Attachment 3(d)

ANALYSIS AND RESPONSES TO WRITTEN COMMENT RECEIVED ON THE EXPOSURE DRAFT ON

PROPOSED AMENDMENTS TO THE STANDARD OF GRAP ON ACCOUNTING BY PRINCIPALS AND AGENTS (GRAP 109)

(ED 215)

Issued by
Accounting Standards Board

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ED 215

RESPONSES TO THE WRITTEN COMMENT RECEIVED ON THE EXPOSURE DRAFT ON *PROPOSED AMENDMENTS TO THE STANDARD OF GRAP ON ACCOUNTING BY PRINCIPALS AND AGENTS (GRAP 109)* (ED 215)

The Accounting Standards Board (Board) approved an Exposure Draft on *Proposed Amendments to the Standard of GRAP on Accounting by Principals and Agents (GRAP 109)* (ED 215) in September 2025. A Notice was published in the Government Gazette on 24 October 2025 (Notice 53574). The comment period closed on 13 February 2026.

The results of the formal comment process are summarised in this document. The comment received is analysed based on the questions outlined in the Invitation to Comment published by the Board, along with any general comments noted by respondents.

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, technical experts, and other interested parties by way of roundtable and other discussions. The summary of verbal comment received on ED 215 is included in a separate analysis.

WRITTEN COMMENT RECEIVED ON THE EXPOSURE DRAFT ON *PROPOSED AMENDMENTS TO THE STANDARD OF GRAP ON ACCOUNTING BY PRINCIPALS AND AGENTS (GRAP 109)* (ED 215)

No.	Name/Organisation	Preparers	Users	Auditors	Other interested parties
1.	Mojalefa Procurement and Financial Consultants				X
2.	Swartland Municipality	X			
3.	Vishal Patel				X
4.	Danie Nolte (Centre for Municipal Asset Management)	X			
5.	Ngwenya Nhlanhla (Bushbuckridge Municipality)	X			
6.	Maletsatsi Kgotleng-Marake	X			
7.	South African Institute of Chartered Accountants (SAICA)				X
8.	Free State Department of Economic Development and Tourism (DEDT)	X			
9.	Free State Provincial Treasury: Risk and Internal Audit	X			
10.	Free State Department of Social Development	X			
11.	Free State Department of Cooperative Governance and Traditional Affairs (COGTA)	X			
12.	Office of the Accountant-General (OAG)	X	X		

SUMMARY AND ANALYSIS OF WRITTEN COMMENT RECEIVED ON THE EXPOSURE DRAFT ON *PROPOSED AMENDMENTS TO THE STANDARD OF GRAP ON ACCOUNTING BY PRINCIPALS AND AGENTS* (GRAP 109)

SPECIFIC MATTERS FOR COMMENT		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
In clarifying the existing requirements of GRAP 109 on assessing whether an arrangement is a principal-agent arrangement, the following amendments are proposed: **(a) combine the guidance on binding arrangements in the definition section of the Standard (see paragraphs .05A to .05F);** **(b) add guidance to clarify that a binding arrangement can consist of various mechanisms that should be read together, and that judgement is applied to assess if there is a binding arrangement (see paragraphs .05B and .05D);** **(c) clarify that assessing whether an arrangement is a principal-agent arrangement should be undertaken before accounting for the arrangement using GRAP 109 (see paragraphs .08D and .16);** **(d) add guidance to explain that a single binding arrangement may establish multiple rights and obligations for different activities, but not all the activities and related transactions may meet the definition of principal-agent arrangement (see paragraphs .05B and .08I);** **(e) clarify that, even though the definitions of a principal and an agent require the principal to direct the agent in undertaking transactions with third parties, the direction does not imply that an active action is required. The direction can be established by the rights and obligations in the binding arrangement (paragraph .08C);** **(f) add guidance that explains that the roles and responsibilities of the parties should be assessed for each transaction undertaken with third parties or a group of transactions that share similar characteristics (see paragraph .08F);** **(g) require an entity to re-assess whether the arrangement continues to be a principal-agent arrangement if there is a modification to the binding arrangement (see paragraphs .05E and .05F);** **(h) clarify the nature of the rights and obligations of the parties to a principal-agent arrangement (see paragraph .13B); and** **(i) clarify the application of substance over form to conclude whether the arrangement meets the definition of a principal-agent arrangement (see paragraph .08E).** **Do you agree that the proposed amendments will assist with the application of GRAP 109? Please explain your response.**		
1.1	**Ngwenya Nhlanhla**	
1.1.1	I support the ASB's efforts to clarify GRAP 109 and believe the above additions will assist municipalities like ours in achieving consistent, transparent reporting.	Noted.

SPECIFIC MATTERS FOR COMMENT		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
1.1.2	**Binding arrangements outside formal contracts** In Bushbuckridge, many arrangements arise from municipal bylaws, Council resolutions, and provincial directives rather than explicit contracts. These layered instruments still create enforceable principal-agent obligations and should be emphasised with practical examples.	No amendment is proposed as GRAP 109.05A explains that a binding arrangement may arise through legislation, supporting regulations, or similar means. Clarification is included in GRAP 109.05B to explain that when the parties' rights and obligations are established by a combination of mechanisms (as outlined in GRAP 109.05A), these mechanisms should be read together. Frequently Asked Questions (FAQ) 4.11 on *When should GRAP 109 be applied?* and 4.21 on *What is a binding arrangement in the context of a principal-agent arrangement?* further clarify that the rights and obligations of the parties can be established by a combination of mechanisms, and that these should be read together. As an outcome of the GRAP 109 Post-implementation Review (PIR) comment was shared with the Office of the Accountant-General (OAG) to develop a checklist for determining when an arrangement is binding and considerations when entering into a binding arrangement. Guidance is also included in the OAG's presentation on Chapter 16 of the MCS (as included on Knowledge Hub), explaining that a combination of mechanisms may need to be considered to assess the rights and obligations of the parties to an arrangement.
1.1.3	**Direction through rules-based mechanisms** Our municipality increasingly uses automated revenue-collection platforms where direction is embedded in rules instead of active human instruction. ED-215 should clarify that automated instruction still meets the 'direction' definition.	No amendment is proposed as clarification is included in GRAP 109.08C to explain that the principal does not need to provide "active" direction to an agent for it to undertake transactions with third parties. The direction can arise from legislation (a binding arrangement) that establishes the rights and obligations for the principal and the agent.
1.2	**SAICA**	
1.2.1	(a) SAICA supports the combining of all guidance on binding arrangements under the definitions section in GRAP 109. However,	Noted. Paragraphs .05E and .05F are relocated as paragraphs .08J and .08K.

