**SASAE 3502 (Revised)**

 **1 June 2016**



*South African Standard on Assurance Engagements (SASAE) 3502 (Revised)*

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

|  |
| --- |
| **Warning to Readers**Registered auditors are alerted to the fact that SASAE 3502 (Revised) has not been updated for the International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, which is effective for assurance reports dated on or after 15 December 2015, except for the illustrative independent auditor’s reports in Appendices A1 and A2, the illustrative engagement letter in Appendix C and the illustrative management representation letter in Appendix D which have been updated. |

Copyright © June 2016 by the Independent Regulatory Board for Auditors (IRBA). All rights reserved. Permission is granted to make copies of this work provided that such copies, in whichever format, are for the purpose of registered auditors discharging their professional duties, for use in academic classrooms or for personal use, and provided such copies are not sold for income and provided further that each copy bears the following credit line: “*Copyright © by the Independent Regulatory Board for Auditors*. All rights reserved. Used with permission of the IRBA.” Otherwise, written permission from the Independent Regulatory Board for Auditors is required to reproduce, store or transmit this document, except as permitted by law.

**SOUTH AFRICAN STANDARD ON ASSURANCE ENGAGEMENTS 3502 (REVISED), ASSURANCE ENGAGEMENTS ON BROAD-BASED BLACK ECONOMIC EMPOWERMENT VERIFICATION CERTIFICATES**

(Effective for B-BBEE Verification Certificates issued on or after XX XXXXX 2016)

 **Page**

[Introduction 5](#_Toc452436246)

[Scope of this SASAE 5](#_Toc452436247)

[Effective Date 7](#_Toc452436248)

[Objectives 7](#_Toc452436249)

[Definitions 8](#_Toc452436250)

[Requirements 11](#_Toc452436251)

[ISAE 3000 11](#_Toc452436252)

[Acceptance and Continuance of the Engagement 11](#_Toc452436253)

[Planning 16](#_Toc452436254)

[Materiality in Planning and Performing the Engagement 16](#_Toc452436255)

[Understanding the Measured Entity and Its Environment, Including the Entity’s Internal Control, and Identifying and Assessing the Risks of Material Misstatement 17](#_Toc452436256)

[Overall Responses to Assessed Risks of Material Misstatement and Further Procedures 20](#_Toc452436257)

[Using the Work of Experts, Other Auditors and Component Auditors 23](#_Toc452436258)

[Written Representations 24](#_Toc452436259)

[Subsequent Events 26](#_Toc452436260)

[Documentation 26](#_Toc452436261)

[Engagement Quality Control Review 28](#_Toc452436262)

[Forming the Assurance Conclusion 29](#_Toc452436263)

[B-BBEE Verification Certificate and Assurance Report Content 29](#_Toc452436264)

[Other Communication Responsibilities 30](#_Toc452436265)

[Application and Other Explanatory Material 31](#_Toc452436266)

[Introduction 31](#_Toc452436267)

[Definitions 33](#_Toc452436268)

[ISAE 3000 33](#_Toc452436269)

[Acceptance and Continuance of the Engagement 33](#_Toc452436270)

[Planning and Performing the Engagement 35](#_Toc452436271)

[Materiality 36](#_Toc452436272)

[Understanding the Measured Entity and Its Environment, Including the Entity’s Internal Control, and Identifying and Assessing the Risks of Material Misstatement 38](#_Toc452436273)

[Overall Responses to Assessed Risks of Material Misstatement and Further Procedures 47](#_Toc452436274)

[Documentation 49](#_Toc452436275)

[Engagement Quality Control Review 50](#_Toc452436276)

[Assurance Report Content 51](#_Toc452436277)

[Appendices 52](#_Toc452436278)

[Appendix A1 – Illustrative B-BBEE Verification Certificate, Illustrative Limited Assurance Report and Illustrative Detailed Scorecard – LARGE ENTERPRISE 53](#_Toc452436279)

[Appendix A2 – Illustrative B-BBEE Verification Certificate, Illustrative Limited Assurance Report and Illustrative Detailed Scorecard – QSE 63](#_Toc452436280)

[Appendix B1: Methodologies for Verification of Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice 72](#_Toc452436281)

[Appendix B2: Comparison of Element % Weightings for the Generic and QSE Scorecards and Sector Codes Scorecards Already Gazetted and Aligned in terms of the Generic Codes of Good Practice Issued on 9 February 2007 74](#_Toc452436282)

[Appendix B3: Comparison of Element % Weightings for the Generic and QSE Scorecards and Sector Codes Scorecards Already Gazetted and Aligned in terms of the Generic Codes of Good Practice Issued on 11 October 2013 75](#_Toc452436283)

[Appendix C: Illustrative Engagement Letter 76](#_Toc452436284)

[Appendix D: Illustrative Management Representation Letter 83](#_Toc452436285)

|  |
| --- |
| South African Standard on Assurance Engagements (SASAE) 3502 (Revised), *Assurance Engagements on Broad-Based Black Economic Empowerment Verification Certificates*, should be read in conjunction with the *Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services* and the *Preface to the South African Standards on Quality Control, Auditing, Review, Other Assurance and Related Services* and International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. |

# Introduction

1. The Department of Trade and Industry (the DTI) issued Notice 754 in Government Gazette No. 34612 on 23 September 2011, with *Statement 005 Broad-Based Black Economic Empowerment Verification* (Statement 005) that empowered B-BBEE approved registered auditors after 1 October 2011 to provide B-BBEE assurance services and to issue valid B-BBEE Status Level Certificates, referred to as B-BBEE Verification Certificates, to measured entities.
2. The B-BBEE Scorecard is determined on the basis of the legislative requirements of the DTI[[1]](#footnote-1) and the applicable *Broad-Based Black Economic Empowerment* (*B-BBEE) Codes of Good Practice* (the *Codes of Good Practice*) and relevant *Sector Codes* that comprise the applicable criteria, when applied to the information provided by management.
3. Such engagements require the application of assurance procedures to evaluate the information underlying the individual B-BBEE Scorecard elements that may consist of historical financial information and information, other than historical financial information, prepared in accordance with an acceptable financial reporting framework. The B-BBEE approved registered auditor provides a limited assurance conclusion that, based on the work performed, the scores determined for the measured entity’s B-BBEE Scorecard and the resultant B-BBEE status of the measured entity, are not materially misstated (Ref: Para. A1 to A3).

## Scope of this SASAE

1. This South African Standard on Assurance Engagements (SASAE) deals with limited assurance engagements to report on a measured entity’s B-BBEE Scorecard as reflected in a B-BBEE Verification Certificate, determined in accordance with the applicable *B-BBEE Codes of Good Practice* and relevant *Sector Codes* as follows (Ref: Para. A1-A3):
2. The B-BBEE approved registered auditor’s responsibilities when engaged to perform a limited assurance engagement on a measured entity’s B-BBEE Scorecard as reflected in a B-BBEE Verification Certificate (Ref: Para. A1); and

b) The form and content of the B-BBEE approved registered auditor’s limited assurance report on the measured entity’s B-BBEE Scorecard and B-BBEE Verification Certificate[[2]](#footnote-2) (Ref: Para. A3).

***Assertion-Based and Direct Reporting Engagements***

1. The *International Framework for Assurance Engagements* (the Assurance Framework) notes that an assurance engagement may be either an assertion-based engagement or a direct-reporting engagement. This SASAE deals only with assertion-based engagements.[[3]](#footnote-3)

***Procedures for Reasonable Assurance and Limited Assurance Engagements***

1. The *Assurance Framework* notes that an assurance engagement may be either a reasonable assurance engagement or a limited assurance engagement.[[4]](#footnote-4) This SASAE does not deal with or provide specific guidance for reasonable assurance engagements (Ref: Para. A4).
2. In a limited assurance engagement, the B-BBEE approved registered auditor chooses a combination of assurance procedures, which can include inspection, observation, confirmation, recalculation, re-performance, analytical procedures and inquiry. Determining the assurance procedures to be performed on a particular engagement is a matter of professional judgement. The procedures performed in a limited assurance engagement will vary in nature from, and are less in extent than for, a reasonable assurance engagement[[5]](#footnote-5). If the B-BBEE approved registered auditor has reason to believe that the B-BBEE Scorecard may be materially misstated, the B-BBEE approved registered auditor designs and performs additional procedures considered necessary in the circumstances of the engagement to be able to conclude in accordance with this SASAE (Ref: Para. A4).

***Relationship with ISAE 3000, Other Professional Pronouncements and Other Requirements***

1. The performance of assurance engagements, other than audits or reviews of historical financial information, requires a registered auditor to comply with ISAE 3000[[6]](#footnote-6). ISAE 3000 includes requirements in relation to such topics as engagement acceptance, planning, evidence and documentation that apply to all assurance engagements, including engagements in accordance with this SASAE that are not repeated here. This SASAE expands on how ISAE 3000 is to be applied in a limited assurance engagement to report on a measured entity’s B-BBEE Scorecard, as reflected in a B-BBEE Verification Certificate (Ref: Para. A5).
2. The *International Framework for Assurance Engagements*[[7]](#footnote-7) defines and describes the elements and objectives of an assurance engagement, which provides context for understanding this SASAE and ISAE 3000 (Ref: Para. A5).
3. Compliance with ISAE 3000 and this SASAE requires, among other things, that the
B-BBEE approved registered auditor and the members of the engagement team comply with the independence and other requirements of the IRBA *Code of Professional Conduct for Registered Auditors* (the IRBA Code) − (Ref: Para. A5-A8).
4. As a member of a registered audit firm, the B-BBEE approved registered auditor is required to comply with the International Standard 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 to implement quality control procedures that are appropriate to the individual
B-BBEE verification assurance engagement (Ref: Para. A5).
5. 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 the engagement team in applying this SASAE.
6. Appendices 2-8 (GG pages 40-76) of the DTI’s *Framework for Accreditation and Verification by all Verification Agencies (the Verification Manual)*[[8]](#footnote-8) contain the “*Methodologies for Verification of B-BBEE Codes of Good Practice*” that provide practical guidance when evaluating the subject matter and determining the scores for the B-BBEE Scorecard, in accordance with the applicable criteria. The B-BBEE approved registered auditor and the engagement team considers this guidance in applying this SASAE.

## Effective Date

1. This standard is effective for B-BBEE Verification Certificates issued on or after 1 June 2016.

# Objectives

1. The objectives of the B-BBEE approved registered auditor are (Ref: Para A3):
	1. To obtain limited assurance about whether the B-BBEE Scorecard, as reflected in the B-BBEE Verification Certificate, is free of material misstatement, whether due to fraud or error, and has been determined, in all material respects, in accordance with the applicable B-BBEE Codes of Good Practice or relevant Sector Codes enabling the B-BBEE approved registered auditor to express a conclusion conveying that level of assurance.
	2. To report[[9]](#footnote-9) the B-BBEE approved registered auditor’s conclusion in accordance with the evidence obtained, about whether:

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 work performed, that the scores for the B-BBEE Scorecard, as reflected on the B-BBEE Verification Certificate, are not determined in all material respects in accordance with the applicable Codes of Good Practice or relevant Sector Codes.

* 1. To report the registered auditor or B-BBEE approved registered auditor’s findings, based on the evidence obtained.
	2. To communicate as otherwise required by this SASAE, in accordance with the registered auditor’s or B-BBEE approved registered auditor’s conclusions.

# Definitions

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

|  |  |
| --- | --- |
| 1. Accounting professional
 | An accounting professional is defined in Regulation 29(1)(d) of the Companies Act, 2008, as “a registered auditor in terms of the Auditing Profession Act” or a member in good standing of a professional body that has been accredited in terms of Section 33 of the Auditing Profession Act or qualified to be appointed as an accounting officer of a close corporation in terms of Section 60(1), (2) and (4) of the Close Corporation Act, 1984 (Act 69 of 1984). |
| 1. Applicable criteria[[10]](#footnote-10)
 | The B-BBEE *Codes of Good Practice* and relevant Sector Codes contain the *key measurement principles* and basis for *determining scores and weightings* for *individual* elements *of the B-BBEE Scorecard* and comprise the *Applicable Criteria*. |
| 1. Assertion-based engagement
 | The evaluation of measurement of the subject matter is performed by the responsible party, and the subject matter information is in the form of an assertion by the responsible party that is made available to the intended users.  |
| 1. Subject matter[[11]](#footnote-11)
 | The *subject matter,* in the context of a B-BBEE assurance engagement, refers to the underlying records, and information and assertions provided by the responsible party for purposes of determining the *scores and weightings for individual* elements of themeasured entity’s *B-BBEE* *Scorecard as* reflected on the B-BBEE Verification Certificate, based on the *applicable criteria* contained in the *B-BBEE Codes of Good Practice* or relevant *Sector Codes*.  |
| 1. B-BBEE Act as amended
 | Broad-Based Black Economic Empowerment Act No.53 of 2003 (as amended).  |
| 1. B-BBEE approved registered auditor
 | The individual registered auditor who has met the prerequisites prescribed from time to time by the IRBA and the DTI for approval as a *B-BBEE approved registered auditor*.  |
| 1. B-BBEE assurance engagement
 | The B-BBEE assurance engagement refers to a “limited assurance engagement” where a B-BBEE approved registered auditor applies assurance procedures to obtain sufficient appropriate evidence regarding the *subject matter* to determine that the B-BBEE Scorecard, as reflected on the B-BBEE Verification Certificate *based* on the *applicable criteria,* is not materially misstated.  |
| 1. B-BBEE Codes of Good Practice
 | The *Codes of Good Practice on Broad-Based Black Economic Empowerment* published as *General Notice 1019 in Government Gazette No. 36928 on 11 October 2013* as part of the Broad-Based Black Economic Empowerment Act, Act No.53 of 2003, as amended, (B-BBEE Act as amended). |
| 1. B-BBEE Status
 | The B-BBEE Status refers to the overall rating on the Scorecard that determines the measured entity’s B-BBEE Level Contributor Status as being anywhere between 1 and 8 or as a non-compliant contributor. |
| 1. B-BBEE Sector Codes
 | B-BBEE Sector Codes as gazetted by the Minister of Trade and Industry in terms of Section 9(1) of the B-BBEE Act as amended. |
| 1. B-BBEE Verification Certificate
 | The B-BBEE Verification Certificate issued by the B-BBEE approved registered auditor, reflects the B-BBEE Scorecard and the overall B-BBEE Status of a measured entity that meets the reporting requirements specified in this SASAE (Ref: Appendices A1-A2). |
| 1. B-BBEE assurance report
 | The B-BBEE approved registered auditor’s limited assurance report which accompanies the B-BBEE Verification Certificate (Ref: Appendices A1-A2). |
| 1. Control risk
 | The risk that a misstatement that could occur in an assertion from which the elements of the B-BBEE Scorecard of the measured entity are derived and B-BBEE Status determined, and that could be 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. |
| 1. Detection risk
 | The risk that the B-BBEE approved registered auditor’s limited assurance procedures will not detect a material misstatement that exists in an assertion from which the B-BBEE Scorecard of the measured entity is derived, that results in the B-BBEE Status reflected on the B-BBEE Verification Certificate, being materially misstated.  |
| 1. Inherent risk
 | The susceptibility of an assertion− from which the individual elements of the B-BBEE Scorecard of the measured entity are derived− to misstatement that could be material, assuming that there were no related internal controls to prevent or detect and correct the misstatement. |
| 1. Engagement risk
 | The risk that the B-BBEE approved registered auditor expresses an inappropriate conclusion when the scores determined for the B-BBEE Scorecard, as reflected in the B-BBEE Verification Certificate, are materially misstated. |
| 1. Engagement partner
 | 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 B-BBEE assurance engagement, the B-BBEE Verification Certificate and assurance report issued by the firm. |
| 1. Intended users
 | The person, persons or class of persons, within or external to the measured entity, who will seek to rely on the B-BBEE Scorecard as reflected on the B-BBEE Verification Certificate (Ref: Para. A68-A69). This may include: * *Internal*: The directors or persons with a similar status within the measured entity.
* *External*: Customers, including government entities and departments requiring a B-BBEE Verification Certificate, e.g. for tenders submitted in accordance with the Preferential Procurement Policy Framework Act, No.5 of 2000 and Regulations pursuant thereto (the PPPFA) and Treasury Regulations[[12]](#footnote-12).
* The *responsible party* may be one of the intended users, but not the only one.
 |
| 1. Limited assurance
 | The level of assurance obtained where engagement risk is reduced to a level that is acceptable in the circumstances of the engagement, but where that risk is greater than for a reasonable assurance engagement. |
| 1. Risk of material misstatement
 | The risk that the score determined for the B-BBEE Scorecard, as reflected on the B-BBEE Verification Certificate, is materially misstated.  |
| 1. Management
 | Includes directors, management, responsible parties an accounting authority or appropriate parties in the measured entity.  |
| 1. Measurement period
 | The financial year end as gazetted by the Minister of Trade and Industry in Notice 444 of government gazette 38799 issued on 15 May 2015. |
| 1. Misstatement
 | The difference between the B-BBEE Scorecard calculated by the measured entity and the scores determined by the B-BBEE approved registered auditor, in accordance with the applicable B-BBEE Codes or Sector Codes and the resultant B-BBEE Status. Misstatements may arise from differences in the interpretation of the B-BBEE Codes and may be intentional or unintentional and may include omissions.  |
| 1. Misstatement of fact
 | The subject matter may contain information unrelated to the determination of the B-BBEE Scorecard and the resultant B-BBEE Status is incorrectly stated, or presented. A misstatement of fact may result in a materially incorrect B-BBEE Verification Certificate that undermines the credibility of the measured entity.  |
| 1. Professional judgement
 | 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 assurance engagement. |
| 1. Professional scepticism
 | An attitude that includes a questioning mind being alert to conditions that may indicate possible material misstatement and a critical assessment of evidence supporting the subject matter and the B-BBEE Scorecard. |
| 1. Responsible party
 | The person (or persons) in or external to the measured entity responsible for the collation and preparation of the subject matter underlying elements of the B-BBEE Scorecard as reflected on the B-BBEE Verification Certificate prepared in accordance with the criteria in the Codes of Good Practice or relevant Sector Codes. |
| 1. Sampling
 | The application of assurance procedures to less than 100% of items within the *subject matter* relating to the individual elements of the B-BBEE Scorecard such that all sampling units have an equal chance of selection in order to provide the B-BBEE approved registered 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. A9-A12). |

# Requirements

## ISAE 3000

1. The B-BBEE approved registered auditor may not represent compliance with this SASAE unless the B-BBEE approved registered auditor has complied with the requirements of this SASAE and ISAE 3000 (Revised), even though the standard has not been specifically updated to include the amendments to ISAE 3000 (Revised) − (Ref: Para A13).

