



**ANALYSIS AND RESPONSES TO VERBAL COMMENT  
RECEIVED ON**

**PROPOSED INTERPRETATION OF THE STANDARDS  
OF GRAP ON *RECOGNITION AND DERECOGNITION  
OF LAND***

**(ED 139)**



**RESPONSES TO THE VERBAL COMMENT RECEIVED ON THE PROPOSED INTERPRETATION OF THE STANDARDS OF GRAP ON *RECOGNITION AND DERECOGNITION OF LAND* (ED 139)**

The Accounting Standards Board (Board) approved the exposure of the proposed Interpretation of the Standards of GRAP on *Recognition and Derecognition of Land* (ED 139) in December 2015 for comment. A Notice was also published in the Government Gazette on the 18th of December 2015 (Notice 39531). The comment period closed on 15 June 2016.

The proposed IGRAP was discussed with preparers, auditors and consultants by way of workshops, roundtable discussions or other meetings as listed in the table on the next page. In addition, a presentation on the proposed IGRAP was also made during a SAICA webcast.

The results from the workshops, roundtable discussions or other meetings are summarised in this document into general and specific matters, and include the Board's responses to the comment received.



**CLASSIFICATION OF VERBAL COMMENT RECEIVED ON THE PROPOSED IGRAP ON  
THE RECOGNITION AND DERECOGNITION OF LAND (ED 139)**

No.	Name/Organisation	Total	Preparers	Users	Auditors	Other interested parties
1.	Provincial Treasury Eastern Cape		√			
2.	GIAMA Immovable Asset Technical Committee (GITC)					√
3.	IMFO KwaZulu Natal		√			
4.	IMFO Western Cape		√			
5.	Auditor-General Product Champion meeting				√	
6.	Public Sector Accounting Forum		√			
7.	City of Cape Town		√			
8.	Departments of Public Works, Rural Development and Water and Sanitation		√			
9.	Provincial Treasury Mpumalanga		√			
10.	SALGA and IMFO joint consultative session (Gauteng, Limpopo, North West, Mpumalanga)		√			
11.	SALGA and IMFO joint consultative session (Eastern Cape, Free State and Northern Cape)		√			
12.	Intergovernmental Unit and Local Government Unit at National Treasury			√		
13.	Public Finance and Budget Unit at National Treasury			√		



No.	Name/Organisation		Preparers	Users	Auditors	Other interested parties
14.	Roundtable discussion with various stakeholders			√		
15.	North West Public Sector Forum			√		
	<b>TOTAL</b>	15	9	4	1	1



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<b>COMMENT ON PROPOSED IGRAP ON <i>RECOGNITION AND DERECOGNITION OF LAND</i></b>		
<b>No.</b>	<b>Comments</b>	<b>Board's response</b>
	<b>GENERAL MATTERS</b>	
<b>1.</b>	<b>Eastern Cape Provincial Treasury</b>	
1.1	Participants generally supported the principles in the proposed IGRAP, including the proposed indicators of control.	Comment noted. No further action required.
<b>2.</b>	<b>IMFO Workshop – KZN</b>	
2.1	Participants supported the proposed indicators of control.	Comment noted. No further action required.
<b>3.</b>	<b>IMFO Workshop – Western Cape</b>	
3.1	Participants supported the principles and the proposed indicators of control to assess control of land.	Comment noted. No further action required.
<b>4.</b>	<b>Mpumalanga Provincial Treasury</b>	
4.1	Participants supported the proposed principles and indicators of control.	Comment noted. No further action required.



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5.	<b>SALGA and IMFO joint consultative session (Gauteng, Limpopo, North West and Mpumalanga) AND SALGA/IMFO consultative session (Eastern Cape, Free State and Northern Cape)</b>	
5.1	Participants agreed with the proposed principles and agreed that this will ensure that entities consistently assess control of land. Participants welcomed the proposed guidance and clarification.	Comment noted. No further action required.
6.	<b>Intergovernmental Unit and Local Government Unit at National Treasury</b>	
6.1	The principles in the proposed Exposure Draft were supported. It was noted that the timing of the guidance on land is very topical and appropriate following a number of debates in government on the accounting for land.	Comment noted. No further action required.
7.	<b>North West Public Sector Forum</b>	
7.1	Participants supported the proposals in the proposed IGRAP.	Comment noted. No further action required.



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	<b>SPECIFIC MATTERS FOR COMMENT</b>	
<b>8.</b>	<b>Eastern Cape Provincial Treasury</b>	
8.1	<p>Currently the prescribed accounting guidance used to account for land by national and provincial departments is not aligned with the principles in the proposed IGRAP.</p> <p>How, and by whom will this inconsistency be addressed?</p>	<p>Noted. Specific engagements were held with representatives from the National Treasury to discuss this concern.</p> <p>The OAG indicated that the departmental guidance will be aligned with the requirements in the IGRAP once the Board has issued its final pronouncement. The Board agreed to propose an effective date of 1 April 2019 for the IGRAP to accommodate other financial management reforms. This will also allow the OAG sufficient time to update the departmental guidance.</p>
8.2	<p>A municipality can only raise rates and taxes on the registered title deed holder of the land.</p> <p>If the proposed IGRAP requires that the land should be accounted for by the custodian, or in assessing the indicators of control, by another entity that is not the registered title deed holder, how will this impact the municipality's ability to raise rates and taxes?</p>	<p>Noted. The IGRAP provides guidance on when an entity should recognise or derecognise land as an asset in an entity's statement of financial position.</p> <p>The principles in the Property Rates Act, and/or any other relevant Act, will not be affected by the principles in the IGRAP. An entity should therefore continue to raise taxes, as and when prescribed by legislation.</p> <p>As a result, the Board agreed that no amendment should be made to the IGRAP.</p>
8.3	<p>What is the impact of a land claim on assessing control of land?</p> <p>At what point will an entity conclude that the land is no longer its asset based on the land claim?</p>	<p>An entity needs to apply the indicators in the IGRAP to assess control of the land during the claim process. As part of its disclosures, an entity may consider disclosing information about outstanding land</p>



