

New bill authorises auditors to perform B-BBEE verifications

With effect from 7 December 2011, and in accordance with the Revised Preferential Procurement Regulations, one of the aims of which is to promote uniformity throughout the public sector procurement system, it is now a legal requirement that all tenders awarded by organs of state must take 10% or 20% - depending on the value of the tender - cognisance of every tenderer's B-BBEE status, as opposed to their percentage black ownership (the old BEE status).

Approximately 87 000 existing suppliers to schedule 2, 3B and 3D public entities now require, and do not have, B-BBEE certificates.

"With only seventy South African National Accreditation System (SANAS) accredited verification agents countrywide, the system is under enormous strain to meet the demand," says Derek Springett, CEO of Harbour and Associates Inc. As a result, dramatic changes to the regulation of the B-BBEE verification industry are under way.

The Department of Trade and Industry is replacing SANAS with the Independent Regulatory Board for Auditors (IRBA) as the authority regulating all verification professionals. The hand-over mechanism is still undecided with regard to those verification agents that are SANAS approved and who must, in future, fall under the IRBA. However, the IRBA have already approved a few qualifying registered auditors to issue the full range of B-BBEE certificates.

Two levels of assurance

Also of significance is that whilst the IRBA is aligned to International Standards for Assurance Engagements, SANAS was purely local in its approach to B-BBEE verification methodology. The proposed new South African Standards for Assurance Engagements (SASAE 3502), which has been drafted by the IRBA, proposes to introduce two levels of assurance, in line with international best practice. The reasonable assurance option will carry a report similar to a financial statement audit report, whereas the alternative limited assurance option will carry a report similar to a financial statement? review report.

The enterprise being verified will be allowed to choose whether it wants reasonable assurance or limited assurance and Springett, who is one of the first few auditors to gain the IRBA approval to issue B-BBEE certificates, believes that the market will take time to appreciate the difference between the two types of assurance, but that ultimately it will be market forces that determine the assurance chosen by any particular enterprise.

Harbour and Associates has published two laymen's guides to B-BBEE entitled "How to win at B-BBEE for EMEs and QSEs" and "How to win at B-BBEE for Medium and Large Enterprises". These are freely available on its website

www.harbourassociates.co.za.

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