ACCOUNTING STANDARDS BOARD

ANALYSIS AND RESPONSES TO WRITTEN COMMENT RECEIVED ON

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

(ED 216)

ED 216

RESPONSES TO THE WRITTEN 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 results of the formal comment process are summarised in this document. The comments have been analysed based on the general question outlined in the Invitation to Comment published by the Board. An analysis of the stakeholders that submitted responses is included in the table on the next page.

In addition to the written comment received, the Exposure Draft was discussed with preparers, auditors, consultants and other interested parties by way of roundtable and other discussions.

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

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

No.	Name/Organisation	Preparers	Users	Auditors	Other interested parties
1.	South African Institute of Chartered Accountants (SAICA)				X
2.	Free State Department of Small Business Development, Tourism and Environmental Affairs (DESTEA)	X			
3.	Free State Provincial Treasury	X			X
4.	Free State Provincial Treasury: Risk and Internal Audit	X			
5.	Free State Department of Public Works and Infrastructure	X			
6.	Vishal Patel				X
7.	Support Office of the Provincial Accountant General Northern Cape Provincial Treasury	X			
8.	Swartland Municipality	X			
9.	Anonymous submission (Knowledge Hub)				X (unknown)
10.	Amahle Menziwa				X (unknown)

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

<table>
<tr><th>NO.</th><th>COMMENT</th><th>PROJECT GROUP'S PROPOSED RESPONSE</th></tr>
<tr><td colspan="3">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.</td></tr>
<tr><td>1.1</td><td colspan="2">South African Institute of Chartered Accountants (SAICA)</td></tr>
<tr><td>1.1.1</td><td><u>Amendments to GRAP 1, Presentation of Financial Statements</u>
Paragraph .38A
SAICA agrees with the addition of paragraph .38A to require the disclosure of materiality judgements made in preparing the financial statements as promotes this transparency, accountability and understandability of the financial statements.
Paragraph .71(d)
SAICA agrees with the amendment as it provides better clarity on the classification of liabilities as current, with the emphasis on the right to settle at the reporting date.
Paragraph .74A
SAICA agrees with the amendment as it provides clarity on the principles relating to the right to defer settlement of a liability.
Paragraph .74B
SAICA agrees with the amendment as it provides clarity on the classification of loan arrangements subject to covenants.
Paragraph .78A
SAICA agrees with the amendment as it provides clarity on the classification of loan arrangements subject to covenants.
Paragraph .78B
SAICA agrees with the amendment as it provides clarity on the classification and settlement of liabilities.</td><td><u>GRAP 1</u>
Noted.</td></tr>
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NO.	COMMENT	PROJECT GROUP'S PROPOSED RESPONSE
	Paragraph .78C SAICA agrees with the amendment as it provides clarity on the classification and settlement of liabilities.	
1.1.2	**Amendments to GRAP 17, *Property, Plant and Equipment*** **Paragraph .12** SAICA agrees with the amendment to paragraph .12 as this provides a more concise description of infrastructure assets. **Paragraph .12A** SAICA agrees with the characteristics of infrastructure assets as described in this paragraph. However, SAICA has noted that the characteristic relating to constraints on disposal of these assets has been removed as part of the amendments. SAICA believes that this characteristic should be brought back into the standard to highlight the characteristic that infrastructure assets, by their nature (for example, road infrastructure) are unlikely to be disposed of by the entity. Recommendation The characteristic referring to constraints on disposal of infrastructure assets should be brought back into the standard to highlight the unlikeliness of infrastructure assets being subject to disposal. **Paragraph .12B** SAICA agrees with the examples of infrastructure assets listed on this paragraph.	**GRAP 17** **Paragraph .12.** Noted. **Paragraph .12A** The intention in refining the characteristics was to avoid describing examples as defining features, and to focus instead on the essential attributes that distinguish infrastructure assets from other types of property, plant and equipment. While constraints on disposal are common in practice, they are not a universal or defining characteristic of all infrastructure assets across the public sector. For this reason, the characteristic was removed to prevent the perception that disposal restrictions must always be present for an asset to be classified as infrastructure. **Paragraph .12B** Noted.
1.1.3	**Amendments GRAP 20, *Related Party Disclosures*** **Part II – Related persons** SAICA agrees with the amendments to the example.	**GRAP 20** **Part II – Related persons** Noted.

