



**ANALYSIS AND RESPONSES TO VERBAL COMMENT
RECEIVED ON
EXPOSURE DRAFT ON SOCIAL BENEFITS
(ED 205)**



ED 205

RESPONSES TO THE VERBAL COMMENT RECEIVED ON *EXPOSURE DRAFT ON SOCIAL BENEFITS* (ED 205)

The Accounting Standards Board (Board) approved an Exposure Draft requesting stakeholders to comment on the Exposure Draft on *Social Benefits* (ED 205) in July 2023. A Notice was published in the Government Gazette on 8 September 2023 (Notice 49280). The comment period closed on 28 March 2024.

To maximise participation in the consultation, the Secretariat consulted with preparers, auditors, consultants and other interested parties by way of roundtable and other discussions. The results of these consultations are summarised in this document and are analysed based on the questions outlined in the Invitation to Comment published by the Board.

The summary of written comment received on ED 205 is included in a separate analysis.

VERBAL COMMENT RECEIVED ON EXPOSURE DRAFT ON SOCIAL BENEFITS (ED 205)

No.	Name/Organisation	Preparers	Users	Auditors	Other interested parties
1.	Roundtable with specific preparers and treasuries	X			X
2.	Public Sector Accounting Forum	X		X	X
3.	AGSA product champions and auditors of specific entities			X	
4.	Roundtable with auditors and other technical specialists			X	X
5.	Public Sector Accounting Forum (session 2)	X		X	X
6.	Reserve Bank and National Treasury Public Finance divisions		X		X
7.	National Treasury [Public Finance, Financial Systems, Office of the Accountant-General (OAG), Intergovernmental Relations, IFMS, Budget, mSCOA, PFMA Capacity Building units and internal audit], Statistics SA and Reserve Bank (Public Finance unit)		X		X
8.	Roundtable with preparers	X			X
9.	Road Accident Fund	X			
10.	National Treasury [Public Finance, IFMS and Financial Systems, GTAC and MFIP, mSCOA and OAG units], Statistics SA and Reserve Bank (Public Finance unit) (session 2)		X		X
11.	Roundtable with specific preparers and treasuries (session 2)	X			X
12.	Roundtable with specific preparers and treasuries: Measurement requirements	X			X
13.	Roundtable with auditors and other technical specialists (session 2)			X	X

**SUMMARY AND ANALYSIS OF VERBAL COMMENT RECEIVED ON THE EXPOSURE DRAFT
ON *SOCIAL BENEFITS***

NO.	COMMENT	SECRETARIAT'S PROPOSED RESPONSE
<p>Question 1</p> <p>The ED proposes to define social benefits as cash and in-kind benefits in paragraph .07. The scope of the Standard is limited to cash benefits. The basis for conclusions paragraph BC3. explains the Board's considerations and reasons.</p> <p>Do you agree that the ED clearly explains the scope of the Standard? Please provide the reasons and details for your answer.</p>		
<p>1.1 Roundtable with specific preparers and treasuries</p>		
1.1.1	The proposed definitions are supported and are clear and easy to understand.	
1.1.2	There is uncertainty about the definition of social risk and difficult to identify when a benefit will address a social risk. For example, benefits provided for education and related stipend payments / allowances. Guidance is needed on when such benefits may be in the scope of the Standard.	
<p>1.2 Public Sector Accounting Forum</p>		
1.2.1	It is difficult to understand when a benefit will meet the definition of a social benefit and social risk in particular. For example – individuals and households benefit directly from emergency relief, such as blankets and food parcels.	
1.2.2	It is unclear when a benefit is cash or in-kind.	
1.2.3	The link with GRAP 23 <i>Revenue from Non-exchange Transactions (Taxes and Transfers)</i> should be explained as conditional grants could be spent for social benefit purposes. It would be important to distinguish the liability that could be recognised in lieu of revenue from the social benefit liability that may be recognised in accordance with this Standard.	
1.2.4	It is unclear how to link government's social objectives to the benefits provided at an entity level. This guidance in distinguishing social benefits from other benefits is unclear.	
1.2.5	The reason for limiting the Standard to cash benefits is unclear. The entity mostly affected by the Standard would be the Department of Social Development, which applies the Modified Cash Standard. There are many in-kind benefits provided to individuals as services.	

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NO.	COMMENT	SECRETARIAT'S PROPOSED RESPONSE
1.2.6	It is unclear whether prevalent public sector transactions would be in the scope of the Standard, for example, funds transferred to NGOs in accordance with section 57 of the MFMA.	
1.2.7	The need for guidance in a separate Standard is unclear. Is it necessary to discern social benefits from other expenses?	
1.2.8	It is unclear when the concessionary component of a loan or investment and debts waived will be seen as provided in cash, and therefore in the scope of the Standard.	
1.3	AGSA product champions and auditors of specific entities	
1.3.1	It is difficult to understand when a benefit addresses a social risk. When it is generally seen as a social security scheme, it would make sense for the benefits to mitigate a social risk, e.g. the RAF.	
1.3.2	It is unclear which Standard of GRAP will apply for benefits that do not meet the definition but are similar and broadly address social objectives.	
1.3.3	The meaning of society as a whole could be clarified. Not everyone who contributes may benefit and in certain instances there is no link between contributions and payments. It could be seen that the distinguishing factor between social benefits and other benefits is rather whether the benefits are funded and how.	
1.4	Roundtable with auditors and other technical specialists	
1.4.1	The guidance states that each benefit is assessed and that the assessment does not consider an entity's mandate or legal status. This could add difficulty to the assessment and cause disagreements between auditors and preparers. It is easier to assess an entity's mandate / status. It would also be difficult to obtain consistency among entities.	
1.5	Public Sector Accounting Forum (session 2)	
1.5.1	It is unclear how this Standard will interact with GRAP 104 on <i>Financial Instruments</i> (revised 2019), which refers to social benefits and could impact transactions with indigents.	

