ANALYSIS AND RESPONSES TO VERBAL COMMENT RECEIVED ON

EXPOSURE DRAFT ON PROPOSED IMPROVEMENTS TO THE STANDARDS OF GRAP (2026)

(ED 216)

RESPONSES TO THE VERBAL COMMENT RECEIVED ON *EXPOSURE DRAFT ON PROPOSED IMPROVEMENTS TO THE STANDARDS OF GRAP (2026)* (ED 216)

The Accounting Standards Board (Board) approved an Exposure Draft on *Proposed Improvements to the Standards of GRAP, 2026* (ED 216) in September 2025. A Notice was published in the Government Gazette 53574 on 24 October 2025. The comment period closed on 9 January 2026.

The Exposure Draft was discussed with preparers, auditors, technical specialists and other interested parties by way of roundtable and other discussions. The results of the formal comment process are summarised in this document. The comments noted by respondents have been analysed based on the general question outlined in the Invitation to Comment published by the Board.

The summary of written comment received on ED 216 is included in a separate analysis.

VERBAL COMMENT RECEIVED ON *EXPOSURE DRAFT ON PROPOSED IMPROVEMENTS TO STANDARDS OF GRAP* (ED 216)

No.	Name/Organisation	Preparers	Users	Auditors	Other interested parties
1.	Roundtable with auditors and technical advisors			X	
2.	Public Sector Accounting Forum	X		X	X
3.	Roundtable with preparers and Treasuries	X			
4.	Western Cape Accounting Working Committee	X			
5.	Roundtable with Local government preparers	X			
6.	Roundtable with Auditors and technical advisors	X		X	
7.	Roundtable preparers, auditors and technical advisors	X		X	X

SUMMARY AND ANALYSIS OF VERBAL COMMENT RECEIVED ON THE EXPOSURE DRAFT ON PROPOSED IMPROVEMENTS TO THE STANDARDS OF GRAP (2026)

NO.	COMMENT	PROJECT GROUP'S PROPOSED RESPONSE
General matter for comment **Comment on any matter contained in this ED would be welcomed. Comment is most helpful if reference is made to a specific paragraph or group of paragraphs**		
1.1	**Roundtable with auditors and technical advisors**	
1.1.1	Attendees were in support of the proposed amendments to the Standards of GRAP, no amendments were proposed.	Noted.
1.2	**Roundtable with preparers**	
1.2.1	Attendees were in support of the proposed amendments to the Standards of GRAP, no amendments were proposed.	Noted.
1.3	**Public Sector Accounting Forum**	
1.3.1	**GRAP 3 *Accounting Policies, Changes in Accounting Estimates and Errors*** It may be unclear whether the proposed clarifications in GRAP 3 are intended to include authoritative Guidelines as well, or do they only cover Standards, Interpretations and Directives. If authoritative Guidelines are excluded, it is unclear why, given that entities rely on them when preparing financial statements.	**GRAP 3** ED 216 proposes clarifications that refer only to Standards of GRAP as defined in the Directive on *Determining the GRAP Reporting Framework* (Directive 5). The GRAP 3 paragraphs being amended relate specifically to disclosures required when an issued but not yet effective Standard has not been applied, and therefore appropriately focus on Standards rather than Guidelines. Only the Guidelines identified as authoritative in Directive 5 carry authoritative status; other ASB Guidelines do not. It is also appropriate to refer only to Standards of GRAP because it is new or amended Standards rather than Guidelines that are expected to have a material impact on an entity's accounting policies. The Standards establish requirements, while Guidelines provide guidance on the application of those requirements to specific type of transactions or events.
1.3.2	**GRAP 17 *Property, Plant and Equipment*** ED 216 introduces Implementation Guidance (IG) on identifying significant parts of infrastructure assets for depreciation. As	**GRAP 17** The proposed Implementation Guidance (IG) does not create new or additional requirements, nor does it duplicate the existing componentisation principles