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		<p>claims at year end as this may provide relevant information to the users of the financial statements. These disclosures inform the judgements and assumptions applied by the entity to conclude that it controls land.</p> <p>As this is only one example of a specific event that may impact an entity's assessment of control, the Board agreed that no additional guidance is necessary for inclusion in the IGRAP. The comment will however be provided to the OAG for inclusion in any guidance it may develop on the IGRAP.</p>
<b>9.</b>	<b>GIAMA Immovable Asset Technical Committee (GITC)</b>	
9.1	<p>An amendment as made to the Property Valuation Act, Act No 17 of 2014, in terms of how a property value is assessed. In the past the land and any construction on it was valued separately, but in terms of the new legislation, future valuations will be combined for the land and any construction on the land together.</p> <p>Participants questioned how the combining of the valuations for the land and any constructions on it will impact the assessment of control if buildings and other structures are excluded from the scope of the proposed IGRAP.</p>	<p>Noted. The IGRAP provides guidance on when an entity should recognise or derecognise land as an asset in an entity's statement of financial position. The objective of the Property Valuation Act is to, amongst others, give effect to the provisions in the Constitution which provide for land reform and to facilitate land reform through the regulation of the valuation of property.</p> <p>The requirements in the Property Valuation Act address land reform, rather than the entity's assessment of control of land, and the Board agreed that that no amendments are required to the principles in the IGRAP.</p>
9.2	<p>Participants requested clarification of the principle in the proposed IGRAP that requires "an entity's enforceable right needs <i>to be long enough</i> to reflect the indefinite nature of the land".</p>	<p>Noted. The Board agreed to delete the third indicator of control as an entity would need to demonstrate that, even if it has the right of use and the period is significantly long, it has other substantive rights that allow the entity to direct access to land, and to restrict or deny access</p>



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		<p>of others to the land.</p> <p>The proposed IGRAP has been redrafted to indicate that, when an entity grants another entity the right to use land, the entity will only lose control if it has given up its substantive rights to direct or restrict access to the future economic benefits or service potential related to land.</p> <p>As the proposed amendment is substantive, the Board agreed to re-expose the proposed IGRAP to allow stakeholders an opportunity to comment on the proposed amendment.</p>
<b>10.</b>	<b>IMFO Workshop – Western Cape</b>	
10.1	<p>Respondents noted that some practical challenges may be encountered in accounting for land, specifically where an entity concludes that it is not the legal owner of the land and it therefore does not recognise the land as its asset.</p> <p>In the past, some auditors used the title deed registrations from the Deeds Office to question the exclusion of certain assets from an entity’s financial statements. The absence of these assets recognised in the entity’s financial statements, resulted, in some instances, in audit qualifications.</p>	<p>Noted. The reason for developing the IGRAP is to ensure that entities assess control of land in a consistent manner. Applying a uniform set of accounting principles to assess control of land will likely result in the fewer audit disputes between auditors and auditees. Specific engagements have also been arranged with the auditors to discuss the IGRAP during the comment process.</p> <p>The IGRAP also requires an entity to disclose judgements and assumptions used to assess control. The Board clarified that the disclosures in paragraphs .41 and .42 can be made in total, individually, or for groups of land, to provide relevant information to the users of the financial statements for accountability and decision-making purposes.</p>
<b>11.</b>	<b>Auditor-General Product Champion meeting</b>	



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11.1	<p>Amendments to the Guidance on Accounting and Reporting for Immovable Assets (Property) as issued by the National Treasury need to be made to ensure that the principles in the proposed IGRAP and the National Treasury's guidance reflect the same conclusion in accounting for land.</p>	<p>Noted. Specific engagements were held with representatives from the National Treasury to discuss this concern. The OAG indicated that the departmental guidance will be aligned with the requirements in the IGRAP once the Board has issued its final pronouncement. The Board agreed to propose an effective date of 1 April 2019 for the IGRAP to accommodate other financial management reforms. This will also allow the OAG sufficient time to update the departmental guidance.</p>
11.2	<p>There are some practical challenges in applying the principle that a binding arrangement should be in place. In many instances no arrangement exists to assess an entity's right to use land. How will the control indicators be assessed in the absence of a binding arrangement?</p>	<p>Noted. In developing the proposed IGRAP, the Board concluded that a binding arrangement needs to be in place to assess control of land. The Board concluded that it is highly unlikely that an entity will be granted a right to access the land, or will be able to restrict or deny access of others to the land without an arrangement in place that sets out the entity's rights in relation to land.</p> <p>After discussing the existence of a binding arrangement in relation to tribal authorities with the Government Immovable Technical Committee, it was also confirmed that arrangements, whether in the form of legislation, a Permission to Occupy (PTO), minutes or recordings of discussions between the national or provincial government and the tribal authority and/or the community, should also be available in the majority of instances.</p> <p>As there will be evidence of a binding arrangement in the majority of instances, the Board agreed that no amendment should be made to the principle in the IGRAP that requires the existence of a binding arrangement.</p>



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		In the absence of any arrangement in place, entities should take the necessary action to draw up arrangements to agree the rights and obligations.
11.3	The likelihood of two entities that have entered into an arrangement both concluding that they do not control land was considered. Participants wanted to know how this would be resolved and who should then account for the land as its asset.	Noted. The indicators of control have been clarified, and based on this clarification, it is unlikely that both entities will conclude that neither of them control the land.
<b>12.</b>	<b>Public Sector Accounting Forum</b>	
12.1	The absence of binding arrangements in practice is quite common, specifically in relation to tribal land. It was proposed that more guidance should be provided in the IGRAP on instances when a binding arrangement does not exist, i.e. when the enforceable rights and obligations are not clear, and neither party knows who should account for the land. It was also proposed that such guidance could be in the form of additional indicators that can be considered to assess who controls the land in that circumstance.	<p>Noted. In developing the proposed IGRAP, the Board concluded that a binding arrangement needs to be in place to assess control of land. The Board concluded that it is highly unlikely that an entity will be granted a right to access the land, or will be able to restrict or deny access of others to the land without an arrangement in place that sets out the entity's rights in relation to land.</p> <p>After discussing the existence of a binding arrangement in relation to tribal authorities with the Government Immovable Technical Committee, it was also confirmed that arrangements, whether in the form of legislation, a Permission to Occupy (PTO), minutes or recordings of discussions between the national or provincial government and the tribal authority and/or the community, should also be available in the majority of instances.</p> <p>As there will be evidence of a binding arrangement in the majority of instances, the Board agreed that no amendment should be made to the principle in the IGRAP that requires the existence of a binding</p>



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		<p>arrangement.</p> <p>In the absence of any arrangement in place, entities should take the necessary action to draw up arrangements to agree the rights and obligations.</p>
12.2	<p>The examples in the IGRAP should be expanded to also include examples of colleges that are built on land owned by a traditional authority.</p>	<p>Noted. The examples included in the IGRAP are used to illustrate the principles in the IGRAP and the application of the indicators of control. The intention is not to provide an example of each possible scenario that exists, or may exist in the public sector, hence the requirement in the IGRAP that an entity needs to apply judgement.</p> <p>The Board agreed that an additional example on land owned by a traditional authority is not needed.</p> <p>The comment will be submitted to the OAG for its consideration.</p>
12.3	<p>In practice it may not always be evident who the custodian of the land is. It was questioned whether, in the absence of the other two indicators of control, the legal title deed holder should recognise the land as its asset when a custodian cannot be identified.</p>	<p>Noted. Paragraph .23 in the IGRAP states that, in the absence of an entity demonstrating that it has the right to direct access to and restrict or deny access of others to the land, the legal owner controls the land. The entity will need to consider who the custodian is based on legislation or based on the rights and obligations set out in another binding arrangement that is in place.</p>
12.4	<p>Many entities have constructed buildings or structures on tribal land. It was questioned whether the proposed IGRAP should also be applied by tribal communities to consider whether the land should be accounted for by the entity that has constructed a building on the tribal land.</p>	<p>Noted. Tribal authorities are not, in terms of the requirements of the Public Finance Management Act, required to apply Standards of GRAP. When an entity is required to apply the Standards of GRAP, it should apply the IGRAP to assess whether it controls land.</p>



