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# GRAP 14: EVENTS AFTER REPORTING DATE

*CIGFARO KZN Branch*

*Audit & Finance Training (AFS Readiness)*

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# AGENDA

- Overview & Objective
- Definitions
- Recognition & Measurement
- Understanding GRAP 14: Adjusting vs. Non-Adjusting Events
- Examples of adjusting & non-adjusting events relevant to Municipalities
- Monitoring Events between 30 June and AFS Submission (Practical Steps)
- Assessing Materiality: What must be disclosed?
- Disclosure Requirements: What should be disclosed?
- Key Takeaways & Q&A and References

# Overview & Objective



## Overview of GRAP 14

- GRAP 14 is applicable to all entities including Municipalities who prepare financial statements based on the accrual basis in accounting.
- Events between 30 June and the date of authorisation of the AFS.

## Objective:

- Equip municipalities to identify, assess, and disclose events after the reporting date.

# Definitions (GRAP 14 Accounting Standard)



***.03 The following terms are used in this Standard with the meanings specified:***

**Events after the reporting date** are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:

(a) those that provide evidence of conditions that existed at the reporting date (**adjusting events after the reporting date**); and

(b) those that are indicative of conditions that arose after the reporting date (**non-adjusting events after the reporting date**).

# Definitions (GRAP 14 Accounting Standard)



**Management** comprises those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

**Reporting date** means the date of the last day of the reporting period to which the financial statements relate (30 June).

**Authorising the financial statements for issue** means the date when the AFS, AOPO and Annual Report is submitted to AGSA for audit (31 August).

# Recognition and Measurement (.06)



Between Reporting date → Date of authorisation for issue

- Announcement: Government's intention in relation to certain matters

Recognition:

- will depend upon the conditions existing at reporting date
- sufficient evidence that they can and will be fulfilled

NB: In most cases the announcements of government intentions will not lead to the recognition of adjusting events, instead they would generally qualify for disclosure as non-adjusting events.

# Understanding GRAP 14: Adjusting vs. Non-Adjusting Event



## Adjusting events:

- Evidence of conditions existing at reporting date
- Require adjustments of figures in AFS

***.07 An entity shall adjust the amounts recognised in its financial statements to reflect adjusting events after reporting date.***

# Examples of Adjusting Events relevant to Municipalities

- Settlement of a **court case**
- **Impairment of asset**
  e.g. Insolvency of a debtor
  Sale of inventories – after reporting date
- **Cost of assets purchased** OR proceeds from **assets sold**
- **Bonus, incentives and performance related** payments to be made to staff
- **Fraud or errors** that show AFS are incorrect

# Examples of Adjusting Events relevant to Municipalities



(a) The settlement after the reporting date of a **court case** that confirms that the entity had a present obligation at the reporting date.

- Municipality will adjust any previously recognised provision related to the court case
(*Provisions, Contingent Liabilities and Contingent Assets – GRAP 19*)

**OR**

- Municipality will recognise a new provision.

*Do not merely just disclose a contingent liability because the settlement provides additional evidence that would be considered in accordance with GRAP 19.*

# Examples of Adjusting Events relevant to Municipalities

(b) The receipt of information after reporting date indicating that an **asset was impaired** at reporting date

**OR**

amount of previously recognised impairment loss for that asset needs to be adjusted.

**Examples**:

- Insolvency of a debtor – after reporting date – confirms that debtor was credit-impaired at end of the reporting period.

**AND**

- Sale of inventories – after reporting date – give evidence about their net realisable value at reporting date.

# Examples of Adjusting Events relevant to Municipalities



(c) The determination after the reporting date of **cost of assets purchased**

**OR**

proceeds from assets sold – before reporting date

(d) The determination after the reporting date of the **amount of bonus, incentives and performance related** payments to be made to staff if the Municipality had a present legal or constructive obligation **at** reporting date to make such payments as a result of events before that date (*Employee Benefits – GRAP 25)*

(e) Discovery of **fraud or errors** that show AFS are incorrect.

