparation of the annual financial statements of the entity and any group components included as part of the measured entity.
- A39. The B-BBEE approved registered auditor identifies those employees with an informed knowledge and understanding of the requirements for B-BBEE scorecard elements, who are able to assist in identifying and assessing the risks of material misstatement for individual scorecard elements. Factors that might be considered include whether the persons responsible:
- for the collation of the underlying information have an understanding and knowledge of the requirements of the relevant B-BBEE Codes and prior experience in the preparation of the underlying information for the individual scorecard elements are employed by the entity;
 - have any involvement in the preparation of other financial information for the entity sufficient to ensure they:
 - understand of the complexities of ownership in the context of the entity's ownership structure;
 - have knowledge of the labour legislation¹⁵ sufficient to correctly identify those employees who qualify as black employees, affecting the management and employment equity elements of the scorecard; and
 - the preparation of information for the preferential procurement, enterprise development and socio-economic development elements is done correctly.
- A40. Where B-BBEE advisory services have been outsourced to an external service provider to assist in the preparation of the underlying information for the scorecard elements the B-BBEE approved registered auditor considers the controls management has established to ensure underlying information has been properly prepared.

¹⁵ The Employment Equity Act No. 55 of 1998, Skills Development Act No. 97 of 1998; Skills Development Levies Act No. 9 of 1999 and any Amendments thereto.

- A41. Where the measured entity has appointed external consultants to advise on valuation issues affecting any scorecard elements, or the B-BBEE approved registered auditor has used the work of their expert for advising on specific aspects and the B-BBEE approved registered auditor has followed the guidance in ISA 620 *Using the work of an auditor's expert* he or she may accept that the expert's findings or conclusions in the expert's field as appropriate evidence.

Analytical procedures (Ref: Para. 40)

- A42. Analytical procedures performed to obtain an understanding of the entity and its environment and assess risks may identify aspects of the entity of which the B-BBEE approved registered auditor was unaware and may assist in assessing the risks of material misstatement in order to provide a basis for designing and implementing responses to the assessed risks.
- A43. Analytical procedures may help identify the existence of unusual events, and amounts, ratios, and trends that might indicate matters that have implications for the engagement. Unusual or unexpected relationships that are identified may assist the B-BBEE approved registered auditor in identifying risks of material misstatement.

Observation and Inspection (Ref: Para.40)

- A44. Observation consists of looking at a process or procedure being performed by others, for example, the B-BBEE approved registered auditor's observation of monitoring devices being calibrated by the entity's personnel, or of the performance of control activities. Observation provides evidence about the performance of a process or procedure, but is limited to the point in time at which the observation takes place, and by the fact that the act of being observed may affect how the process or procedure is performed.
- A45. Inspection involves:
- Examining records or documents, whether internal or external, in paper form, electronic form, or other media. Inspection of records and documents provides evidence of varying degrees of reliability, depending on their nature and source and, in the case of internal records and documents, on the effectiveness of the controls over their production; or
 - A physical examination of, employees.
- A46. Observation and inspection may support inquiries of management and others, and may also provide information about the entity and its environment. Examples of such procedures include observation or inspection of the following:
- Attendance at sites where the entity's operations are located;
 - Inspection of documents such as:
 - Share certificates and registers and contracts for B-BBEE structured ownership deals and employee share trusts;
 - Payroll records and IDs of employees and evidence of employees appointed in management positions;
 - Procurement records, including B-BBEE Verification Certificates of suppliers; and

- Reports prepared by management (such as quarterly management reports and minutes of management meetings) and those charged with governance (such as minutes of board of directors' meetings).

Performing procedures on site (Ref: Para.40)

- A47. Performing observation and inspection, as well as other procedures, at site visits to the measured entity's significant locations, may be important in building on the understanding of the measured entity that the B-BBEE approved registered auditor develops by performing procedures at measured entity's head office. Because the B-BBEE approved registered auditor's understanding of the entity and identification and assessment of risks of material misstatement can be expected to be more comprehensive for a reasonable assurance engagement than for a limited assurance engagement, the number of sites at which procedures are performed in the case of a reasonable assurance engagement will ordinarily be greater than in the case of a limited assurance engagement.
- A48. Performing procedures on site may be done as part of planning, when performing risk assessment procedures, or when responding to assessed risks of material misstatement. Performing procedures at significant sites of the measured entity is often particularly important for an engagement being undertaken for the first time.
- A49. For many reasonable assurance engagements, the B-BBEE approved registered auditor will consider it necessary to perform procedures on location at each significant site to respond to assessed risks. For a limited assurance engagement where the entity has a number of significant sites, a meaningful level of assurance could not ordinarily be obtained without the B-BBEE approved registered auditor having performed procedures at a selection of significant sites.

Knowledge gained from other engagements for the entity (Ref: Para. 41)

- A50. The B-BBEE assurance engagements and scores determined for individual scorecard elements are based on the underlying information provided by the measured entities, many of which may be companies, close corporations, public entities or state owned entities subject to the provisions of the South African Companies Act, 2008 (Act 71 of 2008) and Regulations thereto or the Close Corporations Act. The Companies Act, 2008 provides for companies that meet certain criteria, to have their financial statements audited, independently reviewed, or to be exempt from audit and review, where these are independently compiled by an accounting professional¹⁶.
- A51. Where the B-BBEE Verification Certificate is provided by a B-BBEE approved registered auditor who, or whose firm, is also appointed as the auditor of the entity, or as the independent reviewer to the entity, the B-BBEE approved registered auditor will already have an audit or review level of knowledge of the measured entity. This will include an understanding of the measured entity, its systems of internal control and knowledge of the complexity of ownership structures that may

¹⁶ An accounting professional is defined in Regulation 26(10(d) of the Companies Act, 2008 as "a registered auditor, a CA (SA), or person qualified to be the accounting officer of a Close Corporation in terms of the Close Corporation Act".

assist the B-BBEE approved registered auditor in evaluating the risk of material misstatement of the individual scorecard elements for the measured entity.

- A52. The B-BBEE approved registered auditor will also have an understanding of the relevant financial reporting framework applied by the entity and hence the basis of “standard” valuation applied in determining the values of assets and liabilities of the measured entity to determine the economic benefit to B-BBEE owners and in understanding other relevant legislation applicable to the measured entity scorecard elements. The B-BBEE approved registered auditor considers evidence derived from such audit or review engagement in the course of determining the additional procedures necessary and further evidence required to determine the individual scorecard elements for the measured entity.
- A53. Where the B-BBEE approved registered auditor is neither the appointed auditor, nor the independent reviewer of the measured entity, additional procedures will be needed to obtain a sufficient understanding of the entity, to assess the risks of material misstatements due to fraud or error in the underlying information, affecting the determination of the scores for the individual scorecard elements.

Identifying and assessing risks of material misstatements

Risks of material misstatements of the individual scorecard elements (Ref: Par 45L and 46R)

- A54. Risks of material misstatement of individual scorecard elements refer to risks that relate pervasively to the B-BBEE Verification Certificate as a whole. Risks of this nature are not necessarily risks identifiable with an individual scorecard element. Rather, they represent circumstances that may increase the risks of material misstatement more generally, for example, through management override of internal control. Pervasive risks may be especially relevant to the B-BBEE approved registered auditor’s consideration of the risks of material misstatement arising from fraud and fronting.
- A55. Risks of material misstatement of individual scorecard elements may derive in particular from a deficient control environment. For example, deficiencies such as management’s lack of competence may have a more pervasive effect on the B-BBEE Verification Certificate and may require an overall response by the B-BBEE approved registered auditor. Other risks of material misstatement of individual scorecard elements may include, for example:
- Inadequate, poorly controlled or poorly documented processes for collecting and preparing the underlying information for calculating the scores for individual scorecard elements;
 - Lack of staff competence for collecting and preparing the underlying information for calculating the scores for individual scorecard elements;
 - Lack of management involvement in preparing the underlying information and calculating the scores for individual scorecard elements;
 - Failure to identify accurately all sources of information for the individual scorecard elements; and
 - Risk of fraud, for example, fronting in connection with the *ownership* and *management* elements.

The Use of Assertions (Ref: Par 45L(b) and 46R(b))

- A56. Assertions¹⁷ are used by the B-BBEE approved registered auditor in a reasonable assurance engagement, and may be used in a limited assurance engagement, to consider the different types of potential misstatements that may occur in the preparation of the underlying information and qualifying information regarding factors that affect the numerator used in calculating the scores for individual scorecard elements.
- A57. The scores determined for individual scorecard elements are based on the relevant underlying information prepared by the measured entity and relevant supporting evidence. Consequently, the *Completeness* assertion is relevant in considering the completeness of the population used to calculate some of the individual scorecard elements. Completeness of the *denominator* is important as it affects potential overstatement and accuracy of the percentage, or ratio calculated, for example, completeness of the following:
- *Ownership*: the total issued shares or membership interests, including voting rights for those classes of shares where qualifying black ownership is held;
 - *Management control*: the total number of employees and the number who qualify as Black management;
 - *Employment equity*: the total number of employees versus the number who qualify as Black employees;
 - *Skills development*: the total qualifying expenditure on skills development;
 - *Preferential procurement*: the total procurement of the measured entity versus that from B-BBEE suppliers;
 - *Enterprise development*: the total qualifying expenditure on enterprise development
 - *Socio-economic development*: the total qualifying expenditure on Socio-economic development.
- A58. The *Occurrence, Accuracy, Cut-off and Classification, Existence, Rights and Obligations, Valuation and Allocation* assertions are relevant when evaluating the sufficiency and appropriateness of evidence, for example, qualifying ownership interests, voting rights and economic benefits, as well as expenditures for individual scorecard elements. Where the qualifying information provided is incomplete or is not supported by sufficient appropriate evidence, a score may not be determined for that particular element, or a lower score than that which would otherwise have been determined, will be calculated and reflected on the B-BBEE Verification Certificate.
- A59. Certain of the scorecard elements are non-financial and are dependent on the *Occurrence and Rights and Obligations* assertions, for example, evidence regarding the actual circumstances, for example, whether or not black persons, claimed to be in “management”, can demonstrate the claimed level of responsibility and authority in their appointment is a matter of fact established by means of observation of the person in the particular role, interview of other employees, and inspection of that person’s job description and minutes of management meetings.

¹⁷ Refer to ISA 315 paragraph A110 to A112 for guidance in the use of assertions, adapted as necessary for identifying the risk of material misstatements in individual scorecard elements.

A60. Other scorecard elements are dependent on establishing the legal status, or *Occurrence and Rights and Obligations* assertions. For example, determination of the score for the employment equity element, is dependent on the B-BBEE approved registered auditor obtaining evidence of employment, by the measured entity (based on payroll records), and the racial classification of Black, Coloured, Indian or Chinese South African employees, usually in the form of validated Identification Cards (ID Cards issued by the Department of Home Affairs).

Other Causes of Risks of Material Misstatement (Ref: Para. 47)

- A61. Examples of other factors that may lead to risks of material misstatement include:
- Human error in the preparation of the underlying information and calculating the scores for individual scorecard elements, which may be more likely to occur if personnel are unfamiliar with, or not well-trained regarding the relevant B-BBEE Codes and basis for determining the relevant scores.
 - Undue reliance on a poorly designed information system, which may have few effective controls, for example, the use of spreadsheets without adequate controls.
 - Significant external developments such as amendments to relevant legislation affecting the recognition of qualifying expenditures and determination of scores for individual scorecard elements.

