



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

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

(ED 139)

RESPONSES TO THE WRITTEN 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 results of the formal comment process are summarised into general and specific matters for comment. The summary includes the Board's responses to the comment received.

The Board received eight comment letters from the respondents listed in the table on the next page.

In addition to the comment letters received, the proposed Interpretation of the Standards of GRAP was also discussed with preparers, auditors and consultants by way of workshops, roundtable discussions or meetings. The summary of comment received during these discussions is summarised in a separate analysis.



CLASSIFICATION OF WRITTEN 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.	EY				√	
2.	Altimax		√			
3.	Drakenstein municipality		√			
4.	SAICA					√
5.	Office of the Auditor-General of SA				√	
6.	EThekweni municipality		√			
7.	Western Cape Provincial Treasury			√		
8.	Free State Provincial Treasury					
	• Free State Tourism Authority (FSTA)		√			
	• DESTEA		√			
	• Provincial Treasury (including Fiscal Policy and Accounting Services Directives)			√		
	• Education		√			
	• COGTA			√		
	• Public Works and Infrastructure		√			
	• Agriculture and Rural Development		√			
	• Sport, Arts, Culture and		√			



	Recreation (SACR)					
	• Human Settlements		√			
	Total	16	10	3	2	1



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND**

COMMENTS ON ED 139 RECOGNITION AND DERECOGNITION OF LAND		
No.	Comments	Board's response
	SPECIFIC MATTERS FOR COMMENT	
	Specific Matter for Comment 1	
	<i>Do you agree with the proposed indicators of control that are included in paragraph .14 and the explanatory text in paragraphs .15 to .35? If not, please explain your response.</i>	
1.1	EY	
1.1.1	<p>In principle we agree with the indicators of control and the explanations provided. We would like to put forward the following for consideration in an effort to clarify the indicators of control and the resulting recognition or derecognition of land:</p> <p>a) Paragraph 33 refers to the entity having an enforceable right to the service potential or ability to generate economic benefits arising from the land for a significant period of time. It is unlikely that any amount of time will ever be significant when taking into account the indefinite nature of land. The paragraph does acknowledge this fact, but this then raises the question as to the relevance of the reference to “significant period of time” and whether this will ever be a viable indicator. The reference to “significant period of time” may not be an appropriate indicator when assessing whether the entity has control over the land and, in our view, should be contextualised further to enable practical application.</p> <p>b) Consideration could also be given to another indicator such as the period of time that 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 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>



ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND

	<p>entity is expected to have an enforceable right to the service potential or economic benefits related to the facility contained on the land (where there is a facility), which might in turn be informed by the nature of the entity’s service delivery mandate and how the relevant land needs to be utilised in order to fulfil that mandate.</p> <p>The period of time that the entity can benefit from the use of the related structure could potentially be an additional indicator to determine whether the entity has control of the land for a significant period. An assessment should be made to determine whether the entity is executing on its mandate to provide a service using the specific piece of land in conjunction with the structure. Consideration should be given to for example, service delivery requirements, historical rights etc. as these, together with the service delivery mandate, could indicate that the entity has an enduring right to the property.</p> <p>For example, where the government maintains and operates a police station on land legally owned by a tribal authority, the entity might consider the probability that the government will ever be required to relinquish occupation of that land (i.e. stop delivering an essential service to that community) as being remote, even in the absence of any formal binding arrangement. It is our view that this type of indicator might be more useful in practice.</p>	<p>During the development of the proposed IGRAP, the Board also agreed that control of land should be assessed based on the existence of the right, and not on the likelihood or intention of the entity exercising the right.</p> <p>Noted. See the response to (a) above.</p>
1.1.2	<p>(b) The iGRAP is developed on the premise that there will be a binding arrangement between entities. We are concerned that it may not be possible in all instances to conclude that there is a binding arrangement between the relevant parties due to a lack of formalised agreements, particularly in intergovernmental arrangements and historical arrangements with tribal authorities. This may result in the inability of entities to determine whether they meet the indicators in paragraph 14(b) and (c). In certain instances the only evidence of a binding arrangement between two parties, is the existence of a facility or structure on the land that is currently being used by government to provide a service.</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</p>



ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND

		<p>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>
1.1.3	<p>(c) The iGRAP makes reference to Legal Ownership, but does not provide details about custodianship within this section. Custodianship is only explained in the Basis for Conclusion to the iGRAP. We would suggest that the discussion relating to custodianship and the treatment thereof be included as part of the iGRAP and not just the Basis for Conclusion. This is due to the concept of custodianship being very relevant to the assessment of control over land.</p>	<p>Noted. Explanatory guidance on custodianship is included in paragraph .34, in addition to the explanation provide in the Basis for Conclusions.</p> <p>To avoid duplication of guidance, no additional explanations have been added.</p>
1.1.4	<p>(d) We agree that the indicators currently contained in the iGRAP may be appropriate for transactions that involve an entity outside of the intergovernmental sphere and transactions within government where there is a clear commercial objective to the transaction and the roles and responsibilities of each party can be clearly identified in the binding arrangement.</p> <p>However, we feel that the intergovernmental property issue is not sufficiently addressed by the iGRAP. For commercial transactions, the title deed, read with formal agreements, is usually quite decisive in determining who the owner of the land is. However, custodians of state land do not necessarily acquire land through commercial transactions, and in these cases the title deed is often not representative of the true substance of the arrangement / legislation. We propose that the iGRAP should contain two different models (for the recognition and derecognition of land), differentiating between commercial transactions</p>	<p>Noted. The second model proposed is not seen as a separate model. In developing the proposed IGRAP, the Board considered relevant legislation governing state land, and also assessed the roles and responsibilities that various public sector entities may play in relation to land. Legislation and the roles identified were considered in developing the criteria in the proposed IGRAP.</p> <p>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</p>



ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND

	<p>related to land, and inter-governmental land transactions.</p> <p>The model applied for commercial transactions could be similar to the one currently contained in the iGRAP for land as a binding arrangement/title deed is likely to exist that generally contains clearly defined rights and obligations. The existence of such binding arrangements will assist the entity when making the assessment of who has access to the land, and who has enforceable rights to service potential or economic benefits related to the land.</p> <p>A second model to account for land should, in our view, be introduced, that will deal specifically with inter-governmental property transactions or allocations. This model should place more emphasis on government policy, custodianship and legislative restrictions placed on land. This is especially relevant as a government entity or department often obtains custodianship over immovable assets by means of a political decision or government policy, which may subsequently be formalised in legislation. This often precedes the actual physical identification of the individual assets, and the title deed endorsement or transfer of the land is, in these circumstances, often a mere administrative process once the research process has been completed. Consequently, a more appropriate indicator in such scenarios might be to consider the mandate and function of the entity, and whether this is consistent with custodianship of the land in the context of government policy and legislation.</p> <p>When applying the current indicators in the draft iGRAP, the situation could exist where one entity has assumed custodianship and the right to access the land or deny the access of others to the land by means of legislative or other means, while another entity has a concurrent enforceable right to service potential or the ability to generate future economic benefits arising from the land (perhaps due to holding the title deed or due to having physical control of the asset). It is not entirely clear from this scenario which entity will be required to recognise the land and both entities could potentially conclude that they should</p>	<p>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.</p> <p>The application of the IGRAP only where an arrangement exists between a public sector entity and a private entity, is therefore not supported by the Board.</p>
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ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND

	<p>recognise the land. This will result in the double counting of assets.</p> <p>Using the above scenario, it is clear that more detailed guidance is required for intergovernmental matters pertaining to custodianship over land and their interaction with the principles in the Standards of GRAP.</p> <p>It may be necessary to distinguish between right of use assets (intangibles) and legal ownership. To provide more decision useful information to the users of the financial statements, the Board might consider adding a disclosure requirement to explain the right of use/access that the entity has to land owned by others.</p>	
1.2	Altimax	
	<p>No, we do not agree with the proposed control indicators included in paragraph .14.</p> <p>We would like the term “right” to be defined.</p> <p>If one party is the title deed owner, that party has the legal documentation of the land and as such have a right to the land. Currently the indicators of control state that the custodian also might have control and recognises the land in their accounting records if the custodian have a substantive right. We would like to know to what extent does a title deed “right” establishes control in the records of the title deed owner as this might lead to the owner and custodian interpreting that both have a right and therefore control and both parties recognising the land in their records.</p> <p>Currently the iGRAP states that the right must be for a significant period of time. As land has an</p>	<p>Noted. In developing the proposed indicators of control in the proposed IGRAP, the Board considered that 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 indicator of control in the proposed 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>The assessment of all the indicators of control is important because even though an entity is the legal owner of land, it may have granted/ceded its rights to another entity either directly or through specific legislation.</p> <p>Noted. The Board agreed that the third indicator of</p>



ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND

	indefinite life, we find it difficult to establish what a significant period of time might be. Guidance will be appreciated in this regard.	control should be deleted 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 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.
1.3	Drakenstein municipality	
	Yes, I am in agreement.	Noted. No further action required.
1.4	SAICA	
	The considerations listed in paragraph 27 appear to be more related to the entity's ability to prove "the existence of an enforceable right to service potential or the ability to generate future economic benefits arising from the land" than its "right to access the land, and to restrict or deny the access of others to the land". If the above comment is accepted, paragraph 28 should be deleted as well.	Noted. The indicators in paragraph .27 are aimed at providing more guidance on when an entity has a right to direct access to land, or to restrict or deny the access of others to land, rather than to be an indication of "a right" or "a restriction".
1.5	Office of the Auditor-General	



ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND

	<p>We agree with the indicators and explanations. However, the following concerns exist:</p> <ul style="list-style-type: none"> - There is often not a binding arrangement (in writing) - This doesn't specifically deal with tribal land (which many auditee have problems with) or land that has not been surveyed or doesn't have a title deed (refer to GIAMA process) i.e. land registered in the name of "RSA", which government entity is the legal owner in the absence of any document or 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>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>
1.6	EThekwini municipality	
	<p>We agree with the proposed indicators of control. The list covers most aspect of control.</p>	<p>Noted. No further action required.</p>
1.7	Western Cape Provincial Treasury	
	<p>It would appear if some of the indicators are contradictory. How will this work in practise where the school is under the management and control of a governing body (SGB), but the legal owner of the land is the Province and the custodian is the Department of Public Works? Also refer to comment in paragraph 2 below.</p>	<p>Noted. Standards of GRAP are currently not applied by schools and governing bodies.</p> <p>The objective of the IGRAP is that an entity assesses the indicators of control by applying judgement to</p>



ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED IGRAP ON *THE RECOGNITION AND DERECOGNITION OF LAND*

		<p>conclude whether it controls the land.</p> <p>In developing the proposed indicators of control in the proposed IGRAP, the Board considered that 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 indicator 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>The assessment of all the indicators of control is important because even though an entity is the legal owner of land, it may have granted/ceded its rights to another entity either directly or through specific legislation.</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. 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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ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED IGRAP ON *THE RECOGNITION AND DERECOGNITION OF 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.
1.8	Free State Provincial Treasury	
	<p>Yes, proposed control measures put in place gives effect to the right that the legal owner has over the use of land and further indicates the future economic benefit which could arise from leasing/renting the land to tenants.</p> <p>The standard further indicates the measures put in place for the land user who controls, but does not legally own the land. Agreements and arrangements relating to the extent of control over the land has been properly elaborated in the standards (Refer to paragraph 15 – 35).</p>	Noted. No further action required.
1.8	Free State – Human Settlements	
	<p>Yes.</p> <p>The right of ownership is not essential, but merely an indicator of control.</p>	Noted. No further action required.



