

BusinessDay

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FTSE-JSE indices	Close	% ch	FTSE-JSE all share daily close	Bonds/forwards	% ch	Currencies	IRESS	% ch	Commodities	Latest	% ch	Foreign Markets	Latest	% ch	
All Share	53448.70	▼ 0.22	Close: 53448.69	R186	8.98	▲ 0.11	R/\$	14.5308	▲ 0.85	Gold PM Fix	1 318.75	▼ 0.19	Dow Jones	18 449.16	▼ 0.29
Top 40	46819.20	▼ 0.20		R207	8.21	▲ 0.06	R/£	19.01515	▲ 0.71	Gold NY	1 327.10	▲ 0.09	S&P 500	2 175.26	▼ 0.23
Findi 30	73976.40	▼ 0.04		3-mth NCD spot	3394.0386	▲ 0.00	R/€	16.20065	▲ 0.49	Brent Future	48.43	▼ 1.59	FTSE 100	6 838.05	▲ 0.00
Resources 20	14794.90	▼ 0.48		R/\$ (6-mth)	5240.5	▼ 0.24	\$/€	1.11484	▼ 0.36	Platinum PM Fix	1 055.16	▼ 2.00	Nikkei 225	16 725.36	▼ 0.07
Goldex	2 402.88	▼ 2.99		R/\$ (12-mth)	10692	▼ 0.05	¥/\$	103.036	▲ 1.10	Palladium Spot	673.35	▼ 3.18	Xetra Dax	10 657.64	▲ 1.07

BEE verification gets stricter as IRBA pulls out

EARLIER this year, the Independent Regulatory Board for Auditors (IRBA) indicated its desire to withdraw as the regulatory body for agencies issuing black economic empowerment (BEE) verification certificates. On August 2 all its agents were informed that this role would end on December 31.

IRBA agents who receive requests for certificates before the end of September will have until the end of 2016 to issue them.

Verification agents who want to continue issuing BEE certificates will have to apply to the South African National Accreditation System (Sanas) for accreditation.

Several IRBA agents have indicated that they would not apply for accreditation with Sanas, which has much more onerous regulatory requirements for accreditation. Several auditors cited possible suspension by Sanas for any nonconformance issues as posing too big a risk to their practices.

The IRBA allows auditors to issue BEE certificates to their clients, while Sanas deems this a potential conflict of interest and does not allow it.

Sanas interprets and applies the broad-based BEE codes in a stringent manner, which could affect the BEE levels of companies previously rated by IRBA agents.

In terms of international accounting standards, the IRBA



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BEE MATTERS

allows companies to exclude from their annual turnovers those revenues that do not form part of their equity. This applies to petroleum companies that may exclude fuel levies from revenue; importers and exporters that may exclude taxes and duties; and auctioneers, market agents, estate agents, and car dealers who have revenue of a consignment nature flowing through their accounts.

The reduced turnover placed these companies in more beneficial BEE categories, such as qualifying small enterprises and exempted micro enterprises.

Given that net profit after tax is used to determine the amount to be spent on social, enterprise, and supplier development contributions,



BEE certificates will be regulated more strictly, as Sanas is now the sole regulator of verification agencies. Picture: ISTOCK

a company's net profit after tax must fall within industry norms (an average announced quarterly by Statistics SA). This is expressed as a percentage of annual turnover.

Companies that used the adjusted turnover under IRBA rules would not be able to do so under a Sanas audit, which could place them in a different category of enterprise, with an accompanying effect on the amount to be spent on socioeconomic, supplier, and enterprise development.

The IRBA allowed companies to make donations towards socioeconomic and enterprise development outside the financial year, as long as it was before the measurement date.

This was based on their interpretation of "measurement period" and "date of measurement", and served as a practical arrangement, as no company would know on the last day of its financial year what the

exact net profit after tax would be. This is normally known only months later when a financial audit is concluded.

Under an IRBA measurement, companies that underspent during a financial year could make a last-minute top-up correction before measurement, whereas Sanas does not allow "out-of-period top-ups", so all such contributions are limited to the financial year being measured.

Some IRBA agents allowed points for training concluded outside of the financial year or measurement period on condition that expenditure for such training was incurred within the financial year. In the case of Sanas, however, the skills transfer, as well as the expenditure, must be concluded within the financial year.

Longer training programmes, such as learnerships, internships, and apprenticeships, must at least start within the financial year.

Companies should plan

timeously for the impact of the new regulatory environment. Proper financial planning is required to fit their total budget for BEE into one financial period as no expenditure incurred outside the period on items related to the BEE scorecard will be taken into account.

Adequate time should be allowed for training to be concluded in a financial year. Skills development should be properly planned and incorporated into a workplace skills plan and pivotal plan to be submitted to a sector education and training authority in April of each year, with immediate roll-out at the start of each financial year. A last-minute splurge on skills development to squeeze in a couple of BEE points will no longer be allowed.

■ Gerber is an attorney and the founder and director of Serr Synergy, specialising in BEE structuring and compliance.