



Topic: Beyond the numbers, why clean debtors' data matter for GRAP 104 compliance



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Data cleansing Process

Customer data cleansing, also called data scrubbing or data cleaning, is the process of identifying, correcting, and removing inaccurate, incomplete, duplicate, or outdated customer records from a business database.

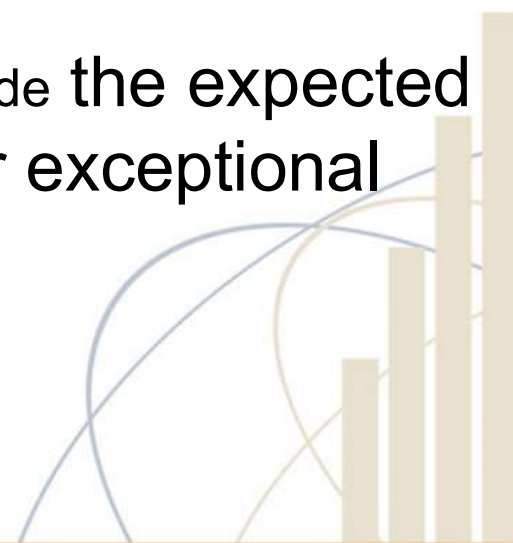
- Detecting and fixing errors in customer details such as names, phone numbers, emails, and addresses.
- Removing duplicate entries that appear multiple times in a database.
- Updating outdated records to maintain accurate customer profiles.
- Ensuring data consistency by standardizing formats across all systems.
- Validating customer information against reliable sources to prevent incorrect data from being used.

Consequences of Poor Data Validation

- **Inaccurate Business Insights:** e.g inaccurate revenue projections
- **Data Entry Errors Accumulate Over Time:** (typos, incorrect number formats, or missing values) e.g resulting in incorrect customer billing and increase debt book
- **Errors in Financial Reports and Compliance Issues:** incorrect entries can lead to regulatory fines or legal issues.
- **Inefficiencies and invalidation of data:** Human Error in Data Entry, Formatting Inconsistencies, Duplicates and Redundant Data, Invalid Data in Critical Fields

Common types of data errors

- Duplicate entries – Multiple records of the same data point that can distort the analysis.
- Incomplete data – Missing values that reduce the effectiveness of calculations or predictions.
- Inconsistent formatting – Variations in recording dates, phone numbers, or addresses.
- Incorrect data – Typographical errors, outdated information, or logically inaccurate values.
- Outliers and anomalies – Values that fall outside the expected range, potentially indicating data corruption or exceptional cases that require further investigation.



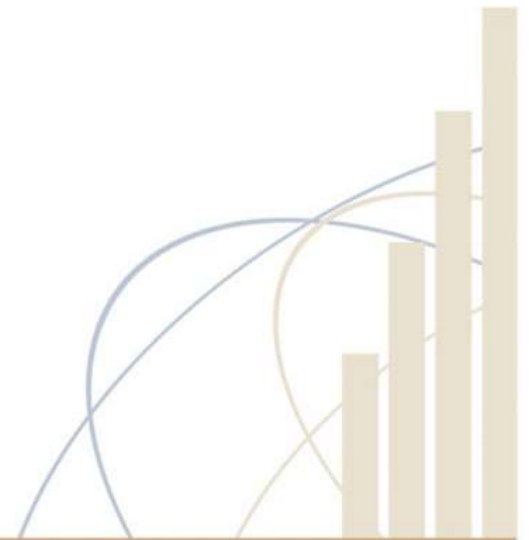
Why clean debtors' data

- Billing accuracy
- Indigent Management
- Credit Control and Debt Collection processes
- Revenue projections
- Assessment of credit risk and recoverability of outstanding debts.
- Impairment Testing
- Fair presentation and disclosure in the AFS
- Accurate and reliable audit evidence

Importance of clean debtors' data

Clean debtors' data assist with Impairment Calculation :

- Accurate age analysis of receivables
- Correct assessment of customers payment behavior and identification of default patterns.
- Realistic assumptions for probability of payment defaults
- Proper grouping of debtors for collective impairment.
- Correct categorization of debtors.
- The split between short-term and long-term receivables.

