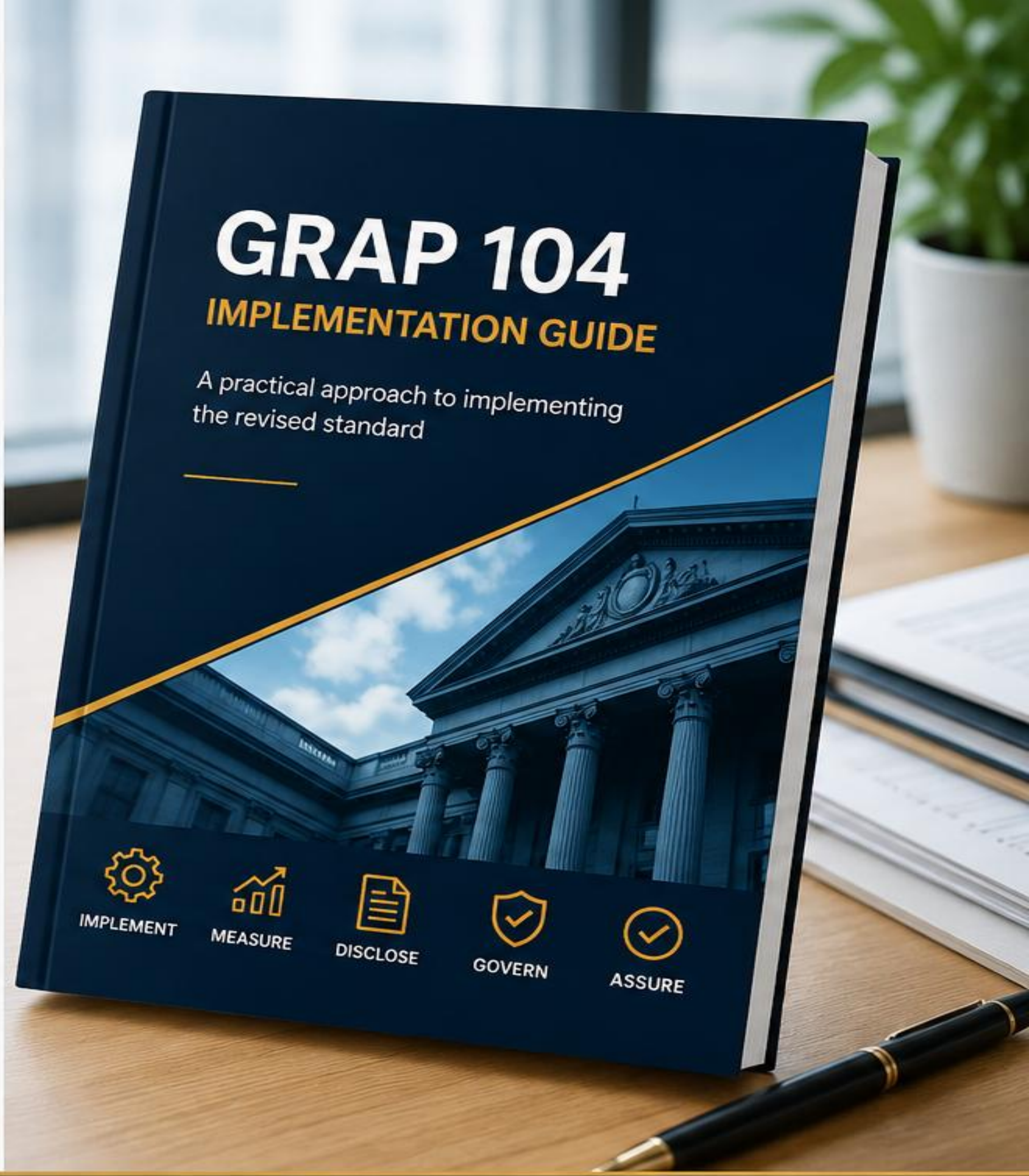
Practical
GRAP 104
Implementation Guide

A practical implementation approach for municipalities, TVET colleges, public entities and other GRAP users preparing for the revised standard.

- **Scoping & Classification**
- **Expected Credit Loss (ECL) Methodologies**
- **Governance & Controls**
- **Disclosure Requirements**
- **Audit-Ready Evidence Pack**

Practical. Actionable. Audit-ready.



DUCHARME CONSULTING

Public Sector Finance
Financial Reporting
Asset Management

Supporting municipalities, TVET colleges and public entities in implementing **revised GRAP 104** with confidence.

Purpose of this Guidance

To show Client exactly what support is required, how the work will be delivered, and what management will receive at the end.

