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TO: MEMBERS OF THE BOARD

FROM: SIYASANGA NONDLAZI

SUBJECT: PROPOSED IMPROVEMENTS TO STANDARDS OF GRAP, 2026

DATE: 5 MARCH 2026

FILE REF: ATTACHMENT 3(a)

BACKGROUND AND OBJECTIVE

1. The Board approved the Exposure Draft on proposed *Improvements to the Standards of GRAP* (2026) (ED 216) in September 2025. The Project Group and the Technical Committee considered all the comments received on ED 216 and analysed the responses to both verbal and written comments.
2. The proposed *Improvements to Standards of GRAP, 2026*, as recommended by the Technical Committee, are included as attachment 3(b) for the Board's consideration. All changes since the Exposure Draft are reflected and tracked in this version.
3. The purpose of this memorandum is for the Board to consider the following, for approval:
   a. the consultation process followed;
   b. proposed responses to the key comment received on ED 216; and
   c. the final *Improvements to Standards of GRAP, 2026.*

OVERVIEW OF THE CONSULTATION PROCESS

How did the Secretariat raise awareness of ED 216?

4. A Notice was published in the Government Gazette (No. 53574) on 24 October 2025, with the comment period closing on 9 January 2026.
5. The Secretariat actively raised awareness about ED 216 in the following ways:
   (a) published articles in the ASB Newsletter and on various ASB social media platforms;
   (b) developed supporting material for the ASB website; and

(c) informed stakeholders through various engagements and forums, such as the Public Sector Accounting Forum and Accounting Working Committee, etc.

6. The Technical Committee is of the view that sufficient awareness of ED 216 was raised.

Were all the key stakeholders identified in the approved project brief approached for consultation?

7. The Secretariat held 7 virtual roundtable discussions with preparers, auditors, consultants and other interested parties during the consultation period. Stakeholders submitted 10 written responses to ED 216.

8. The Technical Committee is of the view that all the stakeholders identified in the project brief had sufficient opportunity to participate in the due process.

ACTIONS REQUESTED #1
The Board is requested to NOTE the consultation process followed.

KEY ISSUES FOR CONSIDERATION

9. No significant or new issues were raised in response to ED 216. Respondents to ED 216 mostly supported the proposed improvements to the Standards of GRAP and suggested minor amendments to the Standards.

GRAP 17 on *Property, Plant and Equipment*

10. Stakeholders generally agreed with the proposed amendment to paragraph .12 and with the examples in paragraph .12B. However, some stakeholders observed that the characteristic relating to constraints on disposal was removed from the characteristics of infrastructure assets and recommended that this concept be reintroduced to highlight that infrastructure assets are generally not subject to disposal. The proposed Board's response is that the intention in refining the characteristics was to focus on essential attributes, and that constraints on disposal, although common, are not universal and should not be understood as a necessary characteristic of infrastructure assets.

11. Stakeholders queried how to determine under-maintenance and whether this would automatically trigger impairment testing, especially for smaller municipalities. The proposed Board's response clarifies that under-maintenance does not automatically result in impairment and that such considerations should be assessed in the context of the impairment indicators in GRAP 21 *Impairment of Non-cash-generating Assets* and GRAP 26 *Impairment of Cash-generating Assets*. Paragraph IG8. was included in the Illustrative Guidance to reflect this linkage appropriately.

GRAP 19 on *Provisions, Contingent Liabilities and Contingent Assets*

12. Stakeholders supported the inclusion of guidance on distinguishing between collective services and individual services, as well as guidance on assessing whether a present obligation exists before services are delivered.

13. In considering paragraph .97F and the proposed Standard of GRAP on *Social Benefits*, the Technical Committee noted that guidance on free basic services provided to indigent households in a municipal context may be useful. This matter will be considered and discussed with the National Treasury.

<u>GRAP 20 on *Related Party Disclosures*</u>

14. Stakeholders agreed with the amended example and with the illustrative guidance on the three spheres of government.

15. It was suggested that the content of the footnote dealing with significant influence or control across spheres be included in the main paragraph so that preparers do not overlook it. 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, with the footnote providing supplementary guidance. The Technical Committee agreed that no amendments to the footnote were necessary.

ACTIONS REQUESTED #2

The Board is requested to:

(a) CONSIDER the proposed responses to key issues discussed by the Technical Committee, as set out in this memorandum;

(b) REVIEW the final *Improvements to Standards of GRAP, 2026* [attachment 3(b)]; and

(c) if deemed appropriate, APPROVE it.

RE-EXPOSURE OF ED 216

16. Section 7 of the Board's Due Process Handbook requires an analysis of the amendments made to an exposure draft because of responding to the comment received from the public consultation process.

17. There are no significant amendments proposed to ED 216, as a result, it is not considered necessary to re-expose ED 216.

ACTIONS REQUESTED #3

The Board is requested to CONFIRM the conclusion on re-exposure of ED 216.

NEXT STEPS

18. Subject to the Board's approval, the proposed *Improvements to Standards of GRAP, 2026* will be submitted to the Minister of Finance to determine an effective date.