



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

**PROPOSED GUIDELINE ON *ACCOUNTING FOR
LANDFILL SITES***

(ED 166)



RESPONSES TO THE VERBAL COMMENT RECEIVED ON THE PROPOSED GUIDELINE ON ACCOUNTING FOR LANDFILL SITES (ED 166)

The Accounting Standards Board (Board) approved the exposure of the proposed Guideline on *Accounting for Landfill Sites* (ED 166) in May 2018 for comment. A Notice was published in the Government Gazette on 22 June 2018 (Notice 41722). The comment period closed on 30 November 2018.

The proposed Guideline was discussed with users, preparers, auditors and consultants by way of workshops, roundtable discussions and other engagements as listed in the table on the next page.

The comments received during these engagements 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 GUIDELINE ON ACCOUNTING FOR LANDFILL SITES (ED 166)

No.	Name/Organisation	Preparers	Users	Auditors	Other interested parties
1.	City of Cape Town	√			
2.	CIGFARO KwaZulu Natal	√	√		
3.	SALGA and CIGFARO joint consultative sessions held in: <ul style="list-style-type: none"> • Gauteng; • KwaZulu Natal; • Eastern Cape; and • Limpopo 	√	√		
4.	Department of Cooperative Governance and Traditional Affairs (COGTA)		√		
5.	South African Local Government Association (SALGA) Policy Unit				√
6.	Office of the Accountant-General		√		
7.	Roundtable discussion with preparers, engineers and other consultants	√			√
8.	Roundtable discussions with auditors and technical advisors			√	
9.	SAICA Public Sector Financial Reporting Project Group				√
10.	Municipal Working Committee in the Western Cape	√			
11.	Public Sector Accounting Forum	√	√	√	√
12.	SAICA webcast	√	√	√	√



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
GUIDELINE ON ACCOUNTING FOR LANDFILL SITES (ED 166)**

COMMENTS ON ED 166 PROPOSED GUIDELINE ON ACCOUNTING FOR LANDFILL SITES		
No.	Comments	Board's response
1.	SPECIFIC MATTER FOR COMMENT #1	
	<p>Paragraph 2.26 of the proposed Guideline explains that the land in a landfill usually has an unlimited useful life as, after the landfill site stops receiving waste, the land needs to be rehabilitated and the end-use plan implemented. However, an entity applies judgement to assess if the land in a landfill has a limited useful life, as, even though land generally has an unlimited useful life, there may be exceptions. This may be, for example, where the land is not rehabilitated when the landfill stops receiving waste, and the land has no alternative use following the closure of the landfill site. In your view, could the land in a landfill site have a limited useful life if the Minimum Requirements and the entity's licence conditions require that the land should be rehabilitated after the landfill stops receiving waste? Please explain your response.</p>	
1.1	SALGA/ CIGFARO Joint Consultative Sessions	
1.1.1	<p><i>Gauteng and KwaZulu Natal</i></p> <p>Some participants noted that they depreciate the land in a landfill as, in their view, the value of the land deteriorates while the land is used for waste disposal. As such, the land has a limited useful life and is depreciated over the period that the landfill site is in operation.</p> <p>The majority of the participants, however, noted that they do not depreciate the land in a landfill, but only assess the land for impairment when a decision is taken to use land for waste disposal. As the land will be rehabilitated after the waste disposal activities have stopped in terms of the entity's licence conditions and Minimum Requirements, land has an unlimited useful life.</p>	<p>Noted. The guidance in Chapter 2 of the Guideline has been amended to clarify that the economic life of land is the period over which the land is expected to yield economic benefits or service potential. As land has an unlimited useful life, it is not depreciated. The land will exist and/or will be available for use, even if, after use as a landfill site, it is not rehabilitated in accordance with the entity's licence conditions and the Minimum Requirements.</p> <p>The land in a landfill should, however, be assessed for impairment.</p>

No.	Comments	Board's response
SALGA/ CIGFARO Joint Consultative Sessions (continued)		
	<i>Gauteng and KwaZulu Natal (continued)</i>	<p>Explanatory guidance has also been included in this Chapter to clarify the impairment considerations for land in a landfill. These considerations include when the land should be assessed for impairment or when a reversal or reduction of an impairment loss accounted for in a prior period should be considered.</p> <p>The Board will consider the relevance of the examples in GRAP 17 on <i>Property, Plant and Equipment</i>, that indicate that land may have a limited useful life as part of the Improvements to the Standards of GRAP (2019).</p>
1.1.2	<p><i>Limpopo</i></p> <p>Participants noted that the value of land in a landfill, versus land not used in a landfill will be different as a result of the manner in which the land is used. The majority of the participants supported the principle that the land in a landfill should be impaired and that it does not have a limited useful life. The decrease in the value of land in a landfill is an impairment.</p> <p>These participants also noted that land may not necessarily be impaired prior to commencing with the disposal of waste on the land. Management needs to assess when an indicator for impairment will be triggered following its decision to use the land for waste disposal.</p>	<p>Noted. Refer to the response to comment 1.1.1.</p> <p>Guidance has been included in Chapter 2 requiring management to apply judgement to assess when its decision to use the land for waste disposal will be an indicator of impairment.</p>



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No.	Comments	Board's response
SALGA/ CIGFARO Joint Consultative Sessions (continued)		
1.1.3	<p><i>Eastern Cape</i></p> <p>Participants supported the principle that land should not be depreciated as it has an unlimited useful life.</p>	Noted. Refer to the response to comment 1.1.1.
1.2 COGTA		
	<p>Participants noted that a reduction in the value of land in a landfill is due to an indicator of impairment being triggered and not because the land has a limited useful life as land will always have an alternative use. As such, land should not be depreciated.</p>	Noted. Refer to the response to comment 1.1.1.
1.3 Office of the Accountant-General		
	<p>The entity's licence conditions and the Minimum Requirements require an entity to rehabilitate the land in a landfill after the site stops receiving waste. Because of these requirements, the land in a landfill will always have an alternative use. The principle in GRAP 17 should therefore be applied, i.e. land has an unlimited useful life.</p>	Noted. Refer to the response to comment 1.1.1.



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No.	Comments	Board's response
1.4	Roundtable with preparers, engineers and other consultants	
	<p>Some preparers noted that they depreciate land in a landfill as this land will have no other alternative use and therefore the land has a limited useful life, specifically where the capping of the land was not done properly during rehabilitation. As such, land on a landfill has a limited useful life and is accounted for in a similar manner as land used for cemeteries. These preparers noted that no market exists for the land in a landfill.</p> <p>As land needs to be assessed for impairment as required by GRAP 21 on <i>Impairment of Non-cash-generating Assets</i> or GRAP 26 on <i>Impairment of Cash-generating Assets</i>, other participants noted that an entity needs to consider its specific circumstances to assess whether (a) the value of land has decreased as a result of it being used in a landfill, in which case the impairment principles need to be applied, or (b) the land is consumed and as such, will have a limited useful life, in which case depreciation is appropriate.</p> <p>Based on these observations, the participants recommended that the guidance should be retained that requires an entity to apply judgement, based on its specific circumstances, to assess if land has a limited useful life.</p>	<p>Noted. Refer to the response to comment 1.1.1.</p> <p>The example provided of the capping of land that was not done properly, could be an indicator of impairment. Chapter 2 has been expanded to explain that the reversal or the reduction of the impairment loss may be affected by the extent to which the required rehabilitation was undertaken, as well as the characteristics of the rehabilitated land after the implementation of the entity's end-use plan.</p>
1.5	Roundtable with auditors and other technical advisors	
	<p>Participants supported the principle that land should not be depreciated as it has an unlimited useful life. In terms of an entity's licence conditions and the legislative requirements that regulate landfill sites, an entity must rehabilitate the land after closure of the site. The example explaining when land may have a limited useful life is therefore not relevant. Participants recommended the deletion of the example.</p>	<p>Noted. Refer to the response to comment 1.1.1.</p> <p>The example explaining when land may have a limited useful life has been deleted.</p>



