ANALYSIS AND RESPONSES TO WRITTEN COMMENT RECEIVED ON

EXPOSURE DRAFT ON SOCIAL BENEFITS: LIMITED SCOPE AMENDMENTS

(ED 214)

ED 214

RESPONSES TO THE WRITTEN 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.

The results of the formal comment process are summarised in this document. The comments received have been analysed based on the questions outlined in the Invitation to Comment published by the Board, along with any general comments noted by respondents.

An analysis of the stakeholders that submitted responses is included in the table on the next page.

In addition to the written comment received, the Exposure Draft was discussed with preparers, auditors, consultants and other interested parties by way of roundtable and other discussions.

The summary of verbal comment received on ED 214 is included in a separate analysis.

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

No.	Name/Organisation	Preparers	Users	Auditors	Other interested parties
1.	Reserve Bank: Public Finance Division		✔		
2.	Bushbuckridge Local Municipality	✔			
3.	Northern Cape Provincial Treasury				✔
4.	Free State Department of Economic, Small Business Development, Tourism and Environmental Affairs				✔
5.	Free State Provincial Treasury				✔
6.	Free State Provincial Treasury: Internal Audit and Risk Management				✔
7.	Free State Department of COGTA				✔
8.	Amahle Menziwa				✔ (unknown)
9.	Thabang Makhetha	✔			
10.	Unemployment Insurance Fund	✔			

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

NO.	COMMENT	BOARD'S 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.	**Reserve Bank: Public Finance Division**	
1.1	As the Public Finance Division, we are users of the data from reporting public entities and as such data takers, although we can ask questions regarding certain observed trends. In this regard, we may not be able to comment at a technical level on the verification of the eligibility criteria as per ED 214. However, we support for this disclosure to be reflected in the notes of the annual financial statements.	Noted.
1.2	We agree with the distinction between social security and social assistance benefits, as it aligns with the Government Finance Statistics Manual (GFSM) 2014, which we use to compile, analyse and disseminate public finance data. The GFSM refers to social security benefits and social assistance benefits. Social security benefits are social benefit expenses payable in cash or in kind to households by social security schemes through dedicated contributions by beneficiaries, for example, the Unemployment Insurance Fund. Contributed social security schemes are defined as part of the broader category of social insurance schemes. These are social insurance schemes that are controlled by government units which cover the entire community or large segments of it and are compulsory for participants. Provide benefits based on contributions made by or on behalf of participants. The contributions are typically made by employees, employers, self-employed individuals, and sometimes the government itself. Social assistance benefits are transfers payable in cash or in kind to households to meet the same needs as social insurance benefits but that are not made under a social insurance scheme. Eligibility to receive such benefits is not dependent on having elected to participate as demonstrated by the payment of prior contributions, but on criteria such as age, disability, etc. Social assistance benefits therefore exclude all benefits payable by social security funds. Social assistance benefits are usually funded by the government and not through a contributed social security scheme. Non-contributed social security schemes are defined as social protection arrangements provided by government units that do not require contributions from beneficiaries or their employers. These schemes are typically funded through general government revenue rather than earmarked contributions. In our comprehensive analysis of the Annual Financial Statements (AFS) for Social Security Funds operating within borders of South Africa using the GFSM 2014, the implications of	Noted.