Overall responses to assessed risks and further procedures

Overall Responses to Assessed Risks (Ref: Para. 48-49)

- A62. Overall responses to address the assessed risks of material misstatement of individual scorecard elements may include:
- Emphasising to the assurance personnel the need to maintain professional scepticism.
 - Assigning more experienced staff or those with special skills or using experts.
 - Providing more supervision.
 - Incorporating additional elements of unpredictability in the selection of further procedures to be performed.
 - Making general changes to the *nature, timing, or extent* of procedures, for example: modifying the nature of procedures to obtain more persuasive evidence.
- A63. The assessment of the risks of material misstatement of individual scorecard elements, and thereby the B-BBEE approved registered auditor's overall responses, is affected by the B-BBEE approved registered auditor's understanding of the control environment. An effective control environment may allow the B-BBEE approved registered auditor to have more confidence in internal control and the reliability of evidence generated internally within the entity and thus, for example, allow the B-BBEE approved registered auditor to conduct some procedures at an interim date rather than at the period end. Deficiencies in the control environment, however, have the opposite effect; for example, the B-BBEE approved registered auditor may respond to an ineffective control environment by:
- Conducting more procedures as of the period end rather than at an interim date.

- Obtaining more extensive evidence from procedures other than tests of controls.
 - Increasing sample sizes and the extent of procedures, such as the number of facilities at which procedures are performed.
- A64. Such considerations, therefore, have a significant bearing on the B-BBEE approved registered auditor's general approach, for example, the relative emphasis on tests of controls versus other procedures (see also paragraphs A34 and A35-A37)

Obtaining Evidence

Limited and Reasonable Assurance Engagements (Ref: Para. 56-57, 58L-59R, 60-61L and 62-63R)

- A65. Because the level of assurance obtained in a limited assurance engagement is lower than in a reasonable assurance engagement, the nature and timing of the procedures the B-BBEE approved registered auditor will perform in a limited assurance engagement will be different from, and their extent will be less than, a reasonable assurance engagement.
- A66. The primary differences between the B-BBEE approved registered auditor's overall responses to address the assessed risks and further procedures for a reasonable assurance engagement and a limited assurance engagement on a B-BBEE Verification Certificate are as follows:
- *The emphasis placed on the nature of various procedures:* The emphasis placed on the nature of various procedures as a source of evidence will likely differ, depending on the engagement circumstances. For example:
 - The B-BBEE approved registered auditor may judge it to be appropriate in the circumstances of a particular limited assurance engagement to place relatively greater emphasis on inquiries of the entity's personnel and analytical procedures, and relatively less emphasis, if any, on tests of controls and obtaining evidence from external sources than would be the case for a reasonable assurance engagement;
 - *The extent of further procedures:* The extent of further procedures performed in a limited assurance engagement is less than in a reasonable assurance engagement. This may involve:
 - Reducing the number of items to be examined, for example, reducing sample sizes for tests of details;
 - Performing fewer procedures (for example, performing only analytical procedures in circumstances when, in a reasonable assurance engagement, both analytical procedures and tests of detail would be performed); or
 - Performing procedures on location at fewer sites.
 - *The nature of analytical procedures:* In a reasonable assurance engagement, analytical procedures performed in response to assessed risks involve developing expectations of quantities or ratios that are sufficiently precise to identify material misstatements. In a limited assurance engagement, on the other hand, analytical procedures are often designed to support expectations regarding the direction of trends, relationships and ratios rather than to identify misstatements with the level of precision expected in a reasonable assurance engagement.

- Further, when significant fluctuations, relationships or differences are identified, appropriate evidence may often be obtained by making inquiries of the entity and considering responses received in the light of known engagement circumstances, without obtaining additional evidence as is required by paragraph 71 in the case of a reasonable assurance engagement.
- In addition, when undertaking analytical procedures in a limited assurance engagement the B-BBEE approved registered auditor may, for example:
 - Use underlying information that is more highly aggregated; or
 - Use underlying information that has not been subjected to separate procedures to test its reliability to the same extent as it would be for a reasonable assurance engagement.

Persuasiveness of Evidence (Ref: Para. 56-57 and 70-72)

A67. To obtain more persuasive evidence because of a higher assessment of risk, the B-BBEE approved registered auditor may increase the quantity of the evidence, or obtain evidence that is more relevant or reliable, for example, by obtaining corroborating evidence from a number of independent sources.

Documentation

Documentation of the procedures performed and evidence obtained (Ref: Par 105–109)

A68. ISAE 3000 requires the B-BBEE approved registered auditor and engagement team to document matters that are significant in providing evidence that supports the assurance report and that the engagement was performed in accordance with ISAEs¹⁸. The following are examples of matters that may be appropriate to include in the engagement documentation:

- *Fraud*: The risks of material misstatement and the nature, timing and extent of procedures with respect to fraud; and communications about fraud made to the entity, regulators and others.
- *Laws and Regulations*: Identified or suspected non-compliance with laws and regulations and the results of discussion with the entity and other parties outside the entity.
- *Fronting*: details of identified or suspected instances of *fronting* with regard to ownership and management, discussions with those charged with governance regarding the circumstances, and conclusion reached in determining the eventual score for the ownership or management elements. (Consider whether such circumstances are to be reported to any authority established by the dti);
- *Planning*: The overall engagement strategy, the engagement plan, and any significant changes made during the engagement and the reasons for such changes.
- *Materiality*: The factors considered in determining the materiality of underlying populations and any revision of materiality as the engagement progresses.

¹⁸ ISAE 3000 par 42

- *Risks of Material Misstatement*: the discussion required by paragraph 45L to 46R, and the significant decisions reached, key elements of the understanding obtained regarding each of the aspects of the entity and its environment specified in paragraph 47, and the risks of material misstatement for which in the B-BBEE approved registered auditor and engagement team's professional judgment further procedures were required.
 - *Further Procedures*: the nature, timing and extent of the further procedures performed, the linkage of those further procedures with the risks, and the results of the procedures.
 - *Evaluation of Misstatements*: The amount below which misstatements would be regarded as clearly trivial, misstatements accumulated during the engagement and whether they have been corrected, and the B-BBEE approved registered auditor's conclusion as to whether uncorrected misstatements are material, individually or in the aggregate, and the basis for that conclusion refer paragraph 70.
- A69. Access to engagement documentation might be sought by another B-BBEE approved registered auditor, who has no previous experience with the engagement, where this does not conflict with the confidentiality requirements of the B-BBEE approved registered auditors. The other B-BBEE approved registered auditor may only be able to obtain an understanding of detailed aspects of the engagement by discussing them with the first B-BBEE approved registered auditor who prepared the documentation. B-BBEE approved registered auditors are advised to refer to, and apply the principles contained in the *IRBA Guide on Access to Audit Working Papers* (November 2010) when receiving such requests.

Appendix A: Illustrative B-BBEE Verification Certificates and Assurance Reports

A1	Large Entity	B-BBEE Verification Certificate and Reasonable Assurance Report – including Detailed Code Scores
A2	Large Entity	B-BBEE Verification Certificate and Limited Assurance Report - apply Detailed Code Scores as for A1
A3	QSE	B-BBEE Verification Certificate and Reasonable Assurance Report – including Detailed Code Scores
A4	QSE	B-BBEE Verification Certificate and Limited Assurance Report - apply Detailed Code Scores as for A3
A5	EME	EME Verification Certificate with alternate Conclusion/s and Procedures

Registered Audit Firm Name and Logo
 Registered Firm IRBA Registration No.:
 Address and contact details:

Broad-Based Black Economic Empowerment Verification Certificate

NAME OF MEASURED ENTITY

(Refer to Annexure A for the business units/subsidiaries included in the verification)

Certificate No: XX/B-BBEE/XX/XX/20XX/XXCode

Registration no: XXXX/XXXXXX/XX
 VAT no: XXXXXXXXXX
 Head Office, Location: XXX XXXXX XXXX
 XXXX
 XXXX
 XXXXXXXXXXXX
 P O Box XXX
 XXXXXXXXXXXX
 XXXX

Verification standard applied:
 Empowerment

Codes of Good Practice on Black Economic

Issue of the rating standard applied:

Section 9 of the B-BBEE Act 53 of 2003

Scorecard applied:

Generic Scorecard

Size of the enterprise:

Large Enterprise (>R35 million annual turnover)

Element	Weighting	Score
Ownership		
Management Control		
Employment Equity		
Skills Development		
Preferential Procurement		
Enterprise Development		
Socio-Economic Development		
Overall Score		

Broad Based BEE status level : A level contributor to B-BBEE
 BEE procurement recognition level :
 Black Ownership :%
 Black Women Ownership :%
 Value Adding Supplier (Yes/No) :

In our opinion, the B-BBEE Status reflected on this Certificate has been determined, in all material respects, in accordance with the Codes of Good Practice on Black Economic Empowerment gazetted on 9 February 2007 in terms of the Broad-Based Black Economic Empowerment Act of South Africa. Our independent reasonable assurance report dated <insert issue date> is available for inspection at the registered office of <insert name of measured entity> together with the accompanying Scorecard and should be referred to for an understanding of our assurance engagement.

This Certificate has been determined, on the basis of information provided by management that may not be complete in all respects. We do not accept or assume responsibility to anyone other than <those who engaged us>, for our work, for this report, or for the conclusion we have reached.

<Signature>

<B-BBEE Approved Registered Auditor full Name: XXX>
 <B-BBEE Approved Registered Auditor Registration No.:XXX>
 B-BBEE Approved Registered Auditor

Date of issue: XX XXXXX 20XX
 Expiry date: XX XXXXX 20XX
 Period of validity:12 Months

Name of measured entity: Registered Audit
 Certificate Number: XX/B-BBEE/XX/XX/20XX/XXCode
 B-BBEE Approved Registered Auditor:
 Full Name: XXXXXXXX
 B-BBEE Approved Registered Auditor Registration No.: XXXXXXXX

Expiry Date: XX XXXXX 20XX

Registered Audit
 Firm Name and
 Logo

REASONABLE ASSURANCE REPORT OF THE INDEPENDENT B-BBEE APPROVED REGISTERED AUDITOR

To the directors¹⁹ of <insert name²⁰>

We have undertaken a reasonable assurance engagement on the B-BBEE Status as at <insert issue date of the B-BBEE Certificate>, as set out on page 1 of the Broad-Based Black Economic Empowerment ("B-BBEE") Verification Certificate²¹ of <insert name of measured entity> (the "Certificate"), and the Scorecard as set out on pages 3 to 9 of the Certificate. We clarify that our engagement is on the basis of information provided by management and may not be complete in all respects.

Directors' responsibility

The directors are responsible for the preparation of the Scorecard and determining the B-BBEE status in accordance with the Codes of Good Practice on Black Economic Empowerment ("the Codes of Good Practice")²², gazetted on 9 February 2007 in terms of the Broad-Based Black Economic Empowerment Act of South Africa ("the B-BBEE Act"). The directors are also responsible for such internal control as management determines is necessary to enable the preparation of information and the B-BBEE Scorecard that is free from material misstatement, whether due to fraud or error.

B-BBEE Approved registered auditor's responsibility

Our responsibility is to express a reasonable assurance conclusion on the B-BBEE Status reflected in the Certificate based on the procedures we have performed. We conducted our reasonable assurance engagement in accordance with the *South African Standard on Assurance Engagements (SASAE) 3002: Assurance Engagements on Broad Based Black Economic Empowerment (B-BBEE) Verification Certificates*. This standard requires us to comply with ethical requirements and to plan and perform this engagement to obtain reasonable assurance about whether the Certificate is free from material misstatement.