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No.	Comments	Board's response
1.6	SAICA Public Sector Financial Reporting Project Group	
	<p>Participants supported the application of the principle in GRAP 17 that land should not be depreciated as the land has an unlimited useful life. This conclusion was based on the fact that the land in a landfill will have an alternative use once rehabilitated after the site has stopped receiving waste.</p>	<p>Noted. Refer to the response to comment 1.1.1.</p>
1.7	Municipal Working Committee	
	<p>Members noted that land is currently not depreciated, and that it will be inappropriate to depreciate land as it has an unlimited useful life.</p> <p>Members debated whether land in a landfill site that handles hazardous waste should be depreciated. Members agreed that it will also be inappropriate to depreciate this land, as there are also licence conditions and/or other legislative requirements that require the rehabilitation of the land.</p> <p>Members agreed that when land is used in a landfill, the land needs to be assessed for impairment in accordance with the requirements in GRAP 21 or GRAP 26, and that depreciation is inappropriate irrespective the type of waste treated on that land. Impairment losses can be reversed should land be rehabilitated and used for another purpose in future.</p>	<p>Noted. Refer to the response to comment 1.1.1.</p> <p>The guidance in Chapter 2 has been expanded to separately include guidance on depreciation and impairment of land.</p>



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No.	Comments	Board's response
1.8	Public Sector Accounting Forum	
	<p>Participants noted that, as the land will always exist and have an alternative use, land in a landfill should not be depreciated. Participants agreed that land has an unlimited useful life, and that the reduction in the value of land in a landfill is an indicator of impairment rather than the land having a limited useful life.</p>	<p>Noted. Refer to the response to comment 1.1.1.</p>



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No.	Comments	Board's response
GENERAL MATTERS FOR COMMENT		
2. AUTHORITY, OBJECTIVE AND SCOPE OF THE GUIDELINE		
2.1 SALGA/ CIGFARO Joint Consultative Sessions		
	<p><i>Gauteng</i></p> <p>The scope of the proposed Guideline clarifies that it applies to entities that are required to comply with the requirements applicable to landfill sites. Participants questioned whether the guidance is applicable to quarries that are operated as a landfill site, even though most quarries that are operated in this manner, are not licenced.</p>	<p>Noted. The principles in the Guideline apply to entities that are required to comply with the legislative requirements, including the Minimum Requirements, applicable to landfill sites. Even if an entity operates a landfill site that is not licenced, the Minimum Requirements that regulate the management and operation of the landfill site, are applicable to that landfill site. The Guideline therefore includes within its scope all landfill sites that are managed and operated in terms of the Minimum Requirements.</p> <p>The recognition and measurement requirements for the land used in the landfill, the landfill site asset and the landfill rehabilitation provision may differ between licenced and unlicenced landfill sites. The entity should apply judgement in applying the recognition and measurement principles in the Guideline and the Standards of GRAP.</p>



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No.	Comments	Board's response
SALGA/ CIGFARO Joint Consultative Sessions (continued)		
	<p><i>Gauteng (continued)</i></p>	<p>The scope section of the Guideline has been amended to clarify that the guidance in the Guideline was developed based on specific fact patterns outlined in legislation. An entity needs to apply judgement when the specific facts and circumstances relating to its landfill site are different to those explained in the Guideline.</p> <p>An entity that operates a quarry as a landfill site that is unlicensed, should consider the principles in the Guideline as it is subject to the Minimum Requirements and other legislation applicable to the management and operation of landfill sites.</p>



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No.	Comments	Board's response
2.2	COGTA	
	<p>Participants questioned whether the proposed Guideline addresses the clean-up of illegal dumping that takes place on land controlled by entities.</p>	<p>Noted. The scope of the Guideline clarifies that the principles apply to entities that are required to comply with the legislative requirements applicable to the operation and management of landfill sites. Illegal dumping is therefore not specifically addressed in the Guideline.</p> <p>An entity's responsibility to ensure that the environment is not harmful to the health or well-being of its citizens is required in terms of the Constitution, and involves a broader responsibility than the requirements addressed in the scope of the Guideline. An entity needs to consider the principles in the applicable Standards of GRAP in accounting for these activities.</p>



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No.	Comments	Board's response
2.3	Roundtable with preparers, engineers and other consultants	
	<p>The scope of the proposed Guideline should be extended to unlicensed landfill sites, otherwise an impression may be created that unlicensed sites do not need to comply with the requirements in the Standards of GRAP in so far as it relates to the accounting of the land, the landfill site asset and the rehabilitation provision.</p> <p>Participants noted that, even though a landfill site may not be licenced, the entity still needs to comply with the Minimum Requirements as if the site was licenced. As the accounting principles for the accounting of the land in the landfill, the landfill site asset and the rehabilitation provision are similar for licenced and unlicensed landfill sites, it was recommended that the scope of the proposed Guideline should include both licenced and unlicensed sites.</p>	<p>Noted. The principles in the Guideline apply to entities that are required to comply with the legislative requirements applicable to landfill sites, including unlicensed landfill sites.</p> <p>Also refer to the response to comment 2.1.</p>
2.4	Roundtable with auditors and other technical advisors	
2.4.1	Participants questioned whether the principles in the proposed Guideline should be considered when accounting for the cleaning up of waste next to, or close, to a landfill site.	Noted. Refer to the response to comment 2.2.
2.4.2	Participants debated the inclusion of quarries and unlicensed landfill sites in the scope of the proposed Guideline. It was recommended that more clarification should be included on whether quarries and unlicensed landfill sites are excluded from the scope of the proposed Guideline, if applicable.	Refer to the response to comment 2.1.



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No.	Comments	Board's response
2.5	Municipal Working Committee	
	Members questioned how entities that do not have a licence to operate a landfill site should account for the landfill site asset, and in particular what the various recognition or derecognition points for these assets should be.	Noted. Refer to the response to comment 2.1.



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No.	Comments	Board's response
3.	CHAPTER 1 Overview of the legislative requirements that govern landfill sites	
3.1	City of Cape Town	
3.1.1	The implementation of the end-use plan in the diagram outlining the lifecycle of the landfill site is in the incorrect place as it should be included after the thirty year monitoring and inspection.	<p>Noted. In terms of the Minimum Requirements, the objective of the post closure monitoring and inspection is to ensure the sustained acceptability of the site after its closure, and that the end-use plan is implemented. The Minimum Requirements do not specify when an entity must commence with the implementation of its end-use plan. As such, the implementation of the end-use plan and the post closure monitoring and inspection may take place concurrently.</p> <p>The diagram has been amended to refer to activities undertaken after rehabilitation, with the implementation of the end-use plan and post-closure monitoring and inspections as subsets of this activity.</p>
3.1.2	Participants noted that it will be helpful if there is a split in the “licencing to operate” block between activities before the licence application is submitted, and the activities undertaken thereafter, to align with the accounting requirements.	Noted. The first block in the diagram has been separated between the initial application to operate a landfill site and commencing with the licence application report.



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No.	Comments	Board's response
3.2	Roundtable with preparers, engineers and other consultants	
	Participants recommended that Chapter 1 should be amended to explain that an entity needs to apply for a closure licence, so that it is clear that a closure licence is separate from the licence to operate the landfill site.	Noted. The section on “closure, rehabilitation and end-use” in Chapter 1 has been amended to explain that an entity needs to apply for a closure licence from the licencing authority.
3.3	Municipal Working Committee	
	Members noted that the “operation” block is the dividing line between what expenditure is considered to be capital and operational expenditure.	Noted. The objective of the diagram is to explain the lifecycle of the landfill site. Chapter 3 explains that any costs incurred prior to receiving approval to commence with the licence application report will be expensed, while judgement needs to be applied to assess if costs incurred after receiving approval to commence with the licence application report should be expensed or capitalised.
3.4	Public Sector Accounting Forum	
	Participants recommended that the last block in the diagram should refer to “closure and post-closure monitoring”.	Noted. The diagram has been amended as proposed.

