



| PROJECT BRIEF FOR APPROVAL                                   |  |      |        |     |
|--|--|------|--------|-----|
| Name of project  | Desktop review of compliance with GRAP 18 on <i>Segment Reporting</i>  |      |        |     |
| Project timeframe  | Commence in Quarter 2 2025/26<br>Finalisation in Quarter 3 of 2026/27  |      |        |     |
| Project manager  | N Imam Shah  |      |        |     |
| Complexity of project  | The project is moderate in complexity. It will require a review of entities' compliance with the identification and disclosure of reportable segments in GRAP 18 on <i>Segment Reporting</i> .   |      |        |     |
| Rating   | Urgency  | High | Medium | Low |
|  | Impact   | High | Medium | Low |
|  | Resources required   | High | Medium | Low |
| PROJECT OVERVIEW   |  |      |        |     |
| Area of consideration  | Comment  |      |        |     |
| <i>Project outcome</i>                                       |  |      |        |     |
| Project objective  | <p>The purpose of the project is to assess:</p> <ul style="list-style-type: none"> <li>Compliance with the requirements of GRAP 18.</li> <li>Practice applied by preparers in disclosing financial information by segments in their financial statements.</li> </ul> <p>The review is primarily a desktop review, but interactions may be needed with stakeholders to discuss findings.</p>  |      |        |     |
| Key issues that need to be addressed as part of this project | <p><i>Scope of review</i></p> <p><u>Entities included in the review</u></p> <p>All entities that use the Standards of GRAP to prepare their financial statements.</p> <p><u>Requirements to be reviewed</u></p> <p>Compliance with the requirements in GRAP 18 on the disclosure of financial information by segments will be included in the review. Given the nature of the review, it is not possible to review compliance with requirements where the information is not apparent in, or cannot be derived from, the financial statements.</p> <p>However, stakeholder engagements will be held to assess practice applied in complying with GRAP 18, including the identification of reportable segments.</p> |      |        |     |



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|  | <p><u>Sources to be considered in the review</u></p> <ul style="list-style-type: none"> <li>• The latest available audited financial statements and related audit reports.</li> <li>• The AGSA’s PFMA and MFMA General Reports.</li> <li>• Queries responded to by the Secretariat.</li> <li>• Matters discussed at the Public Sector Accounting Forum (PSAF).</li> <li>• Queries raised by auditors with the Technical Audit Support (TAS) unit of the AGSA.</li> <li>• Issues raised by stakeholders with the Office of the Accountant General (OAG).</li> </ul> <p><i>Nature of output to be developed</i></p> <p>The initial output is the presentation of the findings to the Technical Committee and Board. A Review Report will be prepared to outline the findings of the review and the Board’s actions (if any).</p> <p>The findings from this review will assist the Board in assessing whether changes to the Standard are required, whether guidance is required, and/or whether awareness should be raised about specific issues through communication and other activities. The comment the Board received during the <i>2024-2026 Work Programme Consultation</i> indicated that a fact sheet on GRAP 18 will be helpful.</p> <p><i>Previous deliberations by the Board on GRAP 18 Segment Reporting</i></p> <p><u>March 2021</u></p> <p>The Board noted that the encouraged disclosures in GRAP 2 on <i>Cash Flow Statements</i> on cash flows arising from operating, investing, and financing activities of each reportable segment, should be evaluated to remain as encouraged disclosure or be made authoritative. This was considered in the <i>Improvements to GRAP, 2023</i> project.</p> <p><u>December 2020</u></p> <p>The Board noted that a new FAQ should be developed on segment reporting based on issues raised by municipalities on reporting geographical information. Based on this FAQ 4.13 on “<i>When should geographical information be provided as required by GRAP 18?</i>” was developed.</p> <p><i>Guidance developed by the Secretariat in response to issues raised by stakeholders</i></p> |
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|  | FAQ 4.13 was developed to address queries raised by stakeholders on when geographical information should be disclosed as per GRAP 18.   |
|  | <p><i>Key issues to be considered</i></p> <p>While the objective is to assess compliance with the GRAP 18 disclosure requirements, areas that warrant specific review have been identified. These include the following:</p> <ul style="list-style-type: none"> <li>• When entities are required to apply GRAP 18. Consider whether the definition of a segment is difficult to apply. Also consider whether segment reporting is useful only for certain types of entities and certain elements of financial statements.</li> <li>• The disclosure of geographical information irrespective of whether the entity has reportable segments.</li> <li>• Whether GRAP 18 disclosure is provided by entities with a single segment.</li> <li>• To what extent the information, as required by GRAP 18, is presented in the financial statements or cross-referenced in other parts of the general purpose financial report. Also consider whether cross-referencing dilutes the importance of the information.</li> <li>• The impact of materiality (qualitative and quantitative) considerations on the disclosure of segment information.</li> </ul> |
| <b>Environment</b>   |   |
| <b>Legislation or regulatory requirements affecting the project</b>                              | Government Finance Statistics (GFS) Manual.   |
| <b>Existing accounting guidance in the Standards of GRAP, IPSAS or IFRS Accounting Standards</b> | GRAP 18 on <i>Segment Reporting</i> ,<br>IPSAS 18 <i>Segment Reporting</i> and<br>IFRS 8 <i>Operating Segments</i> .  |
| <b>Practices in other countries</b>  | Not relevant for initial review.  |
| <b>Use of experts</b>  | Not applicable.   |
| <b>Stakeholders</b>  |   |
| <b>Entities in the public sector affected by this project</b>                                    | <p><u>For desktop review</u></p> <p>All entities that prepare their financial statements using the Standards of GRAP.</p> <p><u>To discuss findings</u></p>   |