# Understanding GRAP 14: Adjusting vs. Non-Adjusting Event



## Non-adjusting events:

- Conditions that arose after reporting date (30 June)
- Require disclosure only, if material

***.09 An entity shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date.***

# Examples of Non-Adjusting Events relevant to Municipalities

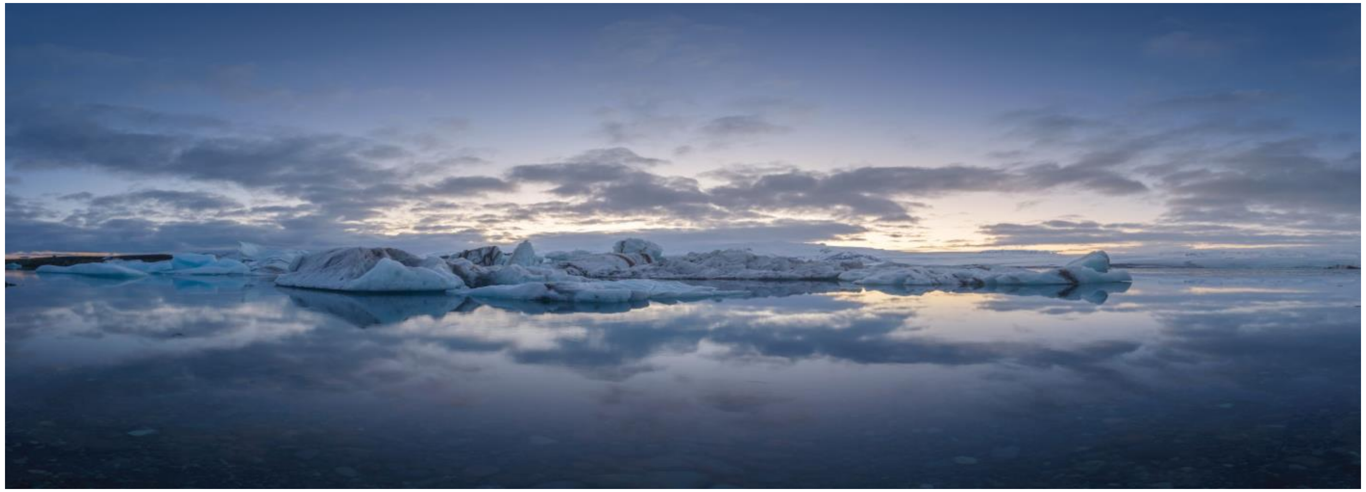
- Major natural disaster after year-end (e.g., on 10 July)
- Announcement of significant restructuring
- Destruction of assets post-30 June
- Resignation of Municipal Manager on 5 July

# Additional Examples relevant to Municipalities

| Scenario | Adjusting or Non-Adjusting | Actions Required |
|---|---|---|
| Lawsuit settlement for pre-June damage | Adjusting | Adjust financials |
| Fire in municipal town hall on 2 July | Non-adjusting | Disclose if material |
| National Treasury announces funding cuts on 10 July | Non-adjusting | Disclose, assess service impact |
| Resignation of CFO on 7 July | Non-adjusting | May require disclosure |
| Revaluation of land due to a court case heard post-30 June but related to old valuation | Adjusting | Adjust AFS |

# Monitoring Events between 30 June and AFS Submission

- Materiality based on nature and magnitude (materiality)
- Would omission affect user decisions?
- Apply GRAP Framework principles
- Consider both quantitative and qualitative factors



# Monitoring Events between 30 June and AFS Submission (Practical Steps)



**Internal Alerts**

Legal, HR, engineering, procurement teams must flag relevant developments

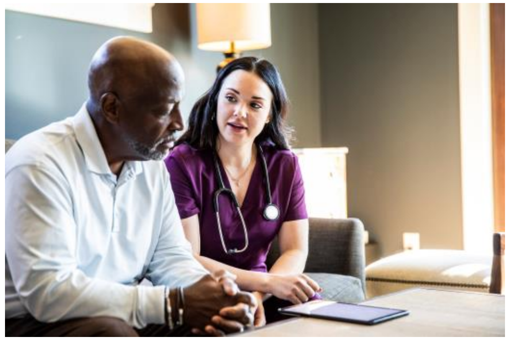
Calendar alerts and communication protocol