No.	Comments	Board's response
4.	CHAPTER 2 Accounting for land	
4.1	SALGA/ CIGFARO Joint Consultative Sessions	
4.1.1	<p><i>Limpopo</i></p> <p>The guidance on the change of use of the land in a landfill can be expanded to emphasise that the entity should consider the principles in GRAP 21 or GRAP 26 for a reversal of an impairment when the end-use plan is implemented and the landfill site is fully rehabilitated.</p> <p>Participants noted that even though the land is rehabilitated after the waste disposal has stopped, the value of the land may never increase to its original value because it was used in a landfill at some point in time.</p>	<p>Noted. Guidance has been included in Chapter 2 to explain that the principles in GRAP 21 or GRAP 26 should be applied to assess if an indicator for the reversal or the reduction of an impairment loss recognised in a prior period has been triggered. An example of the completion of the rehabilitation of the landfill site and the implementation of the entity's end-use plan has been added to illustrate the application of the GRAP 21 or GRAP 26 principle.</p> <p>Noted. No further action required.</p>
4.1.2	<p><i>Gauteng and Eastern Cape</i></p> <p>Participants supported the principle in the proposed Guideline that the land in a landfill, and the landfill site asset, should be accounted for as separate assets. This is the current practice applied in accounting for these assets.</p>	<p>Noted. No further action required.</p>



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No.	Comments	Board's response
4.2	SALGA Policy Unit	
4.2.1	Participants questioned whether the proposed Guideline explains the accounting for land (a) where a number of landfill sites are operated from a central area, and (b) where the land is registered in the name of a district municipality, but the landfill site is operated by one or more local municipalities.	Noted. Without providing specific guidance on the accounting for land registered in the name of a district municipality that is operated by another entity, and/or land operated from a central area, references to the applicable Standards of GRAP that should be applied are included in the Guideline. Chapter 2 explains that the entity should consider the criteria in the Interpretation of the Standards of GRAP on <i>Recognition and Derecognition of Land</i> (IGRAP 18) to assess control of the land. To assess joint control of land at a regional or central landfill site, the principles in IGRAP 18 and/or the Standard of GRAP on <i>Interests in Joint Ventures</i> (GRAP 8) are applied.
4.2.2	Participants supported the principle in the proposed Guideline that the land in a landfill, and the landfill site asset, should be accounted for as separate assets.	Noted. No further action required.
4.3	Roundtable with preparers, engineers and other consultants	
4.3.1	Participants indicated that paragraph 2.29 should be amended to “have stopped, <u>or are about to stop</u> ”.	Noted. The paragraph has been amended.



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No.	Comments	Board's response
Roundtable with preparers, engineers and other consultants (continued)		
4.3.2	Participants questioned whether guidance is provided in accounting for tribal land that is used by one or more entities as a landfill site.	Noted. Chapter 2 clarifies that an entity should consider the criteria in the IGRAP 18 to assess control of land. Also refer to the response to comment 4.2.1.
4.4 Roundtable with auditors and other technical advisors		
4.4.1	Participants agreed that the principles in IGRAP 18 should be considered to assess control of land in a landfill but recommended that the guidance on applying the second criterion in IGRAP 18 should be expanded to explain how this criterion will be applied in assessing control of land in a landfill.	Noted. The guidance on the recognition of land in a landfill has been expanded to explain that, in assessing whether an entity has the right to direct access to land, and to restrict or deny the access of others to the land, the entity needs to consider its licence conditions and its rights and obligations in the arrangement.
4.4.2	Participants recommended that guidance on impairment of land should be included under a separate heading. The guidance should clarify (a) when, and why impairment should be considered for existing and newly acquired land at initial recognition; (b) that impairment should be considered at each reporting date; and (c) that the reversal of impairment should be considered when the rehabilitation of the landfill site is completed and the end-use plan is implemented. It was also recommended that the guidance should clarify that an entity should apply judgement to assess when its decision to use the land for waste disposal will trigger impairment.	Noted. Additional guidance has also been included in Chapter 2 on impairment considerations for land in a landfill.



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No.	Comments	Board's response
Roundtable with auditors and other technical advisors (continued)		
4.4.3	Participants recommended that paragraph 2.16 should explain how existing land controlled by the entity could have been classified prior to management taking the decision to use the land in a landfill. It was proposed that the list illustrating the classification in paragraph 2.30 should be included in paragraph 2.16.	Noted. The list illustrating the classification of land, other than property, plant and equipment, was included in paragraph 2.16.
4.5 SAICA Public Sector Financial Reporting Project Group		
	Participants proposed that the Guideline should also provide guidance on the accounting of leased land.	Noted. Chapter 2 indicates that an entity should consider the principles in IGRAP 18 to assess control of land in a landfill. IGRAP 18 clarifies that, where an entity has been granted a right to use land, it needs to consider whether the right should be accounted for in terms of the Standard of GRAP on <i>Leases</i> (GRAP 13). The Board concluded that the reference to IGRAP 18 is sufficient and that no additional guidance on accounting for leased land is required.
4.6 Municipal Working Committee		
	Members noted that they currently account for the land and the landfill site asset separately.	Noted. No further action required.



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No.	Comments	Board's response
4.7	Public Sector Accounting Forum	
4.7.1	Participants questioned when an entity should account for a change in use of land that will be used for waste disposal.	Noted. The Guideline clarifies that, when management takes the decision to use existing land for waste disposal, the land should be classified as property, plant and equipment. Where land is specifically acquired for waste disposal, the land is classified as property, plant and equipment on acquisition.
4.7.2	Participants questioned why the land in a landfill, and the landfill site asset should be accounted for as separate assets. It was noted that, in practice, the land and the infrastructure constructed on the land is managed as a unit. When the infrastructure is accounted for in the financial statements, the land is often recognised as a sub-component of the specific infrastructure, rather than accounted for as a separate asset.	<p>Noted. GRAP 17 requires that land and buildings are separable assets that should be accounted for separately, even though they are acquired together. This principle is applied in accounting for land in a landfill and the landfill site asset in the Guideline. The Guideline is however not specific on how an entity should manage or record the land in its asset register, as this is not addressed in the Standards of GRAP.</p> <p>The guidance on the “distinction between land and the landfill asset for accounting purposes” has been amended to explain that the land and the landfill site asset should be accounted for separately, rather than as separate assets.</p>



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No.	Comments	Board's response
Public Sector Accounting Forum (continued)		
4.7.3	Participants questioned how an entity should calculate the value in use when the land in a landfill is impaired.	Noted. This is a practical issue for which guidance cannot be included in the Guideline. An entity applies the principles in GRAP 21 and GRAP 26 to calculate the asset's value in use when the land is impaired.
4.7.4	Participants questioned whether they should retrospectively account for impairment of land in a landfill if they did not consider impairment prior to the Guideline becoming effective.	<p>Noted. Chapter 5 explains that when an entity has not accounted for the land, the landfill site asset or the landfill rehabilitation provision as outlined in the Guideline, the principles in GRAP 3 on <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> are applied to align its existing accounting policies with the principles in the Guideline.</p> <p>Consideration should be given to the requirements in GRAP 3 explaining the circumstances when it may be impracticable to retrospectively apply or restate information. GRAP 3 also clarifies that hindsight should not be used to correct amounts for a prior period, either in making assumptions about what management's intentions would have been in a prior period or in estimating the amounts recognised, measured or disclosed in a prior period.</p>



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No.	Comments	Board's response
5.	CHAPTER 3 Accounting for the landfill site asset	
5.1	City of Cape Town	
5.1.1	<p>Participants recommended that the proposed Guideline needs to be clear that, in general, there is agreement that costs incurred after receiving approval of the licence application report, may be capitalised to the cost of the asset, but that there may be exceptions. Participants noted an example of approval being received to commence with the development of the licence application report, but because of legal challenges, several changes had to be made to the design etc. of the landfill site.</p>	<p>Noted. Chapter 3 already clarifies that an entity needs to apply judgement to assess whether the costs incurred after obtaining approval from the licencing authority to commence with the compilation of the licence application report, should be expensed or capitalised. The paragraph has been amended to explain that this assessment includes assessing the costs incurred to develop and construct the landfill site asset.</p>
5.1.2	<p>Participants noted that section 19 of the MFMA Budget Regulations require that all costs related to feasibility studies need to be capitalised. It was proposed that the proposed Guideline should clarify that substance over form prevails over these Regulations.</p>	<p>The budget requirements are different to the requirements in the Standards of GRAP as the budget requirements are aimed at achieving different objective.</p> <p>The comment was shared with the National Treasury for its consideration.</p>