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	IG1 SAICA agrees with the added illustrative guide as it clarifies the relationships between the three spheres of government. SAICA has noted the inclusion of footnote 6. Due to the significance of the guidance on the footnote, it may be appropriate for the footnote to rather be included as part of the paragraph instead of the footnote as preparers may easily miss the footnote. <u>Recommendation</u> The footnote should rather be removed and the guidance on the footnote be included as part of the paragraph to ensure that it is not missed by preparers.	**IG1 – Illustration of relationships across the three spheres of government** Noted. The existing footnote accompanying the illustration in the IG paragraph provides clarity by indicating that related party relationships may arise through control or significant influence. The purpose of the illustration, however, is to depict the structural relationship between the three spheres of government. The footnote provides supplementary guidance. Accordingly, no further changes are proposed to the illustration.
1.2	**Free State Department of Small Business Development, Tourism and Environmental Affairs (DESTEA)**	
1.2.1	I went through the document and have no further comments.	Noted.
1.3	**Free State Provincial Treasury**	
1.3.1	The department agrees with the ED in general.	Noted.
1.4	**Free State Provincial Treasury: Risk and Internal Audit**	
1.4.1	No comment	Noted.
1.5	**Free State Department of Social Development**	
1.5.1	The department does not have any comments on the ED 216.	Noted.
1.6	**Vishal Patel**	
1.6.1	**Commentary** **1. Scope and Applicability** I find the proposed improvements to be clear in scope and appropriately aligned with the legislative frameworks of the PFMA and MFMA. The amendments cover entities applying	<u>**Scope and Applicability**</u> Noted. <u>**Conceptual Clarity**</u>

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the Standards of GRAP, and the proposed effective date of 1 April 2028 provides sufficient time for preparation.
I also commend the explicit linkage between the amendments and the forthcoming Standard of GRAP on Social Benefits, which ensures coherence in application across the sector.
2. Conceptual Clarity
The definitions and terminology used across the amended Standards are broadly consistent with existing GRAP principles and the Conceptual Framework.
I particularly support the clarifications in GRAP 3 regarding the application of "new and amended Standards" as defined in Directive 5, which removes ambiguity in interpreting transitional requirements.
However, further clarity would be helpful on the distinction between individual services and social benefits under GRAP 19, as there may be areas of conceptual overlap once the Social Benefits Standard becomes effective.
I also recommend that the disclosure of materiality judgements in GRAP 1 be accompanied by illustrative examples to promote consistency across entities.
3. Practical Impact
The amendments are mainly clarificatory and are not expected to result in significant changes to existing accounting treatments.
The most notable practical effects are anticipated in:
• GRAP 4, where entities will need to develop methodologies for estimating exchange rates when exchangeability is lacking.
• GRAP 19, where entities must distinguish between collective and individual services; and
• GRAP 17, which enhances guidance on recognising and depreciating infrastructure assets.
</td><td>
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
The proposed Standard of GRAP on Social Benefits will reinforce the boundaries between these benefits. The Improvements will be effective on the same date as the proposed Standard to ensure consistent understanding and application of boundaries.
GRAP 1 Presentation of Financial Statements
The disclosure requirement is not new, therefore, additional examples are not considered necessary. The ASB has also issued a comprehensive materiality guideline, which provides further support for applying these requirements.
<u>Practical impact</u>
Noted.
<u>Compliance and auditability</u>
The ASB does not develop audit guidance. Auditors assess the adequacy of estimates and judgements using relevant audit methodologies and standards.
<u>Cost versus benefit considerations</u>
While we note the suggestion for simplified implementation support for smaller entities, such materials are not planned as part of this project. The Board has previously published the results of its research on the <u>application of GRAP by small entities</u>.
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NO.	COMMENT	PROJECT GROUP'S PROPOSED RESPONSE
	The transitional provisions, including retrospective application and early adoption options, are considered both reasonable and practical. **4. Compliance and Auditability** I believe the proposals will enhance the transparency, comparability, and auditability of public sector financial statements. The introduction of disclosure requirements relating to materiality judgements (GRAP 1), exchangeability assessments (GRAP 4), and segmental cash flows (GRAP 18) strengthens accountability and aligns with good governance principles. Auditors will, however, need additional guidance on evaluating the adequacy of new estimates and judgements to ensure consistent audit conclusions. **5. Cost versus Benefit Considerations** The proposed amendments are expected to yield long-term benefits through improved financial reporting quality and consistency. While implementation may impose moderate costs, particularly for smaller entities with limited technical capacity, the benefits of increased clarity and international alignment outweigh these costs. I recommend that the Board consider developing simplified implementation guidance or training materials for smaller and less-resourced entities. **6. Alignment with International Standards** I support the continued alignment of the Standards of GRAP with IPSAS and, where appropriate, with IFRS. The incorporation of amendments from IPSAS 45 (Property, Plant and Equipment), IPSAS 19 (Collective and Individual Services), and IAS 1 and IAS 21 reflects the Board's commitment to international best practice while maintaining relevance to the South African public sector environment. Where deviations exist, they are justified and enhance public sector applicability.	**<u>Alignment with international standards</u>** Noted. **<u>Implementation guidance</u>** The suggestions for additional implementation materials are noted. The amendments proposed include implementation guidance, e.g. GRAP 17. Further guidance is available in the Office of the Accountant General's (OAG) GRAP Accounting Guidelines, and the ASB continues to support the OAG in its engagement with the NSG in capacity-building initiatives. Reference may also be made to the Knowledge Hub for further guidance. **<u>Overall conclusion</u>** Noted.

