



Attachment 3(e)

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

IMPROVEMENTS TO THE STANDARDS OF GRAP (2023)

(ED 201)

RESPONSES TO THE VERBAL 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 Exposure Draft was discussed with preparers, auditors, consultants, and other interested parties by way of virtual engagements, as listed in the table on the next page. The verbal comment on ED 201 is summarised in this document and includes the Secretariat's proposed responses.

The summary of written comment received is included in a separate analysis.

CLASSIFICATION OF VERBAL COMMENT RECEIVED ON THE *IMPROVEMENTS TO THE STANDARDS OF GRAP (ED 201)*

No.	Name/Organisation	Preparers	Users	Auditors	Other interested parties
1.	Auditors and Technical advisors			√	√
2.	Departments and public entities	√	√		
3.	Municipalities and municipal entities	√	√		
4.	Members of the Chartered Institute of Government Finance Audit and Risk Officers (CIGFARO)	√	√		
5.	Members of the Western Cape Accounting Working Committee (WCAWC)	√	√		

SUMMARY AND ANALYSIS OF VERBAL COMMENT RECEIVED ON THE *IMPROVEMENTS TO THE STANDARDS 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.	Auditors and technical advisors	
	Participants supported the proposed amendments.	Noted. No action required.
2.	Departments and public entities	
	Participants supported the proposed amendments.	Noted. No action required.
3.	Municipalities and municipal entities	
	Participants supported the proposed amendments.	Noted. No action required.
4.	Members of CIGFARO	
	No comment.	No action required.
5.	Members of WCAWC	
	Members supported the proposed amendments.	Noted. No action required.

SUMMARY AND ANALYSIS OF VERBAL COMMENT RECEIVED ON THE *IMPROVEMENTS TO THE STANDARDS OF GRAP*

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>	
6.	Auditors and technical advisors	
6.1	Participants supported the proposed amendments.	Noted. No action required.
6.2	A stakeholder noted that very few public entities will be required to apply GRAP 24 given the proposed amendments and is concerned that users find the presentation of a Statement of Comparison of Budget and Actual Amounts useful.	<p>The Standard does not preclude entities from voluntarily applying GRAP 24. Where entities conclude 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>

SUMMARY AND ANALYSIS OF VERBAL COMMENT RECEIVED ON THE *IMPROVEMENTS TO THE STANDARDS OF GRAP*

6.3	Stakeholders noted practical implementation issues with the improvements as preparers of financial statements would need to familiarise themselves with the improvements. They currently do not apply the terms “publicly accountable” and “publicly available” in the way they are described in the improvements.	During the desktop review of GRAP 24, the Board noted divergence in practice on the application of GRAP 24. Following this, the requirements have been clarified with the improvements to GRAP 24. The Fact Sheet on GRAP 24 also provides guidance on the requirements. These actions should assist preparers with the application of GRAP 24. No further action is required.
6.4	A stakeholder proposed that the Minister should be included as part of the relevant authorities that exercise public oversight in approving and monitoring budgets, for the entities in that Minister’s portfolio.	<p>The relevant authorities are described in GRAP 24 as Parliament, legislatures and municipal councils. The officials that make up these authorities are elected by the public and represent public interest. They are therefore responsible for the public oversight of the entity.</p> <p>Ministers are not appointed/elected by the public. They are responsible for the entities within their portfolio and they exercise oversight on those entities, but this oversight is not public oversight.</p> <p>No action is required.</p>
7.	Departments and public entities	
7.1	Participants supported the proposed amendments.	Noted. No action required.
7.2	A stakeholder provided an example of the approvals of a provincial legislature for the entity he represented. He explained that there is more than just a line item represented by the entity in its respective provincial treasury’s Estimates of Provincial Revenue and Expenditure. An annexure including the appropriation amounts of the entity is presented at the legislature. The annexure forms part of the documents for approval. In this case, he understands that there is public oversight by the legislature on the entity’s appropriations.	<p>See response 6.2 on “accountability”.</p> <p>Furthermore, an “approved budget” is not a forward estimate or a projection based on assumptions about future events and possible management actions that may not necessarily take place. An approved budget differs from prospective financial information, which may be in the form of a forecast, a projection or a</p>

SUMMARY AND ANALYSIS OF VERBAL COMMENT RECEIVED ON THE *IMPROVEMENTS TO THE STANDARDS OF GRAP*

		combination of both. An entity is ultimately held accountable for what is in its approved budget.
7.3	A stakeholder likened the Board of a public entity to a municipal council in terms of oversight on the entity. The stakeholder questioned the ED not considering the Board of a public entity as a relevant authority that provides public oversight over the budget.	See response in 6.4. Similarly, although the Board of a public entity exercises oversight, it is not public oversight.
8.	Municipalities and municipal entities	
	Participants supported the proposed amendments.	Noted. No action required.
9.	Members of CIGFARO	
	No comment.	No action required.
10.	Members of WCAWC	
	Members supported the proposed amendments.	Noted. No action required.