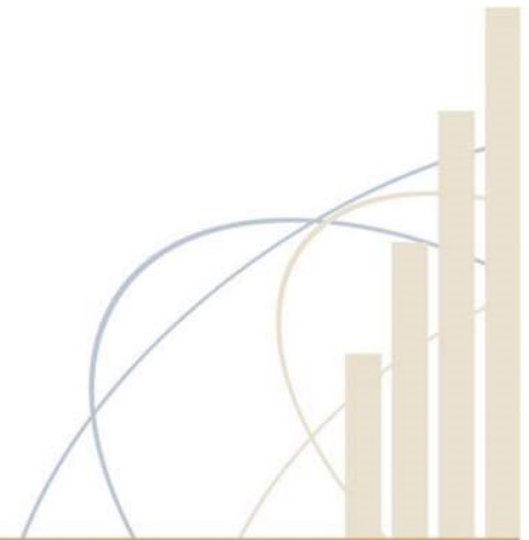


Importance of clean debtors' data

- Improves Data Accuracy and Reliability
- Gain financial health and profitability.
- Attain compliance and accountability
- Prevents Data Loss and Security Risks: reduces the likelihood of data breaches or fraud; impacting strategic planning
- Enhances Business Decision-Making: making financial decisions
- Increases Efficiency and Reduces Costs: automization reduce inefficiencies
- Enhance stakeholder relations and trust,
- Attract investments in local businesses
- Realise business and economic growth

