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TO:	**MEMBERS OF THE BOARD**
FROM:	**SIYASANGA NONDLAZI**
SUBJECT:	**IMPROVEMENTS TO STANDARDS OF GRAP (2026)**
DATE:	**10 SEPTEMBER 2025**
FILE REF:	**ATTACHMENT 5(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 2023.

2. The 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 improvements include Standards of GRAP that will become effective for financial periods commencing on or after 1 April 2025.

3. The approved project brief that outlines the project objective and key issues is included as Attachment 5(d) as background.

OBJECTIVE OF THE MEMORANDUM

4. The objective of this memorandum is to outline the matters for discussion and present to the Board the proposed Invitation to comment (ITC) and Exposure Draft (ED) for approval, if deemed appropriate.

DEVELOPING THE EXPOSURE DRAFT

5. This project considered all amendments to International Public Sector Accounting Standards (IPSAS), all amendments to IFRS® Accounting Standards issued by the International Accounting Standards Board (IASB), all IFRIC Agenda Decisions issued after the last Improvements Project (2023), technical queries from stakeholders and queries discussed by the Public Sector Accounting Forum (PSAF).

6. The considerations and the rationale for the proposed Improvements to the Standards of GRAP are set out in Attachment 5(c). The following resulted in proposed Improvements to the Standards of GRAP:

   (a) Amendments to IPSAS issued by the International Public Sector Accounting Standards Board (IPSASB) as part of 2023 Improvements to IPSAS.

(b) Amendments to IPSAS issued by the IPSASB as part of narrow scope amendments.

(c) Amendments to IFRS Accounting Standards issued by the IASB as part of narrow scope amendments and the annual improvements to IFRS Accounting Standards.

(d) General improvements to ensure consistency between the Standards of GRAP and/or to clarify existing principles identified through consultation with stakeholders.

7. The proposed ED on *Improvements to Standards of GRAP (2026)* and the Invitation to Comment are included as Attachment 5(b).

8. Two project group meetings were held during August 2025 to consider the ITC and the proposed ED on *Improvements to Standards of GRAP (2026).*

9. The Technical Committee recommended the ITC and ED to the Board for consideration, subject to proposed amendments. These amendments are incorporated into the ITC and ED.

MATTERS FOR DISCUSSION

TRANSITIONAL PROVISIONS AND EFFECTIVE DATE

10. It is proposed that the Improvements to the Standards of GRAP apply for annual financial periods beginning on or after 1 April 2028. This effective date is based on the following considerations:

- The improvements to the Standards of GRAP are expected to be approved by the Board in March 2026.
- In accordance with the ASB's Due Process Handbook, the Minister of Finance must determine the effective date. The effective date is usually set as one year from the beginning of the next reporting period following the Minister's decision.

11. It is also proposed that the Improvements to the Standards of GRAP apply retrospectively, as they do not introduce new requirements to the Standards of GRAP.

12. Different transitional provisions are proposed for the Standards of GRAP *Provisions, Contingent Liabilities and Contingent Assets* (see paragraph 13) and *The Effects of Changes in Foreign Exchange Rates* (see paragraph 22).

PROPOSED IMPROVEMENTS TO THE STANDARDS OF GRAP

13. The key proposed Improvements to the Standards of GRAP are as follows:

Improvements to IPSAS

IPSAS 1 *Presentation of Financial Statements*

14. The amendments clarify the principles related to the right to defer settlement for at least twelve months (with or without covenants), including the meaning of settlement in the context of rolling over a liability under an existing loan facility. Improvements are proposed to GRAP 1 *Presentation of Financial Statements* to align with the amendments.

Narrow scope amendments to IPSAS

IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*

15. The changes clarify whether a provision should be recognised for collective and individual services, following the narrower definition of social benefits introduced in IPSAS 42 *Social Benefits*. Improvements are proposed to GRAP 19 *Provisions, Contingent Liabilities and Contingent Assets*, to provide guidance on collective and individual services.

16. The Technical Committee also proposed including Appendix A, Application Guidance from IPSAS 19, as part of the core text in GRAP 19.

17. The Technical Committee proposed that the amendments be applied retrospectively when the Standard of GRAP on *Social Benefits* becomes effective, as collective and individual services are scoped out of the Standard of GRAP on *Social Benefits* and included in GRAP 19. Additionally, the amendments reference terms defined in the Standard of GRAP on *Social Benefits* and should be applied concurrently.