SPECIFIC MATTERS FOR COMMENT		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
	paragraph .05F appears to relate more to the reassessment of the principal–agent relationship following a modification to a binding arrangement rather than to the definition of a binding arrangement itself. It may therefore be more appropriate for this guidance to be positioned within the application guidance on principal–agent assessment to preserve conceptual clarity. <u>Recommendation</u> The ASB should consider moving both paragraphs .05E and .05F to the heading '**A binding arrangement exists'** as the guidance on rights and obligations under a binding arrangement is unpacked and clarified in this section.	
1.2.2	(b) SAICA supports the additional guidance that clarifies that a binding arrangement can consist of various mechanisms that should be read together, and that judgement is applied to assess if there is a binding arrangement as per paragraphs .05B and .05D. However, the ASB should consider the following: 1. Opportunity exists to add a visual demonstration for the application of the linkages between the various ways that binding arrangements can be evidenced, that is, contracts, legislation and the operation of law, and how judgement should be applied in concluding whether a binding arrangement exists where these ways link. This could be in a form of a decision tree and be outside of the housing arrangement guide currently being used to demonstrate the application of concepts in the standard.	Noted. Refer to the response to comment 1.1.2 relating to the assessment of whether a binding arrangement exists. The need for an entity to apply judgement is pervasive throughout the Standards of GRAP. Applying judgement involves the process of making informed decisions in applying the Standards to transactions and events using the entity's specific facts and circumstances. Illustrating how an entity should apply judgement is an application matter that is not within the ASB's mandate. Therefore, no amendment is proposed to demonstrate how judgement should be applied in concluding whether a binding arrangement exists.

SPECIFIC MATTERS FOR COMMENT		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
	2. There have been instances where entities are unable to differentiate between binding arrangements and normal service provider contracts (that is, contract that the entity enters into to fulfil its mandate. For example, a municipality entering into a contract with a service provider to provide prepaid electricity). It may be beneficial for the ASB to include guidance on differentiating between binding arrangement and normal service provide contracts to assist with avoiding the confusion. While SAICA recognises that the application of judgement is an integral part of the financial statements preparation process, judgement can also lead to different interpretations of the same transactions due to subjectivity and therefore may result in a lack of comparability of the financial statements. Therefore, it may be beneficial for the ASB to consider adding an example to demonstrate how judgement can be applied in a binding arrangement as per paragraph .05D. Recommendation: The ASB should consider: a. adding a graphical depiction to demonstrate how the assessment of the existence of a binding arrangement and the linkages between the various ways that a binding arrangement can be evidenced, that is, contract, legislation and the operation of law. b. including guidance on differentiating between binding arrangement and normal service provide contracts c. adding an example to demonstrate how judgement should be applied in a binding arrangement as per paragraph .05D	Stakeholders can refer to the YouTube recording and related presentation that explain the application of judgement as part of disclosing information on significant judgements and uncertainties. GRAP 109.05A explains that a contract is a form of binding arrangement. A service provider contract is an example of a binding arrangement (as per paragraph .05A). Once the entity concludes that an arrangement is a binding arrangement, it assesses the rights and obligations in the arrangement, irrespective of its mandate, to conclude whether the arrangement meets the definition of a principal-agent arrangement. If the entity concludes that the arrangement is not a principal-agent arrangement, it may be a service provider contract or another type of arrangement. No additional examples for inclusion in GRAP 109 are proposed as guidance and examples illustrating the difference between a service contract and principal-agent arrangement are included in the OAG's presentation on Chapter 16 of the MCS (as included on the Knowledge Hub), FAQ 4.11 and Appendix A of GRAP 109.

SPECIFIC MATTERS FOR COMMENT		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
1.2.3	(c) SAICA supports the addition of the clarity that assessing whether an arrangement is a principal-agent arrangement should be undertaken before accounting for the arrangement using GRAP 109. Recommendation: None.	Noted.
1.2.4	(d) SAICA supports the additional guidance explaining that a single binding arrangement may establish multiple rights and obligations for different activities, but not all the activities and related transactions may meet the definition of principal-agent arrangement. However, SAICA believes it may be beneficial for the ASB to add an illustrative example to demonstrate the application of this guidance Recommendation: The ASB should add an illustrative example to demonstrate the application of the principles in paragraph 08I of the standard.	Noted. No amendment to GRAP 109 is proposed. Paragraph .08I includes an example of a single arrangement where an entity is required to represent another party in its interactions with suppliers, and for it to be a recipient of the goods or services developed by the suppliers. The example concludes that the rights and obligations should be analysed separately for these different activities. FAQ 4.11 also explains and includes an example of a single binding arrangement establishing multiple rights and obligations. Guidance is also included in the OAG's presentation on Chapter 16 of the MCS (as included on the Knowledge Hub).
1.2.5	(e) SAICA supports the clarity that, even though the definitions of a principal and an agent require the principal to direct the agent in undertaking transactions with third parties, the direction does not imply that an active action is required. The direction can be established by the rights and obligations in the binding arrangement. Recommendation: None.	Noted.
1.2.6	(f) SAICA supports the additional guidance explaining that the roles and responsibilities of the parties should be assessed for each transaction undertaken with third parties or a group of transactions that share similar characteristics. However, SAICA believes it may be beneficial	Noted.

