ACCOUNTING STANDARDS BOARD

STANDARD OF GENERALLY RECOGNISED ACCOUNTING PRACTICE

PRESENTATION OF BUDGET INFORMATION IN FINANCIAL STATEMENTS

(GRAP 24)

Issued by the
Accounting Standards Board

November 2007

Acknowledgement

The Standard of Generally Recognised Accounting Practice (GRAP) on *Presentation of Budget Information in Financial Statements* is based on the International Public Sector Accounting Standard (IPSAS) 24 on *Presentation of Budget Information in Financial Statements* from the *Handbook of International Public Sector Accounting Pronouncements* of the International Public Sector Accounting Standards Board (IPSASB), published by the International Federation of Accountants (IFAC) and is used with the permission of the IFAC.

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International Federation of Accountants

529 Fifth Avenue, 6th Floor

New York, New York 10017 USA

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Contents

Standard of Generally Recognised Accounting Practice

Presentation of Budget Information in Financial Statements

GRAP 24

PRESENTATION OF BUDGET INFORMATION IN FINANCIAL STATEMENTS

This Standard was originally issued by the Accounting Standards Board (the Board) in November 2007. Since then, it has been amended by:

- Improvements to the Standards of GRAP, issued by the Board in November 2013.
- Improvements to the Standards of GRAP, issued by the Board in March 2020.

Introduction

This pronouncement is set out in paragraphs .01 to .54A. All paragraphs in this pronouncement have equal authority. The status and authority of appendices are dealt with in the preamble to each appendix. This pronouncement should be read in the context of its objective, its basis for conclusions and/or the basis for conclusions of its international equivalent, if applicable, the *Preface to the Standards of GRAP* and the *Framework for the Preparation and Presentation of Financial Statements*[1].

Standards of GRAP and Interpretations of the Standards of GRAP should also be read in conjunction with any directives issued by the Board prescribing transitional provisions, as well as any regulations issued by the Minister of Finance regarding the effective dates of the Standards, published in the Government Gazette.

Directives should be read in conjunction with the applicable Standards of GRAP and Interpretations of the Standards of GRAP.

[1] In June 2017, the Board replaced the *Framework for the Preparation and Presentation of Financial Statements* with the *Conceptual Framework for General Purpose Financial Reporting*.

Objective

.01 This Standard requires a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. This Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts. Compliance with the requirements of this Standard will ensure that entities discharge their accountability obligations and enhance the transparency of their financial statements by demonstrating compliance with the approved budget(s) for which they are held publicly accountable and, where the budget(s) and the financial statements are prepared on the same basis, their financial performance in achieving the budgeted results.

Scope

.02 An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard.

.03 This Standard applies to entities that are required or elect to make publicly available their approved budget(s).

.04 For purposes of this Standard, budgets are made publicly available when they have been approved, and made available to the public at large by tabling in Parliament, legislatures or municipal councils. This Standard does not require approved budgets to be made publicly available, nor does it require that the financial statements disclose information about, or make comparisons with, approved budgets that are not made publicly available.

.05 In some cases, approved budgets will be compiled to encompass all the activities controlled by an entity. In other cases, separate approved budgets may be required to be made publicly available for certain activities, groups of activities or entities included in the financial statements of an entity. This may occur where, for example, an entity's financial statements encompass entities or programmes that have operational autonomy and prepare their own budgets, or where a budget is prepared only for the general government sector of the whole-of-government. This Standard applies to all entities that present financial statements when approved budgets for the entity, or components thereof, are made publicly available.

Definitions

.06 The following terms are used in this Standard with the meanings specified:

***Accounting basis** means the accrual or cash basis of accounting*.

Annual budget ***means an approved budget for one year. It does not include published forward estimates or projections for periods beyond the budget period.***

Appropriation ***is an authorisation granted by Parliament, the legislatures, municipal councils or other relevant authority approving the budget to allocate funds for purposes specified by the relevant authority.***

Approved budget ***means the expenditure authority derived from laws, appropriation bills, regulations and other decisions related to the anticipated revenue or receipts for the budgetary period.***

Budgetary basis ***means the accrual, cash or other basis of accounting adopted in the budget approved by the legislative body.***

Cash basis ***means a basis of accounting that recognises transactions and other events only when cash is received or paid.***

Comparable basis ***means the actual amounts presented on the same accounting basis, same classification basis, for the same entities and for the same period as the approved budget.***

Final budget ***is the approved budget adjusted for transfers, allocations, supplemental appropriations, and other changes applicable to the budget period.***

Multi-year budget ***is an approved budget for more than one year. It does not include published forward estimates or projections for periods beyond the budget period.***

Terms defined in other Standards of GRAP are used in this Standard with the same meaning as in those other Standards.