A reasonable assurance engagement with respect to a B-BBEE Verification Certificate involves performing procedures to obtain evidence regarding the Scorecard and B-BBEE Status of the measured entity based on the criteria and requirements contained in the relevant Codes. The procedures selected depend on the assurance provider's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments we considered internal control relevant to the preparation of the Scorecard and the determination of the B-BBEE Status.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the B-BBEE Status reflected in the Certificate has been determined, in all material respects, in accordance with the Codes of Good Practice on Black Economic Empowerment ("the Codes of Good Practice")²³, gazetted on 9 February 2007 in terms of the Broad-Based Black Economic Empowerment Act of South Africa ("the B-BBEE Act").

Restriction on liability

Our engagement has been undertaken so that we might report to <those who engaged us> in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than <those who engaged us>, for our work, for this report, or for the conclusion we have reached.

<Signature of individual B-BEE Approved Registered Auditor >

<Full Name of B-BEE Approved Registered Auditor>

<Capacity: Sole B-BBEE approved registered auditor / Partner / Director>

B-BBEE Approved Registered Auditor

<IRBA: Registration Number of B-BBEE Approved Registered Auditor>

Date signed: _____

¹⁹ Appropriate addressee – e.g. directors of a company or members of a close corporation

²⁰ Insert name of entity taking responsibility for compiling the information of the measured entity

²¹ Insert distinctive certificate identification in accordance with the convention applied by the B-BBEE Approved Registered Auditor.

²² Or relevant Sector Code issued by the dti.

²³ Or relevant Sector Code issued by the dti.

Name of measured entity: **Registered Audit**
 Certificate Number: **XX/B-BBEE/XX/XX/20XX/XX**Code
 B-BBEE Approved Registered Auditor:
 Full Name: **XXXXXXX**
 B-BBEE Approved Registered Auditor Registration No.: **XXXXXXX**

Expiry Date: **XX XXXXX 20XX**

**Registered Audit
Firm Name and
Logo**

CODE SERIES 100 : MEASUREMENT OF THE OWNERSHIP ELEMENT OF B-BBEE

Weighting points	Category	Ownership	Weighting points	Compliance target	Score
25	2.1 Voting rights:	2.1.1 Exercisable Voting Rights in the Enterprise in the hands of black people	3	25%+1%	
		2.1.2 Exercisable Voting Rights in the Enterprise in the hands of black women	2	10%	
	2.2 Economic Interest	2.2.1 Economic Interest of black people in the Enterprise	4	25%	
		2.2.2 Economic Interest of black women in the Enterprise	2	10%	
		2.2.3 Economic Interest of the following black natural people in the Enterprise:	1	2.5%	
		2.2.3.1 black designated groups; 2.2.3.2 black Participants in Employee Ownership Schemes; 2.2.3.3 black beneficiaries of Broad based Ownership Schemes; or 2.2.3.4 black Participants in Co-operatives			
	2.3 Realisation points:	2.3.1 Ownership fulfilment	1		
		2.3.2 Net Value	7		
3	2.4 Bonus points	2.4.1 Involvement in the ownership of the Enterprise of black new entrants;	2	10%	
		2.4.2 Involvement in the ownership of the Enterprise of black Participants:	1	10%	
		2.4.2.1 in Employee Ownership Schemes; 2.4.2.2 of Broad-Based Ownership Schemes; or 2.4.2.3 Co-operatives.			
	Total		23		

Name of measured entity: Registered Audit
Certificate Number: XX/B-BBEE/XX/XX/20XX/XXCode
B-BBEE Approved Registered Auditor:
Full Name: XXXXXXXX
B-BBEE Approved Registered Auditor Registration No.: XXXXXXXX

Expiry Date: XX XXXXX 20XX

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Registered Audit
Firm Name and
Logo

CODE SERIES 200: MEASUREMENT OF THE MANAGEMENT CONTROL ELEMENT FOR B-BBEE

Weighting points	Category	Management control	Weighting points	Compliance targets	Score
10	2.1 Board participation	2.1.1 Exercise Voting Rights of black Board members who are black adjusted using the Adjusted Recognition for Gender	3	50%	
		2.1.2 Black Executive Directors adjusted using the Adjusted Recognition for Gender	2	50%	
	2.2 Top Management	2.2.1 Black Senior and Other Top Management using the Adjusted Recognition for Gender	5	40%	
1	2.3 Bonus points:	2.3.1 Black Independent Non-Executive Board Members	1	40%	
	Total		11		

CODE SERIES 300: MEASUREMENT OF THE EMPLOYMENT EQUITY ELEMENT OF B-BBEE

Weighting points	Employment Equity	Weighting points	Compliance targets		Score
			Years 0 - 5	Years 6 -10	
15	2.1.1 Black Disabled Employees as a percentage of all employees	2	2%	3%	
	2.1.2 Black employees in Senior Management as a percentage of all such employees using the adjusted recognition for gender	5	43%	60%	
	2.1.3 Black employees in Middle Management as a percentage of all such employees using the adjusted recognition for gender	4	63%	75%	
	2.1.4 Black employees in Junior Management as a percentage of all such employees using the adjusted recognition for gender	4	68%	80%	
3	2.1.5 Bonus point for meeting or exceeding the EAP targets in each category under 2.1.1 to 2.1.4	3			
	Total	18			

Name of measured entity: **Registered Audit**
Certificate Number: **XX/B-BBEE/XX/XX/20XX/XX**Code
B-BBEE Approved Registered Auditor:
Full Name: **XXXXXXX**
B-BBEE Approved Registered Auditor Registration No.: **XXXXXXX**

Expiry Date: **XX XXXXX 20XX**

Appendix A1

**Registered Audit
Firm Name and
Logo**

CODE SERIES 400: MEASUREMENT OF THE SKILLS DEVELOPMENT ELEMENT OF B-BBEE

Weighting points	Skills Development	Weighting points	Compliance Target	Score
15	2.1.1 Skills Development Expenditure on any program specified in the Learning Programmes Matrix:			
	2.1.1.1 Skills Development Expenditure on Learning Programmes specified in the Learning Programmes Matrix for black employees for black employees as a percentage of Leviable Amount	6	3%	
	2.1.1.2 Skills Development Expenditure on Learning Programmes specified in the Learning Programmes Matrix for black employees with disabilities as a percentage of Leviable Amount using the Adjusted Recognition for Gender	3	0.3%	
	2.1.2 Learnerships			
	2.1.2.1 Number of black employees participating in Learnerships or Category B, C and D Programmes as a percentage of total employees using the Adjusted Recognition for Gender	6	5%
	Total	15		

CODE SERIES 500: MEASUREMENT OF THE PREFERENTIAL PROCUREMENT ELEMENT OF B-BBEE

Weighting points	Category	Preferential Procurement	Weighting points	Compliance Target		Score
20	Preferential Procurement	2.1.1 B-BBEE Procurement Spend from all Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	12	50%	70%	
		2.1.2 B-BBEE Procurement Spend from Qualifying Small Enterprises or Exempted Micro-Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	3	10%	15%	
		2.1.3 B-BBEE Procurement Spend from any of the following Supplier as a percentage of Total Measured Procurement Spend: 2.1.3.1 Supplier that are 50% black owned (3 out of 5 points; or 2.1.3.2 Suppliers that are 30% black women owned(2 out of 5 points)	5	15%	20%	
		Total	20			

Name of measured entity: Registered Audit
Certificate Number: XX/B-BBEE/XX/XX/20XX/XXCode
B-BBEE Approved Registered Auditor:
Full Name: XXXXXXXX
B-BBEE Approved Registered Auditor Registration No.: XXXXXXXX

Expiry Date: XX XXXXX 20XX

Appendix A1

Registered Audit
Firm Name and
Logo

CODE SERIES 600: MEASUREMENT OF THE ENTERPRISE DEVELOPMENT ELEMENT OF B-BBEE

Weighting points	Category	Enterprise Development	Weighting points	Compliance Target	Score
15		Average annual value of all Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target	15	3% of NPAT

CODE SERIES 700: MEASUREMENT OF THE SOCIAL DEVELOPMENT AND SECTOR SPECIFIC ELEMENT OF B-BBEE

Weighting points	Category	Social Economic Development	Weighting points	Compliance Target	Score
5		Average annual value of all Qualifying Contributions made by the Measured Entity measured from the commencement of this statement or the Inception Date to the date of measurement as a percentage of the target	5	1% of NPAT Or 0.125% of turnover

B-BBEE Status and Procurement Recognition Levels

B-BBEE Contributor Status	Scorecard - Overall Score	Procurement Recognition Level: Claim value as % of Rand spend:
Level 1	= 100 points	135%
Level 2	= 85 - < 100 points	125%
Level 3	= 75 - < 85 points	110%
Level 4	= 65 - < 75 points	100%
Level 5	= 55 - < 65 points	80%
Level 6	= 45 - < 55 points	60%
Level 7	= 40 - < 45 points	50%
Level 8	= 30 - < 40 points	10%
Level 9/ Non-compliant	< 30 points	0%

Registered Audit Firm Name and Logo
Registered Firm IRBA Registration No.:
Address and contact details:

Broad-Based Black Economic Empowerment Verification Certificate

NAME OF MEASURED ENTITY

(Refer to Annexure A for the business units/subsidiaries included in the verification)

Certificate No: XX/B-BBEE/XX/XX/20XX/XXCode

Registration no: XXXX/XXXXXX/XX
VAT no: XXXXXXXXXX
Head Office, Location: XXX XXXXXX XXXX
XXXXX
XXXX
XXXXXXXXXXXX
P O Box XXX
XXXXXXXXXXXX
XXXX

Verification standard applied: Codes of Good Practice on Black Economic Empowerment
Issue of the rating standard applied: Section 9 of the B-BBEE Act 53 of 2003
Scorecard applied: Generic Scorecard
Size of the enterprise: Large Enterprise (>R35 million annual turnover)

Element	Weighting	Score
Ownership		
Management Control		
Employment Equity		
Skills Development		
Preferential Procurement		
Enterprise Development		
Socio-Economic Development		
Overall Score		

Broad Based BEE status level : A level contributor to B-BBEE
BEE procurement recognition level :
Black Ownership :%
Black Women Ownership :%
Value Adding Supplier (Yes/No) :

Based on our work performed, we have no reason to believe that the B-BBEE status reflected in this Certificate has not been determined in all material respects, in accordance with the Codes of Good Practice on Black Economic Empowerment¹, gazetted on 9 February 2007 in terms of the Broad-Based Black Economic Empowerment Act of South Africa. Our independent limited assurance report dated <insert issue date> is available for inspection at the registered office of <insert name of measured entity> together with the accompanying Scorecard and should be referred to for an understanding of our limited assurance engagement and the extent of work performed.

This Certificate has been determined on the basis of information provided by management that may not be complete in all respects. We do not accept or assume responsibility to anyone other than <those who engaged us>, for our work, for this report, or for the conclusion we have reached.

