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**TO: MEMBERS OF THE BOARD**  
**FROM: ELIZNA VAN DER WESTHUIZEN**  
**SUBJECT: SOCIAL BENEFITS**  
**DATE: 11 JULY 2024**  
**FILE REF: ATTACHMENT 6(a)**

## BACKGROUND AND OBJECTIVE

1. The Board approved ED 205 on *Proposed Standard of GRAP on Social Benefits* in July 2023 with a comment deadline of 17 November 2023. Initial consultations with stakeholders revealed that more time was needed to consult, because the ED is complex and multiple engagements with the same stakeholders were necessary to ensure they understand the proposals. An extension of the comment deadline was necessary to ensure the Board received quality input on the ED. The Board approved an extended deadline of 28 March 2024. ED 205 (as exposed for comment) is included as attachment 6(b) for information purposes.
2. The purpose of this memorandum is to provide feedback to the Board on the way forward proposed by the Technical Committee on a key issue identified from an initial review of the comment received. The issue relates to the definition of social benefits. A detailed review of the comment received and a discussion on proposed responses will be conducted with the Technical Committee and Board at a future meeting.
3. Preceding the Technical Committee meeting, the Secretariat held three project group meetings to discuss the issue. The Technical Committee considered the proposals of the project groups in deliberating the issue.
4. The Secretariat will finalise the responses to ED 205 based on the agreed way forward after July 2024. The Standard based on the finalised responses will be compared to ED 205 to determine whether re-exposure is necessary, by applying the criteria in the Due Process Handbook.

Board Members: Mr A van der Burgh (Chair), Ms A Carstens, Mr A Hardien, Ms W de Jager,  
Mr D Dlamini, Mr S Gcwabe, Mr S Khan, Ms A Muller, Ms L Senne, Prof R Small  
Chief Executive Officer: Mrs J Poggiolini

## DEFINITION OF SOCIAL BENEFITS

5. In developing ED 205, the Board agreed to align the definition of social benefits with IPSAS 42 on *Social Benefits*, but to include cash and in-kind benefits. IPSAS 42 defines social benefits as only cash benefits. The scope of ED 205 was, however, limited to cash social benefits, which aligns with IPSAS 42. A future project will consider the accounting for in-kind benefits. The Board did, however, conclude in developing ED 205 that entities should apply GRAP 19 on *Provisions, Contingent Liabilities and Contingent Assets* to account for in-kind benefits at this time. This is illustrated in a flow chart included in the Application Guidance of ED 205.
6. IPSAS 42 used concepts from the Government Finance Statistics Manual (GFS) to develop the definition. The Board further distinguished social benefits as “social assistance benefits” and “social security insurance benefits” in ED 205 – both are concepts from GFS. These concepts are not in IPSAS 42. Basing the definitions on existing literature had the benefit of enhancing constituents’ understanding and meeting the information needs of users such as central government and others.
7. Paragraph .07 of ED 205 defines social benefits and social risks as:  
***Social benefits*** are cash transfers and in-kind benefits provided to:
  - (a) *specific individuals and/or households who meet eligibility criteria;*
  - (b) *mitigate the effect of social risks; and*
  - (c) *address the needs of society as a whole.****Social risks*** are events or circumstances that:
  - (a) *relate directly to the characteristics of individuals and/or households, for example, age, health, poverty and employment status; and*
  - (b) *may adversely affect the welfare of individuals and/or households, either by imposing additional demands on their resources or by reducing their income.*
8. As part of the early decisions on the ED explained in paragraphs 5 and 6, local benefits were analysed to understand the impact of the ED on the local environment. The entities likely affected by the ED and their auditors were specifically consulted. They include the Unemployment Insurance Fund, Compensation Fund, Department of Social Development, National Student Financial Aid Scheme and National Home Builders Registration Council. The Road Accident Fund was also consulted as some of their benefits may be in-kind social benefits and future benefits may meet the definition in ED 205. As in-kind benefits are outside the scope of the ED, the consultations focused on cash social benefits at this time.
9. Many respondents to ED 205 raised questions about the definition of social benefits. In particular, they expressed uncertainty about how to interpret and apply the social risks definition. They indicated it is difficult to understand when a benefit addresses a social risk, or another risk. This is mostly because it is difficult to identify when a risk relates *directly* to the characteristics of individuals and/or households and uncertainty about what those characteristics are. There were also questions about the interpretation of *the benefits are provided to meet the needs of society as a whole*.

## Social risks

10. Some respondents who raised issues with the definition of social risks included proposals to resolve the issues. The potential ways forward broadly included (a) foregoing the concept of social risks to simplify the assessment, (b) amending the definition to provide more clarity, or (c) retaining the definition as is and addressing the issues in another way. Each of these were explored separately.
11. The Technical Committee considered recommendations from the project groups, which included amending the definition of social risks to include an exhaustive list of characteristics of individuals and/or households to which social risks relate, and for social risks to remain limited to those events or circumstances that relate directly to those characteristics.
12. In weighing the options, the Technical Committee noted that although an exhaustive list of characteristics of individuals and/or households may assist stakeholders, the assessment will remain complex.
13. On balance, the Technical Committee recommended to the Board that the definition of social risks should remain unchanged. The list of examples of characteristics should remain as examples and unchanged, and only benefits relating directly to the characteristics should be included. To prevent entities from undertaking a complex assessment for in-kind benefits, the Standard should be clear upfront that only cash benefits are in the scope of the Standard. Furthermore, to resolve the issues raised, the Technical Committee recommended that other forms of guidance and initiatives could be used to assist entities with understanding the definition and the benefits that would be in the scope of the Standard. For example, implementation guidance and considering whether a reference group could be useful.

### **ACTIONS REQUESTED #1**

**The Board is requested to CONFIRM the Technical Committee's recommendation in paragraph 13.**

### **Address the needs of society as a whole**

14. Some respondents questioned the need to explain social benefits as addressing the needs of society as a whole. As explained in ED 205, the key reasons to include this element in the definition is to explain social benefits are government's response to social risks in a way that relieves the needs of the most vulnerable in society in a way that is affordable and sustainable, and so that other benefits that are determined through an individualised process are excluded from the scope of the Standard. These include insurance benefits, legal claims and employee benefits.
15. The advantage of removing this from the definition would be that it may be easier to assess the definition. The difficulty would be that it may be more difficult to distinguish benefits that meet the definition of social benefits from benefits in the scope of other Standards, such as IFRS 17 on *Insurance Contracts*, GRAP 19 on *Provisions, Contingent Liabilities and Contingent Assets* and GRAP 25 on *Employee Benefits*. The distinction may be even more difficult should the changes to social risks explained above be made.

16. The Technical Committee recommended retaining “address the needs of society as a whole” as an element of the definition.

#### **ACTIONS REQUESTED #2**

**The Board is requested to CONFIRM the Technical Committee’s recommendation in paragraph 16.**

#### **OTHER ISSUES**

17. An initial review of other issues raised with ED 205 identified areas where the principles in the ED could be clarified or additional guidance could be provided. None of these were found to require significant amendments to the principles.

#### **NEXT STEPS**

18. A full discussion of the comment received and the proposed responses thereto will be held with the Project Groups after the July 2024 Board meeting. The Secretariat proposes that these meetings are held in October 2024 based on the availability of key stakeholders involved in the project. The Secretariat proposes that the comment, proposed responses and amended Standard are presented to the Technical Committee and Board for approval as a final Standard or for re-exposure in November and December 2024 respectively.