SPECIFIC MATTERS FOR COMMENT		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
	for the ASB to add an illustrative example to demonstrate the application of this guidance and combine it with the additional guidance in paragraph 08I in the example demonstrating the application of the principles. <u>Recommendation:</u> The ASB should add an illustrative example to demonstrate the application of the principles in paragraph 08F of the standard.	Refer to the response to comment 1.2.4.
1.2.7	(g) SAICA supports the requirement of the entity to reassess whether the arrangement continues to be a principal-agent arrangement if there is a modification to the binding arrangement. However, it may be beneficial for the ASB to include guidance clarifying the instances that may constitute a modification. This can be done through an illustrative example. <u>Recommendation:</u> The ASB should add additional guidance in the form of illustrative examples to demonstrate the application of the principles of the binding arrangement modification. The ASB can furthermore consider the modification guidance in International Financial Reporting Standard 16, *Leases* (IFRS 16) IFRS 16 for application in GRAP 109.	Noted. Guidance on modifications from IFRS 16 was considered to develop examples in paragraph .08K on modifications to the binding arrangement.
1.2.8	(h) SAICA supports the amendment to clarify the nature of the rights and obligations of the parties to a principal-agent arrangement. <u>Recommendation:</u> None.	Noted.
1.2.9	(i) SAICA supports the clarification that substance over form should be applied in concluding whether the arrangement meets the definition of a principal-agent arrangement.	Noted.

SPECIFIC MATTERS FOR COMMENT		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
	Recommendation: None.	
1.3	**Free State: DEDT**	
	Yes The amendment will make it easy for departments to assess the Principal/Agent arrangement, even in the absence of a contract/agreement.	Noted.
1.4	**Free State Provincial Treasury: Risk and Internal Audit**	
	No comment.	Noted.
1.5	**Free State: Department of Social Development**	
	Yes	Noted.
1.6	**Free State: Department of COGTA**	
	Yes 'The proposed amendments to the disclosure requirements that will enable the Department to consider the disclosures that address users' information needs'. The proposed amendments will enable preparers to consider whether the disclosures address users' information needs.	Noted.
1.7	**OAG**	
1.7.1	**Overall view:** We support the amendments proposed in ED 215. In particular, we agree that:	Noted.

SPECIFIC MATTERS FOR COMMENT		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
	• identifying and assessing the binding arrangement is foundational to the principal–agent conclusion (paragraphs .05A to .05F and related guidance); and • the principal–agent assessment should be performed before applying the accounting consequences in GRAP 109 (paragraphs .08D and .16).	
1.7.2	***Binding arrangement and "read together" mechanisms (.05A to .05F; .05B and .05D)*** We support the clarification that a binding arrangement can comprise multiple mechanisms (legislation +contracts + policy instruments) that should be read together and that judgement is required to identify the binding arrangement in public sector settings where formal contracts may be absent. We suggest adding an example in Appendix A demonstrating a "read together arrangement" to further operationalise paragraph .05B.	Noted. Refer to the response to comment 1.1.2.
1.7.3	***Reassessment on modification (.05E and .05F)*** We support the reassessment requirement. It may be helpful to clarify whether minor administrative amendments trigger reassessment, or only substantive modifications affecting rights and obligations.	Noted. Refer to the response to comment 1.2.7.
1.7.4	***Multiple rights and obligations; not all activities are principal–agent (.05B and .08I)*** We support this clarification. We recommend adding an example where a single binding arrangement contains both.	Noted. Refer to the response to comment 1.2.4.

SPECIFIC MATTERS FOR COMMENT		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
1.7.5	***Direction does not require active instruction (.08C)*** We agree that "direction" can be established by rights and obligations in the binding arrangement and does not necessarily require an active action. This is particularly relevant where an entity is mandated by legislation to collect a tax, levy, penalty etc.	Noted.
1.7.6	***Sequencing: assess first, account second (.08D and .16)*** We support clarifying the sequencing. In practice, entities often default to accounting outcomes and only later attempt to rationalise the principal–agent conclusion.	Noted.
1.7.7	***Substance over form (.08E)*** We support the clarification as it reduces the risk of entities relying solely on labels in contracts. We suggest explicitly emphasising in an illustrative example that:	Noted.
	• the requirement to pay cash into a Revenue Fund is an indicator relevant to the "for whose benefit" assessment; but	Paragraph .08E provides guidance on the application of substance over form to assess the nature of the arrangement, while paragraph .21 provides guidance on applying substance over form to assess who benefits from the arrangement (i.e. who is the principal). GRAP 109.39 explains that, in considering an entity's ability to use all or substantially all the resources that result from transactions with third parties, it should consider cash management arrangements with the Revenue Fund. No additional clarification is proposed.
	• classification should be based on the rights and obligations over the activity and the related resources, rather than the mere flow of cash through the collecting entity's bank account.	No amendment to GRAP 109 is proposed, as the guidance on substance over form already explains that the rights and obligations of the parties related to the activity should be assessed to conclude (a) on the nature of the arrangement; and (b) whether the party is the agent or principal in a principal-agent arrangement.

