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Chief Financial Officers

Per email

30 September 2022

Dear Chief Financial Officer

REPORTING FRAMEWORK AND THE STATUS OF IPSAS AND IFRS STANDARDS

The Accounting Standards Board updates Directive 5 on *Determining the GRAP Reporting Framework* each year to include the reporting framework for the upcoming reporting period. The reporting framework applicable to each period is included in an Annexure to the Directive. The Annexure outlines the pronouncements issued by the ASB, the IPSASB and IASB that should either be applied or considered by entities in preparing their financial statements.

Newly effective Standards, or amendments to Standards of GRAP

The Minister of Finance approves the effective dates of new Standards of GRAP and any amendments to existing Standards. There are a number of new requirements that were approved by the Minister and/or the Board, and are effective for financial periods commencing on or after 1 April 2023. These are discussed in Annexure A.

Status of IPSAS[®] and IFRS[®] Standards

There are several IPSAS and IFRS Standards that are in issue and questions have been raised about whether they should be considered by entities. IPSAS or IFRS Standards are used to formulate an accounting policy when certain criteria are met. Any IPSAS or IFRS Standards which the Board believes should be considered by entities in formulating accounting policies are included in the Annexures to Directive 5. The table in Annexure B explains which IPSAS or IFRS Standards are not suitable for application with supporting rationale.

It is important to note that pronouncements of other standard-setters can only be used to formulate accounting policies; they are not adopted by entities.

Board Members: Mr C Braxton (Chair), Mr D Dlamini, Ms W de Jager, Ms K Maree,
Ms P Moalusi (Deputy-Chair), Ms N Themba, Mr A van der Burgh
Chief Executive Officer Ms J Poggiolini



Any queries related to this communication should be submitted to jeaninep@asb.co.za.

A handwritten signature in black ink, appearing to read 'Poggiolini', with a stylized, cursive script.

Jeanine Poggiolini

Chief Executive Officer

Annexure A – Changes to the Standards of GRAP

The table below outlines the new pronouncements or amendments that are effective for financial periods commencing on or after 1 April 2023.

Reference	Topic	Outline
GRAP 25	Employee Benefits	Replaces previous GRAP 25. The related IGRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction is also replaced.
GRAP 1	Presentation of Financial Statements	Amendments to GRAP 1 as a result of the Guideline on <i>The Application of Materiality to Financial Statements</i> .
Standards of GRAP	Improvements to the Standards of GRAP 2020	Amendments to various Standards. A marked up version of the amendments is available on the ASB's website.
IGRAP 21	The Past Effect of Decisions on Materiality	The Interpretation provides guidance on whether, or in what circumstances, past decisions on materiality affect future reporting periods.
Guideline	Accounting for Landfill Sites	Provides guidance on how to account for landfill sites.

The following Standards of GRAP, or amendments to the Standards, are not yet effective or no effective date has determined by the Minister:

Topic	Status
GRAP 104 on Financial Instruments (2019)	Effective from 1 April 2025
GRAP 103 on Heritage Assets (amendments issued in 2022)	Effective date to be determined

Annexure B – Status of international Standards

The table below outlines a list of recently issued IPSAS and IFRS Standards that are not included in the GRAP Reporting Framework and are not suitable for application by entities, either by directly adopting them or using them to formulate accounting policies.

Title of Standard	Status
IPSAS 39 on <i>Employee Benefits</i>	GRAP 25 on <i>Employee Benefits</i> was revised in 2021 to align it with IPSAS 39. The revised Standard is effective for financial years commencing on or after 1 April 2023.
IPSAS 40 on <i>Public Sector Combinations</i>	GRAP 105 on <i>Transfers of Functions Between Entities Under Common Control</i> , GRAP 106 on <i>Transfers of Functions Between Entities Not Under Common Control</i> , and GRAP 107 on <i>Mergers</i> deal with “public sector combinations”.
IPSAS 41 on <i>Financial Instruments</i>	GRAP 104 on <i>Financial Instruments</i> was revised in 2021 to align it with IPSAS 41. The revised Standard is effective for financial years commencing on or after 1 April 2025.
IPSAS 42 on <i>Social Benefits</i>	The Board has started a project to develop a Standard of GRAP on Social Benefit. Current proposals depart significantly from IPSAS 42.
IFRS 13 on <i>Fair Value Measurement</i>	The definition of fair value in Standards of GRAP is different to that in IFRS 13. The IPSASB issued ED 77 on <i>Measurement</i> which includes proposed guidance on fair value which is based on IFRS 13. ED 77 also includes guidance on other measurement bases for assets and liabilities in the public sector. As the Standards of GRAP are based on IPSAS, until a IPSAS and/or a Standard of GRAP has been issued, the approach to measuring fair value (or other bases) is unchanged.
IFRS 14 on <i>Regulatory Deferral Accounts</i>	The Standard only applies to first-time adopters of IFRS Standards. It is not applicable to entities that apply Standards of GRAP.
IFRS 15 on <i>Revenue from Contracts with Customers</i>	The IPSASB issued ED 70 on <i>Revenue with Performance Obligations</i> . As the Standards of GRAP are based on IPSAS and until the Standards of GRAP on revenue are revised, the approach to recognising and measuring revenue – both exchange and non-exchange – is unchanged.
IFRS 16 on <i>Leases</i>	The IPSASB issued IPSAS 43 on <i>Leases</i> . Until a revised Standard of GRAP is issued, the accounting for leases is unchanged.
IFRS 17 on <i>Insurance Contracts</i>	IFRS 17 is effective from 1 January 2023 and is proving challenging to implement in the private sector. The ASB will consult with entities that undertake insurance-like activities about the potential implications of IFRS 17 before including it in the GRAP Reporting Framework as a mandatory Standard to consider.