## Acceptance and Continuance of the Engagement

***Skills, Knowledge and Experience***

1. The B-BBEE approved registered auditor shall:
	1. Have sufficient assurance skills, knowledge, and experience and sufficient competence to evaluate the subject matter and to determine the scores for the B-BBEE Scorecard of a measured entity,[[13]](#footnote-13) and to accept responsibility for the limited assurance conclusion expressed;
	2. 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 the B-BBEE Codes of Good Practice, relevant Sector Codes and relevant legislation affecting the determination and reporting of scores for the B-BBEE Scorecard to perform the assurance engagement in accordance with this SASAE; and
	3. Be satisfied that the assurance engagement team has a working knowledge of relevant financial reporting standards and contractual arrangements of the measured entity affecting the subject matter and determination of the B-BBEE Scores, for example, complex B-BBEE ownership structures in accordance with the Codes of Good Practice[[14]](#footnote-14).

***Factors Affecting Acceptance and Continuance of Client Relationships and the B-BBEE Assurance Engagement***

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

***Preconditions for the Engagement***

1. The B-BBEE approved registered auditor shall not accept the B-BBEE assurance engagement if:
	1. The B-BBEE approved registered auditor has reason to believe that the relevant ethical requirements in the IRBA Code, including the independence requirements in Section 291, will not be satisfied (Ref: Para. A6-A8);
	2. The B-BBEE approved registered auditor’s preliminary understanding of the engagement circumstances indicates that the information needed to perform the assurance engagement is likely to be unreliable or is not available; or
	3. The B-BBEE approved registered auditor has cause to doubt management’s integrity such that it is likely to affect the proper performance of the
	B-BBEE assurance engagement.
2. The B-BBEE approved registered auditor shall accept a B-BBEE assurance engagement only when the basis upon which the engagement is to be performed has been agreed, through: (Ref: Para. A14-A15):
	1. Confirming there is a common understanding between the B-BBEE approved registered auditor and the engaging party of the terms of the engagement, including the responsibilities of those preparing the measured entity’s underlying subject matter for purposes of the B-BBEE assurance engagement, which may include management, responsible parties or the accounting authority;
	2. Agreeing to the B-BBEE approved registered auditor’s responsibilities for determining the appropriateness of the measured entity’s B-BBEE Scorecard and reporting on the B-BBEE Verification Certificate; and
	3. Determining that the roles and responsibilities of the appropriate parties are suitable in the circumstances.
3. If the preconditions for the B-BBEE 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 B-BBEE approved registered auditor shall not accept the engagement.
4. If it is discovered after the engagement has been accepted that one or more preconditions for an B-BBEE assurance engagement is not present, the B-BBEE approved registered auditor shall discuss the matter with the appropriate parties, and shall determine:
	1. Whether the matter can be resolved;
	2. Whether it is appropriate to continue with the engagement; and
	3. Whether the impact on the B-BBEE Scorecard, as reflected in the B-BBEE Verification Certificate, can be determined and the matter communicated in the assurance report.
5. The B-BBEE approved registered auditor shall obtain the agreement of the entity that it acknowledges and understands its responsibilities to provide the
B-BBEE approved registered auditor with:
	1. Access to all information of which the responsible parties are aware is relevant to the preparation of the financial statements such as records, documentation and other matters;
	2. Additional information that the B-BBEE approved registered auditor may request from the responsible parties for the purpose of the engagement; and
	3. Unrestricted access to persons within the entity from whom the B-BBEE approved registered auditor determines it necessary to obtain evidence.

 ***Responsibilities of the Entity***

1. The B-BBEE approved registered auditor shall obtain agreement from the entity that the responsible parties acknowledge and understand their responsibility for:
	1. Designing, implementing and maintaining such internal control as the measured entity determines is necessary to enable the preparation of the B-BBEE scores for the B-BBEE Scorecard reflected on the B-BBEE Verification Certificate that is free from material misstatement.
	2. Clearly identifying the Codes of Good Practice 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.
	3. The preparation of the subject matter, comprising the detailed information and supporting documentation, applicable to the determination of the B-BBEE Scorecard based on underlying information provided by management and derived from the components comprising the measured entity, as permitted by the Codes of Good Practice (Ref: Para. A15).
	4. Where the entity’s financial statements have been audited or independently reviewed, management is responsible for ensuring the underlying information has been derived, in all material respects, from the audited or independently reviewed financial statements and records of the measured entity for the measurement period.
	5. Where the entity’s financial statements are unaudited, management is responsible for ensuring the underlying information has been derived, in all material respects, from financial statements compiled by management and records of the measured entity for the measurement period.
	6. Identifying significant events subsequent to the financial period end of the measured entity, but preceding the measurement date, that might affect the determination of the B-BBEE Scorecard elements.
	7. Providing the B-BBEE approved registered auditor and the engagement team with access to:
		1. All relevant information and evidence regarding the subject matter to support the determination of the B-BBEE Scorecard; and
		2. Internal parties responsible for the preparation of the subject matter from whom the B-BBEE approved registered auditor deems it necessary to obtain evidence needed for determining the scores for the B-BBEE Scorecard.
	8. Facilitating access to internal parties as well as external third parties for purposes of obtaining supporting evidence as may be required; and
	9. Complying with all laws and regulations relevant to the preparation of the measured entity’s B-BBEE Scorecard.

***Agreeing the Terms of the Engagement***

1. The agreed terms of the engagement as required by ISAE 3000 shall include:
	1. The objective and scope of the engagement;
	2. The responsibilities of the B-BBEE approved registered auditor;
	3. The responsibilities of the measured entity, including those described in paragraph 26;
	4. The identification of the relevant Codes of Good Practice or relevant Sector Codes that comprise the applicable criteria for the preparation of the B-BBEE Scorecard;
	5. Reference to the expected form and content of the B-BBEE Verification Certificate, the summary of the B-BBEE Scorecard and assurance report to be provided to the measured entity; and
	6. 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***

1. 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.
2. Circumstances may arise where a significant event has occurred subsequent to the measurement period, but prior to the issue of the B-BBEE Verification Certificate that may materially affect the B-BBEE Scorecard. In such circumstances, the B-BBEE approved registered auditor considers whether the terms of the engagement may be changed, and if so, shall agree the revised terms with management and record the new terms of the engagement in an engagement letter or other suitable form of written agreement. (Ref: Para. A16-A18)
3. If the B-BBEE approved registered auditor is unable to agree to a change of the terms of the engagement and is not permitted by management to continue the original engagement, the auditor shall:
	1. Withdraw from the assurance engagement; and
	2. Determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators.

***Evaluation of the Effect of Possible Misstatements in a B-BBEE Scorecard***[[15]](#footnote-15)

1. The B-BBEE approved registered auditor shall evaluate the possible effect of material misstatements on the B-BBEE Scorecard and perform additional procedures to establish whether the B-BBEE Scorecard is materially misstated, the reasons therefore, and what scores should be reflected. The B-BBEE approved registered auditor engages with management to resolve the material misstatements and requests the measured entity to rectify the B-BBEE Scorecard accordingly to reflect the scores determined by the B-BBEE approved registered auditor. If the measured entity refuses to do so the B-BBEE approved registered auditor considers the implications for the conclusion expressed on the B-BBEE Scorecard, reflected on the B-BBEE Verification Certificate, and the B-BBEE approved registered auditor limited assurance report.

***Withdrawing from the Engagement***

1. The B-BBEE approved registered auditor shall also consider the firm’s client and engagement continuance policies and determine whether or not to decline to issue the B-BBEE Verification Certificate and withdraw from the engagement.

***Professional Scepticism and Professional Judgement (Ref: Para. A19-A22)***

1. The B-BBEE approved registered auditor and the engagement team shall plan and perform the engagement with an attitude of professional scepticism, recognising that circumstances may exist that cause the measured entity’s information to be materially misstated.
2. The B-BBEE approved registered auditor shall exercise professional judgement in conducting a B-BBEE assurance engagement.

## Planning

1. When planning the engagement as required by ISAE 3000[[16]](#footnote-16) the B-BBEE approved registered auditor shall: (Ref: Para. A23-A25):
	1. Identify the characteristics of the measured entity’s engagement that define its scope, including ascertaining the classification of the measured entity to determine which Codes of Good Practice or Sector Codes apply. Such classification may be one of the following:
		1. A Qualifying Small Enterprise to which the QSE Scorecard applies;
		2. Enterprises to which the Generic Scorecard, the Adjusted Generic Scorecard or relevant Sector Codes apply; or
		3. Specialised enterprises that do not have an ownership element, such as: state owned entities, higher education institutions, non-profit companies and regulators.
	2. Consider the factors that, in the judgement of the B-BBEE approved registered auditor, are significant in directing the engagement team’s efforts.
	3. Consider the results of engagement acceptance or continuance procedures and, where applicable, whether knowledge gained on other engagements performed by the B-BBEE approved registered auditor or other partner of the firm for the entity, is relevant.
	4. Ascertain the nature, timing and extent of resources necessary to perform the engagement, including the involvement of experts and of other component auditors or assurance providers; and
	5. Determine the impact of the internal audit function, if any, on the B-BBEE assurance engagement.

## Materiality in Planning and Performing the Engagement

***Determining Materiality When Planning the Engagement (Ref: Para. A26-A35)***

1. When establishing the overall engagement strategy, the B-BBEE approved registered auditor shall determine materiality for the B-BBEE Scorecard.
2. The B-BBEE approved registered auditor shall determine materiality for individual elements of the B-BBEE Scorecard for purposes of assessing the risks of material misstatement, regard being had to the nature and complexity of the underlying information for individual scorecard elements in determining the nature, timing and extent of further procedures.

***Revision as the Engagement Progresses (Ref: Para. A36)***

1. The B-BBEE approved registered auditor shall revise materiality for the B-BBEE Scorecard in the event of becoming aware of information during the engagement that would have caused the B-BBEE approved registered auditor to have determined a different amount initially.

## Understanding the Measured Entity and Its Environment, Including the Entity’s Internal Control, and Identifying and Assessing the Risks of Material Misstatement

***Obtaining an Understanding of the Entity and Its Environment***

1. The B-BBEE approved registered auditor shall obtain an understanding of:
	1. The measured entity and its environment, including the entity’s accounting system, accounting records and other information relevant to the assurance engagement.
	2. Relevant industry, regulatory and other external factors, including identification of the relevant Codes of Good Practice or Sector Codes applicable to the measured entity.
	3. The nature of the measured entity, including:
		1. The nature of its operations, ownership and governance structures and significant B-BBEE structured deals in progress or completed, such as changes in the entities comprising the “measured entity”, including any mergers, acquisitions or restructuring that might affect the Codes of Good Practice or relevant Sector Code to be applied; and
		2. Any B-BBEE Verification Certificate previously obtained by the measured entity, and if so, when it was issued and by whom, the expiry date and whether the Generic Code of Good Practice or relevant Sector Code was applied.
	4. Any changes in the measured entity, since the previous B-BBEE Scorecard and B-BBEE Verification Certificate were issued, that may affect the determination of the B-BBEE Scorecard for the current assurance engagement.
	5. The oversight of, and parties responsible for, the preparation of the measured entity’s underlying information used for determining the B-BBEE Scorecard elements, and internal controls relevant to the preparation of the information as the basis for identifying and assessing the risks of material misstatement.

***Procedures to Obtain an Understanding and to Identify and Assess Risks of Material Misstatement***

1. The procedures to obtain an understanding of the entity and its environment and to identify and assess the risks of material misstatement shall include the following (Ref: Para. A37-A39):
	1. Inquiries of those within the measured entity who, in the opinion of the B-BBEE approved registered auditor have information that is likely to assist in identifying and assessing risks of material misstatement due to fronting, fraud and error;
	2. Analytical procedures (Ref: Para. A40-A48); and
	3. Observation and inspection (Ref: Para. A49-A51).
2. In designing analytical procedures, the practitioner shall consider whether the data from the entity’s accounting system, the accounting records and other sources of information are adequate for the purposes of performing the analytical procedures.

***Related Parties***

1. During the B-BBEE assurance engagement, the B-BBEE approved registered auditor shall remain alert for arrangements or information that may indicate the existence of related party relationships or transactions that management has not previously identified or disclosed.

***Obtaining an Understanding of the Entity’s Internal Control***

1. The B-BBEE approved registered auditor shall (Ref: Para A52-A53):
	1. Obtain an understanding of the control environment and information system, including the related business processes, reporting roles and responsibilities, significant to the determination of the B-BBEE Scorecard primarily from inquiries of responsible parties within the measured entity; and
	2. Inquire about the results of the measured entity’s risk assessment process as the basis for identifying risks of material misstatements in the underlying information on which the determination of the B-BBEE Scorecard will be based.

***Other Procedures to Obtain an Understanding and Identify and Assess Risks of Material Misstatement***

1. If the B-BBEE approved registered auditor has performed other engagements for the entity, the B-BBEE approved registered auditor shall consider whether information obtained is relevant to identifying and assessing risks of material misstatement (Ref: Para. A64-A67).
2. The B-BBEE approved registered auditor 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 B-BBEE Scorecard to material misstatement whether due to fraud or error, including fronting, and the application of the applicable criteria to the entity’s facts and circumstances for the B-BBEE Scorecard. The B-BBEE approved registered auditor 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, other B-BBEE approved registered auditors or component registered auditors not involved in the discussion (Ref: Para. A64-A67 and A83).
3. The B-BBEE approved registered auditor shall evaluate whether the entity’s measurement of the scores for the B-BBEE Scorecard has been determined in accordance with the relevant Codes of Good Practice or Sector Code applicable in the circumstances of the measured entity.

***Performing Procedures on Site at the Entity’s Facilities***

1. The B-BBEE approved registered auditor shall determine whether it is necessary in the circumstances of the engagement to perform procedures on site at significant facilities (Ref: Para. A58-A61).

***Internal Audit Function***

1. Where the entity has an internal audit function and the B-BBEE approved registered auditor wishes to use the work of the internal audit function, that is relevant to the engagement the B-BBEE approved registered auditor shall:
	1. Determine whether, and to what extent, to use specific work of the internal auditors; and
	2. 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***

1. The B-BBEE approved registered auditor shall identify and assess the risks of material misstatement of the B-BBEE Scorecard elements as the basis for designing and performing procedures whose nature, timing and extent:
	1. Are responsive to the assessed risks of material misstatement; and
	2. Allow the B-BBEE approved registered auditor to obtain limited assurance about whether the B-BBEE Scorecard is prepared, in all material respects, in accordance with the relevant Codes of Good Practice or Sector Codes.