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12.5	<p>The proposed IGRAP scopes out buildings and other structures constructed on the land. Will it be possible for one entity to account for the land, while another accounts for the constructed building or structure? The proposed IGRAP should provide more guidance on this aspect for clarification.</p>	<p>In terms of the Standard of GRAP on <i>Property, Plant and Equipment</i> (GRAP 17), buildings and other structures on the land are separable assets that are accounted for separately. An entity should therefore apply the principles in GRAP 17, or another applicable Standard of GRAP, to account for buildings and other structures on the land.</p> <p>The scope of the IGRAP has been clarified to explain why land and buildings are treated as separate assets.</p> <p>An entity should apply the applicable Standard of GRAP to determine the value of the land.</p>
12.6	<p>It was questioned that, if the binding arrangement does not specify a time period over which the entity is granted an enforceable right over the land, whether the entity will still be able to assess if its enforceable right, and whether this right will be long enough to reflect the indefinite nature of the land.</p>	<p>Noted. The Board agreed to delete the third indicator of control as an entity would need to demonstrate that, even if it has the right of use and the period is significantly long, it has other substantive rights that allow the entity to direct access to land, and to restrict or deny access of others to the land.</p> <p>The proposed IGRAP has been redrafted to indicate that, when an entity grants another entity the right to use land, the entity will only lose control if it has given up its substantive rights to direct or restrict access to the future economic benefits or service potential related to land. As the proposed amendment is substantive, the Board agreed to re-expose the proposed IGRAP to allow stakeholders an opportunity to comment on the proposed amendment.</p>
12.7	<p>A practical example was given of an entity that uses land as a parking facility which is located next to its main building. The entity is not the legal owner of the land, but in applying the indicators of control, specifically paragraph .16, the</p>	<p>Noted. The Board agreed to delete the third indicator of control as an entity would need to demonstrate that, even if it has the right of use and the period is significantly long, it has other substantive rights that</p>



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	<p>entity will conclude that it should account for the land as its asset, even though it has no intention to recognise the land as its asset.</p> <p>It was questioned whether the assessment of control is correct in these circumstances.</p>	<p>allow the entity to direct access to land, and to restrict or deny access of others to the land.</p> <p>The proposed IGRAP has been redrafted to indicate that, when an entity grants another entity the right to use land, the entity will only lose control if it has given up its substantive rights to direct or restrict access to the future economic benefits or service potential related to land.</p> <p>From the example provided, the entity may therefore conclude that the second indicator of control is met when it has the ability to access the parking facility, and the ability to restrict or deny access of others to the parking facility.</p> <p>As the proposed amendment is substantive, the Board agreed to re-expose the proposed IGRAP to allow stakeholders an opportunity to comment on the proposed amendment.</p>
12.8	<p>The proposed IGRAP scopes out any structures or buildings as control of these assets needs to be assessed in terms of GRAP 17. It is critical that the consequences of the IGRAP are analysed because practically it is difficult to conclude that control of buildings exists when control of the land on which it is built, does not exist.</p>	<p>Noted. In terms of the Standard of GRAP on <i>Property, Plant and Equipment</i> (GRAP 17), buildings and other structures on the land are separable assets that are accounted for separately. An entity should therefore apply the principles in GRAP 17, or another applicable Standard of GRAP, to account for buildings and other structures on the land.</p> <p>The scope of the IGRAP has been clarified to explain why land and buildings are treated as separate assets.</p>
13.	<p><b>City of Cape Town</b></p>	



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13.1	<p>It was noted that regulatory approvals need to be obtained from national government, in particular the Competition Commission, for the purchase or sale of land over a certain value. Such approvals must be obtained before the parties to the arrangement are able to execute the rights and obligations in the binding arrangement concluded between them.</p> <p>The impact of not receiving this approval means that the binding arrangement is invalid unless/until such approval is obtained.</p>	<p>Noted. The IGRAP explains the difference between a protective and substantive right and concluded in paragraph .20 that, for purposes of assessing control of land, an entity should only consider substantive rights and not protective rights.</p>
13.2	<p>It was noted that in certain instances, the City is required to purchase land for use in executing certain functions. In some instances, the land will be distributed immediately to another government entity. This would typically be where an agreement has been concluded between the City and the other entity, which outlines the purchase and transfer of the land.</p> <p>It was questioned whether the acquisition of the land should be treated as the purchase of an asset, or the recognition of an expense.</p> <p>It was noted that, the proposed <i>Guideline on Accounting for Arrangements Undertaken in terms of the National Housing Programme</i>, indicates that where the arrangement has been included with Province, then the acquisition of land is treated as an expense.</p> <p>It was agreed that similar guidance would be useful in the proposed IGRAP on <i>Recognition and Derecognition of Land</i>.</p>	<p>Noted. The entity should consider the terms of the binding arrangement to assess who should account for land. The indicators of control in the IGRAP should be applied.</p> <p>The specific example will be submitted to the OAG for its consideration.</p>
13.3	<p>Following from the above, it was noted that if the acquisition of the land is recognised as an expense, this may result in differences between the reporting in the budget and the financial statements. At present, all such acquisitions are</p>	<p>Noted. Specific engagements will be held with the National Treasury after approval and finalisation of the IGRAP to address this comment.</p>



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	<p>treated as capital expenditure and not as current expenditure.</p> <p>It was suggested that the ASB engage the National Treasury on this issue to discuss any possible implications for the budget.</p>	
<b>14.</b>	<b>Departments of Public Works, Rural Development and Water and Sanitation</b>	
14.1	<p>In practice, a binding arrangement does not normally exist between the Department of Public Works, and the entity that uses the land in generating future economic benefits or service potential. Also where tribal authorities have been granted a right to a public sector entity to use the land, the tribal authority is unlikely to enter into an arrangement with the Department, as this arrangement can be seen as losing control. The proposed IGRAP should therefore consider those situations that exist where no binding arrangement is entered into between the parties in relation to land.</p>	<p>Noted. In developing the proposed IGRAP, the Board concluded that a binding arrangement needs to be in place to assess control of land. The Board concluded that it is highly unlikely that an entity will be granted a right to access the land, or will be able to restrict or deny access of others to the land without an arrangement in place that sets out the entity's rights in relation to land.</p> <p>After discussing the existence of a binding arrangement in relation to tribal authorities with the Government Immovable Technical Committee, it was also confirmed that arrangements, whether in the form of legislation, a Permission to Occupy (PTO), minutes or recordings of discussions between the national or provincial government and the tribal authority and/or the community, should also be available in the majority of instances.</p> <p>As there will be evidence of a binding arrangement in the majority of instances, the Board agreed that no amendment should be made to the principle in the IGRAP that requires the existence of a binding arrangement.</p> <p>In the absence of any arrangement in place, entities should take the necessary action to draw up arrangements to agree the rights and</p>