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|  | Users such as the National Treasury and Provincial Treasuries may find the review results useful.  |
| <b>Key stakeholders to be consulted during the development of the project</b>      | <p>Stakeholder input and/or consultation is anticipated to provide context to the desktop review findings.</p> <p>Stakeholder participation will primarily include preparers, auditors, and other interested parties.</p> <p><u>Preparers</u></p> <p>A representative group of preparers from public entities, local government, Parliament, legislatures, and colleges.</p> <p>Consultants involved in the preparation of financial statements on behalf of these entities.</p> <p>National Treasury: Office of the Accountant-General and provincial treasuries (in their capacity as supporting the implementation of the Standards).</p> <p><u>Auditors</u></p> <p>Audit firms (specifically technical divisions).</p> <p>A representative group of auditors from the AGSA (specifically Technical Audit Support and where necessary, product champions).</p> <p><u>Representatives of auditors and accountants</u></p> <p>Professional bodies (SAICA, CIGFARO, SAIPA and SAIGA).</p> <p>SALGA.</p> <p><u>Users</u></p> <p>It may be necessary to consult with users of the financial statements to provide context to the findings. Specific users may need to be identified depending on the review findings.</p> <p>Round table discussions may be held with the National Treasury - Public Finance and Budget, Intergovernmental Relations (local government budget and mSCOA team) and provincial Treasuries.</p> |
| <b>Key stakeholders to be consulted as part of the public consultation process</b> | No public consultation process is planned for the review.  |
| <b>Linkages</b>  |  |
| <b>ASB projects</b>  | None.  |
| <b>IPSASB projects</b>   | None.  |
| <b>IASB projects</b>   | None.  |
| <b>Local Reforms in public financial management</b>                                | None.  |



| <b><i>Project Plan</i></b>       |                                 |
|----------------------------------|---------------------------------|
| <b>Key milestones and timing</b> | See Annexure A for the roadmap. |



**Annexure – A road map for review of the Standard of GRAP on *Segment Reporting***

| Milestone |  | Timing                                   | Stakeholder  | Linkages |
|-----------|--|--|--|----------|
| 1.        | <b>Results of review and confirm next steps</b>                      | Q4 2025/26<br>[January to March 2026]    | Presented to:<br>- Internal Review<br>- Technical Committee<br>- Board | None.    |
| 2.        | <b>Review Report and take the next steps in the project (if any)</b> | Q3 2026/27<br>[October to December 2026] | Presented to:<br>- Internal Review<br>- Technical Committee<br>- Board | None.    |



| <b>Document management</b> |                    |                      |
|----------------------------|--------------------|----------------------|
| <b>Prepared by:</b>        | <b>N Imam Shah</b> | <b>2 August 2024</b> |
| <b>Revised by:</b>         |                    |                      |
| <b>Approved by:</b>        |                    |                      |