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<tr><td></td><td>7. Implementation Guidance

I recommend that the Board accompany the final amendments with implementation guidance, including:

• Illustrative examples for materiality judgements (GRAP 1).
• Case studies on exchangeability and estimation techniques (GRAP 4).
• Examples of collective and individual services (GRAP 19); and
• Guidance on identifying and depreciating significant parts of infrastructure assets (GRAP 17).

I further suggest that the ASB consider collaboration with the National School of Government (NSG) and professional accounting bodies to facilitate practical training for preparers and auditors.

8. Overall Conclusion

In conclusion, I support the proposed improvements as they represent a balanced and pragmatic step toward enhancing the quality, consistency, and comparability of financial reporting in the public sector.

I encourage the ASB to retain its focus on supporting implementation through guidance and capacity-building initiatives to ensure that all reporting entities—large and small—can apply the standards effectively.

I appreciate the opportunity to contribute to this consultation and remain available to provide further input or participate in stakeholder discussions.</td><td></td></tr>
<tr><td>1.7</td><td>Support Office of the Provincial Accountant General Northern Cape Provincial Treasury</td><td></td></tr>
<tr><td>1.7.1</td><td><u>GRAP1 Presentation of Financial Statements:</u>

The ED clarifies that a liability CAN be presented as non-current where there is an existing right to defer settlement.</td><td><u>GRAP 1</u>

<u>Classification of liabilities</u>

Use of "can" vs "must/shall"</td></tr>
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NO.	COMMENT	PROJECT GROUP'S PROPOSED RESPONSE
	Input: The word "CAN" makes it sound optional. Please change the "CAN" to "must" or "shall" to avoid confusion as to whether this is mandatory or optional. We had situations where a "may" was interpreted as compulsory by the ASB and NT. **GRAP1.77A** "If a liability meets the criteria in paragraph .71 for classification as non-current, it is classified as non-current even if management intends or expects the entity to settle the liability within twelve months after the reporting date" **Input:** this is inconsistent with basic principles and other standards where intention is considered, e.g. - substance over form, where rights (legal form) do not dictate the accounting classification - constructive obligations towards employees dictate the accounting for restructurings, not just the legal right to refuse - classification of finance vs operating lease, where intention plays a major role in classification	In accordance with GRAP 1, an entity is required to classify a liability as non-current when the criteria in paragraph .71 are met. The proposed amendments are in line with this requirement; therefore, no further amendments are deemed necessary. **GRAP 1.77A** The amendment reflects the underlying principle that classification is based on rights that exist at the reporting date, not future intentions. This is consistent with international developments and aims to prevent classification outcomes from shifting solely due to internal expectation. • Substance over form requires classification based on the substantive rights and obligations in place at the reporting date, not on internal intentions. The principle in .77A is therefore consistent with this approach. • Constructive obligations: Intentions are relevant when assessing whether to recognise a new obligation, but they do not affect the classification of an existing liability. For classification, the key question remains whether the entity has a right to defer settlement at the reporting date. • Lease classification: Lease classification is based on the substance of the lease terms, not management's intention. This differs from liability classification, which depends on enforceable rights at the reporting date. Each Standard of GRAP applies management intention in context, and for liability classification, the decisive factor is