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		obligations.
14.2	<p>The term “common law” in paragraph .17 should be explained to indicate whether it has the same meaning as “binding arrangement”.</p> <p>It was questioned how an entity’s assessment of control of land will be impacted when the rights and obligations in the binding arrangement are different to “common law”.</p>	<p>Noted. The explanation of a binding arrangement has been aligned with the principles in GRAP 109 on <i>Accounting by Principals and Agents</i>.</p> <p>In terms of this description, “common law” is one of the means used to assess if a binding arrangement exists. As such, common law will only likely be considered in the absence of a contract or legislation, supporting regulations or similar means. It is therefore unlikely that the rights and obligations in a binding arrangement will be different to “common law”.</p> <p>As the amended explanation of a binding arrangement is aligned with the guidance in other Standards of GRAP, the Board agreed that no additional explanation is needed.</p>
14.3	<p>Previous decisions taken required that land should be recognised by the Department of Public Works’ as state owned land was not recognised by any other entity at that point in time.</p> <p>Will these previous decisions be binding and what will the impact therefore be when an entity is required to apply the principles in the proposed IGRAP in assessing control of land?</p>	<p>Noted. The Board agreed to delete the third indicator of control as an entity would need to demonstrate that, even if it has the right of use and the period is significantly long, it has other substantive rights that allow the entity to direct access to land, and to restrict or deny access of others to the land.</p> <p>The proposed IGRAP has been redrafted to indicate that, when an entity grants another entity the right to use land, the entity will only lose control if it has given up its substantive rights to direct or restrict access to the future economic benefits or service potential related to land.</p> <p>Therefore, the custodian, who has the right to direct access to land,</p>



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		<p>and to restrict or deny access others to land, should account for the land as its asset. If a right to use land for an indefinite period of time has been granted to another entity, control will remain with the department of Public Works if it has not given up its substantive right over the land.</p> <p>As the proposed amendment is substantive, the Board agreed to re-expose the proposed IGRAP to allow stakeholders an opportunity to comment on the proposed amendment.</p>
14.4	<p>The Department of Water Affairs and Sanitation noted that even though the title deed of land is not registered in its name, it still accounts for land when infrastructure, for example a dam is located on that land.</p> <p>It was questioned whether this will change as a result of the principles proposed in the IGRAP.</p>	<p>Noted. Based on the legal opinion obtained in developing the proposed IGRAP, and, based on the principles of substance over form, the Board concluded in BC19 and BC20 that as the custodian is required to acquire, manage the land throughout its life cycle and dispose of the land subject to the legislative requirements, it, rather than the registered legal title deed holder, should account for the land as its asset.</p>
14.5	<p>It was proposed that buildings and other structures should not be scoped out of the proposed IGRAP as the accounting for land and buildings should not be separated. As infrastructure will determine whether the asset will generate future economic benefits or service potential for the entity, entities assess their control of land based on the assessment of control of the building or other infrastructure.</p>	<p>Noted. As the principles in other Standards of GRAP indicate that buildings and other structures on land should be accounted for as separate assets, the IGRAP only applies to the recognition and derecognition of land.</p> <p>In terms of the Standard of GRAP on <i>Property, Plant and Equipment</i> (GRAP 17), buildings and other structures on the land are separable assets that are accounted for separately. An entity should therefore apply the principles in GRAP 17, or another applicable Standard of GRAP, to account for buildings and other structures on the land.</p> <p>The scope of the IGRAP has been clarified to explain why land and</p>



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		buildings are treated as separate assets.
14.6	It was questioned when land is illegally occupied, whether the asset should be impaired, or whether this will be an indication that the entity does not control the land.	The principles in the IGRAP should be considered to assess whether it controls the land in this circumstance. Once this assessment is done and the entity concludes that it does control the land, the principles in the applicable Standards of GRAP should be applied to consider whether the land should be impaired. Impairment should therefore be considered as a subsequent measurement issue, rather than it being an indication of control.
14.7	Some additional indicators should be included to assist an entity with its assessment of control. It was proposed that an entity should be required to also assess the period of time over which it has a benefit from the use of a structure in relation to executing its mandate.	<p>Noted. The Board agreed to delete the third indicator of control as an entity would need to demonstrate that, even if it has the right of use and the period is significantly long, it has other substantive rights that allow the entity to direct access to land, and to restrict or deny access of others to the land.</p> <p>The proposed IGRAP has been redrafted to indicate that, when an entity grants another entity the right to use land, the entity will only lose control if it has given up its substantive rights to direct or restrict access to the future economic benefits or service potential related to land. As the proposed amendment is substantive, the Board agreed to re-expose the proposed IGRAP to allow stakeholders an opportunity to comment on the proposed amendment.</p> <p>In terms of the Standard of GRAP on <i>Property, Plant and Equipment</i> (GRAP 17), buildings and other structures on the land are separable assets that are accounted for separately. An entity should therefore apply the principles in GRAP 17, or another applicable Standard of GRAP, to account for buildings and other structures on the land.</p>



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		<p>The scope of the IGRAP has been clarified to explain why land and buildings are treated as separate assets.</p>
<p>14.8</p>	<p>In terms of the Land Disposal Act, the Department of Rural Development and Land Reform, or its Minister, has the authority to approve the disposal of land. How will this legislative requirement be impacted by the proposed IGRAP?</p>	<p>BC8 of the IGRAP acknowledges this legislative requirement that grants the Department of Rural Development certain rights.</p> <p>In terms of discussion held with representatives from the Department of Water Affairs and Sanitation, the Department acts as a trustee over certain land. Legislation grants the Department a protective right over the land. The IGRAP clarifies that, in assessing control of land, the entity needs to access its substantive right, rather than its protective right.</p> <p>Furthermore, based on the legal opinion obtained in developing the proposed IGRAP, and, based on the principles of substance over form, the Board concluded in BC19 and BC20 that as the custodian is required to acquire, manage the land throughout its life cycle and dispose of the land subject to the legislative requirements, it, rather than the registered legal title deed holder, should account for the land as its asset.</p> <p>Based on the nature of the land in question, the Department needs to assess the principle noted above to conclude on the impact of the IGRAP on the legislative requirements.</p>
<p>14.9</p>	<p>An example was provided where the Department of Water and Sanitation noted that, in terms of the relevant legislative requirements, national government is the title deed holder of the land, while the Minister of the Department is appointed as the custodian of the land. It was questioned how these legislative requirements will be impacted by the principles in the</p>	<p>Noted. Based on the legal opinion obtained in developing the proposed IGRAP, and, based on the principles of substance over form, the Board concluded in BC19 and BC20 that as the custodian is required to acquire, manage the land throughout its life cycle and dispose of the land subject to the legislative requirements, it, rather</p>



