



PROJECT BRIEF FOR APPROVAL				
Name of project	Standard of GRAP on <i>Social Benefits</i>			
Project timeframe	Commencement Quarter 1 2021/22			
	Completion Quarter 3 2025/26			
Project manager	E van der Westhuizen			
Complexity of project	The project is complex as it requires developing accounting guidance for social benefits while limited guidance exists internationally. The IPSASB issued the IPSAS on <i>Social Benefits</i> (IPSAS 42) which was not supported locally during the consultation process. Therefore, an understanding of local needs will be required. Consultations with stakeholders will be necessary to identify an appropriate accounting treatment for social benefits for the local environment. No guidance exists in Standards of GRAP on accounting for social benefits at present. Issuing guidance on social benefits is critical to fulfil the Board's mandate to promote transparency in, and accountability of, government expenditure and liabilities.			
Rating	Urgency	High	Medium	Low
	Impact	High	Medium	Low
	Resources required	High	Medium	Low
PROJECT OVERVIEW				
Area of consideration	Comment			
<i>Project outcome</i>				
Project objective	The objective of the project is to develop a Standard of GRAP on social benefits, as no guidance exists in Standards of GRAP at present. In IPSAS 42, social benefits are cash benefits paid to individuals and households by government to protect them against certain social risks. Social risks include unemployment, ill-health, injury while undertaking certain activities, etc. The IPSASB has issued IPSAS 42 in January 2019 with an effective date of 1 January 2023. The Board would need to consider whether the approach proposed by the IPSASB in IPSAS 42 is suitable for the schemes locally.			
Key issues that need to be addressed as part of this project	<p><i>Scope of project</i></p> <p>The project will provide guidance on accounting for social benefits to all entities that apply Standards of GRAP.</p> <p>Guidance has been provided by the IPSASB on accounting for collective and individual services, as application guidance in IPSAS 19 on <i>Provisions, Contingent Assets and Contingent Liabilities</i>. The amendment to IPSAS 19 was issued alongside IPSAS 42. Potential guidance on collective and individual services in Standards of GRAP will not be</p>			



	<p>considered as part of this project, because the entities that have these types of expenses are different to the entities that have social benefits.</p> <p><i>Nature of output to be developed</i></p> <p>The project will be progressed in stages, with the following presented to the Technical Committee and Board for consideration / approval:</p> <ul style="list-style-type: none"> (a) Consideration of the approach to develop a Standard of GRAP on social benefits, which may be to develop requirements that depart from IPSAS 42. (b) An analysis of potential issues with IPSAS 42 and potential existing guidance that could be used to develop a Standard of GRAP (one or more issues paper(s)). (c) A draft version of a Standard of GRAP on social benefits as an Exposure Draft. (d) After considering comments received from the public consultation process, the final version of the Standard of GRAP on social benefits. (e) A draft version of transitional provisions and a proposed effective date for the initial adoption of a Standard of GRAP on social benefits as an Exposure Draft. (f) After considering comments received from the public consultation process, the final transitional provisions and proposed effective date for the Standard of GRAP on social benefits. <p>The project may require consequential amendments to other Standards of GRAP.</p> <p><i>Previous deliberations by the Board on social benefits</i></p> <p>GRAP 19 includes a description of social benefits (although different to the IPSAS 42 definition) and excludes from its scope provisions and contingent liabilities for social benefits that are “non-exchange”. The exclusion of these provisions and contingent liabilities from the scope of GRAP 19 reflects the Board’s view that both the determination of what constitutes the “obligating event” and the measurement of the liability require further consideration before proposed Standards are exposed.</p> <p>GRAP 19 includes guidance that entities may have considered in developing an appropriate accounting policy for social benefits, with reference to the Standard of GRAP on <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> (GRAP 3).</p> <p><i>Guidance developed by the Secretariat in response to issues raised by stakeholders</i></p> <p>No guidance has been developed by the Secretariat on accounting for social benefits.</p> <p>The Secretariat has communicated to entities in the public sector that undertake insurance, or insurance-like, activities that they should consider</p>
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applying IFRS 4 in preparing their financial statements. This is based on Directive 5 on *Determining the GRAP Reporting Framework*. This position was confirmed amidst new developments internationally in accounting for insurance.