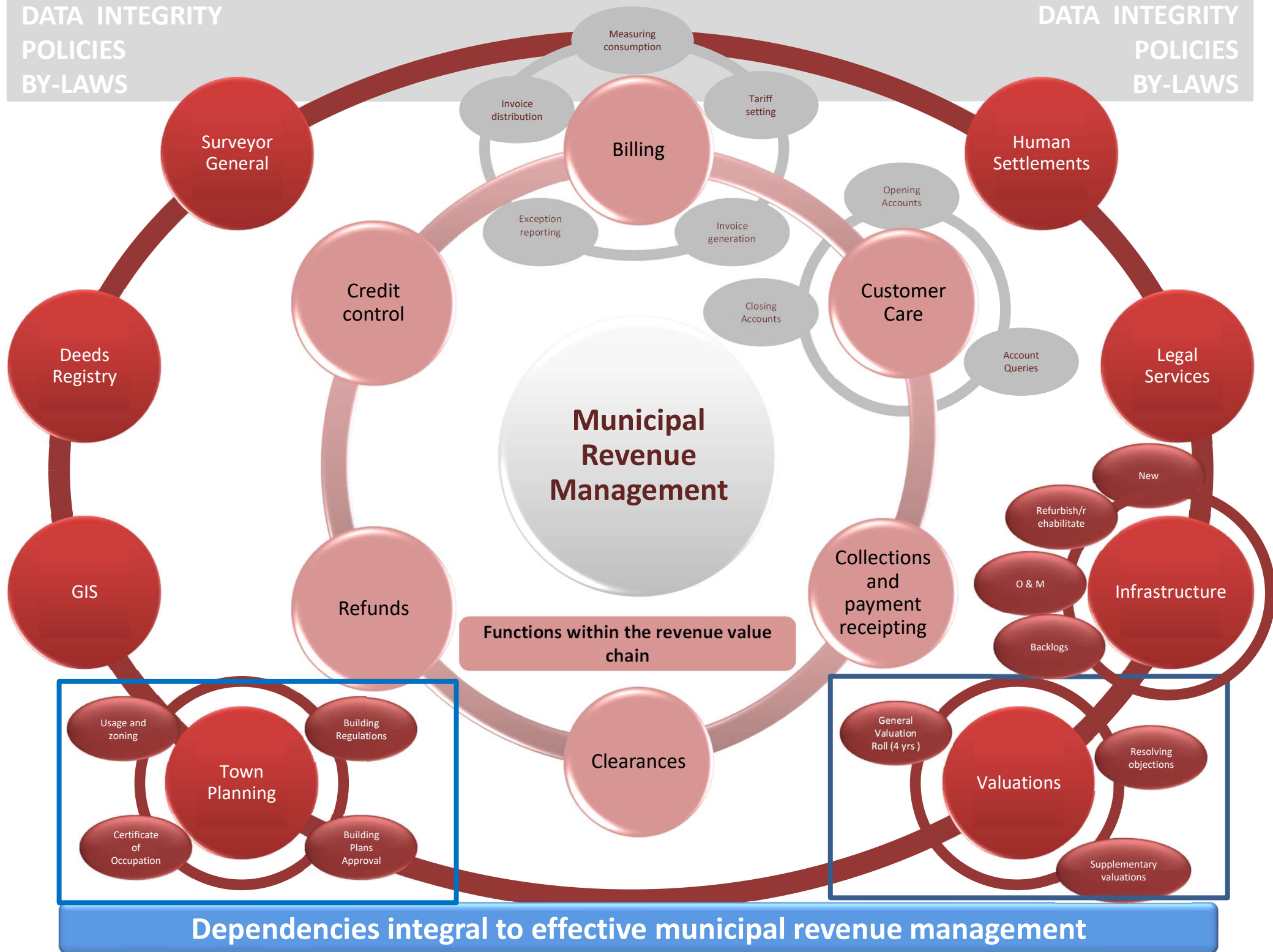
Beyond the numbers

- People
 - Good work relationships
 - Capacitated and committed work force
 - Established strong work force
 - Customers care and relations
 - Collaboration between departments
- Systems
 - Accurate information required in for impairment purposes
 - Information must be secured
 - Reliable systems
 - Correct workflows
 - Integrated systems
 - Policies and by- laws