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NO.	COMMENT	SECRETARIAT'S PROPOSED RESPONSE
1.5.2	There are agents that provide social benefits in the environment. The interaction between the Standard on <i>Social Benefits</i> and GRAP 109 on <i>Accounting by Principals and Agents</i> should be clarified.	
1.5.3	It should be clarified which Standard applies to emergency relief. That is often a social response of government that all levels of government are involved with. For example, municipalities have certain responsibilities in accordance with section 152 of the Constitution.	
1.5.4	It should be clarified what happens when emergency relief is extended and becomes a longer term benefit (e.g. is it a new benefit or does the previous benefit change its character) and what the boundary is between emergency relief and social benefits. Emergency relief could have the same characteristics as a longer term benefit that is a social benefit. For example, COVID relief grants.	
1.6	Reserve Bank and National Treasury Public Finance divisions	
1.6.1	Certain cash transfers have conditions attached so that the money may only be used for specified purposes. The impact of conditions on the classification of benefits as cash or in-kind should be explained.	
1.6.2	It should be clearly explained how an entity determines the eligibility criteria associated with a benefit.	
1.6.3	It is easy to understand when a benefit will address the needs of society as a whole in the whole jurisdiction. It may be more difficult to understand when the benefit addresses the needs of only certain sectors of society.	
1.6.4	The concept of social risk can be difficult to understand. Using the same concept as GFS does, however, help in this regard.	
1.6.5	Including both cash and in-kind benefits in the definition is supported. This would, however, be confusing when the Standard only applies to cash social benefits. This would need to be clearly explained. It may be easier to deal with both cash and in-kind benefits in the Standard. The examples also deal with both and could be further confusing.	
1.6.6	The Standard should include guidance on which Standard an entity should apply when they do not meet the definition or the benefits are in-	

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	kind. It should also be as clear as possible to entities so that they do not unnecessarily undertake an exercise to assess their benefits that are clearly out of scope.	
1.6.7	In-kind benefits in GRAP 19 on <i>Provisions, Contingent Liabilities and Contingent Assets</i> should be clearly distinguished from provisions.	
1.7	National Treasury (Public Finance, Financial Systems, Office of the Accountant-General, Intergovernmental Relations, IFMS, Budget, mSCOA, PFMA Capacity Building units and internal audit), Statistics SA and Reserve Bank (Public Finance unit)	
1.7.1	As noted in 1.6.5, it may be better to include both cash and in-kind benefits in the scope of the ED.	
1.7.2	For in kind social benefits, ASB will consider IPSAS 48 on <i>Transfer Expenses</i> issued in May 2023. Therefore, there is still a possibility of relocating in-kind social benefits from ED 205 (GRAP 42) to future GRAP 48 so that all in-kind Transfer expenses, including in-kind social benefits, are addressed in the same standard and aligned with IPSAS?	
1.8	Roundtable with preparers	
1.8.1	There is uncertainty about whether certain benefits would be in the scope of the Standard or GRAP 25. For example, housing guarantees provided to permanent government employees with membership to the Government Employee Pension Fund.	
1.9	Road Accident Fund	
1.9.1	<p>It is unclear why the definition of social risk refers to "... <i>may</i> adversely affect..." If the risk does not adversely affect the wellbeing of individuals or households it is questionable if there is an obligation. The risk should link to the (adverse) impact on an individual or household from the obligating event.</p> <p>To hold management accountable for how resources are managed, there is an expectation that they will prevent payments to those who may not be adversely affected. Otherwise, the benefits are not meeting their objective and it is similar to irregular expenditure.</p>	
1.9.2	The Standard should include all benefits that government considers as social benefits. Excluding certain benefits because they are not provided	

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	to alleviate a social risk or address the needs of society as a whole could artificially exclude benefits that have similar characteristics to social benefits. For example, a process to establish a benefit could be individualised while the benefit is solely provided to meet social policy objectives. Excluding these benefits further means that the disclosure requirements in the Standard would not apply to those benefits, and users will not receive the necessary information.	
1.9.3	The element in the definition of "society as a whole" would eliminate many benefits from the definition.	
1.9.4	Paragraph AG11. may cause confusion as it notes that social benefits may be distinguished by categories of individuals and/or households based on predetermined factors, but benefits that reflect the risks and characteristics associated with individuals and/or households do not address the needs of society as a whole. It is unclear what the distinction is. It is recommended that there should not be a focus on the process followed, but the relationship that exists between the entity and contributor/beneficiary.	
1.9.5	The term "insurance-like" is not defined. The flowchart refers entities to IFRS 17 on <i>Insurance Contracts</i> for certain benefits. It is unclear if this should be applied for "insurance-like" benefits or only when an entity provides pure insurance.	
1.9.6	The assessment at benefit level is supported.	
1.10	National Treasury [Public Finance, IFMS and Financial Systems, GTAC and MFIP, mSCOA and OAG units], Statistics SA and Reserve Bank (Public Finance unit)	
1.10.1	The separate treatment of cash and in-kind benefits is supported. This is aligned to GFS and they need the information separately. It is recommended that the distinction between cash and in-kind benefits is aligned with GFS. The distinction is also in the 2008 System of National Accounts.	
1.10.2	It is questioned whether benefits need to be described as addressing the needs of society as a whole, because this could mean that municipalities that provide in-kind goods and services to a small part of the population is outside the definition.	

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NO.	COMMENT	SECRETARIAT'S PROPOSED RESPONSE
1.10.3	The difference in scope and definition could be confusing. This should be very clearly explained and communicated.	
1.10.4	The table in Appendix C – Application guidance is supported. This is useful to understand the scope differences of the broader expense landscape in GRAP.	
1.10.5	The importance of in-kind goods and services should not be underestimated. Government spends a significant proportion of its budget to provide them.	
1.11	Roundtable with specific preparers and treasuries (session 2)	
1.11.1	Social risk: It could be difficult to understand the difference between a social benefit and other benefits that are not assessed to <i>directly</i> relate to the characteristics of individuals and households, such as emergency relief.	
1.12	Roundtable with specific preparers and treasuries: Measurement requirements	
1.12.1	N/A - Specific discussion on measurement.	
1.13	Roundtable with auditors and other technical specialists (session 2)	
1.13.1	The replacement of the previous GRAP 19 description of social benefits with references to the new narrow definition could be seen to leave a gap in the transactions we deal with at Standards-level. This should be explained.	
1.13.2	It is unclear how debts waived could meet the definition of a social benefit as they are not cash transfers to individuals and/or households. This should be better explained	
1.13.3	<p>It remains difficult to understand when a benefit meets the definition of social risk. The uncertainty may dissipate over time as practice develops but it would be important for the initial application of the Standard for this to be clear. Otherwise this could lead to disagreements between entities and auditors.</p> <p>In particular, it is unclear how the examples of the characteristics of individuals and households should be assessed (definition of social risk</p>	

