



**ANALYSIS AND RESPONSES TO VERBAL  
COMMENT RECEIVED ON TAKING STOCK: ASB's  
WORK PROGRAMME FOR 2024 TO 2026  
(ED 194)**

**RESPONSES TO THE VERBAL COMMENT RECEIVED ON *TAKING STOCK: ASB WORK PROGRAMME FOR 2024 TO 2026* (ED 194)**

The Accounting Standards Board (Board) approved an Exposure Draft of the ASB’s proposed work programme for 2024 to 2026 (ED 194). A notice was published in the Government Gazette on 9 October 2021 (Notice 45275). The comment period closed on 18 March 2022.

The proposed work programme was discussed with preparers, auditors, consultants and other interested parties by way of roundtable discussions, workshops and other meetings. Verbal responses are summarised in this document.

**CLASSIFICATION OF VERBAL COMMENT RECEIVED ON *TAKING STOCK: ASB WORK PROGRAMME FOR 2024 TO 2026* (ED 194)**

<b>No.</b>	<b>Name/Organisation</b>	<b>Preparers</b>	<b>Users</b>	<b>Auditors</b>	<b>Other interested parties</b>
1.	Public Sector Accounting Forum	X		X	X
2.	Office of the Accountant-General		X		X
3.	South African Local Government Association (SALGA)(Head Office)	X			X
4.	SALGA (Provinces)	X			X
5.	Roundtable discussions (Public entities)	X		X	
6.	Roundtable discussions (Municipalities)	X		X	
7.	Roundtable discussions (Auditors, firms, technical specialists)	X		X	X

No.	Comment	Secretariat’s proposed response
1.	<b>Public Sector Accounting Forum</b>	
1.1	Members supported the projects proposed for international convergence. It was noted that both social benefits and transfer expenses are important. In particular, transfer expenses are pervasive in the sector and guidance is needed.	Noted. No action required.
1.2	Members indicated that the adoption of Standards of GRAP could be promoted through incremental changes to the Modified Cash Standard.	Noted. This will be shared with the National Treasury.
1.3	Members observed that entities frequently only start considering new Standards just before the date on which they are due to comply with the changes. For example, municipalities will review new requirements in July, when the financial statements are due in August. The ASB could work on “piloting” the implementation of the Standards before their effective date.	Noted. For the first time, the ASB is hosting a “Reference Group” for the adoption of Standards of GRAP. The purpose of the reference group is to discuss application issues in advance of the adoption of the Standard. If this process is successful, it could be rolled to other Standards.
1.3	<p>Members indicated that the following Standards of GRAP or issues should be reviewed:</p> <ul style="list-style-type: none"> <li>• GRAP 109 on <i>Accounting by Principals and Agents</i>.</li> <li>• GRAP 108 on <i>Statutory Receivables</i>. In addition, review the interaction of GRAP 108 and GRAP 109.</li> <li>• Review the measurement of debtors (specifically impairment).</li> <li>• Review the treatment of VAT receivables.</li> <li>• Review the treatment of availability charges in the cash flow statement.</li> <li>• GRAP 110 on <i>Living and Non-living Resources</i>.</li> <li>• GRAP 18 on <i>Segment Reporting</i>.</li> </ul>	<ul style="list-style-type: none"> <li>• GRAP 109 will be reviewed in 2022/23.</li> <li>• As GRAP 108 is a recently adopted, local Standard, a post-implementation review of GRAP 108 may be appropriate.</li> <li>• The Reference Group for GRAP 104 will provide guidance on these matters.</li> <li>• This is outside the scope of the Standards, and will be communicated to the OAG.</li> <li>• Availability charges have been addressed by the OAG.</li> <li>• A limited number of respondents identified GRAP 110 for review.</li> </ul>