No.	Comments	Board's response
City of Cape Town (continued)		
5.1.3	<p>Participants questioned the appropriateness of always depreciating infrastructure over the useful life of the landfill site, particularly infrastructure related to gas monitoring that can be used for extraction once rehabilitation is completed.</p> <p>It was proposed that guidance should be included in the proposed Guideline to reconsider the derecognition of all assets when waste disposal is completed, as some components of the landfill site asset may be retained for an alternative use.</p>	<p>Noted. The Board reconsidered the principle on the useful life of a landfill site asset. The Board agreed that the useful life includes the period over which waste is received and stored, as the landfill site asset has service potential while it safely stores waste.</p> <p>The guidance in Chapter 3 has been amended to explain that the useful life of parts of the landfill site asset is determined based on the period over which the part is available for use. The landfill site asset may generate future economic benefits or service potential while the site is in operation, or for a shorter period, or during the period that the landfill site stores waste. The useful life ends when the post-closure monitoring and inspection is completed.</p>



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No.	Comments	Board's response
5.2	CIGFARO KwaZulu Natal	
	<p>Some participants questioned the inclusion of an initial estimate of costs to be incurred for the development or construction of assets that are required for rehabilitation as part of the initial estimate of the costs of dismantling and removing the item and/or restoring the site. In their view, these assets should only be accounted for when construction commences, otherwise it could result in the double counting of the assets.</p>	<p>Noted. As the construction of these assets are required in terms of the entity's licence conditions and the Minimum Requirements, a provision for the construction of these assets is included in the initial estimate of the landfill rehabilitation provision. An estimate of costs to be incurred for the development or construction of these assets is an element of the cost of the landfill site asset.</p> <p>The guidance in Chapter 3 has been amended to explain why an estimate of costs to be incurred for the development and construction of assets required for the rehabilitation of the site is part of the cost of the landfill site asset.</p>

No.	Comments	Board's response
5.3	SALGA/ CIGFARO Joint Consultative Sessions	
	<p><i>Gauteng</i></p> <p>Participants supported the inclusion of an initial estimate of costs to be incurred for the development or construction of assets that are required for rehabilitation as part of the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is allocated.</p>	<p>Noted. No further action required.</p> <p>Also refer to the response to comment 5.2.</p>
5.4	COGTA	
5.4.1	<p>Participants supported the indicators in the proposed Guideline to assist an entity in assessing whether costs incurred during construction and development of the landfill site asset, should be expensed or capitalised. No additional indicators were noted.</p>	<p>Noted. No further action required.</p>
5.4.2	<p>Participants supported the principle that monitoring and inspection costs incurred during the operation of the landfill site should be expensed, unless it results in an improvement or enhancement of future economic benefits or service potential. Participants noted that from current practice, monitoring and inspection costs incurred during the operation of the landfill site are usually expensed rather than capitalised to the landfill site asset.</p>	<p>Noted. No further action required.</p>
5.4.3	<p>Participants indicated that they do not fully support the principles in the proposed Guideline that requires the inclusion of an initial estimate of costs to be incurred for the development or construction of assets that are required for rehabilitation as part of the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is allocated.</p>	<p>Refer to the response to comment 5.2.</p>



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No.	Comments	Board's response
COGTA (continued)		
5.4.4	<p>Participants supported the principle in the proposed Guideline that the useful life of the landfill site cannot be longer than the period that the landfill site is in operation.</p> <p>Participants also supported the depreciation principles as proposed in the Guideline, in so far as they relate to identifying significant components for purposes of depreciation.</p>	Noted. Refer to the response to comment 5.1.3.
5.4.5	<p>Participants proposed that guidance should be included in the proposed Guideline to explain that the assets that are used in operating the landfill site, but accounted for as separate assets, will not necessarily be derecognised when the landfill has stopped receiving waste.</p>	Noted. Chapter 3 has been amended to include the guidance.
5.5 SALGA Policy unit		
	<p>Participants supported the principle in the proposed Guideline that monitoring and inspection costs incurred during the operation of the landfill site should be expensed, unless it results in an improvement or enhancement of future economic benefits or service potential. It was noted that most entities currently account for monitoring and inspection costs incurred during the operation of the landfill site in this manner.</p>	Noted. No further action required.



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No.	Comments	Board's response
5.6	Office of the Accountant-General	
5.6.1	<p>To assess if costs incurred during development and construction need to be expensed or capitalised, the principle in the proposed Guideline explains that an entity should apply its existing policies based on the Standards of GRAP. Participants questioned the existence of these policies in all instances.</p> <p>It was proposed that the proposed Guideline should provide more guidance to address those instances where an entity does not have the required policies in place.</p>	<p>Noted. The Guideline does not replace or amend any of the principles in the Standards of GRAP. Having a policy in place to assess if costs incurred during the development or construction of an asset should be expensed or capitalised, should form part of the entity's internal controls and asset management framework.</p> <p>If an entity does not have such a policy in place, Chapter 3 provides additional guidance in the form of indicators that an entity can consider in deciding whether costs incurred during development and construction should be expensed or capitalised.</p>
5.6.2	<p>Participants proposed that guidance should be included in the proposed Guideline on whether gas reclassification plants that are used at some landfill sites, should be accounted for a component of the landfill site asset, or whether the plant should be accounted for as a separate asset.</p>	<p>Noted. As circumstances differ from one entity to another, the Board agreed to not be specific as to the costs that are directly attributable to the landfill site asset. Instead, Chapter 3 clarifies that an entity needs to apply judgement to assess which costs incurred, or assets acquired (a) are directly attributable to the landfill site asset; or (b) should be accounted for as separate assets. The Board agreed that no additional guidance is required.</p>



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No.	Comments	Board's response
5.7	Roundtable with preparers, engineers and other consultants	
5.7.1	<p>Paragraph 3.9 explains that costs incurred prior to receiving approval from the licencing authority, i.e. costs to undertake the feasibility study and costs incurred to compile the feasibility report, are likely to be expensed.</p> <p>Participants questioned whether this principle can be applied to unlicenced landfill sites, as some unlicenced landfill sites may not undertake feasibility studies.</p>	Noted. Refer to the response to comment 2.1.
5.7.2	Participants recommended that paragraph 3.11(d) should be amended to “it <u>may</u> operate”, rather than being prescriptive. Entities that operate a landfill site may not always have sufficient funding to operate the landfill site in accordance with its licence conditions.	Noted. The paragraph has been amended to refer to “operates”.
5.7.3	Participants recommended that paragraph 3.12(c) and the heading to paragraph 3.21 should be amended to “and/or restoring the site”.	Noted. The paragraph and heading have been amended.
5.7.4	Participants agreed with the principle in paragraph 3.23 to include an estimate of assets to be constructed for rehabilitation in the initial estimate of the landfill rehabilitation provision.	Noted. Refer to the response to comment 5.2.
5.7.5	Participants recommended that an example of developing a drainage system specifically for rehabilitation could be included in paragraph 3.23 to better explain the principle.	Noted. The example has been amended as proposed.



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No.	Comments	Board's response
Roundtable with preparers, engineers and other consultants (continued)		
5.7.6	<p>Participants supported the principle that monitoring and inspection costs incurred during the operation of the landfill site is not an element of cost, and that an estimate of these costs should not be included as part of the cost of the landfill site asset.</p> <p>Participants also supported the principle that monitoring and inspection costs should only be capitalised to the cost of the asset if it results in an enhancement of the future economic benefits or service potential of the landfill site asset.</p>	Noted. As this principle is already explained in the Guideline, no further action is required.
5.7.7	Participants noted that the example in paragraph 3.33 is inappropriate as it is unlikely that monitoring and inspection costs incurred will ever enhance the future economic benefits or service potential of the landfill site asset. The actions taken and costs incurred by the entity following the outcome of the monitoring and inspection may result in the enhancement of the future economic benefits or service potential. It is therefore recommended that the example should be deleted.	Noted. The example has been deleted as proposed.
5.7.8	Participants noted that, as the landfill site asset may not immediately start receiving waste, the depreciation of the landfill site asset should commence when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. The principle in paragraph 3.35 that clarifies when depreciation commences should clarify that management needs to apply judgement to assess when depreciation commences.	Noted. The paragraph has been amended as proposed.