Approved and final budgets

.07 An approved budget as defined by this Standard reflects the anticipated revenues or receipts expected to arise in the annual or multi-year budget period based on current plans and the anticipated economic conditions during that budget period, and expenses or expenditures approved by a legislative body, being Parliament, the legislatures, municipal councils or other relevant authority. An approved budget is not a forward estimate or a projection based on assumptions about future events and possible management actions that are not necessarily expected to take place. Similarly, an approved budget differs from prospective financial information, which may be in the form of a forecast, a projection or a combination of both — for example, a one year forecast plus a five year projection.

.08 In some instances, budgets may be signed into law as part of the approval process. In other instances, approval may be provided without the budget becoming law. Whatever the approval process, the critical feature of approved budgets is that the authority to withdraw funds from the government treasury or similar body for agreed and identified purposes is provided by Parliament, the legislatures, municipal councils or other relevant authority responsible for approving the budget. The approved budget establishes the expenditure authority for the specified items. The expenditure authority is generally considered the legal limit within which an entity must operate. An entity may be held accountable for the revised budget, which may have been approved by Parliament, the legislatures, municipal council or other relevant authority during the year, or the final budget.

.09 Entities, through the budget process are appropriated funds by Parliament, the legislatures, municipal councils or other relevant authority, which funds are to be spent in accordance with certain priorities. The budget for a financial year is usually approved before the start of that financial year or, in exceptional circumstances, on a date as soon as possible after the start of that financial year. Subsequent to this initial budget being approved, it might become necessary to revise the initial estimates of revenue and expenditure due to increased collection of revenue, unforeseen and unavoidable expenditure being incurred, the reallocation of funds between activities or types of expenses, the, use of savings generated, or the roll-over of unspent funds from prior years. These revised budgets (often called adjustment budgets or adjustment estimates) are usually required by legislation to be approved again by Parliament, the legislatures, municipal councils or other relevant authority responsible for the approval of the budget. The most recent budget approved by Parliament, the legislatures, municipal councils or other relevant authority is the approved budget for purposes of this Standard.

.10 Entities may be allowed, by legislation, to make certain changes to the budget after it was previously approved by Parliament, the legislatures, municipal councils or other relevant authority. For example, some entities may be allowed to reallocate funds between programmes subject to limitations in legislation. These changes to the approved budget may in some instances not be formally approved again by Parliament, the legislatures, municipal councils or other relevant authority. The final budget, for purposes of this Standard, is the most recently approved budget, adjusted for changes made to the budget by the entity, approved by the relevant authority. Where entities are required to have the budget(s) approved again for any subsequent adjustments, the most recently approved budget becomes the final budget for purposes of this Standard.

Actual amounts

.11 This Standard uses the term “actual” or “actual amount” to describe the amounts that result from execution of the budget. “Budget out-turn”, “budget execution” or similar terms may be used with the same meaning as “actual” or “actual amount”.

Presentation of a comparison of budget and actual amounts

.12 Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

(a) the approved and final budget amounts;

(b) the actual amounts on a comparable basis; and

(c) by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

.13 Presentation in the financial statements of the approved and final budget amounts and actual amounts on a comparable basis with the budget that is made publicly available will complete the accountability cycle by enabling users of the financial statements to identify whether resources were obtained and used in accordance with the approved budget. Differences between the actual amounts and the budget amounts, whether approved or final budget (often referred to as the “variance” in accounting), may also be presented in the financial statements for completeness.

.14 An explanation of the material differences between actual amounts and the budget amounts will assist users in understanding the reasons for material departures from the approved budget for which the entity is held publicly accountable.

