BEE scorecard - looming deadlines for financial yearend
Did you know that BEE verifications are now subject to the SANAS regulatory body? What does this mean for business owners?

Revised BEE Codes and SANAS

Entities that need a B-BBEE certificate have five elements to attend to under the new Revised Codes for Good Practice. For those that fall within a specific industry, the draft Sector Codes or the amended Sector Codes, whichever are applicable, are mostly aligned to have the same elements, with some exceptions. The five BEE scorecard elements are:

- **Ownership**
- **Management and Control** (which include Employment Equity)
- **Skills Development**
- **Enterprise and Supplier Development** (ED and SD), which includes the previous Preferential Procurement
- **Socio-Economic Development** (SED).
The first two elements (Ownership and Management and Control) are measured as a ‘snap shot’. This means the information presented at the date of verification should reflect the latest figures at that point in time. For the other elements, figures need to reflect the position as it was during the measured period (financial year to be measured). Previously under the Independent Regularity Board for Auditors (IRBA) verification system, it was possible to make so-called ‘top-up’ payments for ED, SD and SED outside of the financial year. This meant entities could make payments after the financial year if it was clear that the contributions paid had not met the target for that entity under the elements. However, all verifications will now be subject to the South African National Accreditation System (SANAS) regulatory body as the IRBA system has fallen away. What does this really mean for business owners? SANAS is far more stringent when it comes to time frames. This means they do not accept top-up payments outside the financial year as referred to above. It is therefore imperative that entities meet targets within the financial year. This is an arduous task as entities need to work with forecasts and estimates to budget for contributions in order to reach targets for each element. Entities that monitor growth and plan carefully might find this easier than those who fail to do this diligently. Entities are advised to use a skilled consultant to assist them with planning and to discuss the targets that need to be met per element. Although there have not been any real changes to the way in which preferential procurement will be measured, entities need to monitor and perhaps re-evaluate their suppliers if need be to achieve maximum points under this element. SERR Synergy project managers will be able to advise on targets and assist in developing a procurement strategy to optimise points.

Important looming deadlines

It is clear that the most important time frame to look at is the financial year. Many entities have February as their year-end. This means that an entity that wishes to do a BEE scorecard rating based on their February 2017 financials, has only about 10 days left to make any contributions or payments to meet targets. Whilst a March, June or December deadline may allow more time, there are other factors over and above the contributions that need to be considered and implemented as soon as possible. These are:

- Skills Development
Payments towards training or learnerships must be made within the financial year. However, skills transfer should also take place within the financial year. This means training and learnerships should at least have started within the financial year. The sooner learnerships start the better because any payment towards salaries or stipends for learners will also count towards acceptable contributions under this element.

- **Workplace Skills Plan**

Any accredited training or learnership within a financial year should reflect in the entity’s Workplace Skills Plan (WSP) and Pivotal plan for that year. Without this WSP, no points will be allocated for Skills Development, irrespective of the amount paid or whether skills had been transferred. The WSP must be submitted by the end of April each year. Compiling and submitting WSPs could be time-consuming and experience has shown that the online system becomes slower closer to the deadline. Early submissions are therefore advisable.

- **Enterprise Development and Supplier Development**

In addition to the contributions that are to be made within the financial year, it is imperative to have agreements signed with the Enterprise or Supplier within the financial year. Certain key elements need to form part of the agreement and entities should ensure that those elements have been incorporated into the agreements. Certain sectors need to spend on sector-specific enterprises. It is advisable to ensure that all requirements are met before the end of the financial year or, even better, before any amount is spent for this purpose. The correct beneficiary agreement will also ensure bonus points for this element.

- **Socio-Economic Development**
Once again, businesses need to ensure that such projects meet all the requirements. One such requirement is that the beneficiaries should be at least 75% black to achieve maximum points. Any lower percentage would have a pro-rata effect on the score. It is important that an independent third party - rather than someone from the beneficiary entity as such - verify the percentage. About the author: Audrey Cloete obtained her LLB degree from the North-West University Potchefstroom in 2003. She completed her articles with the main focus on Criminal Law and broadened her horizons after being admitted as attorney to take on other legal disciplines. She is also an admitted Conveyancer. Audrey joined SERR Synergy in 2015 where she currently works as a Legal Compliance Advisor.