SPECIFIC MATTERS FOR COMMENT		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
1.7.8	***Assess roles per transaction or groups of similar transactions (.08F)*** We agree with the transaction-by-transaction (or similar-group) assessment. The Board may consider including guidance on what constitutes "similar characteristics" (e.g., same revenue stream, same statutory basis, same risk profile).	Noted. The last sentence in GRAP 109.08F includes examples that explain "similar characteristics", i.e. a specific type of revenue or expense transaction. No amendment is therefore proposed.
1.7.9	***Nature of rights and obligations (.13B)*** We support the clarification in paragraph .13B. The distinction between substantive rights and obligations (typically indicative of a principal) and protective or administrative rights and obligations (typically indicative of an agent) is helpful. To further enhance operational clarity, we recommend emphasising that the assessment should focus on those rights and obligations that determine **for whose benefit** transactions with third parties are undertaken, as reflected in the criteria in paragraph .25. We also suggest clarifying, either in guidance or through an illustrative example, that a budget appropriation informed by expected departmental revenue collections does not, in itself, constitute a substantive right to retain or control the amount collected. The existence of a fiscal or budgetary link does not automatically demonstrate that transactions are undertaken for the collecting entity's own benefit for purposes of GRAP 109.	Noted. The guidance in paragraph .13B is provided in the context of assessing whether an arrangement meets the definition of a principal-agent arrangement. The guidance in paragraph .25 is provided in the context of whether an entity is the agent or the principal when the definition of a principal-agent arrangement is met. No amendment is proposed as the first sentence in GRAP 109.13B clarifies the principal's and agent's rights and obligations insofar as they transact with third parties. The ASB is unable to develop specific examples for each possible scenario. The OAG's presentation on Chapter 16 of the MCS (as included on the Knowledge Hub) provides practical examples on how to apply GRAP 109. Therefore, no amendment to GRAP 109 is proposed.

SPECIFIC MATTERS FOR COMMENT		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
Specific matter for comment 2 **To address users' information needs, the ED proposes the following amendments to the disclosure requirements of GRAP 109:** **(a) include a disclosure objective that replaces the guidance in GRAP 109 on materiality and aggregation of information for disclosure purposes to enable preparers to consider whether the disclosures meet their users' information needs (see paragraph .60A);** **(b) expand the existing disclosure requirement to include disclosure of significant judgements in assessing whether an arrangement is a principal-agent arrangement (see paragraph .62A(a)); and** **(c) include a cross-reference to the encouraged disclosure in GRAP 2 on *Cash Flow Statements* to disclose the amount and nature of restricted cash balances (see paragraph .63A).** **Do you agree that the proposed amendments will assist preparers with meeting users' information needs? Please explain your response.**		
2.1	**Swartland Municipality**	
	One of the key questions arising, is whether Principle Agent arrangement must be disclosed even when the entity concludes that the <u>transactions</u> are not material or the conditions for the arrangement has not yet commenced. We know that when something is not material, an alternative accounting treatment may be applied. It is however not that simple when looking at the ED. Paragraph 60A requires **<u>all relationships</u>** to be disclosed. The requirement is the same as for GRAP 20 and the entity wide disclosures in GRAP 18 where key concepts must be disclosed. In ED paragraph 63B, the disclosure requirement includes the words "when this information is useful". By implication, materiality does not apply to paragraphs 60-63, but does apply to paragraphs 64-65.	The Board proposed to include a disclosure objective in GRAP 109 to enable preparers to consider the information needs of their users, whether the disclosures required by GRAP 109 will address these needs, and to allow preparers to provide additional information to their users, if needed. The requirement to provide information in addition to that required by a specific Standard of GRAP to meet users' information needs is consistent with the requirements in paragraph .15 of GRAP 1 on *Presentation of Financial Statements*. Standards of GRAP apply to material transactions and events, and the application of materiality is pervasive to the preparation of financial statements. Materiality applies equally to paragraph .60A that requires the disclosure of "all relationships". An entity therefore applies materiality (qualitative and quantitative) to decide which arrangements to disclose and the level of aggregation in its financial statements to meet users' information needs. The requirements in paragraphs .64 and .65 have not been amended and are applied in addition to this assessment to provide useful information to users to enable them to assess the accountability of the

SPECIFIC MATTERS FOR COMMENT		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
	My question from reviewing the ED therefore remains, does the entity have to disclose a principle agent arrangement whenever there's an arrangement, even if there's no transactions or when the transactions are immaterial? To put it in context, we have many housing arrangements. In the housing arrangements, we build houses and at the end of the construction we will register the title deed in the name of the beneficiary. This is a GRAP 109 transaction as we pay the deeds office on behalf of the beneficiary with the receipts from the department. The housing contracts are singed 2-3 years before we commence construction. The relationship is established, but there are no transactions for a couple of years before the conditions for the transactions kick in. When the transactions finally kick in, these are hardly 0.5% of the total receipts. We have a R400m contract and the balance of that pertaining to GRAP 109 is R2.5m. Based on the true application of the ED, we will need to disclose this relationship as the relationship (based on the requirements in the ED) is always material. How to potentially resolve the issue: Option 1: remove the "when this information is useful" from para 63 or (2) (preferably) move the words to 60A and make it applicable to all of the disclosure requirements. Option 3: Update the housing guideline to state that the municipality needs to assess if the different service components are material. If the transactions are material, paragraphs 3.24-3.27 applies. Also, not necessarily a point for ASB, but for further noting, the classification of a housing transaction as GRAP 109 or GRAP 9 or GRAP	agent. Paragraph .66 was relocated as paragraph .63B and did not result in any changes to the current requirements in GRAP 109. When an entity concludes that an arrangement meets the definition of a principal-agent arrangement, GRAP 109 is applied, irrespective of whether any transactions are undertaken. In terms of the Guideline on *The Application of Materiality to Financial Statements* (Materiality Guideline) materiality depends on both the nature and amount of the item judged in the particular circumstances of each entity and in considering qualitative and quantitative information about service delivery achievements during the reporting period, and expectations about service delivery and financial outcomes in the future. No amendment to GRAP 109 is proposed, but it is proposed to clarify paragraph 3.24 in the Guideline on *Accounting for Arrangements Undertaken in Terms of the National Housing Programme* by deleting the last sentence in the paragraph to align with the amendments to GRAP 109.

