15 September 2026

Mr. Shabeer Khan
National Treasury: Office of the Accountant-General (OAG)
Private Bag X115
Pretoria
0001
South Africa

RE: EXPOSURE DRAFT ON ACCOUNTING MANUALS FOR DEPARTMENTS

INTRODUCTION

1. The South African Institute of Chartered Accountants (SAICA) welcomes the opportunity to make submissions on the Exposure Draft on the Accounting Manuals for Departments (AMDs)

2. SAICA is South Africa's pre-eminent accountancy body and is widely recognised as one of the world's leading accounting institutes. The Institute provides a wide range of support services to more than 64 000 members and associates who are chartered accountants [CAs(SA)], associate general accountants [AGAs(SA)] and accounting technicians [ATs(SA)] whom amongst them hold positions as chief executive officers, managing directors, board members, entrepreneurs, chief financial officers, internal and external auditors, risk officers and leaders in their respective spheres of operation.

3. Our work in the public sector goes beyond member support but also includes a significant focus on advocacy and capacity building to support and encourage an improvement in public finance management.

EXECUTIVE SUMMARY

4. SAICA welcomes the opportunity to comment on the Exposure Draft on the Accounting Manuals for Departments. SAICA is broadly supportive of the proposed amendments, as they provide useful additional guidance on areas that are important to the consistent application of the Modified Cash Standard by departments. In particular, the amendments dealing with non-cash movements in investments, prepayments and advances, software licenses, internally generated intangible assets, disposal of computer equipment and finance lease assets are welcomed as they seek to clarify practical accounting and reporting matters that commonly arise in departments.

5. SAICA's comments are primarily aimed at strengthening the clarity, structure and practical application of the proposed guidance. While SAICA supports the direction of the amendments, certain areas, it is suggested, would benefit from refinement to reduce the risk of inconsistent interpretation by preparers. These include clarifying the wording dealing with non-cash movements in investments, distinguishing more clearly between unconditional and conditional transfers, and ensuring that illustrative examples are aligned with the effective dates of the relevant accounting requirements.

6. SAICA further recommends that the OAG consider including additional illustrative examples where these would assist departments in applying the guidance consistently. This is particularly relevant for the recognition of investments acquired for cash, non-cash movements in investments, derecognition of investments, and the recognition of

prepayments and advances in the Statement of Financial Position. SAICA also recommends that duplicated content in Annexure 3 be reviewed to improve the overall coherence and usefulness of the guidance.

OVERALL CONCLUSION

7. Overall, SAICA is of the view that the proposed amendments are useful and should assist departments in applying the accounting manuals more consistently. The recommendations set out in **Annexure A** are therefore intended to enhance the proposed guidance by improving clarity, removing potential ambiguity, aligning examples with current requirements, and supporting consistent application across departments.

8. SAICA encourages the OAG to consider the proposed refinements to ensure that the final guidance is clear, logically structured and sufficiently supported by illustrative examples. These refinements would assist preparers in applying the requirements consistently, reduce the risk of differing interpretations, and improve the overall usefulness of the manuals as practical implementation guidance for departments.

9. SAICA would welcome the opportunity to engage further with the OAG on the matters raised and would be pleased to discuss our comments, if required. Please do not hesitate to contact Odwa Benxa at odwab@saica.co.za in this regard.

Kind regards,

Natashia Soopal CA(SA)
Head of Public Sector and Ethics

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ANNEXURE A: DETAILED COMMENTS