***Causes of Risks of Material Misstatement (Ref: Para A68 to A69)***

1. When performing the procedures required by paragraph 49, the B-BBEE approved registered auditor shall consider at least the following factors (Ref: Para A80):
	1. The possibility of intentional misstatement in the underlying information from which the B-BBEE Scorecard is derived and scores determined;
	2. The possibility of non-compliance with the Codes of Good Practice or relevant Sector Codes generally recognised to have a direct effect on the determination of the scores;
	3. The possibility of omission of a potentially significant amount or key relevant information;
	4. Significant economic or regulatory changes, such as going concern and sustainability implications;
	5. The nature and complexity of operations, whether very diverse or for measured entities that operate in different industry sectors;
	6. The complexity of calculations, for example, when determining the scores and weightings for black ownership in complex B-BBEE structured deals; and
	7. 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 appear deliberately misleading and unsubstantiated.

## Overall Responses to Assessed Risks of Material Misstatement and Further Procedures

1. The B-BBEE approved registered auditor shall design and implement overall responses to address the assessed risks of material misstatement for the B-BBEE Scorecard (Ref: Para. A76-A79).
2. The B-BBEE approved registered auditor shall design and perform further procedures whose nature, timing and extent are directly responsive to the assessed risks of material misstatement as appropriate (Ref: Para. A76-A78).
3. In designing and performing the further procedures in accordance with paragraph 52, the B-BBEE approved registered auditor shall (Ref: Para. A76-A78):
	1. Consider the reasons for the assessment of the risks of material misstatement for individual elements of the B-BBEE Scorecard.
	2. Obtain more persuasive evidence, the higher the assessment of risk.
	3. If designing and performing further analytical procedures:
		1. Determine the suitability of particular analytical procedures, taking account of the assessed risks of material misstatement and tests of detail;
		2. Evaluate the reliability of the data from which the expectation of recorded amounts is developed, taking account of the source, comparability, nature and relevance of information available and controls over the preparation of the information.
	4. If analytical procedures identify fluctuations or relationships that are inconsistent with other relevant information or that differ significantly from expected quantities or ratios, the B-BBEE approved registered auditor shall inquire from appropriate persons, internal or external to the measured entity, about such differences. The B-BBEE approved registered auditor shall consider the responses to these inquiries to determine whether other procedures are necessary in the circumstances.

***Response to Risks of Fronting Identified (Ref: Para A79)***

1. The B-BBEE approved registered auditor assesses the risk of fronting by the measured entity affecting the underlying information, and when identified, shall respond to the assessed risks, by:
	1. Making further inquiries of informed responsible parties and inspection of supporting documentation, including relevant personnel records, that provide sufficient appropriate evidence of the ownership and organisational structures and the relationship between the measured entity and related parties[[17]](#footnote-17); and
	2. Obtaining confirmation regarding the responsibilities, accountability and reward of black directors and management compared to that of non-black management on the same levels.
2. Based on the additional procedures performed and the evidence obtained, the
B-BBEE approved registered auditor shall evaluate whether the assessment of the risk that the scores determined for the B-BBEE Scorecard may be materially misstated, remains appropriate.
3. The B-BBEE approved registered auditor shall consider any additional reporting responsibilities that might arise e.g. to those charged with governance.

***Obtaining Evidence (Ref: Para. A81 to A82)***

1. 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. The B-BBEE approved registered auditor shall also obtain an understanding of internal control over the preparation of the underlying subject matter relevant to the B-BBEE Scorecard and the engagement circumstances.
2. 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:
	1. Evidence obtained from one source is inconsistent with that obtained from another source; or
	2. The B-BBEE approved registered auditor has doubts over the reliability of information to be used as evidence.
3. The B-BBEE approved registered auditor shall determine what changes or additions to procedures are necessary to resolve (a) and (b) above and shall consider the effect of the matter, if any, on other aspects of the engagement.
4. In certain circumstances, forensic investigation may be necessary to obtain sufficient appropriate evidence.

***Assurance Procedures (Ref: Para. A70-A74)***

1. The B-BBEE approved registered auditor shall apply assurance skills and techniques as part of an iterative, systematic engagement process.
2. The B-BBEE approved registered auditor shall apply professional judgement to determine the nature, timing and extent of procedures in accordance with the circumstances of the engagement (Ref: Para. A85-A86).
3. The B-BBEE approved registered auditor shall determine the nature, timing and extent of procedures to be performed to obtain a level of assurance that is meaningful to the intended users, based on an understanding and consideration of areas where material misstatements are likely to arise:
	1. If the B-BBEE approved registered auditor becomes aware of matters that cause him or her to believe that the B-BBEE Scorecard information may be materially misstated, the B-BBEE approved registered auditor shall design and perform further procedures sufficient to enable a conclusion that:
		1. The matter(s) is/are not likely to cause the B-BBEE Scorecard to be materially misstated; or
		2. The matter(s) causes the B-BBEE Scorecard to be materially misstated.
	2. If the conclusion reached is that the B-BBEE Scorecard is considered to be materially misstated, the B-BBEE approved registered auditor engages with management to resolve the issue and correct the material misstatement before determining the B-BBEE Scorecard and issuing the B-BBEE Verification Certificate.

***Sampling (Ref: Para. A9-A12)***

1. 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 which the sample will be drawn[[18]](#footnote-18).

***Fraud, Laws and Regulations***

1. The B-BBEE approved registered auditor shall consider laws and regulations affecting the determination of scores for the B-BBEE Scorecard, in evaluating the sufficiency and appropriateness of evidence obtained to identify a risk of material misstatement.
2. The B-BBEE approved registered auditor shall respond appropriately to alleged fraud or suspected fraud and non-compliance with laws and regulations identified during the engagement. The B-BBEE approved registered auditor also considers whether there is a responsibility to communicate the non-compliance to those charged with governance or to any regulator.
3. In circumstances, where the B-BBEE approved registered auditor’s firm is also responsible for the audit or independent review of the financial statements of the measured entity, the B-BBEE approved registered auditor shall consider whether a reportable irregularity exists and if so, is to be reported to the IRBA or to the Companies and Intellectual Properties Commission (CIPC).

***Accumulation of Identified Misstatements***

1. The B-BBEE approved registered auditor shall accumulate misstatements affecting the determination of the B-BBEE Scorecard, whether arising from differing interpretations of the Codes of Good Practice or Sector Codes, or from calculation errors.

***Consideration of Identified Misstatements as the Engagement Progresses***

1. The practitioner shall determine whether the overall engagement strategy and engagement plan need to be revised if (Ref: Para. A83):
	1. The nature of identified misstatements and the circumstances of their occurrence indicate that other misstatements may exist that, when aggregated with misstatements accumulated during the engagement, could be material; or
	2. The aggregate of misstatements accumulated during the engagement approaches materiality for the B-BBEE Scorecard determined in accordance with paragraphs 36-38.
2. If the B-BBEE approved registered auditor is unable to obtain necessary further evidence to resolve material misstatements identified, the B-BBEE approved registered auditor shall consider the implications in determining the final scores for individual B-BBEE Scorecard elements.
3. 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 underlying information on the basis of which scores are determined for the B-BBEE Scorecard (Ref: Para. A81-A82).

***Communication and Correction of Misstatements***

1. The B-BBEE approved registered auditor shall communicate on a timely basis all misstatements accumulated during the engagement to the responsible persons within the measured entity and shall request the correction of the misstatements affecting the B-BBEE Scorecard.
2. If the entity refuses to correct some or all of the misstatements communicated, the B-BBEE approved registered auditor shall obtain an understanding of the entity’s reasons for not making the corrections and shall take that understanding into account when determining the B-BBEE Scorecard and conclusion on the B-BBEE Verification Certificate.

## Using the Work of Experts, Other Auditors and Component Auditors

1. When the B-BBEE approved registered auditor intends using the work of an expert, another registered auditor or a component auditor, the B-BBEE approved registered auditor shall:
	1. Communicate clearly with those other expert/s or another registered auditor or a component auditor about the scope and timing of their work and their findings; and
	2. Evaluate the sufficiency and appropriateness of evidence obtained and the process for including related information in the underlying information from which the B-BBEE Scorecard is derived.

***Work Performed by a B-BBEE Approved Registered Auditor’s Expert***

1. A B-BBEE approved registered auditor may be requested to perform B-BBEE 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 auditor shall determine whether there is a need to obtain the services of an expert.
2. When the work of the B-BBEE approved registered auditor’s expert is to be used, the B-BBEE approved registered auditor shall also:
	1. Evaluate whether the B-BBEE approved registered auditor’s expert has the necessary competence, capabilities and objectivity for the B-BBEE approved registered auditor’s purposes. In the case of the B-BBEE 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;
	2. Obtain a sufficient understanding of the field of expertise of the B-BBEE approved registered auditor’s expert;
	3. Agree with the B-BBEE approved registered auditor’s expert on the nature, scope and objectives of that expert’s work; and
	4. 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***

1. When the B-BBEE approved registered auditor intends to use the work of another B-BBEE approved registered auditor, the appointed B-BBEE approved registered auditor shall:
	1. Communicate clearly with those other registered auditors about the scope and timing of their work and their findings; and
	2. Evaluate the sufficiency and appropriateness of evidence obtained regarding those entities and the process for including related information in the determination of scores for the B-BBEE Scorecard.

***Using the Work of Component Registered Auditors***

1. 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:
	1. Communicate clearly with those component registered auditors about the scope and timing of their work on those components and their findings affecting the B-BBEE Scorecard; and
	2. Evaluate the sufficiency and appropriateness of evidence obtained regarding those components and the process for including related information in the determination of scores for the B-BBEE Scorecard.

## Written Representations

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

***Representations by the Responsible Party***

1. 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 B-BBEE approved registered auditor and the responsible party.
2. Specific representation will be required from the responsible party acknowledging their responsibility for the subject matter.
3. 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:
	1. Evaluate their reasonableness and consistency with other evidence obtained, including other representations;
	2. Consider whether those making the representations can be expected to be well informed on the particular matters; and
	3. Obtain corroborative evidence, where considered necessary.

Evidence which is not corroborated cannot be used to reduce the risk of an assurance 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.

1. Representations by the responsible party cannot replace other evidence the
B-BBEE approved registered auditor could reasonably expect to be available.
2. When written representations relate to matters that are material to the B-BBEE Scorecard, the B-BBEE approved registered auditor shall:
	1. Evaluate their reasonableness and consistency with other evidence obtained, including other representations (oral or written); and
	2. Consider whether those making the representations can be expected to be well informed on the particular matters.
3. 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.

***Written Representations Requested are not Provided or are not Reliable***

1. If one or more of the written representations requested 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:
	1. Discuss the matter with the appropriate parties;
	2. 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
	3. Take appropriate action, including determining the score for the B-BBEE Scorecard on the basis of the evidence obtained.
2. The B-BBEE approved registered auditor shall discuss with management the reason for the request not being fulfilled, or the representation being regarded as unreliable. The explanations provided may indicate a further responsibility for the registered auditor to communicate the matter to those charged with governance.
3. Where the failure to obtain the required representations supporting underlying information that significantly affects the determination of the B-BBEE Scorecard, the B-BBEE approved registered auditor shall consider whether to withdraw from the engagement.

## Subsequent Events

1. The B-BBEE approved registered auditor has no responsibility to perform any procedures regarding the subject matter for the B-BBEE Scorecard after the date of issue of the B-BBEE verification certificate and assurance report.
2. Where the B-BBEE approved registered auditor becomes aware of facts that become known after the date of issue of the B-BBEE Verification Certificate that, had they been known to the B-BBEE approved registered auditor at the measurement date, might have caused the B-BBEE approved registered auditor to amend the B-BBEE Verification Certificate, he or she shall discuss the matter with the appropriate parties and take further action as appropriate, that may include the withdrawal and re-issuance of the B-BBEE Verification Certificate.

*Steps to be Taken When a B-BBEE Verification Certificate Issued is Withdrawn*

1. Where a B-BBEE Verification Certificate is withdrawn and re-issued, the B-BBEE approved registered auditor shall immediately inform the measured entity in writing and request management to withdraw the original B-BBEE Verification Certificate from all parties to whom it has been provided and replace it with the revised B-BBEE Verification Certificate.
2. The B-BBEE approved registered auditor shall also ensure that the original B-BBEE Verification Certificate uploaded to the DTI Portal is withdrawn and replaced with the revised B-BBEE Verification Certificate, and the B-BBEE approved registered auditor firm’s records of B-BBEE Verification Certificates issued are updated accordingly.

## Documentation

1. The B-BBEE approved registered auditor shall prepare, on a timely basis, engagement documentation that provides a record of the basis for the scores determined for the B-BBEE Scorecard 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. A83-A85)
	1. The nature, timing and extent of the procedures performed to comply with relevant ISAEs and applicable legal and regulatory requirements;
	2. The results of the procedures performed, and the evidence obtained; and
	3. Significant matters discussed during the engagement, the conclusions reached thereon and significant professional judgements, including interpretations of the Codes of Good Practice applied in reaching those conclusions.
2. If the B-BBEE approved registered auditor identifies information that is inconsistent with the B-BBEE approved registered auditor’s final conclusion regarding a significant matter, the B-BBEE approved registered auditor shall document how the inconsistency was addressed.
3. The B-BBEE approved registered auditor shall document sufficient appropriate evidence to support the scores determined for the B-BBEE Scorecard 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.
4. It is neither necessary nor practical to document every matter the B-BBEE approved registered auditor considers. In applying professional judgement 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.
5. Where questions of principle or judgement 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 judgement.

***Quality Control***

1. The B-BBEE approved registered auditor shall include in the engagement documentation:
	1. Issues identified with regard to compliance with the requirements in the IRBA’s Code and how they were resolved.
	2. Conclusions on compliance with independence requirements for the engagement and any relevant discussion with the firm in this regard.
	3. Conclusions reached regarding the acceptance and continuance of client relationships and the assurance engagement.
	4. The nature and scope of conclusions resulting from consultations undertaken during the course of the engagement.

***Matters Arising after the Date of Issue of the B-BBEE Verification Certificate***

1. If, in exceptional circumstances, the B-BBEE approved registered auditor withdraws and re-issues the B-BBEE Verification Certificate, he or she shall document:
	1. The circumstances encountered;
	2. The new or additional procedures performed, evidence obtained and conclusions reached, and their effect on the B-BBEE Verification Certificate and assurance report; and
	3. When and by whom the resulting changes to engagement documentation were made and reviewed.

***Assembly of the Final Engagement File***

1. The B-BBEE approved registered auditor shall assemble the engagement documentation in an engagement file and complete the administrative process of assembling the final engagement file on a timely basis after the date of issue of the B-BBEE Verification Certificate and assurance report. After assembly of the final engagement file has been completed, the B-BBEE approved registered auditor shall not delete or discard engagement documentation of any nature before the end of its retention period.
2. In circumstances other than those in paragraph 98 where the B-BBEE approved registered auditor finds it necessary to modify existing engagement documentation or add new engagement documentation after the assembly of the final engagement file has been completed, the B-BBEE approved registered auditor shall, regardless of the nature of the modifications or additions, document:
	1. The specific reasons for making them; and
	2. When and by whom they were made.

## Engagement Quality Control Review

1. For those B-BBEE assurance engagements, for which the firm has determined that an engagement quality control review is required (Ref: Para. A86):
	1. 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
	2. The engagement quality control reviewer shall perform an objective evaluation of the significant judgements made by the engagement team, including any interpretations in the application of the Codes of Good Practice that might have a significant impact in determining the B-BBEE Scorecard, and the conclusions reached in formulating the assurance report. Such evaluation shall involve:
		1. Discussion of significant matters with the B-BBEE approved registered auditor, including the engagement team’s professional competencies with respect to the evaluation of the subject matter and determination of scores for the B-BBEE Scorecard, in accordance with the Codes of Good Practice and relevant Sector Codes;
		2. Review of the B-BBEE Verification Certificate, the limited assurance report and detailed B-BBEE Scorecard, as reflected in the B-BBEE Verification Certificate;
		3. Review of selected engagement documentation relating to the significant judgements the engagement team made and the conclusions it reached; and
		4. Evaluation of the conclusions reached in determining scores for the B-BBEE Scorecard and appropriateness of the limited assurance report conclusion.

