

## FACT SHEET – PRESENTATION OF BUDGET INFORMATION IN FINANCIAL STATEMENTS (GRAP 24)

OBJECTIVE OF THE STANDARD	REF
<p>What is the objective of the Standard?</p>	<p>The objective of GRAP 24 is for entities to disclose in the financial statements information about, or make comparisons with, approved budgets that are made publicly available, and for which they are held publicly accountable.</p> <p>Presenting the information enhances transparency as it indicates to the users of the financial statements the extent to which entities have complied with the approved budgets for which they are held publicly accountable.</p> <p>GRAP 24.01</p>
SCOPE OF THE STANDARD	
<p>Who should apply the Standard?</p>	<p>The Standard is applied by entities that are required, or elect, to make their approved budgets publicly available; and they are held publicly accountable for those budgets.</p> <p>GRAP 24.03</p>
<p>What does the Standard mean by “publicly available” approved budgets?</p>	<p>Budgets are made publicly available when they are:</p> <ul style="list-style-type: none"> <li>• approved; <b>and</b></li> <li>• made available to the public at large by: <ul style="list-style-type: none"> <li>- tabling in Parliament, legislature, municipal council; or</li> <li>- made public by the entity through its own actions (i.e. voluntarily).</li> </ul> </li> </ul> <p>For some entities, determining whether the approved budget was made available to the public may not be straightforward. Entities should consider whether the budget was approved and made publicly available by tabling with a legislative body or through inclusion in a publication, website or other media <u>by the entity</u>.</p> <p>GRAP 24.04 GRAP 24.01</p>
<p>When are entities held “publicly accountable” for their budgets?</p>	<p>An entity is held publicly accountable for its budget when there is an expectation of public oversight in approving and monitoring its budget.</p> <p>The public oversight must be exercised <u>by the relevant authority</u> who approves its budget - being Parliament, a legislature or municipal council.</p> <p>GRAP 24.05A</p>
<p>What is an “approved” budget?</p>	<p>“Approved” means that the budget was approved by a legislative body such as Parliament, Legislature, Municipal Council or other relevant authority.</p> <p>An approved budget is an expenditure authority derived by law, appropriation bill, regulations or similar in relation to anticipated revenue or receipts for a budget year.</p> <p>An approved budget is not a forward estimate, forecast or projection based on assumptions about future events and possible management actions that may not necessarily take place. An approved budget differs from prospective financial</p> <p>GRAP 24.07 to GRAP 24.08</p>

*This Fact Sheet explains the Secretariat’s views on the accounting and other issues related to the application of GRAP 24. It should be reviewed with GRAP 24. This Fact Sheet includes the amendments to GRAP 24 from the 2023 Improvements to the Standards of GRAP. This Fact Sheet has not been reviewed, approved or otherwise acted on by the ASB.*