SPECIFIC MATTERS FOR COMMENT		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
	11 or GRAP 23 has different VAT consequences. Materiality does not apply to the VAT Act.	
2.2	**SAICA**	
2.2.1	(a) SAICA supports the amendment to include paragraph .60A in GRAP 109. SAICA further supports the ASB's explanation in BC41 on the removal of the guidance on materiality currently in GRAP 109.	Noted.
2.2.2	(b) SAICA supports the amendment to include the disclosure of significant judgements in assessing whether an arrangement is a principal-agent arrangement.	Noted.
2.2.3	(c) SAICA supports the amendment to include a cross-reference to the encouraged disclosure in GRAP 2 on Cash Flow Statements to disclose the amount and nature of restricted cash balances.	Noted.
2.3	**Free State: DEDT**	
	Yes The proposed amendments provides more clarity on how the disclosure should be handled.	Noted.
2.4	**Free State Provincial Treasury: Risk and Internal Audit**	
	No comment.	Noted.
2.5	**Free State: Department of Social Development**	
	The Department agrees that the proposed amendments will assist preparers in meeting the users information needs, particularly the requirement to disclose the qualitative and quantitative information the notes, together with the information in the statement of financial position, statement of financial performance and cash flow statement.	Noted.

SPECIFIC MATTERS FOR COMMENT		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
2.6	**Free State: Department of COGTA**	
	Yes cross-reference on Cash Flow Statements to disclose the amount and nature of restricted cash balances will be helpful.	Noted.
2.7	**OAG**	
	Overall view: We also support the proposed disclosure objective and the enhanced emphasis on significant judgements (paragraphs .60A and .62A(a)), as these are likely to improve transparency in arrangements that are common but complex in the public sector.	Noted.

<table>
<tr><th colspan="3">OTHER MATTERS</th></tr>
<tr><th>NO.</th><th>COMMENT</th><th>PROJECT GROUPS' PROPOSED RESPONSE</th></tr>
<tr><td>3.1</td><td colspan="2">Mojalefa Procurement and Financial Consultants</td></tr>
<tr><td>3.1.1</td><td>Strategic Support for the Amendments

We fully support the Board's initiative to clarify the interpretation of principal–agent relationships.

These clarifications will strengthen:
• Transparency in financial reporting across inter-governmental and traditional authority transactions;
• Accountability for delegated fiduciary responsibilities;
• Consistency between GRAP reporting and AML/CFT control frameworks applicable to DNFBPs and TCSPs.</td><td>Noted.</td></tr>
<tr><td>3.1.2</td><td>Specific Technical Observations

3.1 Clarification of Delegated Control

The amendments should emphasize that determining a principal–agent relationship is not merely a matter of contract but of substance over form.

Entities acting as fiduciary intermediaries — such as accounting officers or designated compliance practices — must apply this principle where they manage or monitor funds on behalf of third parties.</td><td>Noted.</td></tr>
<tr><td>3.1.3</td><td>Integration with FIC Act Section 21B (Beneficial Ownership)

Given that DNFBPs are accountable institutions under the FIC Act, ED 215 should encourage entities to identify who exercises control in a financial relationship.

The classification of a transaction as "Principal" or "Agent" under GRAP directly supports beneficial ownership traceability, reducing exposure to money-laundering risks.</td><td>Noted. The assessment of whether an arrangement is a principal-agent arrangement is based on the rights and obligations of the parties in undertaking transactions with third parties as set out in the arrangement, rather than identifying who exercises control or has beneficial control in the relationship. The rights and obligations of the principal are substantive in nature, while the rights</td></tr>
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OTHER MATTERS		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
		and obligations of the agent are protective or administrative in nature, as explained in GRAP 109.13B. No amendment is therefore proposed.
3.1.4	**Digital Governance and Metadata** The use of Microsoft 365 Business Premium enables metadata tagging in SharePoint libraries to reflect: • Transaction ownership (Principal vs Agent); • Contractual mandates; • Risk accountability under the FIC and GRAP frameworks; and • Document retention policies aligned with the Public Finance Management Act (PFMA) and Municipal Finance Management Act (MFMA). We recommend that ASB consider digital implementation notes supporting metadata-enabled workflows for GRAP-based systems, enhancing audit trail integrity.	Noted. The design, development, and prescribing of accounting systems that entities need to apply in preparing their GRAP financial statements is not within the ASB's mandate. No further action is therefore proposed.
3.1.5	**Broader Compliance and Community Impact** As a statutory practice operating within the public sector professionalisation and traditional community governance landscape, Mojalefa advocates that the GRAP framework should also: • Guide community trusts, interim traditional councils, and non-profit public structures in distinguishing their principal vs. agent roles when administering public benefit resources; • Reinforce FIC compliance obligations for transparency in funds management;	Noted. The financial statements prepared for these entities are not general-purpose financial statements and it is not within the ASB's mandate to prescribe the reporting framework for these entities. It is not within the ASB's mandate to prescribe compliance with legislative and other obligations. Entities should ensure that their internal controls, governance and financial reporting practices enable an entity to meet legislative and other obligations.

OTHER MATTERS		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
	• Encourage adoption of automated compliance dashboards via Microsoft Power BI and SharePoint for accountability reporting.	The selection and implementation of tools to strengthen governance, internal control, and financial reporting practices fall outside the ASB's mandate.
3.1.6	**Conclusion** The proposed amendments in ED 215 present a timely opportunity to bridge the gap between financial reporting, digital governance, and regulatory compliance. Mojalefa Procurement and Financial Consultants supports the adoption of these clarifications and stands ready to collaborate with ASB, CIBA, and the FIC to promote training and implementation across rural and municipal sectors.	Noted.
3.2	**Vishal Patel**	
3.2.1	**1. Scope and Applicability** **Are the proposed improvements clear on which entities and transactions they apply to? Do they align with PFMA/MFMA requirements and sector-specific practices?** • **Scope:** The amendments clarify that the Standard applies to any entity preparing financial statements under the accrual basis, requiring assessment of principal-agent arrangements before applying other GRAP standards. • **Entities and Transactions:** The definition of principal-agent arrangements is expanded to include arrangements evidenced by contracts, legislation, regulations, or operation of law. The amendments emphasize that a combination of these mechanisms may establish enforceable rights and obligations, and each activity or group of similar transactions must be assessed individually.	Noted. Noted.