.15 An entity may be required, or may elect, to make publicly available its approved budget, its final budget or both its approved and final budget. In circumstances where both approved and final budget are required to be made publicly available, the legislation, regulation or other relevant authority will often provide guidance on whether explanation of material differences between the actual and the approved budget amounts or actual and the final budget amounts is required in accordance with paragraph .12(c). In the absence of any such guidance, material differences may be determined by reference to, for example, differences between actual and approved budget to focus on performance against the approved budget, or differences between actual and final budget to focus on compliance with the final budget.

.16 In many cases, the final budget and the actual amount will be the same. This is because budget execution is monitored over the reporting period, and the approved budget progressively revised to reflect changing conditions, changing circumstances and experiences during the reporting period. Paragraph .27 requires the disclosure of an explanation of the reasons for changes between the approved and final budget. Those disclosures, together with the disclosures required by paragraph .12, will ensure that entities that make publicly available their approved budget(s) are held publicly accountable for their performance against, and compliance with, the relevant approved budget.

.17 Management discussion and analysis, operations review or other public reports that provide commentary on the performance and achievements of the entity during the reporting period, including explanations of any material differences from budget amounts, are often issued in conjunction with the financial statements. In accordance with paragraph .12(c), explanation of material differences between actual and budget amounts will be included in notes to the financial statements unless included in other public reports or documents issued in conjunction with the financial statements, and the notes to the financial statements identify the reports or documents in which the explanation can be found.

.18 Where approved budgets are only made publicly available for some of the entities or activities included in the financial statements, the requirements of paragraph .12 will apply to only the entities or activities reflected in the approved budget. This means that where, for example, a budget is prepared only for the general government sector of a whole-of-government reporting entity, the disclosures required by paragraph .12 will be made only in respect of the general government sector of the government.

Presentation and disclosure

.19 An entity shall present a comparison of budget and actual amounts as additional budget columns in the financial statements only where the financial statements and the budget are prepared on a comparable basis.

.20 Comparisons of budget and actual amounts may be presented in a separate financial statement ("statement of comparison of budget and actual amounts" or a similarly titled statement) included in the complete set of financial statements as specified in the Standard of GRAP on *Presentation of Financial Statements* (GRAP 1). Alternatively, where the financial statements and the budget are prepared on a comparable basis – that is, on the same basis of accounting for the same entity and reporting period, and adopt the same classification structure – additional columns may be added to the face of the financial statements presented in accordance with Standards of GRAP. These additional columns will identify approved and final budget amounts and, if the entity so chooses, differences between the budget and actual amounts.

.21 When the budget and financial statements are not prepared on a comparable basis, a separate statement of comparison of budget and actual amounts is presented. In these cases, to ensure that readers do not misinterpret financial information that is prepared on different bases, the financial statements could usefully clarify that the budget and the accounting bases differ and the statement of comparison of budget and actual amounts is prepared on the budget basis.

.22 Where budgets are prepared on the accrual basis and encompass the full set of financial statements, additional budget columns can be added to the face of the financial statements required by Standards of GRAP. In some cases, budgets prepared on the accrual basis may be presented in the form of only certain of the financial statements that comprise the full set of financial statements as specified by Standards of GRAP – for example, the budget may be presented as a statement of financial performance or a cash flow statement, with additional information provided in supporting schedules. In these cases, the additional budget columns can be included on the face of the financial statements that are also adopted for presentation of the budget. Determining the extent of comparison involves professional judgement. That judgement is applied in the context of the objective of this Standard and the qualitative characteristics of financial reporting as outlined in paragraph .25 and the *Framework for the Preparation and Presentation of Financial Statements*[2].

Level of aggregation

.23 Budget documents may provide great detail about particular activities, programmes or entities. These details are often aggregated into broad classes under common "budget classifications", or "budget headings" for presentation to, and approval by, Parliament, the legislatures, municipal councils or other relevant authority responsible for approving the budget. The disclosure of budget and actual information consistent with those broad classes and budget classifications or headings will ensure that comparisons are made at the relevant level of oversight set by Parliament, the legislatures, municipal councils, or other relevant authority approving the budget, and identified in the budget documents.

