

AMDS 2022/23 AND AFS SPECIMEN 2022/23 AMENDMENTS

PRESENTED BY:

Technical Support
Services (TSS)

*Office of the
Accountant-General*

December 2022



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



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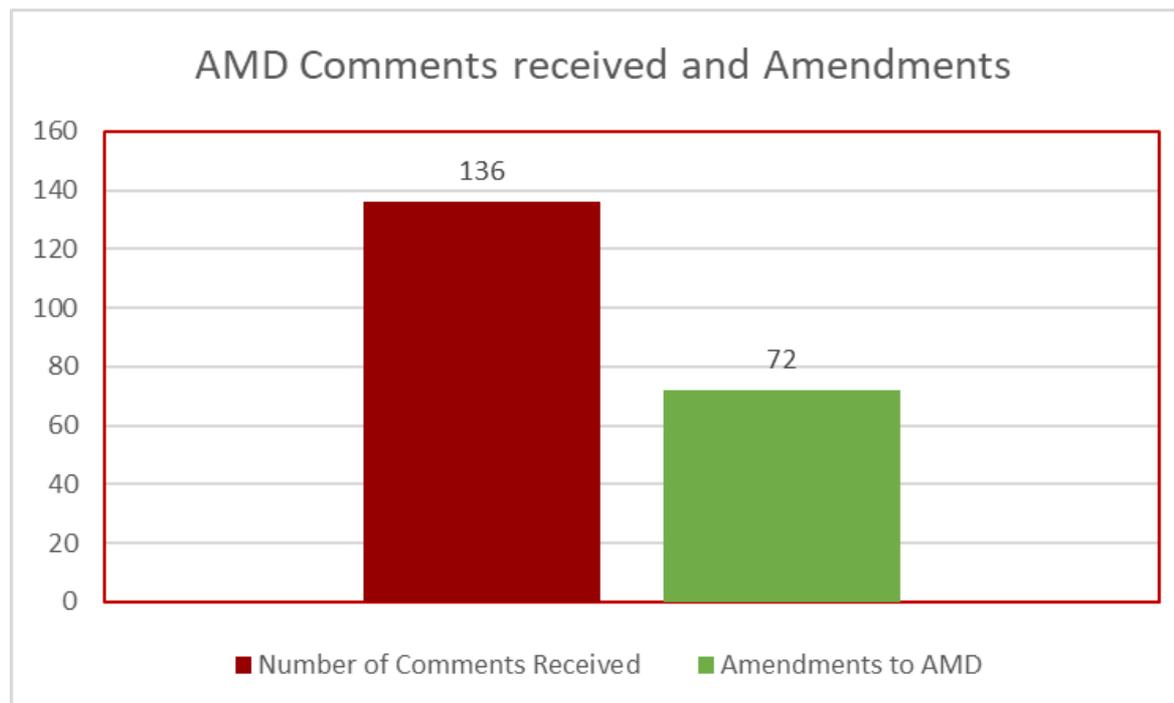
MCS Suite 2022/23

DOCUMENT NAME	ACRONYM	DESCRIPTION	AUTHORITY
Modified Cash Standard	MCS	<ul style="list-style-type: none"> Accounting framework for departments 20 Chapters in 2022/23 Applicable to national and provincial departments 	Authoritative
Accounting Manual for Departments	AMD	<ul style="list-style-type: none"> MCS application guidance 17 Chapters in 2022/23 	Not authoritative
Specimen Annual Financial Statements	AFS Specimen	<ul style="list-style-type: none"> MS Word document containing: <ul style="list-style-type: none"> accounting policies a standard format for presentation of AFS including notes Annexures to the AFS 	Prescribed format
Departmental Financial Statements Template	AFS Template	<ul style="list-style-type: none"> MS Excel based tool with built in formulae Similar to AFS Specimen, it contains: <ul style="list-style-type: none"> accounting policies a standard format for presentation of AFS including notes Annexures to the AFS 	Prescribed tool

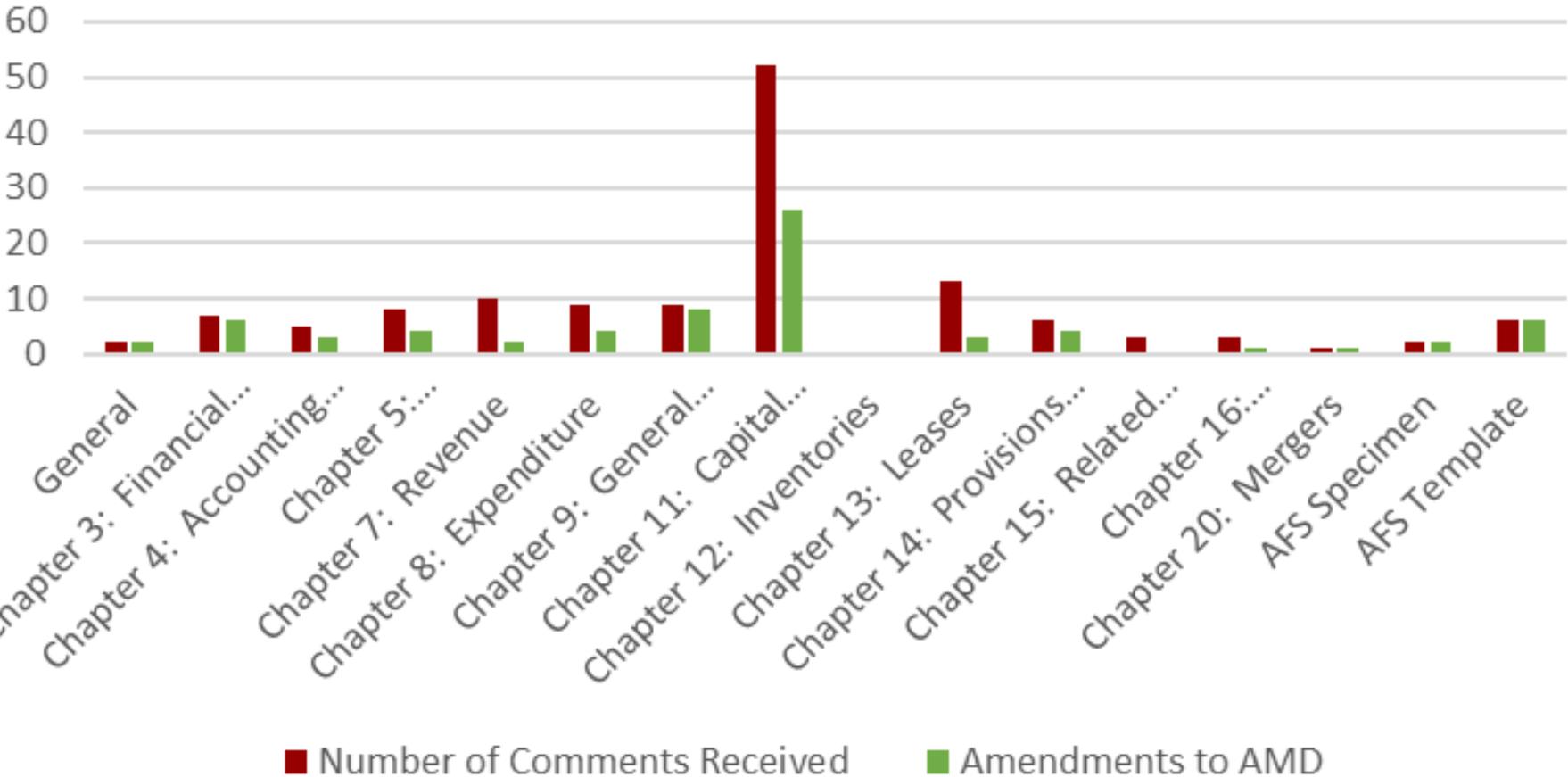
Editorial amendments not included in presentation

FEEDBACK ON AMD 2022/23 COMMENTS

- AMD 2022/23 due date for written comments: **31 August 2022**
- Other comments from **AFS related forums** such as the PAG Forum, Asset Management Forum
- OAG **appreciates** receiving comments for improvements



AMD 2022/23 Stakeholders Comments



AMD 2022/23 STAKEHOLDERS COMMENTS



AMDs 2022/23 AMENDMENTS

PRESENTED BY:

OAG : Technical
Support Services

December 2022



national treasury

Department:
National Treasury
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Chapter 3: Financial Statement Presentation

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 3.2.3: Additional information	Created a new paragraph 3.2.3 titled “Additional information” to add MCS 2021/22 FAQ addressing the question: <i>Can a department provide additional information in the financial statements over and above what is required by the MCS?</i>	As part of the improvements process, FAQs are considered for incorporation in the MCS and / or related documents. The FAQ was added to this AMD chapter as it provides guidance on permissibility of including additional information in the financial statements.

