

PROJECT BRIEF FOR APPROVAL				
Name of project	Revisions to GRAP 109 on <i>Accounting by Principals and Agents</i>			
Project timeframe	Project commence – Q1 2025/2026 Project complete – Q1 2026/2027			
Project manager	A Botha			
Complexity of project	The project is moderately complex as it involves revisions to GRAP 109 to address comments received from respondents. These comments were raised during the Post-implementation Review (PIR) of GRAP 109 on <i>Accounting by Principals and Agents</i> . Actions to address these comments were agreed by the Board and are summarised in the Review Report on <i>the Post-implementation Review of GRAP 109 on Accounting by Principals and Agents</i> (Review Report).			
Rating	Urgency	High	Medium	Low
	Impact	High	Medium	Low
	Resources required	High	Medium	Low
PROJECT OVERVIEW				
Area of consideration	Comment			
<i>Project outcome</i>				
Project objective	The objective of the project is to propose amendments to GRAP 109. These amendments were agreed by the Board as an outcome of the GRAP 109 PIR and are summarised in the Review Report.			
	<p><i>Scope of the project</i></p> <p>The scope of the project involves amendments to GRAP 109 as outlined in the Review Report. These amendments are the next phase in the PIR.</p> <p><i>Nature of output to be developed</i></p> <p>The outcome of the project is the development of an Exposure Draft (ED). Transitional provisions for the initial adoption of the amendments to GRAP 109 will also be developed as part of the ED. After considering the comment on the ED, final revisions to GRAP 109 and the related transitional provisions will be approved by the Board.</p> <p><i>Previous deliberations by the Board</i></p> <p>The actions agreed by the Board following the GRAP 109 PIR are summarised in the Review Report.</p> <p><i>Guidance developed by the Secretariat in response to issues raised by stakeholders</i></p> <p>FAQ 4.11 was developed to provide guidance on the application of GRAP 109.</p> <p>FAQs 7.4 and 7.12 were developed to explain the interaction of GRAP 109 and other Standards of GRAP.</p> <p>FAQ 4.14 was developed to explain the interaction of legislated disclosure requirements and disclosure requirements in Standards of GRAP.</p>			

Key proposed amendments

The proposed amendments to GRAP 109 include:

Assessing if a principal-agent arrangement exists

- Clarify the order in which an entity should apply the principles in GRAP 109.
- Draw on guidance on the criteria to identify an agent based on the different rights and obligations of the parties to develop guidance on assessing if a principal-agent arrangement exists.
- Clarify that only the rights and obligations from the binding arrangement are considered (not risks and rewards) in determining whether one party acts on behalf of another.
- Group the guidance on binding arrangements as part of the definition section and explain that a binding arrangement may be governed by legislation and one or more contracts.
- Add guidance to assess if arrangements with multiple rights and obligations, including that the nature of the arrangement and the parties' role should be assessed for different rights and obligations.
- Include guidance to explain that the level of assessment is not done at an entity level but per transaction with allowed aggregation.
- Include guidance on applying substance over form as part of identifying the nature of an arrangement to assessing whether an arrangement meets the definition of a principal-agent arrangement.

Criteria to identify the agent

- Simplify the explanation of the three criteria to assess if an entity is an agent.

Disclosure requirements

- Add a requirement to disclosure judgement applied to conclude if the arrangement is a principal-agent arrangement.
- Develop a disclosure objective and guidance on how to meet the objective.
- Based on the disclosure objective, re-evaluate the current disclosures in GRAP 109, including encouraged disclosures.
- Consider if GRAP 109 should be specific about requiring disclosures in one note.

Proposed amendments to and considerations for other pronouncements include:

- Assess whether amendments are needed to align the guidance in the *Guideline of Accounting for Arrangements Undertaken in terms of the National Housing Programme* with the revised principles in GRAP 109.
- Link GRAP 109 to GRAP 2 on *Cash Flow Statements* referring to the requirement to disclose information on the nature and amount of restricted cash balances.

- Clarify that a principal-agent arrangement may meet the criteria in GRAP 2 to present cash inflows and outflows on a gross or net basis.

Environment

Legislation or regulatory requirements affecting the project

None

Existing accounting guidance in the Standards of GRAP, IPSAS or IFRS Accounting Standards

Standards of GRAP
GRAP 109 *Accounting by Principals and Agents*
IPSAS
IPSAS 47 on *Revenue*
IASB
IFRS 15 on *Revenue*

Practices in other countries

Not applicable.

Use of experts

Not applicable.

Stakeholders

Entities in the public sector affected by this project

All entities that prepare their financial statements using Standards of GRAP.

Key stakeholders to be consulted during the development of the project

All entities that prepare their financial statements using Standards of GRAP.

Stakeholder participation will include both preparers and users of the financial statements.

Preparers

A representative group of preparers from public entities, local government, Parliament and legislatures, and TVET and CET colleges.

Consultants involved in the preparation of financial statements on behalf of these entities.

Users

National Treasury: Office of the Accountant-General.

Auditors

Audit firms (specifically technical divisions).

Representatives of auditors and accountants

Professional bodies (including e.g. SAICA, CIGFARO, SAIPA and SAIGA).

COGTA

SALGA

CIAGOL

Key stakeholders to be consulted as part of the public consultation process

All entities that prepare their financial statements using Standards of GRAP.

A public consultation process will be followed after the Board has approved an Exposure Draft of proposed amendments to GRAP 109.

General consultation

	<p>Preparers, auditors, consultants, and other representative bodies involved in the preparation and audit of financial statements.</p> <p>Stakeholders in all nine provinces and all types of affected entities will be targeted. This will include consultations through the Public Sector Accounting Forum, and CFO Forums where possible.</p> <p><i>Targeted consultations</i></p> <p>Provincial Accountants-General</p> <p>National Treasury – OAG and mSCOA team</p> <p>Users such as municipal officials and councillors, through SALGA or COGTA.</p>
Linkages	
ASB projects	None.
IPSASB projects	IPSAS 47 on <i>Revenue</i>
IASB projects	<p>IFRS 15 on <i>Revenue</i></p> <p>IFRIC agenda decisions on principal-agent arrangements</p> <p>IASB next work programme consultation (matters arising from the IFRS 15 post-implementation review related to principal-agent arrangements)</p>
Local reforms in public financial management	MCS Chapter 16
Project plan	
Key milestones and timing	See Annexure A for roadmap.

Annexure A – Road map for revisions to GRAP 109

Milestone		Timing	Stakeholder	Linkages
1.	Draft Proposed Exposure Draft for review and approval	April to June 2025 [Q1 2025/2026]	Present for internal review Discuss with project groups	
			Present to Technical Committee	
			Present to Board	
2.1.	Communication material	July to September 2025 [Q2 2025/2026]	Review by Head of Technical	
3.	Consultation on Exposure Draft	July to December 2025 [Q2 and Q3 2025/2026]	Public consultation process	
3.1.	Analysis of comment received on Exposure Draft	January to March 2026 [Q4 2025/26]	Develop in conjunction with stakeholders identified above	
3.2.	Final amendments		Present for internal review	
			Present to Technical Committee	
	Present to Board			
3.3	Communication material	April to June 2026 [Q1 2026/2027]	Review by Head of Technical	
4.	Submission to the Minister of Finance	April to June 2026 [Q1 of 2026/2027]	Review by Head of Technical and CEO	

Document management		
Prepared by:	A Botha	20 August 2024
Revised by:		
Approved by:	Board	