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	<p>proposed IGRAP.</p> <p>An observation was also made that accounting should not impact the legislative requirements.</p>	<p>than the registered legal title deed holder, should account for the land as its asset. In the absence of the other indicators of control, the Department of Water and Sanitation should, in this instance, account for the land as its asset.</p> <p>Noted. Even though there are differences between the legislative requirements and the accounting principles, land should be accounted for based on the principle of substance over form.</p>
14.10	<p>In many instances, the Department of Public Works is the custodian of land which is used by another department, including a facility that was constructed on the land, for example land that used by Defence as a testing facility. DPW does not have the intention use the land for any other purpose.</p> <p>In applying the indicators of control, DPW can conclude that it has a right to access the land, and to restrict or deny the access of others to the land as it is the legal owner of the land. The Department that uses the land in performing on its mandated function can make a similar conclusion as it is granted the right which allows it to access the land, and to restrict or deny the access of others to the land.</p> <p>The indicator on “right to access the land, and restrict of deny others to the land” should be clarified.</p>	<p>Noted. In developing the proposed indicators of control in the proposed IGRAP, the Board considered the principle of substance over form should be considered. Legal ownership is one method of assessing control of land, but an entity also needs to apply the other indicators of control in the IGRAP by assesses whether it has a right to direct access to land, and to restrict or deny the access of others to land, and/or whether a right has been granted to it to use the land in generating future economic benefits or service potential.</p> <p>Noted. The Board agreed to delete the third indicator of control as an entity would need to demonstrate that, even if it has the right of use and the period is significantly long, it has other substantive rights that allow the entity to direct access to land, and to restrict or deny access of others to the land.</p> <p>The proposed IGRAP has been redrafted to indicate that, when an entity grants another entity the right to use land, the entity will only lose control if it has given up its substantive rights to direct or restrict access to the future economic benefits or service potential related to land.</p>



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		As the proposed amendment is substantive, the Board agreed to re-expose the proposed IGRAP to allow stakeholders an opportunity to comment on the proposed amendment.
14.11	The difference between the indicators in par 27(a) and 27(c) should be elaborated and explained.	Noted. Additional wording has been included to explain the indicators of control.
14.12	The three indicators of control should be more specific and not refer to “or” as entities can come to different conclusions when they apply the indicators.	Noted. However, the deletion of the “or” and “and/or” is not supported as, in many instances, only the legal owner can be identified.  The use of “or” is therefore be appropriate.
14.13	The proposed IGRAP should only apply to arrangements between public sector entities and non-public sector entities, and not to land that is legally owned and/or used by another public sector entity. This will ensure that all the land for which Department of Public Works is the legal custodian will be recognised as the Department of Public Works’ asset rather than by another public sector that is using the land in generating future economic benefits of service potential.	Noted. In developing the proposed IGRAP, the Board agreed that guidance should be developed for all public sector entities.  Respondents to the Post-implementation Review specifically requested guidance to be applied by entities where one entity is the legal owner, while another is using the land to generate future economic benefits or service potential. The objective of the IGRAP is therefore to provide assistance to entities to assess control of land by applying the indicators of control. This will ensure that all public sector entities assess control in a consistent manner.  The application of the IGRAP only where an arrangement exists between a public sector entity and a private entity, is therefore not supported.
14.14	The proposed Interpretation should clarify whether the second indicator in assessing control (i.e. the right to access the land, or to restrict or deny the access of others to the land), or the third indicator (i.e. existence of an	Noted. The Board agreed to delete the third indicator of control as an entity would need to demonstrate that, even if it has the right of use and the period is significantly long, it has other substantive rights that



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	enforceable right) is more important to conclude on control.	<p>allow the entity to direct access to land, and to restrict or deny access of others to the land.</p> <p>The proposed IGRAP has been redrafted to indicate that, when an entity grants another entity the right to use land, the entity will only lose control if it has given up its substantive rights to direct or restrict access to the future economic benefits or service potential related to land.</p> <p>The indicators of control in the IGRAP should be assessed based on the terms and conditions set out in the binding arrangement. As such, none of the indicators are more important than the other, and judgement should therefore be applied.</p>
14.15	Some participants disagreed with the conclusion in paragraph .31 which concludes that the entity which is the custodian, rather than the registered title deed holder should recognise land for accounting purposes. A view was expressed that the registered title deed holder should in all instances recognise the land as it asset.	Noted. Based on the legal opinion obtained in developing the proposed IGRAP, and the principles of substance over form, the Board concluded in BC19 and BC20 that, as the custodian is required to acquire, manage the land throughout its life cycle and dispose of the land subject to the legislative requirements, it, rather than the registered legal title deed holder, should account for the land as its asset.
14.16	In applying the indicators of control to land for which the Department of Public Works is in terms of legislation granted a custodian responsibility, another entity using the land to generate future economic benefits or service potential may conclude that land should be recognised as its asset. This may distort the financial statements of the Department of Public Works being the custodian, but not reflecting the land as its asset in the financial statements.	Noted. In assessing control of land, substance over form should be applied. Based on the legal opinion obtained in developing the proposed IGRAP, and, based on the principles of substance over form, the Board concluded in BC19 and BC20 that, as the custodian is required to acquire, manage the land throughout its life cycle and dispose of the land subject to the legislative requirements, it, rather than the registered legal title deed holder, should account for the land



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		<p>as its asset.</p> <p>In addition, the Board agreed to delete the third indicator of control as an entity would need to demonstrate that, even if it has the right of use and the period is significantly long, it has other substantive rights that allow the entity to direct access to land, and to restrict or deny access of others to the land.</p> <p>The proposed IGRAP has been redrafted to indicate that, when an entity grants another entity the right to use land, the entity will only lose control if it has given up its substantive rights to direct or restrict access to the future economic benefits or service potential related to land.</p> <p>As the proposed amendment is substantive, the Board agreed to re-expose the proposed IGRAP to allow stakeholders an opportunity to comment on the proposed amendment</p>
14.17	<p>The proposed disclosures seem to be too onerous. Requiring specific disclosures on land should rather be required in the applicable Standard of GRAP and not in an Interpretation of the Standards of GRAP.</p> <p>The detail of the disclosures required in paragraph .42(a) is unclear, for example, should the disclosure include a reference to the title deeds, the value of the land and a description of the location.</p>	<p>Noted. As these disclosures will provide relevant information the users of the financial statements, the Board agreed that paragraphs .41 and .42 should be retained. Paragraph .43 and the Basis of Conclusions have been clarified to explain that the disclosures in paragraphs .41 and .42 can be made in total, individually, or for groups of land, as long as it provides relevant information to the users of the financial statements for accountability and decision-making purposes. The Basis for Conclusions has been clarified to explain that the intention is not to provide information on an asset-by-asset basis</p> <p>The comment will be submitted to the OAG to consider if illustrative</p>