	<ul style="list-style-type: none"> <li>The presentation of information on errors (correction of errors). It was observed that a large volume of information is disclosed that is not useful.</li> </ul>	<ul style="list-style-type: none"> <li>As GRAP 18 is new, and a number of issues identified in practice, this Standard is suitable for a desktop review.</li> <li>Noted. Awareness of this issue was raised in the context of applying materiality. This issue will be considered again in future in the ASB’s future communication activities.</li> </ul>
1.4	<p>On the emerging issues, members noted the following:</p> <ul style="list-style-type: none"> <li>Sustainability reporting – Wait to see what happens at the ISSB and or IPSASB.</li> <li>Disclosures on employee costs – Agree that this may be helpful for municipalities and departments. It was also noted that bonuses paid during COVID-19 may also be relevant.</li> <li>Reporting Framework – Agree that the document would be helpful. It should also include universities and traditional authorities.</li> </ul>	<p>Noted. The Secretariat will monitor the international project and provide input where needed. The needs locally will be assessed. The support for the other two projects is noted.</p>
<b>2.</b>	<b>Office of the Accountant-General (including MFMA Unit)</b>	
2.1	<p>The projects on social benefits and transfer expenses were supported. It was noted that transfers are pervasive in government. From an expenditure perspective, several issues have been raised about their accounting treatment and classification. The issues are as follows:</p> <ul style="list-style-type: none"> <li>There has been abuse in the classification of payments to other entities as “transfer expenses” rather than “payments for goods and services”.</li> <li>This abuse is because entities are not required to follow procurement processes for transfers, and the reporting related to transfers is less stringent.</li> </ul>	<p>Noted. These issues will, in part, be considered in the transfer expenses project.</p>
2.2	<p>The following issues were noted as requiring the ASB’s attention:</p> <ul style="list-style-type: none"> <li>The application of substance over form.</li> </ul>	<p>Noted.</p> <ul style="list-style-type: none"> <li>The ASB undertook several communication initiatives to raise awareness about substance over form.</li> </ul>

	<ul style="list-style-type: none"> <li>When or what international standards should be applied and from when.</li> </ul>	<ul style="list-style-type: none"> <li>A FAQ was recently issued on the status of international standards and will be updated annually.</li> </ul>
2.3	In terms of the adoption of Standards of GRAP by departments, it was noted that entities need appropriate systems to support accrual accounting. The OAG is considering how to incrementally implement additional accrual accounting principles into the MCS.	Noted. No action required.
2.4	<p>As the ASB Board and staff issue various documents, it was noted that there is a need to prepare a one-page document explaining what is issued and the status of each communication.</p> <p>The GRAP Update held in February 2022 was well received by stakeholders and should continue. More frequent sessions on short topics should be undertaken.</p>	<p>Noted. This information is on the ASB’s website. Awareness will be raised about it.</p> <p>Noted. A session was held in mid-May for the municipalities. These initiatives will be undertaken in future.</p>
2.5	It was noted that GRAP 23 on <i>Revenue from Non-exchange Transactions (Taxes and Transfers)</i> should be reviewed. Preparers have raised issues with the distinction between conditions and restrictions.	Based on feedback from respondents, the Board could undertake an “interim” step to reviewing GRAP 23 and GRAP 9 and revising Standards of GRAP to align with IPSAS. This will be to assess current issues with the application of the Standards, and assess how these may be resolved by the proposed new IPSAS(s) on revenue.
2.6	In terms of the emerging issues, it was noted that looking at climate related disclosures may be useful. It would be useful to discuss this project with the Department of Environmental Affairs and the Department of Monitoring and Evaluation.	Noted. The Secretariat will monitor the international projects of both the IPSASB and ISSB. The Department will be consulted as part of that process.
2.7	Linked to the discussion on “sustainability disclosures”, it was noted that it may be important to consider issues such as the state of infrastructure, and the sufficiency of repairs and maintenance on maintaining a sustainable infrastructure.	Noted. This relates to asset management and may be better suited to reporting outside the financial statements.
2.8	Regarding additional disclosure on employee-related costs, it was noted that it would be useful to engage with DPSA about potential information needs.	Noted. The DPSA will be consulted to understand what information is needed.

