ACCOUNTING STANDARDS BOARD

ANALYSIS AND RESPONSES TO VERBAL COMMENT RECEIVED ON

EXPOSURE DRAFT ON SOCIAL BENEFITS: LIMITED SCOPE AMENDMENTS

(ED 214)

RESPONSES TO THE VERBAL COMMENT RECEIVED ON *EXPOSURE DRAFT ON SOCIAL BENEFITS: LIMITED SCOPE AMENDMENTS* (ED 214)

The Accounting Standards Board (Board) approved an Exposure Draft requesting stakeholders to comment on the Exposure Draft on *Social Benefits: Limited Scope Amendments* (ED 214) in July 2025. A Notice was published in the Government Gazette on 15 August 2025 (Notice 53155). The comment period closed on 14 November 2025.

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 214 is included in a separate analysis.

VERBAL COMMENT RECEIVED ON EXPOSURE DRAFT ON *SOCIAL BENEFITS: LIMITED SCOPE AMENDMENTS* (ED 214)

No.	Name/Organisation	Preparers	Users	Auditors	Other interested parties
1.	Specific preparers (OAG, UIF, Compensation Fund, Department of Social Development)	✔			✔
2.	Specific AGSA auditors			✔	
3.	Specific preparers (Western Cape Provincial Treasury, Limpopo Provincial Treasury, OAG, UIF, Compensation Fund, Department of Social Development)	✔			✔
4.	Reserve Bank, the National Treasury and public entities	✔	✔		
5.	Auditors and other technical specialists			✔	✔ (consultants)
6.	Specific AGSA auditors			✔	
7.	Road Accident Fund	✔			

SUMMARY AND ANALYSIS OF VERBAL COMMENT RECEIVED ON THE EXPOSURE DRAFT ON *SOCIAL BENEFITS: LIMITED SCOPE AMENDMENTS*

NO.	COMMENT	PROJECT GROUP'S PROPOSED RESPONSE
General matters for comment: **Comment on any matter contained in Exposure Draft 214 would be welcomed. Comment is most helpful if reference is made to a specific paragraph or group of paragraphs.**		
1.	**Specific preparers**	
1.1	Establishing a Social Benefits Reference Group is supported, as those who would be using the Standard would need a platform to establish common understanding of difficult principles such as the definitions and scope.	Noted; the Reference Group will be established once the transitional provisions are finalised.
1.2	The Department of Social Development, with the support of SASSA, has information available about beneficiaries of grants, which may be sufficient to measure the liability for social assistance benefits beyond the next point of verification of substantive eligibility criteria.	On balance, the proposed requirements for social assistance benefits are retained for the following reasons: • Since the Department of Social Development applies the Modified Cash Standard and does not disclose information about a liability beyond the next payment due to SASSA (if applicable), it is uncertain whether the information available would be sufficiently detailed to reliably measure a liability beyond the next point of verification of substantive ongoing eligibility criteria for financial statement purposes. The information is currently used for statistical purposes and government's long term estimates of national expenditure. • The proposal was supported by respondents to ED 205 *Proposed Standard of GRAP on Social Benefits* and the majority of respondents to this ED. • It is anticipated that accounting for social assistance benefits in accordance with the proposals in ED 205 and ED 214 requires notable changes from current practice for at least some social assistance benefits. • Since the Standard provides new guidance, there may be benefit in allowing time for practice to develop before requiring a more extensive approach to measure liabilities for social assistance benefits. The proposals in ED 214 provide some relief in measuring social