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		disclosure is developed.
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15.	<b>Provincial Treasury Mpumalanga</b>	
15.1	<p>In many instances a binding arrangement is not in place. It was observed that assessing control in the absence of a formal written binding arrangement will be problematic as the proposed IGRAP does not address this.</p>	<p>Noted. In developing the proposed IGRAP, the Board concluded that a binding arrangement needs to be in place to assess control of land. The Board concluded that it is highly unlikely that an entity will be granted a right to access the land, or will be able to restrict or deny access of others to the land without an arrangement in place that sets out the entity's rights in relation to land.</p> <p>As there will be evidence of a binding arrangement in the majority of instances, the Board agreed that no amendment should be made to the principle in the IGRAP that requires the existence of a binding arrangement.</p> <p>In the absence of any arrangement in place, entities should take the necessary action to draw up arrangements to agree the rights and obligations.</p>
15.2	<p>The concept of "significantly long enough" should be elaborated on in the proposed IGRAP.</p>	<p>Noted. The Board agreed to delete the third indicator of control as an entity would need to demonstrate that, even if it has the right of use and the period is significantly long, it has other substantive rights that allow the entity to direct access to land, and to restrict or deny access of others to the land.</p> <p>The proposed IGRAP has been redrafted to indicate that, when an entity grants another entity the right to use land, the entity will only lose control if it has given up its substantive rights to direct or restrict access to the future economic benefits or service potential related to land.</p>



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		As the proposed amendment is substantive, the Board agreed to re-expose the proposed IGRAP to allow stakeholders an opportunity to comment on the proposed amendment
<b>16.</b>	<b>SALGA and IMFO joint consultative session</b>	
16.1	Participants noted that a municipality can only levy rates and taxes on the registered title deed holder of a property. If an entity applies the indicators of control and assess that it, and not the legal owner, controls the land will the municipality still be able to levy rates and taxes on the registered title deed holder.	<p>Noted. The IGRAP provides guidance on when an entity should recognise or derecognise land as an asset in an entity's statement of financial position.</p> <p>The principles in the legislation that prescribes when an entity can raise rates and taxes will not be impacted by the principles in the IGRAP. An entity could therefore continue to raise taxes, as and when prescribed by legislation.</p> <p>As a result, the Board agreed that no amendment should be made to the IGRAP.</p>
16.2	Will an entity be able to assess the indicators of control in the absence of a binding arrangement?	<p>Noted. In developing the proposed IGRAP, the Board concluded that a binding arrangement needs to be in place to assess control of land. The Board concluded that it is highly unlikely that an entity will be granted a right to access the land, or will be able to restrict or deny access of others to the land without an arrangement in place that sets out the entity's rights in relation to land.</p> <p>After discussing the existence of a binding arrangement in relation to tribal authorities with the Government Immovable Technical Committee, it was also confirmed that arrangements, whether in the form of legislation, a Permission to Occupy (PTO), minutes or recordings of discussions between the national or provincial</p>



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		<p>government and the tribal authority and/or the community, should also be available in the majority of instances.</p> <p>As there will be evidence of a binding arrangement in the majority of instances, the Board agreed that no amendment should be made to the principle in the IGRAP that requires the existence of a binding arrangement.</p> <p>In the absence of any arrangement in place, entities should take the necessary action to draw up arrangements to agree the rights and obligations.</p>
16.3	It is proposed that the indicators should be ordered in a descending order of importance to ensure that all entities assess the indicators of control in a similar manner.	<p>Noted. However, as all the indicators may not be applicable in all scenarios, the IGRAP requires that an entity should apply judgement to assess whether the indicators are met. An entity is also required to assess the indicators based on the terms and condition set out in the binding arrangement. As such, the Board cannot order the indicators as the circumstances in which an entity applies the indicators of control, will differ.</p> <p>No amendment has therefore been made.</p>
16.4	If a long term lease arrangement is registered against a title deed, how does this impact an entity's assessment of control?	<p>In relation to control of land, the entity that has been granted a right to use the land in terms of the lease arrangement, needs to assess if the right to access the land, or to restrict or deny access of others, is granted to it for an indefinite period. An entity applies the IGRAP and GRAP 13 on <i>Leases</i> to account for lease arrangements.</p>
16.5	The term "binding arrangement" should be defined in the proposed IGRAP.	<p>Agreed. An explanation of a binding arrangement has been included in the IGRAP. This explanation is aligned with the guidance included</p>



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		in GRAP 109 on <i>Accounting by Principals and Agent</i> .
<b>17.</b>	<b>Intergovernmental Unit and Local Government Unit at National Treasury</b>	
17.1	Legislation or similar means governs who the custodian over land should be. It was questioned what process is followed to determine who the custodian over land will be, and whether this should be addressed in the proposed IGRAP.	Noted. The objective of the IGRAP is to provide guidance on when an entity should recognise and derecognise land as an asset. The process of determining who the custodian over land should be is a separate legal process that is outside the scope of the IGRAP.  The Board therefore agreed to not amend the principles in the IGRAP.
17.2	The application of the principles in the proposed IGRAP will probably not impact the mSCOA classification as the objective of the IGRAP is to provide guidance to an entity to assess whether it controls the land. If the entity then concludes that it controls the land, the appropriate line items to record the land are already included in the mSCOA classification.	Noted. No further action required.
17.3	The guidance to be applied by national and provincial departments in relation to the accounting for land as prescribed in the Guidance on Accounting and Reporting for Immovable Assets (Property) issued by the National Treasury, needs to be updated and aligned with the principles in the proposed IGRAP.	Specific engagements were held with representatives from the National Treasury to discuss this concern.  The OAG indicated that the departmental guidance will be aligned with the requirements in the IGRAP once the Board has issued its final pronouncement. The Board agreed to propose an effective date of 1 April 2019 for the IGRAP to accommodate other financial management reforms. This will also allow the OAG sufficient time to update the departmental guidance.
17.4	In terms of legislation, property rates can only be levied by the municipality on	Noted. The IGRAP provides guidance on when an entity should



