



AFS QUALITY ASSURANCE - GRAP DISCLOSURE CHECKLIST (Internal Review)

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Overview

Preparation of AFS
Outsourced
vs
In-house AFS

Cost Benefit
Analysis

GRAP Disclosure
checklist -
Internal review
process

Preparation of AFS

Outsourced vs In-house

Outsourced AFS Process:

- ▶ Quick and allows the CFO and the team to focus on other areas of concern,
- ▶ Ensures that the AFS are prepared by experts, thus less errors or omissions in the AFS preparation process which results in a quality set of AFS,
- ▶ Consultants only deal with preparation of AFS, thus ensuring that the AFS are completed and submitted on time,

In-house AFS Process:

- ▶ It allows the CFO and the management team to take ownership of the entire process that led to the preparation of the AFS,
- ▶ Municipal officials becomes competent and are aware of what is exactly required from them by the Auditors,
- ▶ Better saving with regards to consultants fees,
- ▶ Improved audit turnaround time as the officials are available throughout the audit process.

Cost Benefit Analysis

The establishment of the Annual Financial Statements Unit:

Description	Service	Amount
Operation Cost	Employee cost: <ul style="list-style-type: none">• AFS Accountant• AFS Assist Accountant	R1 085 000
Caseware Annual License Fees	External Service Provider	R120 000
Annual Training Needs	External Service Provider	R50 000
AFS Quality Assurance	External Service Provider	R80 000
	TOTAL COST	R1 335 000

This is basically what it will cost the municipality to run an AFS Unit, as compared to the +R2m payments made to consultants on a yearly basis while the municipalities' audit outcomes continue to regress.

GRAP Disclosure Checklist - Internal Review

- ▶ AFS Year-end Plans
- ▶ Audit file
- ▶ AFS Review Process
- ▶ GRAP Disclosure Checklist Illustration



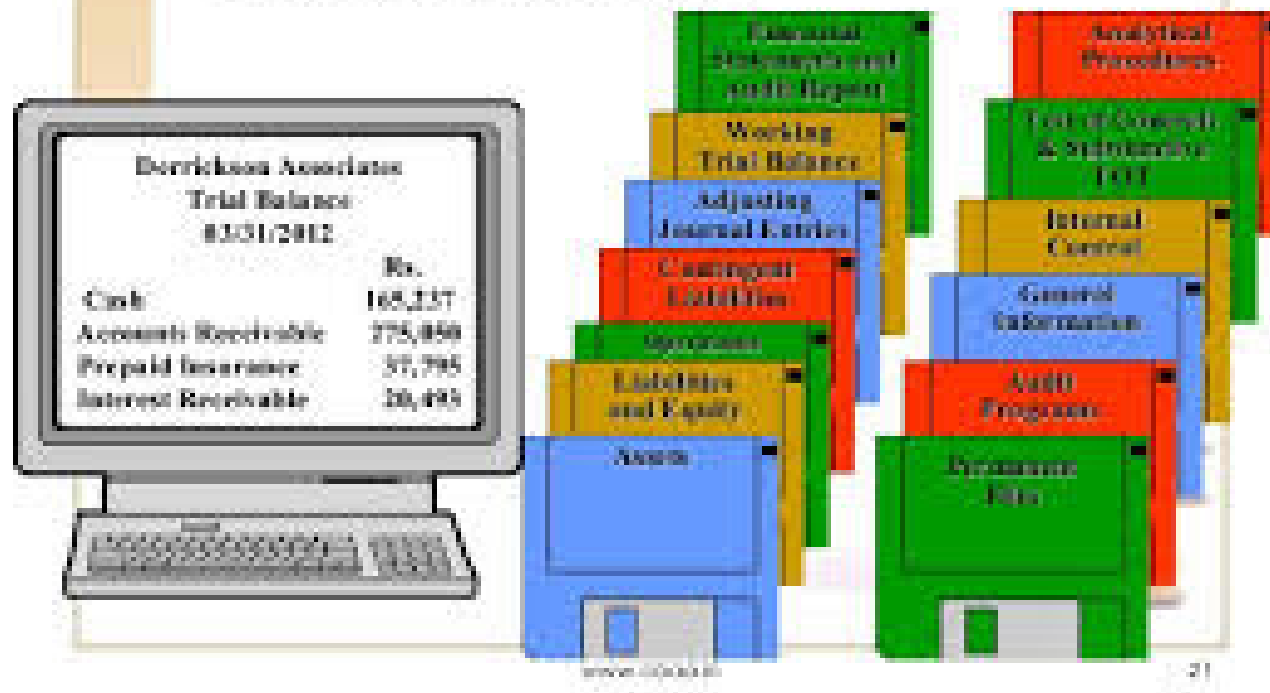
"Failing to plan...