Chapter 3: Financial Statement Presentation

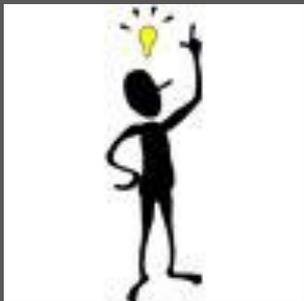
HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 3.3.2: Going Concern	Added the following to the Example on Assessing going concern:	Clarification on implications of net current liabilities result when assessing going concern.



Net current liabilities result may cause doubt of the ability of a department to continue as a going concern. However, management may need to assess other wide range of factors as well before concluding on the appropriateness of the going concern assumption.

Chapter 3: Financial Statement Presentation

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 3.3.2: Going Concern	Added a Take note box which reads as follows:	Alerts preparers and users to apply guidance in MCS Chapter on Transfers of Functions and MCS Chapter on Mergers for reporting on discontinued functions

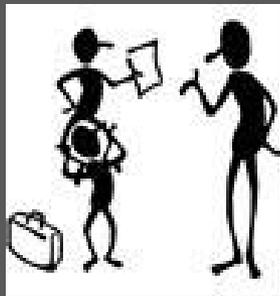


*Where a function is discontinued and transferred to another department or another entity, it is reported according to the **MCS Chapter on Transfer of Functions**.*

*If there is a merger as defined in the MCS Chapter on Mergers results in a discontinued function or entity, the discontinuance is reported in terms of the **MCS Chapter on Mergers**.*

Chapter 3: Financial Statement Presentation

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 3.3.3: Materiality and Aggregation	Added a reference box on materiality guide.	Refers preparers and users to the MCS materiality guide which will be published separately.



For additional guidance on materiality refer to the MCS Guideline on Materiality on the OAG (Technical Support Services) website developed based primarily on the Guideline on the Application of Materiality to Financial Statements issued by the Accounting Standards Board (ASB).

Chapter 3: Financial Statement Presentation

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 3.3.7: Current vs non-current distinction	Added a Take note box on <i>Classifying liabilities as current and identifying the normal operating cycle</i>	Illustrates that if a normal operating cycle exceeds twelve months, the liability is still classified as current.



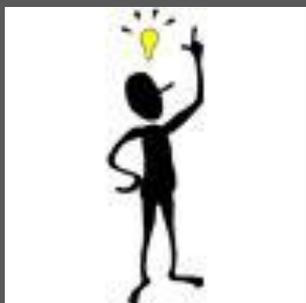
One of the criteria of classifying a liability as current is as follows:

- the liability is expected to be settled in the department's normal operating cycle (when the normal operating cycle is not clearly identifiable, it is assumed to be 12 months)*

Ordinarily normal operating cycle of any entity is equal to or shorter than 12 months. In a MCS environment, it is highly unlikely for a department to have a normal operating cycle longer than twelve months. For example, if in a department's normal course of business, it takes more than twelve months to produce and distribute inventory, it may have a normal operating cycle longer than twelve months. Although the normal operating cycle may be longer than twelve months (exceeding twelve months after the financial year-end), its operating assets and liabilities satisfy the criterion to be classified as current.

Chapter 4: Accounting Policies, Estimates and Errors

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 5: Errors	Added a Take note box on Earliest prior period presented.	Guidance on Earliest prior period presented.



The first step in applying retrospective adjustment is to start from the earliest prior period presented. For example, where the current year is 20X8, and only 20X8 and 20X7 are presented, 20X7's opening balance (thus the closing balance for 20X6) is the earliest prior period presented. For each year presented the period specific adjustment must be made and the cumulative effect in each year's closing balance must be accounted for.

Chapter 4: Accounting Policies, Estimates and Errors

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 5.1.2 Correction of errors in the primary and secondary financial information	Deleted reference to Unauthorised Expenditure, Irregular Expenditure and Fruitless and Wasteful Expenditure. Notes on these no longer contain sub-notes on prior period errors.	Unauthorised Expenditure, Irregular Expenditure and Fruitless and Wasteful Expenditure no longer contain sub-notes on prior period errors. Thus they cannot be included as examples of notes containing sub-notes on prior period errors.

Chapter 5: Appropriation Statement

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 3.3.1: Virement	The definition box was updated. A Take note box refers preparers and users to the budget documents and a definition box refers preparers and users to legislation for the definition of virement.	Budget documents provide detailed guidelines applicable for the budget process and definitions thereof. Accounting guides should only provide accounting guidance and not detailed budget guidance.
Par 3.3.1: Virement	Deleted the diagram depicting the timeline for virement. A Take note box refers preparers and users to the budget documents and a definition box refers preparers and users to legislation for the definition of virement.	



Detailed guidance on the budget amount including the related changes can be obtained from the budget documents published by the National Treasury.



For rules and legislative requirements kindly refer to TR 6.3 and Sections 43 and 76(3) of the PFMA]

Chapter 5: Appropriation Statement

HEADING	AMENDMENT	REASON FOR AMENDMENT
<p>Par 3.3.2: Shifting of funds And Par 4.4: Changes to the main appropriation or adjusted appropriation</p>	<p>Deleted the definition of Shifting of funds</p> <p>A Take note box refers preparers and users to the budget documents on information relating to shifting of funds.</p>	<p>Budget documents provide detailed guidelines applicable for the budget process and definitions thereof. Accounting guides should only provide accounting guidance and not detailed budget guidance.</p>
<p>Par 3.3.2: Unforeseen / unavoidable</p>	<p>Added reference to the separately issued guideline titled <i>Implications of Natural Disaster: Flooding</i> for Reporting in the financial statements.</p>	<p>The guide is issued for reporting on natural disasters in the financial statements. It complements a document titled “<i>Budgeting and spending for response to national disaster declared by government notice 2029 of 18 April 2022</i>”.</p>

Chapter 7: Revenue

HEADING	AMENDMENT	REASON FOR AMENDMENT
<p>Par 6.3.3: Transfers received (including gifts, donations and sponsorships)</p>	<p>Added wording to the paragraph as follows:</p> <p><i>“This category includes all money received from individuals or organisations that are not paid directly into the Reconstruction and Development Fund (RDP Fund) <u>and classified as aid assistance</u>. These funds are accordingly paid over to the relevant revenue fund (i.e. <u>treated as departmental revenue</u>) and can only be spent once the funds have been re-appropriated by way of an Appropriation Act.”</i></p>	<p>Additional wording provide clarity on the correct classification.</p>

Chapter 8: Expenditure

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 4: Expenditure	A Take note box was added to refer preparers and users to Unauthorised, Irregular and Fruitless (UIF) expenditure frameworks issued by Governance, Monitoring and Compliance (GMC) unit in the OAG.	Informs preparers and users about the availability of GMC issued UIF guidance.



For guidance on Unauthorised, Irregular and Fruitless (UIF) expenditure refer to the UIF frameworks issued by Governance, Monitoring and Compliance (GMC) unit in National Treasury.

Chapter 8: Expenditure

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 7: Disclosures	Removed some wording in the Compensation of employees note Take note box.	Departments should use applicable prescripts to calculate the number of employees.
Par 7: Disclosures	Added the wording in the Transfers and subsidies note Take note box:	The additional wording reminds preparers of the financial statements to complete Annexure 1J.