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
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No.	Comments	Board's response
Roundtable with preparers, engineers and other consultants (continued)		
5.7.9	Participants noted that the example of the bottom-liner in paragraph 3.38 is inappropriate and should be replaced with a more appropriate example.	Noted. The bottom-liner has been replaced with another component.
5.7.10	The word "asset" at the end of paragraph 3.41 should be deleted.	Noted. The paragraph has been amended.
5.7.11	Participants recommend that the bottom-liner in example 1 should be replaced with another component.	Noted. The example has been amended.
5.7.12	The guidance on the derecognition of the landfill site should be expanded to provide guidance on the derecognition of all three components of the asset, i.e. the landfill site asset, other assets used with the landfill site asset and assets used for rehabilitation.	Noted. The guidance in Chapter 3 has been amended to provide guidance on the derecognition of the landfill site asset and other assets used with the landfill site asset. The Chapter already clarifies that other assets, that are used with the landfill site asset, should be accounted for in accordance with the applicable Standards of GRAP. Also refer to the response to comment 5.4.5.

No.	Comments	Board's response
5.8	Roundtable with auditors and other technical advisors	
5.8.1	Participants questioned whether the proposed Guideline explains the accounting of the licence fee issued to the entity to operate the landfill site. It was proposed that the principles in GRAP 31 on <i>Intangible Assets</i> should be applied in accounting for the licence fee as an intangible asset.	Noted. The licence fee payable to the licencing authority is an administration fee to process the application, and is likely to be immaterial. Chapter 5 has been expanded to clarify that an entity should consider the principles on “costs incurred prior to receiving approval from the licencing authority to commence with the licence application report” and “costs incurred after receiving approval from the licencing authority to commence with the licence application report” in Chapter 3, in accounting for the licence fee.
5.8.2	Participants noted that the principles on ‘criteria that may be considered to decide whether costs incurred during the development and construction of the landfill site should be expensed or capitalised’ (paragraph 3.11) should be applied in assessing whether costs incurred after receiving approval from the licencing authority should be expensed or capitalised. The heading should therefore not be in bold text.	Noted. The heading has been amended.
5.8.3	Participants recommended that the heading ‘costs incurred by the entity after receiving approval from the licencing authority’ should clarify that it relates to costs incurred after approval has been received to commence with the compilation of the licence application report.	Noted. The heading, subheading and related text have been amended.



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No.	Comments	Board's response
Roundtable with auditors and other technical advisors (continued)		
5.8.4	Some participants questioned the appropriateness for the criteria to be applied in assessing whether costs incurred during the development and construction of the landfill site asset should be expensed or capitalised (paragraph 3.11), as the criteria were developed with reference to GRAP 31.	<p>Noted. The objective of including the additional criteria was to provide guidance to entities that do not have existing accounting policies to assist them with the assessment of whether costs incurred should be expensed or capitalised.</p> <p>To ensure that preparers do not consider accounting for (a) costs incurred during the development and construction of the asset; and (b) costs incurred after approval from the licencing authority to commence with the licence application report as intangible assets, the lead in to the criteria in paragraph 3.11 has been amended to indicate that the assessment relates to the landfill site asset.</p>
5.8.5	Participants questioned whether the impairment of land following management's decision to use the land in a landfill, should be capitalised to the cost of the landfill site asset.	<p>Noted. The principles in GRAP 21 and GRAP 26 require impairment losses to be recognised in surplus or deficit. There is no principle in the Standards of GRAP that requires an entity to include impairment as an element of the cost of the asset. The impairment of land should therefore not be capitalised to the cost the landfill site asset.</p>



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
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No.	Comments	Board's response
Roundtable with auditors and other technical advisors (continued)		
5.8.6	Participants agreed with the principle in paragraph 3.23 to include an estimate of assets to be constructed for rehabilitation, in the initial estimate of the landfill rehabilitation provision.	Noted. Also refer to the response to comment 5.2.
5.8.7	Participants supported the principle that assets used with the landfill site asset to ensure the effective operation of the site, should be accounted for as separate assets.	Noted. No further action required.
5.8.8	<p>Paragraph 3.19 explains that insurance costs are an example of costs directly attributable to bringing the landfill site asset to the condition necessary for it to operate in the manner intended by management.</p> <p>Participants recommended that the proposed Guideline should be amended to explain that this principle only applies to insurance costs incurred in relation to the development and construction of the landfill site asset.</p>	Noted. The clarification has been included as proposed.
5.8.9	<p>Participants supported the principle that monitoring and inspection costs incurred during the operation of the landfill site, should only be capitalised to the carrying amount of the landfill site asset when the recognition criteria are met.</p> <p>Participants also agreed that an estimate of monitoring and inspection costs incurred during the operation of the landfill site is not part of the cost of the landfill site asset, but that an estimate of monitoring and inspection costs to be incurred after the landfill site has stopped its operations, should be part of the cost of the landfill site asset.</p>	<p>Noted. No further action required.</p> <p>Also refer to the response to comment 5.7.6.</p>



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GUIDELINE ON ACCOUNTING FOR LANDFILL SITES (ED 166)**

No.	Comments	Board's response
Roundtable with auditors and other technical advisors (continued)		
5.8.10	<p>Participants recommended that the example in paragraph 3.33 should be amended to conclude that monitoring and inspection costs should not be recognised to the carrying amount of the landfill site asset based on the fact pattern in the example.</p>	<p>Noted. As the example explains the considerations in accounting for costs incurred to undertake corrective action, rather than the accounting of the monitoring and inspection costs, the example has been deleted.</p>
5.8.11	<p>Participants debated whether the useful life of a significant component of the landfill site asset can have a useful life longer than the useful life of the landfill site. Participants concluded that, as some components of the landfill site asset may be used for rehabilitation of the landfill site, or may have an alternative use after the landfill site has stopped its operations, the useful life of some components may be longer than the useful life of the landfill site.</p> <p>Based on this conclusion, it was recommended that the principles in the proposed Guideline on the useful life and derecognition of the landfill site be reconsidered. It was also recommended that additional guidance should be included to explain the accounting for significant components of the landfill site asset that may generate future economic benefits or service potential after closure of the landfill site.</p>	<p>Noted. Refer to the response to comment 5.1.3.</p>
5.8.12	<p>Based on the observation noted on the useful life of the significant components of the landfill site asset that can be longer than the useful life of the landfill site, participants recommended that paragraph 3.44 should be reconsidered that explains that the residual value of the landfill site is likely to be nil.</p>	<p>Noted. Refer to the response to comment 5.1.3.</p> <p>The guidance on the residual value has been amended to explain that, parts of the landfill site may have a residual value if they will be disposed of, or when their useful life is longer than that of the landfill site. GRAP 17 is applied to assess changes in the residual value at each reporting date.</p>

No.	Comments	Board's response
Roundtable with auditors and other technical advisors (continued)		
5.8.13	Participants noted that, as the land holds waste after the landfill site has stopped its operations, it could be argued that the useful life of the landfill site is longer than the period during which the site receives waste. Based on this observation, the principle in paragraph 3.41 that explains that the parts of the landfill site asset will only generate future economic benefits or service potential while the landfill site is in operation, was questioned.	Noted. Refer to response 5.1.3.
5.9 SAICA Public Sector Financial Reporting Project Group		
5.9.1	Participants supported the principle that the initial estimate of the landfill rehabilitation provision may include an estimate of costs to be incurred for the development and construction of the assets that are required for final rehabilitation.	Noted. Also refer to the response to comment 5.2.
5.9.2	<p>Paragraph 4.15 includes examples of cash flows that may be included in the landfill rehabilitation provision. Monitoring and inspection costs to be undertaken after the closure of the landfill site are included as an example, while monitoring and inspection costs incurred during the operation of the landfill site are not.</p> <p>Participants questioned whether monitoring and inspection costs incurred during the operation of the landfill site are part of the cost of the asset, as the entity is required to undertake the monitoring and inspection in terms of the Minimum Requirements and its licence conditions.</p>	Noted. Monitoring and inspection costs to be undertaken during the operation of the landfill site are not a prerequisite for rehabilitation and therefore not part of the restoration and rehabilitation activities following the closure of the landfill site. Chapter 3 already explains that these costs should only be capitalised to the cost to the landfill site asset if the recognition criteria are met, otherwise it should be expensed when incurred.