What Client is trying to achieve

• Adopt revised GRAP 104 from 1 July 2025
• Evidence classification and measurement of instruments
• Replace old impairment thinking with an ECL-aligned approach
• Update policies, AFS disclosures and transition note
• Avoid late audit surprises on judgement areas

What Ducharme will do

• Turn the standard into practical Client workpapers
• Build/validate the ECL methodology and model
• Separate GRAP 104, GRAP 108 and other scoped-out items
• Prepare disclosure-ready outputs and journals
• Support management through AGSA queries

What success looks like

• Agreed scope map and instrument register
• Defensible assumptions register
• ECL calculation that Finance can explain
• Updated accounting policy and disclosure pack
• Clean audit trail from source data to AFS numbers

The aim is not to over-engineer GRAP 104 — it is to make Client's implementation clear, proportionate and defendable.

Why this matters now

Client’s 2025 AFS already flags revised GRAP 104 for application from 1 July 2025; the work now needs to be operationalised.

Standard change

Revised GRAP 104 moves the impairment focus to expected credit losses rather than only incurred-loss style indicators.

Client reporting impact

The 2025/26 AFS will need updated policy wording, transition disclosure, risk disclosures and revised impairment evidence.

Audit impact

AGSA will likely challenge assumptions, completeness of scoped instruments, source data, governance approval and disclosure consistency.

Our starting hypothesis for Client

The largest implementation effort will sit in receivables and impairment methodology — not in exotic financial instruments or fair value complexity.

This means the project should be focused, data-driven and firmly tied to Client’s debtor management environment.

Client’s financial-instrument landscape

Current AFS balances point to a focused implementation: classification support, receivables ECL, risk disclosures and governance. (Illustrative example)

Cash & cash equivalents
R5b
general ECL; likely low risk

Exchange receivables
R2.5b
main ECL population

Non-exchange receivables
R628.9m
scoping nuance

Borrowings
R1.36b
amortised cost

Consumer deposits
R800m
liability disclosure

Instrument class	Likely treatment	Client support required	Audit focus
Receivables from exchange	Financial asset at amortised cost	Simplified ECL / provision matrix	Ageing, write-offs, recoveries
Contractual non-exchange receivables	Scope carefully; subsequent measurement/disclosure	Separate from statutory receivables	GRAP 104 vs GRAP 108/23
Cash and investments	Amortised cost	General ECL conclusion and evidence	Bank quality, short-term nature
Borrowings, deposits, payables	Financial liabilities at amortised cost	Classification and maturity disclosure	Completeness and terms

Key message: Client appears to need a targeted municipal receivables implementation — not a generic financial-instruments exercise.

What assistance Client actually needs

The implementation has to translate technical GRAP 104 requirements into management decisions, source evidence and AFS outputs.

1. Scope the population

Confirm financial assets/liabilities and exclusions, including statutory receivables and GRAP 23/108 boundaries.

2. Classify & measure

Prepare instrument-level workpapers supporting amortised cost classification, initial recognition and subsequent measurement.

3. Build the ECL basis

Agree segmentation, historical loss rate method, FLI overlays, default definition and assumption register.

4. Validate outputs

Perform sense-checks against actual write-offs, recoveries, ageing movement and management experience.

5. Update policies

Update GRAP 104 accounting policies and consider Council Credit Control / Debtors Collection Policy impacts.

6. Package for audit

Prepare disclosure pack, transition note, journals, audit index and response support for AGSA.

Ducharme's role is to bridge the gap between the standard, Client's debtor realities and the audit evidence required to support management's judgements.

Implementation approach

We keep the three phases exactly where they should be: inputs, processing and outputs.

Phase 1

INPUTS

Methodology review
Data readiness
Scoping & exclusions
Assumption gaps

Phase 2

PROCESSING

Classification WPs
ECL model
FLI overlays
Sense-checks
Governance

Phase 3

OUTPUTS

Transition support
AFS disclosures
Policy updates
Audit file
Post-implementation support

The sequencing matters: Client should not build an ECL number until scope, data and judgement assumptions have been agreed.

Phase 1 — Diagnostic, scoping and data readiness

Purpose: agree the instrument universe and evidence base before any calculation is finalised.

Work performed

• Review current impairment methodology, policies and processes
• Assess portfolio characteristics and operational practices
• Review AFS and Council policies relating to financial instruments
• Assess data required vs available data
• Identify gaps in repayment, recovery, arrears, write-off and arrangement data
• Confirm GRAP 104 exclusions and scoped-back items

Information required from Client

• Prior year impairment calculations
• Prior year AFS and management reports
• Historical AGSA findings
• Transaction/customer repayment data
• Arrears and arrangements reports
• Write-off and recovery schedules
• Interest/penalty schedules
• Credit policies, deposits and security registers

Phase 1 deliverables

• Instrument population register
• GRAP 104 / GRAP 108 / GRAP 23 scope map
• Data gap log and assumption decision list
• Proposed segmentation approach
• Implementation risk register
• Confirmed methodology design principles
• Client management decision paper

Key enhancement: we make management judgement visible early - so Client is not defending assumptions for the first time during audit.