NO.	COMMENT	SECRETARIAT’S PROPOSED RESPONSE
	<p>in paragraph .07). The examples seem to refer to the “status” of a person and not necessarily the cause thereof, but it could be interpreted either way. Whether the status itself or the cause is assessed is important as the answer could be different. If the status is assessed, the scope is broader. If the cause is assessed, the scope is narrower and events giving rise to the same “status” of people could lead to one benefit being a social benefit and another benefit not when the cause differs. For example, the status is unemployment. A benefit following a natural disaster that lead to unemployment is emergency relief, while another benefit directly addressing unemployment is a social benefit. It is further unclear why benefits improving a person’s level of education is not considered a social benefit as this could also be seen as a characteristic of an individual/household and the list in the Standard is currently only examples, i.e. not exhaustive. Education is a Constitutional right.</p> <p>The following is proposed:</p> <ul style="list-style-type: none"> - Clearly link the benefit to government’s reason for providing the benefit. - Consider changing the list of examples to an exhaustive list. The list could be developed with reference to Constitutional rights and basic human rights. This is aligned to an approach for heritage assets where legislation was considered. <p>Even if the specific entities that provide social benefits are clear on the definition, it is important for the Standard to be understandable to any preparer and auditor.</p>	
<p>Question 2</p> <p>The ED proposes to distinguish social benefits as “social security insurance benefits” and “social assistance benefits” for recognition purposes. The ED defines these social benefits in paragraphs .07, and .09 to .13. The basis for conclusions paragraphs BC20. to BC29. explain the Board’s considerations and reasons for the distinction.</p> <p>(a) Do you agree with the Board’s reasons to distinguish types of social benefits in the ED?</p> <p>(b) If your answer to (a) is yes, do you agree with the way in which the ED distinguishes types of social benefits?</p> <p>(c) Do you foresee any practical challenges with distinguishing types of social benefits?</p>		

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Please provide the reasons and details for your answer.		
2.1	Roundtable with specific preparers and treasuries	
2.1.1	The distinction is necessary and clearly explained.	
2.2	Public Sector Accounting Forum	
2.2.1	No comment	
2.3	AGSA product champions and auditors of specific entities	
2.3.1	Agree that benefits should be distinguished.	
2.4	Roundtable with auditors and other technical specialists	
2.4.1	It appears as if the distinction is based on whether or not there are contributions. To this end, it should be clarified to what extent materiality should be considered in the assessment, if at all. For example, if contributions are "immaterial" / nominal amounts, would the conclusion be that the benefits are social assistance benefits? This may be relevant in future when National Health Insurance is introduced.	
2.4.2	It should be clarified whether the contributions need to be made to the entity that provides the benefits directly, or whether contributions could be made to another entity/fund if still ringfenced for the benefits.	
2.5	Public Sector Accounting Forum (session 2)	
2.5.1	No comment.	
2.6	Reserve Bank and National Treasury Public Finance divisions	
2.6.1	The distinction is supported and the fact that it is aligned to GFS (with the exception of only including cash benefits).	
2.6.2	For social security insurance benefits, it should be clearly specified how contributions are identified and considered. For example, does the contributions need to be paid to the entity directly from the individuals/households? For most benefits, contributions are paid to SARS first, are there ringfenced, and thereafter allocated to the entities.	

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	<p>For the RAF, contributions are further indirect through the fuel levy and not necessarily by the same individuals/households who will benefit.</p> <p>It was noted that in GFS there must be specified contributions for a benefit to be a social security insurance benefit and there should be a direct link between contributions and potential beneficiaries, although the contributions may be administratively first made to SARS. With the term being the same as in GFS, the explanation should also be the same.</p>	
2.6.3	It could be problematic for the Standard to not deal with the revenue (contributions) as it is an integral part of classifying a benefit.	
2.7	National Treasury (Public Finance, Financial Systems, Office of the Accountant-General, Intergovernmental Relations, IFMS, Budget, mSCOA, PFMA Capacity Building units and internal audit), Statistics SA and Reserve Bank (Public Finance unit)	
2.7.1	<p>The first part of the last characteristic for social assistance benefits could be clarified: <i>“(d) The entity providing the social benefits is responsible to compensate beneficiaries for applications for social benefits it has received, but not necessarily for the events related to social risks that have occurred but have not yet been reported to the entity. The entity is responsible for managing the benefits with the resources allocated to it from government on an on-going, often annual, basis.”</i></p> <p>Entities with social security insurance benefits may also be able to conclude that the first part of the characteristic is true. It will assist if it is linked to the entity’s responsibility that flows from receiving contributions.</p>	
2.8	Roundtable with preparers	
2.8.1	The distinction in benefits was supported. It should be clear that entities consider legislation governing a benefit (a benefit’s rules) when making the assessment.	
2.9	Road Accident Fund	
2.9.1	The approach to consider any contributions towards a benefit as indicating a social security insurance benefit may not accurately reflect the way in which an entity manages a benefit. Contributions that fully fund a benefit indicates social security insurance benefits. When contributions partially fund a benefit an entity’s management of that	

