



Attachment 3(d)

**ANALYSIS AND RESPONSES TO WRITTEN COMMENT
RECEIVED ON THE**

IMPROVEMENTS TO THE STANDARDS OF GRAP (2023)

(ED 201)

RESPONSES TO THE WRITTEN COMMENT RECEIVED ON EXPOSURE DRAFT 201 ON IMPROVEMENTS TO THE STANDARDS OF GRAP

The Accounting Standards Board (Board) approved Exposure Draft 201 on *Improvements to the Standards of GRAP* in November 2022. A Notice was published in the Government Gazette on 23 December 2022 (Notice 47789). The comment period closed on 28 April 2023.

The Board received three comment letters. This includes a comment letter from the Free State Provincial Treasury to which entities listed on the next page have responded. The comments received are summarised in this document and include the Secretariat's proposed responses.

ED 201 was discussed with preparers, auditors and consultants by way of virtual engagements. The summary of comment received from these engagements is included in a separate analysis.

SUMMARY AND ANALYSIS OF WRITTEN COMMENT RECEIVED ON IMPROVEMENTS TO THE STANDARD OF GRAP

No.	Comments	Secretariat's proposed response
SPECIFIC MATTERS FOR COMMENT		
<p>Question 1</p> <p>The ED proposes to amend the definition of a change in accounting estimate in the Standard of GRAP on <i>Accounting policies, Changes in Accounting Estimates and Errors</i> (GRAP 3).</p> <p>The proposed improvements are included in paragraphs .04, .34, .34A, .34B, .36, .36A, .40 and .50 of GRAP 3 (see section A3 of the proposed Exposure Draft).</p> <p>The ED replaces the definition of a “change in accounting estimate” with the definition of “accounting estimate”. Accounting estimates are defined as <i>monetary amounts in financial statements that are subject to measurement uncertainty</i>.</p> <p>(a) Do you agree with the revised definition? If not, please explain your response by indicating how the definition should be amended.</p> <p>(b) In your view, do you foresee any practical implementation issues with revising the definition? Please explain your response.</p>		
1.	OAG	
	The OAG agrees with the proposal to replace the definition of a change in accounting estimate with the definition of “accounting estimate”.	Noted. No action required.
2.	Free State Provincial Treasury: DESTEA	
	Part (a): Yes, I agree with the revised definition.	Noted. No action required.
	Part (b): I do not foresee any practical implementation issues due to the fact that this will still be implemented the same way even before the definition changed. What is imperative is that the revised definition will deal with the confusion/uncertainty relating to the implementation as the word “change” may have been interpreted in different ways.	Noted. No action required.
3.	Free State Provincial Treasury: Provincial Treasury	
3.1	Part (a): In agreement.	Noted. No action required.
3.2	Part (b): No, it makes provision for measurement.	Noted. No action required.
4.	Free State Provincial Treasury: Social Development	
4.1	Part (a): Yes.	Noted. No action required.

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4.2	Part (b): GRAP 3.37 explains it clearly. When it is difficult to distinguish a change in accounting policy from a change in accounting estimate, the change is treated as a change in accounting estimate.	Noted. No action required.
5.	Free State Provincial Treasury: Public Works and Infrastructure	
5.1	Part (a): Yes.	Noted. No action required.
5.2	Part (b): No.	Noted. No action required.
6.	Free State Provincial Treasury: Community Safety, Roads and Transport	
6.1	Part (a): The definition of accounting estimates has been condensed and is more to the point regarding measurement uncertainty.	Noted. No action required.
6.2	Part (b): Ultimately it should be easier to identify between a change in accounting policy versus a change in accounting estimate.	Noted. No action required.
7.	Free State Provincial Treasury: Fleet Management	
7.1	Part (a): Agree with the revised definition.	Noted. No action required.
7.2	Part (b): No.	Noted. No action required.

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No.	Comments	Secretariat's proposed response
	<p>Question 2</p> <p>The ED proposes to provide clarity on the terms “publicly available” and “publicly accountable” in the Standard of GRAP on <i>Presentation of Budget Information in Financial Statements</i> (GRAP 24). The amendment is driven by stakeholder concerns on when an entity is in the scope of GRAP 24.</p> <p>The proposed improvements are included in paragraphs .01, .03, .04 and .05A to GRAP 24 (see section A10 of the proposed Exposure Draft).</p> <p>The addition of paragraph .05A to GRAP 24 clarifies that the requirement for an entity to be held publicly accountable for their budget does not automatically flow from the entity making its budget publicly available.</p> <p>(a) Do you agree with paragraph .05A? If not, please explain your response by indicating how it should be amended.</p> <p>(b) Do you foresee any practical implementation issues with the improvement? Please explain your response.</p>	
8.	OAG	
	The OAG agrees with the inclusion of paragraph .5A as it provides valuable guidance on when an entity is not publicly accountable and need not apply GRAP 24 even if the budget is publicly available.	Noted. No action required.
9.	Free State Provincial Treasury: DESTEA	
9.1	Part (a): Yes, I agree. Both words carries different meanings and that clarity is required in order to put stakeholders at ease on these interpretations. Publicly accountable means that as much as the budget belongs to a certain entity, but that does not take away the responsibility of accounting to the public. Publicly available means that the information should always be available to the public on how these funds are going to be spent.	No action required. When applying GRAP 24, the explanations of publicly available and publicly accountable in the Standard should be used. These terms are explained in paragraphs .04 and .05A, respectively.
9.2	Part (b): I don't foresee any practical implementation issues as both words/terms have different meanings in terms of the application of the Standard of GRAP.	Noted. No action required.
10.	Free State Provincial Treasury: Provincial Treasury	
10.1	Part (a): In agreement with the statement.	Noted. No action required.
10.2	Part (b): No.	Noted. No action required.
11.	Free State Provincial Treasury: Social Development	