Key issues to be considered

The project will review the requirements of IPSAS 42 in developing a Standard of GRAP on social benefits. Based on issues identified locally during the public consultation process on the proposed IPSAS on *Social Benefits*, the following would need to be considered in the local public sector environment:

- Scope of the Standard: The appropriateness of certain scope exclusions from IPSAS 42 would need to be considered, e.g. concessionary loans. Separating the recognition, measurement and disclosure of social benefits over more than one Standard may not provide users of the financial statements with a holistic view of social benefit schemes.
- Definition of social benefits: The appropriateness of the narrow definition of social benefits to only include cash benefits would need to be considered in the local environment. Additional guidance may need to be developed on elements of the definition of social benefits in IPSAS 42 that may be difficult to understand and apply. For example, “addressing the needs of society as a whole” and “social risk”. If incorrectly applied, it may lead to entities having difficulty in distinguishing social benefits from other benefits.
- Application of the insurance approach: The Board preliminarily decided to eliminate the insurance approach as there is no clear need for it in the local environment. This will be reassessed during the project. Should the insurance approach be included in the Standard, the appropriateness of entities having an option to apply the insurance approach where certain criteria are met would need to be considered. Applying the obligating event approach when the substance of a scheme is that of insurance, may be inappropriate. Applying the insurance approach would provide relevant information in the financial statements about an entity’s social benefit scheme that is in substance insurance.
- Obligating event approach not supported: The IPSAS 42 obligating event approach was not supported locally as it does not result in relevant information to users about government’s obligations to provide social benefits. The past event that gives rise to a liability in the obligating event approach is the satisfaction by each beneficiary of all eligibility criteria to receive a social benefit payment. The satisfaction of eligibility criteria for each social benefit payment is a separate past event. IPSAS 42 indicates that being alive at the point at which the eligibility criteria are required to be satisfied is an eligibility criterion, whether explicitly stated or implicit. Locally being alive is

	<p>viewed as impacting on the measurement of the liability, rather than part of recognition. Entities locally are currently recognising significantly higher obligations than those that would be recognised by applying the obligating event approach. As a result, under the IPSAS 42 approach the obligations of government may be grossly understated. The impact of the obligating event approach, together with other possible approaches to recognising social benefits, would need to be considered.</p> <ul style="list-style-type: none"> - Any other issues that may be topical on social benefits would need to be considered. - The transitional provisions for the proposed Standard would need to be considered.
Environment	
Legislation or regulatory requirements affecting the project	<p>There is a significant amount of legislation governing social benefits, including for example:</p> <ul style="list-style-type: none"> - Social Assistance Act, Act No. 13 of 2004 - Children’s Act, Act No. 38 of 2005 - Older Persons Act, Act No. 13 of 2006 - Unemployment Insurance Act, Act No. 63 of 2001 - Road Accident Fund Act, Act No. 56 of 1996 - Compensation for Occupational Injuries and Diseases Act, Act No. 130 of 1993 - Military Veterans Act, Act No. 18 of 2011
Existing accounting guidance in the Standards of GRAP, IPSASs or IFRSs	<ul style="list-style-type: none"> - GRAP 19 provides a description of social benefits but excludes from its scope any provisions and contingent liabilities for social benefits that are “non-exchange”. - IPSAS 42 provides guidance on accounting for social benefits.
Practices in other countries	<p>Accounting for social benefits is generally an area where guidance is lacking. Many countries account for social benefits on the cash basis. Those countries that apply IPSAS or develop standards based on IPSAS are in the process of considering IPSAS 42.</p> <p>The IPSASB has extended the effective date of IPSAS 42 to 1 January 2023.</p>
Use of experts	<p>It is not anticipated that an expert will be necessary. Actuaries may be consulted as part of developing measurement requirements.</p>
Stakeholders	
Entities in the public sector affected by this project	<p>This Standard would be relevant in the local environment in accounting for, among others:</p>



