

GRAP reporting landscape – 2021 and beyond





Disclaimer

The views and opinions expressed in this presentation are those of the individual. Official positions of the ASB on accounting matters are determined only after extensive due process and deliberation.





Overview of today's session

- Reporting landscape.
- New FAQs.
- Overview of new Exposure Drafts.
- What's new internationally?



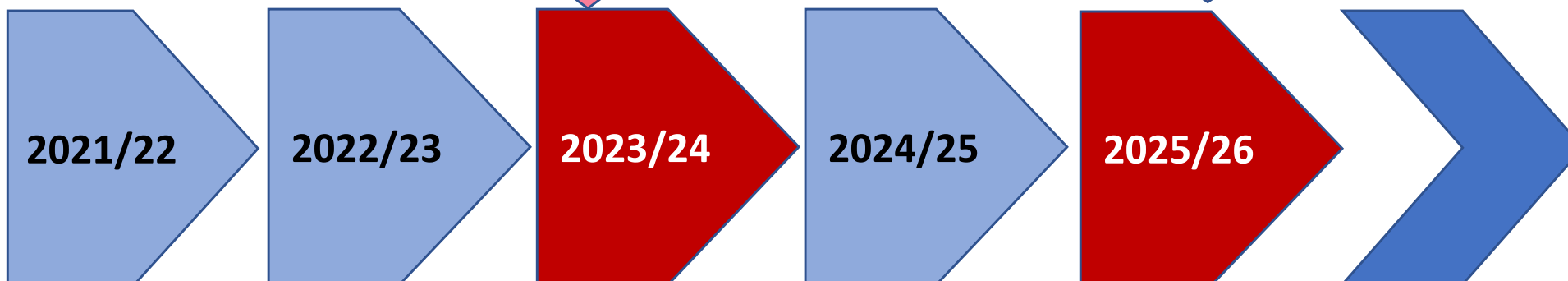
Reporting Framework for 30 June 2022 and beyond



A five-year view for municipalities

#1 GRAP 25 on Employee Benefits
#2 IGRAP 21 The Effect of Past Decisions on Materiality
#3 Amendments to GRAP 1
#4 Improvements to Standards of GRAP
Guideline on Landfill Sites

GRAP 104 on Financial Instruments (2019)



No mandatory changes

Note: Based on information available on 1 July 2022

Effective dates of changes

Topic	Effective date	Adoption arrangements
Amendments to GRAP 1 on <i>Presentation of Financial Statements</i>	1 April 2023	Early adopt amendments
IGRAP 21 on <i>The Effect of Past Decisions on Materiality</i>	1 April 2023	Early adopt amendment
Improvements to Standards of GRAP (2021)	1 April 2023	Early adopt amendments (per Standard)
Guideline on Accounting for Landfill Sites	Effective date of Improvements, particularly improvement to GRAP 17 on <i>Property, Plant and Equipment</i>	
GRAP 25 on <i>Employee Benefits</i>	1 April 2023	Early adoption of <u>entire Standard</u> permitted

Effective dates of changes

Topic	Effective date	Adoption arrangements
GRAP 104 on <i>Financial Instruments</i>	1 April 2025	Early adoption of <u>entire Standard</u> permitted

IFRS not to be applied

Topic	IPSAS	ASB process
Fair Value Measurement (IFRS 13)	ED 77 on <i>Measurement</i>	Wait for IPSASB to complete (likely 2024-26 work programme)
Regulatory Deferral Accounts (IFRS 14)	No equivalent	Following IASB project
Revenue from Contracts with Customers (IFRS 15)	ED 70 on <i>Revenue with Performance Obligations</i>	Wait for IPSASB to complete (likely after 2026)
Leases (IFRS 16)	IPSAS 43 on <i>Leases</i>	Wait for Phase II to be completed
Insurance (IFRS 17)	No equivalent	Assessing impact locally

IPSAS not to be applied

Topic	ASB process
Financial instruments [IPSAS 28-30 and 41]	Apply GRAP 104 on <i>Financial Instruments</i>
Public Sector Combinations [IPSAS 40]	Apply GRAP 105, 106 and 107 on transfers of functions and mergers
Social benefits [IPSAS 42]	Retain current accounting policies. ASB does not support “general approach” in IPSAS 42. Project initiated to develop Standard of GRAP on social benefits.
Amendments to IPSAS 19 for collective and individual services	Retain current accounting policies. ASB will assess accounting once IPSAS on transfer expenses complete.