Scoping lens — preventing the common municipal error

The project will deliberately separate contractual instruments from statutory receivables and other scoped-out balances.

Population	Typical Client examples	Accounting lens	Our output
GRAP 104	Exchange receivables, cash, borrowings, deposits, payables	Contractual right/obligation to cash; classification and ECL where relevant	Classification WP + ECL/disclosure
GRAP 108	Property rates, traffic fines and other statutory receivables	Arises from legislation/regulation, not contract	Separate statutory receivable WP
GRAP 23 / scoped nuance	Certain non-exchange contractual receivables; availability charges	Initial recognition may sit outside GRAP 104 but subsequent measurement/disclosure can still matter	Decision memo + mapping
Outside FI population	Prepayments, VAT receivables, non-financial deposits	No contractual financial asset/liability in substance	Exclusion list with rationale

Why this matters for Client

Wrong scoping causes wrong impairment models, wrong disclosures and avoidable audit findings.

How we will evidence it

Every excluded or scoped-in item will have a reason, source reference and owner sign-off.

Phase 2A — Classification and measurement workpapers

Purpose: support why Client’s instruments are classified and measured the way they are.

Classification support

- Confirm SPPI / cash-flow characteristics where relevant
- Confirm business model / purpose of holding assets
- Document why amortised cost remains appropriate
- Link classification to contracts, policies, registers and AFS line items
- Record judgement on lease receivables and non-exchange receivables

Initial recognition & measurement

- Confirm recognition date and measurement basis
- Tie balances to TB/GL and AFS schedules
- Identify transaction costs or interest elements where relevant
- Confirm no fair value category or reclassification issues
- Prepare opening balance mapping template

Subsequent measurement

- Liabilities: amortised cost and maturity analysis
- Receivables: ECL impairment methodology
- Cash: general ECL conclusion and evidence
- Payables/deposits: disclosure and maturity support
- Reconcile model outputs to AFS notes

Key point: classification may be straightforward, but the workpaper trail still needs to be audit-ready.

Phase 2B — Expected Credit Loss methodology

Purpose: build a proportionate model that Client Finance can understand, update and defend.

ECL = Exposure at default × Base loss rate × Forward-looking adjustment

1. Segment

Group receivables by service, customer class, ageing, indigent exposure, government/business/household and arrangements.

2. Base rate

Use historical losses, recoveries and write-offs; use PD×LGD×EAD only where data supports it.

3. FLI overlay

Apply macroeconomic and Client-specific overlays such as collection trends, inflation, unemployment and budget pressures.

4. Calculate

Calculate final loss rates by pool and apply to balances; reconcile to AFS allowance.

5. Document

Prepare assumption register, source-data trail, sensitivity and retrospective assessment.

Practical stance

Where Client data does not support PD/LGD/EAD granularity, a historical loss-rate provision matrix can be more robust and more auditable.

Audit stance

The model is only as strong as the source data, management overlays and documented governance around assumptions.

Forward-looking information and management overlays

This is where Client's operational reality becomes part of the GRAP 104 estimate.

Inputs considered

- Collection trends
- Ageing movement
- Indigent exposure
- Payment arrangements
- Write-offs and recoveries
- Disputes and corrections
- Local economic indicators
- Inflation, interest and affordability pressure
- Budget/cash-flow information

How we avoid over-engineering

- Use simple, explainable overlays
- Link each overlay to evidence
- Avoid false precision where source data is limited
- Keep management judgement visible
- Separate data facts from judgement overlays
- Build a model that Client can maintain

Governance outputs

- FLI register
- Assumption approval log
- Model change-control checklist
- Evidence index
- Reviewer sign-off
- Retrospective assessment template
- Sensitivity analysis for key assumptions

This is a key sales point for Client: we are not just giving them a number — we are giving them a defendable judgement framework.

Phase 2C — Sense-checks, validation and governance

Purpose: ensure the model makes sense before it becomes an AFS number.

Control area	What we test	Why Client benefits
Sensitivity analysis	Impact of changes in loss rates, ageing mix and FLI multipliers	Shows management understands estimate uncertainty
Retrospective assessment	Compare model outputs to actual write-offs/recoveries where available	Supports reasonableness of the model
Reconciliation	Tie debtor data to TB/GL, AFS notes and impairment allowance	Prevents audit differences and unexplained recon items
Governance	Approvals, roles, model owner, review cycle and change control	Makes the model sustainable beyond year one
Internal review	Output review by management/internal audit before final AFS	Reduces late AGSA pressure

Ducharme deliverable

A governance framework and model-control checklist that Client can re-use annually, not a once-off spreadsheet with hidden assumptions.