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	GRAP 17 already requires componentisation, it is unclear why this guidance is included under depreciation, as it appears to duplicate existing requirements in GRAP 17.	contained in GRAP 17. The IG is not part of the authoritative requirements in the Standard, it is included to support the application of the requirements. GRAP 17 already requires entities to identify and account for significant parts (components) of an asset that have different useful lives or patterns of consumption. The guidance proposed in ED 216 is included to: • Support consistent application of the existing componentisation principles across entities, particularly in the context of infrastructure assets, where componentisation challenges are frequently observed in practice. • Provide practical implementation assistance to help preparers assess what constitutes a significant part in the infrastructure asset environment, where assets are often complex and made up of a network of interrelated components.
1.4	**Roundtable with Local government preparers**	
1.4.1	**<u>GRAP 17 *Property, Plant and Equipment*</u>** It may be unclear how entities should distinguish between normal maintenance and a decline in service potential when assets deteriorate gradually or require recurring repairs. It is also unclear how the requirements should be applied in practice, particularly in cases of under-maintenance, and how auditors are expected to assess whether such circumstances indicate impairment, raising concerns about potential challenges in application.	**<u>GRAP 17</u>** The amendments clarify and do not change the existing principles in GRAP 17. Recurring routine repairs and maintenance do not indicate impairment, nor does a lack of such repairs and maintenance automatically indicate impairment. When indicators of impairment are identified, entities assess the asset to determine whether there is a decline in service potential or future economic benefits. An impairment is recognised only when that assessment confirms such a decline. Entities should apply judgment in evaluating whether impairment indicators are present.
1.4.2	**<u>GRAP 18 *Segment Reporting*</u>** Where entities comprise multiple departments, including support and administrative functions, the application of the segment definition may be difficult when management reviews information at a high level rather than by department. This raises questions	**<u>GRAP 18</u>** Per GRAP 18, a *segment* is an activity whose results are regularly reviewed by management for decision-making, and for which separate financial information is available. Support/administrative departments typically do not meet this definition.

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	regarding whether such support or administrative units would meet the segment definition in these circumstances, as well as whether cash flow information would be required for them.	Only activities that meet the *segment* definition are then assessed for presentation as reportable segments (including possible aggregation per the Standard). GRAP 18 does not require cash-flow information by segment as a standalone disclosure; items are disclosed for each reportable segment to the extent they are included in the information reviewed by management.
1.4.3	**GRAP 19 *Provisions, Contingent Liabilities and Contingent Assets*** Streetlights are used as an example of a collective service, which suggests that most municipalities may be affected by the amendments. This example raises considerations about whether the amendments would affect how municipalities classify or disclose obligations relating to such services, and whether the clarifications imply that new provisions may need to be recognised for collective services such as streetlighting.	**GRAP 19** The clarifications do not require recognition of new provisions for services. They explain how to distinguish collective services (delivered for the community as a whole) from individual services (delivered to specific individuals) and reaffirm that a provision is recognised only when existing criteria in GRAP 19 are met. It is unlikely that routine service delivery (e.g., maintaining streetlights as an ongoing program) would create a present obligation requiring a provision.
1.5	**Roundtable with Auditors and Technical advisors**	
1.5.1	**GRAP 4 *The Effect of Changes in Foreign Exchange Rates*** It is unclear whether the proposed amendments were considered in terms of their applicability to public sector circumstances or have been introduced primarily because of corresponding amendments to IFRS Accounting Standards.	**GRAP 4** As part of the ASB's due process, each amendment, whether originating from IFRS Accounting Standards or IPSAS, is assessed to determine whether it is appropriate and relevant for the South African public sector. In this case, the amendments included in ED 216 primarily clarify existing principles contained in GRAP 4 rather than introducing new requirements. They are therefore applicable only to those public-sector entities that engage in transactions involving foreign currency. Entities without such transactions will not be affected.