**Register of Events**

Maintain a documented log (date, event, department, action taken)

Review of minutes, contracts, litigation reports

**Monthly Reviews**



Finance team reviews legal cases, claims, major HR changes

**Media Monitoring**

Natural disasters, protests, political instability in the region

**Audit Readiness**

Share register with internal audit & AGSA during audits

# Focus Areas



- Litigation outcomes
- Infrastructure damage or destruction
- Resignations of key officials (CFO/MM)
- Asset impairments
- Emerging risks from political/legislative shifts

# Assessing Materiality (Continued….)



**Materiality = Would the information influence the decisions of users of the AFS?**

**Criteria to Consider:**

Monetary value (relative to total assets, revenue, etc.)

Service delivery impact

Public interest and political sensitivity

Audit impact

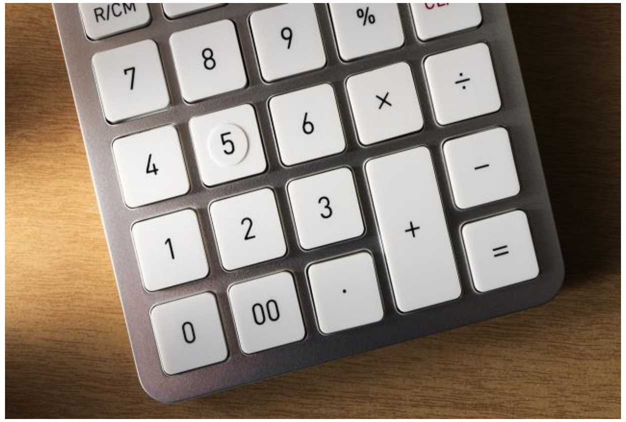
**Tips:**

Apply both qualitative and quantitative lenses

If in doubt, disclose!

# Disclosure Requirements – What must be disclosed?

- For material non-adjusting events:
  - Nature of event
  - Estimate of financial effect (or statement if not possible)
- Adjusting events reflected in AFS
- Common audit findings



# Disclosure Requirements



***23 An entity shall disclose the date when the financial statements were authorised for issue and who gave that authorisation.***

***25 If an entity receives information after the reporting date, but before the financial statements are authorised for issue, about conditions that existed at the reporting date, it shall update disclosures that relate to these conditions, in the light of the new information.***

# Disclosure Requirements



26 *In some cases, an entity needs to update the disclosures in its financial statements to reflect information received after the reporting date but before the financial statements are authorised for issue, even when the information does not affect the amounts that it recognises in its financial statements.*

# Disclosure requirements for non-adjusting events after reporting date



*27 If non-adjusting events after the reporting date are material, non-disclosure could influence the economic decisions of users taken on the basis of the financial statements. Accordingly, an entity shall disclose the following for each material category of non-adjusting event after the reporting date:*

*(a) The nature of the event.*

*(b) An estimate of its financial effect, or a statement that such an estimate cannot be made.*

# Examples for disclosure for non-adjusting events after reporting date

- <u>Large decline in value of property carried at fair value (FV)</u> → unrelated to the condition of property at reporting date → due to circumstances that arose since reporting date.

- Municipality after reporting date → provide/distribute substantial additional benefits in future directly/indirectly to participants in community service programmes that it operates and if additional benefits have major impact on the Municipality.

# Examples for disclosure for non-adjusting events after reporting date

- An acquisition or disposal of a major controlled entity or the outsourcing of all or substantially all of the activities currently undertaken by an entity after the reporting date.

- Announcing a plan to discontinue an operation or major programme.

- Major purchases of assets, major disposals of assets, groups of assets and liabilities, components (*Discontinued Operations – GRAP 100*) or expropriation of major assets by government.