.24 The Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* requires financial statements to provide information that meets a number of qualitative characteristics, including that the information is:

(a) relevant to the decision-making needs of users; and

(b) reliable in that the financial statements:

(i) represent faithfully the financial position, financial performance and cash flows of the entity;

(ii) reflect the economic substance of transactions, other events and conditions and not merely the legal form;

(iii) are neutral, that is, free from bias;

(iv) are prudent; and

(v) are complete in all material respects.

[2] In June 2017, the Board replaced the *Framework for the Preparation and Presentation of Financial Statements* with the *Conceptual Framework for General Purpose Financial Reporting*.

.25 In some cases, the detailed financial information included in approved budgets may need to be aggregated for presentation in financial statements in accordance with the requirements of this Standard. Such aggregation may be necessary to avoid information overload and to reflect relevant levels of oversight by Parliament, the legislatures, the municipal councils, or other relevant authority approving the budget. Determining the level of aggregation will involve professional judgement. That judgement will be applied in the context of the objective of this Standard and the qualitative characteristics of financial reporting as outlined in paragraph .24 and the *Framework for the Preparation and Presentation of Financial Statements*[2].

.26 Additional budget information, including information about performance, may be presented in documents other than financial statements. A cross-reference from financial statements to such documents is encouraged, particularly to link budget and actual data to non-financial budget data and performance achievements.

Changes from approved to final budget

.27 An entity shall present an explanation of whether changes between the approved and final budget are a consequence of reallocations within the budget, or of other factors:

(a) by way of note disclosure in the financial statements; or

(b) in a report issued before, at the same time as, or in conjunction with the financial statements, and shall include a cross reference to the report in the notes to the financial statements.

.28 The final budget includes all changes made by the entity subsequent to the budget being approved by Parliament, the legislatures, municipal councils or other relevant authority. Consistent with the requirements of this Standard, an entity will include in the notes to the financial statements or in a separate report issued before, in conjunction with or at the same time as the financial statements, an explanation of changes between the approved and final budget. That explanation will include whether, for example, changes arise as a consequence of reallocations within the approved budget parameters or as a consequence of other factors, such as changes in the overall budget parameters. Such disclosures are often made in a management discussion and analysis or similar report on operations issued in conjunction with, but not as part of, the financial statements. Such disclosures may also be included in reports issued by entities to report on budget execution. Where disclosures are made in separate reports rather than in the financial statements, the notes to the financial statements will include a cross reference to the reports.

.29 Legislation, regulations or other relevant authorities may require entities to present additional budget comparisons or explain all material changes made to the budget during the year. In these cases, legislation, regulation or other relevant authority will provide specific guidance on the form and content of such additional comparisons.

Comparable basis

.30 All comparisons of budget and actual amounts shall be presented on a comparable basis to the budget.

.31 The comparison of budget and actual amounts will be presented on the same accounting basis (accrual, cash or other basis), same classification basis and for the same entities and period as for the approved budget. This will ensure that the disclosure of information about compliance with the budget in the financial statements is on the same basis as the budget itself. In some cases, this may mean presenting a budget and actual comparison on a different basis of accounting, for a different group of activities, and with a different presentation or classification format than that adopted for the financial statements.

.32 Financial statements consolidate entities and activities controlled by the entity. As noted in paragraph .05, separate budgets may be approved and made publicly available for individual entities or particular activities that make up the consolidated financial statements. Where this occurs, the separate budgets may be recompiled for presentation in the financial statements in accordance with the requirements of this Standard. Where such recompilation occurs, it will not involve changes or revisions to approved budgets. This is because this Standard requires a comparison of actual amounts with the approved or final budget amounts.

.33 Entities may adopt different bases of accounting for the preparation of their financial statements and for their approved budgets. For example, an entity may adopt the accrual basis for its financial statements and the cash basis for its budgets. In addition, budgets may focus on, or include, information about commitments to expend funds in the future, and changes to those commitments, while the financial statements will report assets, liabilities, net assets, revenues, expenses, other changes in net assets and cash flows. However, the budget entity and financial reporting entity will often be the same. Similarly, the period for which the budget is prepared and the classification basis adopted for the budget will often be reflected in financial statements. This will ensure that the accounting system records and reports financial information in a manner that facilitates the comparison of budget and actual data for management and for accountability purposes – for example, for monitoring progress of execution of the budget during the budget period, and for reporting to the government, the public and other users on a relevant and timely basis.