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	<p>benefit changes from “insurance-like” to delivering a service, which is a different strategic objective.</p> <p>It would further be practically challenging to apply the guidance when a single contribution funds multiple benefits.</p> <p>It is suggested that the indicator for social security insurance benefits is changed to fully funded contributions.</p>	
2.9.2	<p>More guidance should be added to the characteristic of social security insurance benefits in paragraph .11(c) as it is currently unclear how it differs from an entity’s going concern assessment.</p> <p><i>“The financial performance and funding of social benefits are reviewed and assessed on a regular basis. The assessment may involve the use of actuarial reviews, mathematical modelling or similar techniques to provide information for decision-making purposes.”</i></p>	
2.9.3	<p>“Contributions” are not defined and it is unclear what “by and on behalf of” is intended to mean. It could be read very broadly that any indirect contribution is an indicator of social security insurance benefits. For example, the fuel levy that funds the RAF benefits could be seen as contributions.</p>	
2.10	National Treasury [Public Finance, IFMS and Financial Systems, GTAC and MFIP, mSCOA and OAG units], Statistics SA and Reserve Bank (Public Finance unit)	
2.10.1	<p>The last characteristics of social security insurance benefits in paragraph .11 should be discussed with preparers - <i>“The entity providing social benefits is responsible for compensating beneficiaries for events related to social risks that have occurred, including those that have not yet been reported to the entity.”</i></p> <p>It may be difficult to get information for events that have occurred and not yet reported as the entity would not yet have the information.</p>	
2.11	Roundtable with specific preparers and treasuries (session 2)	
2.11.1	The proposal is supported.	
2.12	Roundtable with specific preparers and treasuries: Measurement requirements	

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2.12.1	N/A - Specific discussion on measurement.	
2.13	Roundtable with auditors and other technical specialists (session 2)	
2.13.1	The proposal is supported. It is analogous to GRAP 104 considering the management model of financial instruments in their classification.	
2.13.2	Consider if paragraph .11(a) needs to include "may" when referring to contributions compensating an entity for the social risk.	
<p>Question 3</p> <p>The ED proposes in paragraph .16 that social security insurance benefits are recognised when the event related to the social risk for which the social benefit is provided occurs. The Board's considerations and reasons are included in the basis for conclusions paragraphs BC35. to BC38.</p> <p>Do you agree with the approach to recognise social security insurance benefits as proposed in the ED? Please provide the reasons and details for your answer.</p>		
3.1	Roundtable with specific preparers and treasuries	
3.1.1	The approach is supported.	
3.1.2	There is a challenge to recognise a liability when the event related to the social risk occurred but have not yet been reported to an entity. There is a school of thought that this is part of a technical reserve in accumulated surplus or deficit rather than a liability. Furthermore, the high degree of estimation uncertainty means an entity cannot reliably measure the liability at that point. The entity relies on information from outside sources to estimate the technical reserve. E.g. in the case of unemployment benefits, information from SARS is used.	
3.1.3	Because of the difficulty to estimate the liability and the probability of an outflow is low, the Standard should rather consider a contingent liability.	
3.2	Public Sector Accounting Forum	
3.2.1	No comment	
3.3	AGSA product champions and auditors of specific entities	
3.3.1	The proposal was largely supported.	

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3.3.2	It should be clearly stated whether an entity considers availability of funds when determining the liability – this consideration will be consistent with considering collectability of revenue recognised as a flip-side.	
3.3.3	Add clarity on the interaction of the social benefit liability with a liability that may exist in GRAP 23 from conditions.	
3.3.4	Entities are not expected to have difficulty in determining a reliable measure – they are mostly already measuring the liabilities in accordance with the ED. The issue would rather be whether cost and effort required outweighs the benefits.	
3.4	Roundtable with auditors and other technical specialists	
3.4.1	<p>It was questioned whether the proposed liabilities before the entity has verified an application for payment would meet the definition of a liability. The entity's obligation before this point may rather be considered to meet the definition of a contingent liability.</p> <p>The implications of recognising a liability before this point are that an entity recognises larger expenses and bigger fluctuations in expenditure based on estimates, which also leads to variances from an entity's budget and potential unauthorised expenditure.</p>	
3.4.2	Some entities currently recognise an unearned premium reserve based on IFRS 4 where there is high estimation uncertainty. As long as entities disclose how the incurred but not reported liability was determined, users will be able to understand the information and use it.	
3.5	Public Sector Accounting Forum (session 2)	
3.5.1	The cut-off of transactions could be a concern and would be difficult to assess with the level of estimation required. Entities only have two-months after year-end to prepare their financial statements. It should be considered whether guidance similar to IGRAP 20 on <i>Adjustments to Revenue</i> could be applied for social benefits.	
3.6	Reserve Bank and National Treasury Public Finance divisions	
3.6.1	The proposal is supported.	

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3.7	National Treasury (Public Finance, Financial Systems, Office of the Accountant-General, Intergovernmental Relations, IFMS, Budget, mSCOA, PFMA Capacity Building units and internal audit), Statistics SA and Reserve Bank (Public Finance unit)	
3.7.1	The proposal is aligned to their understanding of the definition of a liability and is supported.	
3.8	Roundtable with preparers	
3.8.1	The recognition point gives rise to high levels of estimation uncertainty and it could be seen to rather be a contingent liability. The rationale for the recognition point should be clearly explained.	
3.9	Road Accident Fund	
3.9.1	<p>The proposed recognition point would create the following difficulties:</p> <ul style="list-style-type: none"> - It results in an entity recognising an expense before it was able to verify the validity of the expense. This is irregular expenditure and could be seen by users as misuse of government resources. - It creates an incorrect impression that the entity may not be a going concern, while there is no going concern risk in reality. 	
3.9.2	The BCs note that the Board considered current accounting practice in developing the requirements and that the Board was mindful to not develop guidance that would result in less information or reduced liabilities. This approach is not supported as it predetermines the Standard instead of the Standard being developed from a zero-base based on the most appropriate information to users. Users may have become accustomed to certain information, but there is an opportunity with the Standard to educate users about the true nature of certain benefits, should the Standard result in different information to what users previously received. A change from current practice may further be necessary as a result of changes to insurance accounting Standards internationally.	
3.9.3	It is questionable if the liability can be reliably measured at the proposed recognition point. The high level of estimation uncertainty in many areas (as recognised in the BCs as a reason for not requiring a sensitivity	