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		assistance benefits, which could be revisited in future when practice is established. These reasons are added to paragraph BC59.
2.	**Specific AGSA auditors**	
2.1	The requirements can be very complicated. It is important for entities to be able to reliably measure the liabilities.	Based on the evidence available at the time of developing the requirements, the Board considers the requirements necessary to enable a reliable measure of social benefit liabilities. The Reference Group will have an important role to play in dealing with any application issues that may arise.
2.2	Guidance may be needed on how the requirements apply to entities that are in a principal-agent arrangement where the agent is responsible for the beneficiary verification and payment processes, using the principal's bank account, especially when the principal and agent apply different reporting frameworks.	Application guidance paragraph AG8. explains the considerations when social benefits are provided in a principal-agent arrangement. Entities in a principal-agent arrangement should apply GRAP 109 *Accounting by Principals and Agents* with the other applicable Standards of GRAP. While this guidance was not included in ED 214, it will be included in the final Standard of GRAP on *Social Benefits.* It should be noted that the requirements for accounting by principals and agents are similar in GRAP 109 and the Modified Cash Standard, although accounting for revenue, expenses, assets and liabilities may differ.
2.3	Guidance should explain how to determine whether there are ongoing eligibility criteria and whether they are substantive. E.g. should an entity establish this in their accounting policy?	Application guidance paragraphs AG8. and AG25. explain that eligibility criteria are usually established in legislation or similar means (referred to as "the benefit's rules"). Paragraphs AG39. to AG41. provide guidance on when ongoing eligibility criteria are substantive. Entities should apply the requirements of the Standard to the benefits they provide and the benefits' rules. How the requirements apply in an entity's circumstances should be explained for users in the accounting policies.
2.4	The impact of the proposed liability on an entity's financial health should be considered as there are no contributions received over time to fund these benefits; they are funded on an ongoing basis. There may be some social assistance benefits that may have substantive eligibility criteria, e.g. the R350 grant is verified monthly, where it will not be an issue.	To address concerns regarding how benefits are funded, the Board developed different requirements for social assistance benefits and social security insurance benefits. The Board's rationale for the requirements is explained in paragraphs BC20. to BC58.

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	However, this may be particularly an issue for longer term social assistance benefits, such as old age grants and child support grants. Furthermore, recognising a large liability may create the impression that such grants will be paid and lead to a culture of reliance on grants. Did the Board consider an unrecognised (contingent) liability instead? It would furthermore be important for the National Treasury, especially the budget unit, to understand the information that is provided to enable sensible policy decisions.	
2.5	There will likely be a period from when the social risk occurred and the application is verified. This could lead to constant prior period errors. This should be reconsidered.	Application guidance paragraphs AG33. to AG52. provide guidance on the estimates used to measure the social benefit liability. These estimates include the number of applications submitted that will result in social benefit payments, and the amounts of those payments. Changes in estimates and differences between estimates and actual amounts are not accounted for retrospectively.
2.6	Not limiting social security insurance benefit liabilities to the next point of verification of substantive ongoing eligibility criteria is aligned to current practice and is supported.	Noted.
3.	**Specific preparers**	
3.1	The principles explained in the ED are clear. It will be helpful to add clear examples.	Noted. Appendix C and Appendix D illustrate the principles through implementation guidance and illustrative examples. The Reference Group will assess whether further supporting material is necessary.
3.2	The proposals are supported.	Noted.
3.3	There may be differences between the scope and definitions of the Standard and the GFSM classification. For example, bursaries are classified as social assistance benefits in GFSM. It would be useful if these are clearly explained.	The Board acknowledges that, although the Standard uses concepts from GFSM to describe social benefits, there are differences in scope since the Standard excludes employee benefits and in-kind social benefits. See 3.1 above regarding the guidance included in the Standard to explain the definitions and scope. Paragraph BC30. and the related footnote explains this difference. The Reference Group will consider whether any further guidance may be needed.

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4.	**Reserve Bank, the National Treasury and public entities**	
4.1	Guidance should be provided to explain when ongoing eligibility criteria are substantive.	Application guidance paragraphs AG39. to AG41. provide guidance on when ongoing eligibility criteria are substantive.
4.2	The Standard is highly technical. A user or reader of the financial statements may not be able to understand what an entity considered and how they accounted for social benefits.	The Standard requires disclosure that explains the following to users / readers of the financial statements: • The characteristics of an entity's social benefits. • The amounts in the financial statements arising from an entity's social benefits. • How an entity's social benefits may affect the amount, timing and uncertainty of the entity's future cash flows. An entity further explains in the entity's accounting policies how the Standard is applied in the entity's circumstances. These disclosures will provide users or readers of the financial statements with sufficient information to hold entities accountable for their responsibilities to provide social benefits and to make decisions.
4.3	As a user of financial statements, it is useful to be able to analyse trends in data and to understand any shifts in these trends.	The Standard requires comparative information to be provided, or a reconciliation of movements in balances. This information is considered sufficient to enable users to analyse trends over time. Entities may provide further information outside the financial statements to specific users to meet their needs.
4.4	The distinction between the types of benefits and different requirements for the two types are supported.	Noted.
5.	**Auditors and other technical specialists**	
5.1	The proposed change to accounting for social security insurance benefits is supported. Not limiting a liability to the next point of verification	Noted.