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		whether the entity has the right to defer settlement at the reporting date.
1.7.2	**<u>GRAP4 *The Effect of Changes in Foreign Exchange Rates*:</u>** **AG13:** "A currency that is not exchangeable into another currency for one purpose might be exchangeable into that currency for another purpose. For example, an entity might be able to obtain a currency to import specific goods but not to pay dividends or similar distributions." - Specify in the guidance when estimating spot rates; should it be used only for the non-exchangeable line items (different purposes), and the observable spot rate be used for those specific exchangeable line items (different purposes). Please clarify must/shall vs optional to use the estimated rate for all line items when it's used for some line items.	**<u>GRAP 4</u>** <u>Exchangeability (paragraph AG13.)</u> The comment is noted, however, no further amendments were made as the improvements clarify that: • Where an entity can obtain foreign currency for a specific purpose, the observable rate for that purpose should be used for the related transactions. • Where exchangeability is lacking for other purposes, the entity must use an estimated spot rate for those affected transactions only.
1.7.3	**<u>GRAP18 *Segment Reporting*:</u>** Please expand guidance and indicators for when disclosure of segmented CFS would be useful to the users and, therefore, compulsory (required).	**<u>GRAP 18</u>** The amendment is intended to cross-reference the existing requirement in GRAP 18, not to expand it. GRAP 18 continues to require disclosure of segment cash flows only when the information is regularly reported to management and is useful for users.
1.7.4	**<u>The effective date</u>** As per ED216 page 5, is periods from 1 April 2025, "This includes Standards of GRAP effective for financial reporting periods commencing on or after 1 April 2025." And also on the executive summary page 1, it states that "The Proposed Improvements to the Standards of GRAP 2026 are minor, non-urgent amendments to Standards of GRAP effective for periods commencing on/after 1 April 2025". Therefore, both the Ed216 and its summary refer to the financial year-ends of now this year, i.e., 1 Apr 2025- 31Mar2026. This timeframe seems too compact if you take into account that the executive summary	**<u>The effective date</u>** Except for amendments to GRAP 19 on *Provisions, Contingent Liabilities and Contingent Assets*, the intended effective date for the improvements proposed in ED 216 is periods beginning on or after 1 April 2028 (subject to approval by the Minister of Finance). References in earlier sections of the ED to "Standards of GRAP effective from 1 April 2025" relate to the versions of the underlying standards being amended, being the latest

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	also states that ", the Board will analyse the comment on ED 21`6 at its March 2026 meeting." However, VS the above effective date, on the presentation, slide 15 indicates that the effective date is periods beginning 1 April 2028. Also, ED 216-page 6 2nd paragraph states that "an effective date of 1 April 2028 will be proposed to the Minister of Finance". Please clarify which of the dates are the actual intended effective date. Please consider to list in the ED each standard with its effective date.	available versions, not the effective date of the improvements. The amendments to GRAP 19 will be effective when the proposed Standard of GRAP of *Social Benefits* becomes effective.
1.8	**Swartland Municipality**	
1.8.1	**<u>GRAP 17 *Property, Plant and Equipment*:</u>** ASB to kindly refrain from using examples of different assets in GRAP 17. Whilst it might be a WC issue, WC received an audit finding that entities needed to split their asset grouping of movables into its separate components in the notes to the AFS because of such examples being included in paragraph .42 of the Standard. When I read ED 216, I finally understood why the auditor did not ask us to split the infrastructure asset classes also. We included the grouping of assets as part of our policy to explain what falls under each asset category and have specifically designed our materiality policy to allow us to aggregate similar material items provided that the accountability is similar (for example the useful lives and controls around the assets are similar). a. The result of 12B will eventually be that these asset classes will always have to be disclosed individually purely because it is listed in the standard individually resolving more boilerplate disclosure.	**<u>GRAP 17</u>** a) <u>Paragraph .12B</u> In deciding to include examples in ED 216, the Board considered challenges preparers face in identifying infrastructure assets and concluded that additional examples would be beneficial. The examples are not determinative of presentation or disclosure, nor do they override: • the entity's documented accounting policy for asset groupings; • the materiality and aggregation principles; and • management's judgement.
1.8.2	**<u>GRAP 17 *Property, Plant and Equipment*:</u>** b. Can paragraph 42 be changed to not include specific examples.	**<u>GRAP 17</u>** <u>Paragraph .42</u> Paragraph .42 is not included in ED 216 as part of the proposed amendments to the Standard. However, the