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	analysis) indicates that the obligation may rather be a contingent liability until an application is submitted. Where there is no direct relationship between the entity and the contributor/beneficiary, the estimation uncertainty is high and statistical information may need to be used.	
3.9.4	For some benefits there may be a long period allowed between the event occurred and an application is submitted to the entity. When the period is relatively short, the entity can use information after the balance sheet date to assist with the estimate of applications that will be submitted by the reporting date. When the period is long, for example 3 or more years, the estimation uncertainty is high.	
3.10	National Treasury [Public Finance, IFMS and Financial Systems, GTAC and MFIP, mSCOA and OAG units], Statistics SA and Reserve Bank (Public Finance unit)	
3.10.1	The proposal is supported as it is believed the correct recognition point. It would, however, be important to understand the support that preparers may need to determine the liabilities.	
3.11	Roundtable with specific preparers and treasuries (session 2)	
3.11.1	The proposal is supported. It is well explained.	
3.12	Roundtable with specific preparers and treasuries: Measurement requirements	
3.12.1	It could be difficult to identify the specific obligating event. Illustrative example 14 is clear. It is aligned to how entities currently measure their benefits.	
3.13	Roundtable with auditors and other technical specialists (session 2)	
3.13.1	The proposal is supported. It is well explained.	
<p>Question 4</p> <p>The ED proposes in paragraph .17 that social assistance benefits are recognised when an entity providing the social benefit receives an application from a potential beneficiary. The Board's considerations and reasons are included in the basis for conclusions paragraphs BC39. to BC45.</p> <p>Do you agree with the approach to recognise social assistance benefits as proposed in the ED? Please provide the reasons and details for your answer.</p>		
4.1	Roundtable with specific preparers and treasuries	

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4.1.1	No comment.	
4.2	Public Sector Accounting Forum	
4.2.1	Not discussed.	
4.3	AGSA product champions and auditors of specific entities	
4.3.1	There is a concern that entities may manipulate their benefits to fall in this category as the requirements are less onerous.	
4.3.2	It is unclear why the recognition point differs from social security insurance benefits.	
4.3.3	It may be difficult for entities to obtain the required information where an agent is used to provide benefits to individuals/households e.g. SASSA and the Department of Social Development.	
4.4	Roundtable with auditors and other technical specialists	
4.4.1	No comment.	
4.5	Public Sector Accounting Forum (session 2)	
4.5.1	Not discussed.	
4.6	Reserve Bank and National Treasury Public Finance divisions	
4.6.1	Not discussed.	
4.7	National Treasury (Public Finance, Financial Systems, Office of the Accountant-General, Intergovernmental Relations, IFMS, Budget, mSCOA, PFMA Capacity Building units and internal audit), Statistics SA and Reserve Bank (Public Finance unit)	
4.7.1	The proposal is supported.	
4.8	Roundtable with preparers	
4.8.1	No comment.	
4.9	Road Accident Fund	
4.9.1	It may be unclear at which point an entity can consider an application as submitted. For some benefits there are legislated periods within which an entity should process applications (e.g. Gazetted from the RAF Act	

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NO.	COMMENT	SECRETARIAT'S PROPOSED RESPONSE
	for RAF benefits). This process entails a “pre-assessment” before an application is thoroughly vetted to meet all the requirements. This “pre-assessment” has been introduced into the system as there are large numbers of applications with incomplete information (e.g. no ID numbers). The Standard should not result in liabilities being raised for invalid applications as these would not be payable.	
4.10	National Treasury [Public Finance, IFMS and Financial Systems, GTAC and MFIP, mSCOA and OAG units], Statistics SA and Reserve Bank (Public Finance unit)	
4.10.1	It may be unclear what is the point when an entity considers an application as received.	
4.11	Roundtable with specific preparers and treasuries (session 2)	
4.11.1	No comment.	
4.12	Roundtable with specific preparers and treasuries: Measurement requirements	
4.12.1	Example 13 is clear.	
4.13	Roundtable with auditors and other technical specialists (session 2)	
4.13.1	The proposal is supported. It is well explained.	
<p>Question 5</p> <p>The ED proposes that the satisfaction by beneficiaries of ongoing eligibility criteria, as required by a benefit's rules, to continue receiving a social benefit gives rise to a new liability when the eligibility criteria required to be met are substantive (see paragraph .21). The Board's considerations and reasons are included in the basis for conclusions paragraph BC46.</p> <p>Do you agree with the boundaries of social benefit liabilities as proposed in the ED? Please provide the reasons and details for your answer.</p>		
5.1	Roundtable with specific preparers and treasuries	
5.1.1	The guidance is clear and is supported.	
5.2	Public Sector Accounting Forum	
5.2.1	Not discussed.	
5.3	AGSA product champions and auditors of specific entities	

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NO.	COMMENT	SECRETARIAT'S PROPOSED RESPONSE
5.3.1	The proposal is supported. However, it is uncertain whether entities will have the information necessary to estimate the boundary of the liability, especially for social security insurance benefits where the event occurred but was not yet reported.	
5.4	Roundtable with auditors and other technical specialists	
5.4.1	The proposal is supported. An example is the R350 grant for unemployed individuals that require frequent re-verification.	
5.5	Public Sector Accounting Forum (session 2)	
5.5.1	Not discussed.	
5.6	Reserve Bank and National Treasury Public Finance divisions	
5.6.1	Not discussed.	
5.7	National Treasury (Public Finance, Financial Systems, Office of the Accountant-General, Intergovernmental Relations, IFMS, Budget, mSCOA, PFMA Capacity Building units and internal audit), Statistics SA and Reserve Bank (Public Finance unit)	
5.7.1	<p>The proposal is supported. The Standard will instil that accounting depends on how the benefits are managed (from how they are legislated) and enforced. The proposal also promotes better internal controls. To date, this has not been reflected in the accounting.</p> <p>The proposal will further assist with entities' growing liabilities that are not true reflections of government's liabilities at the reporting date.</p> <p>It is further aligned to the model applied to determine provisions.</p>	
5.7.2	<p>In GFS, the liability would be based on the benefits confirmed for payment. This is closer to the liability recognised under IPSAS 42, and the liability under this Standard for the applications that have been verified to meet all eligibility criteria.</p> <p>Even though the liabilities recognised under this Standard would be at an earlier point, it will assist with statistical reporting if the GFS liability can be clearly identified from the financial statements.</p>	
5.8	Roundtable with preparers	