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11.1	Part (a): Yes.	Noted. No action required.
11.2	Part (b): No.	Noted. No action required.
12.	Free State Provincial Treasury: Public Works and Infrastructure	
12.1	Part (a): Yes.	Noted. No action required.
12.2	Part (b): No.	Noted. No action required.
13.	Free State Provincial Treasury: Community Safety, Roads and Transport	
	<p>The requirements of paragraph 05A reduce the publicly accountable entities and therefore reduces the disclosure. This is easier for the entities that meet the requirements; however, it might create challenges for the users of financial statements. Especially if an entity is a material element of a larger Department for reporting purposes.</p>	<p>The Standard does not preclude entities from voluntarily applying GRAP 24. Where preparers assess that a Statement of Comparison of Budget and Actual Amounts is useful, they may apply GRAP 24.</p> <p>Furthermore, the Board noted when developing the ED that the accountability of an entity towards its budget is part of a Treasury process, and it does not form part of standard setting. The Standards of GRAP do not detract from an entity's responsibility to be accountable for their budget as part of Treasury requirements.</p> <p>It was noted by project group members that an entity's accountability towards its budget is not always visible to the general public. The Secretariat will raise this concern with the National Treasury.</p>
14.	Free State Provincial Treasury: Fleet Management	
14.1	Part (a): Yes, agree with the new paragraph.	Noted. No action required.
14.2	Part (b): No.	Noted. No action required.

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No.	Comments	Secretariat's proposed response
	<p>Question 3</p> <p>In the effort not to obscure material information in the financial statements by providing encouraged disclosures with limited information value, the Board proposed the deletion of encouraged disclosures in the Standards of GRAP. The proposed deletions are included in sections A1, A5, A7, A9, A12 and A13 of the Exposure Draft.</p> <p>Do you agree with the proposed deletions? If not, please explain your response by indicating which proposed deletions you would retain and why you find them relevant and useful.</p>	
15.	Free State Provincial Treasury: DESTEA	
	Yes.	Noted. No action required.
16.	Free State Provincial Treasury: Provincial Treasury	
	Yes.	Noted. No action required.
17.	Free State Provincial Treasury: Social Development	
	Yes.	Noted. No action required.
18.	Free State Provincial Treasury: Public Works and Infrastructure	
	Yes.	Noted. No action required.
19.	Free State Provincial Treasury: Community Safety, Roads and Transport	
	Yes.	Noted. No action required.
20.	Free State Provincial Treasury: Fleet Management	
	Yes.	Noted. No action required.

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No.	Comments	Secretariat's proposed response
GENERAL MATTERS		
21.	OAG	
21.1	GRAP 24: Illustrative examples: for a budget on the cash basis, the example is based on the functional classification, and the OAG recommends that an example based on the economic classification also be included in this section. The Estimates of National Expenditure could be used as a basis for the economic classification example.	<p>Providing another example where the budget is based on the economic classification will not convey any new principles to the current example. The illustrative examples in the Standards of GRAP are not intended to cover all scenarios or examples.</p> <p>No amendments are proposed.</p>
21.2	The OAG agrees with the overall amendments made to the other standards of GRAP as per ED 201 and is of the view that the changes are helpful to users of the Standards of GRAP.	Noted. No action required.
22.	Free State Provincial Treasury: DESTEA	
	I believe that these proposed changes will go a long way in addressing uncertainties on the manner at which certain words/terms could have a potential of differently being interpreted by the compliers of the AFS, which may also lead to confusion by stakeholders.	Noted. No action required.
23.	Swartland Municipality	
	<p>GRAP 24.27-29 is relevant to changes between the approved and final budget. The standard currently only requires the nature of changes to be disclosed (i.e. through reclassification or other type of budget amendments). Given that the AFS is the first time users will be publicly made aware of the changes, brief reasons should be provided to explain the circumstances surrounding the budget adjustments.</p> <p>Proposed amendment:</p> <p>.27 An entity shall present an explanation of whether <u>considerations for significant</u> changes between the approved and final budget. <u>Changes could be as a consequence of reallocations within the budget, or of other factors:</u></p> <p>(a) by way of note disclosure in the financial statements; or</p> <p>(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.</p>	<p>The current disclosure addresses concerns on disclosing the reasons for budget adjustments.</p> <p>Materiality is considered when applying the requirements of the Standards. "Significant" is not the measure for applying the requirements, therefore we do not support using this term.</p> <p>The changes between the approved budget and the final budget is likely qualitatively material as the budget is legislation. Refer to the Fact Sheet on GRAP 24 for further guidance.</p>

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	Management would need to determine whether changes are significant. Where significant, considerations should be provided. Where insignificant, it would be assumed that the changes are due to reallocations or other insignificant factors.	No amendments are proposed.
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