## FACT SHEET – PRESENTATION OF BUDGET INFORMATION IN FINANCIAL STATEMENTS (GRAP 24)

	<p>information, which may be in the form of a forecast, a projection or a combination of both.</p> <p>Examples of forecasts that are not instruments that give rise to an approved budget are the Estimates of National Expenditure and the Estimates of Provincial Revenue and Expenditure.</p> <p>An entity is ultimately held accountable for what is in its approved budget.</p>						
<b>PRESENTING THE COMPARISON OF BUDGET AND ACTUAL AMOUNTS</b>							
<p>What is the comparison of budget and actual amounts?</p>	<p>For each level of <u>legislative oversight</u>, the comparison of budget and actual amounts should present separately: GRAP 24.12</p> <p>(a) the <u>approved and final budget amounts</u>;</p> <p>(b) the actual amounts on a <u>comparable basis</u>; and</p> <p>(c) an <u>explanation of material differences between the approved budget and actual amounts</u> in a note disclosure (or cross referenced to another report).</p>						
<p>How is the comparison of budget and actual amounts presented?</p>	<p>There are two methods to present the comparison: GRAP 24.12</p> <p>(a) additional budget columns in the primary financial statements; or GRAP 24.19</p> <p>(b) a separate additional financial statement referred to as the “<i>Statement of Comparison of Budget and Actual Amounts</i>” or similar. GRAP 24.21</p> <table border="1" data-bbox="529 1279 1423 1778"> <thead> <tr> <th data-bbox="529 1279 963 1330">Additional budget columns</th> <th data-bbox="963 1279 1423 1330">Separate financial statement</th> </tr> </thead> <tbody> <tr> <td data-bbox="529 1330 963 1637"> <p>This method is used when the budget and financial statements are prepared on a comparable basis. I.e. the amounts in the financial statements are presented on the same accounting basis, same classification basis/ structure or presentation format, using the same formats and classification schemes, for the same entities and for the same period as the approved budget.</p> </td> <td data-bbox="963 1330 1423 1637"> <p>This method is used when the budget and financial statements are not prepared on a comparable basis.</p> <p>It can also be used when the budget and financial statements are prepared on a comparable basis.</p> <p>Thus, it is important that the financial statements clarify when the budgetary basis and accounting basis differ.</p> </td> </tr> <tr> <td data-bbox="529 1637 963 1778"> <p>Additional columns will identify approved and final budget amounts and, if the entity so chooses, differences between the budget and actual amounts.</p> </td> <td data-bbox="963 1637 1423 1778"></td> </tr> </tbody> </table>	Additional budget columns	Separate financial statement	<p>This method is used when the budget and financial statements are prepared on a comparable basis. I.e. the amounts in the financial statements are presented on the same accounting basis, same classification basis/ structure or presentation format, using the same formats and classification schemes, for the same entities and for the same period as the approved budget.</p>	<p>This method is used when the budget and financial statements are not prepared on a comparable basis.</p> <p>It can also be used when the budget and financial statements are prepared on a comparable basis.</p> <p>Thus, it is important that the financial statements clarify when the budgetary basis and accounting basis differ.</p>	<p>Additional columns will identify approved and final budget amounts and, if the entity so chooses, differences between the budget and actual amounts.</p>	
Additional budget columns	Separate financial statement						
<p>This method is used when the budget and financial statements are prepared on a comparable basis. I.e. the amounts in the financial statements are presented on the same accounting basis, same classification basis/ structure or presentation format, using the same formats and classification schemes, for the same entities and for the same period as the approved budget.</p>	<p>This method is used when the budget and financial statements are not prepared on a comparable basis.</p> <p>It can also be used when the budget and financial statements are prepared on a comparable basis.</p> <p>Thus, it is important that the financial statements clarify when the budgetary basis and accounting basis differ.</p>						
<p>Additional columns will identify approved and final budget amounts and, if the entity so chooses, differences between the budget and actual amounts.</p>							
<p>Should municipalities present both the Statement of Comparison of Budget and</p>	<p>Municipalities are required by the National Treasury to present specific budget information in their annual reports in addition to what is required by GRAP 24. For example, an Appropriation Statement is presented along with other budget schedules. FAQ<sup>1</sup></p>						

<sup>1</sup> FAQ on “What should be considered when presenting information to what is required by GRAP 24 on a comparison of budget and actual information”

## FACT SHEET – PRESENTATION OF BUDGET INFORMATION IN FINANCIAL STATEMENTS (GRAP 24)

<p><b>Actual Amounts and Appropriation Statement?</b></p>	<p>The information presented in the Appropriation Statement is similar to what is required by GRAP 24, with additional disclosures. Presenting both Statements in the financial statements can lead to repetition of information and confuse users of financial statements.</p> <p>The Standards of GRAP do not preclude the presentation of information in the financial statements in addition to what is required by the Standards. Entities are encouraged to present:</p> <ul style="list-style-type: none"> <li>• information required by Standards of GRAP together with the additional information entities are required or encouraged to present, once in a single statement or note; or</li> <li>• information required by Standards of GRAP in the financial statements, with additional information provided as an annexure to the financial statements.</li> </ul>	
	<p>Where entities present additional budget comparisons or explanations of material changes made to the budget during the year due to a requirement of another body, such as the National Treasury, it may be useful that entities explain to the users of the financial statements that such additional information has been required by the National Treasury.</p>	<p>GRAP 24.29</p>