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NO.	COMMENT	SECRETARIAT'S PROPOSED RESPONSE
5.8.1	No comment.	
5.9	Road Accident Fund	
5.9.1	The proposal could be cumbersome and difficult to apply for each beneficiary if the dates of re-verification are not aligned for all beneficiaries. It would also require a high degree of estimation for the applications that are not yet verified. It is easier in IPSAS 42 where being alive is seen as a substantive criterion for each payment. It is, however, supported that this assessment in the Standard is based on the benefit's rules and not written as a rule in the Standard.	
5.10	National Treasury [Public Finance, IFMS and Financial Systems, GTAC and MFIP, mSCOA and OAG units], Statistics SA and Reserve Bank (Public Finance unit)	
5.10.1	The calculation may be complex. It should be discussed with actuaries.	
5.11	Roundtable with specific preparers and treasuries (session 2)	
5.11.1	No comment	
5.12	Roundtable with specific preparers and treasuries: Measurement requirements	
5.12.1	N/A - Specific discussion on measurement.	
5.13	Roundtable with auditors and other technical specialists (session 2)	
5.13.1	The proposal is supported.	
5.13.2	Consider clarifying whether the period beyond the next verification of substantial eligibility criteria should be assessed for a contingent liability in the scope of GRAP 19.	
<p>Question 6</p> <p>The ED does not require an entity to provide a sensitivity analysis of the social benefit liability. The Board considered whether this information may be useful, particularly for social security insurance benefits, and concluded such a requirement would be unnecessary. The Board's considerations and reasons are included in the basis for conclusions paragraph BC55.</p> <p>Do you agree that a sensitivity analysis of social benefit liabilities should not be required? Please provide the reasons and details for your answer.</p>		
6.1	Roundtable with specific preparers and treasuries	

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NO.	COMMENT	SECRETARIAT'S PROPOSED RESPONSE
6.1.1	Supported.	
6.1.2	The liability, especially for social security insurance benefits, may be sensitive to changes in certain estimates, for example, even a small change in the unemployment rate has a material impact on the liability for uninsurance benefits. This is considered in measuring the liability.	
6.2	Public Sector Accounting Forum	
6.2.1	Not discussed.	
6.3	AGSA product champions and auditors of specific entities	
6.3.1	No concerns were identified.	
6.4	Roundtable with auditors and other technical specialists	
6.4.1	The usefulness of the information depends on how predictable and subject to fluctuations the assumptions used are. Most social benefit liabilities may, for example, be sensitive to changes in the discount rate. The disclosure is typically provided for insurance liabilities so that a user can assess whether there are assumptions that could materially impact the liability.	
6.4.2	A sensitivity analysis is not necessary. The disclosure of risk and uncertainties is more important and would be more useful than a sensitivity analysis. Most entities providing social benefits provides multiple benefits. The disclosure would be onerous to provide for each benefit.	
6.5	Public Sector Accounting Forum (session 2)	
6.5.1	Not discussed.	
6.6	Reserve Bank and National Treasury Public Finance divisions	
6.6.1	Not discussed.	
6.7	National Treasury (Public Finance, Financial Systems, Office of the Accountant-General, Intergovernmental Relations, IFMS, Budget, mSCOA, PFMA Capacity Building units and internal audit), Statistics SA and Reserve Bank (Public Finance unit)	

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NO.	COMMENT	SECRETARIAT'S PROPOSED RESPONSE
6.7.1	<p>This disclosure of a sensitivity analysis would be too onerous for most entities and the information value is questioned. If included, entities may do it only because the Standard requires it.</p> <p>As an alternative, it could be encouraged disclosures if entities think it is useful, but that is not ideal and would prefer the Standards to move away from encouraged disclosures.</p>	
6.8	Roundtable with preparers	
6.8.1	No comment.	
6.9	Road Accident Fund	
6.9.1	The proposal is supported. The disclosure about risks and uncertainties will provide sufficient information to users about how the liabilities were determined. This is seen as a significant improvement on IPSAS 42.	
6.10	National Treasury [Public Finance, IFMS and Financial Systems, GTAC and MFIP, mSCOA and OAG units], Statistics SA and Reserve Bank (Public Finance unit)	
6.10.1	The proposal is supported. The information would be onerous to provide and unnecessary in the financial statements. Entities could always provide the information if they assess it necessary in their circumstances – in or outside of the financial statements.	
6.11	Roundtable with specific preparers and treasuries (session 2)	
6.11.1	The proposal is supported.	
6.12	Roundtable with specific preparers and treasuries: Measurement requirements	
6.12.1	N/A - Specific discussion on measurement.	
6.13	Roundtable with auditors and other technical specialists (session 2)	
6.13.1	The proposal is supported.	
<p>Question 7</p> <p>The ED requires information on risks and uncertainties related to the measurement of a social benefit liability to be disclosed (see paragraph .38). An entity would apply only the requirements that are applicable to the entity's circumstances, and would consider the information needed to meet the disclosure objectives. This information is not required by IPSAS 42.</p>		

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NO.	COMMENT	SECRETARIAT'S PROPOSED RESPONSE
Do you agree that information on risks and uncertainties is important for users to understand the measurement of the social benefit liability? Please provide the reasons and details for your answer.		
7.1	Roundtable with specific preparers and treasuries	
7.1.1	This information is necessary for users of financial statements. It would assist entities if there is a template or illustrative guidance on the disclosures as there is no current practise established.	
7.2	Public Sector Accounting Forum	
7.2.1	Not discussed.	
7.3	AGSA product champions and auditors of specific entities	
7.3.1	No issues identified.	
7.4	Roundtable with auditors and other technical specialists	
7.4.1	It may be onerous the provide the information. It should be considered whether the Standard could encourage the disclosure rather than require. Alternatively, it should be emphasised that the disclosure need only be provided if it is necessary to meet the disclosure objectives.	
7.5	Public Sector Accounting Forum (session 2)	
7.5.1	Not discussed.	
7.6	Reserve Bank and National Treasury Public Finance divisions	
7.6.1	Not discussed.	
7.7	National Treasury (Public Finance, Financial Systems, Office of the Accountant-General, Intergovernmental Relations, IFMS, Budget, mSCOA, PFMA Capacity Building units and internal audit), Statistics SA and Reserve Bank (Public Finance unit)	
7.7.1	The information is necessary and useful and should be provided.	
7.8	Roundtable with preparers	
7.8.1	No comment.	
7.9	Road Accident Fund	
7.9.1	The proposal is supported.	