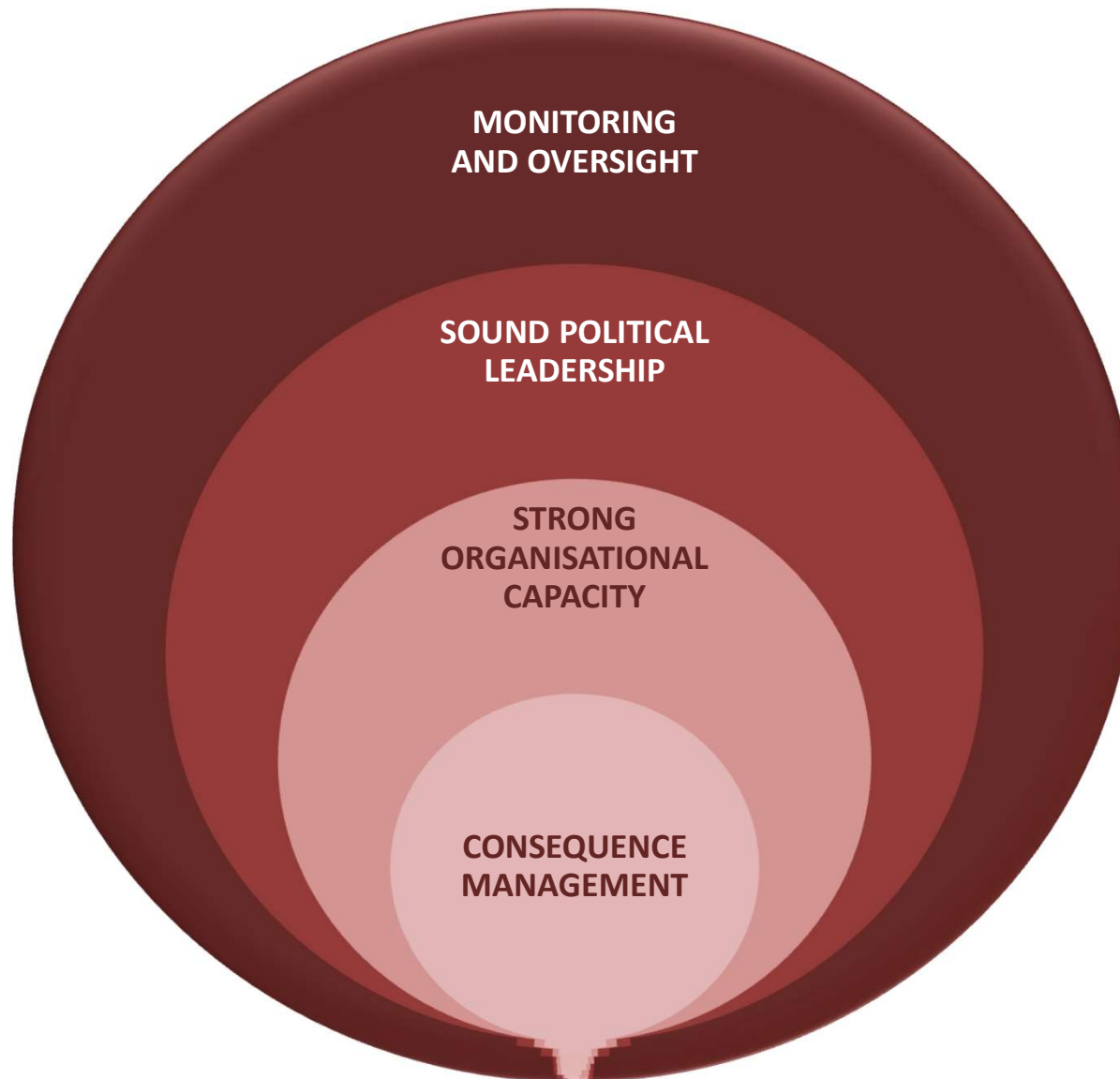


DATA INTEGRITY
POLICIES
BY-LAWS

DATA INTEGRITY
POLICIES
BY-LAWS



Elements of integrated approach



- Communities and stakeholders

- Council and the Mayor to be held accountable

- Institutional arrangements
- Municipal governance
- Organisational design
- Legal compliance
- Municipal policies and by-laws
- Performance management

- Addressing non-compliance enforcing accountability

Beyond the numbers

DATA CLEANSING NEED THE RIGHT JOCKEY's FOR THE JOB



GRAP 104

GRAP 104 is the accounting standard that sets out the recognition, measurement, presentation, and disclosure requirements for financial instruments in the public sector.

Financial Instruments are classified into two types

Financial Assets	Financial Liabilities
Assets that represent a contractual right to receive cash or another financial asset from another entity.	Contractual obligations to deliver cash or another financial asset to another entity.
<ul style="list-style-type: none">• Cash	<ul style="list-style-type: none">• Trade Payables
<ul style="list-style-type: none">• Receivables	<ul style="list-style-type: none">• Borrowings
<ul style="list-style-type: none">• Investments	

Determining material financing transactions

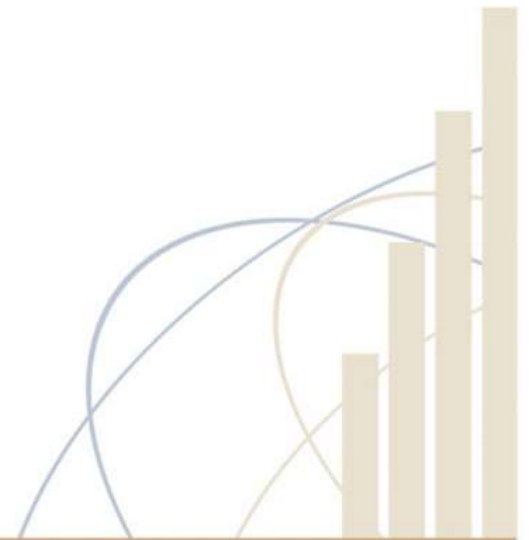
GRAP 104 states that short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with the terms used in the public sector, either through established practices or legislation (PFMA & MFMA). In determining whether an entity can apply the exemption granted in GRAP 104, it would determine whether the credit received or granted is consistent with terms in the public sector by assessing the following:

For credit granted (Debtors)

1. An entity would assess firstly whether any legislation exists prescribing a credit period for debts owing to the entity. “Legislation” may comprise an Act or, it may comprise secondary legislation such as practice notes, regulations or, by-laws issued by municipal councils. Legislation prescribes credit period – Entity has no discretion over the period
2. Where legislation prescribes a credit period, the credit period prescribed in legislation should be used to determine whether the credit period granted by an entity is consistent with terms used in the public sector. Secondary legislation prescribes credit period – Entity has discretion over the period
3. Where credit periods are established in secondary legislation as a by-law, the entity has discretion over the period within which debtors are required to settle their accounts. As a result, in order to determine whether its policy is consistent with terms used in the public sector, an entity should compare its policy with the by-laws of similar entities to establish a norm.