NO.	COMMENT	BOARD'S RESPONSE
	ED 214 will be recognised. This standard will be featured in the accounting policies, the directors' report, annexures, and notes of the AFS. Its presence is not merely procedural; it fundamentally shapes our understanding and treatment of the transactions outlined in the AFS, ensuring that our analysis is both thorough and aligned with current regulatory expectations of ED 214.	
2.	**Bushbuckridge Local Municipality**	
2.1	I support the proposed amendment to differentiate the treatment of verification of substantive ongoing eligibility criteria between social assistance benefits and social security insurance benefits. Key Points: 1. Conceptual Soundness: The distinction reflects the fundamental differences in the nature of these benefits. Social assistance benefits are conditional and require ongoing eligibility checks, which directly influence liability measurement. 2. Practical Implications: Excluding verification for social security insurance benefits avoids unnecessary complexity and aligns with the contractual nature of these arrangements. 3. Financial Reporting Impact: The proposal enhances clarity and consistency in measurement, reducing ambiguity for preparers and auditors. I recommend that the Board provide illustrative examples in the final Standard to guide preparers on applying these principles in practice.	The support to differentiate the treatment of verification of substantive ongoing eligibility criteria between social assistance benefits and social security insurance benefits is noted. A benefit's rules establish the eligibility criteria and may prescribe ongoing eligibility verification(s). The benefits are expected to arise from legislation or similar means rather than contracts. 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.
3.	**Northern Cape Provincial Treasury**	
3.1	ED 214 Limited Scope Amendments, page 6, 2nd paragraph defining Social assistance benefits: It is not really accurate to say that less information is available about beneficiaries. The same information should be available for the paid social insurance benefit (information required to register by paying beneficiaries) as is available for the free social assistance benefit (same information would still be required to register for the assistance). The application process and monitoring process should be the same for both the paid and the unpaid/free benefit.	For ease of reference, page 6 paragraph 2 is background information to ED 214 and is included in paragraph BC57.: *Social assistance benefits are funded by government on an ongoing basis and less information may be available about beneficiaries. Considering the impact of the verification of substantive ongoing eligibility criteria on the measurement of social assistance benefit liabilities may be appropriate, because:* *(a) the liability would reflect the entity's obligation to provide social benefits to beneficiaries with*

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	And, relating to (b) of this paragraph, is the measurement primarily based on the beneficiaries' entitlement/estimation of their eligibility, or is it based on availability of funds to pay the benefits?	*funding received on an ongoing, short-term basis; and* (b) *the entity may not have detailed information about the beneficiaries to reliably measure the liability beyond the next point of verification of substantive ongoing eligibility criteria.* The difference noted 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. On balance, the Board retained the proposals in ED 214, for the following reasons: • The approach was supported by respondents to ED 205 and the majority of respondents to ED 214. • 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, as the majority of the benefits are accounted for per the Modified Cash Standard and no liability is currently estimated. • 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 provides some relief in measuring social assistance benefits, which could be revisited in future when practice is established.

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		This reasoning is added to paragraph BC59.
4.	**Free State Department of Economic, Small Business Development, Tourism and Environmental Affairs**	
4.1	Paragraph 15 – 18 of the exposure draft provides the definition of the liability as well as its recognition of the social security insurance as well as the social assistance benefit. They further provide the conditions at which this liability may be recognized. Which by and large a focus should be on eligibility criteria. The contestation in this regard is whether or not the existing beneficiaries meeting substantive eligibility criteria at a future date should give or not give rise to the recognition of a new liability. The general understanding is that recognising a new liability for an existing beneficiary that meets substantive eligibility criteria at a future date could be contrary to the initial recognition requirements, which require the recognition of a liability before an application is verified to meet all eligibility criteria. In my opinion, the exposure draft is supported in the sense that there must not be a sense where certain paragraphs of the standard are seen to be in contradiction when it comes to the components of the financial statements and the recognition criteria.	Noted.
4.2	Social security insurance benefits are funded by contributions and there must be information about the individuals who contribute and may become beneficiaries. Considering the impact of the verification of substantive ongoing eligibility criteria on the measurement of social security insurance benefit liabilities may be inappropriate because the contributors are already known and as a result they will be the beneficiaries of this contributions. Social assistance benefits are funded by government on an ongoing basis and less information may be available about beneficiaries. Considering the impact of the verification of substantive ongoing eligibility criteria on the measurement of social assistance benefit liabilities may be appropriate. It is therefore imperative as the verification will result in the liability reflecting the entity's obligation to provide social benefits to beneficiaries with funding received on an ongoing, short-term basis.	Noted.
5.	**Free State Provincial Treasury**	
5.1	No comment.	Noted.
6.	**Free State Provincial Treasury: Internal Audit and Risk Management**	
6.1	No comment.	Noted.