**...is planning to
fail"**

Annual Financial Statements - Year-end Plans

- Committing to targeted dates for the submission of information required in the preparation of the AFS,
- Strict Cut-off dates for the processing of invoices,
- Timely closure of financial systems,
- Preparation of monthly reconciliations across all related divisions,
- Accurate Year-end balances (Reconciliations, depreciation and losses)
- AGSA point of entry,

Audit File Contents and Organization



Audit File

To contain:

- ▶ Year-end journals and accompanied by adequate supporting documentation,
- ▶ Completed asset registers,
- ▶ Grants registers,
- ▶ SCM Contract registers,
- ▶ A detailed schedule of Prior Period Errors reconciling to the AFS,
- ▶ Supporting schedules and documents for Fruitless, Wasteful, Unauthorized and Irregular expenditure.

Its advisable as a way of maintaining this information, to ensure that soft copies of these documents are kept on a quarterly basis to ease the workload on the 4th Quarter.

Audit file

Annexure A of MFMA Circular 50 lists the type of information which should be included in the audit file

The municipality can also add onto this list the knowledge obtained from previous information request of the AGSA!

MFMA Circular No 50 - Preparation of the Municipal Audit File - 30 July 2009

Annexure A – Information to be included in the audit file

Item in Financial Statements	Verification in Audit File
Statement of Finance Position (Balance Sheet)	
Statement of net assets	
Accumulated surplus	Journals and supporting documentation for all prior period corrections, changes in accounting policies
Funds / Reserves	Journal entries and supporting information for all movements in reserves
Non-current liabilities	
Long-term liabilities – e.g. loans	Loan Register or Register of Debentures – highlighting both short and long term components of loan liability, with redemption tables as per loan agreements properly authorised showing purpose of loan/borrowing. Confirmation from lenders of balance and interest paid
Current liabilities	
Creditors	<ul style="list-style-type: none">• Creditors trial balance and control account – total value of creditors to reconcile with trial balance showing creditor name, value and age of liability. Rationale for late payments of individual creditor accounts. Reference to file of creditor's statements• Schedule of deposits paid for services to be supplied, reconciled to accounts receivable listing• Schedules in support of all other liabilities such as rehabilitation provisions, commitments and contingent liabilities
Unspent grants	End-of-year grant returns reconciled – work in progress statements where applicable. The auditor-general must comment on the performance of the municipality with regards to spending and measurable outcomes achieved on the DoRA allocations.
VAT	VAT reconciliation – highlighting total amount paid and owing with copies of SARS returns
Current portion of long-term liabilities	See Loan Register
Bank overdraft	Bank statements, reconciliations, bank confirmation
Non-current assets	
Property, plant and equipment	Assets Register – clearly indicating opening balances, write-offs, purchases and disposals including dates with values (must contain adequate detail to trace asset from register to physical asset). Information on how the residual values and useful lives have been established. Detailed evidence in support of valuations

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AFS Review Process

- ▶ Ensure commitment to the AFS Year-end plan in order to obtain your draft AFS set on time.
- ▶ Ensure that once the 1st draft AFS has been completed, adjustments for previous audit's uncorrected misstatements is adjusted before finalization of the AFS,
- ▶ Enhance the quality of AFS by requesting audit committee, Internal Audit function and independent bodies to review the draft set of AFS (Quality Assurance).
- ▶ Lastly but not least, review the organization's internal control structure on a monthly basis to ensure that whatever information is extracted from the Trial balances is accurate and complete.

Yes/No/NA

https://oag.treasury.gov.za/Publications/06.%20GRAP/03.%20Tools/18.%20GRAP%20disclosure%20checklist/GRAP%20Disclosure%20Compliance%20Checklist%202018%20(GRAP%20issued%20on%2001%2...



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GENERALLY RECOGNISED ACCOUNTING PRACTICE (GRAP)

Disclosure/Compliance Checklist For The Financial Year Ended 2018

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GRAP Disclosure Checklist Illustration

- ▶ Section A : General and Accounting Policies
- ▶ Section B: Statement of financial performance
- ▶ Section C: Statement of financial position
- ▶ Section D: Statement of changes in net assets/equity
- ▶ Section E: Cash flow statement
- ▶ Section F: Notes
- ▶ Section G: Consolidated and separate financial statements
- ▶ Section H: Consolidated Accounts - Associates and Joint Ventures
- ▶ Section I: Standards Approved But Not Effective

Yes/No/NA		6 / 248				
		Yes/No/NA	Ref	Comments		
A1	General					
	Components of financial statements					
A1.1	Have the following components been included in the financial statements:					
	(a) statement of financial position?		1.11(a)			
	(b) statement of financial performance?		1.11(b)			
	(c) statement of changes in net assets?		1.11(c)			
	(d) cash flow statement?		1.11(d)			
	(e) where the entity makes publicly available its approved budget, a comparison of budget and actual amounts, either as a separate additional financial statement or as a budget column in the financial statements?	N/A for 2008/09 FY	1.11(e)			
	(f) notes disclosing, in summary, significant accounting policies?		1.11(f)			
	(g) comparative information in respect of the preceding period		1.11 (f)			
	Fair presentation and compliance with the Standards of GRAP					
A1.2	Have the financial statements presented fairly the financial position, financial performance and cash flows of the entity?		1.17			