## Forming the Assurance Conclusion

1. The B-BBEE approved registered auditor shall evaluate whether anything has come to his or her attention that causes him or her to believe that the B-BBEE Scorecard, as reflected in the B-BBEE Verification Certificate, is not prepared, in all material respects, in accordance with the applicable criteria.
2. In forming his or her conclusion, the B-BBEE approved registered auditor shall consider whether sufficient appropriate evidence has been obtained to reduce the identified risks of material misstatement in the scores determined for the B-BBEE Scorecard and shall consider:
	1. The conclusion regarding the sufficiency and appropriateness of evidence obtained for a limited assurance engagement; and
	2. An evaluation of whether uncorrected misstatements are material, individually or in aggregate, and effect on the scores determined for the B-BBEE Scorecard.
3. 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 determine the score for that element of the B-BBEE Scorecard based on the supporting evidence obtained, or if sufficient appropriate evidence is not obtained, determine the score to be zero (0).

## B-BBEE Verification Certificate and Assurance Report Content

***Requirements for the B-BBEE Scorecard and B-BBEE Verification Certificate (Ref: Para. A87 and A90)***

1. The B-BBEE approved registered auditor and the registered firm shall comply with the DTI requirements regarding the format and content of each and every B-BBEE Verification Certificate issued by the firm, namely: (Appendices A1 and A2)
	1. 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**;
	2. Clearly records an approved B-BBEE Verification Certificate identification reference number in the format required by this SASAE;
	3. Reflects relevant information regarding the identity and location of the measured entity;
	4. Identifies the Codes of Good Practice or relevant Sector Codes applied in the determination of the scores;
	5. Records the weighting points (scores) attained by the measured entity for the B-BBEE Scorecard, where applicable, and the measured entity’s overall B-BBEE Status; and
	6. The B-BBEE Verification Certificate and accompanying assurance report issued to the measured entity are valid for 12 months from date of issue and shall reflect both the issue and the expiry date thereon.
2. The B-BBEE approved registered auditor and firm shall maintain such records as are necessary for all B-BBEE Verification Certificates issued to:
	1. Identify the B-BBEE approved registered auditor who has signed the B-BBEE Verification Certificates issued by the B-BBEE approved registered auditor's firm;
	2. Maintain such documentation and records as may be necessary to support the accuracy and reliability of the B-BBEE Scorecard and resultant Contributor Level (B-BBEE Status) reflected on the B-BBEE Verification Certificate;
	3. Maintain records of all B-BBEE Verification Certificates issued by the firm, and the expiry date, including identification of the relevant office and measured entity client; and
	4. Upload the relevant information B-BBEE Scorecard as reflected on the individual B-BBEE Verification Certificate for each measured entity to the DTI BEE IT Portal within 30 days of issuance of the certificates.

***Preparing the Assurance Report (Ref: Para. A87-A90)***

1. The B-BBEE Verification Certificate shall be in writing and shall reflect the scores determined for the B-BBEE Scorecard of the measured entity.
2. The assurance report on the B-BBEE Verification Certificate shall be in writing and shall contain a clear expression of the B-BBEE approved registered auditor’s conclusion that conveys the limited assurance obtained about the
B-BBEE Scorecard as reflected in the B-BBEE Verification Certificate.
3. The B-BBEE approved registered auditor’s conclusion on the
B-BBEE Scorecard 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 are not intended to detract from the B-BBEE approved registered auditor’s conclusion.
4. The B-BBEE approved registered auditor shall also provide a detailed B-BBEE Scorecard attached to the B-BBEE Verification Certificate and assurance report to the measured entity to illustrate how the scores were determined. Illustrative B-BBEE Verification Certificates with the accompanying assurance report and detailed B-BBEE Scorecard are contained in Appendices A1 and A2, namely:
	* Appendix A1: B-BBEE Verification Certificate for a Large Measured Entity in terms of the Codes of Good Practice, Generic Scorecard or Sector Code; and
	* Appendix A2: B-BBEE Verification Certificate for a Qualifying Small Entity in terms of the Codes of Good Practice, Generic Scorecard or Sector Code.

## Other Communication Responsibilities

1. The B-BBEE approved registered auditor shall communicate appropriately to the entity, to management or the responsible party, or to those charged with governance the following matters that come to the B-BBEE approved registered auditor’s attention during the course of the engagement:
	1. Deficiencies in internal control, that is of sufficient importance to merit attention;
	2. Identified or suspected fraud, including alleged fronting; and
	3. Matters involving non-compliance with laws and regulations, other than when matters are clearly trivial.
2. The B-BBEE approved registered auditor shall determine whether there is a responsibility to report matters coming to their attention during the engagement to any other parties.
3. Where the B-BBEE approved registered auditor is also the appointed auditor of the entity or the appointed independent reviewer, the B-BBEE approved registered auditor shall consider other reporting responsibilities, including a report of reportable irregularities to the IRBA or to CIPC.

**\*\*\*\*\*\***

# Application and Other Explanatory Material

## Introduction

***The Nature of B-BBEE Assurance Engagements (Ref: Para.3-4)***

1. The provision of B-BBEE verification assurance services by B-BBEE approved registered auditors is occasioned by legislative changes that became effective from 1 October 2011. As the engagement is unique to the B-BBEE Act as amended in South Africa, and the requirements of Codes of Good Practice and Sector Codes issued by the Department of Trade and Industry (the DTI), there are no extant IAASB International Subject Specific Assurance Standards that might be applied to such engagements.
2. The B-BBEE Verification Certificate contains rating scores that do not comprise historical financial information. The determination of the B-BBEE Scorecard of the measured entity comprises both historical financial and non-financial information. ISAE 3000 standard provides the requirements and application material for such assurance engagements, with this SASAE as a subject specific standard for its application to such engagements.
3. Based on the work performed and evidence obtained, the B-BBEE approved registered auditor provides limited assurance on the B-BBEE Scorecard of a measured entity, as reflected on its B-BBEE Verification Certificate (Ref: Para. 4 and 16).

***Procedures for Reasonable and Limited Assurance Engagements (Ref: Para. 6-7)***

1. Some procedures that are usually required only for reasonable assurance engagements may be appropriate in B-BBEE limited assurance engagement. 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 approved registered auditor may nonetheless decide that testing controls and therefore obtaining an understanding of control activities is necessary for a limited assurance engagement.

***Relationship with ISAE 3000, Other Professional Pronouncements and Other Requirements (Ref: Para. 8-12)***

1. Where the B-BBEE approved registered auditor employs multidisciplinary engagement teams having appropriate competencies and experience in B-BBEE assurance engagements, the requirements of this SASAE are to be applied by the multidisciplinary engagement team irrespective of whether the individuals are employed in the audit firm or another entity owned or controlled by the registered audit firm or by registered auditors in the audit firm. This includes the requirement for the other entity to apply the requirements of ISQC 1 and for individual engagement team members to comply with the IRBA *Code of Professional Conduct*, including the independence requirements applicable to other assurance engagements.

***Independence (Ref: Para 10 and 21(a))***

1. The IRBA *Code of Professional Conduct for Registered Auditors* adopts a conceptual framework for evaluating threats and the application of safeguards approach to independence. Compliance with the fundamental principles of *integrity, objectivity, professional competence and due care, confidentiality and professional behaviour* may be threatened by a broad range of circumstances as set out in Section 100.5 of the Code. Sections 100.12-100.16 sets out the types of threats to independence that may be encountered and appropriate safeguards that may be implemented. The Code extends to all services provided by registered auditors, and consequently applies to all B-BBEE approved registered auditors and engagements to issue B-BBEE Verification Certificates. The threats include:
	* + Self-interest threats;
		+ Self-review threats;
		+ Advocacy threats;
		+ Familiarity threats; and
		+ Intimidation threats.
2. Section 291 provides the detailed independence requirements and guidance regarding the application of the conceptual framework to independence in the case of other assurance engagements. The Framework addresses the threats and related safeguards and prohibitions on the provision of other assurance services to a public interest entity, and in the context of the Companies Act, extended to a state-owned entity, and a non-listed public company. The independence requirements apply to the engagement partner and members of the assurance engagement team, including where the team is comprised of multi-disciplinary members who are not registered auditors or B-BBEE approved registered auditors.

Additional guidance that applies to the provision of B-BBEE assurance services may be developed by the IRBA’s statutory Committee for Auditor Ethics and issued by the IRBA in due course to address undesirable emerging trends identified that may be regarded as improper conduct.

1. The *Rules Regarding Improper Conduct* provide the basis for the IRBA to investigate and deal with any complaint, charge or allegation of improper conduct against a registered auditor. These include, inter alia:
	* + Failure to comply with any pronouncements issued by the IRBA,
		+ Failure to perform any professional services or duties with such a degree of the professional competence, due care and skill as may reasonably be expected of the regulator; and
		+ Failure to comply with requirements in the IRBA Code.

## Definitions

***Sampling (Ref: Definitions and Para. 64)***

1. Sampling is likely to be applied when gathering sufficient evidence that the underlying information used for determining the score for individual elements of the B-BBEE Scorecard is in accordance with the Codes of Good Practice or relevant Sector Codes is not materially misstated.
2. Due to the diverse nature of the population in the underlying information (the subject matter) for the B-BBEE Scorecard, 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 in order to detect any material misstatements.
3. 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 errors in a population may be applied to the relevant underlying financial and non-financial information from which the B-BBEE Scorecard is derived.
4. Where the measured entity is situated in multiple locations, the B-BBEE approved registered auditor considers whether samples selected from the underlying information are drawn from all significant sites that might materially influence the determination of the scores for individual elements of the B-BBEE Scorecard.

## ISAE 3000

1. 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 (Ref: Para. 17).

## Acceptance and Continuance of the Engagement

***Preconditions for the Engagement (Ref: Para. 22)***

1. It is important that the B-BBEE approved registered auditor ascertains whether the persons responsible for the preparation of the underlying information of the measured entity have the necessary knowledge and understanding of the applicable Codes of Good Practice, other relevant legislation and the complexity of the measured entity to adequately prepare the B-BBEE Scorecard.

As the determination of the B-BBEE Scorecard is dependent on information provided by the entity, there is a risk that information that could result in a misstatement of scores for individual elements of the B-BBEE Scorecard as relevant information may not be identified, or scores may be incorrectly calculated, if those responsible in the entity do not have the necessary knowledge and experience in the preparation of the Scorecard elements (Ref: Para. 22).

1. Where the measured entity does not have the expertise internally to adequately prepare the underlying information and B-BBEE Scorecard for purposes of the assurance engagement, it may be necessary for the entity to appoint external B-BBEE advisory consultants to assist the entity’s own staff with the preparation of the underlying information and B-BBEE Scorecard (Ref: Para. 26(c)).

The B-BBEE approved registered auditor and B-BBEE assurance engagement team members may not provide such advisory services to the entity as they may be, or perceived to be, “management services” that create an independence conflict by way of a self-review threat, so significant that there are no safeguards that will be sufficient to reduce the threat to an acceptable level. (Refer to the IRBA Code, paragraphs 291.140-291.150 and, in particular, paragraph 291.149.)

***Acceptance of a Change in the terms of the Engagement (Ref: Para. 29)***

1. The scores for the B-BBEE Scorecard of a measured entity, where applicable, are based on the audited, independently reviewed or compiled financial statements of the measured entity as at the period end and for the period ending on that date.
2. Where the measured entity’s circumstances have changed significantly after its financial period end, but prior to the measurement date and issue of the B-BBEE Verification Certificate and accompanying assurance report, that might materially affect the scores determined for the B-BBEE Scorecard, for example, where a significant B-BBEE deal is concluded during the measurement period, but subsequent to the entity’s financial period, that materially affects the level of Black Ownership, the B-BBEE approved registered auditor considers whether it is appropriate for the B-BBEE Scorecard to be determined taking account of that event.
3. Where the measured entity’s 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 Judgement (Ref: Par 33-34)***

1. The nature of the B-BBEE assurance engagement and determination of the B-BBEE Scorecard are dependent on information provided by the entity, and consequently, it is important that the B-BBEE assurance team maintains its professional scepticism throughout the engagement by critically explanations provided by the responsible parties and other knowledgeable persons, both internal and external, to the entity that contradicts or appears inconsistent with underlying information or representations provided. The B-BBEE approved registered auditor remains alert for indications of:
	* + Unusual circumstances affecting the scores for individual B-BBEE Scorecard elements;
		+ Incorrect conclusions drawn from observations, inspection of documents and external confirmations obtained, for example when determining ownership and management elements; and
		+ Inappropriate assumptions used in determining the nature, timing and extent of analytical procedures and explanation of anomalies when evaluating the results.
2. The B-BBEE approved registered auditor uses professional judgement to determine the extent of the understanding and the nature, timing and extent of procedures to identify and assess risks of material misstatement to provide a meaningful level of assurance. 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. The level of understanding must be sufficient to identify the risk of material misstatement in the B-BBEE Scorecard and to design and perform further procedures to obtain sufficient appropriate evidence required.
3. The B-BBEE approved registered approved auditor considers information obtained during the audit or independent review of the financial statements when obtaining an understanding of the entity and its environment, where applicable.
4. 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 limited assurance conclusion.

## Planning and Performing the Engagement

***Planning (Ref: Para. 35)***

1. When establishing the overall engagement strategy to provide assurance on a B-BBEE Scorecard of large and more complex measured entities, the
B-BBEE approved registered auditor identifies at the planning stage those individual Scorecard elements that are assessed with a higher risk of material misstatement and considers the emphasis to be placed on certain areas. The B-BBEE approved registered auditor determines the further procedures that may be appropriate in the circumstances, for example, where a risk of fronting is identified.
2. QSE engagements or less complex B-BBEE assurance engagements may be conducted by a 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 35.
3. The B-BBEE approved registered auditor may decide to discuss 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). 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. 36-37)***

1. Materiality is considered in the context of quantitative and qualitative factors affecting the B-BBEE Scorecard.
2. Professional judgements about materiality are made in light of surrounding circumstances, and are not affected by the level of assurance expressed, as it is based on the information needs of the intended users, for example, those seeking a B-BBEE Verification Certificate from potential suppliers when considering quotes and tenders for procurement from such potential suppliers.
3. 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 the B-BBEE Scorecard 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.
4. The B-BBEE approved registered auditor’s consideration of materiality is a matter of professional judgement 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 reasonable knowledge of the Codes of Good Practice, relevant Sector Codes and relevant legislation and contractual arrangements affecting the underlying information, and determination of scores, for the B-BBEE Scorecard;
		+ Understand that the underlying information supporting the B-BBEE Scorecard is prepared and may be assured to appropriate levels of materiality, and have an understanding of any materiality concepts included in the applicable criteria;
		+ Understand that the B-BBEE Scorecard is subject to uncertainties and complexities affecting interpretations in the application of the Codes of Good Practice and relevant Sector Codes affecting calculations of scores determined and the resultant B-BBEE Status; and
		+ Make reasonable decisions on the basis of the entity’s B-BBEE Scorecard as reflected in the B-BBEE Verification Certificate issued.
5. As B-BBEE Verification Certificates issued are:
	* + Valid for only one year from date of issue;
		+ The B-BBEE Scorecard may, in terms of the Codes of Good Practice, 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; and
		+ The B-BBEE approved registered auditor considers the materiality of adjustments that might materially affect past or current underlying information for the B-BBEE Scorecard, or is likely to affect such future underlying information for the B-BBEE Scorecard and the effect on the determination of the scores for the B-BBEE Scorecard.
6. 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 judgement.
7. Examples of qualitative factors that may apply to the *Ownership and Management Control* elements of the B-BBEE Scorecard include:
	* + The interaction between, and relative importance of, various components of the B-BBEE Scorecard 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
			- Where the measured entity is a Qualifying Small Enterprise (QSE) the selection of the four individual elements of the B-BBEE Scorecard 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 elements of the B-BBEE Scorecard; 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.
8. 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 the B- BBEE Scorecard to be materially misstated, affecting the overall score and B-BBEE Status.
9. Examples of quantitative factors that may apply to expenditures and other underlying information for *Skills Development, Preferential Procurement*, *Enterprise Development* and *Socio Economic Development* 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 the B-BBEE Scorecard will be materially misstated, affecting the determination of scores for that element).
10. Materiality relates to the individual elements of the B-BBEE Scorecard, overall score and B-BBEE status reflected on the B-BBEE Verification Certificate covered by the assurance report. Therefore, when the engagement covers selected elements of the B-BBEE Scorecard, for example, QSE or entities subject to the Adjusted Generic Scorecard, materiality is considered in relation to only those elements covered by the assurance engagement and report.

***Revision as the Engagement Progresses (Ref: Para. 38)***

1. If the B-BBEE approved registered auditor identifies a risk of material misstatement in the course of the engagement, he or she considers whether a lower materiality than that initially calculated is appropriate, and concludes whether to revise materiality levels and determines the effect on the nature, timing and extent of further procedures.