Compensation of employees note

The number of individuals is determined ~~on a full-time equivalent basis at the beginning and the end of a financial year.~~

Transfers and subsidies note

A department making a non-cash donation (donation in kind), should complete Annexure 1J to the financial statements (Statement of gifts, donations and sponsorships made).

Chapter 9: General Departmental A & L

HEADING	AMENDMENT	REASON FOR AMENDMENT
<p>Par 5.2.2: Prepayments and advances</p>	<p>The term “and subsequently” added to this sentence:</p> <p><i>“Accordingly, prepayments and advances are initially <u>and subsequently</u> measured at cost.”</i></p>	<p>Specifies that prepayments and advances are not only initially measured at cost; they are subsequently measured at cost.</p>
<p>Par 5.2.2: Prepayments and advances</p>	<p>The term “or an entity” added to this sentence:</p> <p><i>“As a general rule prepayment and advances are recognised in the statement of financial position when the payment to the supplier <u>or an entity</u> is made.”</i></p>	<p>Prepayments and advances are not only made to suppliers but are also made to other entity. Thus, a generic term “an entity” was added.</p>

Chapter 9: General Departmental A & L

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 5.2.2: Prepayments and advances	Updated the example on <i>Transfer that does not meet the definition of an advance</i>	Additional guidance on treatment of transfers that do not meet the definition of advances.



Example: Transfer that does not meet the definition of an advance

A National Department has to make funds available to its public entity for the public entity to conduct its operations. The allocation to the public entity was approved and National Treasury reflected it in the Estimates for National Expenditure (ENE).

Recognition and disclosure

The approved allocation entitles the public entity to the amount paid in accordance with the allocation letter. Thus the payment to the public entity in line with the allocation letter meets the definition of expenditure. It ~~will~~ should be expensed as Transfers and Subsidies in the Statement of Financial Performance and be disclosed in the Note–9 on Transfers and Subsidies.

Chapter 9: General Departmental A & L

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 5.2.2: Prepayments and advances	Added an example on <i>An advance to a public entity as a service provider</i>	Additional guidance on treatment of advances particularly advances to a public entity that acts as a service provider.



Example: An advance to a public entity as a service provider

Public Entity Y is an entity of Department D and it provides specialised services. In line with its prescripts, Public Entity requires payment in advance before providing the specialised services. Department D enters a contract with Public Entity Y for provision of specialised services.

Recognition and disclosure

The payment to Public Entity Y must be classified as an advance in the statement of financial position. When the service is provided, the advance will be derecognised and the goods and services expenditure will be recognised in the statement of financial performance.

Chapter 9: General Departmental A & L

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 5.2.2: Prepayments and advances	<p>Added a Take note box regarding guidance to be issued on option to expense Prepayment and Advances which will be discontinued effective from 1 April 2023.</p> <p>Prepayments and advances can still be recognised in the statement of financial position.</p>	<p>Reference to the <i>Illustrative guidance on treatment of balances of prepayments and advances expensed effective from 1 April 2023</i>, which is the date prepayments and advances expensed are discontinued.</p>

Chapter 9: General Departmental A & L



Prepayments and advances expensed discontinued from 1 April 2023

Paragraph .06 of the MCS Chapter on General Departmental Assets and Liabilities states:

.06 A department may recognise a prepayment or an advance, made before 1 April 2023, in the statement of financial performance in accordance with Chapter 8 on Expenditure if the prepayment or the advance paid is material and was budgeted for as an expense in the year in which the actual prepayment or advance was made.

Paragraph .48 specifies that the change envisaged by paragraph .06 be applied prospectively.

This means effective from 1 April 2023, prepayments and advances can no longer be expensed in the statement of financial performance. They can only be recognised in the statements of financial position.

- The Illustrative guide is published on the OAG website: TSS Page
- Due to risk associated with receipt of goods and services, the TR and the treasuries discourage the use of prepayments and advances unless absolutely required
- Legislative prescripts could be considered to regulate the use prepayments and advances
- Underreporting on prepayments and advances will be given attention.

Chapter 9: General Departmental A & L

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 6.1.3: Payables not recognised	Updated Payables not recognised example with ageing of payables guidance.	The update illustrates the commencement of ageing of payables not recognised.



Example: Payables not recognised

....

Ageing of these payables not recognised commenced on 31 March 20x2.

Chapter 9: General Departmental A & L

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 6.3: Impairment	Added guidance in the Take note box addressing impairment method for financial assets using impairment of receivables using as an illustration. <i>[AMD extract shown on next slide]</i>	Clarifying a method that a department can adopt to determine impairment.

Chapter 9: General Departmental A & L



For example, regarding receivables, among other aspects, a department could consider the following:

- *Composition of the receivables' portfolio*
- *The settlements terms*
- *Repayment history*

The department should identify receivables that it considers to be individually significant and assess these for impairment individually based on whether objective evidence of impairment exists.

Thereafter, the department should assess all other receivables that are not considered to be individually significant for impairment. These may be assessed either individually or collectively on a group basis.

Thirdly, all receivables that have been individually assessed for impairment, whether significant or not, but which are not considered to be individually impaired, are included within a group of trade receivables with similar credit risk characteristics and are collectively assessed for impairment.

The department computes then records the impairment loss based on the individual and collective assessment explained above.

Chapter 9: General Departmental A & L

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 7: Summary of Key Principles	Added identification, recognition / recording, measurement, derecognition and presentation principles relating to Prepayments and Advances.	Inclusion of previously omitted principles applied to prepayments and advances

7.1 Identification

Prepayments relate to payments made in advance to non-governmental entities in terms of a contractual arrangement, whereas advances relates to payments made in advance to other government entities in terms of a contractual arrangement.

7.2 Recognition / recording

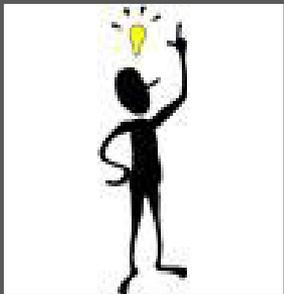
Prepayment and advances are recognised in the statement of financial position when the payment is made to a payee.

7.3 Measurement

A department shall recognise a prepayment or an advance in its statement of financial position when, and only when, the department becomes a party to the provisions of the arrangement and the prepayment or advance initially arose from a cash transaction.

Chapter 11: Capital Assets

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 3: Scope	Inserted a Take note box about finance lease assets forming part of capital assets at commencement date effective from 01 April 2023.	A key amendment to align to GRAP; disclosure of finance lease assets as part of the assets of a capital nature from the lease commencement date. In an MCS environment, all capital assets, including finance lease assets are still not recognised in the statement of financial position.



Finance lease accounting changes from 2023-24 financial year

Accounting for finance lease assets is being aligned with GRAP 13 on Leases. These capital assets are to be recorded, accounted for and reported in accordance with MCS Chapter 11 from the inception of the finance lease. This implies that the finance lease assets will be recorded in the asset register from the inception of the lease as a non-cash addition (the asset is received in advance and paid for in instalments as per the lease agreement) and be reported in line with relevant notes of MCS Chapter 11 on Capital Assets.

Chapter 11: Capital Assets

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 3: Scope	Amended PFMA section 42 Take note box as follows:	Amended the wording such that the guidance is more understandable.