Phase 3 — Outputs: AFS, transition and audit support

Purpose: convert the work into AFS-ready disclosures and an audit file that tells one coherent story.

Transition support

Opening balance impact
GRAP 3 note
Journals and recons
Comparative disclosure support

AFS disclosures

Classification note
Credit/liquidity/market risk
Fair value narrative
ECL allowance movement

Policy updates

GRAP 104 accounting policy
Impairment wording
Financial risk management
Credit Control policy touchpoints

Audit support

Audit file index
Assumption register
Decision logs
AGSA query responses

Outcome for Client: management can explain the judgement, Finance can maintain the model, and the AFS team has a clean disclosure and audit trail.

What the disclosure pack will contain

The disclosure pack will be designed to slot into the AFS process and support the financial instruments note.

Disclosure area	Content we prepare/review	Client evidence link
Accounting policy	Updated revised GRAP 104 policy wording and impairment approach	Approved methodology and assumption paper
Classification	Financial assets and liabilities by measurement category	Instrument register, contracts and TB/GL mapping
Credit risk	ECL method, concentrations, ageing, write-offs, collateral/mitigants	Debtor ageing, recoveries, write-offs and credit risk register
Liquidity risk	Maturity analysis for payables, borrowings and deposits	Payment terms, borrowings schedules and cash-flow evidence
Market risk	Interest rate exposure and sensitivity where relevant	Bank/cash investment schedules and interest rates
Fair value	Carrying value approximation narrative	Short-term nature and market-related terms
Transition	Adoption impact, opening balance adjustment and GRAP 3 note	Journal pack and recon to AFS

This is where the project becomes visible to Council, management and auditors — so the wording must be specific to Client, not generic.

Audit-ready evidence pack

We will structure the file so every judgement can be traced from AFS line item to source evidence.

A. Scoping

Instrument population
Exclusions register
GRAP 104/108/23 decision memo

B. Classification

SPPI/business model WP
Initial recognition WP
Measurement category summary

C. ECL

Model and calculation
FLI register
Assumptions and approvals
Sensitivity and retrospective tests

D. AFS

Disclosure pack
Transition note
Journals and recons
Tie-out to TB/GL

E. Governance

Model owner and SOP
Change control
AGSA query tracker
Management sign-offs

The evidence pack is the product Client actually needs when audit pressure starts — it is not only a compliance deliverable.

Information request — mapped to implementation workstreams

A clear request list will reduce disruption and keep responsibility visible.

Workstream	Core information needed	Owner likely involved	Output generated
Scope/classification	AFS, TB/GL, contracts, registers, policies	Finance / AFS team	Instrument register + classification WP
Receivables ECL	Ageing by service/class, write-offs, recoveries, arrangements	Revenue / Debtors	Provision matrix + ECL model
FLI and overlays	Budget, cash-flow, collection trends, indigent and economic data	Finance / Revenue / Budget	FLI and assumption register
Liabilities	Borrowings, deposits, payables schedules and terms	Finance / SCM	Maturity and amortised cost support
Disclosures	Draft AFS templates, prior-year notes, CaseWare/Dynamic AFS setup	AFS team	Disclosure pack and tie-outs
Governance	Credit Control policy, SOPs, approval workflows, risk register	Finance / Revenue / Internal Audit	Governance framework and sign-offs

We will convert the request list into a tracker with owners, due dates, status, issues and audit-file references.

Proposed mobilisation and workplan

A practical 4–6 week implementation sprint, with clear decision gates and handover points.

Week 1	Week 2	Weeks 3–4	Week 5	Week 6
Kick-off Info request Scope map	Data assessment Segmentation Methodology decisions	Classification WPs ECL model FLI overlays	Disclosures Transition Policies	Audit pack Training Handover

Decision gate 1

Agree scope, exclusions and assumptions.

Decision gate 2

Approve ECL methodology and FLI overlay.

Decision gate 3

Approve disclosure and audit pack.

The plan can be compressed or expanded depending on Client data availability and audit timetable pressure.

Why Ducharme for Client

Practical GRAP expertise, audit discipline and municipal implementation support — without over-engineering the solution.

Technical depth

GRAP 104, GRAP 108, GRAP 23 and GRAP 3 are dealt with together, because Client's balances do not sit in neat silos.

Audit-ready by design

Every judgement, calculation and disclosure is linked to source evidence and reviewer sign-off.

Built for handover

The model, SOP and governance framework are designed for Client Finance to maintain annually.

Recommended next step: a 60-minute mobilisation session with Finance, Revenue, AFS and Internal Audit to confirm scope, data owners and the implementation timetable.