OTHER MATTERS		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
	Alignment: The Standard references the Constitution and supporting legislation, ensuring alignment with PFMA/MFMA requirements and sector-specific practices. Examples provided (e.g., revenue collection, housing projects, grant disbursements) are directly relevant to South African public sector entities.	Noted.
3.2.2	**2. Conceptual Clarity** **Are definitions and terminology consistent with existing GRAP standards? Do any changes introduce ambiguity or conflict with other standards?** • **Definitions:** The amendments consolidate and clarify definitions for "principal," "agent," "binding arrangement," and "principal-agent arrangement." The concept of "direction" from principal to agent is clarified—not necessarily requiring active instruction but established through rights and obligations in the binding arrangement. • **Consistency:** The terminology is consistent with GRAP and references to other standards (e.g., GRAP 9, GRAP 23, GRAP 35) are maintained. The amendments avoid introducing ambiguity by emphasizing substance over form and requiring judgment in assessment. • **Conflict:** No conflicts with other standards are apparent; instead, the amendments clarify the relationship with other GRAP standards and provide guidance on when to apply them.	Noted. Noted. Noted.
3.2.3	**3. Practical Impact** **Will the amendments significantly change current accounting treatments? Are there transitional provisions, and are they practical for implementation?**	

OTHER MATTERS		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
	• **Accounting Treatments:** The amendments do not introduce new recognition or measurement requirements but clarify when an entity should recognize revenue, expenses, assets, and liabilities as principal or agent. The focus is on improved assessment and disclosure rather than substantive changes to accounting treatments. • **Transitional Provisions:** Transitional provisions are prescribed in directives, with retrospective application for annual periods beginning on or after a date set by the Minister of Finance. Earlier application is permitted and must be disclosed. • **Practicality:** The illustrative examples and guidance on judgment support practical implementation. Entities are required to reassess arrangements if binding terms are modified.	Noted. Noted. Noted.
3.2.4	**4. Compliance and Auditability** **Do the proposals enhance transparency and accountability? Are disclosures sufficient for audit purposes?** • **Transparency:** The amendments introduce a disclosure objective, requiring qualitative and quantitative information about principal-agent arrangements, significant judgments, and amounts recognized. • **Accountability:** Agents must disclose resources held on behalf of principals, risks transferred, compensation received, and liabilities incurred. Principals must disclose resources under agent custodianship, fees paid, and cost implications of arrangement termination. • **Auditability:** Expanded disclosure requirements, including reconciliation of receivables/payables and significant judgments, enhance auditability and support assessments of accountability.	Noted. Noted. Noted.

OTHER MATTERS		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
3.2.5	**5. Cost vs. Benefit** **Will compliance costs outweigh the benefits of improved reporting? Are smaller entities likely to face disproportionate challenges?** • **Benefits:** Improved clarity, consistency, and transparency in reporting principal-agent arrangements are expected to benefit users and preparers, particularly in complex public sector scenarios. • **Costs:** The requirement for detailed assessment and expanded disclosures may increase compliance costs, especially for smaller entities with limited resources. However, the Standard allows aggregation for immaterial arrangements and provides practical examples to ease implementation. • **Disproportionate Challenges:** Smaller entities may face challenges due to the need for judgment and documentation, but the guidance aims to mitigate this through illustrative examples and aggregation options	Noted. Noted. Noted.
3.2.6	**6. Alignment with International Standards** **Do the changes move GRAP closer to IPSAS or IFRS where relevant? Are there any divergences that need justification?** • **Alignment:** The Basis for Conclusions notes that international standards (IPSAS, IFRS) lack comprehensive guidance on principal-agent arrangements. GRAP 109 draws from international standards but provides more detailed public sector-specific guidance. • **Divergences:** Where divergences exist, they are justified by the unique requirements of the South African public sector and the need for clarity in complex arrangements	Noted. Guidance on accounting for principal-agent arrangements is included in the revenue Standards, i.e. IFRS 15 on *Revenue from Contracts with Customers* and IPSAS 47 on *Revenue*. The Board agreed to develop a standalone Standard dealing with the accounting by principals and agents. No further action required. Noted.
3.2.7	**7. Implementation Guidance**	

OTHER MATTERS		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
	Is additional guidance or training required for preparers and auditors? Should the ASB provide illustrative examples?	
	• **Guidance:** The Exposure Draft includes Appendix A with detailed illustrative examples covering revenue collection, housing projects, grant disbursements, and recognition of receivables/payables.	Noted.
	• **Training:** Given the emphasis on judgment and the complexity of some arrangements, additional training, and guidance from ASB would be beneficial. The Board intends to develop non-authoritative guidance for specific scenarios after finalizing the amendments.	Noted. The ASB is responsible for developing and prescribing principle-based Standards.
	• **Examples:** The provided examples are comprehensive and directly address practical application issues, supporting preparers and auditors	Noted.
3.2.8	**Summary table**	Noted. Refer to the responses to comments 3.2.1 to 3.2.7.