<Insert Signature>

<B-BBEE Approved Registered Auditor full Name: XXX>
<B-BBEE Approved Registered Auditor Registration No.: XXX >
B-BBEE Approved Registered Auditor

Date of issue: XX XXXXX 20XX
Expiry date: XX XXXXX 20XX
Period of validity: 12 Months

Name of measured entity:

Certificate Number: XX/B-BBEE/XX/XX/20XX/XXCode

Expiry Date: XX XXXXX 20XX

B-BBEE Approved Registered Auditor:

Registered Audit
Firm Name and
Logo

Full Name: XXXXXXXX

B-BBEE Approved Registered Auditor Registration No.: XXXXXXXX

LIMITED ASSURANCE REPORT OF THE INDEPENDENT B-BBEE APPROVED REGISTERED AUDITOR

To the directors²⁴ of <insert name²⁵>

We have undertaken a limited assurance engagement on the B-BBEE Status as at <insert issue date of the B-BBEE Certificate>, as set out on page 1 of the Broad-Based Black Economic Empowerment ("B-BBEE") Verification Certificate²⁶ of <insert name of measured entity> (the "Certificate"), and the Scorecard as set out on pages 4 to 10 of the Certificate. We clarify that our engagement is on the basis of information provided by management and may not be complete in all respects.

Directors' responsibility

The directors are responsible for the preparation of the Scorecard and determining the B-BBEE status in accordance with the Codes of Good Practice on Black Economic Empowerment ("the Codes of Good Practice"²⁷), gazetted on 9 February 2007 in terms of the Broad-Based Black Economic Empowerment Act of South Africa ("the B-BBEE Act"). The directors are also responsible for such internal control as management determines is necessary to enable the preparation of information and the B-BBEE Scorecard that is free from material misstatement, whether due to fraud or error.

B-BBEE Approved registered auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the B-BBEE Status reflected in the Certificate based on the procedures we have performed. We conducted our limited assurance engagement in accordance with the *South African Standard on Assurance Engagements (SASAE) 3002: Assurance Engagements on Broad Based Black Economic Empowerment (B-BBEE) Verification Certificates*. This standard requires us to comply with ethical requirements and to plan and perform this engagement to obtain limited assurance about whether the Certificate is free from material misstatement.

A limited assurance engagement with respect to a B-BBEE Verification Certificate involves performing procedures regarding the Scorecard and B-BBEE Status of the measured entity based on the criteria and requirements contained in the relevant Codes. The procedures performed depend on the assurance provider's judgement. The nature of those procedures is different from and the extent is substantially less than in a reasonable assurance engagement, and consequently they do not enable us to obtain the assurance necessary to become aware of all significant matters that might be identified in a reasonable assurance engagement.

We believe that the evidence we have obtained in our limited assurance engagement is sufficient and appropriate to provide a basis for our conclusion.

Summary of work performed

Our work performed included:

- Obtaining an understanding of the entity and its environment and the underlying records sufficient to identify areas in the Scorecard where material misstatements are likely to arise, to be able us to design procedures to address those areas;
- Inquiring of management and employees responsible for the preparation of the B-BBEE compliance information;
- Performing such additional procedures as we considered necessary;
- Re-performing calculations to determine whether the scores reflected in the relevant Scorecard elements have been classified and determined in all material respects in accordance with the Codes of Good Practice.

Limited assurance conclusion

Based on our procedures performed, nothing has come to our attention that causes us to believe that the B-BBEE Status reflected in the Certificate has not been determined, in all material respects, in accordance with the Codes of Good Practice on Black Economic Empowerment ("the Codes of Good Practice"²⁸), gazetted on 9 February 2007 in terms of the Broad-Based Black Economic Empowerment Act of South Africa ("the B-BBEE Act").

²⁴ Appropriate addressee – e.g. directors of a company or members of a close corporation

²⁵ Insert name of entity taking responsibility for compiling the information of the measured entity

²⁶ Insert distinctive certificate identification in accordance with the convention applied by the B-BBEE Approved Registered Auditor.

²⁷ Or relevant industry Sector Code issued by the dti.

²⁸ Or relevant industry Sector Code issued by the dti.

Name of measured entity:

Certificate Number: XX/B-BBEE/XX/XX/20XX/XXCode

Expiry Date: XX XXXXX 20XX

B-BBEE Approved Registered Auditor:

Full Name: XXXXXXXX

B-BBEE Approved Registered Auditor Registration No.: XXXXXXXX

Registered Audit
Firm Name and
Logo

Restriction on liability

Our engagement has been undertaken so that we might report to *<those who engaged us>* in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than *<those who engaged us>*, for our work, for this report, or for the conclusion we have reached.

<Signature of individual B-BEE Approved Registered Auditor responsible for the B-BBEE Verification Assurance engagement>

<Full Name of B-BEE Approved Registered Auditor>

<Capacity: Sole B-BBEE approved registered auditor / Partner / Director>

B-BEE Approved Registered Auditor

<IRBA: Registration Number of B-BBEE Approved Registered Auditor>

Date signed: _____

Registered Audit Firm Name and Logo
Registered Firm IRBA Registration No.:
Address and contact details:

Broad-Based Black Economic Empowerment Verification Certificate

NAME OF MEASURED ENTITY

(T/A XXXXXXXXXXXXX)

Certificate No: XX/B-BBEE: QSE/XX/XX/20XX/XXX

Registration no: XXXX/XXXXXX/XX
VAT no: XXXXXXXXXXXX
Head Office, Location: XXX XXXXXX XXXX
XXXXX
XXXX
XXXXXXXXXXXX
P O Box XXX
XXXXXXXXXXXX
XXXX

Verification Standard Applied:
Empowerment

Codes of Good Practice on Black Economic

Issue of the rating standard applied:

Section 9 of the B-BBEE Act 53 of 2003

Scorecard Applied:

Qualifying Small Enterprises Scorecard (< / or = R35

Million annual turnover*)

Element	Element weighting	Score
Ownership	25	
Management Control	25	
Employment Equity	25	
Skills Development	25	
Preferential Procurement	25	
Enterprise Development	25	
Socio-Economic Development	25	
Overall Score	100	

Broad Based BEE status level : A level contributor to B-BBEE
BEE procurement recognition level :
Black Ownership :%
Black Women Ownership :%
Value Adding Supplier (Yes/No) :

Although the abovementioned is the current level of turnover/income and is closely related to the economic indicators, it may be more or less in future. Consequently, this Certificate does not serve as a guarantee that the income reflected will continue at the same levels.

In our opinion, the B-BBEE Status reflected on this Certificate has been determined, in all material respects, in accordance with the Codes of Good Practice on Black Economic Empowerment gazetted on 9 February 2007 in terms of the Broad-Based Black Economic Empowerment Act of South Africa. Our independent reasonable assurance report dated <insert issue date> is available for inspection at the registered office of <insert name of measured entity> together with the accompanying Scorecard and should be referred to for an understanding of our assurance engagement.

This Certificate has been determined, on the basis of information provided by management that may not be complete in all respects. We do not accept or assume responsibility to anyone other than <those who engaged us>, for our work, for this report, or for the conclusion we have reached.

<B-BBEE Approved Registered Auditor full Name: XXX>
<B-BBEE Approved Registered Auditor Registration No.: XXX >
B-BBEE Approved Registered Auditor

Date of issue: XX XXXXX 20XX
Expiry date: XX XXXXX 20XX
Period of validity: 12 Months

Name of measured entity:
Certificate Number: XX/B-BBEE: QSE /XX/XX/20XX/XXCode
B-BBEE Approved Registered Auditor:
Full Name: XXXXXXXX
B-BBEE Approved Registered Auditor Registration No.: XXXXXXXX

Expiry Date: XX XXXXX 20XX

Appendix A3

Registered Audit
Firm Name and
Logo

REASONABLE ASSURANCE REPORT OF THE INDEPENDENT B-BBEE APPROVED REGISTERED AUDITOR

To the directors²⁹ of <insert name³⁰>

We have undertaken a reasonable assurance engagement on the B-BBEE Status as at <insert issue date of the B-BBEE Certificate>, as set out on page 1 of the Broad-Based Black Economic Empowerment ("B-BBEE") Verification Certificate³¹ of <insert name of measured entity> (the "Certificate"), and the Scorecard as set out on pages 3 to 9 of the Certificate. We clarify that our engagement is on the basis of information provided by management and may not be complete in all respects.

Directors' responsibility

The directors are responsible for the preparation of the Scorecard and determining the B-BBEE status in accordance with the Codes of Good Practice on Black Economic Empowerment ("the Codes of Good Practice")³², gazetted on 9 February 2007 in terms of the Broad-Based Black Economic Empowerment Act of South Africa ("the B-BBEE Act"). The directors are also responsible for such internal control as management determines is necessary to enable the preparation of information and the B-BBEE Scorecard that is free from material misstatement, whether due to fraud or error.

B-BBEE Approved registered auditor's responsibility

Our responsibility is to express a reasonable assurance conclusion on the B-BBEE Status reflected in the Certificate based on the procedures we have performed. We conducted our reasonable assurance engagement in accordance with the *South African Standard on Assurance Engagements (SASAE) 3002: Assurance Engagements on Broad Based Black Economic Empowerment (B-BBEE) Verification Certificates*. This standard requires us to comply with ethical requirements and to plan and perform this engagement to obtain reasonable assurance about whether the Certificate is free from material misstatement.

A reasonable assurance engagement with respect to a B-BBEE Verification Certificate involves performing procedures to obtain evidence regarding the Scorecard and B-BBEE Status of the measured entity based on the criteria and requirements contained in the relevant Codes. The procedures selected depend on the assurance provider's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments we considered internal control relevant to the preparation of the Scorecard and the determination of the B-BBEE Status.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the B-BBEE Status reflected in the Certificate has been determined, in all material respects, in accordance with the Codes of Good Practice on Black Economic Empowerment ("the Codes of Good Practice")³³, gazetted on 9 February 2007 in terms of the Broad-Based Black Economic Empowerment Act of South Africa ("the B-BBEE Act").

Restriction on liability

Our engagement has been undertaken so that we might report to <those who engaged us> in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than <those who engaged us>, for our work, for this report, or for the conclusion we have reached.

<Signature of individual B-BEE Approved Registered Auditor >

<Full Name of B-BEE Approved Registered Auditor>

<Capacity: Sole B-BBEE approved registered auditor / Partner / Director>

B-BEE Approved Registered Auditor

<IRBA: Registration Number of B-BBEE Approved Registered Auditor>

Date signed: _____

²⁹ Appropriate addressee: e.g. directors of a company or members of a close corporation

³⁰ Insert name of entity taking responsibility for compiling the information of the measured entity

³¹ Insert distinctive certificate identification in accordance with the convention applied by the B-BBEE approved registered auditor.

³² Or relevant Sector Code issued by the dti.

³³ Or relevant Sector Code issued by the dti.

