**INDEPENDENT REGULATORY BOARD FOR AUDITORS**

**Application impact of Amended Qualifying Small Enterprise (QSE) scorecard and Exempt Micro Enterprise (EME) requirements on the South African Standard on Assurance Engagements (SASAE) 3502**

Johannesburg / 6 July 2015

We wish to emphasise the following matters in relation to Gazette 38765 issued on 6 May 2015 in relation to the issuing of Exempt Micro Enterprise (EME) affidavits and certificates, Gazette 38766 issued on 6 May 2015 in relation to the amended Qualifying Small Enterprise (QSE) scorecard and Gazette 38799 issued on 15 May 2015 (replacing Gazette 38764) in relation to Sector Codes and EMEs.

**EMEs in terms of Gazette 38765 and Gazette 38799**

In terms of Gazette 38799 issued on 15 May 2015, paragraph (a), states as follows: “*Confirm that the Amended Codes of Good Practice (Notice 1019, Gazette No 36928 of 11 October 2013 as amended by Notice 403, Gazette No 38765 of 6 May 2015) will come into effect on 1 May 2015.*”

Therefore, the B-BBEE affidavit or certificate obtained by a measured entity with a turnover of less than R10 million is only valid if obtained on or after 1 May 2015 in accordance with Gazette 38799. Gazette 36928, paragraph 10.1, indicates that the transitional period relates to “*measured entities*” thus the transitional period does not relate to EMEs as EMEs are not measured entities as defined in terms of Gazette 36928.

In terms of Gazette 38765 issued on 6 May 2015, paragraph (b) “*An EME is only required to obtain a sworn affidavit or Certificate issued by Companies and Intellectual Property Commission (CIPC)*”. Therefore, in compliance with this requirement B-BBEE Approved Registered Auditors are not allowed to issue certificates to EMEs. An EME may only obtain a certificate from the CIPC.

A template for a sworn affidavit can be found on the Department of Trade and Industry’s website.

**Amended Qualifying Small Enterprise (QSE) scorecard**

SASAE 3502 is a principles-based standard and therefore can be applied to any applicable criteria regardless of amendments to the criteria, the applicable criteria being the amended QSE scorecard. However, the illustrative examples for a QSE verification certificate (SASAE 3502, Appendix A2) and the related detailed scorecard prepared by the measured entity and audited by the B-BBEE Approved Registered Auditor (BAR) requires amendment to align with the changes to the amended QSE scorecard per Gazette 38766.

*Amendments to take note of when providing an assurance conclusion on a B-BBEE Verification Certificate prepared by a measured entity in accordance with the amended QSE scorecard*

* The heading “*Issue of the rating standard applied*” needs to be amended from “*Section 9 of the B-BBEE Act 53 of 2003*” to “*Section 9 of the B-BBEE Amendment Act 46 of 2013*”.
* The scorecard applied needs to be taken note of during the assurance engagement, as the parameters defining a QSE enterprise have changed. A QSE enterprise is now defined as having a turnover in excess of R10 million and less than R50 million.
* A total number of 5 elements should always be reflected on the certificate being:
  + Ownership
  + Management Control
  + Skills Development
  + Enterprise and Supplier Development
  + Socio-Economic Development
* The value adding supplier status is no longer applicable, and must be replaced with the measured entities’ empowered supplier status as determined in accordance with Gazette 36928 Code Series 400 paragraph 3.3 and Gazette 38765 paragraph a.
* The *assurance conclusion* paragraph must reflect the date of gazetting of the Code of Good Practice on B-BBEE as being *6 May 2015* as opposed to 9 *February 2007*.

*Amendments to take note of when compiling the limited assurance report for the measured entity*

* In the *Directors’ responsibility* paragraph, the date of gazetting of the CoGP on B-BBEE must reflect *6 May 2015* instead of *9 February 2007*.
* In the *Limited assurance conclusion* paragraph, the date of gazetting of the CoGP on B-BBEE must reflect *6 May 2015* instead of *9 February 2007*.

*Amendments to take note of when auditing the detailed QSE Scorecard prepared by the measured entity*

* The format and content of the QSE scorecard prepared by the measured entity must be in line with Gazette 38766 issued on 6 May 2015 in that it must include the five elements as revised, together with the detailed scores achieved per each individual scorecard indicator.
* The current table indicating the B-BBEE status and Procurement Recognition Level needs to be replaced with the new table as per Gazette 36928, Code Series 000, Statement 000, paragraph 8.2 issued on 11 October 2013.

**Status of Sector Codes**

In terms of Gazette 38799, paragraph 1(c) issued on 15 May 2015, the transitional period for the alignment of Sector Codes has been extended to 30 October 2015. From 1 November 2015, Sector Codes that are aligned shall be effective in accordance with paragraph (b) of this Gazette. The Gazette states that consideration shall be given to repealing any Sector Codes that are not aligned and ready for gazetting by 30 October 2015.

We strongly advise BARs to:

* Familiarise themselves with the published Gazettes;
* Track and study all communications from the DTI especially during this transitional period; and to
* Refer all matters on the interpretation of the Code of Good Practice, Sector Codes and Notices of Clarification issued by the Department of Trade and Industry (DTI) to the B-BBEE unit at the DTI.

Should you have any further queries please do not hesitate to contact the Standards Department by email: b-bbeequeries@irba.co.za.

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**Imran Vanker**

**Director: Standards**

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