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No.	Comments	Board's response
SAICA Public Sector Financial Reporting Project Group (continued)		
		Chapter 4 has also been amended to explain that, as the monitoring and inspection costs to be undertaken after the closure of the landfill site are part of restoring the entity's obligation related to the rehabilitation of the environmental damage of the land, it is part of the landfill rehabilitation provision.
5.10	Municipal Working Committee	
5.10.1	<p>Members supported the expensing of inspection and monitoring costs incurred during the operation of the landfill site.</p> <p>Members also agreed that post-closure monitoring and inspection costs should be included in the landfill rehabilitation provision and depreciated over the useful life of the landfill site.</p> <p>Members further noted that monitoring and inspection costs undertaken while the landfill site asset is in operation, do not extend or enhance the life of the asset and should therefore be expensed.</p>	Noted. Also refer to the response to comment 5.7.6.



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No.	Comments	Project group's proposed response
Municipal Working Committee (continued)		
5.10.2	<p>Members noted that some assets, like a fence, are required both for the operation of the landfill site asset as well as for post-closure monitoring.</p> <p>Members questioned whether, in these instances, the fence will have a remaining useful life when the landfill site's operations are closed, and how this asset should be accounted for in terms of the proposed Guideline.</p>	<p>Noted. Refer to response 5.1.3 on the useful life of the landfill site asset.</p> <p>The Guideline does not provide specific guidance on the accounting of assets that are used to ensure the effective operation of the landfill site asset, as the objective of the Guideline is to provide guidance on the accounting for land in a landfill, the landfill site asset and the landfill rehabilitation provision. Chapter 3 has been amended to clarify that an entity needs to apply the principles in the applicable Standards of GRAP to account for assets that are used with the landfill site.</p>



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No.	Comments	Board's response
Municipal Working Committee (continued)		
5.10.3	Chapter 3 notes that assets that are used to ensure the effective operation of the landfill site asset are recognised as separate assets rather than as a part of landfill site asset. Members questioned the accounting of these assets.	<p>Noted. In accordance with GRAP 17, the cost of an item of property, plant and equipment comprises, among others, any costs directly attributable to bringing the asset to the location and condition necessary to operate in the manner intended by management. Assets that are used to ensure the effective operation of the landfill site asset are not directly attributable to the landfill site asset in accordance with GRAP 17. Also, the assets that are used to ensure the effective operation of the landfill site asset may have alternative uses either during the operation of the landfill site, or when the operations of the landfill site have stopped.</p> <p>As required by GRAP 17, assets that are not directly attributable to bringing the asset to the location and condition necessary to operate in the manner intended by management, should be accounted separately from other assets.</p> <p>The Board agreed not to include any further guidance.</p>



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No.	Comments	Board's response
5.11	Public Sector Accounting Forum	
5.11.1	<p>Participants supported the principle that monitoring and inspection to be undertaken during the operation of the landfill site should be expensed when incurred, and that these costs should not be included in the initial estimate of the rehabilitation provision.</p> <p>Participants noted that, other than non-compliance with its licence conditions, the landfill site will continue its operations even if the required monitoring and inspection is not undertaken. This is different to the principle in GRAP 17 that requires the costs of major inspections that need to be undertaken to ensure the effective operation of the asset, to be recognised as a cost component in the carrying amount of the item of property, plant and equipment.</p>	<p>Noted. As Chapter 3 already clarifies that monitoring and inspection costs incurred during the operation of the landfill site are not an element of the cost of the landfill site asset, no further clarification is required.</p>
5.11.2	<p>Participants noted that consideration should be given to the implications when monitoring and inspection is not undertaken and recommended that guidance to address this implication should be included in the proposed Guideline.</p>	<p>Noted. Chapter 5 of the Guideline includes guidance on the accounting for fines and penalties that should be considered.</p>
5.11.3	<p>Some participants questioned the inclusion of an initial estimate of costs to be incurred for the development or construction of assets that are required for rehabilitation, as part of the cost of the landfill site asset. These participants were of the view that an initial estimate of assets to be developed or constructed in future, does not comprise an element of cost of the landfill site asset.</p>	<p>Noted. Refer to the response to comment 5.2.</p>



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No.	Comments	Board's response
6.	CHAPTER 4 Accounting for the provision for rehabilitation, closure, end-use and monitoring	
6.1	City of Cape Town	
6.1.1	Participants questioned whether the landfill rehabilitation provision should be recognised only for the portion of land used or all the land in the landfill when waste disposal commences. Participants noted that there is divergence in practice in accounting for the landfill rehabilitation provision.	Noted. The guidance in Chapter 4 has been amended to explain that the obligation to provide for the landfill rehabilitation provision only relates to the portion of land used or contaminated.
6.1.2	Participants questioned the period over which the landfill rehabilitation provision should be discounted.	Noted. Chapter 4 has been amended to explain that the period over which the landfill rehabilitation provision is discounted is based on the timing of the cash flows required to settle the obligation.



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No.	Comments	Board's response
City of Cape Town (continued)		
6.1.3	Participants noted that the prime lending rate is used to discount the landfill rehabilitation provision. It was proposed that the prime lending rate should also be included in the Guideline as an alternative when discounting the landfill rehabilitation provision.	<p>Noted. Chapter 4 clarifies that the discount rate applied to calculate the landfill rehabilitation provision should be consistent with the estimated cash flows required to settle the landfill rehabilitation provision. The Board concluded that the government bond rate and corporate bond rate are the most appropriate discount rates to consider when discounting the landfill rehabilitation provision.</p> <p>The prime lending rate is a short-term borrowing rate that is not generally associated with the estimated period of the landfill rehabilitation provision.</p>
6.1.4	Participants supported the principles in the proposed Guideline on the accounting for changes in the use of the provision during the operation of the landfill site.	Noted. No further action required.

No.	Comments	Board's response
6.2	SALGA/ CIGFARO Joint Consultative Sessions	
6.2.1	<p><i>Gauteng</i></p> <p>Participants questioned whether an entity is required to account for a landfill rehabilitation provision if the landfill site is operated without a licence.</p> <p>It was proposed that this should be clarified in the proposed Guideline.</p>	Noted. Refer to the response to comment 2.1.
6.2.2	<p><i>KwaZulu Natal</i></p> <p>Participants questioned whether there are any requirements in the Standards of GRAP that requires the rehabilitation provision to be cash backed.</p>	Noted. The Standards of GRAP do not prescribe that the rehabilitation provision, or any other provision accounted for in terms of GRAP 19, should be cash backed. Ensuring that sufficient funding is available to meet its obligation, is part of the entity's management process. Chapter 4 was clarified to explain that the recognition of the landfill rehabilitation provision does not depend on the availability of funding.
6.2.3	<p><i>KwaZulu Natal</i></p> <p>Participants questioned whether an entity should always make use of a valuer when the rehabilitation provision is calculated.</p>	<p>Noted. The Standards of GRAP do not prescribe that a valuer should be used when calculating a provision.</p> <p>In order to provide information to users that is useful for decision-making and that holds an entity accountable, information presented in the financial statements needs to be supported by information that is relevant and verifiable.</p>



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No.	Comments	Board's response
6.3	COGTA	
6.3.1	<p>Chapter 4 explains that, at larger landfill sites that operate on a basis of trenches or cells, the entity has a present obligation to rehabilitate and restore the damaged land when the construction of the trench or cell commences. At smaller sites, the entity has a present obligation when landfilling commences.</p> <p>Participants noted that the past event for smaller sites can also be when construction commences, as construction does take place at some small sites. Participants therefore recommended that the proposed Guideline should clarify that a present obligation at smaller sites can also be when construction commences, if appropriate.</p>	<p>Noted. The guidance in Chapter 4 has been amended to explain that the past event that gives rise to the recognition of the landfill rehabilitation provision is when the construction of the cell or trench commences for landfill sites that are operated on a basis of trenches or cells. The past event for landfill sites that do not make use of a trench is cell is when the entity commences with disposing of waste. The reference to small and large landfill sites has been deleted.</p>
6.3.2	<p>Participants proposed that the Guideline should clarify that the provision for the landfill rehabilitation provision will increase as more waste is received and more land is used for waste disposal. The proposed Guideline should further clarify that an entity should only provide for the rehabilitation of the portion of land in a landfill site.</p>	<p>Noted. Refer to the response to comment 6.1.1.</p>