Name of measured entity:

Certificate Number: XX/B-BBEE: QSE /XX/XX/20XX/XXCode

Expiry Date: XX XXXXX 20XX

B-BBEE Approved Registered Auditor:

Full Name: XXXXXXXX

B-BBEE Approved Registered Auditor Registration No.: XXXXXXXX

Appendix A3

Registered Audit
Firm Name and
Logo

CODE SERIES 801: MEASUREMENT OF THE OWNERSHIP ELEMENT FOR QSE

Weighting points	Category	Ownership	Weighting points	Compliance Target	Score
25	Voting Rights	Exercisable Voting Rights in the Enterprise in the hands of black people	6	25% + 1 vote	
	Economic Interest	Economic Interest of black people in the Enterprise	9	25%	
	Realisation points:	Ownership fulfilment	1	Release from third party rights	
		Net Value 10% first year 20% second year 40% third & fourth year 60% fifth & sixth year 80% seventh & eighth year 100% ninth & tenth year	9	Achieved Economic Interest compliance target	
3	Bonus point	Involvement in the ownership of the Enterprise by black women	2	10%	
		Involvement in the ownership of the Enterprise by black Participants in Employee Ownership Schemes, Co-operatives or Broad- Based Ownership Schemes	1	10%	
		Total	28		

CODE SERIES 802: MEASUREMENT OF THE MANAGEMENT CONTROL ELEMENT FOR QSE

Weighting points	Category	Management Control	Weighting points	Compliance Target	Score
25	Management Control	Black Senior and Other Top Management adjusted using the Adjusted Recognition for Gender	25	50.1%	
2	Bonus points	Black women representation as Top Managers	2	25%	
		Total	27		

Name of measured entity:

Certificate Number: XX/B-BBEE: QSE /XX/XX/20XX/XXCode

Expiry Date: XX XXXXX 20XX

B-BBEE Approved Registered Auditor:

Full Name: XXXXXXXX

B-BBEE Approved Registered Auditor Registration No.: XXXXXXXX

Appendix A3

Registered Audit Firm Name and Logo

CODE SERIES 803: MEASUREMENT OF THE EMPLOYMENT EQUITY ELEMENT FOR QSE

Weighting points	Employment Equity	Weighting points	Compliance targets		Score
			Years 0 - 5	Years 6 -10	
25	Black employees of the Measured Entity who are Management as a percentage of all Management as a percentage of all Management adjusted using the Adjusted Recognition for Gender	15	40% (16%) Sub-Min	60% (24%) Sub-Min	
	Black employees of the Measured Entity as a percentage of all employees adjusted using the Adjusted Recognition for Gender	10		60% (28%) Sub-Min	
2	Bonus point for meeting or exceeding the EAP targets in each category above	2			
	Total	27			

CODE SERIES 804: MEASUREMENT OF THE SKILLS DEVELOPMENT ELEMENT FOR QSE

Weighting points	Skills Development	Weighting points	Compliance Target	Compliance Target
25	Adjusted Skills Development Spend on Learning Programmes for Black employees as a percentage of Leivable amounts.	25	2%	
	Total	25		

CODE SERIES 805: MEASUREMENT OF THE PREFERENTIAL PROCUREMENT ELEMENT FOR QSE

Weighting points	Preferential Procurement	Weighting points	Compliance Target		Score
			Years 0 - 5	Years 6 - 10	
25	B-BBEE Procurement Spend from all Suppliers based on the B-BBEE Procurement Levels as a percentage of Total Measured Procurement Spend	25	40%	50%	
	Total	25			

CODE SERIES 806: MEASUREMENT OF THE ENTERPRISE DEVELOPMENT ELEMENT FOR QSE

Weighting points	Enterprise Development	Weighting points	Compliance Target	Score
25	Average annual value of all Qualifying Contributions made by the Measured Entity as a percentage of the target	25	2% of NPAT	
	Total	25		

CODE SERIES 807 : MEASUREMENT OF THE SOCIAL ECONOMIC DEVELOPMENT CONTRIBUTIONS FOR QSE

Weighting points	Social Economic Development	Weighting points	Compliance Target	Score
25	Average annual value of all Qualifying Contributions made by the Measured Entity measured from the commencement of this statement or the Inception Date to the date of measurement as a percentage of the target	25	1% of NPAT	
	Total	25		

Name of measured entity:

Certificate Number: XX/B-BBEE: QSE /XX/XX/20XX/XXCode

Expiry Date: XX XXXXX 20XX

B-BBEE Approved Registered Auditor:

Full Name: XXXXXXXX

B-BBEE Approved Registered Auditor Registration No.: XXXXXXXX

Registered Audit
Firm Name and
Logo**B-BBEE Status and Procurement Recognition Levels:**

B-BBEE Contributor Status	Scorecard - Overall Score	Procurement Recognition Level: Claim value as % of Rand spend:
Level 1	= 100 points	135%
Level 2	= 85 - < 100 points	125%
Level 3	= 75 - < 85 points	110%
Level 4	= 65 - < 75 points	100%
Level 5	= 55 - < 65 points	80%
Level 6	= 45 - < 55 points	60%
Level 7	= 40 - < 45 points	50%
Level 8	= 30 - < 40 points	10%
Level 9/ Non-compliant	< 30 points	0%

Registered Audit Firm Name and Logo
Registered Firm IRBA Registration No.:
Address and contact details:

Broad-Based Black Economic Empowerment Verification Certificate

NAME OF MEASURED ENTITY

(T/A XXXXXXXXXXXXX)

Certificate No: XX/B-BBEE: QSE/XX/XX/20XX/XXX

Registration no: XXXX/XXXXXX/XX
VAT no: XXXXXXXXXX
Head Office, Location: XXX XXXXXX XXXX
XXXXX
XXXX
XXXXXXXXXXXX
P O Box XXX
XXXXXXXXXXXX
XXXX

Verification Standard Applied:
Empowerment

Issue of the rating standard applied:
Scorecard Applied:
Million annual

Codes of Good Practice on Black Economic

Section 9 of the B-BBEE Act 53 of 2003
Qualifying Small Enterprises Scorecard (< / or = R35 turnover*)

Element	Element weighting	Score
Ownership	25	
Management Control	25	
Employment Equity	25	
Skills Development	25	
Preferential Procurement	25	
Enterprise Development	25	
Socio-Economic Development	25	
Skills Development	25	
Overall Score	100	

Broad Based BEE status level : A level contributor to B-BBEE
BEE procurement recognition level :
Black Ownership :%
Black Women Ownership :%
Value Adding Supplier (Yes/No) :

Although the abovementioned is the current level of turnover/income and is closely related to the economic indicators, it may be more or less in future. Consequently, this Certificate does not serve as a guarantee that the income reflected will continue at the same levels.

Based on our work performed, we have no reason to believe that the B-BBEE status reflected in this Certificate has not been determined in all material respects, in accordance with the Codes of Good Practice on Black Economic Empowerment¹, gazetted on 9 February 2007 in terms of the Broad-Based Black Economic Empowerment Act of South Africa. Our limited assurance report dated <insert issue date> is available for inspection at the registered office of <insert name of measured entity> together with the accompanying Scorecard and should be referred to for an understanding of our limited assurance engagement and the extent of work performed.

This Certificate has been determined, on the basis of information provided by management that may not be complete in all respects. We do not accept or assume responsibility to anyone other than <those who engaged us>, for our work, for this report, or for the conclusion we have reached.

<B-BBEE Approved Registered Auditor full Name: XXX>
<B-BBEE Approved Registered Auditor Registration No.: XXX >
B-BBEE Approved Registered Auditor

Date of issue: XX XXXXX 20XX
Expiry date: XX XXXXX 20XX
Period of validity: 12 Months

Name of measured entity:

Certificate Number: XX/B-BBEE: QSE /XX/XX/20XX/XXCode Expiry Date: XX XXXXX 20XX

B-BBEE Approved Registered Auditor:

Full Name: XXXXXXXX

B-BBEE Approved Registered Auditor Registration No.: XXXXXXXX

Appendix A4

Registered Audit
Firm Name and
Logo

LIMITED ASSURANCE REPORT OF THE INDEPENDENT B-BBEE APPROVED REGISTERED AUDITOR

To the directors³⁴ of <insert name³⁵>

We have undertaken a limited assurance engagement on the B-BBEE Status as at <insert issue date of the B-BBEE Certificate>, as set out on page 1 of the Broad-Based Black Economic Empowerment ("B-BBEE") Verification Certificate³⁶ of <insert name of measured entity> (the "Certificate"), and the Scorecard as set out on pages 1 to 11 of the Certificate. We clarify that our engagement is on the basis of information provided by management and may not be complete in all respects.

Directors' responsibility

The directors are responsible for the preparation of the Scorecard and determining the B-BBEE status in accordance with the Codes of Good Practice on Black Economic Empowerment ("the Codes of Good Practice"³⁷), gazetted on 9 February 2007 in terms of the Broad-Based Black Economic Empowerment Act of South Africa ("the B-BBEE Act"). The directors are also responsible for such internal control as management determines is necessary to enable the preparation of information and the B-BBEE Scorecard that is free from material misstatement, whether due to fraud or error.

B-BBEE Approved registered auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the B-BBEE Status reflected in the Certificate based on the procedures we have performed. We conducted our limited assurance engagement in accordance with the *South African Standard on Assurance Engagements (SASAE) 3002: Assurance Engagements on Broad Based Black Economic Empowerment (B-BBEE) Verification Certificates*. This standard requires us to comply with ethical requirements and to plan and perform this engagement to obtain limited assurance about whether the Certificate is free from material misstatement.

A limited assurance engagement with respect to a B-BBEE Verification Certificate involves performing procedures regarding the Scorecard and B-BBEE Status of the measured entity based on the criteria and requirements contained in the relevant Codes. The procedures performed depend on the assurance provider's judgement, but their nature is different from and the extent is substantially less than, a reasonable assurance engagement, and consequently they do not enable us to obtain the assurance necessary to become aware of all significant matters that might be identified in a reasonable assurance engagement.

We believe that the evidence we have obtained in our limited assurance engagement is sufficient and appropriate to provide a basis for our conclusion.

Summary of work performed

Our work performed included:

- Obtaining an understanding of the entity and its environment and the underlying records sufficient to identify areas in the Scorecard where material misstatements are likely to arise, and to be able to design procedures to address those areas;
- Inquiring of management and employees responsible for the preparation of the B-BBEE compliance information;
- Performing such additional procedures as we considered necessary;
- Re-performing calculations to determine whether the scores reflected in the relevant Scorecard elements have been classified and determined in all material respects in accordance with the Codes of Good Practice.

Limited assurance conclusion

Based on our procedures performed, nothing has come to our attention that causes us to believe that the B-BBEE Status reflected on the Certificate has not been determined, in all material respects, in accordance with the Codes of Good Practice on Black Economic Empowerment ("the Codes of Good Practice"³⁸), gazetted on 9 February 2007 in terms of the Broad-Based Black Economic Empowerment Act of South Africa ("the B-BBEE Act").

³⁴ Appropriate addressee – e.g. directors of a company or members of a close corporation

³⁵ Insert name of entity taking responsibility for compiling the information of the measured entity

³⁶ Insert distinctive certificate identification in accordance with the convention applied by the B-BBEE

Approved Registered Auditor.

³⁷ Or relevant industry Sector Code issued by the dti.

³⁸ Or relevant industry Sector Code issued by the dti.

Name of measured entity:

Certificate Number: XX/B-BBEE: QSE /XX/XX/20XX/XXCode Expiry Date: XX XXXXX 20XX

B-BBEE Approved Registered Auditor:

Full Name: XXXXXXXX

B-BBEE Approved Registered Auditor Registration No.: XXXXXXXX

Appendix A4

Registered Audit
Firm Name and
Logo

Restriction on liability

Our engagement has been undertaken so that we might report to *<those who engaged us>* in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than *<those who engaged us>*, for our work, for this report, or for the conclusion we have reached.