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		same principle outlined above would apply to this paragraph.
1.8.3	**GRAP 17 *Property, Plant and Equipment*:** 2) **Under-maintenance:** How do you define when something is under-maintained? There's an NT norm of 12% of the carrying value of assets. This norm is unattainable for smaller municipalities. We run at 3-5% of the CV. In other words all our assets are under-maintained. The IG will therefore automatically resolve that for each asset we need to do an impairment test due to low %'s of maintenance expenditure in comparison to the asset base. a. Can a definition of under-maintenance be determined and can the guidance elaborate on under-maintenance as IG.9 states: insufficient to maintain the service potential or the useful life of the asset. How would we determine that the maintenance is sufficient or insufficient (with reference to what)? b. We might as well remove the impairment indicator requirement if the under-maintenance is brought into the standard. No entity has sufficient funds to completely maintain all of its assets. The inclusion of this requirement (as guidance) will automatically mean that when a building needs a spot of paint during an audit verification, that an impairment test needs to be done. c. Swartland's proposal" An entity needs to determine whether maintenance of assets is sufficient to ensure that the service potential or future economic benefits embedded in the asset's carrying value can be received throughout the asset life cycle. Where the entity determines that the maintenance does not cover the economic benefits expected to be derived from the carrying value of an asset, such asset is under-maintained. i. Asset maintenance can be done as part of ongoing operations and does not necessarily involve additional fees (for example, the regular cleaning of a component of a network, such as flushing of pipes are executed as part of normal operations and does not necessarily imply additional costs to be incurred externally).	**GRAP 17** Under-maintenance Part a. The Implementation Guidance (IG) explains that under maintenance signals the risk of a possible decline in service potential and economic benefits. It does not automatically require impairment testing. Entities should continue to assess impairment in terms of GRAP 21 *Impairment of Non-cash-generating Assets* or GRAP 26 *Impairment of Cash-generating Assets.* These Standards require entities to assess whether there are any indicators that an asset may be impaired. Only when such indicators exist should an entity estimate the recoverable amount or recoverable service amount of an asset, and determine whether an impairment loss should be recognised. Part b. The guidance on under-maintenance does not replace the existing impairment indicators, nor does it require an impairment test due to under-maintenance. Implementation Guidance is non-authoritative; therefore, its inclusion does not change the requirements in the Standards or introduce a new impairment indicator. Part c. The proposal is noted. Paragraph IG9. explains that under-maintenance occurs when the level of maintenance of an

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		asset is insufficient to maintain the service potential or the useful life of that asset. <u>Part c - i.</u> The comment is noted. Ongoing operational activities such as cleaning, flushing, and similar routine actions may form part of maintenance, but do not indicate under-maintenance as explained in part c above.
1.9	**Anonymous submission (Knowledge Hub)**	
1.9.1	Amendments to the Standard of GRAP on *Investment Property* (GRAP 16) .74 When an Organ of State decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognised (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an Organ of State begins to redevelop an existing investment property for continued future use as investment property, the Organ of State property remains an investment property and is not reclassified as owner-occupied property during the redevelopment	Noted.
1.10	**Amahle Menziwa**	
1.10.1	**Introduction** The ASB has approved amendments to Directive 5 on Determining the GRAP Reporting Framework 2025/2026, reflecting updated standard and stakeholders' feedback. These changes ensure clear guidance for public sector entities, including municipalities and government departments on applying GRAP Standards. **Body** **The changes include:**	Noted.

NO.	COMMENT	PROJECT GROUP'S PROPOSED RESPONSE
	• GRAP 104: Financial Instruments – Introduce new requirements for recognition, measurements and disclosure of financial instruments, aligned with IFRS 9 • GRAP 104: Heritage Assets – updates definition and guidance of fair value and disclosure • GRAP 1: Present of financial statements Amendments on going concern assessment and disclosure. **Conclusion** These changes aim to enhance financial reporting in the public sector, promoting transparency and accountability. Public sectors entities should assess their current accounting practices and updates their system to ensure compliance with the revised GRAP Standards	