.34 Budgets may be prepared on a cash or accrual basis consistent with a statistical reporting system that encompasses entities and activities different from those included in the financial statements. For example, budgets prepared to comply with a statistical reporting system may focus on the general government sector and encompass only entities fulfilling the “primary” or “non-market” functions of government as their major activity, while financial statements report on all activities controlled by a government, including the business activities of the government. The International Public Sector Accounting Standard on *Disclosure of Financial Information about the General*

Government Sector (IPSAS 22) specifies requirements for note disclosure of financial information about the general government sector of a whole-of-government entity that adopts the accrual basis of accounting and elects to make such disclosures. In many cases, disclosures made in accordance with IPSAS 22 will encompass the same entities, activities and classification bases as adopted in budgets prepared consistent with the general government sector as defined in statistical reporting models. In these cases, disclosures made in accordance with IPSAS 22 will also facilitate the disclosures required by this Standard.

.35 In statistical reporting models, the general government sector may comprise national, provincial and local government levels. The national government may control provincial and local governments, consolidate those governments in its financial statements and develop, and require to be made publicly available, an approved budget that encompasses all three levels of government. In these cases, the requirements of this Standard will apply to the financial statements of those national governmental entities. Where a national government does not control provincial or local governments, its financial statements will not consolidate provincial or local governments. Rather, separate financial statements are prepared for each level of government. The requirements of this Standard will only apply to the financial statements of entities when approved budgets for the entities and activities they control, or subsections thereof, are made publicly available.

Multi-year budgets

.36 Some entities approve multi-year budgets, rather than separate annual budgets. Conventionally, multi-year budgets comprise a series of annual budgets or annual budget targets. The approved budget for each component annual period reflects the application of the budgetary policies associated with the multi-year budget for that component period. In some cases, the multi-year budget provides for a roll-over of unused appropriations in any single year.

.37 Entities with multi-year budgets may take different approaches to determining their original and final budget, depending on how their budget is passed. Where multi-period budgets are adopted, entities are encouraged to provide additional note disclosure about the relationship between budget and actual amounts during the budget period.

Note disclosures of budgetary basis, period and scope

.38 An entity shall explain in notes to the financial statements the budgetary basis and classification basis adopted in the approved budget.

.39 There may be differences between the accounting basis (cash, accrual or some modification thereof) used in preparation and presentation of a budget and the accounting basis used in the financial statements. These differences may occur when the accounting system and the budget system compile information from different perspectives — the budget may focus on cash flows, or cash flows plus certain commitments, while the financial statements report cash flows and accrual information.

.40 Formats and classification schemes adopted for presentation of the approved budget may also differ from the formats adopted for the financial statements. An approved budget may classify items on the same basis as is adopted in the financial statements, for example, by economic nature (compensation of employees, use of goods or services, etc.), or function (health, education, etc.). Alternatively, the budget may classify items by specific programmes (for example, poverty reduction or control of contagious diseases) or programme components linked to performance outcome objectives (for example, students graduating from tertiary education programmes or surgical operations performed by hospital emergency services), which differ from classifications adopted in the financial statements. Further, a recurrent budget for ongoing operations (for example, education or health) may be approved separately from a capital budget for capital outlays (for example, infrastructure or buildings).

.41 GRAP 1 requires entities to present, in notes to the financial statements, information about the basis of preparation of the financial statements and the significant accounting policies adopted. Disclosure of the budgetary basis and classification basis adopted for the preparation and presentation of approved budgets will assist users to understand better the relationship between the budget and accounting information disclosed in the financial statements.

.42 An entity shall disclose in notes to the financial statements the period of the approved budget.

.43 Financial statements are presented at least annually. Entities may approve budgets for an annual period or for multi-year periods. Disclosure of the period covered by the approved budget, where that period differs from the reporting period adopted for the financial statements, will assist the users of those financial statements to understand better the relationship of the budget data and budget comparison to the financial statements. Disclosure of the period covered by the approved budget, where that period is the same as the period covered by the financial statements, will also serve a useful confirmatory role, particularly where interim budgets and financial statements and reports are also prepared.