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND**

2.	<p>Specific Matter for Comment 2</p> <p><i>The Board proposes some disclosures for the entity that concludes that it controls the land even though it is not the legal owner of the land, and for the entity that concludes that it does not control the land but is the legal owner of the land. These disclosure requirements are set out in paragraphs .42 to .44. Do you agree with the proposed disclosure requirements? If not, please explain your response.</i></p>	
2.1	<p>EY</p>	
	<p>We agree that the disclosure required will provide relevant information to the users of the financial statements.</p>	<p>Noted. No further action required.</p>
2.2	<p>Altimax</p>	
	<p>Yes, we agree with the disclosure, however guidance might be included on how to determine the carrying amount in instances where the controlling entity is not the legal owner and the land is not going to be disposed of for example a zoo.</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> <p>The entity should apply the applicable Standard of GRAP to determine the value of the land.</p>



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND**

2.3	Drakenstein municipality	
	<p>In my view the required disclosure would be onerous, as for both par 42 & 43 the specific judgements and assumption are varied, as properties are reviewed on a case-to-case basis. One assumption might not be a one size fits all if compared to other information. I would propose that the disclosure requirements be excluded.</p>	<p>Noted. As these disclosures will provide relevant information the users of the financial statements, the Board agreed that paragraphs .42 and .43 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>
2.4	SAICA	
	<p>Yes.</p>	<p>Noted. No further action required.</p>
2.5	Office of the Auditor-General	
	<p>Yes, we agree with the disclosure requirements. However, sometimes it might be a problem to determine the carrying value of the land if they are not the legal owner i.e. they won't have the cost price or the "fair value at date of acquisition".</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. The scope of the IGRAP has</p>



ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND

		<p>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. On adoption of the applicable Standard of GRAP, an entity is also permitted to apply Directive 7 <i>The Application of Deemed Cost</i>.</p>
2.6	EThekwini municipality	
	<p>We agree with the proposed disclosures as set in paragraph 42 to 44 in exposure draft 139. The proposed discloser would assist the users better understand the financial statements, e.g. in cases where there is no legal title to the land but the entity is presenting land on its balance sheet this may be confusing for the users, more disclosure as suggested would assist users better understand the financial statements</p>	<p>Noted. No further action required.</p>
2.7	Western Cape Provincial Treasury	
	<p>How will annual reconciliations between the various entities be done to ensure completeness of all disclosure of assets? Who will control and manage this process?</p>	<p>Conducting annual reconciliations to ensure completeness of all disclosures is a practical application issue that is outside the scope of this IGRAP.</p>
2.8	Free State Provincial Treasury	
	<p>The propose standards have properly addressed the disclosure requirements relating to two issues i.e. the entity that own but does not control the land and the entity that does not own the</p>	<p>Noted. Even though the scope of the IGRAP excludes measurement, presentation and disclosure requirements, the wording in the scope section has</p>



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
IGRAP ON *THE RECOGNITION AND DERECOGNITION OF LAND***

	<p>land but control the use over it.</p> <p>The disclosure notes for the entity who own but does not control the land are sufficient, however the following information could as well be added to the financial statements:</p> <ul style="list-style-type: none"> • The carrying value of the existing properties taking into consideration the following • Any additions that has been made to the property verified by invoices, orders, title deeds and application customs. • Indicate the value of any impairments/loss that has occurred and how the entity dealt with it. <ul style="list-style-type: none"> • Information regarding the re-valuation of asset. <p>In case where the entity control the use of land but is does not have the legal ownership the following information should be disclosed in the financial statements:</p> <ul style="list-style-type: none"> • The extent to which the entity controls the use of land and followed by agreements and arrangements thereof (Contractual commitments) • The carrying value of the existing properties taking into consideration the following • Any additions that has been made to the property verified by invoices, orders, • Indicate the value of any impairment that has occurred and how the entity dealt with it. • Information regarding the re-valuation of asset. <p>(Refer to paragraph 42 – 44)</p>	<p>been clarified to refer entities to the applicable Standards of GRAP for these.</p> <p>Entities need to consider the specific disclosure requirements required in other Standards of GRAP, in addition to those required in the IGRAP.</p>
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**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND**

2.9	Free State – Human Settlements	
	<p>.10 An entity must have control of the resource. Control of the resource requires the ability of the entity to use the resource, or direct other parties to use it, so as to benefit from the service potential or future economic benefits embodied in the resource.</p> <p>Based on the above, the substance over form approach used here provides users of financial statements with relevant information for accountability and decision making.</p>	Noted. No further action required.
3.	<p>Specific Matter for Comment 3</p> <p><i>The Board proposes that the proposed Interpretation of the Standards of GRAP should be applied prospectively to binding arrangements relating to land that exist on the date of adoption. Any adjustments that result from the initial adoption of the proposed Interpretation of the Standards of GRAP should be made against the opening balance of accumulated surplus or deficit on the date of adoption.</i></p> <p><i>Do you agree with the prospective application of the proposed Interpretation of the Standards of GRAP and the treatment of any adjustments on the date of adoption? If not, please explain your response.</i></p>	
3.1	EY	
	We agree that the Interpretation should be applied prospectively and that adjustments should be made against the opening balance of accumulated surplus.	Noted. No further action required.
3.2	Altimax	
	Yes, we agree with the application.	Noted. No further action required.



ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND

3.3	Drakenstein municipality	
	<p>I do agree with the proposal, as it might address possible impracticability issues that some municipalities might experience (especially in regards to measurement – think of issues experienced by certain High Capacity Municipalities in 2007/08 with the recognition of infrastructure assets and the presentation of comparative information), but it should be taken into account that the proposed iGRAP is merely a clarification of existing principles and therefore any adjustments would in actual fact be a correction of error that had existed at the earliest period presented.</p>	<p>Noted. No further action required.</p>
3.4	SAICA	
	<p>Yes</p>	<p>Noted. No further action required.</p>
3.5	EThekweni municipality	
	<p>We agree with the prospective application of the Interpretation standard. However we also feel that this standard should be applied only to new agreements after this proposed interpretation standard has been adopted. The adjustment of surplus/deficit on application of the standard might distort the surplus/deficit on this date and this would not be a true reflection of what the actual surplus/deficit of the municipality is.</p>	<p>Noted. The Board concluded that it is inappropriate to only apply the IGRAP to new agreements that are entered into after the effective date of the IGRAP, as this would mean that historical arrangements entered into will not be assessed for control as proposed in the IGRAP. During the Post-implementation Review project, stakeholders specifically requested guidance to deal with historical arrangements to improve accountability.</p> <p>As arrangements between some entities have been entered into many years ago, and will be in place for a</p>



ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND

		number of years to come, the IGRAP has been amended to require that all arrangements in place on the date of adoption should be assessed against the principles in the IGRAP.
3.6	Western Cape Provincial Treasury	
	<p>With reference to the new proposed Valuation Model, what will the financial and other implications be in terms of the appointment of professional valuers by all the individual entities that control land such School Governing Bodies?</p> <p>Who will manage and control the credibility of the overall balance of all state immovable assets?</p> <p>Will a national web-based system be rolled-out to all entities for uniformity and to aggregation, no duplicates, etc.?</p> <p>The practical implications must be unpacked and costed to determine the impact.</p>	<p>Noted. An entity should apply the applicable Standard of GRAP, which provides guidance on the use of valuers, when it elects to apply the revaluation model.</p> <p>The other comments are noted. These comments, however, relate to practical application issues. These comments will be submitted to the OAG for its consideration.</p>
3.7	Free State Provincial Treasury	
3.7.1	Prospective application will affect the comparative amounts disclosed in the financial statements. Shouldn't the change be applied retrospectively from the beginning of the earliest comparative period in order for current and prior periods to be comparable?	Noted. In developing the proposed IGRAP, the Board was of the view that retrospective application would result in the application of hindsight to binding arrangements that existed on the date of adoption. As a result, the Board agreed that the IGRAP should be applied prospectively.
3.7.2	Yes we are in agreement with the proposed control measure as it is fair & reasonable, the	Noted. No further action required.



ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND

	<p>carrying value of the land should be indicated on the date of adoption and any adjustments thereof can be accommodated in the opening balance of accumulated surplus or deficit on the date of adoption.</p> <p>(Refer to paragraphs 45-47)</p>	
3.8	Free State – Human Settlements	
	<p>Yes.</p> <p>As indicated in “Basis for conclusion (BC31.) retrospective application of this Interpretation of standards of GRAP will result in the application of hindsight to binding arrangements that existed on the date of adoption. The prospective application is therefore more appropriate.</p>	<p>Noted. No further action required.</p>
4.	Specific Matter for Comment 4	
	<p><i>Are there any additional regulatory or other issues that exist in the South African environment that may affect the implementation of the proposed IGRAP?</i></p> <p><i>If yes, please provide details of these regulatory or other issues that should be considered in finalising the proposed IGRAP.</i></p>	
4.1	EY	
	<p>We are not aware of any additional regulatory issues that may affect the implementation of the proposed iGRAP.</p> <p>We are concerned that there might be a lack of demonstrable binding arrangements related to the land which would impede the application of the iGRAP in practice. The lack of a demonstrable binding arrangement, or rather the lack of clearly specified terms in respect of binding arrangements, could lead to difficulty when assessing whether the entity has the right to access the land, and to restrict or deny the access of others to the land, and the existence of an</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</p>



ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND

	enforceable right to service potential or the ability to generate future economic benefits arising from the land.	relation to land. 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.
4.2	Altimax	
	No, not that we are aware of.	Noted. No further action required
4.3	Drakenstein municipality	
	Not for municipalities that I am aware of.	Noted. No further action required.
4.4	SAICA	
	None that we are aware of.	Noted. No further action required.
4.5	EThekweni municipality	
	We are not aware of regulatory or any other issues in South Africa that may affect the implementation of this proposed interpretation standard.	Noted. No further action required.
4.6	Western Cape Provincial Treasury	
	The SA Schools Act no, 84 of 1996 makes specific provisions for the powers, functions and responsibilities of SGBs.	Noted. School Governing Boards are not required to apply the Standards of GRAP, and hence the



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
IGRAP ON *THE RECOGNITION AND DERECOGNITION OF LAND***

		legislative requirements have not been assessed.
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**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND**

4.7	Free State Tourism Authority	
	<p>Even if the land is controlled without legal ownership, there are circumstances whereby the land belongs to a municipality with own accounting and legal regulation that could prohibit the disclosures of land in the financial statements even though it meets all the recognition criteria.</p>	<p>Noted. However, in preparing the financial statements, an entity does not only consider the legislative framework applicable to entities. An entity should also consider the economic substance of transactions. As a result, land is accounted for based on the principle of substance over form.</p> <p>As substance over form is considered, an entity should apply the indicators of control in the IGRAP to assess control of land, irrespective of the legislative requirements.</p>
4.8	Free State Provincial Treasury	
	<p>The applied legislation being the following:</p> <ul style="list-style-type: none"> • The constitution act no. 108 of 1996 • GIAMA no. 19 of 2007 • Land administration Act no. 2 of 1995 • The housing Act no 107 of 1997 <p>Yes the applied legislation relating to the effective management of land are enough, considering clarity given over the right that each entity has over the land. However there could be internal guidelines and instructions notes relating to the use of land that could as well be applied.</p>	<p>Noted. These legislative requirements were considered in developing the proposed IGRAP as noted in BC5.</p> <p>No further action required.</p>



ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND

	(Refer to BC3 – BC12)	
4.9	Free State – Human Settlements	
	<p>Yes.</p> <ul style="list-style-type: none"> • Land ownership and land reform (land restitution and land redistribution programmes); • The influence SAPOA (South African Property Owners Association) has in South Africa; and • The proposed Regulation of Land Holdings Bill, which will have an impact on agricultural land. 	<p>Noted. In understanding the legislative requirements that impact public sector land, the Board obtained a legal opinion to assess all the relevant legislative requirements in relation to public sector land. Where appropriate, all the relevant legislative requirements have been considered.</p> <p>In developing the proposed IGRAP, the Board only considered final legislation.</p> <p>Therefore, no further action is required.</p>
5.	Specific Matter for Comment 5	
	<i>In your view, should the National Treasury consider the development of any further implementation guidance in relation to the recognition and derecognition of land? Please explain your response.</i>	
5.1	EY	
	<p>Following on from our responses above, we believe additional guidance would be required in order to apply the iGRAP, particularly in the case of state-land custodians and inter-governmental binding / implicit arrangements. To an extent, we believe the iGRAP should preferably elaborate on some of these matters directly, while further detailed application guidance from National Treasury could still be beneficial.</p> <p>To this end, we believe the current Immovable Assets Guide issued by National Treasury</p>	<p>Noted. Refer to our earlier responses to comment 1.1 and 4.1 above in response to the matters raised.</p> <p>The comment in relation to the practical challenges that need to be addressed in the application guidance will be submitted to the OAG for its consideration.</p> <p>Noted. Specific engagements were held with</p>



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND**

	needs to be updated to more clearly take into account entities applying Standards of GRAP.	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.
5.2	Altimax	
	Yes, assistance in the general recognition criteria might be useful. Currently par.110 of the Framework states that an asset may only be recognised if the definition criteria of an asset is met as well as the general recognition criteria. If the land doesn't have a cost or value that can be reliably measured, is it still useful to perform the exercise of determining to whom (custodian or title deed owner) the land belongs?	<p>Noted. Before an entity can account for an asset, it first needs to determine whether it controls that asset. Once control of the asset has been assessed, the entity will then determine the appropriate Standard of GRAP to apply based on its reason for having, or holding asset. The next step will then be to determine a value for the land based on the measurement principles in the applicable Standard of GRAP.</p> <p>Therefore, in determining whether land has a cost or value that can be reliably measured, the starting point in the process is to assess control. The Board is therefore of the view that applying the IGRAP as a starting point in accounting for land, is appropriate.</p>



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND**

5.3	Drakenstein municipality	
	Yes, more illustrated examples with different scenarios (eg. How historic selling schemes transactions should be accounted for). The timing of transactions (when to recognise/ derecognise) are normally the biggest issues for municipalities and entities.	Noted. The examples included in Appendix A are aimed at illustrating an entity's assessment of the indicators of control, rather than to address practical scenarios. The comment will therefore be submitted to the OAG for its consideration.
5.4	SAICA	
	Yes. National Treasury should consider providing more entity specific examples.	Noted. The comment on the development of additional guidance will be submitted to the OAG for its consideration.
5.5	EThekwini municipality	
	In cases where there is no formal binding agreement in place I think more guidance is required from the National Treasury. The use of past practise as a guidance.	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. As there will be evidence of a binding arrangement in the majority of instances, the Board agreed that no



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND**

		amendment should be made to the principle in the IGRAP that requires the existence of a binding arrangement.
5.6	Free State Tourism Authority	
	Clear guidance should be set out more especially if the land belongs to the municipality with its own statutory regulations.	<p>Noted. In preparing the financial statements, an entity does not only consider the legislative framework applicable to entities. An entity should also consider the economic substance of transactions. As a result, land is accounted for based on the principle of substance over form.</p> <p>As substance over form is considered, an entity should apply the indicators of control in the IGRAP to assess control of land, irrespective of the legislative requirements.</p>
5.7	Free State Provincial Treasury	
5.7.1	Yes, it will be more user friendly and provides useful information.	Noted. No further action required.
5.7.2	More practical guidance with illustrative examples on each element or definition of control is needed in order to make uniform application of the proposed ED possible.	Noted. The comment on the development of additional guidance will be submitted to the OAG for its consideration.
5.7.3	There should be clarity on the disclosure in terms of the carrying value, the question is does each party disclose the asset carrying value that it controls or not (Balance sheet).	Noted. The entity needs to apply the applicable Standard of GRAP once control of the land has been demonstrated. Reference should therefore be made to



ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND

	The standard clearly stipulates that any inflow/economic benefit should be disclosed in one set of single entity financial statements (Income statements) (Refer to paragraph 39-41)	the disclosure requirements in the applicable Standard of GRAP in disclosing information in the financial statements.
5.8	Free State – Public Works and Infrastructure	
	Yes. The State Domestic Facilities (SDF) guideline is not yet finalises by the National Treasury. This will have effect on the disclosure requirements.	Noted. In developing the proposed IGRAP, the Board only considered final legislation as explained in the Preface to the Standards of GRAP. However, as the IGRAP has more authority than a guideline, the principles in the IGRAP should be applied by an entity. The comment will also be submitted to the OAG for its consideration.
5.9	Free State – Human Settlements	
	The need for further implementation guidance would be dependent on unique cases that are identified, once the standard has been implemented.	Noted. No further action required.



ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND

6.	Specific Matter for Comment 6	
	<i>In your view, overall, does the application of the proposed IGRAP result in financial statements that would be useful to users? Please explain your response.</i>	
6.1	EY	
	In our view, the application of the iGRAP will result in financial statements that are useful to the users if the matters highlighted above are clarified.	Noted. No further action required.
6.2	Altimax	
	Currently, we are of the view that application of the iGRAP might result in duplication of recognition of land in both the legal owner and custodian’s accounting records. More clarity on the above issues raised might assist in useful information begin disclosed to users.	Noted. Explanatory guidance on custodianship is included in paragraph .34, in addition to the explanation provide in the Basis for Conclusions. To avoid duplication of guidance, no additional explanations have been added.
6.3	Drakenstein municipality	
	Yes, the recognition and derecognition of land together with the concept of “control” has always been a grey area in the public sector. Although not completely clarified, this proposed iGRAP will assist immensely in addressing most grey areas of interpretation.	Noted. No further action required.
6.4	SAICA	
	Yes.	Noted. No further action required.



