

## **VERIFICATION PROCESS EXPLANATION GUIDE IS-02a**

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## 1. THE PURPOSE OF VERIFICATION

The purpose of the document; IS-02a is to provide Measured Entities with a clear understanding of the verification process.

The purpose of verification is to audit the Measured Entity as per the Department of Trade and Industry's seven pillars of Broad-Based Black Economic Empowerment. The current Codes of Good Practice set out measurable standards with which companies have to comply in order to achieve a level of BEE compliance. SANAS, the government appointed industry accreditation body, through the R-47 document, clearly stipulates the quality standards to which the process must adhere and underpins the process with critical and relevant principles to be adhered to such as those of impartiality, accuracy, confidentiality, responsibility and fairness.

## 2. THE SCOPE OF VERIFICATION

The main purpose of the verification process is to determine via a prescribed methodology the Broad-Based BEE status of the company being verified. In completing the verification audit, **INTEGRA SCORES** will interrogate the following areas within the BEE Scorecard as published by the DTI:

- Ownership Equity
- Management Control
- Skills Development
- Employment Equity
- Preferential Procurement
- Enterprise Development
- Socio-Economic Development

## 3. WHAT DOES VERIFICATION MEAN?

BEE verification is an in-depth and independent audit-type process whereby **INTEGRA SCORES** verifies the Measured Entity's level of compliance against the principles in the Codes of Good Practice as illustrated above.

Once the verification is completed, the Measured Entity may be presented with a verification certificate which shows Measured Entity's level of compliance and the procurement recognition level.

## 4. BEE VERIFICATION APPLICATION PROCESS

The verification process is illustrated in the **INTEGRA SCORES'** verification process flow diagram attached, IS-00. This diagram also indicates the expected time which each stage in the process will take.

**INTEGRA SCORES** undertakes to meet its contractual obligations in terms of this diagram within the timeframes allocated. However, **INTEGRA SCORES** is reliant on the Measured Entity supplying information and should there be delays, **INTEGRA SCORES** cannot be held liable for such delays. Any delays in **INTEGRA SCORES** being able to fulfil its contractual and other obligations, will be communicated in writing to the Measured Entity.

## 5. THE VERIFICATION APPLICATION FORM

Companies applying for verification will receive a Request for Verification Document; IS-01a. This must be completed in full and e-mailed, faxed or hand delivered back to **INTEGRA SCORES**. All **INTEGRA SCORES'** documents must be completed in pen.

As soon as this form is received by **INTEGRA SCORES**, and regardless of whether the process progresses, all staff will sign the IS-M2a Confidentiality Agreement which binds them to confidentiality on all Measured Entity information from the Request Document through to, and beyond, the closure of the project. An e-mail is also sent to all staff requesting them to state their prior association with the ME in order to establish if there is a conflict of interest and to decide how to handle this – the extreme action of which would be to decline the engagement and a lesser action would be to ensure that the particular staff member is not involved in the engagement – all of which is decided by the Verification Director with reference to the policy on impartiality, IS-M2, which is available to read on request.

## 6. THE VERIFICATION PROCESS EXPLANATION GUIDE

Upon receipt by **INTEGRA SCORES** of the Request for Verification (IS-01a), the Measured Entity will also receive the IS-02a road map for verification which will describe the process and time-frames in full and the Budget Breakdown (IS-01b) which needs to be signed and returned. The Measured Entity will also receive the IS-M2b Impartiality Letter which confirms that the Measured Entity understands what potential conflict can exist between consulting and verification and that they agree that this was explained to them. Once the IS-01 budget breakdown and the IS-M2b impartiality letter are signed and returned, the ME is billed for 50% of the value of the contract and payment is required COD. Hereafter, and once proof of payment is received, the Measured Entity will receive several documents from **INTEGRA SCORES**:

- **INTEGRA SCORES'** Service Level Agreement (IS-02b), details and commits both parties to a level of service throughout the verification process.
- **INTEGRA SCORES'** Non-Disclosure Agreement (IS-02c), details confidentiality arrangements within the contractual relationship, and how the issue of confidentiality will be managed.