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	<p>the registered title deed holder. It was questioned whether a municipality will still be able to levy rates and taxes if, based on the application of the principles in the proposed IGRAP, one entity is the legal owner of the land while another controls the land for accounting purposes.</p>	<p>recognise or derecognise land as an asset in an entity's statement of financial position.</p> <p>The principles in the legislation that prescribes when an entity can raise rates and taxes will not be impacted by the principles in the IGRAP. An entity could therefore continue to raise taxes, as and when prescribed by legislation.</p> <p>As a result, the Board agreed that no amendment should be made to the IGRAP.</p>
17.5	<p>It was questioned whether the principles in the proposed IGRAP can be applied by an entity when it owns land outside its jurisdiction.</p>	<p>The principles could be applied to land outside the jurisdiction of the entity, but the relevant legislative requirements in that jurisdiction need to be considered.</p>
<b>18.</b>	<b>Public Finance and Budget</b>	
18.1	<p>The second indicator of control grants an entity the right to access land or to restrict or deny the access of other to the land. It was questioned whether this right should be recognised as an intangible asset by the entity to whom the right is granted.</p>	<p>Noted. For a right to be recognised as an asset, the right needs to meet the definition and recognition criteria of an asset.</p> <p>The objective of the indicator is to assess whether, based on the right to access land or to restrict or deny the access of other to the land, the entity controls the land. When an entity controls the land, it will generate future economic benefits of service potential from the land – the land, rather than the right, meets the definition and recognition criteria of an asset.</p> <p>The Board has therefore agreed that no amendment to the principles in the IGRAP is required.</p>



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<p>18.2</p>	<p>In many instances a binding arrangement is not in place. How will an entity access control in the absence of a binding arrangement.</p>	<p>Noted. In developing the proposed IGRAP, the Board concluded that a binding arrangement needs to be in place to assess control of land. The Board concluded that it is highly unlikely that an entity will be granted a right to access the land, or will be able to restrict or deny access of others to the land without an arrangement in place that sets out the entity's rights in relation to land.</p> <p>As there will be evidence of a binding arrangement in the majority of instances, the Board agreed that no amendment should be made to the principle in the IGRAP that requires the existence of a binding arrangement.</p>
<p>18.3</p>	<p>An example of the Department of Agriculture that grants a right to communities to use land indefinitely was noted. It was questioned whether, in these circumstances, control of the land will remain with the Department, even if the community will use the land indefinitely for agricultural purposes.</p>	<p>Noted. The two indicators of control in the IGRAP should be applied to the terms and conditions set out in the binding arrangement between the parties involved. In applying the indicators of control, the Department should be able to conclude whether it, or the community, controls the land.</p> <p>The Board agreed to delete the third indicator of control as an entity would need to demonstrate that, even if it has the right of use and the period is significantly long, it has other substantive rights that allow the entity to direct access to land, and to restrict or deny access of others to the land.</p> <p>The proposed IGRAP has been redrafted to indicate that, when an entity grants another entity the right to use land, the entity will only lose control if it has given up its substantive rights to direct or restrict access to the future economic benefits or service potential related to land. As the proposed amendment is substantive, the Board agreed</p>



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		<p>to re-expose the proposed IGRAP to allow stakeholders an opportunity to comment on the proposed amendment.</p> <p>Based on this additional clarification, the Department may assess that it does not control the land.</p>
<b>19.</b>	<b>Roundtable discussion</b>	
19.1	<p>The existence of a binding arrangement in all land arrangements is questionable. In most instances, no arrangement exists between the Department of Public Works and other departments where land is used by these departments.</p>	<p>Noted. In developing the proposed IGRAP, the Board concluded that a binding arrangement needs to be in place to assess control of land. The Board concluded that it is highly unlikely that an entity will be granted a right to access the land, or will be able to restrict or deny access of others to the land without an arrangement in place that sets out the entity's rights in relation to land.</p> <p>As there will be evidence of a binding arrangement in the majority of instances, the Board agreed that no amendment should be made to the principle in the IGRAP that requires the existence of a binding arrangement. In the absence of any arrangement in place, entities should take the necessary action to draw up arrangements to agree the rights and obligations.</p> <p>It should also be noted that, based on the legal opinion obtained in developing the proposed IGRAP, and, based on the principles of substance over form, the Board concluded in BC19 and BC20 that, as the custodian is required to acquire, manage the land throughout its life cycle and dispose of the land subject to the legislative requirements, it, rather than the registered legal title deed holder, should account for the land as its asset.</p>



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		Based on the clarification included in the IGRAP in relation to the second indicator of control, even if the Department of Public Works (DPW) has granted another entity a right to use land for an indefinite period of time, control will be assessed by DPW if it retains the substantive right over the land.
19.2	<p>The meaning of “common law” should be elaborated on. Will this, for example include verbal arrangements between parties that involve the use of land?</p> <p>An explanation of “binding arrangement” should also be added to the guidance in the proposed IGRAP.</p>	<p>Noted. The explanation of a binding arrangement has been aligned with the principles in GRAP 109 on <i>Accounting by Principals and Agents</i>.</p> <p>In terms of this description, “common law” is one of the means used to assess if a binding arrangement exists. Common law, however, refers to case law. Verbal agreements should instead be considered as part of a contractual arrangement between parties.</p> <p>As the amended explanation of a binding arrangement is aligned with the guidance in other Standards of GRAP, the Board agreed that no additional explanation is needed.</p>
19.3	<p>Some participants were of the view that the entity that has legal ownership should always recognise the land as its asset. This requirement should be required as a first step in the proposed IGRAP. Only in the absence of identifying a legal owner, the second and third control criterions should be assessed to determine control of the land.</p>	<p>Noted. In developing the proposed indicators of control in the proposed IGRAP, the Board considered the principle of substance over form should be considered. Legal ownership is one method of assessing control of the land, but an entity also needs to apply the other indicators of control in the IGRAP by assessing whether it has a right to direct access to land, and to restrict or deny the access of others to land</p> <p>Paragraph .23 in the IGRAP states that, in the absence of an entity demonstrating that it has the right to direct access to and restrict or</p>



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		deny access of others to the land the legal owner controls the land.
19.4	<p>The indicator on “the right to access land or to restrict of deny the access of others to the land” was questioned, and it was noted that the indicator is vague.</p> <p>Some participants noted that when an entity is the legal owner of land, it will automatically have a right to access the land, and to restrict and deny the access of others to the land.</p> <p>If this right is given or transferred to another entity, both entities will conclude that it has a right, which will result in both entities concluding that it controls the land.</p>	<p>Noted. In developing the proposed indicators of control in the proposed IGRAP, the Board considered the principle of substance over form should be considered. Legal ownership is one method of assessing control of the land, but an entity also needs to apply the other indicators of control in the IGRAP by assesses whether it has a right to direct access to land, and to restrict or deny the access of others to land.</p> <p>The Board agreed to delete the third indicator of control as an entity would need to demonstrate that, even if it has the right of use and the period is significantly long, it has other substantive rights that allow the entity to direct access to land, and to restrict or deny access of others to the land.</p> <p>The proposed IGRAP has been redrafted to indicate that, when an entity grants another entity the right to use land, the entity will only lose control if it has given up its substantive rights to direct or restrict access to the future economic benefits or service potential related to land. The IGRAP requires that the indicators of control should be assessed based on the terms and conditions set out in the binding arrangement.</p> <p>As the proposed amendment is substantive, the Board agreed to re-expose the proposed IGRAP to allow stakeholders an opportunity to comment on the proposed amendment.</p>
19.5	An observation was made in relation to the Department of Public Works where it was noted that in many instances, another department uses land (of which	Noted. Refer to the response to comment 19.4.



