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TO: MEMBERS OF THE TECHNICAL COMMITTEE

FROM: NABEELA IMAM SHAH

SUBJECT: IMPROVEMENTS TO THE STANDARDS GRAP (2022)

DATE: 7 OCTOBER 2022

FILE REF: ATTACHMENT 3(a)

BACKGROUND TO THE PROJECT

1. In line with best practice internationally among standard setters, the Board undertakes periodic revisions of the Standards of GRAP, with the last Improvements Project being undertaken in 2019.
2. The Board's Improvements Project comprises amendments to those Standards of GRAP that have been issued by the Board and for which the Minister of Finance has determined an effective date. The project includes Standards of GRAP becoming effective on 1 April 2023 or after.
3. The editorial amendments to the Standards of GRAP which were previously made when updating the GRAP Handbook, are now included in the Improvements Project. This is due to the legal advice obtained i.e. the Standards of GRAP are law and any changes thereto should be exposed for comment, even if the changes are editorial in nature.

DEVELOPMENT OF THE EXPOSURE DRAFT

4. The changes proposed to the Standards of GRAP as part of the 2022 Improvements Project comprise changes resulting from:
   - Amendments to International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board (IPSASB) as part of its 2019 and 2021 Improvements to IPSAS.
   - Amendments to International Financial Reporting Standards (IFRS® Standards) issued by the International Accounting Standards Board (IASB®) as part of the *Annual Improvements to IFRS Standards 2018-2020 Cycle* and other narrow-scope amendments, subsequent to the Board's 2019 Improvements project.
   - General improvements to ensure consistency between the Standards of GRAP, and/or to clarify existing principles identified through Board decisions and through consultation with stakeholders.

5. The Agenda Decisions issued by the International Financial Reporting Interpretations Committee (IFRIC®) were also assessed to identify any potential improvements to the Standards of GRAP. None were identified. The IFRIC Agenda Decisions will, going forward, be assessed as potential Frequently Asked Questions (FAQs) for inclusion in the Frequently Asked Questions on the Standards of GRAP. A complete list of the issues considered including those matters not included in the scope of the Improvements Project, are included in attachment 3(e) - Attachment 1 Matters Considered in Developing the Exposure Draft.

6. Two project group meetings were held during October 2022 to consider the Invitation to Comment (ITC) and the proposed Exposure Draft on *Improvements to Standards of GRAP (2022)* (ED). The minutes of the project group meetings are included as attachments 3(b) and 3(c). Project group members recommended the proposed ITC and ED to the Technical Committee for its consideration. The project brief is provided for information purposes as attachment 3(f).

OBJECTIVE OF THIS MEMORANDUM

7. The objective of this memorandum is to:

   (a) present to Technical Committee, the proposed ITC and ED for recommendation to the Board for approval as an ED, if deemed appropriate; and

   (b) outline the matters for discussion so that a recommendation can be made to the Board on how these should be addressed.

MATTERS FOR DISCUSSION

Amendments to the Standard of GRAP on *Financial Instruments* (GRAP 104)

8. The proposed amendments from the 2022 Improvements Project to GRAP 104 was made to the 2019 version of GRAP 104 which becomes effective on 1 April 2025. The Improvements project will likely be effective from 1 April 2025 which is when GRAP 104 (2019) will be effective. At this point, the current GRAP 104 (2009) will no longer be applicable and therefore no amendments were made to the current GRAP 104 (2009).

ACTION REQUESTED #1
The Technical Committee is requested to CONFIRM that no amendments will be made to GRAP 104 (2009).

Encouraged disclosure in the Standard of GRAP on *Agriculture* (GRAP 27)

9. A previous Board decision to reconsider the encouraged disclosures in the Standards of GRAP led to the Secretariat identifying encouraged disclosures to propose for deletion. The disclosures with limited information value were proposed to be deleted.

10. Encouraged disclosure in paragraphs .40 and .41 of GRAP 27 relating to mature and immature biological assets were proposed to project group members for deletion.

Extract from GRAP 27:

.40 In making the disclosures required by paragraph .37, an entity is also encouraged to distinguish between mature and immature biological assets, as appropriate. These distinctions provide information that may be helpful in assessing the timing of future cash flows and service potential. An entity discloses the basis for making any such distinctions.

.41 Mature biological assets are those that have attained harvestable specifications (for consumable biological assets) or are able to sustain regular harvests (for bearer biological assets.)

11. The members indicated that this disclosure provides useful information to help users distinguish different classes of biological assets. They noted that entities (mainly those who apply IFRS® Standards) use this disclosure to determine classes of biological assets.

12. The GRAP 27 disclosure is currently aligned to the Standard of IPSAS on *Agriculture* (IPSAS 27). Among the three reporting frameworks, being GRAP, IPSAS and IFRS®, the distinction between mature and immature biological assets features as encouraged disclosure.

13. The recommendation from the members was accepted and the proposed amendment to delete the disclosure was removed from the ED.

ACTION REQUESTED #2

The Technical Committee is requested to CONFIRM whether it agrees that the encouraged disclosure be retained in GRAP 27.

Publicly accountable in the Standard of GRAP on *Presentation of Budget Information in Financial Statements* (GRAP 24)

14. The ED proposes to provide clarity on the terms "publicly available" and "publicly accountable" in GRAP 24. The amendment is driven by stakeholder concerns on when an entity is within the scope of GRAP 24. The term publicly available is explained in the GRAP 24 Fact Sheet and this explanation has been incorporated in the ED.

15. The addition of paragraph .05A to GRAP 24 clarifies that the requirement for an entity to be held publicly accountable for their budget does not automatically flow from the entity making its budget publicly available. This was specifically added for entities who voluntarily make their budget publicly available by publishing it on their website/other media. These entities may not be subject to direct public oversight and involvement in their budget process by the authority who approves their budget, thus indicating that they are not held publicly accountable for their budget.

16. Project group members agreed that entities may meet the publicly available requirement and not the publicly accountable requirement for their budget. They suggested that the text in paragraph .05A clearly indicate that publicly accountable is when external oversight is directly exercised by the relevant authority who approves the budget. The change was made in the ED.

Extract from the ED:

<u>.05A</u> <u>Entities are held publicly accountable for their budget when there is an expectation of public oversight in approving and monitoring the budget by Parliament, the legislatures or municipal councils. Where an entity's budget is publicly available, they will usually, but not always, be held publicly accountable for their budget. Where an entity has voluntarily made their approved budget publicly available, this Standard will be applied if they are held publicly accountable for their budget.</u>

ACTION REQUESTED #3

The Technical Committee is requested to CONFIRM whether it agrees with the explanation of publicly accountable.

PROPOSED EXPOSURE DRAFT ON *IMPROVEMENTS TO STANDARDS OF GRAP (2022)*

17. The proposed ED and ITC are included as attachment 3(d).

ACTION REQUESTED #4

The Technical Committee is requested to:

(a) REVIEW the proposed ITC and ED; and

(b) if considered appropriate, RECOMMEND the proposed ED to the Board for its consideration.

CONSULTATION

18. In line with the current timetable for the Technical Committee and the Board to consider the comment on the proposed ED in the second quarter of 2023, the Secretariat recommends a comment deadline of 28 April 2023.

ACTION REQUESTED #5

The Technical Committee is requested to CONFIRM the comment deadline of 30 April 2023.

NEXT STEPS

19. Following the recommendation from the Technical Committee, the Board will consider the proposed ITC and ED at its meeting scheduled on the 30th of November 2022.

ACTION REQUESTED #6

The Technical Committee is requested to NOTE the next steps.