NO.	COMMENT	BOARD'S RESPONSE
7.	**Free State Department of COGTA**	
7.1	The Department of COGTA does not have any comments on the ED 214.	Noted.
8.	**Amahle Menziwa**	
8.1	I agree with the proposed amendment to clarify the guidance on ED 205 Standard. I believe this will improve the Standard by providing more clarity on the accounting treatment for social benefits, which will lead to more consistent application and better reporting. However, I would suggest that the Board consider providing additional guidance on ED 214, as this is a common area of confusion in practice. I support the proposed amendment as it aligns with the principles of transparency and accountability in government financial reporting.	Noted. 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.
9.	**Thabang Makhetha**	
9.1	I support this ED205. Practically, it would be interesting to apply as a preparer of financial statements within the public sector.	Noted.
10.	**Unemployment Insurance Fund**	
10.1	**Background** The UIF, established under the Unemployment Insurance Act, is a contributory social security insurance scheme funded exclusively by employer and employee contributions collected by SARS, supplemented by investment returns managed by the PIC. The Fund pays insurance benefits (unemployment, illness, maternity, adoption, dependants) and implements Labour Activation Programmes (LAP) under section 5(d) of the UI Act. The ASB issued ED 205 (Social Benefits) in 2015, followed by ED 214 (Limited Scope Amendments) in 2017, culminating in GRAP 111 (.01–.38). UIF engaged with both drafts to ensure alignment between actuarial practice, PFMA/Treasury compliance, and accounting standards.	The background information is noted. ED 205 was published in 2023 and ED 214 in 2025.
10.2	**UIF Concerns Raised on ED 205** UIF identified the following issues in ED 205: a) Boundary for liabilities: Opposed limiting liabilities to the next eligibility verification.	**Outstanding issues:** ED 214 was a limited Exposure Draft and did not address the definitions and scope, types of social benefits, and disclosure requirements.

NO.	COMMENT	BOARD'S RESPONSE
	b) Distinction between social assistance vs social security insurance: Requested clearer differentiation. c) Measurement approach: Supported actuarial best-estimate methods. d) Disclosure requirements: Recommended alignment with actuarial reporting. e) Funding source clarity: Emphasised UIF is funded by contributions/investment returns, not National Treasury grants. f) Treatment of LAP commitments: Sought clarity that LAP is programme expenditure, not a social benefit. g) Integration with PFMA/Treasury Regulations: Requested guidance on reconciliation. h) Terminology consistency: Asked for harmonisation of "reserves," "provisions," and "liabilities." i) Volatility in liabilities: Raised concern about assumption changes. **How ED 214 Addressed UIF Concerns** a) Boundary for liabilities: ✓ Resolved – ¶.16 recognises liabilities when social risk occurs; ¶.20 boundary applies only to social assistance. b) Distinction between assistance vs insurance: ✓ Resolved – contributory schemes recognised as social security insurance. c) Measurement approach: ✓ Resolved – actuarial best-estimate methods endorsed (¶.19, AG33–AG52). d) Disclosure requirements: ✓ Resolved – strengthened disclosure of assumptions, risks, demographics (¶.28–.36). e) Funding source clarity: ⚠ Partially addressed – ¶.32(c) requires disclosure of funding, but distinction between contributory vs grant-funded schemes not explicit.	1. LAP commitments 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. Paragraphs BC3. to BC18. explain the Board's rationale for the requirements proposed in ED 205 related to definitions and scope. A clear delineation is made between the scope of the Standard of GRAP on *Social Benefits* and other Standards of GRAP. The Reference Group will consider whether any other forms of support are necessary. 2. Funding source clarity ED 214 was a limited Exposure Draft and the requirements related to the classification of benefits as social security insurance or social assistance was not included. Paragraphs .09 to .13 explain that the characteristics indicate that social benefits are managed in a manner similar to insurance contracts, i.e. a social risk is transferred to the provider of the social benefits in return for contributions by, or on behalf of, the individuals and/or households who participate in activities that give rise to the social risk. The way benefits are funded is included in the characteristics to determine the type of social benefit. Management applies judgement to assess all the characteristics holistically. 3. PFMA/Treasury Integration