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1.5.2	**<u>GRAP 20 *Related Party Disclosures*</u>** The illustration of related-party relationships across the three spheres of government appears to focus primarily on control, which may give the impression that only control relationships are relevant. As entities in different spheres can also exert significant influence over one another, the guidance may benefit from explicitly reflecting significant influence in addition to control.	**<u>GRAP 20</u>** The existing footnote accompanying the illustration in IG provides clarity by indicating that related party relationships may arise through control or significant influence. Accordingly, no further changes are considered necessary to the illustration.
1.6	**Western Cape Accounting Working Committee**	
1.6.1	**<u>GRAP 17 *Property, Plant and Equipment*</u>** The term 'significant' under-maintenance does not appear to be defined in legislation or the Standards, creating uncertainty about how entities should determine when under-maintenance becomes significant. Because entities rely on experts to identify components and assess the extent of under-maintenance, often using differing methodologies, this makes it difficult for entities to exercise judgement in determining significance. These differing expert approaches also create practical challenges, as auditors may interpret the ASB guidance as requiring impairment in circumstances where entities did not consider under-maintenance to be significant.	**<u>GRAP 17</u>** Refer to the response in 1.2.1 above. Standards of GRAP do not prescribe a universal, qualitative definition of "significant" for under-maintenance. The term "significant is applied in a principle-based manner and should be interpreted within the context of the relevant Standard. The following ASB educational material may be useful in understanding thresholds: • <u>The use and meaning of thresholds in GRAP</u> • <u>The use and meaning of threshholds in GRAP PART 1</u> • <u>The use and meaning of threshholds in GRAP PART 2</u>
1.6.2	**<u>GRAP 20 *Related Party Disclosures*</u>** It is unclear why district municipalities are excluded from the amendments and the illustration, given the interdependence and shared activities between local and district municipalities.	**<u>GRAP 20</u>** The illustration included in ED 216 is intended to demonstrate the principle of common control within and across the three spheres of government, rather than to depict all possible relationships between entities. Related party relationships arise when entities are controlled, jointly controlled, or significantly influenced by the same party. The existence of shared service

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		arrangements or interdependence in service delivery between district and local municipalities does not, in itself, create a related party relationship. GRAP 20 already requires entities to consider whether other factors, such as significant influence, shared key management personnel, or specific legal arrangements, create a related party relationship in particular cases. Therefore, no further amendments were made to the illustration.
1.6.3	The amendments may intersect with the forthcoming Municipal Standard Chart of Accounts (MSCOA) business regulations, and once these regulations and accompanying implementation guidance are issued by National Treasury, they may influence how municipalities apply certain requirements in the Standards of GRAP.	The developments relating to the upcoming mSCOA business regulations are noted. For entities that apply them, the Standards of GRAP provide the framework for preparing annual financial statements, while mSCOA supports budgeting, classification of accounts and in-year reporting. Entities may use information generated through mSCOA when preparing financial statements, but the financial statements must still be prepared in accordance with the Standards of GRAP.
1.7	**Roundtable Preparers, Auditors and Technical Advisors**	
1.7.1	**<u>GRAP 1 *Presentation of Financial Statements*</u>** The items that must be included in the "financial liabilities" line item required by GRAP 1 paragraph 79(p) are not specified, and the Standard does not reference the classification principles in GRAP 104. This creates uncertainty about which financial liabilities should be presented on the face of the Statement of Financial Position.	**<u>GRAP 1</u>** It is important to note that no amendments are proposed to paragraph .79(p) as part of the *Proposed Improvements to Standards of GRAP (2026).* The reference to "financial liabilities" relates to items that meet the definition of financial liabilities in GRAP 104 *Financial Instruments* (for example, payables, borrowings, finance lease liabilities and similar obligations). GRAP 104 already provides the classification principles for these items. GRAP 1 sets out the presentation requirements for financial statements and is intended to be read together with other Standards of GRAP**.**
1.7.2	**<u>GRAP 4 *The Effect of Changes in Foreign Exchange Rates*</u>** The relevance of the proposed amendments to public sector entities may be limited, given the relatively low volume of foreign currency transactions in this environment. It is questionable whether the amendments are necessary in the public sector.	**<u>GRAP 4</u>** While foreign currency transactions may not be widespread across the public sector, they affect some entities. As the Standards of GRAP apply to all public sector entities, they must accommodate the broad range of transactions undertaken in the sector.