No.	Affected Section	Comment	Recommendation
CHAPTER 9: GENERAL DEPARTMENTAL ASSETS AND LIABILITIES			
1.	**5. Accounting for financial assets / liabilities and prepayments / advances for the purpose of primary financial information** **5.1 Recognition** **Added:** 5.1(c) "Non-cash movements" are increases or decreases of an investment that do not involve cash. For example, where a department and its counterparty agree to convert a debt to shares. The non-cash movements could be investments that a department gained from another entity at no cost but must still recognise these at cost (i.e. cost of the investment from the original department/entity).	SAICA supports the proposed amendment, as it provides useful guidance on the recognition of non-cash movements in investments. However, SAICA has identified certain areas where the guidance could be further refined to enhance clarity and improve its practical application by preparers: • The current wording may give rise to uncertainty for preparers. SAICA is of the view that the guidance could be enhanced for easier application by incorporating the bracketed wording into the second sentence, so that the guidance reads as "The non-cash movements could be investments that a department gained from another entity at no cost but must still recognise the investment at the cost from the original department/entity". • SAICA notes that the guidance does not include illustrative examples to demonstrate the application of the principle. SAICA therefore recommends that illustrative examples be included to demonstrate the recognition of investments acquired for cash, the recognition of non-cash movements, and the derecognition of investments. These examples would supplement the journal entries currently included in the guidance and	SAICA recommends that the OAG consider the following amendments to enhance the clarity and practical application of the proposed guidance: • The second sentence should be revised to read as follows: "The non-cash movements could be investments that a department gained from another entity at no cost but must still recognise the investment at the cost from the original department/entity." • The guidance in section 5.1(c) should be expanded to include illustrative examples demonstrating the recognition of investments acquired for cash, the recognition of non-cash movements, and the derecognition of investments. These examples would supplement the journal entries currently included in the guidance and support consistent application by preparers. • The guidance should be restructured to improve its logical flow by first addressing investments acquired for cash, supported by illustrative examples, followed by non-cash movements with related illustrative examples, and concluding with the

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		assist preparers in applying the requirements consistently. • SAICA believes that the guidance should be restructured to improve its logical flow. In particular, the guidance could first address investments acquired for cash, supported by illustrative examples, followed by non-cash movements with related examples, and conclude with the derecognition of investments, supported by an appropriate illustrative example.	derecognition of investments, supported by an appropriate illustrative example.
2.	**5. Accounting for financial assets / liabilities and prepayments / advances for the purpose of primary financial information** **5.2 Initial measurement** **5.2.2 Prepayments and advances** **Added a Take Note:** Financial assets such as loans, investments, or equity instruments do not give rise to prepayments or advances. A prepayment or an advance arises when: • Cash is paid before receiving goods, services, or capital assets, or • In the case of transfers, before the recipient has met conditions to "earn" the funds. Therefore, a prepayment or an advance is linked to future consumption or receipt of economic benefits or service potential from a non-financial item. For example, a loan is a financial asset and does not give rise to "future receipt of goods or services" element. It creates a right to repayment (a receivable).	SAICA supports the proposed amendment, as it provides useful clarification of the principles applicable to the recognition of prepayments and advances. SAICA, however, notes that the guidance in section 5.5.2 on prepayments and advances includes examples illustrating the recognition of prepayments and advances in the Statement of Financial Position. As the requirement to recognise prepayments and advances in the Statement of Financial Position became effective on 1 April 2024, the use of an example based on the 2013/14 financial year may be misleading. SAICA therefore suggests that the financial year used in the example be updated to 2024/25 to ensure alignment with the effective date of the requirement.	SAICA recommends that the OAG amend the financial year referenced in the illustrative example to 2024/25, as the requirement to recognise prepayments and advances only in the Statement of Financial Position became effective on 1 April 2024. SAICA acknowledges that, prior to 1 April 2024, departments could elect either to expense prepayments and advances or recognise them in the Statement of Financial Position, which may explain the use of the 2013/14 financial year in the example. However, given that departments generally expensed such amounts in practice, updating the example to the 2024/25 financial year would better reinforce the current requirement to recognise prepayments and advances in the Statement of Financial Position.

No.	Affected Section	Comment	Recommendation
3.	**5. Accounting for financial assets / liabilities and prepayments / advances for the purpose of primary financial information** **5.2 Initial measurement** **5.2.2 Prepayments and advances** **Earned transfers and subsidies** **Added:** For an unconditional transfer, typically for funding operations, the recipient is entitled to the funds at the payment date, and the department may recognise the full amount as an expense at that point. However, if the transfer is subject to future conditions or performance obligations, the payment is treated as a prepayment or advance until such conditions are met.	SAICA supports the proposed amendment, as it provides useful clarification of the recognition requirements for expenditure relating to transfer payments and advances. SAICA notes, however, that the amendment appears to address both unconditional and conditional transfers within the same section, which may create uncertainty for readers. SAICA therefore suggests that the OAG consider incorporating wording that clearly refers to conditional transfers, to avoid potential confusion and support consistent application by preparers.	SAICA recommends that the second sentence be amended to read as follows: 'However, as in the case for conditional transfers, if the transfer is subject to future conditions or performance obligations, the payment is treated as a prepayment or advance until such conditions are met.' This amendment would assist in clearly distinguishing between unconditional and conditional transfers and would reduce the risk of potential confusion in applying the guidance.
4.	**5. Accounting for financial assets / liabilities and prepayments / advances for the purpose of primary financial information** **5.2 Initial measurement** **5.2.2 Prepayments and advances** **Earned transfers and subsidies** **Added:** **Software licenses** Software license fees paid in advance, such as annually, must be accounted for based on the nature and period of the arrangement. Where the payment relates to services including a subscription, user access, maintenance or support	SAICA supports the proposed amendment, as it provides useful clarification of the accounting requirements applicable to software licence fees paid in advance.	No further recommendations have been identified on this amendment.