NO.	COMMENT	BOARD'S RESPONSE
	f) Treatment of LAP commitments: ✕ Not addressed – LAP remains outside GRAP 111 scope. g) Integration with PFMA/Treasury: ✕ Not addressed – no guidance provided. h) Terminology consistency: ⚠ Partially addressed – definitions improved, but actuarial vs accounting gap remains. i) Volatility in liabilities: ⚠ Partially addressed – disclosure of uncertainties required (¶.36), but volatility management not prescribed. **Outstanding Issues** Despite improvements in ED 214, UIF notes the following gaps: **1. LAP Commitments:** GRAP 111 explicitly excludes in-kind benefits and cash transfers not addressing social risks (¶.04, AG2–AG3). LAP expenditure (stipends, PPE, tools of trade, wage subsidies) should be classified under GRAP 19 (Provisions) and GRAP 17 (PPE), not GRAP 111. Risk of misclassification remains if guidance is not explicit. **2. Funding Source Clarity:** GRAP 111 requires disclosure of funding (¶.32(c)), but does not explicitly distinguish contributory schemes (UIF) from grant-funded schemes (SASSA). This distinction is critical for solvency reporting and governance. **3. PFMA/Treasury Integration:** No guidance on reconciling GRAP 111 disclosures with PFMA s38(1)(a) and Treasury Reg 29.1.1. UIF requires clarity to ensure compliance with both accounting and governance frameworks. **4. Terminology Harmonisation:**	The Standards of GRAP are developed to meet the information needs of a broad range of primary users of general-purpose financial statements. Primary users are described in the *Conceptual Framework for General Purpose Financial Reporting*. Entities may need to provide additional information to meet specific legislative requirements, and can do so in the financial statements. FAQ 4.14 on *What is the interaction of legislated disclosure requirements and disclosure requirements in Standards of GRAP?* explains providing information required by legislation in the financial statements. It should be noted that the legislation referred to in the comment applies to departments, trading entities and constitutional institutions. 4. Terminology harmonisation The consultation processes on ED 205 and ED 214 included engagements with experts, such as actuaries, who provided comment on the proposals. No concerns were raised about potential inconsistency with actuarial terminology used. The Reference Group will consider whether any other forms of support are necessary. 5. Disclosure on volatility The information about risks and uncertainties related to a social benefit liability that will be useful to users is required by paragraph .36. The Board's rationale is included in paragraph BC68.

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	Actuarial reports use "reserves/provisions/liabilities" interchangeably. GRAP 111 should provide strict definitions to avoid audit confusion. **Recommendations to ASB and Treasury** 1) Explicitly exclude LAP commitments from GRAP 111 scope and confirm treatment under GRAP 19/17. 2) Clarify funding source distinctions between contributory schemes and grant-funded social assistance. 3) Issue guidance on PFMA/Treasury integration, ensuring GRAP 111 disclosures support governance requirements. 4) Harmonise terminology between actuarial and accounting practice to strengthen audit readiness. 5) Mandate narrative disclosures to contextualise liability volatility, protecting solvency reporting from misinterpretation. **Conclusion** ED 214 substantially addressed UIF's core concerns from ED 205, particularly around liability boundaries and actuarial alignment. However, LAP treatment, PFMA/Treasury integration, funding source clarity, and terminology harmonisation remain outstanding issues.	