### PREPARING THE COMPARISON OF BUDGET AND ACTUAL AMOUNTS

<p><b>What information should be disclosed in the comparison of budget and actual amounts?</b></p>	<p>The approved budget includes detailed information about specific activities and programmes, and may be published in various formats, e.g. schedules, note disclosures, etc. To ensure the information is presented at the relevant <u>level of oversight</u>, the information is aggregated into broad classes, budget classifications, or budget headings. The Standard explains that entities should present the comparison of budget and actual information to be consistent with the broad classes and budget classifications, or headings so that the comparisons are made at the relevant <u>level of oversight</u> set by the relevant authority approving the budget and identified in the approved budget.</p> <p>In some cases, financial information included in approved budgets needs to be aggregated for presentation in financial statements to avoid disclosure overload and to reflect relevant <u>levels of oversight</u> set by Parliament, the legislatures, the municipal councils, or other relevant authority approving the budget.</p> <p>For example:</p> <ul style="list-style-type: none"> <li>• If the approved budget comprises the full set of primary financial statements, then the comparison of budget and actual information is presented as the full set of financial statements.</li> <li>• If the approved budget is presented as the statement of financial performance or cash flow statement, then the</li> </ul>	<p>GRAP 24.22 to GRAP 24.26</p>
--	--	---

*This Fact Sheet explains the Secretariat's views on the accounting and other issues related to the application of GRAP 24. It should be reviewed with GRAP 24. This Fact Sheet includes the amendments to GRAP 24 from the 2023 Improvements to the Standards of GRAP. This Fact Sheet has not been reviewed, approved or otherwise acted on by the ASB.*

## FACT SHEET – PRESENTATION OF BUDGET INFORMATION IN FINANCIAL STATEMENTS (GRAP 24)

	<p>comparison of budget and actual information is presented as those parts of the primary financial statements that make up the approved budget.</p> <p>Therefore, the extent of the comparison and level of aggregation involves judgement. Such judgement is exercised in the context of the Standard’s objective and the qualitative characteristics of financial reporting.</p>	
<p>What is a “comparable basis”?</p>	<p>The Standard requires that the actual amounts should be presented on a comparable basis to the budget in the comparison of actual and budget amounts. The approved budget is a legal document through which entities will be held accountable, as such the actual amounts in the financial statements should be adjusted to align with that budget.</p> <p>Comparable basis means that the actual amounts from the financial statements are adjusted to reflect the same basis of accounting (i.e. cash or accrual), same classification system/structure (i.e. nature, function or other basis), same entities (i.e. for a group of entities, or an individual entity), and reporting period, as the approved budget.</p> <p>Where the approved budget is prepared on the cash or modified cash basis and the classification system is different to the financial statements, it means that the actual amounts will be presented based on the accounting basis and classification system adopted for the approved budget.</p>	<p>GRAP 24.30</p>
<p>Should all differences between the budget and actual amounts be explained in the financial statements?</p>	<p>The Standard requires an explanation of <u>material</u> differences between the budget and actual amounts to be disclosed in the notes to the financial statements (or cross referenced to another report).</p> <p><b>Materiality</b> is defined as: <i>“Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.”</i></p> <p>Entities should assess whether differences between budget and actual amounts are material from the perspective of the users of the financial statements i.e. whether those differences can be expected to influence the decisions or assessments of the users. Therefore, the nature or size of the difference is assessed to determine whether the difference is material, and should be explained in the financial statements.</p> <p>The Standard does not require entities to disclose the materiality threshold (Rand value or %) or qualitative considerations for assessing the materiality of differences. However, entities are required to disclose their significant judgements, and they may</p>	<p>GRAP 24.12 GRAP 12.14</p>