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NO.	COMMENT	SECRETARIAT'S PROPOSED RESPONSE
7.10	National Treasury [Public Finance, IFMS and Financial Systems, GTAC and MFIP, mSCOA and OAG units], Statistics SA and Reserve Bank (Public Finance unit)	
7.10.1	The proposal is supported.	
7.11	Roundtable with specific preparers and treasuries (session 2)	
7.11.1	The proposal is supported.	
7.12	Roundtable with specific preparers and treasuries: Measurement requirements	
7.12.1	N/A - Specific discussion on measurement.	
7.13	Roundtable with auditors and other technical specialists (session 2)	
7.13.1	The proposal is supported.	
<p>Question 8</p> <p>The ED notes that an entity presents and discloses information for social security insurance benefits and social assistance benefits separately because the characteristics, uncertainties and risks of these benefits differ. The ED notes that an entity may present and disclose information on the social benefit liabilities explained in “presentation and disclosure” above separately.</p> <p>Do you agree that information on these social benefit liabilities may be presented and disclosed separately? Please provide the reasons and details for your answer.</p>		
8.1	Roundtable with specific preparers and treasuries	
8.1.1	Supported.	
8.2	Public Sector Accounting Forum	
8.2.1	Not discussed.	
8.3	AGSA product champions and auditors of specific entities	
8.3.1	It may be difficult to provide the information for social assistance benefit liabilities with different risks and uncertainties when the principal applies the modified cash basis and the agent has the accrual information.	
8.4	Roundtable with auditors and other technical specialists	
8.4.1	From an actuarial point of view, the calculation starts with determining a total liability for the entity's obligation based on all the available	

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NO.	COMMENT	SECRETARIAT'S PROPOSED RESPONSE
	information. From this amount, known amounts will be deducted to determine what the remaining liability is that represents the liability for events occurred but not yet reported to the entity. The illustration of the liabilities for each type of social benefit based on risks and uncertainties would still be valuable for illustration purposes.	
8.5	Public Sector Accounting Forum (session 2)	
8.5.1	Not discussed.	
8.6	Reserve Bank and National Treasury Public Finance divisions	
8.6.1	The separately presentation of these liabilities is supported. Otherwise the information is not useful.	
8.7	National Treasury (Public Finance, Financial Systems, Office of the Accountant-General, Intergovernmental Relations, IFMS, Budget, mSCOA, PFMA Capacity Building units and internal audit), Statistics SA and Reserve Bank (Public Finance unit)	
8.7.1	It is questioned whether one entity will provide both social security insurance benefits and social assistance benefits. The way in which entities are structured they are more likely to provide only one or the other. The proposal is supported to future proof the Standard.	
8.8	Roundtable with preparers	
8.8.1	No comment.	
8.9	Road Accident Fund	
8.9.1	The proposal is supported.	
8.10	National Treasury [Public Finance, IFMS and Financial Systems, GTAC and MFIP, mSCOA and OAG units], Statistics SA and Reserve Bank (Public Finance unit)	
8.10.1	No comment.	
8.11	Roundtable with specific preparers and treasuries (session 2)	
8.11.1	The proposal is supported.	
8.12	Roundtable with specific preparers and treasuries: Measurement requirements	

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NO.	COMMENT	SECRETARIAT'S PROPOSED RESPONSE
8.12.1	N/A - Specific discussion on measurement.	
8.13	Roundtable with auditors and other technical specialists (session 2)	
8.13.1	The proposal is supported.	
<p>Question 9</p> <p>(a) Are there any specific implementation issues that the Board should be aware of? If yes, please indicate what these issues are.</p> <p>(b) Are there any regulatory or other issues that exist in the South African environment that may affect the implementation of the proposed Standard of GRAP? If yes, please provide details of these regulatory or other issues that should be considered in finalising the proposed Standard of GRAP.</p>		
9.1	Roundtable with specific preparers and treasuries	
9.1.1	None that could be identified.	
9.2	Public Sector Accounting Forum	
9.2.1	Not discussed.	
9.3	AGSA product champions and auditors of specific entities	
9.3.1	No comment.	
9.4	Roundtable with auditors and other technical specialists	
9.4.1	The impact on entities currently applying the Modified Cash Standard should be carefully considered.	
9.5	Public Sector Accounting Forum (session 2)	
9.5.1	Not discussed.	
9.6	Reserve Bank and National Treasury Public Finance divisions	
9.6.1	No comment.	
9.7	National Treasury (Public Finance, Financial Systems, Office of the Accountant-General, Intergovernmental Relations, IFMS, Budget, mSCOA, PFMA Capacity Building units and internal audit), Statistics SA and Reserve Bank (Public Finance unit)	
9.7.1	There are many things to consider and there is uncertainty about how some of the proposals would be applied in practice as they are new. It	

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NO.	COMMENT	SECRETARIAT'S PROPOSED RESPONSE
	would be important to provide practical implementation guidance, which may need to be updated regularly as practice develops and issues are identified. This may be needed even after the Standard is effective. The new Standard will likely require training. It is suggested that this be done by the OAG.	
9.8	Roundtable with preparers	
9.8.1	No comment.	
9.9	Road Accident Fund	
9.9.1	The consequence of the recognition points proposed in terms of irregular expenditure should be carefully considered. The irregular expenditure framework requires that it be recognised in the year confirmed (i.e. when the payment was made). In estimating a social benefit liability and recognising an expense earlier, when irregular expenditure occurs, it may relate to expenditure recognised in a previous year and potentially incurred under different management.	
9.9.2	The difference between IFRS 17 and GRAP 19 in scope should be better explained.	
9.9.3	The meaning of "contributions" (indicating social security insurance benefits rather than social assistance benefits) should be better explained, since this is not a defined term.	
9.10	National Treasury [Public Finance, IFMS and Financial Systems, GTAC and MFIP, mSCOA and OAG units], Statistics SA and Reserve Bank (Public Finance unit)	
9.10.1	There may be a difference in the classification of expenditure per the Standard and the current approach for departments that apply the Modified Cash Standard (MCS). In MCS, entities apply the economic classification – transfers and subsidies, goods and services, etc. Social benefits is part of transfers and subsidies, but not defined.	
9.11	Roundtable with specific preparers and treasuries (session 2)	
9.11.1	No specific issues identified.	
9.12	Roundtable with specific preparers and treasuries: Measurement requirements	