<Signature of individual B-BEE Approved Registered Auditor responsible for the B-BBEE Verification Assurance engagement>

<Full Name of B-BEE Approved Registered Auditor>

<Capacity: Sole B-BBEE approved registered auditor / Partner / Director>

B-BEE Approved Registered Auditor

<IRBA: Registration Number of B-BBEE Approved Registered Auditor>

Date signed: _____

Registered Audit Firm Name and Logo
Registered Firm IRBA Registration No.:
Address and contact details:

Broad-Based Black Economic Empowerment Verification Certificate

NAME OF MEASURED ENTITY

(T/A XXXXXXXXXXXXX)

Certificate No: 01/B-BBEE: EME/xx/xx/20xx/xxx

Registration no: XXXX/XXXXXX/XX
VAT no: XXXXXXXXXX
Head Office, Location: XXX XXXXXX XXXX
XXXX
XXXX
XXXXXXXXXXXX
P O Box XXX
XXXXXXXXXXXX
XXXX

Verification standard applied:	Codes of Good Practice on Black Economic Empowerment
Issue of the rating standard applied:	Section 9 of the B-BBEE Act 53 of 2003
Scorecard applied:	Exempt Micro Enterprise Scorecard
Size of the enterprise:	Exempt Micro Enterprise (<R5 million annual turnover)*

Broad Based BEE status level	:	A level contributor to B-BBEE
BEE procurement recognition level	:
Black Ownership	:%
Black Women Ownership	:%
Value Adding Supplier (Yes/No)	:

Although the abovementioned is the current level of turnover/income and is closely related to the economic indicators, it may be more or less in future. Consequently, this Certificate does not serve as a guarantee that the income reflected will continue at the same levels. Where the entity is a start-up enterprise this EME Certificate is valid only for contracts with a single value of less than or equal to R 5 million. Should the contract value being tendered for be higher than R 5 million and less than R35 million, the EME will be required to submit a QSE Verification Certificate with any tender. For contracts over R35 million a B-BBEE Verification Certificate based on the Generic Codes must be submitted

<Insert relevant auditor's or accounting officer's conclusion: 1, 2 or 3 from following page>

e.g. Conclusion 1:

We have audited the financial statements of the <insert name of measured entity> for the period ended <insert period> on which we expressed an <unmodified / modified> opinion on <insert date>. According to those audited financial statements turnover/income is disclosed as Rxxx which is less than or equal to <R 5 million / R2.5 million / R1.5 million >. Based on our audit of the financial statements and certain additional procedures we determined the level of Black Ownership / Black Women Ownership as set out in this Certificate.

<Registered Auditor full Name: XXX>
<Registered Auditor Registration No.: XXX >
Registered Auditor / Accounting Officer

Date of issue: XX XXXXX 20XX
Expiry date: XX XXXXX 20XX
Period of validity: 12 Months

Name of measured entity:
Certificate No: 01/B-BBEE: EME/xx/xx/20xx/xxx
B-BBEE Approved Registered Auditor:
Full Name: XXXXXXXX
B-BBEE Approved Registered Auditor Registration No.: XXXXXXXX

Expiry Date: XX XXXXX 20XX

Appendix A5

Registered
Audit Firm
Name and Logo

Conclusion to insert on the face of the Certificate

1. Where an audit of the financial statements has been performed by a registered auditor:

We have audited the financial statements of the <measured entity> for the period ended <insert period> on which we expressed an <unmodified / modified> opinion on <insert date>. According to those audited financial statements turnover/income is disclosed as Rxxx, which is less than or equal to <R 5 million / R2.5 million / R1.5 million³⁹>. Based on our audit of the financial statements and certain additional procedures we determined the level of Black Ownership / Black Women Ownership as set out in this Certificate.

2. Where an independent review of the financial statements has been performed by an accounting professional or a registered auditor:

We have independently reviewed the financial statements of the <measured entity> for the period ended <insert period>, on which we expressed an <unmodified / modified> limited assurance conclusion on <insert date>. According to those, independently reviewed financial statements, turnover/income is disclosed as Rxxx, which is less than or equal to <R 5 million / R2.5 million / R1.5 million⁴⁰>. Based on our independent review of the financial statements, in which our work is substantially less than in an audit, and certain additional procedures, we determined the level of Black Ownership / Black Women Ownership as set out in this Certificate.

3. Where neither an audit nor an independent review of the AFS has been performed and the financial statements have been compiled by the Accounting Officer or a registered auditor or an accounting professional:

Based on certain procedures performed, as set out on the following page, we have determined that the turnover / income is less than or equal to <R5 million / R2.5 / R1.5 million⁴¹>. Based on certain procedures performed, we have determined that the level of Black Ownership / Black Women Ownership is as set out in this Certificate. Our conclusion is subject to an inherent limitation in that our procedures performed were on historical financial information that has not been subject to audit or review.

To insert on reverse of the Certificate:

3 Procedures performed to verify completeness of Turnover / Income (less than or equal to R5 million R2.5 million (Tourism Sector) / R1.5 million (Construction Sector)) as declared by the EME for the year – to accompany the EME Certificate where this circumstance applies. (Note: Registered Auditor responsible, to adapt as necessary to indicate actual procedures performed)

As the measured entity is neither audited nor independently reviewed we performed some or all of the following procedures to verify the accuracy, completeness, occurrence of revenue as shown in the financial statements:

1. Extracted a schedule of monthly revenue and performed an analytical review:
 - a. Compared with prior years and budgets, obtained explanations for management regarding unusual fluctuations;
 - b. Calculated and analysed the gross profit percentages and obtained explanations from management regarding unusual fluctuations from previous years or budgets;
2. Selected a sample of sales invoices and performed the following procedures:
 - a. Confirmed that invoiced prices are obtained from approved price lists or are authorised by management;
 - b. Selected a sample of signed delivery notes for goods delivered or other proof of services provided and agreed to the relevant sales invoices recorded;
 - c. Re-performed calculations and additions on the invoices selected to determine their accuracy;
 - d. Re-performed the castings and calculations of the sales journal (or in respect of cash sales, the sales column in the cash book and general ledger accounts);
 - e. Agreed the postings from the sales journal (or in respect of cash sales from the cashbook) to the

³⁹ Delete whichever is not applicable. Currently, the Tourism Sector Code allows for the maximum to be at R2.5 million and the Construction Sector at R1.5 million, rather than R 5 million. Update for any other Sector Codes issued subsequently.

⁴⁰ Delete whichever is not applicable.

⁴¹ Delete whichever is not applicable.

Name of measured entity:
 Certificate No: 01/B-BBEE: EME/xx/xx/20xx/xxx
 B-BBEE Approved Registered Auditor:
 Full Name: XXXXXXXX
 B-BBEE Approved Registered Auditor Registration No.: XXXXXXXX

Expiry Date: XX XXXXX 20XX

Appendix A5

Registered
 Audit Firm
 Name and Logo

3 Procedures performed to verify completeness of Turnover / Income (less than or equal to R5 million R2.5 million (Tourism Sector) / R1.5 million (Construction Sector)) as declared by the EME for the year – to accompany the EME Certificate where this circumstance applies. (Note: Registered Auditor responsible, to adapt as necessary to indicate actual procedures performed)

- general ledger account. Confirmed that the invoices were captured / recorded into the correct general ledger accounts;
- f. Inspected supporting documentation for a sample of credit notes for evidence that they are valid and duly authorised; and
- g. Selected delivery notes and invoices before and after year end and confirmed that the revenue is accounted for in the correct accounting period.
- 3. Obtained details of the entity's tax returns and performed the following:
 - a. Compared the sum of monthly revenue declared on the VAT 201 returns to the amount of revenue reflected in the general ledger and obtained explanations for any reconciling items (such as credit notes, exempt supplies and zero rated supplies);
 - b. Compared the revenue reflected in the measured entity's income tax return to that recorded in the general ledger – considered the impact of any differences for the EME Certificate; and
 - c. Obtained management representation that the turnover amount declared is accurate and complete.

Procedures to verify black ownership

- 4. Inspected share certificates and / or founding document for details of individual owners;
- 5. Inspected the ID's of the owners to establish whether or not the "Black Owners" meet the requirements for recognition, namely Black, Coloured, Indian and Chinese born in South African or naturalised before 1994, and whether male or female; and
- 6. Determined the percentage interest held by such Black persons or Black women in the business.
[If Black Ownership < 50%, then entity is Level 4 with 100% Recognition. If Black Ownership >50%, then entity is Level 3 with 110% Recognition]

Procedures to verify start up enterprises (Code 000 Par 6)

- 7. In case of **start-up enterprises**, obtained the measured entity's registration documents and reviewed them to ascertain whether the entity has been in operation for less than 12 months.
- 8. Note: Where the entity is a start-up enterprise this EME Certificate is valid only for contracts with a single value of less than or equal to R 5 million.
- 9. Should the contract value being tendered for be greater than R 5 million and less than R35 million, the EME will be required to submit a QSE Verification Certificate with any tender. For contracts over R35 million a B-BBEE Verification Certificate based on the Generic Codes must be submitted Generic Scorecard. The preparation of such scorecards must use annualized data. (Code 000 par 6.4)

Procedures to evaluating whether the EME is a value-adding supplier

- 10. Calculated the net profit + labour cost, if greater than 25% of annual turnover then an entity is regarded as a value added supplier.
[A value-added supplier multiplies the procurement spend of the customer by 1.25%]

Appendix B1: B-BBEE Codes of Good Practice

Appendix B1: Methodologies for Verification of Broad – Based Black Economic Empowerment (B-BBEE) Codes of Good Practice

Code Series References	Scorecard Element
Code 004	Specialised Enterprises
Code 100	Ownership
Code 200	Management Control
Code 300	Employment Equity
Code 400	Skills Development
Code 500	Preferential Procurement
Code 600	Enterprise Development
Code 700	Socio-Economic Development

B-BBEE Codes of Good Practice

The scores for individual scorecard elements are calculated in accordance with the criteria in the *B-BBEE Codes of Good Practice* issued by the Department of Trade and Industry (the dti) as *General Notice 112 of 2007 in Government Gazette No 29617 on 9 February 2007*. The B-BBEE Codes of Good Practice have applied to all B-BBEE Verification Certificates issued on or after 9 February 2008. Minor Amendments affecting the calculation of individual scorecard elements were made to Codes 600, 700 and 800 issued in *Notice 87 of 2011 in Government Gazette No. 34019 on 18 February 2011*.

Framework for Accreditation and Verification by all Verification Agencies

The dti published *Board Notice 776 in Government Gazette No 31255 on 18 July 2008*, as the “*Framework for Accreditation and Verification by all Verification Agencies*” (the *Verification Manual*). **Appendices 2 to 8** set out on pages 37 to 73 of the *Verification Manual*, provide the “*Methodologies for Verification of Broad – Based Black Economic Empowerment (B-BBEE) Codes of Good Practice*” with requirements and practical guidance for Verification Agencies providing “B-BBEE Verification Services” in determining the scores for the individual Scorecard Elements for each of the Code series 000 to 700 and the resultant B-BBEE Status reflected on B-BBEE Verification Certificates issued by any Verification Agency.

Transitional arrangements

The dti is currently reviewing the Codes and in the course of this, it is expected that the *Verification Manual* will be reviewed and more detailed guidance for determining the individual scorecard elements will be incorporated in a *SASAE 3502 (Revised)*, to be issued by the IRBA. As a transitional arrangement B-BBEE approved registered auditors and their engagement teams shall apply the guidance for Verification Agencies in Appendices 2 to 8 of the *Verification Manual*, adapted as necessary to meet the requirements of SASAE 3502, when performing B-BBEE assurance engagements and issuing B-BBEE Verification Certificates after **1 October 2011**.

