

From: Communications Communications

Sent: 04 March 2016 03:21 PM

To: xxxxxxxxxxxxxxxxxxxx

Subject: Update on the IRBA's continued involvement in the Broad-Based Black Economic Empowerment (B-BBEE) Verification Industry

INDEPENDENT REGULATORY BOARD FOR AUDITORS

Update on the IRBA's continued involvement in the Broad-Based Black Economic Empowerment (B-BBEE) Verification Industry

Johannesburg / 4 March 2016

The Independent Regulatory Board for Auditors has been regulating B-BBEE Approved Registered Auditors (BARs), in relation to their provision of B-BBEE assurance services, since their mandate to do so was defined in Statement 005, *Broad-Based Black Economic Empowerment Verification*, which came into effect on 1 October 2011.

Statement 005 still remains in effect, as detailed in the communique issued on 26 January 2015, *Clarification on B-BBEE Verification Engagements performed in terms of the 2013 Codes of Good Practice*.

The B-BBEE Amendment Act, 46 of 2013 defines a '*B-BBEE Verification Professional Regulator*' as a body appointed by the Minister for the accreditation of rating agencies or the authorisation of B-BBEE Verification Professionals. In terms of the B-BBEE Amendment Act, the Minister has not yet determined which bodies will be appointed to fulfil these mandates.

During the B-BBEE workshops and the IRBA roadshows held in August and September 2015, we informed attendees that the IRBA Board was considering withdrawing from the regulation of B-BBEE assurance services. The IRBA has been engaging with the Department of Trade and Industry (DTI) and other stakeholders to obtain an understanding of their vision for regulation of the industry. Having consulted with the leadership of the DTI, the IRBA Board has now confirmed its approach, and has set in motion the steps to discontinue its regulation of BARs.

The DTI has committed to a strategy for setting up a new regulator which will take over the B-BBEE regulatory functions from the IRBA. The time frame for the completion of the strategy is seven months, with the expected conclusion date being 30 September 2016. The IRBA will support this process and assist the DTI.

As a consequence:

- No new BARS will be registered as from 1 April 2016.
- No B-BBEE annual fee will be levied in respect of BARs for the 2016/2017 year.
- Inspections of BARs will continue until the transition to a new regulator is complete. These inspections will be charged at an hourly rate as defined in the IRBA schedule of fees with effect from 1 April 2016.

- BARs still need to declare the assurance fees invoiced for B-BBEE (category B assurance work) for the period January to December 2015 in their firm's Assurance Work Declaration. These fees will, however, no longer be included in the calculation of the percentage of the total audit and other assurance work for which the firm will be invoiced.

The IRBA will continue to keep stakeholders informed of developments, particularly in relation to the requirements to register with a new regulator, when such requirements are known.

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

Bernard Peter Agulhas
Chief Executive Officer

About the IRBA

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.