# Examples for disclosure for non-adjusting events after reporting date



- The destruction of a major building by a fire after the reporting date.
- Announcing, or commencing the implementation of, a major restructuring (guidance on accounting for provisions associated with restructuring is found in GRAP 19).
- The introduction of legislation to forgive loans made to entities or individuals as part of a programme.
- Abnormally large changes after the reporting date in asset prices or foreign exchange rates.

# Examples for disclosure for non-adjusting events after reporting date



- In the case of entities that are liable for income tax or income tax equivalents (where applicable), changes in tax rates or tax laws enacted or announced after the reporting date that have a significant effect on current and deferred tax assets and liabilities (guidance on accounting for income taxes can be found in the IAS Standard on *Income Taxes*).

- Entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees after the reporting date.

- Commencing major litigation arising solely out of events that occurred after the reporting date.

# Key Takeaways & Q&A



- Importance of timely identification
- Encourage good documentation and internal processes
- Collaboration between departments is key
- GRAP 14 requires clear distinction: Adjusting vs Non-Adjusting
- Monitoring events post-year-end is essential for compliance and transparency
- A structured process and collaboration with other departments is vital
- Materiality is not just about numbers—context matters

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# References

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national treasury
Department: National Treasury
REPUBLIC OF SOUTH AFRICA

## GRAP 14 – Events After Reporting Date

**Effective 1 April 2021**

**DEFINITION**

Events after the reporting date: Favourable and unfavourable events, that occur between the reporting date and the date when the financial statements are authorised for issue

**ADJUSTING EVENTS**

An event after the reporting date that provides further evidence of conditions that existed at the reporting date
Examples:
- ✓ Events that indicate that the going concern assumption in relation to the whole or part of the entity is not appropriate
- ✓ Settlement after reporting date of court cases that confirm the entity had a present obligation at reporting date
- ✓ Bankruptcy of a customer that occurs after reporting date that confirms a loss existed at reporting date on trade receivables
- ✓ Sales of inventories after reporting date that give evidence about their net realisable value at reporting date
- ✓ Determination after reporting date of cost of assets produced or proceeds from assets sold, before reporting date
- ✓ Discovery of fraud or errors that show the financial statements are incorrect

Financial statements are adjusted for conditions that existed at reporting date

**GOING CONCERN**

An entity should not prepare its financial statements on the going concern basis if management determines after the reporting date either that there is an intention to liquidate the entity or to cease operating, or that there is no realistic alternative but to do so

Disclose:
- Date when the financial statements were authorised for issue and who gave that authorisation
- For any information received about conditions that existed at reporting date, disclosure that relate to those conditions are updated with the new information

**NON-ADJUSTING EVENTS**

An event after the reporting date that is indicative of a condition that arose after the reporting date
Examples:
- ✓ Major entity combination or disposal of a controlled entity
- ✓ Major purchase or disposal of assets
- ✓ Destruction of a major production plan by fire after reporting date
- ✓ Announcing a plan to discontinue operations or transfer of functions / merger
- ✓ Announcing a major restructuring after reporting date
- ✓ Abnormal large changes after the reporting period in assets prices or foreign exchange rates
- ✓ Entering into major commitments such as guarantees
- ✓ Commencing major litigation arising solely out of events that occurred after the reporting period

Financial statements are not adjusted for conditions that arose after the reporting date

**DIVIDENDS OR SIMILAR DISTRIBUTIONS**

If an entity declares dividends or similar distributions after the reporting date, the entity does not recognise those dividends or similar distributions as a liability at the reporting date

Disclose for each material category of non-adjusting event after the reporting date:
- The nature of the event
- An estimate of its financial effect, or a statement that such an estimate cannot be made

# References



Accounting Standards Board
https://www.asb.co.za/grap-14/

National Treasury Accounting Guideline
https://ag.treasury.gov.za/org/tss/Shared%20Documents/Generally%20Recognised%20Accounting%20Practice%20Reporting/Accounting%20Manuals/Accounting%20Guideline%20on%20GRAP%2014%20Issued%20February%202020.pdf

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# Thank You