Section A : General and Accounting policies

GRAP Disclosure/Compliance Checklist

SECTION B – Statement of financial performance

		Yes/No/ NA	Ref	Comments
B1	General			
	Surplus or deficit for the period			
B1.1	Have all items of revenue and expense recognized in the period been included in surplus or deficit unless otherwise required by a GRAP?		1.93	
	Information to be presented on the face of the statement of financial performance			
B1.2	Have the following line items, as a minimum, been disclosed on the face of the statement of financial performance:			
	(a) revenue?		1.96 (a)	
	(b) finance costs?		1.96 (b)	
	(c) share of the surpluses or deficits of associates and joint ventures accounted for using the equity method?		1.96 (c)	
	(d) Tax expense (where applicable)?		1.96 (d)	
	(e) a single amount comprising the post-tax surplus or deficit of discontinued operations?		1.96 (e)	

Section B: Statement of financial performance

SECTION C – Statement of financial position

		Yes/No/ NA	Ref	Comments
C1	General			
	Current/non-current distinction			
C1.1	Have current and non-current assets, and current and non-current liabilities, been separately classified on the face of the statement of financial position in accordance with GRAP 1.65 to 75, except where a presentation based on liquidity provides information that is reliable and is more relevant?		1.59	
C1.2	Where the exception in GRAP 1.59 applies, have all assets and liabilities been presented broadly in order of liquidity?		1.59	
C1.3	For each asset and liability line item that combines amounts expected to be recovered or settled both no more than and more than twelve months after the reporting date, has the amount expected to be recovered or settled after more than twelve months been disclosed?		1.60	
	Current Assets			

Section C: Statement of financial position

Yes/No/NA

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GRAP Disclosure/Compliance Checklist

SECTION D – Statement of changes in net assets/equity

		Yes/No/ NA	Ref	Comments
D1.1	Has the following been disclosed in the statement of changes in net assets/equity:			
	(a) the surplus or deficit for the period?		1.113 (a)	
	(b) each item of revenue and expense for the period, as required by other GRAPs, recognized directly in net assets/equity, and the total of these items?		1.113 (b)	
	(c) total revenue and expense for the period (calculated as the sum of (a) and (b)), showing separately the total amounts attributable to owners of the controlling entity and to non-controlling interests?		1.113 (c)	
	(d) for each component of net assets/equity separately disclosed, the effects of changes in accounting policies and corrections of errors recognized in accordance with GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors?		1.113 (d)	
	(e) for each component of net assets the		1.113 (e)	

Section D: Statement of Changes in net assets/equity

SECTION E – Cash flow statement

		Yes/No/ NA	Ref	Comments
E1	General			
E1.1	Has a cash flow statement been presented as an integral part of the entity's financial statements for the period?		2.2	
	Presentation of a cash flow statement			
E1.2	Have the cash flows during the period been classified under the following headings:			
	(a) operating activities?		2.11 2.14 - 2.16	
	(b) investing activities?		2.11 2.17	
	(c) financing activities?		2.11 2.18	
	Reporting cash flows from operating activities			
E1.3	Have cash flows from operating activities been reported using the direct method?		2.19	
<i>Note: under the direct method, major classes of gross cash receipts and gross cash payments</i>				

Section E: Cash flow statement

GRAP Disclosure/Compliance Checklist

SECTION F – Notes

		Yes/No/ NA	Ref	Comments
F1	General			
F1.1	Has information about the basis of preparation of the financial statements and the specific accounting policies used in accordance with GRAP 1.123 to 130 been presented in the notes?		1.118 (a)	
F1.2	Has information required by GRAPs that is not presented on the face of the statement of financial position, statement of financial performance, statement of changes in net assets/equity or cash flow statement, been disclosed in the notes?		1.118 (b)	
F1.3	Has additional information that is not presented on the face of the statement of financial position, statement of financial performance, statement of changes in net assets/equity or cash flow statement, but is relevant to an understanding of any of them, been disclosed in the notes?		1.118 (c)	
F1.4	Have the notes been presented in a		1.119	

Section F: Notes

SECTION I – Standards Approved But Not Effective

I1	Related Party Disclosures			
I1.1	<p>Note: An entity that prepares and presents financial statements under the accrual basis shall apply the Standard on RELATED PARTY DISCLOSURES (GRAP 20) in:</p> <p>(a) identifying related party relationships and transactions;</p> <p>(b) identifying outstanding balances, including commitments, between an entity and its related parties;</p> <p>(c) identifying the circumstances in which disclosure of the items in (a) and (b) is required; and</p> <p>(d) determining the disclosures to be made about those items</p>		20.02	
I1.2	<p>Note: Definitions</p> <p>A <u>Related Party</u> is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the related party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:</p> <p>(a) A person or a close member of that</p>		20.10	

Section I: Standards Approved But Not Effective

Thank you

QUESTIONS?