- c) *The transfer of assets is deemed to be completed on the day both accounting officers have signed it off. Generally, it is on this date that the transferring department removes the affected assets from the asset register and the receiving department records the newly acquired assets ~~through the transfer from another department in the asset register.~~ This eliminates the possibility of both departments reporting on these assets (double counting) or both departments not reporting on these assets (omission). and this ensures the following:*
- ~~i. The affected assets are always reported on by one department (There is no period in which these assets are not reported on by either the transferring department or the receiving department.~~*
 - ~~ii. The affected assets are not reported on by both departments at the same time which would result in double counting.~~*

Chapter 11: Capital Assets



PFMA Section 42 requirements

The general interpretation is as follows:

- a) Other institutions refer to public entities, municipalities, constitutional institutions and other private entities (such as individuals and non-profit organisations).*
- b) Inventory in this case refers to the list of assets and liabilities to be transferred.*
- c) The transfer of assets is deemed to be completed on the day both accounting officers have signed it off. Generally, it is on this date that the transferring department removes the affected assets from the asset register and the receiving department records the newly acquired assets in the asset register. This eliminates the possibility of both departments reporting on these assets (double counting) or both departments not reporting on these assets (omission).*

Chapter 11: Capital Assets

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 3: Scope	Scoped out capital assets acquired through departmental mergers <i>“Capital assets acquired / relinquished through departmental mergers are accounted for in accordance with Chapter 20 on Mergers.”</i>	Aligning with MCS by scoping out assets acquired through departmental mergers
Par 4.4.2: Safety equipment	Deleted the example on asbestos ceiling	The fire hydrants example already provides sufficient guidance relating to safety equipment.



Example: Safety equipment

New legislation is enacted that requires x number of fire hydrants per floor of every building. The installation of the hydrants is needed to enable the continued use of the building and its future economic or service potential, in compliance with the new safety standards. The cost of the hydrants and the installation thereof will be recorded as a capital asset, major or minor depending on the cost.

Chapter 11: Capital Assets

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 4.5.3: Asset component s	Amended the guidance as follows: <i>“However, the departments are currently not required to componentise their capital assets and therefore record capital assets in units. Should a component be replaced at a future date, the transaction is classified as maintenance. The relevant records are however updated with the latest information but without amending the existing value of the asset.”</i>	Components of an asset covered in this chapter are capital by nature. Deletion of the wording is necessary as it is not consistent with this componentisation principles.

Chapter 11: Capital Assets

HEADING	AMENDMENT	REASON FOR AMENDMENT
<p>Par 4.5.3: Asset components</p>	<p>Removed the example on computer equipment.</p> <p>The AMD already mentions that: <i>“Examples of components are propellers and engines of aircrafts and vessels as well as ventilation systems of buildings.”</i></p>	<p>The example on computer equipment is deemed too simplistic and thus was deleted.</p>
<p>Par 4.5.3: Asset components</p>	<p>Deleted the take-note box about components</p>	<p>At this stage, departments are not required to componentise. Factors such as adequacy of systems will be considered in future in making componentisation a requirement.</p>

Chapter 11: Capital Assets

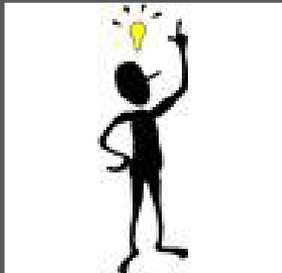
HEADING	AMENDMENT	REASON FOR AMENDMENT
<p>Par 5.3: Warranty costs</p>	<p>Amended the guidance as follows: <i>“Where a warranty is bought subsequently the definition of an asset should be applied to determine whether it should be recorded as such or not. There should be future service potential or significant savings flowing to the department as a result and extend over more than one financial year. An example is the warranty on major parts which can be purchased for vehicles or extended service warranties <u>(or maintenance plans)</u>. <u>Where material</u>, these items will not form part of the cost of the original capital asset (it does not improve the capital asset which is already in a location and condition for use as envisaged by management) but may be assets in their own right, depending on the terms of the contract (the capital asset could be tangible or intangible).”</i></p>	<p>Updated warranties guidance to include maintenance plans.</p> <p>The words “where material” were added as materiality is relevant in determining if warranties (or maintenance plans) are capital assets in their own right.</p>

Chapter 11: Capital Assets

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 5.5: Fair value	<p>Incorporated more guidance of fair valuation from the draft asset management framework.</p> <p>Fair value paragraphs are split as follows:</p> <p><i>5.5.1 Market Approach when there is active and liquid market</i></p> <p><i>5.5.2 Market Approach when there is no active and liquid market</i></p> <p><i>5.5.3 Discounted cash flow projections</i></p> <p><i>5.5.4 Reproduction costs method / Depreciated Replacement cost</i></p>	<p>Additional paragraphs provide more detailed guidance on fair valuation.</p>
Par 6: Accounting for Immovable Assets	<p>Moved immovable assets specific information from Par 5.5 to Par 6.</p>	<p>Relocated guidance to the relevant section of the AMD.</p>

Chapter 11: Capital Assets

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 6.1.3: CWIP project termination	Inserted take-note box about project termination decision to be made by the management	Giving clarity on when the project should be considered as terminated



Project termination decision to be made by the management

The inactivity of the project for a certain period does not automatically translate to project termination.

During the period of project inactivity, the department continues to report on CWIP until the decision to terminate the project has been made by the relevant authority.

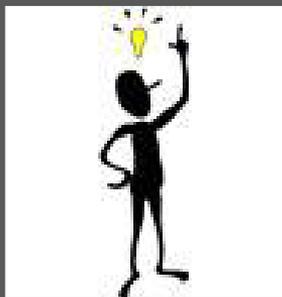
Chapter 11: Capital Assets

HEADING	AMENDMENT	REASON FOR AMENDMENT
<p>Par 6.2: Leasehold / capital improvements on the existing property</p>	<p>Amended the Take note box as follows: <i>“Departments <u>are advised to</u> must document their own policy on how to differentiate between <u>capital improvements</u> and <u>current maintenance expenditure (repairs and maintenance)</u>. The policy should clearly indicate the approach to the decision-making process.”</i></p>	<p>The intention of the take-note box on departmental policy is to provide advice to the departments rather than to create a requirement. Therefore the term “must” was replaced with “advised to”. The other changes were to make the statement read better.</p>
<p>Par 6.3.2: Structures and Land</p>	<p>Incorporated FAQ on roads measurement into the new Take note box.</p>	<p>As part of the improvements process, FAQs are considered for incorporation in the MCS and / or related documents. The FAQ was added to this AMD chapter as it relates to capital assets.</p>

Chapter 11: Capital Assets

HEADING	AMENDMENT	REASON FOR AMENDMENT
<p>Par 7: Removal of Capital Assets</p>	<p>Reworded the sentence about disposals as follows: <i><u>“The department should ensure compliance with its internal relevant policies, which usually include and the necessary approval from the delegated authority or officials to do so has been obtained.</u></i> <i><u>It is expected that obtaining approval from a delegated authority/official would be obtained prior to the actual removal of the capital asset(s).</u></i> This means all assets sold, donated / transferred, scrapped, lost, damaged, etc. are <u>only</u> removed from the notes to the financial statements and the asset register after the approval process <u>has been complied with</u> and control <u>over the capital asset has been relinquished”</u></p>	<p>Providing clearer guidance in terms of when the assets can be removed from the asset register.</p>
<p>Par 7: Removal of Capital Assets</p>	<p>Inserted a Take note box about Asset disposal approval versus actual asset disposal</p>	<p>Clarifying the difference between obtaining approval to dispose assets versus the actual asset disposal.</p>

Chapter 11: Capital Assets



Asset disposal approval versus actual asset disposal

Obtaining approval to dispose the assets and the actual asset disposal are two separate processes and should be treated as such.

The approval to dispose assets allows the department to initiate the actual asset disposal processes. At this stage, the assets intended to be disposed remain in the asset register of the department and cannot be removed until their control has been relinquished.

The actual asset disposal requires the department to remove all the assets that were disposed from its asset register.

Chapter 11: Capital Assets

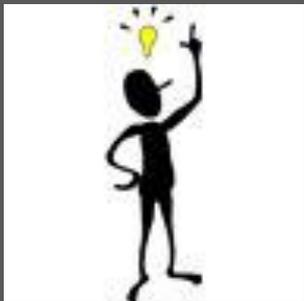
HEADING	AMENDMENT	REASON FOR AMENDMENT
Heading: Annexure A	Renamed the heading of the Annexure A as follows: <i>“ANNEXURE A: Application of fair value model <u>Additional fair value model guidance on immovable assets</u>”</i>	Renaming was necessary because some preparers and users confused the AMD on Capital Assets Annexure A heading with paragraph 5.5 Fair value, of the AMD.
Par 1: Purpose: Annexure A	Inserted the following guidance: <i>“This Additional fair value model guidance on immovable assets is based on municipal valuation rolls, sales comparison, exceptional cases, and replacement cost to immovable asset registers of National and Provincial Custodians as a carrying value (Previously, Annexure A of Accounting and Reporting for Immovable Assets document that is now Appendix A of MCS Chapter 11 on Capital Assets)”</i>	Additional guidance provides clarity about the purpose of Annexure A.