Area	Strengths	Potential Issues / Recommendations
Scope & Applicability	Clear, aligned with PFMA/MFMA, sector-specific examples	None, significant
Conceptual Clarity	Consistent definitions, substance over form, judgment emphasized	No major ambiguity/conflict
Practical Impact	No substantive changes, clear transitional provisions	Judgment may require training

<table>
<tr><th colspan="3">OTHER MATTERS</th></tr>
<tr><th>NO.</th><th>COMMENT</th><th>PROJECT GROUPS’ PROPOSED RESPONSE</th></tr>
<tr><td></td><td><table>
<tr><td>Compliance & Auditability</td><td>Enhanced disclosures, accountability, audit support</td><td>Disclosure burden for smaller entities</td></tr>
<tr><td>Cost vs. Benefit</td><td>Improved reporting, aggregation allowed</td><td>Compliance costs for smaller entities</td></tr>
<tr><td>International Alignment</td><td>More detailed than IPSAS/IFRS, justified divergences</td><td>None, significant</td></tr>
<tr><td>Implementation Guidance</td><td>Illustrative examples, plans for further guidance</td><td>Recommend ASB training and more examples</td></tr>
</table></td><td></td></tr>
<tr><td>3.3</td><td colspan="2">Danie Nolte</td></tr>
<tr><td></td><td> The application of an agreement and compliance to relevant legislation
The matter of Principal/Agent is important (especially insofar the INEP 0 Eskom grants are concerned).
I attach pertinent legal directives.
The claims by (rural) municipalities for Input VAT on Eskom projects (as agents) have not been attended to on a national basis.
Liability to pay the “output VAT” as suggested by NT in their guideline was not implemented by many as it would mean liquidation of the municipality.
My suggestion (in 2018) when the matter was first raised (AGSA 2017 - Msinga) was that Eskom cede the VAT to the municipalities as a </td><td>Noted. Similar concerns were raised and responded to during the VAT Education session. No further action is proposed.</td></tr>
</table>

OTHER MATTERS		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
	commission for the project management performed. That would have the result of no payment to be affected. Municipalities are precluded from conducting commercial activities MFMA Section 164 (1) (a) especially if it is not in their allocation of functions in terms of the Schedules to the Constitution (read with Section 156).	
3.4	**Ngwenya Nhlanhla**	
3.4.1	Thank you for the opportunity to comment on ED-215. My submission focuses on blind spots commonly encountered in Bushbuckridge-style public sector operations, including third-party collections, ring-fenced grants, and regional water-services intermediary arrangements	Noted.
3.4.2	**Third-party transactions: rural-specific blind spots** a) Third-party collections: Revenue agents collecting traffic fines, licensing payments, and prepaid utility receipts often retain fixed fees while passing gross cash to the municipality. Guidance on separating gross statutory receipts from net fees would reduce misclassification. b) Ring-fenced grants: Conditional grants for water infrastructure frequently pass through district-level implementers. Examples should clarify when such implementers are agents administering funds versus principals controlling delivery.	Noted. An entity should apply judgement based on the rights and obligations of the binding arrangement and the specific facts and circumstances of the transaction or event. Illustrating how an entity should apply judgement is an application matter that is not within the ASB's mandate to prescribe. Appendix A in GRAP 109, FAQ 4.11 and the OAG's presentation on Chapter 16 of the MCS (as included on the Knowledge Hub) provide practical examples on how to apply GRAP 109. The ASB is unable to develop specific examples for each scenario. Therefore, no amendment to GRAP 109 is proposed.
	c) Water services intermediaries: Rural water boards may collect tariffs on our behalf. Clarifying principal-agent roles where infrastructure ownership, billing rights, and collection risk are split would significantly improve consistency.	Refer to the comment above.

OTHER MATTERS		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
3.4.3	**Recognition and presentation blind spots** Agents frequently commingle municipal cash in operational accounts. ED-215 should add guidance on presenting such commingled funds and reconciling period-end balances for transparency.	Noted. No action is proposed as GRAP 109.63(a) already requires an agent to disclose a description of the resources that are held on behalf of a principal in an agent's own account. This includes, for example, cash held.
3.4.4	**Transition and system readiness** Municipal systems (banking, mSCOA, billing) require lead time for re-configurations to separate principal and agent flows. A minimum 12–18-month lead time is recommended.	Noted. The comment will be considered in recommending an effective date for the proposed amendments to GRAP 109 to the Minister of Finance. The comment will also be shared with the mSCOA team responsible for updating the system for new GRAP Standards of amendments to existing Standards.
3.5	**Maletsatsi Kgotleng-Marake**	
	Please find my comments on the updated FAQs, specifically FAQ 4.11 relating to GRAP 109. These comments are provided with the understanding that ED 215 is also underway and that some of the issues raised here may be addressed through that process. 1. **Use of the term "identified third parties"** The FAQ refers to "identified third parties" in a way that may be interpreted as requiring the SLA to explicitly name such parties. GRAP 109 does not impose this requirement. ED 215 further clarifies that a principal–agent arrangement may exist even without a binding contract, based on the substance of the arrangement and the nature of the transactions between the parties. Given this, it is unclear how a principal would be expected to "identify" third parties in the manner suggested by the FAQ when the arrangement may not be contractually documented. The wording may therefore need refinement to avoid creating expectations not supported by the standard or the proposed amendments. Suggested wording:	Noted. Once the amendments to GRAP 109 are finalised, the Secretariat will consider the need for amendments to FAQ 4.11.