## Understanding the Measured Entity and Its Environment, Including the Entity’s Internal Control, and Identifying and Assessing the Risks of Material Misstatement

***Procedures to Obtain an Understanding and to Identify and Assess Risks of Material Misstatement (Ref: Para. 40)***

1. The B-BBEE approved registered auditor uses professional judgement 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 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 practitioner 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 of material misstatement are less for a limited assurance engagement than for a reasonable assurance engagement.
2. Obtaining an understanding and identifying and assessing risks of material misstatement is an iterative process. Procedures to obtain an understanding of the entity and its environment and to identify and assess risks of material misstatement by themselves do not provide sufficient appropriate evidence on which to base the assurance conclusion.
3. Although the B-BBEE approved registered auditor is required to perform all the procedures in paragraph 40 in the course of obtaining the required understanding of the entity, the B-BBEE approved registered auditor is not required to perform all of them for each aspect of that understanding.

***Analytical Procedures (Ref: Para. 40(b))***

1. Analytical procedures performed to obtain an understanding of the entity and its environment and to identify and assess risks of material misstatement may identify aspects of the entity of which the practitioner 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.
2. The B-BBEE approved registered auditor's enquiry of management and others within the entity, as appropriate, includes:
	1. The significant Codes of Good Practice and relevant Sector Codes, including relevant industry, regulatory and other external factors used, and their application by management in preparing and presenting the B-BBEE Verification Certificate;
	2. The significant interpretations required by the Codes of Good Practice and relevant Sector Codes required;
	3. The identification of related parties and related party transactions;
	4. Whether there are significant, unusual or complex transactions, events or matters that have affected or may affect the entity’s B-BBEE Verification Certificate; and
	5. The nature of the operations and information to be used in the determination of the B-BBEE Scorecard, including, but not limited to:
		1. Whether the measured entity comprises a single entity or group, and if the latter, establish the complexity and diversity of the group;
		2. The nature of the measured entity’s activities, inter alia: turnover, employee base, locations, related parties, board of directors and structure of board and management, ownership structures including any B-BBEE structured deals, and any other activities that might affect the determination of the B-BBEE Scorecard.
3. The measurement period applicable to the B-BBEE assurance engagement and whether or not the entity has audited, independently reviewed or unaudited financial statements.
4. The nature of the B-BBEE assurance engagement is such that the preparation of the underlying information for B-BBEE Scorecard may be derived 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.
5. The B-BBEE approved registered auditor identifies those employees with an informed knowledge and understanding the requirements for the B-BBEE Scorecard, who are able to assist in identifying and assessing the risks of material misstatement for the B-BBEE Scorecard. Factors that might be considered include whether the individuals’ responsible:
6. For the collation of the underlying information have an understanding and knowledge of the requirements of the relevant Codes of Good Practice and prior experience in the preparation of the underlying information for the B-BBEE Scorecard;
7. Have any involvement in the preparation of other financial information for the entity sufficient to ensure they:
	* 1. Understand the complexities of ownership in the context of the entity’s ownership structure;
		2. Have knowledge of the labour legislation sufficient to correctly identify those employees who qualify as black employees, affecting the management and employment equity elements of the B-BBEE Scorecard; and
		3. Correctly prepare information for the preferential procurement, enterprise development and socio-economic development elements.
8. Where B-BBEE advisory services have been outsourced to an external service provider to assist in the preparation of the underlying information for the B-BBEE Scorecard, the B-BBEE approved registered auditor considers the controls management has established to ensure underlying information has been properly prepared.
9. Where the measured entity has appointed external consultants to advise on valuation issues affecting any elements of the B-BBEE Scorecard, 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 the expert’s findings or conclusions in the expert’s field as appropriate evidence.
10. Analytical procedures performed to obtain an understanding of the entity and its environment and to 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.
11. Analytical procedures may help identify the existence of unusual events, 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(c))***

1. Observation consists of looking at a process or procedure being performed by others, for example, the B-BBEE approved registered auditor’s observation of black managers’ involvement and interaction at management meetings. 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.
2. 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’ employment records and IDs.
3. 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).

***Relevant Components of Internal Control (Ref: Para. 43)***

1. 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 B-BBEE Scorecard, it will ordinarily not be necessary to obtain a detailed understanding of these components of the entity’s internal control.
2. However, the B-BBEE approved registered auditor decides to get an understanding of the relevant components of internal control, this 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 A68-A69):
	* + Concerns about the integrity of those preparing the underlying information for the B-BBEE Scorecard 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, a zero (0) is reflected on the B-BBEE Verification Certificate.

***Control Activities Relevant to the Engagement (Ref: Para. 44)***

1. The B-BBEE approved registered auditor’s judgement 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 the B-BBEE Scorecard. 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 B-BBEE Scorecard is likely to be encountered.
2. In such circumstances the use of CAATS may be appropriate, for example: when applied to tests of automated controls, the selection of a sample of individual items from a population for inspection to apply analytical or substantive procedures to the items selected. CAATS might be applied to underlying information that supports the following individual elements of the B-BBEE Scorecard of the 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 employees and evidence is being gathered from an analysis of the identity numbers of employees; and
		+ The preferential procurement element, where volumes of purchases are significant and stratification is indicated for identifying procurement from suppliers having a B-BBEE rating.
3. In the case of very small entities (QSEs), information systems and control activities are likely to be dependent on the owner of the business and less well documented. 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.
4. 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.

***Performing Procedures on Site (Ref: Para.47)***

1. 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 the measured entity’s head office.
2. Based on the B-BBEE approved registered auditor’s understanding of the entity and identification and assessment of risks of material misstatement, the number of sites at which procedures are performed is determined.
3. 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 more important for an engagement being undertaken for the first time.
4. Where the entity has a number of significant sites, a meaningful level of assurance can ordinarily not be obtained without the B-BBEE approved registered auditor having performed procedures at a selection of significant sites.

***Intended Users (Ref: Definitions)***

1. 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; and
				* Obtaining B-BBEE Verification Certificates from suppliers when evaluating quotes and tenders received in their supply chain management process, especially when selecting suppliers in the case of public entities and government departments, where tenders are required to comply with 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.
2. While the B-BBEE Verification Certificates issued by B-BBEE approved registered auditors are publicly available, the distribution of the accompanying analysis of the detailed B-BBEE Scorecard and limited assurance report is usually restricted to the measured entity appointing the B-BBEE approved registered auditor.

***Knowledge Gained from Other Engagements for the Measured Entity (Ref: Para. 45)***

1. The B-BBEE assurance engagements and scores determined for the B-BBEE Scorecard 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, 1984 (Act 69 of 1984). The Companies Act, 2008 provides for companies as well as close corporations that meet certain criteria, to have their financial statements audited, independently reviewed, or to be exempt from audit and independent review.
2. 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 assist the B-BBEE approved registered auditor in evaluating the risk of material misstatement of the B-BBEE Scorecard for the measured entity.
3. 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’s B-BBEE Scorecard. 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 B-BBEE Scorecard for the measured entity.
4. 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 B-BBEE Scorecard.

***Identifying and Assessing Risks of Material Misstatements in the B-BBEE Scorecard (Ref: Par 49)***

1. Risks of material misstatement of the B-BBEE Scorecard 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 a B-BBEE 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.
2. Risks of material misstatement of the B-BBEE Scorecard 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 the B-BBEE Scorecard may include, for example:
	* + Inadequate, poorly controlled or poorly documented processes for collecting and preparing the underlying information for calculating the scores for the
		B-BBEE Scorecard;
		+ Lack of staff competence for collecting and preparing the underlying information for calculating the scores for the B-BBEE Scorecard;
		+ Lack of management involvement in preparing the underlying information and calculating the scores for the B-BBEE Scorecard;
		+ Failure to identify accurately all sources of information for the B-BBEE Scorecard; and
		+ Risk of fraud, for example, fronting in connection with the ownership and management elements.

***The Use of Assertions (Ref: Par 61-63)***

1. Assertions[[19]](#footnote-19) may be used by the B-BBEE approved registered auditor 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 determining the scores for the B-BBEE Scorecard.
2. The scores calculated for the B-BBEE Scorecard 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 the elements of the B-BBEE Scorecard. Completeness of the denominator is important as it affects potential overstatement and accuracy of the percentage or ratio determined, 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 executive management and the total number of employees versus the number who qualify as black employees;
		+ Skills development: The total qualifying expenditure on skills development;
		+ Enterprise and supplier development: The total procurement of the measured entity versus that from B-BBEE suppliers, the total qualifying supplier development contributions made and the total qualifying expenditure on enterprise development;
		+ Socio-economic development: The total qualifying expenditure on socio-economic development.
3. 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 the B-BBEE Scorecard. 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 reflected on the B-BBEE Verification Certificate.
4. Some of the elements of the B-BBEE Scorecard 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.
5. Other individual elements of the B-BBEE Scorecard 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. 51)***

1. Examples of other factors that may lead to risks of material misstatement include:
	* + Human error in the preparation of the underlying information and determining the
		B-BBEE Scorecard, which may be more likely to occur if personnel are unfamiliar with or not well trained regarding the relevant Codes of Good Practice 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 spread sheets without adequate controls; and
		+ Significant external developments such amendments to relevant legislation affecting the recognition of qualifying expenditures and determination of scores for the B-BBEE Scorecard.

## Overall Responses to Assessed Risks of Material Misstatement and Further Procedures

***Overall Responses to Assessed Risks (Ref: Para. 51-53)***

1. Overall responses to address the assessed risks of material misstatement of the
B-BBEE Scorecard may include:
	* + Emphasising to the assurance engagement team the need to maintain professional scepticism;
		+ Assigning more experienced staff or those with specialist skills or using experts;
		+ Incorporating additional elements of unpredictability in the selection of further procedures to be performed; and
		+ Making general changes to the nature, timing, or extent of procedures, for example, modifying the nature of procedures to obtain more persuasive evidence.
2. The assessment of the risks of material misstatement of the B-BBEE Scorecard, 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 enable the B-BBEE approved registered auditor to have greater 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.
3. 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. (Ref: Para. A41-A43).

***Response to Risk of Fronting (Ref: Para. 54-56)***

1. The procedures may include substantive analytical reviews and inquiries of appropriate personnel and may involve the following additional procedures:
	* + Obtaining the ownership structure of the measured entity and inquiring about the relationship between the measured entity and the holding company, affiliates, subsidiaries and related parties;
		+ Obtaining an organisational structure of the measured entity and the job descriptions of a sample of employees in the structure;
		+ Observing, inquiring and ascertaining the responsibilities of the directors/management to determine who is actually participating in the core activities of the measured entity;
		+ Inquiring about the responsibilities, accountabilities and rewarding of black directors/management and ascertaining whether they differ materially from those of the non-black directors/management on the same level, and obtaining explanations for material variations;
		+ Inquiring of directors/management regarding unusual appointments and resignations of directors/management; and
		+ Performing an analytical review of personnel records and inquiring about significant differences in remuneration packages of black directors/management compared to the non-black directors/management on the same level.

***Obtaining Evidence (Ref: Para. 50 and 57-60)***

1. The main differences between the B-BBEE approved registered auditor’s overall responses to address the assessed risks, and further procedures for 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 limited assurance engagement, 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 necessarily obtaining additional supporting evidence.
		+ 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.

***Persuasiveness of Evidence (Ref: Para. 57-60 and 71)***

1. 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.
2. The B-BBEE approved registered auditor evaluates the sufficiency and appropriateness of the evidence obtained to provide a meaningful level of assurance and, if necessary, obtains further evidence. The B-BBEE approved registered auditor considers all relevant evidence in evaluating the underlying information for the B-BBEE Scorecard against the applicable criteria.

## Documentation

1. Documentation of the procedures performed and evidence obtained: ISAE 3000 requires the B-BBEE approved registered auditor and the 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 ISAEs[[20]](#footnote-20). The following are examples of matters that may be appropriate to include in the engagement documentation (Ref: Par 45; 93 to 97):
	* + 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.
		+ Risks of Material Misstatement: the discussion required by paragraph 45, 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 51, and the risks of material misstatement for which in the B-BBEE approved registered auditor and the engagement team’s professional judgement further procedures were required. (Ref: Para. 45 and 51)
		+ 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. (Ref: Para.69)

***Access to Assurance Engagement Documentation***

1. Access to B-BBEE assurance engagement documentation might be sought by a successor B-BBEE approved registered auditor, who has no previous engagement experience with the measured entity. The predecessor B-BBEE approved registered auditor considers whether or not this may conflict with his or her responsibilities in terms of the IRBA Code and may seek permission from the measured entity prior to granting access to the engagement documentation.
2. The successor 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.

## Engagement Quality Control Review

1. Other matters that may be considered in an engagement quality control review include: (Ref: Para. 102)
	* + The engagement team’s evaluation of the firm’s independence in relation to the engagement.
		+ Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters, and the conclusions arising from those consultations.
		+ Whether engagement documentation selected for review reflects the work performed in relation to the significant judgements and supports the conclusions reached.

## Assurance Report Content

1. The format of the B-BBEE Scorecard is established by the DTI, as is the format of the B-BBEE Verification Certificate. The details of the certificate format are also contained in the National Treasury’s PPPFA Regulations to meet the requirements of the DTI (Ref: Par. 106-111).
2. Appendices A1-A2 provide illustrations of the format of the B-BBEE Verification Certificates to be provided and related detailed B-BBEE Scorecard and B-BBEE approved registered auditor’s limited assurance report.
3. The B-BBEE approved registered auditor applies the requirements for disclosure of his or her individual and firm IRBA registration numbers, contact details and signing convention, disclosing the B-BBEE approved registered auditor’s full name and that of his or her registered audit firm and name of their measured entity. (Ref: Para. 106)
4. B-BBEE approved registered auditors are not permitted at this stage to insert the IRBA logo on any B-BBEE Verification Certificates issued by them.

**\*\*\*\*\***

# Appendices

|  |  |  |
| --- | --- | --- |
| **A1** | Large Entity | Illustrative B-BBEE Verification Certificate, Illustrative Limited Assurance Report and Illustrative Detailed Scorecard  |
| **A2** | QSE | Illustrative B-BBEE Verification Certificate, Illustrative Limited Assurance Report and Illustrative Detailed Scorecard  |
| **B1** |  | Methodologies for verification of Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice |
| **B2** |  | Comparison of Element % Weightings for the Generic and QSE Scorecards and Sector Codes Scorecards Already Gazetted and Aligned in terms of the Generic Codes of Good Practice Issued on 9 February 2007 |
| **B3** |  | Comparison of Element % Weightings for the Generic and QSE Scorecards and Sector Codes Scorecards Already Gazetted and Aligned in terms of the Generic Codes of Good Practice Issued on 11 October 2013 |
| **C** |  | Illustrative Engagement Letter |
| **D** |  | Illustrative Management Representation Letter |

## Appendix A1 – Illustrative B-BBEE Verification Certificate, Illustrative Limited Assurance Report and Illustrative Detailed Scorecard – LARGE ENTERPRISE

|  |
| --- |
| **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 XX for the business units/subsidiaries included in the verification)**

|  |
| --- |
| **Certificate No:** XX/B-BBEE/XX/XX/20XX/XX Code |

Registration No: XXXX/XXXXXX/XX

VAT No: XXXXXXXXXX

Head Office, Location: XXX XXXXXX XXXX

XXXX

 XXXXXXXXXXX

 P O Box XXX

 XXXXXXXXXXX

 XXXX

**Applicable Criteria: B-BBEE Codes of Good Practice/Sector Code**

**Scorecard applied: Generic Scorecard (>R50 million annual turnover)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Element** | **Element Weighting** | **Score** |  |
|  | **Ownership** | **25** |  |  |
|  | **Management Control** | **19** |  |  |
|  | **Skills Development** | **20** |  |  |
|  | **Enterprise and Supplier Development** | **40** |  |  |
|  | **Socio-Economic Development**  | **5** |  |  |
|  | ***Overall Score*** | **109** |  |  |
|  |  |  |  |  |

**Broad-Based BEE Status Level :A level ….. Contributor to B-BBEE**

**BEE Procurement Recognition Level : …..**

**Black Ownership : …..%**

**Black Women Ownership : …..%**

**Empowering Supplier : (Yes/No)**

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the B-BBEE Status reflected in the certificate for the year ended <*insert date>* has not been determined, in all material respects, in accordance with the <Codes of Good Practice/Relevant Sector Code>[[21]](#footnote-21) on Broad-Based Black Economic Empowerment, gazetted on <11 October 2013/gazette date of Sector Code>[[22]](#footnote-22) in terms of the Broad-Based Black Economic Empowerment Act, Act No. 53 of 2003 (as amended) 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 detailed B-BBEE 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. 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.