Chapter 11: Capital Assets

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 9. Required Fields for an Immovable Asset Register : Annexure A	Deleted Information / Guidance duplicated in the Annexure A to the AMD and already addressed in the main part of the AMD / MCS.	It is unnecessary to repeat information in the Annexure.
AFS Notes on Capital Assets : Annexure B	Updated the AFS notes extracts with the latest AFS Specimen notes changes.	Aligning notes extracts with AFS Specimen changes.

Chapter 13: Leases

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 5.1: General	Added guidance in the Take note box to state instances where classification should be leases and where classification should be rental and hiring.	Both a lease and rental / hiring can involve one payment. The guidance states some management considerations in exercising their professional judgement to classify payments correctly.



Departments may also enter into a variety of agreements for the provision of goods and/or services, which necessarily involve the use of dedicated assets. In some of these agreements, it may not be clear whether a lease, as defined by the MCS, has arisen. In these cases, professional judgment is exercised, and if a lease has arisen, this Chapter is applied; and if a lease has not arisen, departments account for those agreements by applying the provisions of other relevant Chapters of the MCS.

Also, in terms of SCOA accommodates, transactions that involve a once-off payment for the temporary use of a capital asset where renting and hiring an asset for extended period might be uneconomical which is owned by an external party is expensed to Rental and Hiring and not to operating or finance lease payments as leases involve a series of payments.

Chapter 13: Leases

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 6.1: Finance lease in the financial statements of a lessee	Added a Take note box regarding finance leases which should be recorded from the commencement of the lease term and no longer at the end of the lease term, effective from 1 April 2023. In addition, an <i>Illustrative Guide: Change in lease accounting from 1 April 2023</i> will be issued to illustrate the amendment	A key amendment to align to GRAP; disclosure of finance lease assets as part of the assets of a capital nature from the lease commencement date. In an MCS environment, all capital assets, including finance lease assets are still not recognised in the statement of financial position.

Paragraph .35 of the MCS Chapter on Leases states:

.35 As part of the Amendments to the Modified Cash Standard (Issued on 31 March 2022), from 1 April 2023 paragraphs .17 - .18 will be amended as follows

.17 At the ~~end~~-commencement of the lease term, a department that is a lessee shall measure all the finance lease assets ~~acquired~~-at:

- a. ~~(a) cost, being the fair value of the leased asset or, if lower,~~*
- b. ~~(b) the sum-present value of the minimum lease payments made, including any payments made to acquire ownership at the end of the lease term, excluding interest.~~
each determined at the inception of the lease.*

Chapter 13: Leases

The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, a reasonable proxy rate such as the prime lending rate at inception of the lease can be used.

~~*.18 In a finance lease, the ownership of the leased asset often transfers to the lessee depending on the terms of the arrangement. Where this is the case, the department records the transfer of ownership as a non-cash acquisition of a capital asset measured in accordance with paragraph .17, unless a final payment equal to the then fair value of the asset is required to be made for ownership to transfer.*~~

This means effective from 1 April 2023, finance leases should no longer be recorded as capital assets only at the end of the lease term. They should be recorded as capital assets at the commencement of the lease term in the note on capital assets. Identifying a finance lease asset as a capital asset at the commencement of the lease term is aligned with GRAP 13 on Leases. However, according to GRAP 13, finance leased assets are recognised in the statement of financial position whereas in the MCS, at this stage, finance leased assets are still not recognised in the statement of financial position and continue to be recorded in the notes to the financial statements.

- The Illustrative guide is published on the OAG website: TSS Page

Chapter 15: Related Party Disclosures

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 4.1: Control	<p>Guidance on the relationship between a department and a municipality updated as follows:</p> <p><i><u>“In addition, a municipality is not necessarily a related party to a department as they are not under common control. Unless there is other evidence to the contrary, such as a municipality being put under administration and reporting to the department, the transactions between a department and a municipality are not related party transactions.”</u></i></p>	Clarifying that the transactions between a department and a municipality are not necessarily related party transactions

Chapter 15: Related Party Disclosures

HEADING	AMENDMENT	REASON FOR AMENDMENT
<p>Par 4.2: Key Management Personnel</p>	<p>Updated the wording pertaining to key advisors of key members such as a Minister or an MEC as follows:</p> <p><i><u>“any key advisors of that member, where they are responsible for planning, directing and controlling the activities of the department;”</u></i></p>	<p>The addition limits the key advisors who should be included in the key management disclosure to those responsible for planning, directing and controlling the activities of the department.</p>
<p>Par 4.2: Key Management Personnel</p>	<p>A Take note box was added to highlight that the requirement to disclose a number of Key Management Personnel (KMP) has been deleted in the MCS effective from 1 April 2022.</p>	<p>Inclusion of the number of KMP in the KMP note was misleading to preparers and users of the financial statements. Detailed and relevant information of the number of employees and management is the Human Resources section of the Annual Report prescribed by the Department of Public Service and Administration.</p>

Chapter 16: Accounting by Principals and Agents

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 5.4: A department acting as an agent	Added a new paragraph 5.4 and an example where a department is an agent in a principal-agent arrangement.	The guidance added addresses situations where a department is an agent in a principal-agent arrangement.



In most instances the department acts as a principal rather than a service provider or an agent. The example below provides an instance where the department acts as an agent.

[see next slide]

Chapter 16: Accounting by Principals and Agents



Example: A department acting as an agent

Public Entity X appoints Department ABC to assist the public entity with initiation and conclusion of a service concession arrangement.

In terms of this arrangement Department ABC will prepare the requisite procurement documents, facilitate the process and assist in the contract drafting and negotiation with third parties on behalf of Public Entity X.

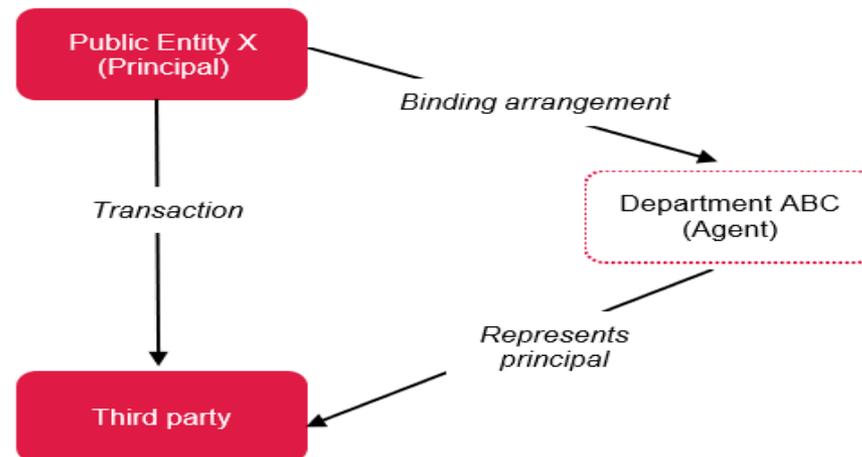
The specifications are set and defined to address the needs and requirements of Public Entity X.

The final service concession arrangement will be concluded between Public Entity X and the successful party.

Transactions with third parties facilitated by Department ABC

For the benefit of Public Entity X

This arrangement constitutes a principal-agent arrangement. Department ABC acts as an agent on behalf of Public Entity X.



Chapter 20: Mergers

HEADING	AMENDMENT	REASON FOR AMENDMENT
Par 7.1: Disclosure of a Merger	Added an example on carrying amounts.	Provides a simple example that illustrates that carrying amounts are added to determine amounts that must be recognised or recorded in the financial statements. Detailed examples on mergers are in Annexure 1 and Annexure 2 of the AMD on <i>Mergers</i> .