Newly published

Newly published for municipalities

Topic	Applicable date
Research Paper on <i>The Desktop Review of Cash Flow Statements Presented in the Financial Statements</i>	Not applicable Entities (and auditors) to review findings
Review Report on <i>Presentation of Budget Information in the Financial Statements</i>	Not applicable Entities (and auditors) to review findings
<i>Fact Sheet on Presentation of Budget Information in the Financial Statements</i>	Not applicable
<i>Fact Sheet on Preparing AFS on a basis other than going concern</i>	Not applicable

Results of the review of GRAP 24 on *Presentation of Budget Information on Financial Statements*



Background and approach to review





Background to review

- GRAP 24 requires:
 - What:** Comparison of budget & actual amounts in financial statements
 - By whom:** Entities that are required, or elect, to make their approved budgets publicly available, and for which they are held publicly accountable
- Reviewed application of GRAP 24 to:
 - assess whether entities adhere to requirements and report quality information
 - identify application & other issues with implementation



Approach to review

Desktop
review

Board
deliberations

Stakeholder
engagements



Results of review and proposed actions



General observations



Positive results – most entities adhered to requirements of the Standard

Stakeholders thought it is understandable and well implemented



Specific observations

- 1) Applicability of GRAP 24
- 2) Format of presentation of comparison of budget and actual information
- 3) Presentation of comparison of budget and actual information
- 4) Changes from approved to final budget
- 5) Comparable basis
- 6) Reconciliation of actual amounts on comparable basis and actual amounts in financial statements
- 7) Note disclosures of budgetary basis, period and entities included in budget



#1 Applicability of GRAP 24

Requirements	Findings and issues	Root causes	Way forward
<p>Applies to entities that are required, or elect, to make their approved budgets publicly available.</p> <p>Publicly available = approved & made available to public at large by tabling in Parliament/ legislatures/ municipal councils, and held accountable for those budgets</p>	<ul style="list-style-type: none"> • Uncertainty about meaning of “publicly available” for public entities • Uncertainty and disagreements about when Standard would apply 	<ul style="list-style-type: none"> • No explicit requirement for public entities to make their budgets publicly available • Preparers do not properly document the basis for not applying the Standard 	<ul style="list-style-type: none"> • Fact Sheet could clarify what “publicly available budgets” means for public entities. • Ask OAG to amend the GRAP 24 Accounting Guideline to include specific guidance with scenarios for consideration by public entities



#2 Format of presentation of comparison

Requirements	Findings and issues	Root causes	Way forward
<p>Presented as:</p> <p>a) separate additional financial statement; or</p> <p>b) additional budget columns in financial statements (only when budget and financial statements are prepared on same basis)</p>	<p>Municipalities presented:</p> <ul style="list-style-type: none"> • both a Statement of Comparison and an Appropriation Statement in AFS; • a Statement of Comparison in AFS, with or without an Appropriation Statement as an annexure; or • only an Appropriation Statement in AFS 	<p>Not all entities are aware of the FAQ on <i>“What should be considered when presenting information in addition to what is required by GRAP 24 on a comparison of actual and budget information?”</i></p>	<p>FAQ which clarifies that entities may present, in a single statement or a note, information that is required by the Standards. Additional information could be presented as an annexure</p>



#2 Format of presentation of comparison (cont.)

Requirements	Findings and issues	Root causes	Way forward
Entities should present comparison of budget and actual information consistent with classes / classifications / headings of budget	Classes / classifications / headings used in Statement of Comparison were same as those used to prepare financial statements, rather than those set by relevant authority in approved budget	Entities do not understand the requirement for the information to be presented consistently with the budget	Guidance on method, format and extent of comparison to be included in Fact Sheet
	Users (e.g. audit committee and rating agencies) questioned purpose of the information	Users do not fully understand the purpose of the information	Addressed as part of National Treasury's project on development of education material for users



#3 Presentation of comparison

Requirements	Findings and issues	Root causes	Way forward
<p>Present comparison between:</p> <ul style="list-style-type: none"> last approved & final budget amounts budget & actual amounts on comparable basis explanations of material differences between budget and actual amounts (or cross reference) 	<ul style="list-style-type: none"> Some entities did not provide explanations of material differences while other entities did not apply materiality and explained all differences The quality of explanations were poor 	<ul style="list-style-type: none"> Entities do not understand how to assess materiality in the context of GRAP 24 Preparation of the budget comparison is not given adequate attention when preparing financial statements 	<ul style="list-style-type: none"> Guidance on how to assess materiality in context of requirements of GRAP 24, based on Materiality Guideline, to be included in Fact Sheet Similar guidance to be considered by OAG for Accounting Guideline