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

<Insert Signature>

**<B-BBEE Approved Registered Auditor Full Name: XXX>**

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

 **B-BBEE Approved Registered Auditor**

**Illustration A1: Independent B-BBEE approved registered auditor’s limited assurance report on Broad-Based Black Economic Empowerment scorecard – LARGE ENTERPRISE**

|  |
| --- |
| Circumstances:* B-BBEE approved registered auditor’s report in terms of the Broad-Based Black Economic Empowerment scorecard
* The entity is a large enterprise with a turnover of more than fifty million rands (R50 million)
* The entity is a business enterprise
* Limited assurance engagement
* Unmodified conclusion
 |

**Independent B-BBEE approved registered auditor’s limited assurance report on the Broad-Based Black Economic Empowerment scorecard of <*insert name of measured entity>***

**To the directors[[23]](#footnote-23) of <*insert name of the measured entity*>**

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 Certificate[[24]](#footnote-24)(the Certificate) and the Scorecard as set out on pages <XX>-<XX> of the Certificate of <*insert name of measured entity*> for the year ended <*insert date*> (the Scorecard). We clarify that our engagement is on the basis of information provided by management.

**Directors’ Responsibility**

The directors[[25]](#footnote-25) are responsible for the preparation and presentation of the Scorecard and the determination of the B-BBEE status in accordance with the Codes of Good Practice on Broad-Based Black Economic Empowerment (the Codes of Good Practice [[26]](#footnote-26)) [*or relevant Sector Code*], gazetted on <11 October 2013/gazette date of Sector Code>[[27]](#footnote-27) in terms of the Broad-Based Black Economic Empowerment Act, Act No. 53 of 2003 (as amended) of South Africa (the B-BBEE Act as amended). This responsibility includes the design, implementation and maintenance of internal control, as management determines is relevant to the preparation and presentation of information and the B-BBEE Scorecard that is free from material misstatement, whether due to fronting, fraud or error.

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors* issued by the Independent Regulatory Board for Auditors (the IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Parts A and B)*.

*[Name of firm] / [The firm]* applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**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 and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the *South African Standard on Assurance Engagements (SASAE) 3502 (Revised): Assurance Engagements on Broad-Based Black Economic Empowerment (B-BBEE) Verification Certificates* (SASAE 3502 (Revised)), issued by the Independent Regulatory Board for Auditors. This standard requires that we plan and perform this engagement to obtain limited assurance about whether the certificate is free from material misstatement.

A limited assurance engagement undertaken in accordance with SASAE 3502 (Revised)with respect to a B-BBEE Verification Certificate involves performing procedures regarding the Scorecard and the B-BBEE Status of the measured entity based on the criteria and requirements contained in the Codes of Good Practice [*or relevant Sector Code*]. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Consequently, these 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.

The procedures we performed were based on our professional judgement and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. Given the circumstances of the engagement, in performing the procedures listed above we:

* Interviewed management and employees to obtain an understanding of the entity and its internal control environment, risk assessment process and information systems sufficient to identify areas in the Scorecard where material misstatements were likely to arise;
* Designed procedures to respond to the areas of risk of material misstatement;
* Re-performed calculations to determine whether the scores reflected in the Scorecard were classified and determined in all material respects in accordance with the Codes of Good Practice [*or relevant Sector Code*];
* Inspected selected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the reporting criteria; and
* Performed such additional procedures as we considered necessary.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion on whether the B-BBEE Status reflected in the certificate for the year ended <*insert date>* has been determined, in all material respects, in accordance with the <Codes of Good Practice/Relevant Sector Code>[[28]](#footnote-28) gazetted on <11 October 2013/gazette date of Sector Code>[[29]](#footnote-29) in terms of the B-BBEE Act as amended.

**Limited assurance conclusion**

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the B-BBEE Status reflected in the certificate for the year ended <*insert date>* has not been determined, in all material respects, in accordance with the <Codes of Good Practice/Relevant Sector Code>[[30]](#footnote-30) on Broad-Based Black Economic Empowerment, gazetted on <11 October 2013/gazette date of Sector Code>[[31]](#footnote-31) in terms of the Broad-Based Black Economic Empowerment Act, Act No. 53 of 2003 (as amended) of South Africa.

**Other Matters**

No assurance procedures were performed on the previous B-BBEE Verification Certificate or the B-BBEE Scorecard as set out on pages <XX>-<XX> of the certificate. The information relating to the prior reporting periods has not been subject to assurance procedures.

The maintenance and integrity of the <*insert name of measured entity*> website is the responsibility of the measured entity’s management. Our procedures did not involve consideration of these matters and, accordingly, we accept no responsibility for any changes to either the information in the B-BBEE Scorecard or our independent limited assurance report that may have occurred since the initial date of its presentation on the measured entity’s website.

**Restriction of Liability**

Our work has been undertaken to enable us to express a limited assurance conclusion on the B-BBEE Status reflected in the certificate to <*those who engaged us*> in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any other party other than <*those who engaged us*> for our work, for this report or for the conclusion we have reached.

**Report on Other Legal and Regulatory Requirements**

[*Form and content of this section of the assurance report will vary depending on the nature of the practitioner’s other reporting responsibilities*]

**(Company name of assurance provider)**

|  |  |
| --- | --- |
|  |  |

<*Signature of individual B-BBEE approved registered auditor responsible for the B-BBEE Verification Assurance engagement*>

|  |  |
| --- | --- |
|  |  |

<*Full Name of the B-BBEE 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: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

B-BBEE approved registered auditor’s address

|  |
| --- |
| **CODE SERIES 100: MEASUREMENT OF THE OWNERSHIP ELEMENT FOR B-BBEE** |
| **Weighting Points** | **Indicator** | **Description** | **Weighting Points** | **Compliance Target** | **Score** |
| 25 | Voting Rights | Exercisable voting rights in the entity in the hands of black people | 4 | 25%+ 1 Vote |  |
| Exercisable voting rights in the entity in the hands of black women | 2 | 10% |  |
| Economic Interest | Economic interest in the entity to which black people are entitled | 4 | 25% |  |
| Economic interest in the entity to which black women are entitled | 2 | 10% |  |
| Economic interest of any of the following black natural people in the measured entity |
| Black designated groupsBlack participants in Employee Share Ownership Programmes; Black people in Broad-Based Ownership SchemesBlack participants in co-operatives | 3 | 3% |  |
| New Entrants | 2 | 2% |  |
| Realisation Points | Net Value | 8 |  |  |
|  | **Total** | **25** |  |  |

|  |
| --- |
| **CODE SERIES 200: MEASUREMENT OF THE MANAGEMENT CONTROL ELEMENT FOR B-BBEE** |
| **Weighting Points** | **Indicator** | **Description** | **Weighting Points** | **Compliance Target** | **Score** |
| 19 | Board Participation | Exercisable voting rights of black board members as a percentage of all board members | 2 | 50% |  |
| Exercisable voting rights of black female board members as a percentage of all board members | 1 | 25% |  |
| Black executive directors as a percentage of all executive directors | 2 | 50% |  |
| Black female executive directors as a percentage of all executive directors | 1 | 25% |  |
| Other Executive Management | Black executive management as a percentage of all executive directors | 2 | 60% |  |
| Black female executive management as a percentage of all executive directors | 1 | 30% |  |
| Senior Management | Black employees in senior management as a percentage of all senior management | 2 | 60% |  |
| Black female employees in senior management as a percentage of all senior management | 1 | 30% |  |
| Middle Management | Black employees in middle management as a percentage of all middle management | 2 | 75% |  |
| Black female employees in middle management as a percentage of all middle management | 1 | 38% |  |
| Junior Management | Black employees in junior management as a percentage of all junior management | 1 | 88% |  |
| Black female employees in junior management as a percentage of all junior management | 1 | 44% |  |
| Employees with disabilities | Black employees with disabilities as a percentage of all employees | 2 | 2% |  |
|  | **Total** | **19** |  |  |

|  |
| --- |
| **CODE SERIES 300: MEASUREMENT OF THE SKILLS DEVELOPMENT ELEMENT OF B-BBEE** |
| **Weighting Points** | **Indicator** | **Description** | **Weighting points** | **Compliance Target** | **Score** |
| 20 | Skills development expenditure on any programme specified in the Learning Programme Matrix for black people as a percentage of the leviable amount  |
|  | Skills development expenditure on learning programmes specified in the Learning Programme Matrix for black people as a percentage of leviable amount. | 8 | 6% |  |
| Skills development expenditure on learning programmes specified in the Learning Programme Matrix for black employees with disabilities as a percentage of leviable amount.  | 4 | 0.3% |  |
| Learnerships, Apprenticeships and Internships  |
|  | Number of black people participating in learnerships, apprenticeships and internships as a percentage of total employees  | 4 | 2.5% |  |
| Number of black unemployed people participating in training specified in the Learning Programme Matrix as a percentage of the number of employees | 4 | 2.5% |  |
| 5 | Bonus points: |  |
| Number of black people absorbed by the measured and industry entity at the end of the learnerships programme | 5 | 100% |  |
|  | **Total** | **25** |  |  |

|  |
| --- |
| **CODE SERIES 400: MEASUREMENT OF THE ENTERPRISE AND SUPPLIER DEVELOPMENT ELEMENT OF B-BBEE** |
| **Weighting Points** | **Indicator** | **Description** | **Weighting Points** | **Compliance Target** | **Score** |
| 25 | Preferential Procurement | B-BBEE procurement spend from all empowering suppliers based on the B-BBEE procurement recognition levels as a percentage of total measured procurement spend | 5 | 80% |  |
| B-BBEE procurement spend from all empowering suppliers that are qualifying small enterprises based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend | 3 | 15% |  |
| B-BBEE procurement spend from all exempted micro-enterprises based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend | 4 | 15% |  |
| B-BBEE procurement spend from empowering suppliers that are at least 51% black-owned based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend | 9 | 40% |  |
| B-BBEE procurement spend from empowering suppliers that are at least 30% black women-owned based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend | 4 | 12% |  |
| 2 | Bonus Points | B-BBEE procurement spend from designated group suppliers that are at least 51% black-owned | 2 | 2% |  |
| 10 | Supplier Development | Annual value of all supplier development contributions made by the measured entity as a percentage of the target | 10 | 2% of NPAT |  |
| 5 | Enterprise Development | Annual value of enterprise development contributions and sector specific programmes made by the measured entity as a percentage of the target | 5 | 1% of NPAT  |  |
| 2 | Bonus Points | Bonus point for one or more enterprise development beneficiaries graduating to the supplier development level | 1 |  |  |
| Bonus point for creating one or more jobs directly as a result of supplier development and enterprise development initiatives by the measured entity | 1 |  |  |
|  | **Total** | **44** |  |  |

|  |
| --- |
| **CODE SERIES 500: MEASUREMENT OF THE SOCIO-ECONOMIC DEVELOPMENT ELEMENT OF B-BBEE** |
| **Weighting Points** | **Indicator** | **Description** | **Weighting points** | **Compliance Target** | **Score** |
| 5 |  | Annual value of all socio-economic development contributions by the measured entity as a percentage of the target  | 5 | 1% of NPAT |  |

**B-BBEE Status and Procurement Recognition Levels**

|  |  |  |
| --- | --- | --- |
| **B-BBEE Status** | **Qualification Criteria**  | **B-BBEE Recognition Level** |
| Level One Contributor | ≥100 points on the Generic Scorecard | 135% |
| Level Two Contributor | ≥95 but <100 points on the Generic Scorecard | 125% |
| Level Three Contributor | ≥90 but <95 on the Generic Scorecard | 110% |
| Level Four Contributor | ≥80 but <90 on the Generic Scorecard | 100% |
| Level Five Contributor | ≥75 but <80 on the Generic Scorecard | 80% |
| Level Six Contributor | ≥70 but <75 on the Generic Scorecard | 60% |
| Level Seven Contributor | ≥55 but <70 on the Generic Scorecard | 50% |
| Level Eight Contributor | ≥40 but <55 on the Generic Scorecard | 10% |
| Non-Compliant Contributor | <40 on the Generic Scorecard | 0% |

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

## Appendix A2 – Illustrative B-BBEE Verification Certificate, Illustrative Limited Assurance Report and Illustrative Detailed Scorecard – QSE

**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

 XXXXXXXXXXX

 P O Box XXX

 XXXXXXXXXXX

 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 (as amended)**

**Scorecard Applied: Qualifying Small Enterprises Scorecard (< or = R50 million annual turnover\*)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Element**  | **Element Weighting** | **Score** |  |
|  | **Ownership** | **25** |  |  |
|  | **Management Control** | **15** |  |  |
|  | **Skills Development** | **25** |  |  |
|  | **Enterprise and Supplier Development** | **30** |  |  |
|  | **Socio-Economic Development** | **5** |  |  |
|  | ***Overall Score*** | **100** |  |  |
|  |  |  |  |  |

**Broad-Based BEE Status Level :A level ….. Contributor to B-BBEE**

**BEE Procurement Recognition Level : …..**

**Black Ownership : …..%**

**Black Women Ownership : …..%**

**Empowering 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 the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the B-BBEE Status reflected in the certificate for the year ended <*insert date>* has not been determined, in all material respects, in accordance with the <Codes of Good Practice/Relevant Sector Code>[[32]](#footnote-32) on Broad-Based Black Economic Empowerment, gazetted on <11 October 2013/gazette date of Sector Code>[[33]](#footnote-33) in terms of the Broad-Based Black Economic Empowerment Act, Act No. 53 of 2003 (as amended) 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 detailed B-BBEE 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. 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>

|  |
| --- |
| **Date of issue: XX XXXXX 20XX****Expiry date: XX XXXXX 20XX****Period of validity:12 months** |

**<B-BBEE Approved Registered Auditor Full Name: XXX>**

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

 **B-BBEE Approved Registered Auditor**

**Illustration A2: Independent B-BBEE approved registered auditor’s limited assurance report on Broad-Based Black Economic Empowerment scorecard – QSE**

|  |
| --- |
| Circumstances:* B-BBEE approved registered auditor’s report in terms of the Broad-Based Black Economic Empowerment scorecard
* The entity is a qualifying small enterprise with a turnover of between ten million and fifty million rands
* The entity is a business enterprise
* Limited assurance engagement
* Unmodified conclusion
 |

**Independent B-BBEE approved registered auditor’s limited assurance report on the Broad-Based Black Economic Empowerment scorecard of <*insert name of measured entity>***

**To the directors[[34]](#footnote-34) of <*insert name of the measured entity*>**

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 <XX> of the Broad-Based Black Economic Empowerment (B-BBEE) Verification Certificate[[35]](#footnote-35)(the Certificate) and the B-BBEE Scorecard as set out on pages <XX>-<XX> of the Certificate of <*insert name of measured entity*> for the year ended (*insert date*) (the Scorecard). We clarify that our engagement is on the basis of information provided by management.

**Directors’ Responsibility**

The directors[[36]](#footnote-36) are responsible for the preparation and presentation of the B-BBEE Scorecard and the determination of the B-BBEE Status in accordance with the Codes of Good Practice on Broad-Based Black Economic Empowerment (the Codes of Good Practice [[37]](#footnote-37)) [*or relevant Sector Code*], gazetted on <*11 October 2013/gazette date of Sector Code*>[[38]](#footnote-38) in terms of the Broad-Based Black Economic Empowerment Act, Act No.53 of 2003 (as amended) of South Africa (the B-BBEE Act as amended). The directors are also responsible for the design, implementation and maintenance of internal control, as management determines is relevant, to the preparation and presentation of information and the B-BBEE Scorecard that is free from material misstatement, whether due to fronting, fraud or error.

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors* issued by the Independent Regulatory Board for Auditors (the IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Parts A and B)*.

*[Name of firm] / [The firm]* applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**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 and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the *South African Standard on Assurance Engagements (SASAE) 3502 (Revised): Assurance Engagements on Broad-Based Black Economic Empowerment (B-BBEE) Verification Certificates*, issued by the Independent Regulatory Board for Auditors. This standard requires that we comply with ethical requirements and plan and perform our engagement to obtain limited assurance about whether the certificate is free from material misstatement.

A limited assurance engagement undertaken in accordance with *SASAE 3502 (Revised)* with respect to a B-BBEE Verification Certificate involves performing procedures regarding the B-BBEE Scorecard and B-BBEE Status of the measured entity based on the criteria and requirements contained in the Codes of Good Practice [*or relevant Sector Code*]. A limited assurance engagement is substantially less in scope than in a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Consequently, these 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.