Example: Carrying amounts

The merger date of transferring combining Department A and Department B (Combining Departments) to form combined Department C (Combined Department) is 1 April 20X1. All Department A and B's assets and liabilities (recognised and recorded) carrying amounts at 31 March 20X1 must be added to recognise / record the assets and liabilities of combined Department C effective from 1 April 20X1.

For the notes to the financial statements, the movements (or analyses of balances) reported at 31 March 20X1 should also be added and recorded in the combined Department C notes effective from 1 April 20X1.

AFS SPECIMEN 2022/23 AMENDMENTS



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



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Amendments to the Specimen AFS

Summary of major amendments (April and November 2022 updates)

Published April 2022

- **POS** – *Unauthorised expenditure*
- **POS** – *Prepayments and advances (Non current)*
- **SOCNA** - *Unauthorised expenditure*
- **Accounting policies** (various)
- **Note 3.5** - *Transactions in financial assets and liabilities*
- **Note 6.4.1** - *Other supplies*
- **Note 8.1** – *Other material losses*
- **Note 9.1** – *Donations made in kind*
- **Previous Note 11** - *Unauthorised expenditure*
- **Note 13** – *Prepayments and advances*
- **Note 14.5** – *Other receivables*
- **Note 30** – *Unauthorised, Irregular and Fruitless and wasteful expenditure*
- **Note 32** – *Key management personnel*

- **Note 37.4, 38.2, 39.2** – *Capital Work-in-progress notes*
- **Note 44** – *Transfer of functions and Mergers*
- **Annexure 9**: *Additional information on Immovable assets*

Updated November 2022

- **Appropriation Statement**: Updated the direct charges in the Statutory Appropriation section
- **Accounting policies**: UIF&WE further updated after comments received.
- **Note 6.9** – Remuneration of members of a commission or committee

Minor Amendments: not noted here – mostly editorial or wording updates

Major Amendments → next few slides to indicate change

Accounting policies

The following accounting policies were updated:

- Appropriated funds (*measurement*)
- Departmental revenue (*measurement and in kind donations*)
- Other expenditure (*in kind donations*)
- Accruals and payables not recognized (*measurement*)
- Aid assistance received (CARA Funds)
- Unauthorised expenditure (*with relevant change*)
- Fruitless and wasteful expenditure (*with relevant change*)
- Irregular expenditure (*with relevant change*)
- Employee benefits (*measurement*)

Unauthorised expenditure:

Amended as shown in the following slides

Statement of Financial Position (POS)

AREA	UPDATE	COMMENT
Current Assets	Unauthorised expenditure removed	UE has been moved to the <i>Net Assets section</i> of the POS and removed from the Current Assets section.

Current-assets			
<i>[Financial Statement Presentation par.37]</i>			
Unauthorised-expenditure	11		
Cash-and-cash-equivalents	121		
Other-financial-assets	132		
Prepayments-and-advances	143		
Receivables	145		
Loans	176		
Aid-assistance-prepayments	4		
Aid-assistance-receivable	4		
Non-current-assets			

	Notes	20YY/ZZ R'000	20XX/YY R'000
Represented-by:			
Capitalisation-reserve			
Recoverable-revenue			
Retained-funds			
Revaluation-reserves			
Unauthorised-expenditure			
TOTAL			



Statement of Changes in Net Assets (SOCNA)

AREA	UPDATE	COMMENT
Unauthorised expenditure	Added UE to the statement	UE note has been deleted in the notes to the annual financial statements and the <u>main</u> note has been moved to the SOCNA. <i>(consequently, the notes that follow are renumbered)</i>

STATEMENT OF CHANGES IN NET ASSETS <i>for the year ended 31 March 2022</i>	
+	
Unauthorised expenditure	
Opening balance	
Unauthorised expenditure - current year	
Less: Amounts approved by Parliament/Legislature with funding	
Less: Amounts approved by Parliament/Legislature without funding and derecognised	
Current	
Capital	
Transfers and subsidies	
Less: Amounts recoverable	
Less: Amounts written off	
Closing Balance	
TOTAL	



Accounting policies

ACCOUNTING POLICY	UPDATE
<p>18 Unauthorised expenditure</p>	<p>“Unauthorised expenditure is measured at the amount of the confirmed unauthorised expenditure.</p> <p>Unauthorised expenditure is recognised in the statement changes in net assets until such time as the expenditure is either:</p> <ul style="list-style-type: none"> • approved by Parliament or the Provincial Legislature with funding and the related funds are received; or • approved by Parliament or the Provincial Legislature without funding and is written off against the appropriation in the statement of financial performance; or • transferred to receivables for recovery. <p>Unauthorised expenditure recorded in the notes to the financial statements comprise of:</p> <ul style="list-style-type: none"> • unauthorised expenditure that was under assessment in the previous financial year; • unauthorised expenditure relating to previous financial year and identified in the current year; and • unauthorised incurred in the current year.”

Notes

AREA	UPDATE	COMMENT
Previous note 11 Unauthorised expenditure	Deleted notes and subnotes	Moved the main note to the SOCNA and deleted the subnotes as they will form part of the Compliance section of the Annual Report for 2022/23. [NB! Due to the UE notes being deleted the <u>numbering</u> of subsequent notes have changed.]
Note 30 UIF&WE	New note	Note 30: Added for the current year unauthorised, irregular and fruitless and wasteful expenditure for the current year.

30. Unauthorised, Irregular and Fruitless and wasteful expenditure

[Treasury Regulation 9.1.5]

	<i>Note</i>	20YY/ZZ R'000	20XX/YY R'000
Unauthorised expenditure - current year			
Irregular expenditure - current year			
Fruitless and wasteful expenditure - current year			
Total			

Information on any criminal or disciplinary steps taken as a result of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure is included in the annual report under the PFMA Compliance Report.

[PFMA S40(3)(b)(ii)]



New

Notes cont.

AREA	UPDATE	COMMENT
Note 14.5	Updated note	Added line items for UIF&WE to the “Other receivables” note for these receivables

14.5. Other receivables

<i>Note</i>	20YY/ZZ R'000	20XX/YY R'000
-------------	------------------	------------------

Group major categories, but list material items

Statutory Appropriation receivables

Unauthorised expenditure

Irregular expenditure

Fruitless and wasteful expenditure



Total

14

Prepayments and advances:

Amended as shown in the following slides

Statement of Financial Position (POS)

AREA	UPDATE	COMMENT
Non Current Assets	Prepayments and advances	Added Prepayments and advances under Non-current Assets in the Statement of Financial Position (POS)

*STATEMENT OF FINANCIAL POSITION
as at 31 March 20ZZ*

[Financial Statement Presentation par .03(c)]

	<i>Note</i>	20YY/ZZ R'000	20XX/YY R'000
ASSETS			
<i>[Financial Statement Presentation par .43]</i>			
Current assets			
<i>[Financial Statement Presentation par .37]</i>			
Cash and cash equivalents	11		
Other financial assets	12		
Prepayments and advances	13		
Receivables	14		
Loans	16		
Aid assistance prepayments	4		
Aid assistance receivable	4		
Non-current assets			
<i>[Financial Statement Presentation par .37]</i>			
Investments	15		
Prepayments and advances	13		
Receivables	14		
Loans	16		
Other financial assets	12		
TOTAL ASSETS			



Notes

AREA	UPDATE	COMMENT
Note 13 Prepayments and advances	Updated the main note	Added an “Analysis of Total Prepayments and advances” to note 13 on Prepayments and advances for the split between current and non current.

NOTE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 20ZZ

13. Prepayments and advances
[General Departmental Assets and Liabilities par .34]

	<i>Note</i>	20YY/ZZ R'000	20XX/YY R'000
Staff advances			
Travel and subsistence			
Prepayments (Not expensed)	13.2		
Advances paid (Not expensed)	13.1		
SOCPEN advances			
Total			
Analysis of Total Prepayments and advances			
Current Prepayments and advances			
<u>Non current</u> Prepayments and advances			
Total			



Notes cont.