Once these IS-02b and IS-02c documents have been signed and approved by all parties, and returned, the following documents will be forwarded to the Measured Entity:

- **INTEGRA SCORES'** Letter of Engagement (IS-02d)
- **INTEGRA SCORES'** Acknowledgement of Receipt of Documents (IS-02e)
- **INTEGRA SCORES'** Information Gathering workbook (IS-Q3a or IS-G3a)

Once all client information is received back and in order, **INTEGRA SCORES** submits the following document:

- **INTEGRA SCORES'** Verification Plan (IS-03c)

The **INTEGRA SCORES'** Letter of Engagement (IS – 02d) is for the records of the Measured Entity. This letter can be sent to suppliers or stakeholders to prove engagement in the verification process during the time that it takes to complete the verification. It is valid for two months only from the date reflected on the letter. Should there be reasonable cause to delay the verification longer than two months, a new Letter of Engagement shall be created valid for one month at a time subject to the approval of the Verification Director.

The **INTEGRA SCORES'** Acknowledgement of Receipt of Documents (IS-02e) is an indication from **INTEGRA SCORES** to the Measured Entity that **INTEGRA SCORES** is in receipt of all the documents which need to be returned up to this point in the analysis.

The **INTEGRA SCORES'** Information Gathering Workbook; (IS-Q3b) for QSE's and (IS-G3a) for companies being measured on the Generic Scorecard, is a document which provides the ME with the information **INTEGRA SCORES** requires to provide an initial off-site score for the Measured Enterprise according to the relevant scorecard against which the Measured Enterprise will be verified. When the on-site audit is conducted at a later stage, the originals of these documents will be audited, in addition to further documents requested in the planning document, IS-03c and on the day, to ensure that the company's verification status is accurate. If the ME is a QSE and they are selecting only 4 or a portion of the 7 elements to analyse, they are required to state which ones they are omitting by filling this out in the comments section as directed on the IS-Q3b.

Upon receipt of all of the above documents, the **INTEGRA SCORES** Junior Analyst will perform a document review. Should the Junior Analyst find significant non-conformances through inaccuracies, contradictions of information and /or omissions, with respect to the IS-03 documents a draft Non Conformance Letter is drafted and this is forwarded to the Senior Analyst or Verification Manager to check. In order to clearly indicate where the documentation is incomplete, the Junior Analyst will initial in the appropriate place on the IS-03 documents which documents have been received by **INTEGRA SCORES**. Any Non-Conformances raised is to be viewed as an unacceptable omission or inaccuracy as there is no such thing as an acceptable Non-Conformance. It is the responsibility of the Senior Analyst to process and investigate any variances in information being received as highlighted by the Junior Analyst. This letter is to be sent to the Measured Entity using IS-03d as stated above. The Measured Entity is to initial that they understand the Non Conformance and return the letter and address the Non Conformance within a week or they are to contest the Non Conformance within 24 hours on the same form at which point the Verification Manager will make a ruling on the acceptability of the contention. The copy of the letter is to be recorded in full and stored in the Measured Entity's file by the Process Manager. If the ME neither contests the Non Conformance nor signs acceptance within a week, then the audit will continue with no consideration of the elements under question. Once Non Conformances have been ruled upon, this is final and binding and no further objections will be considered. Should the ME feel the need to appeal or complain they will be directed to the IS-M6 policy on Appeals and Complaints and follow that process through.

Once these issues are resolved, the JA can then hand over the complete client file to the Senior Analyst, the Senior Analyst will sign each page of the Information Gathering Workbook (IS-Q3a or IS-G3b) to show that s/he agrees that these documents are the documents which have been provided to **INTEGRA SCORES** by the Measured Entity and that they agree with the JA collation. There is a place on each page of the workbook to sign. Once all is in order and the client file is 100% complete and accurate and relevant, **INTEGRA SCORES** will compile IS-03c; the Verification Plan.

## 7. PLANNING AND UNDERTAKING THE ON-SITE AUDIT

The **INTEGRA SCORES** Verification Plan; IS-03c, will provide the Measured Entity with the following information:

- Details of the Verification Team including brief profile descriptors
- Time and date of the planned on-site verification including an indication of how long the audit could take and a justification of this time allocation
- A list of all information required to have on hand
- A note that all staff (within reason) and shareholders must be available for potential interviews on the day
- A list of resources required to conduct the physical audit including computer and office facilities
- In the event of a Measured Entity having more than one site, the Verification Manager and the Senior Analyst will determine the sampling programme.