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NO.	COMMENT	SECRETARIAT'S PROPOSED RESPONSE
9.12.1	N/A - Specific discussion on measurement.	
9.13	Roundtable with auditors and other technical specialists (session 2)	
9.13.1	No comment.	
Question 10		
<p>(a) In your view, overall, does the application of the proposed Standard of GRAP result in financial statements that would be useful to users? Please explain your response.</p> <p>(b) In your view, what are the costs and benefits of the proposals relative to the current accounting for social benefits? In relation to quantitative financial and other resource costs, including the time involved to implement the proposals, the ASB is interested to understand the nature and estimated amounts of any expected incremental costs, or cost savings, of the proposals relative to existing accounting treatments.</p> <p>(c) Should the estimated cost of a proposed requirement exceed the benefit in your view, please provide information on whether the needs of users addressed by the proposed requirement could be satisfied by requiring the disclosure of alternative items of information that would be less costly to prepare.</p>		
10.1	Roundtable with specific preparers and treasuries	
10.1.1	The application of the proposed requirements for social security insurance benefits is not expected to have a cost implication as the information is already provided at present.	
10.1.2	There would be some implications for social assistance benefits, for example, the UIF's labour activation programme.	
10.2	Public Sector Accounting Forum	
10.2.1	Not discussed.	
10.3	AGSA product champions and auditors of specific entities	
10.3.1	The entities that provide social security insurance benefits currently use IFRS 4-based accounting policies and incur actuarial costs. This is not expected to change with the Standard and therefore the cost is not expected to outweigh the benefit.	
10.4	Roundtable with auditors and other technical specialists	
10.4.1	Entities would need time to transition their systems and processes to the new requirements, especially social assistance benefits and benefits that	

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NO.	COMMENT	SECRETARIAT'S PROPOSED RESPONSE
	are currently managed through manual applications and systems. From experience municipalities were impacted when they started accounting for traffic fines when the fines were issued instead of when paid.	
10.5	Public Sector Accounting Forum (session 2)	
10.5.1	Not discussed.	
10.6	Reserve Bank and National Treasury Public Finance divisions	
10.6.1	No comment.	
10.7	National Treasury (Public Finance, Financial Systems, Office of the Accountant-General, Intergovernmental Relations, IFMS, Budget, mSCOA, PFMA Capacity Building units and internal audit), Statistics SA and Reserve Bank (Public Finance unit)	
10.7.1	No comment.	
10.8	Roundtable with preparers	
10.8.1	No comment.	
10.9	Road Accident Fund	
10.9.1	The expectation for information that users have from past practice should not inform the proposed requirements. Users' expectation should rather be corrected if necessary. For example, a contingent liability may better explain the nature of the entity's obligation until an application has been verified and an outflow of resources confirmed. A large liability does not necessarily result in more information or better information to users.	
10.9.2	There is a need to educate members of Parliament on accounting requirements. It is often difficult to explain to them that liabilities are recognised where there is a high level of estimation uncertainty. They often only look at an entity's net asset position without understanding how this number is made up.	
10.9.3	The cost to provide information is not considered. The information is required by the Standards it is provided. The cost to provide social assistance benefit information may be less than the current practice.	
10.10	National Treasury [Public Finance, IFMS and Financial Systems, GTAC and MFIP, mSCOA and OAG units], Statistics SA and Reserve Bank (Public Finance unit)	

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NO.	COMMENT	SECRETARIAT'S PROPOSED RESPONSE
10.10.1	It is not anticipated that there will be significant additional costs compared to the current practice. However, entities would be better placed to comment on this issue.	
10.11	Roundtable with specific preparers and treasuries (session 2)	
10.11.1	No specific issues identified.	
10.12	Roundtable with specific preparers and treasuries: Measurement requirements	
10.12.1	N/A - Specific discussion on measurement.	
10.13	Roundtable with auditors and other technical specialists (session 2)	
10.13.1	The information that will be provided to users about social security insurance benefits is useful to government to understand the continued affordability of its social benefits. Government would, however, be less informed about social assistance benefits. The matter should be discussed with National Treasury to understand if there are other sources of information to them that meet this purpose. Government needs to avoid what happens in other jurisdictions e.g. Greece where there are significant liabilities that government is unaware of and did not plan for. This information may also be useful to a taxpayer. It is not necessarily information that needs to be provided in the financial statements.	
General matters for comment		
Comment on any other matter contained in this ED.		
11.1	Roundtable with specific preparers and treasuries	
11.1.1	No other comment.	
11.2	Public Sector Accounting Forum	
11.2.1	No other comment.	
11.3	AGSA product champions and auditors of specific entities	
11.3.1	No other comment.	
11.4	Roundtable with auditors and other technical specialists	

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NO.	COMMENT	SECRETARIAT'S PROPOSED RESPONSE
11.4.1	No other comment.	
11.5	Public Sector Accounting Forum (session 2)	
11.5.1	No other comment.	
11.6	Reserve Bank and National Treasury Public Finance divisions	
11.6.1	No other comment.	
11.7	National Treasury (Public Finance, Financial Systems, Office of the Accountant-General, Intergovernmental Relations, IFMS, Budget, mSCOA, PFMA Capacity Building units and internal audit), Statistics SA and Reserve Bank (Public Finance unit)	
11.7.1	No other comment.	
11.8	Roundtable with preparers	
11.8.1	No other comment.	
11.9	Road Accident Fund	
11.9.1	No other comment.	
11.10	National Treasury [Public Finance, IFMS and Financial Systems, GTAC and MFIP, mSCOA and OAG units], Statistics SA and Reserve Bank (Public Finance unit)	
11.10.1	No other comment.	
11.11	Roundtable with specific preparers and treasuries (session 2)	
11.11.1	No other comment.	
11.12	Roundtable with specific preparers and treasuries: Measurement requirements	
11.12.1	No other comment.	
11.13	Roundtable with auditors and other technical specialists (session 2)	
11.13.1	No other comment.	