No.	Comments	Board's response
6.4	SALGA Policy Unit	
	<p>Some landfill sites charge an entrance fee that is used for the future rehabilitation of the landfill site. In other instances, entities are dependent on grants from the National Treasury to ensure that sufficient funding is available for the rehabilitation of the landfill site. Participants proposed that, as all licenced landfill sites need to include a provision for the rehabilitation of their landfill sites in terms of their licence conditions and the Minimum Requirements, Chapter 4 should clarify that, even though an entity does not have sufficient funding available to provide for the rehabilitation provision, it is still required in terms of legislation or similar means to provide the rehabilitation provision in their statement of financial position.</p>	<p>Noted. Chapter 4 was amended to explain that the recognition of the landfill rehabilitation provision does not depend on whether funding is available.</p>
6.5	Office of the Accountant-General	
6.5.1	<p>Participants questioned whether IGRAP 2 will be withdrawn when the proposed Guideline is included in the GRAP Reporting Framework.</p>	<p>The Guideline is based on existing principles in the Standards of GRAP, and does not replace or amend any of the principles in the Standards, including any Interpretations of the Standards of GRAP. IGRAP 2 will therefore not be withdrawn when the Guideline is included in the GRAP Reporting Framework.</p>
6.5.2	<p>Participants noted that entities currently do not borrow money at a government bond rate or a corporate rate to undertake the rehabilitation of the landfill site.</p> <p>It was questioned whether the prime lending rate is more appropriate in discounting the landfill rehabilitation provision.</p>	<p>Noted. Refer to the response to comment 6.1.3.</p>



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No.	Comments	Board's response
6.6	Roundtable with preparers, engineers and other consultants	
6.6.1	Participants proposed that the guidance in this Chapter should be amended to explain that a provision will only be made for the area used for waste disposal. The provision may initially be small, but is likely to increase over time during the operation of the landfill site.	Noted. Refer to the response to comment 6.1.1.
6.6.2	Participants recommended that the example in paragraph 4.12 should be amended to explain that an estimate of costs needs to be included in the provision following the passing of new legislation, rather than indicating that legislation is likely to change.	Noted. The example has been amended as proposed.
6.6.3	The first bullet in paragraph 4.15 and the heading to paragraph 4.16 should be amended to indicate that this element also includes costs to rehabilitate the landfill site.	Noted. The bullet and heading have been amended, with a similar amendment being made in Chapter 3.
6.6.4	The footnote in this section needs to be amended to refer to "an entity" rather than "the licence holder".	Noted. The footnote has been amended.
6.6.5	Participants recommended that the Board should include the retail savings bond rate as an alternative discount rate that can be used in calculating the landfill rehabilitation provision.	Noted. A savings bond rate generally does not reflect the estimated term of the landfill rehabilitation provision. The Board concluded that the retail savings bond rate should not be considered as an alternative for discounting the landfill rehabilitation provision. Also refer to the response to comment 6.1.3.

No.	Comments	Board's response
Roundtable with preparers, engineers and other consultants (continued)		
6.6.6	Example 1 can be expanded to include a cost for the construction of a fence as part of rehabilitation and closure costs as this component is an inherent part of the landfill rehabilitation provision in terms of an entity's licence conditions.	Noted. The example has been amended to refer to the upgrade of the fence.
6.6.7	Example 1 should exclude monitoring and inspection costs incurred during the operation of the landfill site asset as these costs are operational in nature and not part of the cost of the landfill site asset. The resolution on page 44 should also exclude the reference to monitoring and inspection incurred while the landfill site is in operation.	Noted. As monitoring and inspection costs to be incurred during the operation of landfill site are either expensed or capitalised to the landfill asset if the recognition criteria are met (see the guidance in Chapter 3), the example does not make reference to monitoring and inspection costs incurred during the operation of landfill site. Also refer to the response to comment 5.9.2.
6.6.8	Example 1 should further be amended to explain that the costs for monitoring and inspection to be undertaken after closure are the annual costs to be incurred for the first year after closure of the landfill site.	Noted. The example already clarifies that it illustrates the provision for the monitoring and inspection costs to be incurred after the closure of the landfill site for the first year after closure. This is also noted in the subheading on page 41. The Board proposed no further amendment to the example.



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No.	Comments	Board's response
6.7	Roundtable with auditors and technical advisors	
6.7.1	Participants proposed that the guidance should be clear that an entity has an obligation to rehabilitate the land in a landfill following its obligation to restore the site and the damaged land following the commencement of waste disposal activities. The guidance should also clarify that the liability only relates to the portion of land used.	Noted. Additional guidance has been included in the section "recognition of the landfill rehabilitation provision" to address this comment. Also refer to the response to comment 6.1.1.
6.7.2	Participants supported the Board's encouragement to adjust its cash flows rather than the discount rate in calculating the landfill rehabilitation provision. Participants agreed that the Board cannot require this application as the Standards of GRAP allows entities the option to either adjust their cash flows or discount rate.	Noted. No further action required.
6.7.3	Participants supported the principles that the discount rate applied to calculate the landfill rehabilitation provision should reflect current market assessments of the time value for money and should reflect the risk associated with the liability. Participants also noted that using the prime lending rate or the entity's own borrowing rate will not be appropriate in calculating the landfill rehabilitation provision as these rates are not specifically associated with (a) the long operational life of the landfill site asset and (b) the estimate term of the landfill rehabilitation provision. The entity's own borrowing rate reflects its own credit risk rather than a specific risk associated with the operation of a landfill site.	Noted. No further action required.
6.7.4	Participants questioned whether an entity will have an obligation in accounting for a landfill rehabilitation provision if they are not licenced.	Noted. Refer to the response to comment 6.2.1.

No.	Comments	Board's response
6.8	SAICA Public Sector Financial Reporting Project Group	
	Participants supported the principles in the proposed Guideline on the use of the landfill rehabilitation provision during the operation of the landfill site. They also supported the principle that after the waste disposal has stopped, changes to the provision needs to be accounted for in surplus and deficit.	Noted. No further action required.
6.9	Municipal Working Committee	
6.9.1	Members questioned whether a rehabilitation provision should also be recognised for waste (e.g. building rubble) that is dumped illegally within the municipal boundary.	Noted. Refer to the response to comment 2.2.
6.9.2	Members questioned whether the issuing of a licence is the trigger for recognising the landfill rehabilitation provision.	Noted. In accordance with the principles in the Standards of GRAP, an entity accounts for a provision if a present obligation exists, that results in an entity having no realistic alternative but to settle the obligation. The settling of the obligation will result in an outflow of future economic benefits or service potential. Chapter 4 clarifies that, based on the type of landfill site that is operated by the entity, the past event that gives rise to the liability is either when the construction of the trench or cell commences, or when the entity commences with the depositing of waste on the land. The introductory section in Chapter 4 has been amended to explain these obligations.



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
GUIDELINE ON ACCOUNTING FOR LANDFILL SITES (ED 166)**

No.	Comments	Board's response
Municipal Working Committee (continued)		
		<p>If the landfill site has not yet started receiving waste, or no development or construction has commenced, there is no obligation to dismantle or remove any item and/or to rehabilitate and/or restore the land. As a result, no provision needs to be accounted for as there is no past event. The issuing of a licence is therefore not the trigger for recognising the landfill rehabilitation provision.</p>
6.9.3	<p>It was noted that changes in the landfill rehabilitation provision are seen as unauthorised expenditure if not included in the budget. Members asked that the Board engage with the National Treasury to ensure that “year-end” adjustments do not result in unauthorised expenditure.</p> <p>Members also noted that it may be helpful if gains and losses are separated from other revenue and expenditure in the statement of financial performance.</p>	<p>Noted. The comment was highlighted to the National Treasury for their consideration.</p> <p>Noted. The Board, in its Work Programme Consultation for 1 April 2020 to 31 March 2023, is requesting respondent’s view on undertaking a research project on the presentation of items in the statement of financial performance, that may result amendments to GRAP 1. One of the aspects to consider during this research will be the presentation of total revenue and total expenses, including gains and losses. The Board will decide on undertaking this project after completing its due process on the proposed Work Programme.</p>