IS-03c is submitted to the Measured Entity electronically and the Measured Entity is required to contest or accept within 48 hours thereof. Contention needs to take place electronically via e-mail. The reasons for contention will be considered by the Verification Manager and a revised plan sent to the Measured Entity or a letter on the company letterhead stating why the contesting of the plan has not been accepted. The Verification Plan must be signed off by the client and returned to **INTEGRA SCORES**. All members of the Verification Team will also be required to sign this document.

On the day before the on-site audit the Junior Analyst will call the Measured Entity to confirm that all is in order for the day's site visit and to confirm directions. Arrival at the Measured Entity will be on time.

An opening meeting is held with the Measured Entity's authorised personnel controlling the BEE function and the following areas will be discussed;

- That all Measured Entity personnel are present and absentee's justified and any staff time constraints identified.
- That use of Measured Entity resources is confirmed.
- That access to all requested documents is granted.
- Any questions from Measured Entity are answered.

The audit room must be ready for the verification team to set up there. The Audit methodology is followed in full.

If key staff or stakeholders have not been available to conclude the interviews or there are hard copies of key materials missing, then the Measured Entity will be provided with a Non Conformance note as per IS-03d, and a plan and time frame to rectify the non conformances must be discussed. The extra cost to the Measured Entity as a result of the Non Conformances may be sent to them in a Budget Breakdown, IS-02b once the Senior Analyst returns to the office and these needs to be signed by the Measured Entity in order to continue and to conclude the process. The VA reserves the right to charge for this as a result of the extra time it will require to be rectified.

The findings of the verification team are consolidated, issues resolved and recorded. A Draft Verification Report, IS-04b is drafted throughout the process. The closing meeting is held to discuss;

- the contents of the draft report
- the draft BEE score
- the fact that ownership of report resides with **INTEGRA SCORES**

The Measured Entity will be required to sign the draft report at the site visit. Should they want to appeal then they will decline to sign this report. If the draft report is not compiled and discussed on the day, usually due to incomplete information, then a draft report will be faxed to the ME for signature and returned to **INTEGRA SCORES**.

Once the audit on site is complete, the Measured Entity will be billed for the remaining 50% of the contract price and payment is expected in full before the certification process is complete.

## 8. THE VERIFICATION APPROVAL

Once the **INTEGRA SCORES** verification team has completed the on-site verification, they will return to the **INTEGRA SCORES** offices and the Senior Analyst will submit the consolidated file and IS-04a to the Verification Manager for final calculation and approval. The Verification Manager will sign approval on the draft report and any discrepancies will be noted in red / green pen on the report and discussed with the Senior Analyst. If these discrepancies are not resolved, the Verification Director is called in to remedy and the final agreement is noted on the draft report.

The final Verification Report; IS-05a will be created by the Senior Analyst indicating the Measured Entity's level of compliance with the Department of Trade and Industry's Codes of Good Practice for Broad-Based Black Economic Empowerment as well as with explanations. This is then signed off by the Verification Manager.

A Verification Certificate; IS-05b will be issued. This will be customised for the Measured Entity by the Senior Analyst & will include the following:

- the name and address
- the Company registration and VAT registration numbers
- the dates of granting the BEE score and the period of validity
- the expiry date of the Verification Certificate
- a unique identity number
- the standard document including the issued or revision used to evaluate the Measured Entity
- the name or logo of **INTEGRA SCORES**
- The scorecard against which the enterprise has been verified
- The broad based BEE status level
- The procurement recognition level
- The SANAS logo
- **INTEGRA SCORES** unique holographic sticker

## 9. APPEALING THE VERIFICATION DECISION

The Measured Entity can complain about their dissatisfaction with the procedural issues anytime in the process using the IS-M6 policy and templates which will be available on the website on [www.integra-scores.biz](http://www.integra-scores.biz) or on request. The right to appeal exists when a Non Conformance is raised or at draft report stage only.