2.9	It was observed that there are a number of issues that may result in reporting outside the financial statements. There needs to be a framework in place explaining the reporting principles that would support reporting to a wide group of users.	Noted. The Conceptual Framework deals with both reporting within and outside the financial statements and sets out broad principles that can be applied to both.
2.10	It was noted that social media sites are not always accessible by government employees using government networks. This may limit the use of social media by government employees.	Noted. This will be checked with various stakeholders.
<b>3.</b>	<b>SALGA (Head Office)</b>	
3.1	Broad support expressed for the theme of the three-year work programme. The idea of ‘taking stock’ should however support the reporting to National Treasury and its various initiatives.	Noted. No action required.
3.2	During the last municipal audit cycle, the following issues emerged: <ul style="list-style-type: none"> <li>• Classification of availability charges.</li> <li>• Calculation of provisions.</li> <li>• Comparison of budget and actual information.</li> </ul>	Noted. <ul style="list-style-type: none"> <li>• The OAG issued guidance on availability charges.</li> <li>• The calculation of provisions is a practical issue that will be raised with the National Treasury.</li> <li>• The Review Report on the findings of the desktop review along with the Fact Sheet will be helpful for preparers to identify areas of improvement. A</li> </ul>
3.3	On communication, it was noted the ASB should try and reach non-technical staff (e.g. asset and operational managers, non-financial officials, etc.).	Noted. This will be considered in the ASB’s communication activities.
<b>4.</b>	<b>SALGA (Provincial Offices)</b>	
4.1	Convergence with international projects – It was noted that the revenue project is important as issues have been raised with the application of both Standards of GRAP on revenue. There was support for the project on measurement as this is a complex area at municipalities.	Noted. See the response to comment 2.5 above.
4.2	While no specific Standards of GRAP were identified for review, the following was noted:	Noted.

	<ul style="list-style-type: none"> <li>• There should be a “post-cycle debrief” of experiences in applying new or amended Standards.</li> <li>• Assets are still an issue. It is unclear if these are technical or practical issues. It may be useful to understand what the issues are and decide whether a review of the Standard(s) is necessary.</li> </ul>	<ul style="list-style-type: none"> <li>• This will be considered.</li> <li>• The Board reviewed the asset Standards on various occasions. Almost all the issues raised related to the practical implementation of the Standards that was deficient, in most part because of the lack of skill and capacity. The Board does not believe that another review will be helpful.</li> </ul>
4.3	<p>The following was noted regarding the proposed projects under “emerging issues”:</p> <ul style="list-style-type: none"> <li>• Climate issues and their reporting is becoming an issue for municipalities, for example, landfill sites, states of disaster (including failures of infrastructure). These are broad topics, but it may be useful to explore this with municipalities to understand the issues that may need to be addressed in the financial statements or in other reporting.</li> <li>• Compensation of employees and reporting additional information on benefits is not an issue. Reporting on whether entities are fully capacitated, with a skilled workforce is necessary. However, this is not within the ASB’s remit.</li> </ul>	Noted. See the response to comment 1.4 above.
4.4	<p>The following general issues were raised:</p> <ul style="list-style-type: none"> <li>• When new or amended Standards are issued, an “impact” statement should be issued explaining the potential effect of the Standard (or changes) to an entity’s accounting, policies, processes, etc. and how the information could be used.</li> <li>• There needs to be a better process of interpreting the Standards and resolving disputes.</li> <li>• There is inconsistent interpretation of the Standards by the auditors from one year to the next with no consequence for the auditors. These differing views means that entities are required to process</li> </ul>	<p>Noted.</p> <p>The development of this type of communication will be considered.</p> <p>The current dispute resolution mechanism is with the National Treasury and AGSA. This will be communicated to them.</p> <p>The potential inconsistent interpretation will be raised with the AGSA.</p>



	“errors” because the auditors have a different interpretation of the Standards. If the entities do not comply, they risk qualification.	
<b>5.</b>	<b>Roundtable discussion (public entities)</b>	
5.1	Gaps in the literature – Participants noted that accounting for social benefits needs to be addressed. More guidance is needed on principal-agent arrangements, specifically the accounting when a principal-agent arrangement exists. Questions were also raised about legal issues such as whether unfunded mandates are principal-agent arrangements and the correct VAT treatment.	Noted. The questions on principal-agent arrangements will be shared with the National Treasury.
5.2	Promote adoption of Standards of GRAP – Awareness needs to be raised about the consequences of not adopting accrual accounting, e.g. understating liabilities.	Noted. The benefits and consequences of not adopting Standards of GRAP will be shared with the relevant stakeholders.
5.3	Stakeholder engagement – Generally support was expressed for the communication activities and stakeholder engagement. It was noted that there needs to be “more people at the table”. It might be worthwhile to have smaller, focused discussions. For example, at specific provincial forums.	Noted. This will be considered in the ASB’s communication activities.
5.4	Reviews – The following topics were identified for potential review: <ul style="list-style-type: none"> <li>• Accounting policies, changes in estimates and errors – review practice and provide guidance is needed on the assessment (and changes) to useful lives of assets.</li> <li>• Leases – operating and financing leases.</li> <li>• Expenses – understanding current practice in classifying expenses as goods and services or transfer payments.</li> <li>• Distinguishing non-exchange and revenue.</li> </ul>	Noted. See the response to comment 1.3 and 2.5. Lease accounting will be replaced with the new IPSASs once phase 2 of their project is completed.
5.5	The following issues were noted with the application of the current Standards of GRAP: <ul style="list-style-type: none"> <li>• The classification of availability charges.</li> </ul>	Noted. These are practical application issues and will be shared with the National Treasury.