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	services received, it is recognised as expenditure and not as a capital asset. Where the arrangement gives rise to a software asset rather than a service, such as a time-based annual subscription, the transaction must be assessed separately in terms of Chapter 11 on Capital Assets. To the extent that any portion of the payment relates to a period after the reporting date, that unexpired portion must be recognised as a prepayment and advance at year-end and derecognised in the subsequent period as the service is received. Where an amount is assessed as clearly immaterial, a department may recognise the payment as expenditure immediately for administrative convenience, provided this treatment is supported by an approved departmental policy, applied consistently, and does not result in a material misstatement of the financial statements in accordance with the MCS. The basis for the immateriality assessment should be documented. The assessment must be performed on the total amount paid under the relevant contract, purchase order or invoice, and specifically on the aggregate unexpired portion at reporting date. Where, for example, multiple software licenses are acquired as part of one annual arrangement, materiality should not ordinarily be assessed on the cost of each individual license in isolation. A per-license assessment would only be appropriate where the licenses are procured, invoiced and managed as separate transactions in substance.		

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5.	**Annexure 3: Effective Management and Reporting on Prepayments and Advances** **Added** guidance on the effective management and reporting on prepayments and advances covering the following: a) Overview of prepayments and advances b) Legislative Framework c) Financial Statements and Reporting Guidelines d) Recommendations for Departments	SAICA supports the inclusion of additional guidance on the effective management and reporting of prepayments and advances. However, SAICA notes that Annexure 3 appears to have existed previously and that the primary amendment appears to be the inclusion of the Legislative Framework section. On this basis, there appears to be duplication within Annexure 3.	SAICA recommends that the OAG should review Annexure 3 and consider removing the duplicated sections dealing with the overview of prepayments and advances, financial statements and reporting guidelines, and recommendations for departments.
CHAPTER 11 – CAPITAL ASSETS			
6.	**4.3 Intangible assets** **4.3.1 Identifiability of an intangible asset** **Added guidance on perpetual licenses:** Perpetual software licenses are recorded as capital intangible assets upon acquisition. While they are intended for indefinite use, they often require replacement over time. Therefore, the department should determine the useful life of such licenses based on actual usage patterns and relevant industry standards. **Deleted the section on Termed software licenses versus perpetual software licenses:** ~~Departments either acquire a termed license or a perpetual license in terms of which:~~ ~~(a) A termed license – a department will acquire the "right to use" the software for a period specified in the license agreement.~~ ~~(b) A perpetual license – a department acquires the "right to use" the software in perpetuity.~~	SAICA supports the proposed amendment, as it provides useful clarification of the accounting requirements applicable to perpetual software licences.	No further recommendations have been identified on this amendment.

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	~~When a department acquires a software licence with a specified term, it must evaluate the length of the agreement. If the period of use extends beyond 12 months, the licence should be recorded as a capital intangible asset. Conversely, if the period does not exceed 12 months, the licence is treated as a current expenditure.~~ ~~Perpetual software licences are recorded as capital intangible assets upon acquisition. While they are intended for indefinite use, they often require replacement over time.~~ ~~Therefore, the department should determine the useful life of such licences based on actual usage patterns and relevant industry standards.~~ ~~Other types of intangible assets include the following:~~ ~~• Rights under licensing agreements for films, videos, plays and manuscripts in entities such as broadcasting, tourism, arts and culture;~~ ~~• Patents and copyrights held by government entities in fields such as tourism, research, education, health, agriculture, archives;~~ ~~• Databases and database management software created and maintained by government entities, such as those containing information on the demographic statistics of the population, land ownership, private sector entity ownership and registers of securities and charges;~~ ~~• Airport landing rights;~~ ~~• Licenses to operate radio or television stations;~~ ~~• Import / export licenses; and~~ • ~~Right to control the extraction of mineral resources.~~		