.44 An entity shall identify in notes to the financial statements the entities included in the approved budget.

.45 The Standards of GRAP require entities to prepare and present financial statements that consolidate all resources controlled by the entity. Financial statements prepared in accordance with Standards of GRAP will encompass budget-dependent entities and Government Business Enterprises (GBEs) controlled by the entity. However, as noted in paragraph .34, approved budgets prepared in accordance with statistical reporting models may not encompass operations of the government that are undertaken on a commercial or market basis. Consistent with the requirements of paragraph .30, budget and actual amounts will be presented on a comparable basis. Disclosure of the entities encompassed by the budget will enable users to identify the extent to which the entity's activities are subject to an approved budget, and how the budget entity differs from the entity reflected in the financial statements.

Reconciliation of actual amounts on a comparable basis and actual amounts in the financial statements

.46 The actual amounts presented on a comparable basis to the budget in accordance with paragraph .30 shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the following actual amounts presented in the financial statements, identifying separately any basis, timing and entity differences:

(a) if the accrual basis is adopted for the budget, total revenues, total expenses and net cash flows from operating activities, investing activities and financing activities; or

(b) if a basis other than the accrual basis is adopted for the budget, net cash flows from operating activities, investing activities and financing activities.

The reconciliation shall be disclosed on the face of the statement of comparison of budget and actual amounts or in the notes to the financial statements.

.47 Differences between the actual amounts identified consistent with the comparable basis and the actual amounts recognised in the financial statements can usefully be classified into the following:

(a) basis differences, which occur when the approved budget is prepared on a basis other than the accounting basis. For example, where the budget is prepared on the cash basis or modified cash basis and the financial statements are prepared on the accrual basis;

(b) timing differences, which occur when the budget period differs from the reporting period reflected in the financial statements; and

(c) entity differences, which occur when the budget omits programmes or entities that are part of the entity for which the financial statements are prepared.

There may also be differences in formats and classification schemes adopted for presentation of financial statements and the budget.

.48 The reconciliation required by paragraph .46 will enable the entity to discharge better its accountability obligations by identifying major sources of difference between the actual amounts on a budget basis and the amounts recognised in the financial statements. This Standard does not preclude reconciliation of each major total and subtotal, or each class of items, presented in a comparison of budget and actual amounts with the equivalent amounts in the financial statements.

.49 For some entities adopting the same basis of accounting for preparation of both the budget documents and the financial statements, only the identification of differences between actual amounts in the budget and the equivalent amounts in the financial statements will be required. This will occur where the budget is prepared for the same period, encompasses the same entities and adopts the same presentation format as the financial statements. In these cases, a reconciliation is not required. For other entities adopting the same basis of accounting for the budget and the financial statements, there may be a difference in presentation format, reporting entity or reporting period – for example, the approved budget may adopt a different classification or presentation format to the financial statements, may include only non-commercial activities of the entity, or may be a multi-year budget. A reconciliation would be necessary where there are presentation, timing or entity differences between the budget and the financial statements prepared on the same accounting basis.

.50 For those entities using the cash basis (or a modified cash or modified accrual basis) of accounting for the presentation of the approved budget and the accrual basis for their financial statements, the major totals presented in the statement of budget and actual comparison will be reconciled to net cash flows from operating activities, net cash flows from investing activities, and net cash flows from financing activities as presented in the cash flow statement prepared in accordance with the Standard of GRAP on *Cash Flow Statements*.

.51 The disclosure of comparative information in respect of the previous period in accordance with the requirements of this Standard is not required.

.52 This Standard requires a comparison of budget and actual amounts to be included in the financial statements of entities that make publicly available their approved budget(s). It does not require the disclosure of a comparison of actuals of the previous period with the budget of that previous period, nor does it require that the related explanations of differences between the actuals and budget of that previous period be disclosed in the financial statements of the current period.

Effective date

Initial adoption of the Standards of GRAP

.53 This Standard becomes effective for annual financial statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1)(a) of the Public Finance Management Act, Act No. 1 of 1999, as amended.