	<ul style="list-style-type: none"> <li>• Road functions at provinces and municipalities and whether it is a principal-agent arrangement.</li> <li>• Deferment arrangements, e.g. where debts owing between entities and Eskom are re-negotiated.</li> <li>• Accounting for VAT, VAT corrections (if prior period errors), VAT apportionments.</li> </ul>	
5.6	No specific comment were raised on the emerging issues proposed in ED 194 (other than the application issues noted above).	Noted. No action required.
5.7	As a general observation, it was noted that the impact of Standards should be better communicated.	Noted. This will be considered in the communication activities of the ASB.
<b>6.</b>	<b>Roundtable discussion (municipalities)</b>	
	<i>Gaps in existing literature</i>	
6.1	<p>Guidance is needed on various aspects related to principal-agent arrangements. This includes:</p> <ul style="list-style-type: none"> <li>• VAT in principal-agent arrangements.</li> <li>• It is unclear whether the following arrangements are principal-agent arrangements – library services, unfunded mandates.</li> <li>• Grants are provided in law, but may in fact be for services rendered rather than transfer payments, e.g. housing and library grants may be for services rendered. “Services” could be provided to 3<sup>rd</sup> parties, or to other levels of government. There may be a distinction in the accounting of functions depending on how they are “assigned”, i.e. through legislative or executive assignment, or delegation.</li> </ul>	Noted. Many of these are practical issues related to the application of GRAP 109. These will be communicated to the National Treasury.
6.2	Guidance is needed on non-living resources – Within a municipality’s demarcated areas, there may be various water bodies. It is unclear how the disclosure should be provided in GRAP 110 for these resources.	Noted. The Secretariat will assess whether this can be addressed in a FAQ.

6.3	More guidance is needed on the application of GRAP 24 on the comparison of budget and actual information in the financial statements. There is uncertainty about what the “budgetary basis” means.	Noted. The ASB recently published a Review Report and a Fact Sheet which deals with various aspects of the application of GRAP 24.
6.4	Guidance is needed on deferment arrangements with ESKOM and municipalities. Current arrangements are also in place where ESKOM collects the revenue due to municipalities from industrial consumers. ESKOM will pay the VAT to the municipalities. It is uncertain how to treat the various components are how they are collected.	Noted. This is a practical application issue and will be shared with the National Treasury.
6.5	Guidance is provided on certain leasing arrangements. Municipalities enter into leases with 3 <sup>rd</sup> parties to operate golf courses. The municipalities are still responsible for the rates, etc. These amounts are not recovered from the 3 <sup>rd</sup> parties or reflected as part of these leasing arrangements.	Noted. This is a practical application issue and will be shared with the National Treasury.
6.6	It was observed that the “clean audit” label drives entities to act incorrectly. They often make changes to the financial statements based on what the auditors require and as a result often need to process errors. Given the large volume of errors disclosed, additional guidance is needed on the application of GRAP 3 on accounting policies, changes in accounting estimates and errors. Whether the changes are errors or changes in estimates also requires further investigation.	Noted. This will be discussed at a trilateral meeting.
6.7	Promoting the adoption of Standards – There is a lack of capacity at entities to adopt new or revised Standards of GRAP. Generally the sector is reactive rather than proactive. This includes finance officials, IT vendors and auditors. With the approach to delay effective dates rather than provide a transitional relief period, the effective date needs to be better communicated.	Noted. This will be considered in the ASB’s communication activities.
6.8	Engagement with stakeholders – It was noted that districts should be involved more in the ASB’s activities through short sessions, focus groups, Municipal Accounting Forums in the provinces.	Noted. This will be considered in the ASB’s communication activities.