The Measured Entity is unable to appeal the decision made by **INTEGRA SCORES** on the BEE status of the Measured Entity in the Final Verification Report, IS-05a. Should the Measured Entity be dissatisfied with the score, this must be appealed after the on-site audit and submission of the Draft Verification Report; IS-04a. The appeals process is available on request or on the website on [www.integra-scores.biz](http://www.integra-scores.biz) (available after accreditation) and this is guided through Management Policy; IS-M6. The Measured Entity has a week to lodge an appeal from either the date of the IS-03d Non Conformance form or the date of the draft report respectively.

**INTEGRA SCORES** ensures that at all times appeals and complaints are dealt with timeously, objectively and sensitively. If there is a need to re-issue the certificate this will be done in accordance with the IS-05 policy on re-issue which is also detailed below.

## 10. THE CONFIDENTIALITY COMMITMENT

The Measured Entity and **INTEGRA SCORES** will sign a Non-Disclosure Agreement (IS – 02c). Based on this document, neither party may release any non-disclosable information without the prior consent of the other party.

**INTEGRA SCORES** is required to release the verification score of the Measured Entity to the DTI and a copy of the certificate. The SANAS R-47 document stipulates that ownership of the certificate remain with the certifying agency. **INTEGRA SCORES** may also be required to release certain information related to the verification process as required from time- to-time. However the release of such information as it pertains to the verification of the Measured Entity will be communicated in writing to the Measured Entity within a reasonable timeframe of the request being received by **INTEGRA SCORES**.

All other information related to the verification of the Measured Entity will remain strictly confidential. In this regard, all staff of **INTEGRA SCORES** have undertaken to sign a confidentiality agreement; IS-M2a and **INTEGRA SCORES** has a policy dealing with the confidentiality and storage of documents in the IS-M5 document.

## 11. THE TIME-FRAME FOR VERIFICATION PROCESS

**INTEGRA SCORES** has set out the approximate timeframe for the verification of Measured Entities in the Verification Process Flow Diagram attached. The times indicated on the diagram are illustrative values only and rely on the Measured Entity returning information in a timeous manner. **INTEGRA SCORES** requires that the verification is completed within 6 weeks from signing acceptance of the engagement to certification. Any delays on the part of the client to extend this period may be subject to extra charge on at an hourly rate at the discretion of the **INTEGRA SCORES** directors.

**INTEGRA SCORES** undertakes to adhere to the time-frames provided for in IS – 02a. Where **INTEGRA SCORES** anticipates any delay as a result of **INTEGRA SCORES**, such delays will be communicated in writing to the Measured Entity in a formal letter using IS-M1a. This letter will indicate the anticipated delay, the reason for the delay, and a proposed plan for addressing the delay.

## 12. THE USE OF THE VERIFICATION LOGO

**INTEGRA SCORES** has a company policy document which regulates the use of its Verification Logo and Verification Stamp of Approval (IS – A5). For further information on **INTEGRA SCORES'** policy with regard to the use of its logo please refer to [www.integrascorcs.co.za](http://www.integrascorcs.co.za).

## 13. THE PROCESS FOR REISSUE OF CERTIFICATES

A certificate may need to be reissued relating to an error on the part of the Measured Entity such as that evidenced through misuse and handled through the IS-A5 policy, or through error on the part of IS as evidenced through the Appeals and Complaints process IS-M6, or through Special Evaluations IS-A3. The relevant procedures to follow will be detailed in the respective policy and the core process still needs to be adhered to, but the process for withdrawal and reissue is stated here;

- The Measured Entity needs to be contacted on the IS-M1a to state the reason for the withdrawal of the certificate and requiring the return of the hard copy certificate within 24 hours of notification.
- If there is a change in score then the Measured Entity need to issue a public statement about this either on their website or through proof of letters sent to stakeholders informing them of the same and sending proof of this communication through to IS. This needs to be done within a week of the withdrawal.
- If there is a change to the certificate but the total score, the score against each element and other related issues such as % BEE shareholding, Value Adding Status and general level of entity remain the same then there is no need to inform clients but the withdrawal and renewal process must still happen as per the procedure.
- IS will then generate a new certificate with a new number but with the same date of expiry and a reference under the new reference number on the certificate to the fact that it is a re-issue by checking the 'yes' check box and to cross reference the certificate with the old certificate number by filling original number out in the 'cross reference' section.
- The final report will also cross reference the original certificate number in the numbers section.