SUMMARY AND ANALYSIS OF VERBAL COMMENT RECEIVED ON THE *IMPROVEMENTS TO THE STANDARDS OF GRAP*

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>	
11.	Auditors and technical advisors	
	Participants supported the proposed amendments.	Noted. No action required.
12.	Departments and public entities	
	Participants supported the proposed amendments.	Noted. No action required.
13.	Municipalities and municipal entities	
	Participants supported the proposed amendments.	Noted. No action required.
14.	Members of CIGFARO	
	No comment.	No action required.
15.	Members of WCAWC	
	Members supported the proposed amendments.	Noted. No action required.

SUMMARY AND ANALYSIS OF VERBAL COMMENT RECEIVED ON THE *IMPROVEMENTS TO THE STANDARDS OF GRAP*

No.	Comments	Secretariat's proposed response
GENERAL MATTERS		
16.	Auditors and technical advisors	
16.1	A stakeholder requested that an explanation be added to Example D in the Illustrative Examples of GRAP 24, for the nil amounts indicated for the timing differences in the reconciliation between the actual amounts on a comparable basis and the actual amounts in the financial statements.	The information in the example indicates that the budget period and the reporting period are the same. As this is clear, no amendments are proposed.
16.2	A stakeholder noted that entities do not disclose useful information when explaining the material variances between budget and actual amounts in the financial statements. It was proposed to emphasize that entities should apply judgement when determining which variances are material.	<p>Guidance on the application of the requirement to explain material variances between budget and actual amounts is provided in the Fact Sheet on GRAP 24.</p> <p>The issue on applying judgement to materiality is pervasive for the preparation of financial statements. This is discussed in GRAP 1 on <i>Presentation of Financial Statements</i> and in the Guideline on <i>The Application of Materiality to Financial Statements</i>.</p> <p>No amendments are proposed.</p>
16.3	A stakeholder asked when the footnotes referring to the <i>Conceptual Framework for General Purpose Financial Reporting</i> will be deleted from the Introduction to the Standards, and included in the main text of the Introduction. The Introduction currently refers to the previous <i>Framework for the Preparation and Presentation of Financial Statements</i> .	Noted. The Secretariat will follow a due process in future to align standards-level requirements to the <i>Conceptual Framework for General Purpose Financial Reporting</i> . The Introduction will be updated at that point.
17.	Municipalities and municipal entities	
17.1	A stakeholder requested that paragraph 51(d) in GRAP 2 on <i>Cash Flow Statements</i> on the encouraged disclosure of the amount of the cash flows arising from the operating, investing and financing activities of each reportable segment, be included in GRAP 18 on <i>Segment Reporting</i> .	This will be noted for inclusion in a future project on GRAP 18.
17.2	A stakeholder asked whether the Board will amend references from “significant judgement” to “material judgement” as a result of the proposed change from “significant accounting policies” to “material accounting policies”.	The change from “significant accounting policies” to “material accounting policies” was as a result of the change to the IFRS®

SUMMARY AND ANALYSIS OF VERBAL COMMENT RECEIVED ON THE *IMPROVEMENTS TO THE STANDARDS OF GRAP*

		Accounting Standards. As there have been no amendments to international standards with respect to the term “significant judgement” and also no issues noted in interpreting it locally, no amendments are proposed.
17.3	A stakeholder requested that the proposed paragraph .46B in GRAP 24 not be added because it is not mandatory.	Even though paragraph .46B is not mandatory, it is useful for entities to consider when preparing the reconciliation. It also clarifies that entities may continue to present the information in the manner they did previously. It is therefore proposed that the paragraph be retained.
17.4	A stakeholder requested that a note be added to the proposed Illustrative Examples in GRAP 24 to state that the examples are illustrative only.	Agreed. The amendment is made to the lead-in of Appendix A.