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND**

6.5	EThekwini municipality	
	<p>We feel the additional disclosure would enhance the financial statements, the only issue is the recognition of the same asset by two entities</p> <p>There is a possibility of the same land being recognised by two entities at the same time which may mislead the users of the financial statements.</p>	<p>Noted. 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>
6.6	Western Cape Provincial Treasury	
	Refer to comments above.	Noted. Refer to our responses earlier to the comment raised.
6.7	Free State Tourism Authority	
	It will tremendously improve reporting in the sense that even though the land does not belong to the occupant, it should still be disclosed in the financial statements because it meets the recognition criteria of an asset.	Noted. No further action required.
6.8	Free State Provincial Treasury	
	The proposed IGRAP would be more in line with the current nature of events and transactions that occur in respect to land.	Noted. No further action required.



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND**

	<p>Yes, it gives a clear distinction between what needs to be disclosed in the financial statements both relating to the legal owner and the entity that controls the land but does not legally own it.</p> <p>The following are benefit that financial statements users could get from application of the proposed exposure draft they are:</p> <ul style="list-style-type: none"> • Streamlining internal processes • Decreasing waste and internal costs • Increasing the efficiency • Create innovating processes • Reducing risk 	Noted. No further action required.
6.9	Free State – Education	
	Yes, it will assist with consistent application of GRAP Standards and comparable information across all spectrums irrespective of the applicable legislation.	Noted. No further action required.
6.10	Free State – Public Works and Infrastructure	
	The ED clearly explains the ownership versus control and disclosure requirements. The entities know what and what not to report on. This will certainly make information reported on the financial statements more useful.	Noted. No further action required.
6.11	Free State – Human Settlements	
	Yes, refer to our response in 1.2 of this document.	Noted. Refer to our responses earlier to the comment raised.



ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND

7.	<p>Specific Matter for Comment 7</p> <p><i>In your view, what are the costs and benefits of the proposals relative to the current accounting that are applied by entities in assessing when land should be recognised as an asset, and when it should be derecognised from the statement of financial position. In relation to quantitative financial costs, the ASB would be interested to understand the nature and estimated amounts of any expected incremental costs, or cost savings, of the proposals relative to the existing accounting.</i></p>	
7.1	<p>EY</p>	
	<p>No detailed assessment of the cost has been made. However, at a high level we have noted that entities in the sector have historically struggled with the land / immovable assets issue, and clearer principled guidance of this nature would certainly be beneficial.</p>	<p>Noted. No further action required.</p>
7..2	<p>Altimax</p>	
	<p>Currently we do not have any clients performing an assessment in recognising land.</p>	<p>Noted. No further action required.</p>
7.3	<p>Drakenstein municipality</p>	
	<p>There will be a cost aspect as most municipalities will have to review their current asset registers. As most municipalities do not have the internal capacity, the assistance of external service providers will have to be procured, which could come to some cost. Although it is easy to identify which land parcels are owned by an entity from a deeds dump, the review of properties to determine control (of owned or not owned properties) will require extensive time and cost in most instances. The iGRAP also necessitates that a separate register of land owned, but not controlled by the entity is kept. The ASB is advised that it might be good if the implementation date of the proposed iGRAP is considered taking into account the factors listed above (i.e. that it is not hastily implemented).</p>	<p>Noted. These factors were considered when an implementation date was proposed for the IGRAP. The Board agreed to propose an effective date of 1 April 2019 for the IGRAP to accommodate other financial management reforms, and to allow the OAG sufficient time to update the departmental guidance. The proposed effective date will also provide entities with sufficient time to comply with the requirements in the IGRAP.</p>



ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND

7.4	SAICA	
	No comment	Noted.
7.5	EThekwini municipality	
	<p><u>Costs</u></p> <ul style="list-style-type: none"> Resources will be need to comply with this standard when it is adopted. Personnel needed to identify land that should be recognised or derecognized in the books of the Council. Distortion of Council reserves if the Council has to derecognize land against reserves. This will not be a true reflection of the accumulated reserves of the Council given the fact that ownership of the land will still belong to the Council. <p><u>Benefits</u></p> <ul style="list-style-type: none"> Clarity in the recognition of land based on substance over form. This will result in limited judgment placed by reporting entities in the recognition and de-recognition of land. 	Noted. No further action required.
7.6	Western Cape Provincial Treasury	
	Please refer comments above. It is imagined that all entities would require additional resources to manage valuations, property information, annual disclosure and reporting, whereas currently it is performed centrally by the appointed custodians.	<p>Noted. In developing the proposed IGRAP, the Board agreed that guidance should be developed for all public sector entities.</p> <p>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</p>



ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND

		<p>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.</p> <p>Taking the above into consideration, even though additional resources may be required to undertake this assessment, the benefit of applying this guidance outweighs the cost.</p>
7.7	Free State Tourism Authority	
	<p>The costs that will be involved will be the that of the revaluation of the land and the benefits will then be that even though disclosed separately, you cannot report on buildings with land visa versa.</p> <p>It also sets the criteria and proposals to be followed when the assets is derecognised in the financial statements.</p>	<p>Noted. In developing the proposed IGRAP, the Board agreed that guidance should be developed for all public sector entities.</p> <p>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.</p> <p>Taking the above into consideration, the benefit of applying this guidance will outweigh the cost.</p>



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
IGRAP ON *THE RECOGNITION AND DERECOGNITION OF LAND***

7.8	Free State Provincial Treasury	
7.8.1	The department is not currently involved in these types of transactions.	Noted. No further action required.
7.8.2	<p>Costs that would be involved are as follows:</p> <ul style="list-style-type: none"> • For an entity that previously didn't recognise the land, it will have to incur valuation costs in order to determine the value of the land that it will have to recognise in its financial statements • Other costs would be other professional costs regarding the implementation of this IGRAP. <p>The benefits of the proposal would be improving presentation of financial statements which would be more in line with current account practices.</p>	Noted. No further action required.
7.8.3	<p>Benefits of recognising the land as an asset in the financial statements:</p> <p>The asset carrying value could give the entity an idea of how much could be realised from disposing the land should such need arise.</p> <p>Benefits of de-recognising the land from financial statements</p> <p>When the Group loses control over a subsidiary, it derecognises the assets.</p>	Noted. No further action required.
7.8.4	<p>The costs that are normally associated with the land are:</p> <ul style="list-style-type: none"> • Impairment/loss cost relating to the land • Improvements costs were incurred • The carrying value /cost of the land after evaluation. 	Noted. No further action required.