6.9	<p>Reviews of Standards – The reviews are helpful as the outcomes bring about changes. The following Standards are suggested for review:</p> <ul style="list-style-type: none"> <li>• Segment reporting.</li> <li>• Non-exchange revenue (and distinction between exchange or non-exchange). Is all the detail needed.</li> </ul>	Noted. See the response to comment 1.3.
6.10	<p>Emerging issues – Support was expressed for the compensation of employee project. Accounting guidance or reporting on the following might be relevant: policy is in excess of the collective agreement, information on pay scales (e.g. lowest and highest paid), information on retrenchments. For sustainability reporting, it was noted that this seems to be an annual report issue rather than a matter for the financial statements. Some were of the view that this information may clutter the financial statements.</p>	Noted. See the response to comment 1.4.
<b>7.</b>	<b>Roundtable discussion (Firms, auditors, consultants)</b>	
7.1	<p>Gaps in literature – The following was noted:</p> <ul style="list-style-type: none"> <li>• Agree with providing guidance on transfer expenses (reverse of GRAP 23).</li> <li>• Guidance on infrastructure assets, e.g. issuing a Fact Sheet.</li> <li>• Reporting on remuneration.</li> <li>• Right of use of assets, free use of assets under GRAP 23 and concessionary leases.</li> <li>• Social benefits with financial instrument components.</li> </ul>	Noted. See the response to comment 5.4.
7.2	<p>Convergence with international standards – The following was noted:</p> <ul style="list-style-type: none"> <li>• Support for the measurement project, particularly because it extends beyond just fair value.</li> <li>• Begin exploratory work on revenue. For example, understand what the impact would be locally, does the model work, how can</li> </ul>	Noted. No action required. Also see the response to comment 1.4.

	<p>issues be solved, how would revenue with performance obligations be accounted for.</p> <ul style="list-style-type: none"> <li>• Agree that the leases project should be completed before work is commenced locally.</li> <li>• There is a lack of understanding about the Conceptual Framework. More should be done to promote awareness on the role of the Conceptual Framework and explaining the fundamental principles.</li> </ul>	
7.3	<p>Maintain and enhance Standards – the following was noted:</p> <ul style="list-style-type: none"> <li>• Disclosures on remuneration could be enhanced.</li> <li>• There should be a holistic review of the disclosure requirements in Standards of GRAP to assess if they meet the information needs of users.</li> </ul>	<p>Noted.</p> <ul style="list-style-type: none"> <li>• This will be added as a project to the work programme.</li> <li>• While this project has merit, it was not raised by other stakeholders. There also more urgent priorities for this period given the resources available.</li> </ul>
7.4	<p>Promote the adoption of Standards of GRAP – It was agreed that the adoption of Standards of GRAP by departments should be promoted. Departments and department stakeholders should be made aware of the benefits of accrual accountants. The amalgamation of the Directives was welcomed.</p>	<p>Noted. No action required.</p>
7.5	<p>Communication with stakeholders – The following comments were noted:</p> <ul style="list-style-type: none"> <li>• One zip folder with all the Standards should be available on the website.</li> <li>• Fact Sheets on segment reporting and IGRAP 18 should be developed.</li> <li>• The website could indicate which Standards of GRAP the Minister has approved but are not yet effective.</li> </ul>	<p>Noted. These issues will be considered in the communication activities of the ASB.</p>
7.6	<p>Reviews of Standards – Participants suggested that the following Standards or topics be reviewed:</p>	<p>Noted. Refer to the response to comment 1.4.</p>

	<ul style="list-style-type: none"> <li>• Revenue from non-exchange transactions.</li> <li>• Segment reporting.</li> <li>• Disclosures on changes in accounting policies, estimates and errors.</li> <li>• Review of accounting policies, changes in estimates and errors, and what can be done to improve application.</li> <li>• Review of the line items on the statement of financial position.</li> </ul>	
7.7	<p>Emerging issues – It was noted that climate related disclosures are an issue. However, it was noted that this is a new discipline and the ASB should wait for reporting and practices to develop in the private sector. Unlike the private sector, the public sector already discloses non-financial performance information. Some information on sustainability and climate issues may already be disclosed.</p> <p>It was questioned whether guidance should be provided for disasters, wars, etc.</p>	Noted. Refer to the response to comment 1.3.
7.8	<p>General – Participants supported the theme. The indicated that the ASB should not take on too many new projects.</p>	Noted. No action required.