## FACT SHEET – PRESENTATION OF BUDGET INFORMATION IN FINANCIAL STATEMENTS (GRAP 24)

	<p>disclose their materiality considerations if it will assist the users of financial statements to understand why certain differences have not been explained.</p> <p>Refer to the ASB's Guideline on <a href="#">Materiality</a>.</p>	
<p>What is the difference between an approved and final budget?</p>	<p>The Standard requires presentation of the approved and final budget amounts in the comparison of actual and budget amounts.</p> <ul style="list-style-type: none"> <li>An <b>approved budget</b> is defined as: <i>“The expenditure authority derived from laws, appropriation bills, regulations and other decisions related to the anticipated revenue or receipts for the budgetary period.”</i></li> <li>A <b>final budget</b> is defined as: <i>“The approved budget adjusted for transfers, allocations, supplemental appropriations, and other changes applicable to the budget period.”</i></li> </ul> <p>Therefore, the final budget includes all changes made by the entity subsequent to the budget being approved by Parliament, the legislatures, municipal councils or other relevant authority. Unlike the approved budget, the final budget may not necessarily be made publicly available. In some cases, the approved and final budget may be the same.</p>	<p>GRAP 24.06 GRAP 24.12</p>
<p>Should changes between the approved and final budget be explained in the financial statements?</p>	<p>The Standard requires an explanation of changes between the approved and final budget in the notes to the financial statements (or cross referenced to another report).</p> <p>Depending on the legislation governing budgets, changes between the approved and final budget may undergo an approval process. Entities should provide explanations of these changes as it will assist the users of financial statements to understand what gave rise to those changes.</p> <p>The explanation will include whether, for example, changes arose as a result of reallocations within the approved budget parameters or other factors, such as changes in the overall budget parameters. Due to the material nature of these changes, the changes should be explained regardless of the size.</p>	<p>GRAP 24.27</p>
<p><b>NOTE DISCLOSURES OF BUDGETARY BASIS, PERIOD AND SCOPE</b></p>		
<p>Why should the budgetary basis, period and entities included in the budget be disclosed?</p>	<p>The Standard requires entities to explain in the notes to the financial statements:</p> <ul style="list-style-type: none"> <li>the budgetary basis and classification system adopted in the approved budget;</li> <li>period covered by the approved budget; and</li> <li>entities included in the approved budget.</li> </ul> <p>The financial statements already include information on the basis of preparation for the financial statements. By disclosing this additional information it will assist the users of financial</p>	<p>GRAP 24.38 to GRAP 24.45</p>

## FACT SHEET – PRESENTATION OF BUDGET INFORMATION IN FINANCIAL STATEMENTS (GRAP 24)

	statements to understand the relationship between the budget and actual information disclosed in the financial statements.	
<b>RECONCILIATION OF ACTUAL AMOUNTS ON A COMPARABLE BASIS AND ACTUAL AMOUNTS IN THE FINANCIAL STATEMENTS</b>		
When is the reconciliation of the actual amounts on a comparable basis to the budget and the actual amounts presented in the financial statements required?	When the financial statements and approved budget are not prepared on a comparable basis, the Standard requires a reconciliation of the actual amounts on a comparable basis to the budget and the actual amounts presented in the financial statements (hereafter referred to as “the reconciliation”) to be presented on the face of the statement or in the notes.	GRAP 24.46
What information is presented in the reconciliation?	The reconciliation should separately identify any basis, timing and entity differences. Entities should determine how to present the reconciliation based on what will be useful to the users of their financial statements.	GRAP 24.46 and GRAP 24.46A
	The Standard does not prohibit entities to reconcile each major total and subtotal, or each class of items, presented in a comparison of budget and actual amounts with the equivalent amounts in the financial statements.	GRAP 24.48
Why is the reconciliation presented?	The reconciliation is presented to explain to the users of the financial statements the sources of differences between the actual amounts on a comparable basis and the equivalent amounts recognised in the financial statements. The differences may include:	GRAP 24.48
	<ul style="list-style-type: none"> <li>• Basis differences - occur when the financial statements and budgets are prepared on a different accounting and classification basis.</li> <li>• Timing differences - occur when the budget and actual amounts are not prepared for the same period.</li> <li>• Entity differences - occur when the entities included in the budget are not the same as those included in the financial statements.</li> </ul>	GRAP 24.47