The procedures we performed were based on our professional judgement and included inquiries, observation of processes followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. Given the circumstances of the engagement, in performing the procedures listed above we:

* Interviewed management and employees to obtain an understanding of the entity and its internal control environment, risk assessment process and information systems sufficient to identify areas in the B-BBEE Scorecard where material misstatements were likely to arise.
* Designed audit procedures to respond to the areas of risk of material misstatement.
* Re-performed calculations to determine whether the scores reflected in the B-BBEE Scorecard were classified and determined in all material respects in accordance with the Codes of Good Practice [*or relevant Sector Code*].
* Inspected selected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the reporting criteria.
* Performed such additional procedures as we considered necessary.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion on whether the B-BBEE Status reflected in the certificate for the year ended <*insert date>* has been determined, in all material respects, in accordance with the <Codes of Good Practice/Relevant Sector Code>[[39]](#footnote-39) gazetted on <11 October 2013/gazette date of Sector Code>[[40]](#footnote-40) in terms of the B-BBEE Act as amended.

**Limited assurance conclusion**

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the B-BBEE Status reflected in the certificate for the year ended <*insert date>* has not been determined, in all material respects, in accordance with the <Codes of Good Practice/Relevant Sector Code>[[41]](#footnote-41) on Broad-Based Black Economic Empowerment, gazetted on <11 October 2013/gazette date of Sector Code>[[42]](#footnote-42) in terms of the Broad-Based Black Economic Empowerment Act, Act No. 53 of 2003 (as amended) of South Africa.

**Other Matters**

No assurance procedures were performed on the previous B-BBEE Verification Certificate or the B-BBEE Scorecard as set out on pages XX to XX of the certificate. The information relating to the prior reporting periods has not been subject to assurance procedures.

The maintenance and integrity of the <*insert name of measured entity*> website is the responsibility of the measured entity’s management. Our procedures did not involve consideration of these matters and, accordingly, we accept no responsibility for any changes to either the information in the B-BBEE Scorecard or our independent limited assurance report that may have occurred since the initial date of its presentation on the measured entity’s website.

**Restriction of Liability**

Our work has been undertaken to enable us to express a limited assurance conclusion on the B-BBEE Status reflected in the certificate to <*those who engaged us*> in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any other party other than <*those who engaged us*> for our work, for this report, or for the conclusion we have reached.

**Report on Other Legal and Regulatory Requirements**

[*Form and content of this section of the assurance report will vary depending on the nature of the practitioner’s other reporting responsibilities*]

**(Company Name of assurance provider)**

|  |  |
| --- | --- |
|  |  |

<*Signature of individual B-BBEE approved registered auditor responsible for the B-BBEE Verification Assurance engagement*>

|  |  |
| --- | --- |
|  |  |

<*Full Name of B-BBEE 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: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Assurance provider’s address

|  |
| --- |
| **CODE SERIES 601: 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 | 5 | 25%+1 vote |  |
| Exercisable voting rights in the enterprise in the hands of black women | 2 | 10% |  |
| Economic Interest | Economic interest of black people in the enterprise | 5 | 25% |  |
| Economic interest of black women in the enterprise | 2 | 10% |  |
| New entrants or black designated groups | 3 | 2% |  |
| Realisation Points | Net Value\*10% first year20% second year40% third & fourth year60% fifth & sixth year80% seventh & eighth year100% ninth & 10th year\*After current equity interest date | 8 | Achieved economic interest compliance target |  |
|  |  | **Total** | **25** |  |  |

|  |
| --- |
| **CODE SERIES 602: MEASUREMENT OF THE MANAGEMENT CONTROL ELEMENT FOR QSE** |
| **Weighting Points** | **Category** | **Management Control** | **Weighting Points** | **Compliance Target** | **Score** |
| 15 | Executive Management | Black representation at executive management | 5 | 50% |  |
| Black female representation at executive management. | 2 | 25% |  |
| Senior, Middle and Junior Management | Black representation at senior, middle and junior management  | 6 | 60% |  |
| Black female representation at senior, middle and junior management  | 2 | 30% |  |
|  |  | **Total** | **15** |  |  |

|  |
| --- |
| **CODE SERIES 603: MEASUREMENT OF THE SKILLS DEVELOPMENT ELEMENT FOR QSE** |
| **Weighting Points** | **Skills Development** | **Weighting Points** | **Compliance Target** | **Score** |
| 25 | Skills development expenditure on learning programmes specified in the Learning Programme Matrix for black people as a percentage of leviable amount. | 15 | 3% |  |
| Skills development expenditure on learning programmes specified in the Learning Programme Matrix for black female as a percentage of leviable amount. | 7 | 1% |  |
| Skills development expenditure on learning programmes specified in the Learning Programme Matrix for black people with disabilities as a percentage of leviable amount. | 3 | 0.15 |  |
| 5 | Bonus Points |  |  |  |
| Number of black people absorbed by the measured entity and industry at the end of the learning programme. | 5 | 100% |  |
|  | **Total** | **15** |  |  |

|  |
| --- |
| **CODE SERIES 604: MEASUREMENT OF THE ENTERPRISE AND SUPPLIER DEVELOPMENT ELEMENT FOR QSE** |
| **Weighting Points** | **Category** | **Ownership** | **Weighting Points** | **Compliance Target** | **Score** |
| 20 | Preferential Procurement | B-BBEE procurement spend from all empowering suppliers based on the B-BBEE procurement recognition levels as a percentage of total measured procurement spend | 15 | 60% |  |
| B-BBEE procurement spend from empowering suppliers that are at least 51% black-owned based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend | 5 | 15% |  |
| 1 | **Bonus Point** |  |  |  |
| B-BBEE procurement spend from designated group suppliers that are at least 51% black-owned based on the B-BBEE recognition level. | 1 | 1% |  |
| 5 | Supplier Development | Annual value of all supplier development contributions made by the measured entity as a percentage of the target. | 5 | 1% of Net Profit After Tax (NPAT) |  |
| 5 | Enterprise Development | Annual value of enterprise development contributions and sector specific programmes made by the measured entity as a percentage of the target. | 5 | 1%of NPAT |  |
| 2 | **Bonus Point** |  |  |  |
| Bonus point for one or more enterprise development beneficiaries graduating to the supplier development level. | 1 |  |  |
| Bonus point for creating one or more jobs directly as a result of supplier development and enterprise development initiatives by the measured entity. | 1 |  |  |
|  |  | **Total** | **33** |  |  |

|  |
| --- |
| **CODE SERIES 605: MEASUREMENT OF THE SOCIO-ECONOMIC DEVELOPMENT ELEMENT FOR QSE** |
| **Weighting Points** | **Ownership**  | **Weighting Points** | **Compliance Target** | **Score** |
| 5 | Annual value of all socio-economic development contributions and qualifying socio-economic development contributions made by the measured entity as a percentage of the target. | 5 | 1% of NPAT |  |

**B-BBEE Status and Procurement Recognition Levels**

|  |  |  |
| --- | --- | --- |
| **B-BBEE Status** | **Qualification Criteria**  | **B-BBEE Recognition Level** |
| Level One Contributor | ≥100 points on the Generic Scorecard | 135% |
| Level Two Contributor | ≥95 but <100 points on the Generic Scorecard | 125% |
| Level Three Contributor | ≥90 but <95 on the Generic Scorecard | 110% |
| Level Four Contributor | ≥80 but <90 on the Generic Scorecard | 100% |
| Level Five Contributor | ≥75 but <80 on the Generic Scorecard | 80% |
| Level Six Contributor | ≥70 but <75 on the Generic Scorecard | 60% |
| Level Seven Contributor | ≥55 but <70 on the Generic Scorecard | 50% |
| Level Eight Contributor | ≥40 but <55 on the Generic Scorecard | 10% |
| Non-Compliant Contributor | <40 on the Generic Scorecard | 0% |

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

|  |  |
| --- | --- |
| **Code Series References** | **Elements of the B-BBEE Scorecard** |
| **Code 000** | **Specialised Enterprises**  |
| **Code 100** | **Ownership** |
| **Code 200** | **Management Control** |
| **Code 300** | **Skills Development** |
| **Code 400** | **Enterprise and Supplier Development** |
| **Code 500** | **Socio-Economic Development** |

B-BBEE Codes of Good Practice

The scores for the measured entity’s B-BBEE Scorecard 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 per *General Notice 1019 of 2013 in Government Gazette No. 36928 on 11 October 2013*. The B-BBEE Codes of Good Practice will apply to all B-BBEE Verification Certificates issued for financial years ended after 1 May 2015[[43]](#footnote-43). Minor amendments affecting the calculation of the B-BBEE Scorecard were made to Code 400 issued in *General* *Notice 407 of 2013 in Government Gazette No. 38765 on 6 May 2015*.

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 Agencie*s” (the *Verification Manual*). **Appendices 2-8,** set out on pages 37-73 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 B-BBEE Scorecard for each of the Code Series 000-700 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 B-BBEE Scorecard will be incorporated in *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 2-8of the*Verification Manual*, adapted as necessary to meet the requirements of SASAE 3502 (Revised), when performing B-BBEE assurance engagements and issuing B-BBEE Verification Certificates after **1 October 2011.**

Sector Codes

Measured entities to which an industry Sector Code issued by the DTI applies may apply different weightings to the calculations of the B-BBEE Scorecard. B-BBEE approved registered auditors and their engagement teams must have a working knowledge of the Generic Codes and relevant Sector Codes gazetted by the DTI that apply to the measured entity.

The guidance in **Appendices B1-B8** of the *Verification Manual* 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 elements of the B-BBEE Scorecard, or weightings for any relevant Sector Code applied in determining the score for the B-BBEE Scorecard and B-BBEE Status for the measured entity.

Sector Codes Status

The following Sector Codes have been issued and repealed by the DTI to date:

|  |
| --- |
| **Sector Codes Gazetted under Section 9(1)** |
| **Sector Codes** | **Effective Date** |
| Agri-BEE Sector Code | 28 December 2012 |
| Financial Sector Code | 26 November 2012 |
| Information and Communication Technology (ICT) Sector Code | 6 June 2012 |
| Property Sector Code | 01 June 2012 |
| Integrated Transport Sector Code | 21 August 2009 |
| Forest Sector Code | 12 June 2009 |
| Tourism Sector Code | 20 November 2015 |
|  |  |
| **Sector Charters Gazetted under Section 12:** |
| Marketing, Advertising and Communication (MAC) Sector Charter | 29 August 2008 |
|  |  |
| **Sector Charters Repealed under Section 9(7)** |
| Chartered Accountancy Sector Code | 17 February 2016 |
| Construction Sector Code | 17 February 2016 |

Effective Date of Verification Manual

The DTI *Verification Manual* became effective on **18 July 2008**.
B-BBEE approved registered auditors shall consider the practical guidance in **Appendices 2-8** when providing B-BBEE Verification Certificates issued after **1 October 2011.**

## Appendix B2: Comparison of Element % Weightings for the Generic and QSE Scorecards and Sector Codes Scorecards Already Gazetted and Aligned in terms of the Generic Codes of Good Practice Issued on 9 February 2007 [[44]](#footnote-44)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Sector Codes Gazetted[[45]](#footnote-45)** |
| **Element** | **Code****Series** | **Generic** | **Adjusted Generic** | **QSE****(Any 4)** | **Adjusted QSE****(Any 4)** | **Tourism**  | **Forestry** | **Property** | **ICT[[46]](#footnote-46)** |
| **Ownership** | **100** | 20 |  | 25 |  | 15 | 20 | 20 | 20 |
| **Management Control** | **200** | 10 | 15 | 25 | 25 | 14 | 10 | 10 | 10 |
| **Employee Equity** | **300** | 15 | 15 | 25 | 25 | 14 | 15 | 15 | 10 |
| **Skills Development** | **400** | 15 | 20 | 25 | 25 | 20 | 15 | 15 | 17 |
| **Preferential Procurement** | **500** | 20 | 20 | 25 | 25 | 15 | 20 | 20 | 20 |
| **Enterprise Development** | **600** | 15 | 15 | 25 | 25 | 14 | 15 | 10 | 11 |
| **Socio-Economic Development** | **700** | 5 | 15 | 25 | 25 | 8 | 5 | 2 | 12 |
| **Economic Developments** |  |  |  |  |  |  |  | 15 |  |
| **Total** |  | **100** | **100** | **Max of 100** | **Max of 100** | **100** | **100** | **107[[47]](#footnote-47)** | **100** |

##

## Appendix B3: Comparison of Element % Weightings for the Generic and QSE Scorecards and Sector Codes Scorecards Already Gazetted and Aligned in terms of the Generic Codes of Good Practice Issued on 11 October 2013

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Sector Codes Gazetted[[48]](#footnote-48)** |
| **Element** | **Code****Series** | **Generic** | **Adjusted Generic** | **QSE** | **Adjusted QSE** | **Tourism** |
| **Ownership** | **100** | 25 |  | 25 |  | 27 |
| **Management Control** | **200** | 19 | 20 | 15 | 25 | 19 |
| **Skills Development** | **300** | 20 | 25 | 25 | 30 | 20 |
| **Enterprise and Supplier Development** | **400** | 40 | 50 | 30 | 30 | 40 |
| **Socio-Economic Development** | **500** | 5 | 5 | 5 | 15 | 5 |
| **Total** |  | **109** | **100** | **100** | **100** | **111** |

##

## Appendix C: Illustrative Engagement Letter

The following is an example of an engagement letter to provide Broad-Based Black Economic Empowerment (B-BBEE)  **Assurance Services** in accordance with the B-BBEE Codes of Good Practice. This letter is not authoritative but is intended only to be a guide that may be used in conjunction with the considerations outlined in this SASAE. It may be appropriate to seek legal advice whether any proposed letter is suitable.

|  |  |
| --- | --- |
| Your Ref | B-BBEE Verification |
| Our Ref | B-BBEE Verification  |
| Contact |  |

|  |
| --- |
| **[Client Representative]****[Client]****[Address]****Registered Audit Firm Name and Logo****Registered Firm IRBA Registration No.:****Address and contact details:** |
| [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[[49]](#footnote-49)]** |

*Introduction*

You have requested that we perform the B-BBEE Verification Assurance engagement to obtain limited assurance that the B-BBEE Scorecard for the [*Qualifying Small Enterprise (QSE)/Generic/Sector specific/Contractual*] of [*name of client*] at and for the 12-month period ended [*date of B-BBEE Scorecard period*] is free from material misstatement in terms of the following:

* Broad-Based Black Economic Empowerment (B-BBEE) Act 53 of 2003 (as amended);
* [*{QSE/* *Generic}* S*corecards of the Codes of Good Practice on B-BBEE (further referred to as “the Codes of Good Practice”)*] or [*Sector Codes gazetted in terms of Section 9 of the B-BBEE Act as amended*] 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.

We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter. Our procedures will be conducted with the objective of us expressing a limited assurance conclusion on the B-BBEE Status reflected in the certificate.

*Directors’/Management’s Responsibility*

The directors/management of [*name of client*] are responsible for the preparation and presentation of the B-BBEE Scorecard and the determination of the B-BBEE status in accordance with the Codes of Good Practice [*or relevant Sector Code*]. This responsibility includes:

* Designing, implementing and maintaining such internal control as is relevant to the preparation and presentation of the B-BBEE scores for the B-BBEE Scorecard and determination of the B-BBEE status reflected on the B-BBEE Verification Certificate that is free from material misstatement, whether due to fronting, fraud or error;
* 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;
* The preparation of the detailed information and supporting documentation applicable to the calculation of the B-BBEE Scorecard based on underlying information selected by management from the components comprising the measured entity, as permitted by the Codes of Good Practice, and in accordance with information derived from the audited or unaudited financial statements and underlying records of the measured entity for the measurement period;
* Ensuring access by the B-BBEE approved registered auditor and the engagement team to internal parties responsible for the preparation of the underlying information and supporting evidence needed for determination of the scores for the B-BBEE Scorecard;
* Facilitating access to external third parties and internal parties for the purpose of obtaining supporting evidence as may be requested; and
* Providing us with a written management representation letter at the conclusion of the engagement.

*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 and the evidence we have obtained. We will conduct our *limited assurance engagement* in accordance with the *South African Standard on Assurance Engagements (SASAE) 3502 (Revised): Assurance Engagements on Broad-Based Black Economic Empowerment (B-BBEE) Verification Certificates (SASAE 3502, Revised)* issued by the Independent Regulatory Board for Auditors. This standard requires that we comply with ethical requirements contained in the Independent Regulatory Board for Auditors’ *Code of Professional Conduct for Registered Auditors* and to plan and perform this engagement to obtain *limited assurance* about whether the B-BBEE Scorecard and Status reflected in the certificate have been determined in all material respects, in accordance with the B-BBEE Codes or relevant Sector Codes and are free from material misstatement.