AREA	UPDATE	COMMENT
13.3 Prepayments (expensed) and 13.4 Advances (expensed)	Added the notification of when prepayments (expensed) and advances (expensed) will no longer be allowed	Added the words: <i>“No new “prepayments expensed” permitted from 1 April 2023)”</i> and <i>“No new “advances expensed” permitted from 1 April 2023”</i> respectively next to each note.

13.3. Prepayments (Expensed) (*“prepayments expensed” not permitted from 1 April 2023*)

20YY/ZZ

Amount as at 1 April 20YY	Less: Received in the current year	Add / Less: Other	Add Current year prepayments	Amount as at 31 March 20ZZ
R'000	R'000	R'000	R'000	R'000

Goods and services

Interest and rent on land

Transfers and subsidies

Capital assets

Other

Annexures

AREA	UPDATE	COMMENT
Annexure 12	Prepayments and advances	<p>FUTURE Change</p> <p>New Annexure 12 on prepayments and advances to be added to the financial statements of 2023/24. A separate file to be published in the interim to allow preparers to familiarise themselves with the new annexure.</p>

6 Annexure on Prepayments and Advances

The following annexure is a new requirement in the annual financial statements and should be completed for all prepayments and advances made by the department.

ANNEXURE 12: ANALYSIS OF PREPAYMENTS AND ADVANCES (NOTES 4 AND 13)

Name of entity	Nature of entity (government or external)	Nature of items Goods, services, or capital assets	Is this prepayment or advance for multiple years (if yes, indicate number of years)	Reason for prepayment or advance remaining uncleared at year end	Date of prepayment / advance	Total amount prepaid R'000	Balance outstanding as at 31 March 2024 R'000
<p>TOTAL _____</p> <p>_____</p>							

Irregular and Fruitless and wasteful expenditure:

Amended as shown in the following slides

Accounting policies

ACCOUNTING POLICY	UPDATE
19 Fruitless and wasteful expenditure	<p>“Fruitless and wasteful expenditure receivables are recognised in the statement of financial position, measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.</p> <p>Fruitless and wasteful expenditure is recorded in the notes to the financial statements when and at amounts confirmed, and comprises of .</p> <ul style="list-style-type: none">• fruitless and wasteful expenditure that was under assessment in the previous financial year;• fruitless and wasteful expenditure relating to previous financial year and identified in the current year; and• fruitless and wasteful expenditure incurred in the current year.”

Accounting policies

ACCOUNTING POLICY	UPDATE
20 Irregular expenditure	<p>“Losses emanating from irregular expenditure are recognised as a receivable in the statement of financial position when recoverable. The receivable is measured at the amount that is expected to be recovered and is de-recognised when settled or subsequently written-off as irrecoverable.</p> <p>Irregular expenditure is recorded in the notes to the financial statements when and at amounts confirmed and comprises of:</p> <ul style="list-style-type: none">• irregular expenditure that was under assessment in the previous financial year;• irregular expenditure relating to previous financial year and identified in the current year; and• irregular expenditure incurred in the current year.”

Notes

NOTE	UPDATE	COMMENT
Previous note 31 Irregular expenditure and note 32 Fruitless and wasteful expenditure	Deleted notes and subnotes	<p>Removed the notes and related subnotes for Irregular expenditure and Fruitless and wasteful expenditure in the Notes to the Annual Financial Statements.</p> <p>The relevant information will be located in the Annual Report section “PFMA Compliance Report” and no longer in the financial statements.</p> <p><i>(consequently, the notes that follow are renumbered).</i></p>

Capital Work-in-progress:

Amended as shown in the following slides

Notes

NOTE	UPDATE	COMMENT
37.4 Movable tangible capital assets: Capital work-in-progress	New note	The Capital WIP was combined under the immovable capital assets note for all capital assets. This has now been split into the three separate capital asset notes. Movable capital asset WIP included in new note 37.4.



37.4 → Movable tangible capital assets: Capital Work-in-progress¶

[Capital Assets par. 103¶]

CAPITAL WORK-IN-PROGRESS AS AT 31 MARCH 20ZZ¶

		Opening balance <i>1 April 20YY¶</i>	Current Year WIP	Ready for use <i>(Assets to the AR) / Contracts terminated¶</i>	Closing balance <i>31 March 20ZZ¶</i>
	<i>Note</i>	R'000¶	R'000¶	R'000¶	R'000¶
	<i>Annexure 7¶</i>				
Heritage assets¶					
Machinery and equipment¶					
Specialised military assets¶					
TOTAL¶					

¶

Include discussion here where deemed relevant¶

¶

Payables not recognised relating to Capital WIP¶

[Capital Assets par. 103(c)¶]

[Amounts relating to progress certificates received but not paid at year end and therefore not included in capital work-in-progress]¶

	<i>Note</i>	20YY/ZZ R'000¶	20XX/YY R'000¶
Total¶			

Notes cont.

NOTE	UPDATE	COMMENT
38.2 Intangible capital assets: Capital work-in-progress	New note	The CWIP was combined under the immovable capital assets note for all capital assets. This has now been split into the three separate capital asset notes. Intangible capital asset WIP included in new note 38.2



38.2 → Intangible capital assets: Capital Work-in-progress
[Capital Assets par. 103]
CAPITAL WORK-IN-PROGRESS AS AT 31 MARCH 20ZZ

	<u>Opening balance</u> 1 April 20YY	<u>Current Year WIP</u>	<u>Ready for use</u> (Assets to the AR) / Contracts terminated	<u>Closing balance</u> 31 March 20ZZ
<i>Note</i> <i>Annexure 7</i>	R'000	R'000	R'000	R'000
Intangible assets				
TOTAL				

¶

Include discussion here where deemed relevant

¶

<u>Payables not recognised relating to Capital WIP</u> <i>[Capital Assets par. 103(c)]</i>	<u>Note</u>	<u>20YY/ZZ</u> R'000	<u>20XX/YY</u> R'000
<i>[Amounts relating to progress certificates received but not paid at year end and therefore not included in capital work-in-progress]</i>	□	□	□
□	□	□	□
□	□	□	□
Total	□	□	□

Notes cont.

NOTE	UPDATE	COMMENT
39.2 Immovable tangible capital assets: Capital work-in-progress	Updated note to retain only immovable capital assets WIP	<p>The CWIP was combined under this immovable capital assets note for all capital assets. This has now been split into the three separate capital asset notes.</p> <p>Only the immovable capital assets WIP remains in note 39.2</p>

39.2 → Immovable capital assets: Capital Work-in-progress ¶						
[Capital Assets par. 103]¶						
CAPITAL WORK-IN-PROGRESS AS AT 31 MARCH 20ZZ¶						
			Opening balance[¶] 1 April 20YY¶	Current Year WIP¶	Ready for use (Assets to the AR) / Contracts terminated¶	Closing balance[¶] 31 March 20ZZ¶
	Note¶		R'000¶	R'000¶	R'000¶	R'000¶
	<i>Annexure 7¶</i>					
Heritage assets¶						
Buildings and other fixed structures¶						
Machinery and equipment¶						
Specialised military assets¶						
Intangible assets¶						
TOTAL¶						

Other changes to Accounting Policies

Accounting policies

ACCOUNTING POLICY	UPDATE
7.1 Appropriated funds	<p><u>Added measurement:</u></p> <p>“Appropriated funds comprises of departmental allocations as well as direct charges against the revenue fund (i.e. statutory appropriation).</p> <p>Appropriated funds are recognised in the statement of financial performance on the date the appropriation becomes effective. Adjustments made in terms of the adjustments budget process are recognised in the statement of financial performance on the date the adjustments become effective.</p> <p>Appropriated funds are measured at the amounts receivable.</p> <p>The net amount of any appropriated funds due to / from the relevant revenue fund at the reporting date is recognised as a payable / receivable in the statement of financial position.”</p>

Accounting policies

ACCOUNTING POLICY	UPDATE
<p>7.2 Departmental revenue</p>	<p>“Departmental revenue is recognised in the statement of financial performance when received and is subsequently paid into the relevant revenue fund, unless stated otherwise.</p> <p>Departmental revenue is measured at the cash amount received.</p> <p>In-kind donations received are recorded in the notes to the financial statements on the date of receipt and are measured at fair value.</p> <p>Any amount owing to the relevant revenue fund at the reporting date is recognised as a payable in the statement of financial position.”</p>
<p>8.2 Other expenditure</p>	<p><u>Added donations made in kind:</u></p> <p>“Other expenditure (such as goods and services, transfers and subsidies and payments for capital assets) is recognised in the statement of financial performance on the date of payment. The expense is classified as a capital expense if the total consideration paid is more than the capitalisation threshold.</p> <p>Donations made in kind are recorded in the notes to the financial statements on the date of transfer and are measured at cost or fair value.”</p>

Accounting policies cont.