Entities already applying Standards of GRAP

.54 An entity shall apply amendments to this Standard for annual financial statements covering periods beginning on or after 1 April 2015. Earlier application is encouraged. If an entity applies these amendments for a period beginning before 1 April 2015, it shall disclose that fact.

.54A Paragraphs .19, .20 and .22 were amended by the Improvements to the Standards of GRAP (2020) issued March 2020. These amendments are effective

for annual periods beginning on or after 1 April 2023. An entity shall apply these amendments retrospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Basis for conclusions

This basis for conclusions gives the Accounting Standards Board's (the Board's) reasons for accepting or rejecting certain proposals related to the presentation of budget information in financial statements. This basis for conclusions accompanies, but is not part of, this Standard.

BC1. GRAP 1 explains that the purpose of financial statements encompasses the disclosure of information to discharge the entity's obligation to be accountable for such matters as its financial position, performance and cash flows and to provide information useful to assess its performance in terms of its service costs, efficiency and accomplishments. It also notes that financial reporting may provide users with information about an entity's compliance with, for example, the legally adopted budget.

BC2. Prior to the issue of this Standard, GRAP 1 required financial statements to include a comparison of budget and actual amounts where the financial statements and the budget are prepared on the same basis. It also provided guidance in cases where entities prepared and presented the budget on a different basis to the financial statements.

BC3. The International Public Sector Accounting Standard on *Presentation of Budget Information in Financial Statements* (IPSAS 24) requires a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s), and for which they are, therefore, held publicly accountable.

BC4. In addition, IPSAS 24 requires a comparison to be made between the original and final budget, along with the reasons why changes were made to the original budget. This Standard deviates from IPSAS 24 in that this Standard requires a comparison between the approved and the final budgets rather than the original and final budgets.

BC5. In the South African public sector, entities are required to approve their annual budgets prior to the start of the financial year. This process typically involves approval being obtained by Parliament, a provincial legislature, municipal council or other relevant authority. During the course of the year, those originally approved budgets are revised for supplemental appropriations granted to entities, the roll-over of funds from prior years, the reallocation of funds between programmes and activities and a variety of other reasons. These revised budgets are again approved by the relevant authority, i.e. Parliament, the legislatures, municipal council or other relevant authority. The process of revising and approving these budgets during the year is usually a public process. Reasons for revising the budget are often fully explained in documents made publicly available.

BC6. After the original budgets have been revised and again approved, certain entities may still make changes to the budget within the parameters of the budget approved by the relevant authority. This budget becomes the final budget in terms of this Standard. For example, an entity may make reallocations between various line items, activities or programmes within its budget. The nature and extent to which entities are permitted to make these changes is specified in legislation. These revisions made by the entity to the budget, do not necessarily follow any public due process. As a result, it is more important for users of the financial statements to understand the rationale behind again revising the budget approved by the relevant authority.

BC7. Some entities are required to have all revisions to the budget approved by the relevant authority. In these instances, the approved budget is essentially the final budget for purposes of this Standard. Legislation, regulation or other authority may, however, require that entities present additional comparisons and explanations in the financial statements.

Comparison with the International Public Sector Accounting Standard on *Presentation of Budget Information in Financial Statements* (December 2006)

This Standard is drawn primarily from IPSAS 24*.* The main differences between this Standard and IPSAS 24 are as follows:

- The scope of this Standard is different to IPSAS 24 in that GBEs are defined differently.
- Certain budget-related terminology has been made South African public sector specific, for example, “carry over amounts” has been replaced with ‘roll-overs’.
- The example and guidance in respect of biennial budgets have been deleted as they are not relevant to the South African environment.
- The guidance on how to identify the amounts that are attributable to each annual period, where the budget amounts are not specifically separated, has been deleted.
- This Standard uses terminology different to IPSAS 24 in certain instances to adapt to the South African public sector environment, for example, “legislative or oversight body” has been replaced by “Parliament, the legislatures, the municipal councils or other relevant authority approving the budget”.
- The definition of “original budget” has been deleted because a comparison is only required between the approved budget and final budget.
- A comparison is required between the approved budget and the final budget, rather than the original and the final budget.
- Commentary has been amended to explain approved and final budget in the South African context.
- Commentary has been included to explain “publicly available”.