IPSAS 45 *Property, Plant and Equipment*

18. The proposed improvements to GRAP 17 incorporate guidance on infrastructure assets from IPSAS 45 *Property, Plant and Equipment*. The amendments address local issues relating to the recognition of infrastructure assets, including typical characteristics and examples of these assets.

19. Implementation Guidance has been added to assist entities in identifying significant parts of infrastructure assets for depreciation and assessing the impact of under-maintenance on measurement and impairment.

20. Certain parts of the guidance from IPSAS 45 were not incorporated into this Improvements Project, as they were either outside the scope of GRAP 17 or more appropriately addressed through other projects. Specifically, guidance on:

    (a) *Valuation of land under or over infrastructure assets*. This guidance will be incorporated into the ongoing Measurement project.

    (b) *Use of information in asset management plans for financial reporting*. This guidance will be considered as part of a broader project to develop non-authoritative guidance on assets.

    (c) *Use of experts*. The guidance may be considered for inclusion in a Frequently Asked Question (FAQ).

Amendments to IFRS Accounting Standards

IAS 21 *The Effects of Changes in Foreign Exchange Rates*

21. The amendments to GRAP 4 *The Effects of Changes in Foreign Exchange Rates* introduce a definition of an exchangeable currency and provide guidance on assessing whether a currency is exchangeable into another currency at measurement date and for a specified purpose.

22. In addition, the amendments propose aligning the transitional provisions in GRAP 4 with those in IAS 21.

General Improvements

GRAP 1 *Presentation of Financial Statements*

23. The proposed improvements relate to the inclusion of a requirement for entities to disclose materiality judgements made in preparing financial statements.

GRAP 3 *Accounting Policies, Change in Accounting Estimates and Errors*

24. In GRAP 1 *Presentation of Financial Statements* and GRAP 3 *Accounting Policies, Change in Accounting Estimates and Errors*, the term "Standards of GRAP" is defined to include Standards, Interpretations, and Directives. The recent amendments to the Directive on *Determining the GRAP Reporting Framework* (Directive 5) introduced new definitions that distinguish between a "new Standard of GRAP" and "an amendment to a Standard of GRAP," both of which refer specifically to Standards.

25. The Board questioned whether stakeholders interpret the term as defined in GRAP 3, or whether they understand it to refer only to the Standards, as defined in Directive 5.

26. The Secretariat reviewed all authoritative pronouncements to assess how the term is used. Except for paragraphs .30, .32 and .33 of GRAP 3 *Accounting Policies, Change in Accounting Estimates and Errors*, the review did not identify any instances that could result in a misinterpretation of the term "Standards of GRAP."

27. To address potential misinterpretations in GRAP 3, it is proposed that paragraphs .30, .32 and .33 be amended to clarify that the term "Standards of GRAP" in the context of this Standard refers to the definitions in Directive 5. These paragraphs specifically relate to disclosures about "not yet effective Standards," and therefore need to be read with Directive 5. It was furthermore considered appropriate to refer these disclosures to the definitions in Directive 5 because only new or amended Standards of GRAP are expected to have a material impact on an entity's accounting policies. Additional information may be provided in accordance with GRAP 1 where new or amended Interpretations, Directives or Guidelines materially impact an entity's accounting policies.

GRAP 18 *Segment Reporting*

28. The amendments include a reference to the Standard of GRAP on *Cash Flow Statements* (GRAP 2) paragraph .51(d), which requires the disclosure of the amount of the cash flows arising from the operating, investing and financing activities of each reportable segment, where such disclosure is useful to the users of financial statements.

GRAP 20 *Related Party Disclosures*

29. As part of the desktop review of GRAP 20 *Related Party Disclosures*, the Board resolved to incorporate guidance on whether audit and risk committee members could be considered related parties. Guidance has been included in Appendix A, Example 1 of the Standard.

30. Guidance has been incorporated into the proposed improvements to the Standard to clarify the relationships between the three spheres of government and to identify which entities within the spheres of government may be considered related parties.

ACTIONS REQUESTED #1:

The Board is requested to:

(a) REVIEW the proposed ITC and ED; and

(b) if appropriate, APPROVE the proposed ED for publication.

NEXT STEPS

31. The Secretariat will publish the approved ITC and ED for public comment for a period of 3 months.

32. Engagements will be held with relevant stakeholders by way of workshops, meetings and roundtable discussions as outlined in the approved project brief.