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	of substantive ongoing eligibility criteria better reflects an entity's obligation to provide a social benefit with contributions it receives.	
5.2	The need to limit social assistance benefit liabilities to the next point of verification of substantive ongoing eligibility criteria is questioned, since these benefits are recognised when an application is received. At this point, sufficient information should be available to reliably measure the liability beyond this point, and for purposes such as good governance and longer-term planning and decision making. The proposed approach may result in a shorter-term liability for long-term benefits (e.g. a child support grant) compared to the approach that would be applied to social security insurance benefits. The assertion that users need different information about the two types of benefits was also questioned. Policy setters may need the same information about the cost to provide both types of benefits, and tax payers may also want to know this information. The Board's reasoning for the proposals should be sufficiently explained in the BCs.	ED 214 was a limited scope Exposure Draft, which did not include the distinction in benefits and did not propose any changes to the requirements for social assistance benefits. The Board's rationale for distinguishing between two types of social benefits is explained in paragraphs BC25. to BC35. The difference in information needs is directly related to the different nature of the two types of benefits, which leads to a difference in what entities are responsible for and should be held accountable for. Should additional information be needed by specific users, this can be provided outside the financial statements. Paragraph BC57. further explains the reasons why the Board proposed to change the approach for social security insurance benefits, so that the next point of verification of substantive ongoing eligibility criteria is no longer considered in measuring social security insurance benefits. Paragraph BC59. is added. Also see response to comment 1.1.
5.3	It would be important to ensure that sufficient disclosure is provided in the financial statements to enable users to understand the information provided. It should be assessed whether the disclosure requirements are sufficient. Furthermore, entities do not always understand the level of detail required and still sometimes provide disclosures through a checklist approach, which leads to information being insufficiently explained in the financial statements. While quantitative information is usually provided to the degree required, narrative and qualitative information lacks.	See response to question 4.2. The Board's approach to develop the disclosure requirements and rationale for the information required is explained in paragraphs BC62. to BC70. The use of disclosure objectives, instead of a detailed list of requirements, supports a principle-based approach. The Reference Group will assess whether further practical guidance or support is needed and how those could be provided.
6.	**Specific AGSA auditors**	
6.1	There is uncertainty about how an entity deals with unknown future events impacting the period that a beneficiary will remain eligible to receive a benefit, e.g. how long the beneficiary will be unemployed, or	The Application guidance explains the estimates that entities consider when measuring social benefit liabilities. These are summarised in paragraphs AG46. and AG47.

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	medical complications resulting in the beneficiary being eligible to receive support for a longer period.	
6.2	The proposed approach to the recognition of social benefit liabilities will significantly increase liabilities from the current approach. It is questionable whether this benefits users. The information that is important may rather be the actual social benefit expense. A liability with no corresponding asset may further result in an unfavourable statement of financial position.	ED 214 was a limited scope Exposure Draft and did not include the recognition requirements. These were supported by stakeholders in ED 205.
6.3	There is uncertainty about which benefits will be in the scope of the Standard and this should be clarified.	In addition to the authoritative guidance explaining the definitions and scope, Appendix C and Appendix D illustrate the principles through implementation guidance and illustrative examples. The Reference Group will consider whether any other forms of support are necessary.
6.4	There is support for the approach to not consider the next point of verification of substantive ongoing eligibility criteria in measuring social security insurance benefit liabilities, as this is aligned to the approach currently applied to measure these liabilities.	Noted.
7.	**Road Accident Fund**	
7.1	There may be benefits that are not in the scope of the Standard at present, but if there are changes in the environment, e.g. legislative changes, those benefits could fall in scope in future. There are other benefits which meet most of the elements of the definition, but not all. It is difficult to understand why some benefits are excluded from the scope of the Standard when their nature is similar to other benefits in the scope of the Standard.	Noted. ED 214 was a limited scope Exposure Draft and the requirements related to definitions and scope were not included. Paragraphs BC3. to BC18. explain the Board's rationale for the requirements proposed in ED 205. Paragraph BC19. explains why the assessment should be done for each benefit, irrespective of the characteristics or legal nature of an entity. The Reference Group will consider what support may be necessary to ensure the requirements are understood the same way by all who use the Standard.
7.2	Actuarial reports estimate the number of applications still to be submitted, and the estimate average value per claim. If the Standard	As per other Standards of GRAP - such as GRAP 19 on *Provisions, Contingent Liabilities and Contingent Assets* and GRAP 25 *Employee*

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	requires the estimate to be done per individual claim, it means numerous estimates need to be made. This is an onerous requirement.	*Benefits* - the liability may be estimated at an aggregate level for similar applications. Paragraph BC60. is added.
7.3	The approach to retain the next point of verification of substantive ongoing eligibility criteria in measuring social assistance benefit liabilities is supported.	Noted.