ACCOUNTING POLICY	UPDATE
8.3 Accruals and payables not recognised	<p>Updated the <u>measurement</u>:</p> <p>“Accruals and payables not recognised are recorded in the notes to the financial statements at cost or fair value at the reporting date.”</p>
9.1 Aid assistance received	<p>Added <u>CARA Funds</u>:</p> <p>“Aid assistance received in cash is recognised in the statement of financial performance when received. In-kind aid assistance is recorded in the notes to the financial statements on the date of receipt and is measured at fair value.</p> <p>CARA Funds are recognised when receivable and measured at the amounts receivable.</p> <p>Aid assistance not spent for the intended purpose and any unutilised funds from aid assistance that are required to be refunded to the donor are recognised as a payable in the statement of financial position”</p>

Accounting policies cont.

ACCOUNTING POLICY	UPDATE
30 Employee benefits	<p>“The value of each major class of employee benefit obligation (accruals, payables not recognised and provisions) is disclosed recorded in the Employee benefits note.</p> <p>Accruals and payables not recognised for employee benefits are measured at cost or fair value at the reporting date.</p> <p>The provision for employee benefits is measured as the best estimate of the funds required to settle the present obligation at the reporting date.”</p>

Other changes to Notes

Notes

NOTE	UPDATE	COMMENT
3.5 Transactions in financial assets and liabilities	Deleted “Stale cheques written back”	The use of cheques are no longer allowed in South Africa, hence this line may be redundant. Deleted the line.

3.5 → Transactions in financial assets and liabilities				
<i>[Revenue par. 14(e)]</i>				
		Notes	20YY/ZZ	20XX/YY
		3	R'000	R'000
Loans and advances	□		□ □	□
Receivables	□		□ □	□
Forex gain	□		□ □	□
Stale cheques written back	□	□ □ □		
Other Receipts including	□		□ □	□
Recoverable Revenue	□		□ □	□
Gains on GFECRA	□		□ □	□
Total	□		<u>□ □</u>	<u>□</u>

Notes cont.

(Editorial)

NOTE	UPDATE	COMMENT
3.6.1 Donations received in-kind	Replaced “ transfers ” with “ donations ”	Use of the correct wording to read: <i>“List in-kind donations received”</i>
4.1 Analysis of balance by source	CARA Funds	Added the word “ Funds ” for CARA Funds
4.2.1 Aid assistance prepayments (expensed)	Added the notification of when prepayments (expensed) will no longer be allowed	Added the words: <i>“No new “prepayments expensed” permitted from 1 April 2023)”</i>
6 Goods and services and 6.4 Inventories	Updated the item “Inventory”	Changed the name from “ Inventory ” to “ Inventories ”
6.4.1 Other supplies	Deleted a line item	Removed the line for “Human settlements property” – it is part of the Inventories: Assets for distribution project.

Notes cont.

NOTE	UPDATE	COMMENT
6.9 Remuneration of members of a commission or committee	Updated note	<p>The legislation underlying the note is TR 20.2.4. Although the note references the TR 20.2.4 which specifically indicates the commissions and committees to be disclosed are those of inquiry, numerous questions from stakeholders resulted in the update to the note heading and table by adding the words “of inquiry” to read:</p> <p>“Remuneration of members of a commission or committee of inquiry”</p> <p>The table was also amended to remove the column for “No. of members” as this is not a requirement of the Treasury Regulation.</p>

6.9. Remuneration of members of a commission or committee of inquiry (*Included in Consultants: Business and advisory services*)

 **[Treasury Regulations 20.2.4]**

	<i>Note</i>	20YY/ZZ	20XX/YY
Name of Commission / Committee of Inquiry	6	R'000	R'000
Total			

Include discussion here where deemed relevant.

Notes cont.

NOTE	UPDATE	COMMENT
8.1 Other material losses	Removed the detail for “Incident” and “Disciplinary Steps taken/Criminal proceedings” Updated the narrative block	The detail of the note will be moved to the Compliance section of the annual report. Narrative block added: <i>“Information on any criminal or disciplinary steps taken as a result of such losses is included in the annual report under Compliance Information [PFMA S40(3)(b)(ii)]”</i>
9.1 Donations made in-kind	New note added	In line with the MCS on <i>Expenditure</i> par .18A, added a note for “Donations made in kind”

*NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 20ZZ*

9.1. Donations made in kind (not included in the main note)
[Expenditure par .18A]

 **Total**

	<i>Note</i>	20YY/ZZ R'000	20XX/YY R'000
<i>List in-kind donations made</i>	<i>Annex 1J</i>		
Total			

Include discussion here where deemed relevant.

Notes cont.

NOTE	UPDATE	COMMENT
32 Key management personnel	Deleted “No. of individuals”	The departments are no longer required to complete <u>number of individuals</u> for the KMP note. Deleted the requirement.

32. → Key management personnel ¶
 [Related Party Disclosures par. 21] ¶

	No.-of- Individuals	20YY/ZZ	□	20XX/YY
		R'000	□	R'000
Political office bearers (provide detail below)	□	□	□	□
Officials:	□	□	□	□
□	□	□	□	□
□	□	□	□	□
Family members of key management personnel	□	□	□	□
Total	□	□	□	□

¶
 Key management personnel (Parliament/Legislatures) ¶

	No.-of- Individuals	20YY/ZZ	□	20XX/YY
		R'000	□	R'000
Speaker to Parliament / the Legislature	□	□	□	□
Deputy Speaker	□	□	□	□
Secretary to Parliament / the Legislature	□	□	□	□

Notes cont.

NOTE	UPDATE	COMMENT
44 Transfers of functions and Mergers	Updated tables to be in line with other amendments	Consequential amendment to remove the respective lines for Unauthorised expenditure, Irregular expenditure and Fruitless and wasteful expenditure from the relevant areas.

Other changes to Annexures

Annexures

(Editorial)

AREA	UPDATE	COMMENT
Annexures 1B, 1C, 1D, 1E, 1F and 1G	Updated the tables	<ul style="list-style-type: none"> - “Annual Appropriation” renamed to “Annual Budget” - “Final Appropriation” renamed to “Final Budget” - Added a column for “Actual Transfer” for the prior year.
Annexures 1K, 2A and 2B	Updated headings	Updated some of the current year column dates.
Annexure 1I	Subheading update	Updated the second subheading to read “Received in kind ”
Annexure 9	Updated the reference	Updated the reference to MCS Chapter 11 on Capital Assets: Appendix A.

Capital Asset Notes

Capital assets in the AFS



1. What has changed overall?
2. How do we complete the capital assets notes?



1. Some supplementary notes supporting main notes were deleted → remove unnecessary bulk in the AFS. The requirements for complete, accurate information remains.
2. The detailed information and records should be kept outside the AFS, for e.g. in a working paper file or separate registers, to be able to complete the AFS information.



- Published a **Capital Asset Working Paper file** on the TSS webpage.

Link: [Capital Asset Working Papers](#)

- Includes the deleted Additions and Disposals capital asset notes to assist departments to complete the main notes in the AFS.
- Can be tailored by department for own use.

THANK YOU



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