OTHER MATTERS		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
	"Third parties with whom the agent transacts on behalf of the principal (whether explicitly named in the SLA, identifiable through the nature of the arrangement, or evident from the substance of the transactions)." 2. **Diagram implying a direct relationship between principal and third parties** The diagram currently suggests a direct "primary transaction" between the principal and third parties. In many agency arrangements, the agent transacts with third parties on the principal's behalf, and the principal does not have a direct relationship with those parties. The current illustration may therefore misrepresent the substance of the relationships described in GRAP 109 and reinforced in ED 215. Suggested amendment: Adjust the diagram or accompanying text to reflect that the agent engages with third parties on behalf of the principal, rather than implying a direct principal–third-party transaction. 3. **Wording in Table 1 – Accounting by the principal** The statement "Recognise all revenue and expenses that arise from transactions with third parties" may be interpreted as implying that the principal transacts directly with third parties. To align with the agency principles in GRAP 109 and the clarifications proposed in ED 215, it may be clearer to indicate that these transactions are undertaken by the agent on behalf of the principal. Suggested wording:	

OTHER MATTERS		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
	"Recognise all revenue and expenses arising from transactions conducted by the agent on behalf of the principal."	
3.6	**SAICA**	
	There have been instances where entities interpret the lack of compensation in a contract as an indicator that the transaction is not a principal-agent arrangement. It may therefore be appropriate for the ASB to clarify in the standard that compensation is not an indicator of an existence of a principal-agent arrangement. Furthermore, the ASB should clarify that agents do not always have to be compensated in a principal-agent arrangement. While .46 infers this, it may be appropriate for the ASB to clearly state this fact in the standard.	Noted. As explained in GRAP 109 and FAQ 4.11, transactions that an agent undertakes on behalf of a principal may not always result in financial transactions but can involve non-cash interactions. The agent may therefore not receive any compensation from a principal when it undertakes transactions on behalf, and for the benefit of a principal. GRAP 109.46 explains that "Agents are *usually* compensated for the transactions that they carry out on behalf of their principals." This, by implication means that an agent may or may not receive compensation from a principal. As guidance is already included in GRAP 109, no amendment is proposed. As noted in the GRAP 109 Review Report, FAQ 4.11 will be amended to clarify that payment of consideration or similar is irrelevant in determining whether the arrangement is a principal-agent arrangement once the amendments to GRAP 109 are finalised.
3.7	**Free State Provincial Treasury: Risk and Internal Audit**	
	No comment.	Noted.
3.8	**Free State: Department of COGTA**	
	No further Comments.	Noted.

OTHER MATTERS		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
3.9	**OAG**	
	National/Provincial Revenue Fund and Statutory Deposit Requirements Consistent with our earlier comments on the nature of substantive rights and obligations (.13B) and the application of substance over form (.08E), we note that interpretative challenges have arisen in practice in relation to statutory requirements to deposit funds into the National Revenue Fund (NRF).	The ASB is unable to develop specific examples for each possible scenario. Appendix A in GRAP 109 and FAQ 4.11 provide practical examples on how to apply GRAP 109 to assess the rights and obligations of the parties involved in the arrangement. Therefore, no amendment to GRAP 109 is proposed.
	Section 213 of the Constitution requires that all money received by the national government be paid into the NRF unless an Act of Parliament provides otherwise. This requirement is of general application and regulates the custody and flow of public funds. The NRF itself is a constitutional funding mechanism and does not determine revenue policy, set transactional terms with third parties, or enter into binding arrangements directing entities to undertake specific transactions.	
	Paragraph .08C clarifies that direction need not be an active instruction and may arise from rights and obligations in a binding arrangement We agree with this principle. Legislation can establish direction for purposes of GRAP 109 where it allocates substantive rights and obligations between identifiable parties in relation to transactions with third parties.	Noted.
	However, a constitutional or statutory requirement of general application to deposit amounts into a Revenue Fund does not, on its own, establish that the Revenue Fund directs the collecting entity in undertaking transactions with third parties. The deposit requirement regulates what happens after collection; it does not, by itself, determine:	

OTHER MATTERS		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
	who sets the significant terms and conditions of the transaction with the third party; who has the ability to use the resources resulting from the transaction; or who is exposed to variability in the results of the transaction, as contemplated in paragraph .25. Paragraph .09 explains that a principal–agent arrangement exists when one entity directs another to undertake transactions with third parties In many legislative scenarios, entities are required by statute to collect taxes, levies, penalties or fees and to deposit those amounts into the NRF. In such cases, the collecting entity may be acting under a statutory mandate, but the Revenue Fund does not typically determine the pricing, eligibility, enforcement approach, or other substantive transactional terms. Nor does it ordinarily bear variability in the results of the transactions in the sense contemplated by the Standard. Paragraph .38 further acknowledges that the requirement to pay proceeds into a Revenue Fund does not, by itself, determine whether the entity has the ability to use all or substantially all of the resources resulting from transactions with third parties This supports the view that fund flow mechanics alone are not determinative of the principal–agent conclusion.	
	We have observed divergent interpretations in practice, with some stakeholders concluding that the Revenue Fund is the principal solely because amounts are required to be paid into it. In our view, such an interpretation risks conflating constitutional fund-flow requirements with the substantive rights and obligations that determine for whose benefit transactions with third parties are undertaken.	Paragraph .13B has been included to explain that the rights and obligations of the principal are substantive in nature, while the rights of the agent are protective or administrative in nature.

OTHER MATTERS		
NO.	**COMMENT**	**PROJECT GROUPS' PROPOSED RESPONSE**
	To enhance clarity and reduce diversity in application, we recommend that the Board expand Example 2B (or introduce a new illustrative example) to demonstrate a scenario where: • legislation requires an entity to collect and deposit amounts into a Revenue Fund; • the Revenue Fund does not direct the collection activity in the sense contemplated by paragraph .08C; and • the deposit requirement represents a constitutional or fiscal mechanism rather than evidence of a principal–agent arrangement. Such clarification would assist preparers and auditors in distinguishing between: • administrative or constitutional mechanisms governing the flow of funds; and • arrangements in which one entity substantively directs another to undertake transactions on its behalf. This would reinforce the principle that the principal–agent assessment should be grounded in the substantive rights and obligations relating to transactions with third parties, rather than in the destination of cash once collected.	No amendment to Example 2B is proposed. Refer to the response above.