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	<p>DPW is the custodian), including a facility that was constructed on the land, for example land used by Defence as a testing facility. DPW does not have the intention to ever use the land for a different purpose. In this example, it is noted that DPW has a right to access the land, and to restrict or deny the access of others to the land as it will always be the custodian of the land, while the other department uses the land in performing its mandated function, which grants it access to the land, and to restrict or deny the access of others to the land.</p>	
<p>19.6</p>	<p>The purpose and difference between a protective and a substantive right should be further clarified and explained.</p>	<p>Noted. Paragraphs .18 and .19 in the IGRAP explain the difference between a substantive and protective right, while BC25 and BC26 explain the Board’s rationale for requiring that an entity should only assess a substantive right in determining control. The guidance in the IGRAP has been reordered to clarify the difference between a substantive and protective right.</p>
<p>19.7</p>	<p>The approach followed in developing the proposed IGRAP was questioned. It was suggested that an approach similar to that in the new IFRS 16 on <i>Leases</i> be adopted. IFRS 16 acknowledges that all contracts create rights and obligations for the parties to the contract. As a result, a lessee has the right to use an underlying asset during the lease term and an obligation to make payments to the lessor for providing the right to use that asset. The lessee also has an obligation to return the underlying asset in a specified condition to the lessor at the end of the lease term. The lessor has a right to receive payments from the lessee for providing the right to use the underlying asset. The lessor also retains rights associated with ownership of the underlying asset.</p> <p>Applying the principles in IFRS 16 to the recognition and derecognition of land would mean that the entity that has legal ownership over the land, will retain the right associated with ownership of the land. The entity that (a) is granted a</p>	<p>Noted. The Board agreed to develop proposals on the requirements in the Conceptual Framework and existing principles included in the Standards of GRAP.</p> <p>In developing the proposed indicators of control in the proposed IGRAP, the Board considered the principle of substance over form should be considered. Legal ownership is one method of assessing control of the land, but an entity also needs to apply the other indicators of control in the IGRAP by assesses whether it has a right to direct access to land, and to restrict or deny the access of others to land, and/or whether a right has been granted to it to use the land in generating future economic benefits or service potential.</p> <p>Based on comment received, the Board agreed to delete the third</p>



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	<p>right to access the land, or to restrict or deny the access of others to the land, and/or (b) has an enforceable right to service potential or the ability to generate future economic benefits arising from the land, will recognise its right-of-use over the land. The right of use asset over the land shall then be depreciated from the commencement date of the agreement to the end of the arrangement.</p>	<p>indicator of control as an entity would need to demonstrate that, even if it has the right of use and the period is significantly long, it has other substantive rights that allow the entity to direct access to land, and to restrict or deny access of others to the land. The proposed IGRAP has been redrafted to indicate that, when an entity grants another entity the right to use land, the entity will only lose control if it has given up its substantive rights to direct or restrict access to the future economic benefits or service potential related to land. As the proposed amendment is substantive, the Board agreed to re-expose the proposed IGRAP to allow stakeholders an opportunity to comment on the proposed amendment.</p> <p>The Board did therefore not support the adoption of an approach similar to IFRS 16.</p>
<p>19.8</p>	<p>The proposed indicators of control involve too much judgement, which could lead to the inconsistent accounting for land based on the assessment of the control indicators.</p> <p>Applying the indicators of control as proposed in the IGRAP may result in more than one entity concluding that it controls the land.</p>	<p>Noted. The IGRAP requires that the indicators of control should be assessed based on the terms and conditions set out in the binding arrangement.</p> <p>The indicators of control have been clarified, and based on this clarification, it will be very unlikely that two or more entities both conclude that they control the land.</p> <p>However, where two or more entities specifically enter into an arrangement that involves joint control of land, the IGRAP indicates that the principles in GRAP 8 should be applied.</p>
<p>19.9</p>	<p>The application of the indicators of control to assess control of land may result in entities incurring unnecessary costs to appropriately account for government owned land. The Board should therefore consider costs versus benefit before</p>	<p>Noted. Respondents to the Post-implementation Review project identified significant challenges in relation to the recognition and derecognition of land. The Board therefore agreed to develop a</p>



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	approving the proposed IGRAP as a final pronouncement.	<p>pronouncement to assist entities with their assessment of control of land, which will be applied consistently by all entities required to apply Standards of GRAP. The application of consistent guidance is also likely to result in less audit issues.</p> <p>Taking the above into consideration, the Board agreed that, even though additional resources may be required to undertake this assessment, the benefit of applying this guidance in assessing control of the land outweighs the cost.</p>
19.10	The proposed IGRAP should provide explanatory guidance to clarify the intention of “for a significant period of time”	Noted. Refer to the response to comment 9.7.
19.11	The concept of land held for a strategic purpose should be considered for inclusion in the proposed IGRAP.	<p>Noted.</p> <p>The purpose of the IGRAP is to assist an entity to assess whether it controls land.</p> <p>If an entity, based on the indicators of control, concludes that it should account for the land, the principles in the other Standards of GRAP should be applied to appropriately classify and measure the asset. Consideration as to whether or not land is held for a strategic purpose will be considered in classifying rather than recognising land.</p> <p>As a result, the Board agreed that the inclusion of guidance as to whether or not land is held for a strategic purpose is not appropriate, as the objective of the IGRAP is not to provide guidance on the classification of land.</p>
19.12	An additional example should be included to illustrate the timing of the	Noted. The examples included in Appendix A are intended to illustrate an entity’s assessment of the indicators of control, rather



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	<p>derecognition of land in a normal commercial transaction.</p>	<p>than to address the practical scenarios.</p> <p>The comment will therefore be submitted to the OAG for its consideration.</p>
<p>19.13</p>	<p>Specific examples on how the Department of Public Works should assess control of land should be included. In applying the indicators of control, the Department of Public Works may conclude that it only controls the infrastructure on the land, and not the land itself. Applying the indicators of control in the proposed IGRAP may distort the Department's financial statements when it is concluded that land should not be accounted for by DPW, even though DPW is appointed as the custodian over the land.</p>	<p>Noted. Additional examples have been included in Appendix A for further clarification.</p> <p>The Board agreed to develop the guidance with the objective to improve the public sector's accountability over land. The intention of the IGRAP is therefore not to override the Department's custodial responsibility over land as provided for in legislation, but rather to ensure that land is account for consistently by all public sector entities.</p> <p>In addition, the IGRAP also clarifies that buildings and other structures are excluded from the scope of the IGRAP as these assets are accounted for separately. An entity should therefore apply the applicable Standards of GRAP to assess control of assets other than land.</p>