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7.	**4.4.9 Internally generated intangible assets** **Added a Take Note:** Capitalisation of IT Application Development Costs Relating to Open-Source Software Internally developed software must be assessed based on the nature of the project and the period of expected service potential. Where development or significant customisation results in an identifiable software solution controlled by the department and expected to provide service potential beyond one financial year, the related directly attributable costs must be assessed under Chapter 11 on Capital Assets. The use of open-source technologies does not, by itself, prevent software from being treated as an intangible asset. However, only directly attributable costs incurred by the department in the development, customisation, configuration, integration, and implementation of the software solution should be considered for capitalisation purposes. In addition, the development criteria discussed in section 4.4.11 of this AMD must be met.	SAICA supports the proposed amendment, as it provides useful clarification of the accounting requirements applicable to the capitalisation of IT application development costs relating to open-source software. SAICA notes, however, that the additional guidance could be further enhanced by including an illustrative example demonstrating the recognition, initial measurement and subsequent measurement of the internally developed open-source software, including the determination of the costs eligible for capitalisation. Such an example would greatly assist preparers in applying the requirements consistently.	SAICA recommends that the OAG considers adding an illustrative example demonstrating the recognition, initial measurement and subsequent measurement of the internally developed open-source software, including the determination of costs eligible for capitalisation. This example would support the consistent application of the relevant principles by preparers.
8.	**7. Removal of Capital Assets** **Added a Take A Note** **Disposal of computer equipment** In terms of Section 16A.7.7 of the Treasury Regulations, the accounting officer or accounting authority must, when disposing of computer equipment, firstly approach any state institution involved in education and/or training to determine	SAICA supports the proposed amendment, as it provides useful clarification of the requirements relating to the disposal of computer equipment.	No further recommendations have been identified on this amendment.

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	whether such an institution requires such equipment. In the event of the computer equipment being required by such a state institution, the accounting officer or accounting authority may transfer such equipment free of charge to the identified institution. Where the relevant institutions have been approached but have not expressed interest, evidence of such engagement must be retained, and the computer equipment may thereafter be disposed of in accordance with Treasury Regulation 16A7.1. This regulation requires that the disposal of movable assets be conducted at market-related value or through price quotations, competitive bids, or auction, whichever is most advantageous to the state, unless otherwise determined by the relevant treasury. In instances where the required institutions were not approached, approval from the National Treasury must be obtained in terms of section 79 of the PFMA before any alternative disposal method is pursued. This is due to the fact that non-compliance with Treasury Regulation 16A7.7 is not delegated to the relevant treasury within then regulation itself. Section 79 of the PFMA empowers the NationalTreasury to approve departures from treasury regulations or instructions on good grounds. Furthermore, where there is non-compliance with Treasury Regulation 16A7.1, for example, where employees are given preference to purchase allocated computer equipment at a predetermined value that cannot be substantiated as market-		

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	related, approval must be obtained from the relevant treasury. For national departments, this refers to the National Treasury, while for provincial departments, it refers to the applicable Provincial Treasury. Such approval is required in addition to any approval obtained in terms of Treasury Regulation 16A7.7, where applicable. In accordance with National Treasury delegations of authority, approvals in terms of Treasury Regulation 16A7.1 are delegated to the Public Finance Division, although requests are generally addressed to National Treasury Accounting Officer. The Public Finance Division serves as the relevant authority through which such requests should be channelled. By contrast, section 79 of the PFMA is not delegated, and requests in this regard must be addressed directly to National Treasury Accounting Officer. Where a national department requires approval relating to both Treasury Regulations 16A7.7 and 16A7.1, a consolidated submission is generally acceptable, with the Public Finance Division responsible for facilitating, and where applicable, granting the approval. Provincial departments are advised to consult their relevant Provincial Treasury regarding the applicable processes within their respective provinces.		
9.	**8. Disclosure of Capital Assets**	SAICA supports the proposed amendment, as it provides useful clarification of the circumstances that trigger disposal procedures for finance lease assets.	No further recommendations have been identified on this amendment.

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	8.1 Accounting requirements for finance lease assets **Disposals** **Updated:** Disposal procedures for finance lease assets are triggered by one of the following events ~~shall be initiated under the following circumstances~~: • the return of the asset to the lessor ~~when the asset is returned to the lessor~~, • the asset being declared surplus to requirements • the reclassification of the lease arrangement. This includes reclassification from a finance lease to an operating lease, as well as reclassification from a finance lease asset to an owned asset. ~~when it is deemed surplus to requirements, or when the lease arrangement is reclassified from a finance lease to an operating lease~~.		