Determining material financing transactions

Municipality A's by-laws prescribes a credit period of 60 days. A number of similar municipalities prescribe a 30 day credit period. As the established practice amongst municipalities is 30 days, then this period is deemed to be the "term that is consistent with those used in the public sector". Thus, in this instance, the municipality would not be able to take advantage of the discounting exemption in GRAP 104 because its credit period is not consistent with the terms used in the public sector.



Determining material financing transactions

GRAP 104.88 states that: “Once the due date for short-term receivables has elapsed and payment is not received, an entity shall consider whether there is any indication that the receivable may be credit-impaired,

- either because interest is not levied on outstanding amounts (using a market related rate of interest), or
- because the principal amount may not be collected

Determining fair value of short-term receivables if not market related

In assessing whether or not the effect of discounting of receivables or payables is not market related, the following factors may be relevant:

- whether late or non-payment by debtors is an indication of impairment; and
- whether an impairment loss exists if it does not charge a market related rate of interest on the outstanding balance.

Determining the fair value if the effect of discounting is material

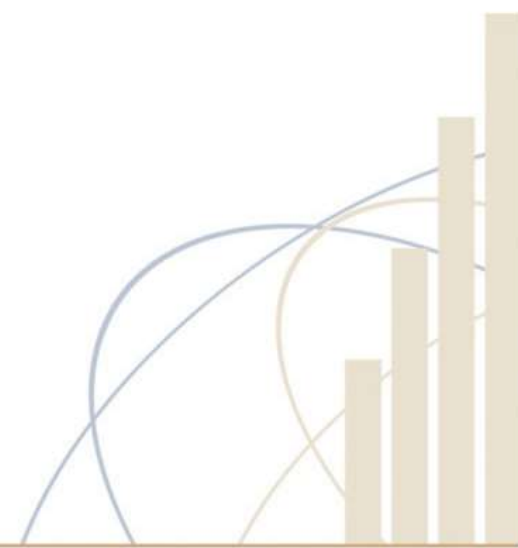
In assessing whether or not the effect of discounting of receivables or payables is material, the following factors may be relevant:

- The total value of receivables or payables (the higher the value of receivables or payables, the more significant the impact of discounting); and
- The credit risk associated with the receivables (the higher the credit risk, the higher the discount rate).

Assessing receivables for discounting(impairment)

To consider at least the following:

- Environmental changes
 - ❖ Floods- demolished houses, businesses
 - ❖ Pandemic- covid resulted in job losses and business
 - ❖ Building demolished by unrests
- Economic changes- increase interest rates
- Political changes
- International relations- tariff increase

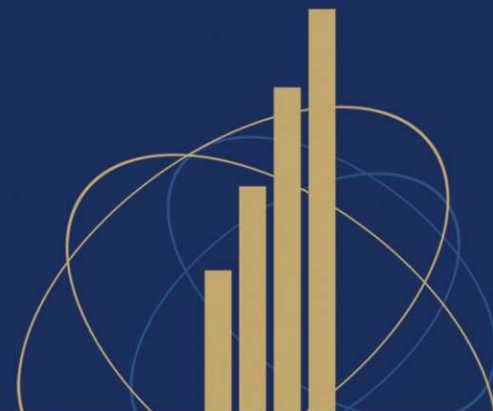


The impact of inaccurate debtors' data on the audit

Audit Assertion	Impact
Existence	Receivables may not be verifiable which could lead to overstatement of receivables in the AFS
Completeness	Unbilled consumers which will result in understatement of revenue and receivables.
Valuation	Receivables may not be correctly valued or aged in the AFS
Rights and Obligations	Receivables balance may include debts already paid off, written off or debtors which might not be within the Municipalities are of Jurisdiction.
Presentation and Disclosure	Inaccurate data could lead to misclassification or incorrect disclosures



Thank You!



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