A limited assurance engagement undertaken in accordance with SASAE 3502 (Revised) with respect to a B-BBEE Verification Certificate involves performing procedures regarding the B-BBEE Scorecard and B-BBEE Status of the measured entity based on the criteria and requirements contained in the Codes of Good Practice or relevant Sector Codes. The limited assurance engagement is substantially less in scope than in a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risk. Consequently, these 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. The procedures we perform will be based on our professional judgement.

Because of the inherent limitations of a limited assurance engagement, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with SASAE 3502 (Revised).

Our engagement does not constitute an audit or an independent review of financial statements performed in accordance with *International Standards on Auditing* or *International Standards on Review Engagements* and consequently an audit or independent 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 B-BBEE 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 B-BBEE Scorecard in order to design procedures appropriate for gathering sufficient appropriate evidence to determine that the elements of the B-BBEE 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*],and [*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 B-BBEE Scorecard in order to design procedures appropriate for gathering sufficient appropriate evidence to determine that the elements of the B-BBEE 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
B-BBEE 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 B-BBEE Scorecard and the B-BBEE Scorecard overall has been calculated in all material respects in accordance with the bases and formulas set out in the gazetted B-BBEE Codes of Good Practice; and
* We will perform the procedures required by the SASAE 3502 (Revised) and such other procedures as we consider necessary, on a sample basis, including the comparison of selected B-BBEE Scorecard information to the underlying financial records and other source documentation from which the information has been derived and make inquiries of management or employees responsible for preparing the B-BBEE Scorecard.

*Reporting to a Regulatory Body or Other Person*

Where we have a statutory obligation to report matters related to the noncompliance with B-BBEE legislation, including identified fronting practices as defined in S1(e) of the B-BBEE Act No 53 of 2003, as amended, to a regulatory oversight body such as the Independent Regulatory Board for Auditors (IRBA), the DTI B-BBEE Commission, other body or person or the Companies and Intellectual Property Commission (CIPC), we need to adhere to the statutory requirements imposed on us. Where permissible, we shall bring such circumstances to your attention.

*Where we are appointed as the Auditor of the Client*

As required by the IRBA, we set out below a brief overview of the reporting obligations imposed by the Auditing Professions Act (APA).

Section 45 of the APA places a legal requirement on the person responsible for the audit to report to the IRBA, without delay, details of any reportable irregularity which come to his or her attention, which he or she is satisfied or has reason to believe has taken place or is taking place.

The APA defines a reportable irregularity as “any unlawful act or omission committed by any person responsible for the management of an entity, which:

* Has caused or is likely to cause material financial loss to the entity or to any partner, member, shareholder, creditor or investor of the entity in respect of his, her or its dealings with that entity; or
* Is fraudulent or amounts to theft; or
* Represents a material breach of any fiduciary duty owed by such person to the entity or any partner, member, shareholder, creditor or investor of the entity under any law applying to the entity or the conduct or management thereof.”

*Where we are appointed as the Independent Reviewer of the Client*

As required by the CIPC, we set out below the brief overview of the reporting obligations imposed by the Companies Act.

* Regulation 29 of the Companies Act places a legal requirement on the person responsible for the independent review to report to the CIPC, without delay, details of any reportable irregularity which come to his or her attention, which he or she is satisfied or has reason to believe has taken place or is taking place.
* The Companies Act defines a reportable irregularity as “any act or omission committed by any person responsible for the management of an entity, which:
	+ Unlawfully has caused or is likely to cause material financial loss to the company or to any member, shareholder, creditor or investor of the company in respect to his, her or its dealings with that entity; or
	+ Is fraudulent and amounts to theft; or
	+ Causes or has caused the company to trade under insolvent circumstances.”

*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.

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

*Timing*

The engagement will span a period of {*insert time*} weeks and will not commence before the 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 Limited Assurance Report (Report) with our Detailed Analysis of scores determined for each element of the B-BBEE Scorecard 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 on 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 12months 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 element for the [*Generic Scorecard/Adjusted Generic Scorecard/Sector Specific Scorecard/the QSE Scorecard*]

*Our Report on the Findings and Scores for 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 the Use of Our Report**

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

Our certificate and Limited Assurance Report with Detailed Analysis of scores determined for each element of the B-BBEE Scorecard 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.

Our certificate may be disclosed to the 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 third 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 to 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 that would bring our reputation or the certificate into 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 the certificate, having given seven (7) days’ notice to you thereof. We are required to inform the DTI of the withdrawal of our rating and the certificate within 30 days thereof.

*Fees*

Our fee, plus expenses, will be billed at the 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 resources allocated to the engagement is based on the level of technical skill and experience required for each B-BBEE Scorecard element;
* The initial B-BBEE Scorecard and all supporting documentation thereto should be available for our purposes by [*date of start of engagement*]; and
* A revised draft B-BBEE Scorecard and report will be subject to review for a period of [*state review period*] ending on [*cut off date*] after which the final B-BBEE 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.

*Confidentiality*

We are likely to acquire sensitive and confidential information concerning your business and affairs during the engagement. We confirm that we will take the same due care and steps to protect the confidentiality of this information as we do for our own confidential information. In terms of our statutory and professional responsibilties, this confidential information will not be divulged to any third party other than when we are obliged to do so to our insurers, legal advisors or in compliance with any law or professional standard. Once information enters the public domain, it will no longer be regarded as confidential information.

*Agreement of terms*

This engagement letter should be read in conjunction with the <*insert firm name*> standard terms and conditions that are attached to this letter and 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.

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 Practitioner: B-BBEE approved registered auditor[[50]](#footnote-50)>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

## Appendix D: Illustrative Management Representation Letter

The following illustrative letter includes written representations that are required by this SASAE 3502 (Revised) for Broad-Based Black Economic Empowerment Assurance. It is assumed in this illustration that there are no exceptions to the requested written representation. If there were exceptions, the representation would need to be modified to reflect the exceptions.

<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
B-BBEE Scorecard> in terms of the Broad-Based Black Economic Empowerment Act 53 of 2003 (as amended)*

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 [*Qualifying Small Enterprise (QSE)/Generic/Sector specific*] B-BBEE Scorecard and supporting schedules[[51]](#footnote-51)> of <*name of measured entity[[52]](#footnote-52)*> at and for the <*12/number of months*> period ended <*measurement date of B-BBEE Scorecard*> in terms of the following:

* Broad-Based Black Economic Empowerment (B-BBEE) Act 53 of 2003 (as amended);
* <[*QSE/Generic] Scorecards of the Codes of Good Practice on B-BBEE>*/<*Sector Codes gazetted in terms of Section 9 of the B-BBEE Act as amended>*;
* SASAE 3502 (Revised): *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 that would have a material impact on the B-BBEE Scorecard. We understand that information is considered material if its omission or misstatement could influence the determination of the B-BBEE Scorecard. 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 SASAE 3502 (Revised): *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 DTI and accordingly we have provided you with all the evidence requested in support of each element of the B-BBEE 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. Where we have been unable to provide you with evidence regarding a matter that has, or may have, a material effect on the B-BBEE Scorecard, a score of zero will be awarded even though we may have given you representation of such matter below.

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** |
| 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 B-BBEE Scorecard are the most appropriate to give a fair presentation in the company’s B-BBEE status. |
| There have been no known or suspected events subsequent to the measurement date of the B-BBEE Scorecard, but prior to the verification certificate being issued, which would have an impact on the current B-BBEE score and verification certificate. |
| 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 actual, or suspected, fronting which would have an impact on the B-BBEE Scorecard. |
| **Additional for all *Generic/QSE/Sector Specific/Contractual* Scorecard Engagements** |
| The basis of preparation of the above B-BBEE Scorecard and its supporting schedules is consistent with that of the previous B-BBEE Scorecard measurement period[[53]](#footnote-53). |
| **Other Specific Representations Required by the *B-BBEE Approved Registered Auditor* or for Sector Codes Specific Engagements, If Applicable**  |
| We confirm that we have informed you of all contracts that contain clauses that convey 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.* At least 51% of the exercisable voting rights of the fund are held by black people;
* At least 51% of the private equity fund’s executive management and senior management are black people;
* At least 51% of the profit does, by written agreement, accrue to black people;
* The fund manager is defined as a BEE-owned company as defined by the Codes; and
* At least 51% of the invested funds are invested in companies that have at least a 25% direct black shareholding using the Flow-Through Principle.
 |
| 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 accrue to black people;
* At least 50% of the trustees are independent (i.e. not employed by or have any direct or indirect beneficial interest in the scheme);
* At least 50% of the trustees are black and at least 25% are black women;
* The constitution of the scheme records the rules governing any portion of Economic Interest received and reserved for future distribution or application;
* The constitution of the scheme defines the participants and the portion of their claim to receive distributions;
* A written record of the names of the participants or the use of a defined class of natural person is maintained;
* A written record of fixed percentages of claims or the use of a formula for calculating claims is maintained;
* The chairperson is independent;
* The constitution or other relevant statutory documents of the scheme are made available on request to any participant in an official language with which that person is familiar;
* The scheme trustees present the financial reports to participants yearly at an annual general meeting of the scheme;
* On winding up or termination of the scheme, all accumulated Economic Interest will be either transferred to the beneficiaries or to another entity with similar objectives; and
* By reviewing the management accounts or the latest financial statements to calculate and ensure that management fees do not exceed 15% of income.
 |
| We confirm that the Employee Ownership Programme meets the required criteria in accordance with Annex 100C of the Code of Good Practice, Code Series 100, as follows:* The scheme documentation defines the beneficiaries and their proportion entitlement to distributions;
* A written record of the names of the participants or the use of a defined class of natural person is maintained;
* A written record of fixed percentages of claims or the use of a formula for calculating claims is maintained;
* 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 at a level similar to the management role of shareholders;
* The constitution or other relevant statutory documents of the scheme are made available on request to any participant in an official language with which that person is familiar;
* The trustees present the financials of the scheme to the participants at the AGM on an annual basis; and
* All accumulated Economic Interest in the scheme is payable to the participants at the earliest date or event specified in the constitution of the scheme or on the termination or winding up of the scheme.
 |
| We confirm that we are registered with the applicable SETA and are therefore eligible to claim skills development costs in accordance with Codes of Good Practice, Code Series 300. |
| 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 400. |
| The amount declared as revenue for the period subject to this verification engagement is accurate, complete and calculated in accordance with the accounting policies of the entity. Accordingly, the correct B-BBEE 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/Member[[54]](#footnote-54)>* |
| <**Financial Director/Managing Director/Member> who warrants his/her authority to bind the entity>***<Insert name and signature of the measured entity’s person responsible for preparing the B-BBEE information for verification>* |
| **Officer who warrants his/her authority to bind the entity.**Date |
|  |

1. The Broad-Based Black Economic Empowerment Act No.53 of 2003 (as amended) (B-BBEE Act as amended) effective from 24 October 2014 and the applicable *B-BBEE Codes of Good Practice* and relevant *Sector Codes* issued by the DTI. [↑](#footnote-ref-1)
2. Refer to illustrative B-BBEE Verification Certificates and reports in Appendices A1-A2. [↑](#footnote-ref-2)
3. The *International Framework for Assurance Engagements* (Assurance Framework)*,* paragraph 10. [↑](#footnote-ref-3)
4. The Assurance Framework, paragraph 11. [↑](#footnote-ref-4)
5. Assurance Framework, paragraph 5 and ISAE 3000, paragraph 37. [↑](#footnote-ref-5)
6. The *International Standard on Assurance Engagements* (ISAE) 3000*, Assurance Engagements other than Audits or Reviews of Historical Financial Information.*  [↑](#footnote-ref-6)
7. The Assurance Framework,paragraphs 7-9 [↑](#footnote-ref-7)
8. The *Framework for Accreditation and Verification by all Verification Agencies* published as Board Notice 776 in Government Gazette (GG) No 31255 on 18 July 2008. [↑](#footnote-ref-8)
9. Illustrative B-BBEE Verification Certificates and report in Appendices A1 and A2. [↑](#footnote-ref-9)
10. Assurance Framework paragraphs 34 to 38. [↑](#footnote-ref-10)
11. Assurance Framework paragraphs 31 to 33. [↑](#footnote-ref-11)
12. The Preferential Procurement Policy Framework Act, No.5 of 2000 and regulations pursuant thereto. [↑](#footnote-ref-12)
13. Refer to Appendix B. [↑](#footnote-ref-13)
14. Refer to Appendices 2-8 of the DTI’s *Verification Manual* [↑](#footnote-ref-14)
15. Refer to Requirements in paragraphs 69-71. [↑](#footnote-ref-15)
16. ISAE 3000 paragraph 10. [↑](#footnote-ref-16)
17. Refer to the guidance in ISA 500 *Audit Evidence.* [↑](#footnote-ref-17)
18. Refer to the guidance in ISA 530 *Audit Sampling.* [↑](#footnote-ref-18)
19. Refer to ISA 315 (Revised) paragraphs A123-A125 for guidance in the use of assertions, adapted as necessary for identifying the risk of material misstatements in the B-BBEE Scorecard. [↑](#footnote-ref-19)
20. ISAE 3000 par 42 [↑](#footnote-ref-20)
21. Or relevant industry Sector Code issued by the DTI. [↑](#footnote-ref-21)
22. Or relevant gazette date of Sector Code. [↑](#footnote-ref-22)
23. Appropriate addressee – e.g. directors of a company or members of a close corporation [↑](#footnote-ref-23)
24. Insert distinctive certificate identification in accordance with the convention applied by the B-BBEE approved registered auditor. [↑](#footnote-ref-24)
25. Replace with reference to: “owners, members, partners, management” etc. as appropriate. [↑](#footnote-ref-25)
26. Where applicable, replace throughout the report with “*relevant Industry Sector Code*” issued by the DTI. [↑](#footnote-ref-26)
27. Or relevant gazette date of Sector Code [↑](#footnote-ref-27)
28. Or relevant industry Sector Code issued by the DTI. [↑](#footnote-ref-28)
29. Or relevant gazette date of Sector Code. [↑](#footnote-ref-29)
30. Or relevant industry Sector Code issued by the DTI. [↑](#footnote-ref-30)
31. Or relevant gazette date of Sector Code. [↑](#footnote-ref-31)
32. Or relevant industry Sector Code issued by the DTI. [↑](#footnote-ref-32)
33. Or relevant gazette date of Sector Code. [↑](#footnote-ref-33)
34. Insert appropriate addressee, for example, directors of a company or members of a close corporation. [↑](#footnote-ref-34)
35. Insert the distinctive certificate identification in accordance with the convention applied by the B-BBEE approved registered auditor. [↑](#footnote-ref-35)
36. Replace, as appropriate, with reference to “owners, members, partners, management”, etc. [↑](#footnote-ref-36)
37. Where applicable, replace throughout the report with “*relevant Industry Sector Code*” issued by the DTI. [↑](#footnote-ref-37)
38. Or relevant gazette date of Sector Code. [↑](#footnote-ref-38)
39. Or relevant industry Sector Code issued by the DTI. [↑](#footnote-ref-39)
40. Or relevant gazette date of Sector Code. [↑](#footnote-ref-40)
41. Or relevant industry Sector Code issued by the DTI. [↑](#footnote-ref-41)
42. Or relevant gazette date of Sector Code. [↑](#footnote-ref-42)
43. In terms of Government Gazette 38799, issued on 15 May 2016 [↑](#footnote-ref-43)
44. The following table and weightings are **valid until 30 April 2015** for all measured entities with financial year ends on or before 30 April 2015, after which the weightings are subject to change in terms of the 2013 Codes of Good Practice. [↑](#footnote-ref-44)
45. 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 which this Sector Code applies. [↑](#footnote-ref-45)
46. ICT stands for Information and Communication Technology. [↑](#footnote-ref-46)
47. In the Property Sector Code, 7 bonus points have been awarded. [↑](#footnote-ref-47)
48. Outstanding Industry Sector Codes once aligned with the 2013 Codes of Good Practice may be included in this table for comparison. [↑](#footnote-ref-48)
49. Delete whichever is “*Not Applicable*” [↑](#footnote-ref-49)
50. Delete whichever is not applicable [↑](#footnote-ref-50)
51. Delete whichever is not applicable [↑](#footnote-ref-51)
52. 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. [↑](#footnote-ref-52)
53. Where applicable. [↑](#footnote-ref-53)
54. Delete whichever is not applicable [↑](#footnote-ref-54)