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
IGRAP ON *THE RECOGNITION AND DERECOGNITION OF LAND***

7.9	Free State – Human Settlements	
	Ultimately this standard will impact which entity is entitled to recognise the land as an asset under its control. It will not only be incremental cost or savings (if any) that will be affected, but the total value of the land will have a material impact on the asset figure on the relevant entities.	Noted. No further action required.



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND**

GENERAL MATTERS FOR COMMENT		
8.1	Drakenstein municipality	
	<p>It would be helpful if illustrative examples could be provided for a simple sale transaction of land (example a Municipality sells a piece of industrial land to another party), how the major milestones affect the derecognition of land (eg. Approval of the sale, signing of the agreement that may or may not provide access to the site to the purchaser and actual registration date of the deed of sale) – i.e. the timing of each milestone and the accounting transaction required.</p> <p>Although the iGRAP will require significant resources to correctly implement, the iGRAP will clarify a lot of grey areas and different interpretations by preparers and auditors that currently exist. I commend the Secretariat for the effort and research that went into the development of this iGRAP.</p>	<p>Noted. The examples included in Appendix A are aimed at illustrating an entity's assessment of the indicators of control, rather than to address all practical scenarios.</p> <p>The comment will therefore be submitted to the OAG for its consideration.</p>
8.2	Office of the Auditor-General	
8.2.1	<p>Par 42 in ED 139</p> <p>Perhaps reference can be made to the PPE and investment property standards where assets are valued at fair value that the requirements of the specific standards need to be adhered to.</p>	<p>Noted. A reference has been included in paragraph .41 to require the application of the applicable Standard of GRAP.</p>
8.2.2	<p>Additional considerations should be added in instances where the carrying value of the land cannot be determined.</p>	<p>Noted. As the IGRAP scopes out measurement, presentation and disclosure of land, reference should be made to the applicable Standards of GRAP for guidance in this regard.</p> <p>Paragraph .46 also allows an entity to determine a deemed cost for the land on the date of adoption if</p>



ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND

		<p>acquisition cost is not available on that date.</p> <p>The comment will be submitted to the OAG for its consideration.</p>
8.2.3	Examples should be provided to show more cases where control is apparent in terms of para 14 but due to other conditions, control does not exist.	Noted. The examples in Appendix A illustrate this point.
8.3	SAICA	
	<p>Paragraph 6</p> <p>The reference to “similar means” may be misunderstood as meaning that the policies and decisions made by authorities, for example, have the same authority as legislation.</p> <p>Consider proposed changes below to provide more clarity on the meaning intended:</p> <p><i>“These requirements should be considered when accounting for land, specifically when <u>determining when</u> land should be recognised as an asset, or when the land should be derecognised from the entity’s financial statements. The following situations as outlined in legislation or similar means, <u>may have an impact on</u> the recognition and derecognition of land:”</i></p>	<p>Noted. The description of a binding arrangement in paragraph .15, which is aligned with the definition used in other Standards of GRAP, explains that “legislation or similar means” includes, but is not limited to, laws, regulation, policies, decisions concluded by authorities such as cabinet, executive committees, boards, municipal councils and ministerial orders”. As a result, the Board agreed to not amend the requirements in the IGRAP.</p> <p>Agreed. These proposals have been included in the IGRAP.</p>
	<p>Paragraph 7</p> <p>Consider proposed changes to the first sentence as indicated below to clarify that not all legislation will require this separation.</p> <p>It is also not clear which legislation is referred to in the second sentence and it can be argued that this statement will not be correct in all instances. It may therefore be prudent to remove this</p>	<p>Agreed. The first proposal has been included in the IGRAP.</p> <p>As the principle in paragraph .07 is already addressed</p>



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND**

	<p>sentence completely.</p> <p><i>"In terms of legislation or similar means, one entity can may be the custodian of land while another entity is the legal owner. Legislation or similar means indicates that the custodian is the entity who is responsible to acquire land, manage it throughout its life cycle, and dispose of the land subject to the relevant legislative requirements."</i></p>	<p>in paragraph .34, this paragraph has been deleted.</p>
	<p>Paragraph 9</p> <p>Please consider changes below to ensure consistency and clarity:</p> <p><i>"The definition of an asset is met if <u>when</u> the resource is controlled by the entity as a result of past events and from which future economic benefits or service potential is expected to flow to the entity. An asset is recognised in the statement of financial position when it is probable that the future economic benefits or service potential will flow to the entity and the asset has a cost or value that can be measured reliably."</i></p>	<p>Agreed. These proposals have been included in the IGRAP.</p>
	<p>Paragraph 10</p> <p>Please consider the changes below to ensure clarity:</p> <p><i>"An entity must have control of the resource. Control of the resource requires is evidenced by <u>the entity's ability</u> the ability of the entity to use the resource, or direct other parties to use it, so as to benefit from the service potential or future economic benefits embodied in the resource."</i></p>	<p>Agreed. These proposals have been included in the IGRAP.</p>
	<p>Paragraph 14</p> <p>Please consider changes below to improve clarity.</p> <p>The use of "number of indicators" to suggest that the number of indicators is unknown by the introduction to the indicators seems to suggest that they are exhaustive. If the list is not meant to be exhaustive, consideration should be given to changing the sentence to read as follows,</p>	<p>Agreed. The lead in to paragraph .14 has been clarified to indicate that control is evidenced by the indicators listed.</p>



ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND

	<p><i>“Such indicators may include:” and removing the words “or” and “and/or” at the end of each indicator.</i></p> <p><i>“Control <u>over land</u> may be evidenced by a number of indicators. These indicators of control are:</i></p> <p><i>(a) legal ownership; or</i></p> <p><i>(b) the right to access the land, and to restrict or deny the access of others to the land; and/or</i></p> <p><i>(c) the existence of an enforceable right to service potential or the ability to generate future economic benefits arising from the land.”</i></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>Paragraph 22</p> <p>Consideration should also be given to deleting the last sentence as it appears to repeat what has already been stated in the first sentence.</p> <p><i>“For example, <u>where</u> a municipal council decides has the right to sell portions of land <u>under its custody that it controls</u>, but for the sale to be effected, regulatory approval from the provincial government is required, the municipality has a substantive right over the land as it can decide to whom the land can be sold, and at what price the land should be sold. The provincial government merely has a protective right over the land. After assessing the indicators of control in paragraph 14, it is concluded that the municipality control the land as it has a substantive right over the land.”</i></p>	<p>Noted. This example was deleted from the IGRAP.</p>
	<p>Paragraph 23</p> <p>Please consider change below to clarify that it is professional judgement that should be applied.</p> <p><i>“An entity needs to apply <u>professional</u> judgement to determine whether it has a substantive right. All facts and circumstances should be considered in making this assessment.”</i></p>	<p>Noted. Reference is made in the Standards of GRAP to “judgement”, and hence the proposal has not been included in the IGRAP.</p>



ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND

	<p>Paragraph 30</p> <p>Please consider the changes below to improve clarity:</p> <p><i>“As an For example, a Department <u>that</u> provides land to a municipality to operate a zoo <u>and</u> Throughout the duration of the binding arrangement, the Department has the right to exchange, dispose of, or transfer the land. Even though the Department is unlikely to exercise this right because of the zoo’s historical significance, the land is still controlled by the Department as it has an existing right to access the land, and to restrict or deny the access of others to the land. The fact that the Department has not yet exercised its right should not influence its assessment of control over the land.”</i></p>	<p>Noted. This example was deleted from the IGRAP.</p>
	<p>Paragraph 31</p> <p>Please consider the changes below:</p> <p><i>“Where one entity is, in terms of legislation or similar means, the custodian over land while another entity is the legal owner, the custodian has the right to access and restrict or deny the access of others to the land. This is because of the custodian’s legislative responsibilities as explained in paragraph .07. However, the right to access and restrict or deny access of others to the land should be considered in combination with the existence of an enforceable right as outlined in paragraph 14(c)”</i></p>	<p>Agreed. These proposals have been included in the IGRAP.</p>
	<p>Paragraph 33</p> <p>Based on the fact that land has an indefinite useful like it is our opinion that it is only thought an indefinite “enforceable right” of lease that the land can be controlled.</p>	<p>Noted. As the third indicator of control is deleted, this comment has not been included.</p>
	<p>Paragraph 38</p> <p>This paragraph appears to suggest that the acquirer only obtains control of land when they</p>	<p>Agreed. The paragraph has been clarified.</p>



ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND

	breach conditions or restrictions. Please consider updating to provide clarity.	
	<p>Paragraph 45</p> <p>This paragraph appears to indicate that the accounting treatment of all land recognised as at the effective date of this IGRAP will not be affected only land transaction post the effective date will be affected.</p> <p>Unless the comment above is an incorrect interpretation of the paragraph, please consider updating the paragraph to more clearly indicate whether land already recognised will be affected by this IGRAP.</p>	Agreed. The paragraph has been clarified.
	<p>Paragraph BC.21</p> <p>Please consider the changes below:</p> <p><i>‘The Board noted that control may be evidenced by a number of indicators. As a result, the Board developed indicators of control that should be used by an entity to demonstrate that <u>it controls over the land has been met</u>. The indicators of control are based on the principles in the Framework, and the IPSASB’s Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.’</i></p>	Agreed. The paragraph has been clarified.
	<p>Paragraph BC.23</p> <p>Please consider changes below:</p> <p><i>“A number of public sector entities have the right to assess <u>access</u> land, and to restrict or deny the access of others to the land, even though they do not intend exercising this right in the foreseeable future. The guidance in the Standards of GRAP that deals with control of interests in other entities indicates <u>that control over another exists when the definition of control is met.</u>”</i></p>	Agreed. The paragraph has been amended.



ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND

	<p>Paragraph BC.24</p> <p>Please consider changes below:</p> <p><i>“The Board concluded that the same principle should be applied in assessing control over land. Thus, irrespective of whether an entity may in future decide to exercise its right to assess access land, and to restrict or deny the access of others to the land, control over land should be assessed based on the existence of the right, and not on the likelihood of the entity exercising its right.”</i></p>	<p>Agreed. The paragraph has been amended.</p>
	<p>Paragraph BC.27</p> <p>As indicated our comment to paragraph 33, based on the fact that land has an indefinite useful life it is our opinion that it is only thought an indefinite “enforceable right” of lease that the land can be controlled.</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>
	<p>Paragraph BC.31</p>	<p>Noted. The paragraph has been clarified.</p>



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
IGRAP ON THE RECOGNITION AND DERECOGNITION OF LAND**

	Please refer to our comment on paragraph 45.	
8.4	Free State Tourism Authority	
	As much as I know that land and buildings appreciates in value, the standard should also provide guidance on the recognition criteria or accounting process in the situation whereby land has drastically depreciated as a result of factors such as environmental changes, etc.	<p>Noted.</p> <p>The scope of the IGRAP excludes measurement, presentation and disclosure requirements. The entity should apply the applicable Standard of GRAP to determine the value of the land.</p> <p>No additional guidance was therefore included in the IGRAP.</p>
8.5	Free State Provincial Treasury	
	Implementation of such standard would be appreciated as it will give must assistance to preparer of financial statements as well as entity owners/controllers what right and responsibility do they hold.	Noted. No further action required.
8.6	Free State – COGTA	
	The standard seems to cover all aspects related to the topic, but it is very difficult to give meaningful inputs if it does not related to your working environment.	Noted. No further action required.