	<ul style="list-style-type: none"> - social grants by the Department of Social Development, and the South African Social Security Agency (SASSA) who acts as an agent of the Department of Social Development; and - benefits paid by the Government Pension Administration Agency (GPAA) as an agent of the National Treasury, and benefits paid by the Unemployment Insurance Fund (UIF), Compensation Fund and Road Accident Fund (RAF). <p>An analysis of the types of benefits paid by entities and whether the benefits are social benefits need be explored in the initial phases of the project.</p>
<p>Key stakeholders to be consulted during the development of the project</p>	<p><i>Preparers</i></p> <p>A representative group of preparers, including the specific entities identified that are affected by the project. This includes the Department of Social Development, the National Treasury, UIF, Compensation Fund and RAF. SASSA and GPAA may also be consulted.</p> <p>Consultants that assist entities to prepare financial.</p> <p>Audit firms, specifically technical divisions.</p> <p>National Treasury’s Office of the Accountant-General, including officials that support departments.</p> <p><i>Auditors</i></p> <p>A representative group of auditors, including the Audit Research and Development unit of the AGSA.</p> <p>Professional bodies (including e.g. SAICA and SAIPA).</p>
<p>Key stakeholders to be consulted as part of the <u>public consultation</u> process</p>	<p>A public consultation process will be followed after the Board has approved the draft Standard of GRAP on social benefits for exposure.</p> <p><i>General consultation</i></p> <p>Preparers, auditors, consultants, users and other representative bodies involved in the preparation or audit of financial statements that are prepared using Standards of GRAP. Stakeholders of all types of affected entities will be targeted. This will include consultations with:</p> <ul style="list-style-type: none"> - Preparers, auditors, consultants, users, and other bodies that are members of the Public Sector Accounting Forum (PSAF). - Preparers that are members of the Public Entity CFO Forum. <p><i>Targeted consultations</i></p> <p>National Treasury – OAG, Public Finance and Budget, and Intergovernmental Relations (local government budget and mSCOA team).</p> <p>Actuaries may be consulted, depending on the proposed approach to measure social benefit obligations.</p>



Linkages	
ASB projects	None.
IPSASB projects	IPSAS 42 (effective from 1 January 2023).
IASB projects	None.
Local reforms in public financial management	<p>There are no specific reforms currently underway on social benefits that would affect accounting and reporting in the financial statements.</p> <p>An assessment will be made of recently introduced relief packages in the form of short-term benefits (e.g. those that may result from COVID 19).</p>
Project plan	
Key milestones and timing	See Annexure for roadmap.



Annexure – Road map for the Standard of GRAP on *Social Benefits*

Milestone		Timing	Stakeholder	Linkages
1.	Research possible approach to develop Standard for Board's consideration	Q1 to Q2 2021/22 (Apr – Sep '21)	Develop proposal for approaching the project (converge or depart from IPSAS 42), including reconsidering / reconfirming the project brief. Presented to: <ul style="list-style-type: none">- Internal review- Technical Committee- Board	
2.	Research issues with IPSAS 42	Q3 to Q4 2021/22 (Oct '21 – Mar '22)	Develop issues paper on key issues with IPSAS 42. Consultation may be needed with stakeholders. Presented to: <ul style="list-style-type: none">- Internal review- Technical Committee- Board	
3.	Draft Standard of GRAP on <i>Social Benefits</i>	Q1 2022/23 to Q1 2023/24 (Apr '22 – Jul '23)	Develop Exposure Draft through stakeholder consultations. Presented for recommendation / approval as Exposure Draft to: <ul style="list-style-type: none">- Internal review- Project groups- Technical Committee- Board	
4.	Publish ED and communication material	Q2 2023/24 (Jul – Sept '23)	Presented for internal review.	
5.	Consult on Exposure Draft	Q2 to Q3 2023/24 (Jul – Dec '23)	Consultation with various groups of stakeholders, as identified above.	
6.	Final Standard of GRAP on <i>Social Benefits</i> (and consequential)	Q4 2023/24 (Jan – Mar '24)	Developed in conjunction with stakeholders identified above. Presented to: <ul style="list-style-type: none">- Internal review	

	amendments to other Standards)		<ul style="list-style-type: none"> - Project groups - Technical Committee - Board 	
7.	Publish communication material	Q1 2024/25 (Apr – Jun '24)	Presented for internal review.	
8.	Draft transitional provisions and proposed effective date for exposure	Q1 to Q3 2024/25 (Apr – Sept <u>Dec</u> '24)	Develop transitional provisions and proposed effective date through stakeholder consultations. Presented for recommendation / approval as Exposure Draft to: <ul style="list-style-type: none"> - Internal review - Project groups - Technical Committee - Board 	
9.	Consult on Exposure Draft	Q3–Q4 to Q4 2024/25 <u>to Q1 2025/26</u> (Oct '24 <u>Jan 25</u> – Mar <u>Jun</u> '25)	Consultation with various groups of stakeholders, as identified above.	
10.	Final transitional provisions and proposed effective date	Q2 2025/26 (Apr–Jul – Jun <u>Sept</u> '25)	Developed in conjunction with stakeholders identified above. Presented to: <ul style="list-style-type: none"> - Internal review - Project groups - Technical Committee - Board 	
11.	Submission to Minister of Finance	Q3 2025/26 (Oct <u>Jul</u> – Sept <u>Dec</u> '25)	Develop a submission to the Minister of Finance on the proposed effective date.	



Document management		
Prepared by:	E van der Westhuizen	5 August 2021
Revised by:	E van der Westhuizen	15 November 2022
Approved by:	Board	30 November 2022