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		The changes proposed in ED 216 are primarily clarifications of existing principles already contained in GRAP 4. They do not introduce new requirements but aim to improve consistency and reduce uncertainty for those entities that do transact in foreign currency, for example, entities that receive donor funding, purchase specialised equipment, or operate internationally.
1.7.3	**GRAP 17 *Property, Plant and Equipment*** The placement of the under-maintenance guidance in a Frequently Asked Question (FAQ) may be problematic, as FAQs are often interpreted in practice as mandatory requirements rather than explanatory material. Positioning the guidance in the Implementation Guidance (IG) instead would ensure it is understood and applied appropriately.	**GRAP 17** The proposal in the ED is to include the under-maintenance guidance in the IG, this guidance is therefore not being added to a Frequently Asked Question (FAQ). It is important to clarify that both FAQs and IGs are non-authoritative.
1.7.4	**GRAP 17 *Property, Plant and Equipment*** The amendments do not indicate whether corresponding changes will be made to GRAP 21 *Impairment of Non-cash-generating Assets* to address under-maintenance in the context of impairment. This raises the consideration of whether the existing impairment guidance in GRAP 21 remains adequate or whether further amendments may be required to ensure consistency across the Standards.	**GRAP 17** Under-maintenance has been included as IGs in GRAP 17 to support entities in assessing whether an impairment indicator exists. GRAP 21 *Impairment of Non-cash-generating Assets* already contains the broad principles for identifying impairment indicators and determining whether an impairment test is required. These principles are sufficiently broad to accommodate the impact of under-maintenance without requiring an amendment to the Standard itself. Because the underlying impairment principles in GRAP 21 remain unchanged, and GRAP 17 simply provides additional explanatory guidance to help entities apply those principles, no amendments to GRAP 21 are considered necessary.
1.7.5	**GRAP 18 *Segment Reporting*** GRAP 18 currently requires segment disclosures for the statements of financial performance and financial position by segment. It is unclear whether the proposed amendments require the disclosure of segment-level cash flow information."	**GRAP 18** The proposed amendment in ED 216 does not introduce a new requirement for entities to disclose cash flows per segment. GRAP 18 has always required entities to disclose operating, investing, and financing cash flows per segment where this information is useful to users of the financial statements.

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		The amendment merely adds a cross-reference to GRAP 2 to remind preparers of this existing requirement.
1.7.6	**<u>GRAP 18 *Segment Reporting*</u>** Financial statements sometimes exclude cash flow information by segment, and such presentations have been accepted in audit. It is unclear whether this practise would be acceptable under the proposed amendments.	**<u>GRAP 18</u>** GRAP 18 requires disclosure of segment cash-flow information only when this information is useful to users of the financial statements and when it is regularly reported to management. If an entity does not monitor cash flows at a segment level internally, or if segment cash-flow information would not provide useful information to users, then excluding these disclosures is compliant with GRAP 18.
1.7.7	**<u>GRAP 35 *Consolidated Financial Statements*</u>** The relationship between the de facto agents referenced in the Standard and the agent definition in GRAP 109 *Accounting by Principals and Agents* is not clear. As a result, the implications of the proposed amendments for arrangements within GRAP 109 is uncertain.	**<u>GRAP 35</u>** The concept of de facto agents in ED 216 relates specifically to GRAP 35 *Consolidated Financial Statements*, not GRAP 109 *Accounting by Principals and Agents.* GRAP 35 requires entities to assess whether they control another entity, which includes circumstances where another party may act on the entity's behalf, even without a formal directive. The amendments clarify how to identify de facto agents to ensure consistent assessment of control relationships for consolidation purposes. Entities need to first apply GRAP 109 to determine whether there is a principal-agent arrangement before applying other Standards of GRAP, such as GRAP 35.