Sector Codes

Measured entities to whom an industry Sector Code issued by the dti applies, may apply different weightings to the calculations of individual Scorecard Elements. B-BBEE approved registered auditors and their engagement teams must have a working

Appendix B1: B-BBEE Codes of Good Practice

knowledge of the Generic Codes and relevant Sector Codes gazetted by the dti that apply to the measured entity. The guidance in **Appendices B1 to B8** is based on the Generic Codes, consequently the B-BBEE approved registered auditors and their engagement teams need to familiarise themselves with the changes to scorecard elements, or weightings for any relevant Sector Code applied in determining the score for individual scorecard elements and B-BBEE Status for the measured entity.

The following Sector Codes have been issued by the dti and Draft Sector Codes have been submitted to the dti to date:

Sector Codes gazetted under Section 9(1):

Sector Codes	Effective date
Integrated Transport Sector Codes	21 August 2009
Forest Sector Code	12 June 2009
Construction Sector Code	5 June 2009
Tourism Sector Code	22 May 2009
Chartered Accountancy Sector Code	10 May 2011

Sector Charters gazetted under Section 9(5)

Draft Sector Charter	Effective date
Draft Property Sector Charter	15 October 2010
Draft Financial Sector Charter	10 December 2010
Draft Information and Communication Technology (ICT) Charter	10 June 2011

Sector Charters gazetted under Section 12

Sector Charter	Effective date
Agri-BEE Charter	20 March 2008
Marketing, Advertising and Communication (MAC) Sector Charter	29 August 2008

Effective Date

The dti *Verification Manual* became effective on publication on **18 July 2008**.

B-BBEE approved registered auditors shall apply Appendices 2 to 8 when providing B-BBEE Verification Certificates issued after **1 October 2011**. This SASAE is effective for B-BBEE assurance engagements where the B-BBEE Verification Certificate issued is dated on or after <date still to be determined>.

Appendix B2: B-BBEE Codes of Good Practice

Appendix B2: Comparison of Element % Weightings for the Generic and QSE Scorecards and Sector Codes
Scorecards already gazetted

Element	Code Series	Generic	Adjusted Generic	QSE (Any 4)	Adjusted QSE (Any 4)	Sector Codes Gazetted ⁴²				
						CA(SA) Charter	Tourism	Construction		Forestry
								Contractors	Built Environment	
Ownership	100	20%		25%		20%	20%	25%	25%	20%
Management Control	200	10%	15%	25%	25%	10%		10%	10%	10%
Employee Equity	300	15%	15%	25%	25%	20%	14%	10%	10%	15%
Skills Development	400	15%	20%	25%	25%	20%	15%	15%	20%	15%
Preferential Procurement	500	20%	20%	25%	25%	10%	18%	20%	20%	20%
Enterprise Development	600	15%	15%	25%	25%	15%	10%	15%	10%	15%
Socio-Economic Development	700	5%	15%	25%	25%	5%	8%	5%	5%	5%
Strategic Management							14%			
Total		100%	100%	Max of 100%	Max of 100%	100%	99%	100%	100%	100%

⁴² The analysis of the *Integrated Transport Sector Code* Element % Weightings has been omitted from the Table, due to their complexity. B-BBEE approved registered auditors should refer to the detailed *Integrated Transport Sector Code* when providing a B-BBEE Verification Certificate for a measured entity to whom this Sector Code applies.

Appendix C: Illustrative Engagement Letter

Registered Audit Firm Name and Logo Registered Firm IRBA Registration No.: Address and contact details:

Your ref B-BBEE Verification
Our ref B-BBEE Verification

[Client Representative]

[Client]

[Address]

[Date]

Dear Sir/Madam,

Engagement letter to provide Broad-Based Black Economic Empowerment (“B-BBEE”) Verification Assurance Services in respect of the [Generic / Adjusted Generic / Qualifying Small Enterprise / Sector Specific / Contractual Scorecard]

Introduction

At your request <Insert Firm Full Name> (“<insert shortened firm name, if applicable>”) will perform the B-BBEE Verification Certificate assurance engagement to determine the individual scorecard elements for the [Qualifying Small Enterprise (“QSE”) / Generic/ Sector specific/ Contractual] B-BBEE Scorecard (“the Scorecard”) of [name of client] at and for the twelve-month period ended [date of Scorecard period] in terms of the following:

- Broad-based Black Economic Empowerment (“B-BBEE”) Act 53 of 2003 and amendments thereto;
- [{QSE/ Generic} Scorecards of the Codes of Good Practice on B-BBEE (further referred to as “the Codes”)] or [Sector codes gazette in terms of Section 9 of the B-BBEE Act] or [the requirements of the {insert name of agreement} between {insert name of party A} and {insert name of party B}]; and
- Other applicable guidelines issued by the Department of Trade and Industry (“DTI”) or other legislation as provided for in the Codes.

Directors’ responsibility

The directors of [name of client] are responsible for the preparation and presentation of the Scorecard in accordance with the Codes of Good Practice. This responsibility includes:

- Designing, implementing and maintaining internal controls relevant to the preparation and presentation of the Scorecard that ensures that the data and information meets the requirements prescribed by the B-BBEE Codes of Good Practice;
- Assessing the adequacy of policies applied in determining the scores and ensuring they are consistently applied between measurement periods;

<Client>
 <Type of B-BBEE Engagement>
 <Date>

- Completing each section of the Scorecard so that it contains all relevant disclosures that could materially affect any of the conclusions to be drawn from the content of the Scorecard such that it is free from material misstatement, whether due to fronting, fraud and error; and
- Obtaining all required information in support of the scores determined for the purposes of the Scorecard for <Insert Firm Name> at the commencement of the verification engagement which is scheduled to commence on [insert commencement date] including providing the management representation letter.

B-BBEE approved registered auditor's responsibility

Our responsibility is to express a <reasonable / limited⁴³> assurance conclusion on the B-BBEE Status reflected in the Certificate based on the procedures we have performed. We will conduct our <reasonable/limited> assurance engagement in accordance with the *South African Standard on Assurance Engagements (SASAE) 3502: Assurance Engagements on Broad Based Black Economic Empowerment (B-BBEE) Verification Certificates (SASAE 3502)*. This standard requires us to comply with ethical requirements contained in the Independent Regulatory Board of Auditors *Code of Professional Conduct for Registered Auditors* and to plan and perform this engagement to obtain <reasonable / limited> assurance about whether the Certificate is free from material misstatement.

[A reasonable assurance engagement with respect to a B-BBEE Verification Certificate involves performing procedures to obtain evidence regarding the Scorecard elements and B-BBEE Status of the measured entity based on the criteria and requirements contained in the relevant Codes. The procedures selected depend on the assurance provider's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments we considered internal control relevant to the preparation of the Scorecard and the determination of the B-BBEE Status.]

OR:

[A limited assurance engagement with respect to a B-BBEE Verification Certificate involves performing procedures regarding the Scorecard and B-BBEE Status of the measured entity based on the criteria and requirements contained in the relevant Codes. The procedures performed depend on the assurance provider's judgement. The nature of those procedures is different from and the extent is substantially less than in a reasonable assurance engagement, and consequently they do not enable us to obtain the assurance necessary to become aware of all significant matters that might be identified in a reasonable assurance engagement.]

Our engagement does not constitute an audit or review performed in accordance with *International Standards on Auditing* or *International Standards on Review Engagements* and consequently an audit or review opinion will not be expressed.

Scope of Work

We will plan and perform our work to obtain all the information and explanations that we consider necessary to provide a basis for our conclusions on the score awarded to each element of the Scorecard.

The procedures we will select depend on our judgement, including the assessment of the risks of material misstatement of the subject matter and the purpose of our engagement. In

⁴³ Delete whichever is not applicable

<Client>
<Type of B-BBEE Engagement>
<Date>

making these assessments, we will consider internal controls relevant to the entity's preparation and presentation of each element of the Scorecard.

[As the auditors of *[name of client]*, we have obtained an understanding of the entity and its environment, including its internal control, as part of our audit of the financial statements for the year ended *[financial year end]*. We have relied on information obtained during the course of our audit of these financial statements to assess the risks of material misstatement of the Scorecard in order to design procedures appropriate for gathering sufficient appropriate evidence to determine that the elements of the Scorecard are not materially misstated or misleading. Our assessment of relevant internal controls will not, however, be for the purpose of expressing a conclusion on the effectiveness of the entity's internal controls.]

OR

[As we are not the auditors of *[name of client]* / *[name of client]* has not been subject to an audit for the applicable period], we will perform such procedures as we consider necessary to obtain an understanding of the entity and its environment, including its internal control, sufficient to identify and assess the risks of material misstatement of the Scorecard in order to design procedures appropriate for gathering sufficient appropriate evidence to determine that the elements of the Scorecard are not materially misstated or misleading. Our assessment of relevant internal controls will not, however, be for the purpose of expressing a conclusion on the effectiveness of the entity's internal controls.]

We have no responsibility to update our B-BBEE Verification Certificate ("the Certificate") for events and circumstances occurring after the date of our report, nor will we perform any work in this regard.

Summary of work to be performed

Set out below is a summary of the procedures we will perform for each element of the Scorecard in order to obtain sufficient appropriate evidence regarding the content and presentation in accordance with the B-BBEE Codes of Good Practice:

- We will obtain sufficient appropriate evidence that each element of the Scorecard and the Scorecard overall has been calculated in all material respects in accordance with the bases and formula's set out in the gazetted B-BBEE Codes of Good Practice; and
- We will perform the procedures required by the SASAE 3502 and such other procedures as we consider necessary, on a sample basis, including the comparison of selected Scorecard information to the underlying financial records and other source documentation from which the information has been derived and making inquiries of the management or employees responsible for preparing the Scorecard.

Access to information

We understand that all records, documentation and information we request in connection with our engagement will be made available to us in accordance with the dates specified in the prepared by client ("PBC") listing, and that we will receive full co-operation from management and staff. In this regard, management agrees to facilitate and/or obtain any external supporting documentation, records and/or information that we may request to enable us to perform the services.

<Client>
 <Type of B-BBEE Engagement>
 <Date>

In the event that we are not provided with sufficient appropriate evidence in support of any of the elements of the Scorecard, we would be unable to allocate a score for that element of the Scorecard.

Timing

The engagement will span a period of {insert time} weeks and will not commence before completion of our engagement acceptance procedures and signing of the engagement letter. This time span relies on the timely collation of data by the entity.

Date of issuance and period of validity

We will compile a draft of the Certificate and our Assurance Report ("Report") with our Detailed Analysis of scores determined for each scorecard element for discussion on [date of draft]. We will allow a period of [review period i.e. number of days/ weeks] for review by yourselves and comments to be provided to us, after which we intend to issue our final Certificate and Report on [final certificate date], being the date of which we expect all evidence requested to have been provided to us for inspection.

For the purposes of clarity, the Certificate is valid for a period of twelve months from the date of issue.

Deliverables

The following will be delivered by <Insert Firm Name> to the client at the end of the engagement:

- The Certificate indicating the score on each elements for the [Generic Scorecard/ Adjusted Generic Scorecard / Sector Specific Scorecard / chosen four elements of the QSE Scorecard as detailed below:
 - Element 1 – {name of selected QSE element}
 - Element 2 – {name of selected QSE element}
 - Element 3 – {name of selected QSE element}
 - Element 4 – {name of selected QSE element}⁴⁴]
- The Report on the findings and scores of each element

As a consequence of our assurance work performed and evidence obtained, the scores determined per element may differ from management's expectations.

Restriction on use of our report

Our Certificate will be prepared in accordance with the B-BBEE Codes of Good Practice.