#4 Changes from approved to final budget

Requirements	Findings and issues	Root causes	Way forward
Explanation of changes between <i>approved</i> and <i>final</i> budget - to be presented in notes (or cross reference to another report)	Most entities with changes from approved to final budget did not explain reasons for the changes. It was unclear if reasons were explained elsewhere in annual or another report as no cross reference was provided	Entities are not aware of requirement or do not fully understand it	Guidance to clarify what are changes between approved and final budget, and to explain why these changes are material, to be included in Fact Sheet



#5 Comparable basis

Requirements	Findings and issues	Root causes	Wy forward
<p>GRAP 24 requires the comparison of budget and actual amounts to be presented on a comparable basis to budget, meaning the same:</p> <ul style="list-style-type: none"> - basis of accounting - classification system - period - entities 	<p>Because of boilerplate disclosures, information on budgetary basis and classification system of budget was inconsistent with what was presented in the comparison</p>	<ul style="list-style-type: none"> • Entities do not understand what a comparable basis means, and that basis differences include accounting basis & classification differences • Entities do not adjust boilerplate accounting policies and note disclosures 	<ul style="list-style-type: none"> • Guidance to be included in Fact Sheet clarifying what is a comparable basis • The OAG to consider similar guidance for GRAP 24 Accounting Guideline



#6 Recon of actual amounts

Requirements	Findings and issues	Root causes	Way forward
<p>When financial statements and budget are not prepared on a comparable basis - present a reconciliation of financial statements to budget, on face of statement or in notes.</p> <p>Separately identify any basis, timing and entity differences for specified subtotals</p>	<ul style="list-style-type: none"> Budget on <i>accrual</i> basis: review could not confirm extent of classification differences, but none of entities provided a reconciliation Budget on <i>cash/modified cash</i> basis: Entities that presented reconciliation did not reconcile to specified subtotals 	<ul style="list-style-type: none"> Entities do not understand when to provide the reconciliation, and that basis differences include accounting basis & classification differences Reconciliation is challenging when information is not readily available 	<p>GRAP 24 will be amended to be less prescriptive about format of the reconciliation:</p> <ul style="list-style-type: none"> guiding principles on line items that can reconcile to same line items reconciled consistently from one period to next



#7 Note disclosures

Requirements	Findings and issues	Root causes	Way forward
<p>Disclose in notes</p> <p>a) budgetary basis and classification basis adopted in approved budget;</p> <p>b) period of approved budget; and</p> <p>c) entities included in approved budget</p>	<ul style="list-style-type: none"> Some entities only provided some or none of required information Information duplicated between accounting policies and notes Inaccurate disclosures due to inconsistent information between accounting policies, notes and budget information in comparison 	<ul style="list-style-type: none"> Boilerplate policies and note disclosures are not adjusted for entities' circumstances Preparation of comparison is not given adequate attention 	<ul style="list-style-type: none"> Reinstating illustrative examples in Standard to assist with preparation of disclosures, and improve quality of financial statements





Resources



Next steps

Fact Sheet

Amend Standard (next Improvements project)

Published Review Report & other communication



What's new here and internationally?





What's new at the ASB

- Amendments to heritage assets approved by the Board in June. Effective date pending.
- Completed work programme for 2024 to 2026.
- For comment - Amendments to GRAP 1 to address going concern (ED 198).
- Undertaking post-implementation review of GRAP 109. Phase I completed.





What's new at the IPSASB?



Approved pronouncements

Pronouncements approved Dec 2021 and March 2022:

Pronouncement approved	Effective date
IPSAS 43 on <i>Leases</i> (aligned with IFRS 16 on <i>Leases</i>)	1 January 2025
<i>Improvements to IPSAS, 2021</i>	1 January 2023 Except changes related to IBOR (applicable from 1 January 2022)
ED 81 on <i>Conceptual Framework Update: Chapter 3 Qualitative Characteristics and Chapter 5 Elements</i>	Concurrently issued as ED 197
ED 82 on <i>Retirement Benefit Plans</i>	1 August 2022
Consultation Paper on <i>Natural Resources</i>	17 October 2022
Consultation Paper on <i>Advancing Public Sector Sustainability Reporting</i>	9 September 2022





Other projects

Projects in progress include:

- Revenue and Transfer expenses
- Measurement Suite of Standards
- Leases phase 2



Other projects

Consulting on sustainability reporting in the public sector (ED 198).

- What is it/could it be?
- Is it needed in the public sector?
- Who should do it?
- What should it focus on?





Stay informed



Stay informed

- All information can be accessed on our website www.asb.co.za.
- FAQs
- Follow the ASB on LinkedIn, Facebook, Twitter, YouTube
- Subscribe to our Newsletter via our website.
- Translations of the Standards.





Stay informed

- GRAP Updates (for municipalities) on YouTube



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