Our Certificate and full assurance Report with Detailed Analysis of scores determined for each scorecard element and/or any other product of our services will be made solely for the benefit and information of [name of client] in accordance with the terms of our engagement and should not be used for any other purpose, copied, referred to, or disclosed to any person or entity (save for your own internal purposes) without our prior written consent.

⁴⁴ Delete whatever is not applicable or insert elements selected for QSE Scorecard

<Client>
<Type of B-BBEE Engagement>
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The Certificate may be disclosed to DTI (or any other third party) requiring the Certificate on the proviso that, to the fullest extent permitted by law, we do not accept or assume any responsibility or liability to the DTI (or any other party) and neither do we owe them any duty of care in connection with the Certificate and/or the services provided to you, and disclosure by the DTI (save for their own internal purposes) is not permitted without our prior written consent.

Further, our Certificate may not be used in a misleading manner or in a manner which would bring our reputation or Certificate in disrepute. Our Certificate may only be reproduced in full and may not be altered or amended in any manner whatsoever. In the event of such occurring, we have the right to withdraw our rating and Certificate, having given 7 days' notice to you thereof. We are required to inform the DTI of the withdrawal of our rating and Certificate within 30 days thereof.

Fees

Our fee, plus expenses, will be billed at completion of the work and payment is due by you on presentation of our invoice. Our fee estimate is [value of fee], excluding disbursements and VAT.

Our fee estimate is determined on the basis of the information currently available to us and our understanding of your requirements and the following assumptions with regards to the cost of the work to be undertaken:

- We have applied the standard <Insert Firm Name> daily charge out rates;
- The level of resource allocated to the engagement is based on the level of technical skill and experience required for each element;
- The initial Scorecard and all supporting documentation thereto should be available for our purposes by [date of start of engagement]; and
- A revised draft Scorecard and report will be subject to review for a period of [state review period] ending on [cut off date] ("cut off date") after which the final Scorecard and report will be prepared and issued.

All required information is supplied to <Insert Firm Name> by the [dates specified in the prepared by client ("PBC") listing/ by the cut off date]. Any valid additional information provided after that date, which requires amendment to the Certificate and our Report, will result in additional time incurred and therefore additional fees being billed.

Agreement of terms

This engagement letter should be read in conjunction with the <Insert Firm Name> standard terms and conditions which are attached to this letter which will be applicable to all work undertaken by <Insert Firm Name> prior to and pursuant to this engagement letter.

All references in or to this letter include <Insert Firm Name> standard terms and conditions and any other appendices attached hereto, all of which together form an integral part of this engagement letter and are referred to as the "Agreement" or the "engagement letter".

We are available to discuss this letter with you at any time. Please confirm your agreement to the terms of this letter by signing the enclosed copy and initialling each page of the engagement letter and the attached standard terms and conditions and returning them to us, or let us know if the terms of our engagement are not in accordance with your understanding.

<Client>
<Type of B-BBEE Engagement>
<Date>

We appreciate the opportunity of [*being/ continuing to be*] of service to [*name of client*]. We are committed to providing you with quality service in an efficient and timely manner.

On completion of the engagement, as part of our commitment to the quality of our service, we would welcome the opportunity to receive your views on the work carried out by ourselves and the service delivered.

Yours sincerely

<Insert Firm Name, if not on letterhead>

Per <Full Name of B-BBEE approved registered auditor>
<B-BBEE approved registered auditor Registration No.>

<Director / Partner / Sole B-BBEE approved registered auditor⁴⁵>

Enclosure:

<Insert Firm Name> Standard Terms and Conditions

Client Acceptance

The terms of engagement set out are agreed to by:

Full name of measured entity

Date

Full name of individual responsible

Authorised Signature

Designation

who warrants [*his/ her*] authority to bind the measured entity.

⁴⁵ Delete whichever is not applicable

Appendix D: Illustrative Management Representation Letter

<B-BBEE Approved Registered Auditor's Firm>

<Insert address of B-BBEE Approved Registered Auditor's Firm >

Dear Sir / Madam

Representation letter with regards to the B-BBEE Verification assurance engagement of <name of measured entity> at and for the <number of months> period ended <date of Scorecard> in terms of the Broad-Based Black Economic Empowerment Act 53 of 2003

We are providing this letter to you in your position as the B-BBEE Approved Registered Auditor performing a B-BBEE Verification assurance engagement on the <[Exempt Micro-Enterprise ("EME") Verification Certificate (if applicable insert "as applied to Start Up Enterprises")]/ [Qualifying Small Enterprise ("QSE") / Generic/ Sector specific] B-BBEE Scorecard and supporting schedules⁴⁶> of <name of measured entity⁴⁷> at and for the <twelve/number of months> period ended <measurement date of Scorecard> in terms of the following:

- Broad-Based Black Economic Empowerment ("B-BBEE") Act 53 of 2003;
- <[QSE/ Generic] Scorecards of the Codes of Good Practice on B-BBEE>/ <Sector codes gazette in terms of Section 9 of the B-BBEE Act>;
- Proposed SASAE 3502: Assurance Engagements on B-BBEE Verification Certificates; and
- Other applicable guidelines issued by the Department of Trade and Industry ("DTI") or other legislation as provided for in the Codes.

Certain representations in this letter are described as being limited to matters which would have a material impact on the Scorecard. We understand information is considered material if its omission or misstatement could influence the determination of the individual scorecard elements or the overall rating and B-BBEE status. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Materiality depends on the size and nature of the item or error judged in the particular circumstances of its omission or misstatement.

We acknowledge the following:

- That you are required to perform the verification engagement in terms of the Proposed SASAE 3502: Assurance Engagements on B-BBEE Verification Certificates and Other applicable guidelines issued by the Department of Trade and Industry ("DTI") or other legislation as provided for in the Codes as published by the Department of Trade and Industry and accordingly we have provided you with all the evidence requested in support of each element of the Scorecard as per your request on <date of B-BBEE Approved Registered Auditor's request for information and supporting evidence>.
- We understand that these written representations cannot replace other evidence that the <B-BBEE Approved Registered Auditor> could reasonably expect to be available. In such cases where we have been unable to provide you with evidence regarding a matter that has, or may have, a material effect on the Scorecard, a score of zero will be awarded even although we may have given you representation of such matter below.

⁴⁶ Delete whichever is not applicable

⁴⁷ Provide list of entities / divisions included as the "measured entity" in the B-BBEE Scorecard and B-BBEE Verification Certificate where this is not a single entity.

Illustrative Management Representation Letter

We have made appropriate enquiries of the directors and management of [*name of measured entity*] with the relevant knowledge and experience. Accordingly, we confirm, to the best of our knowledge and belief, the following representations:

For all engagements
<p>We confirm that we have reviewed the entity's accounting policies and estimation techniques and, having regard to the possible alternative policies and techniques, the accounting policies and estimation techniques selected for use in the preparation of the Scorecard are the most appropriate to give a fair presentation in the company's B-BBEE status.</p> <p>There have been no known or suspected events subsequent to the measurement date of the Scorecard but prior to the verification certificate being issued which would have an impact on the current B-BBEE score and verification certificate.</p> <p>We have no knowledge of any known fronting involved in the preparation of the B-BBEE Scorecard. Furthermore, we have disclosed to you our knowledge of any allegations of, or suspected, fronting which would impact on the Scorecard.</p>
Additional for all <i>Generic/ QSE/ Sector Specific/ Contractual</i> Scorecard engagements
<p>The basis of preparation of the above Scorecard and its supporting schedules are consistent with that of the previous Scorecard measurement period⁴⁸.</p>
Additional for EME Level 3 engagements only
<p>The entity is 50% owned by black people or black woman as detailed below:</p> <ul style="list-style-type: none"> • [insert name of shareholders, ID No. and shareholding interest]; and • [insert name of shareholders, ID No. and shareholding interest]. <p><i>Code Series 000 para 4.3</i></p>
Additional for start-up enterprises only
<p>We do not currently expect to be awarded any business with a value higher than R5 million in the forthcoming period.</p> <p><i>Code Series 000 para 6.4</i></p>
Additional for QSE engagements only
<p>We confirm that we have selected the following four elements for the purposes of measurement in terms of the Code Series 800 of the Codes of Good Practice on B-BBEE and these elements are consistent that those selected in the previous BBE measurement period:</p> <ul style="list-style-type: none"> • [Name element 1]; • [Name element 2]; • [Name element 3]; and • [Name element 4].

⁴⁸ Where applicable

Other specific representations required by the *B-BBEE Approved Registered Auditor* or for Sector specific engagements, if applicable

We confirm that we have informed you of all contracts that contain clauses which convey giving the right to an economic interest or other voting rights which would be taken into account in determining the Ownership scores in accordance with the Codes of Good Practice, Code Series 100.

We confirm that in calculating the B-BBEE Scorecard, it is our policy which has been applied consistently each year, to include/ exclude mandated investments in determining the Ownership scores in accordance with the Codes of Good Practice, Code Series 100.

We confirm that the Private Equity funds meet the criteria as specified by the Codes of Good Practice, Code Series 100 i.e.

- more than 50% of the exercisable voting rights of the fund are held by black people;
- more than 50% of the profit must, by written agreement, accrue to black people;
- the fund manager is defined as a BEE owned company as defined by the Codes; and
- more than 50% of the invested funds must be invested in companies that are at least 25% black owned (before considering the measured entity's investment).

We confirm that the Broad-based ownership schemes meet the required criteria in accordance with Annex 100B of the Code of Good Practice, Code series 100 as follows:

- at least 85% of the benefits must accrue to black people;
- at least 50% of the trustees must be independent (i.e. not be employed by or any interest in the scheme)
- at least 50% of the trustees must be black and at least 25% are black woman
- the chairperson is independent
- on dissolution, the accumulated interest is either transferred to the beneficiaries or to another entity with similar objectives; and
- by reviewing the management accounts or the latest financial statements to determine that management fees do not exceed 15% of income.

We confirm that the Employee ownership schemes meet the required criteria in accordance with Annex 100B of the Code of Good Practice, Code series 100 as follows:

- the scheme documentation defines the beneficiaries and their proportion entitlement to distributions
- the names of the beneficiaries
- the fixed percentage or formulae applied in calculating entitlement;
- the fiduciaries have no discretion with regards to the above;
- the participants appoint at least 50% of the trustees;
- the participants are active in managing the scheme and must be able to access the founding documents on request
- the trustees present the financials of the scheme to the participants at the AGM; and
- on dissolution, the accumulated interest is either transferred to the beneficiaries or to another entity with similar objectives.

We confirm that we are registered with the applicable SETA and are therefore eligible to claim skill development costs in accordance with Codes of Good Practice, Code Series 400.

We confirm that we are not able to obtain the equivalent product at the required level of specification or brand locally for those imported products excluded from discretionary preferential procurement spend in determining the scores of preferential procurement in accordance with the Codes of Good Practice, Code Series 500.

The amount declared as revenue for the period subject to this verification engagement is accurate and complete and determined in accordance with the accounting policies of the entity. Accordingly the correct Scorecard has been used in determining the B-BBEE status of the measured entity.

Yours faithfully

<Insert name and signature of Financial Director / Managing Director / Member⁴⁹>

<Financial Director / Managing Director / Member> who warrants his / her authority to bind the entity.

<Insert name and signature of the measured entity's B-BBEE verification team officer>

Officer who warrants his / her authority to bind the entity.

Date

⁴⁹ Delete whichever is not applicable