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
GUIDELINE ON ACCOUNTING FOR LANDFILL SITES (ED 166)**

No.	Comments	Board's response
Municipal Working Committee (continued)		
6.9.4	<p>Members noted a practical example where the valuer provided an entity with a valuation for the cost to rehabilitate the landfill site asset, but when these costs were tested to the market, the values in the market were higher. Members questioned whether this would be a change in accounting estimate or error.</p>	<p>Noted. GRAP 3 clarifies that an error comprises omissions from, and misstatements in an entity's financial statements arising from reliable information that (a) was available when the financial statements were authorised for issue and (b) could reasonably have been expected to have been obtained and taken into account in presenting and preparing the financial statements. Thus, if information becomes known to the entity, and the entity could reasonably have been expected to know of the information, and/or that the information was used incorrectly or not considered, GRAP 3 indicates that the adjustment is likely to be a correction of an error.</p>



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
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No.	Comments	Board's response
Municipal Working Committee (continued)		
6.9.5	Some members questioned why they need to estimate the future amount and discount this back to the present value. They argued that the current cost of rehabilitating the landfill site is the best estimate of the amount required to settle the obligation.	<p>Noted. GRAP 19 requires that a provision should be measured at the best estimate of the expenditure required to settle the present obligation at the reporting date. GRAP 19 further notes that, where the effect of the time value of money is material, the provision should be the present value of the expenditure expected to be required to settle the obligation. The Guideline clarifies that, as a result of the long operational life of landfill sites, in general, time value of money is material and should therefore be considered in the calculation of the landfill rehabilitation provision. The estimated future costs to be incurred to settle the obligation, need to be discounted to the present value.</p> <p>Chapter 4 has been amended to explain that the period over which the landfill rehabilitation provision is discounted is based on the timing of the cash flows required to settle the obligation.</p> <p>Also refer to the response to comment 6.1.2.</p>



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
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No.	Comments	Board's response
6.10	Public Sector Accounting Forum	
6.10.1	Participants questioned whether an entity will have an obligation to account for a landfill rehabilitation provision if they are not licenced.	Noted. Refer to the response to comment 2.1.
6.10.2	Participants questioned whether the landfill rehabilitation provision should be cash-backed, and if no funding is available to undertake rehabilitation, whether the provision should still be recognised.	Noted. Refer to the response to comment 6.2.2.
6.10.3	Participants questioned whether the past event that gives rise to the landfill rehabilitation provision for larger landfill sites could also be when the landfill site commences with receiving waste.	Noted. Refer to the response to comment 6.3.1.
6.10.4	Participants noted that smaller landfill sites may also make use of trenches or cells to operate the site. The past event should therefore not be linked to the size of the landfill site, but rather the activity that takes place on the site.	Noted. Refer to the response to comment 6.3.1.
6.10.5	Participants questioned why the Board cannot prescribe one discount rate that should be used in calculating the landfill rehabilitation provision to ensure comparability between entities operating landfill sites.	Noted. As GRAP 19 does not prescribe one discount rate that should be used in calculating provisions, the Board cannot establish new principles through the Guideline. GRAP 19 sets out the general principles to be considered for the discount rate to be applied, that were considered when the guidance in the Guideline was developed. As the National Treasury is the only body that may require a single discount rate to be used in calculating landfill rehabilitation provisions, this comment was shared with them for their consideration.



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
GUIDELINE ON ACCOUNTING FOR LANDFILL SITES (ED 166)**

No.	Comments	Board's response
7.	CHAPTER 5 Other considerations	
7.1	COGTA	
7.1.1	Participants proposed that the guidance on accounting for fines and penalties should be amended to include examples of when an entity should consider disclosure of a contingent liability.	Noted. The Guideline clarifies that the entity should consider the principles in GRAP 19 to assess whether a liability should be recognised, or a contingent liability should be disclosed in its financial statements. This assessment should be based on the specific fact pattern of each scenario. The Board agreed that no additional examples are required to explain the principle.
7.1.2	Participants questioned whether an entity that operates a landfill site without a valid licence, should disclose a contingent liability in terms of GRAP 19.	Noted. Chapter 5 clarifies that an entity should consider the principles in GRAP 19 and/or the applicable Standards of GRAP in accounting for fines and penalties that become payable as a result of non-compliance with its licence conditions and/or the Minimum Requirements. This assessment should be based on the specific fact pattern of the scenario.



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No.	Comments	Board's response
7.2	Office of the Accountant-General	
	An example was provided of a fire that broke out at a landfill site that resulted in air pollution and the spreading of odours. Participants questioned whether this will result in the recognition of a liability or the disclosure of a contingent liability.	Noted. The principles in GRAP 19 should be applied to the fact pattern of the scenario to assess whether a liability should be recognised, or a contingent liability should be disclosed in its financial statements.
7.3	Public Sector Accounting Forum	
7.3.1	<p>Participants supported the principles in the proposed Guideline that require the accounting for funding provided by the licencing authority, or another party to rehabilitate the landfill site in terms of GRAP 23.</p> <p>Participants noted that as the rehabilitation of the landfill site is in most instances significant to an entity's operations, the proposed Guideline should require entities to always recognise the services-in-kind.</p>	<p>Noted. In terms of the principles in GRAP 23, an entity should apply judgement to assess whether the services-in-kind are (a) significant to its operations and/or service delivery objectives; and/or (b) satisfies the recognition criteria.</p> <p>As the Guideline cannot establish new principles, the guidance cannot require that services-in-kind received for undertaking the rehabilitation of a landfill site should be recognised.</p> <p>The Board did not include any additional guidance in Chapter 5.</p>



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
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No.	Comments	Board's response
Public Sector Accounting Forum (continued)		
7.3.2	Some participants noted that grants received by the entity for undertaking rehabilitation, may not always be supported by supporting documentation from the licencing authority or the entity providing the funding. As such, it will be difficult for the entity to recognise the grant as revenue in terms of GRAP 23.	Noted. The Guideline clarifies that an entity should recognise the funding received from the licencing authority or another entity when it controls the resource received. i.e. when it has the ability to exclude or regulate the access of others to the benefits of the resource.



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
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No.	Comments	Board's response
8.	ANNEXURES	
8.1	Roundtable with preparers, engineers and other consultants	
	<p>Participants made the following recommendations in clarifying the definitions:</p> <ul style="list-style-type: none"> • Cell or trench – the word “compacted” is not usually used as it is not describing the nature of a cell or trench and should be replaced with a more appropriate description. • Licence – it should be clarified that a licence may also be referred to as a permit. • Liner – amend the description to reflect that as a liner is more a system than a layer. 	<p>Noted. A footnote has been included to indicate which definitions are aligned with that in the Minimum Requirements. These definitions have not been amended.</p>



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
GUIDELINE ON ACCOUNTING FOR LANDFILL SITES (ED 166)**

No.	Comments	Board's response
9.	OTHER MATTERS	
9.1	City of Cape Town	
	<p>The proposed Guideline should also include guidance on how to account for the extraction of gas, and reference should be made to the applicable Standards of GRAP, for example GRAP 12 on <i>Inventories</i> or GRAP 110 on <i>Living and Non-living Resources</i>.</p>	<p>Noted. In terms of the scope of the Guideline, guidance is provided to entities that are required to comply with the legislative requirements applicable to the management and operation of landfill sites. Guidance is therefore specifically provided on how to account for the land in the landfill, the landfill site asset and the landfill rehabilitation provision. The accounting of the extraction of gas as another revenue generating activity is outside the scope of this Guideline. Instead, reference should be made to the GRAP 12 for guidance on the accounting of extracted gas.</p> <p>Chapter 5 has been expanded to explain that, where the entity generates revenue from undertaking revenue generating activities at the landfill site, the principles in GRAP 9 and GRAP 23 are applied in accounting for the revenue generated.</p>



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No.	Comments	Board's response
9.2	COGTA	
	Participants supported the development of the proposed Guideline to address the inconsistent accounting for landfill sites.	Noted. No further action required.
9.3	SALGA Policy Unit	
9.3.1	Participants supported the development of the proposed Guideline, and noted that a number of municipalities need guidance on how to appropriately account for the landfill site asset and the related rehabilitation provision.	Noted. No further action required.
9.3.2	Participants noted that the Board should consider extending the inclusion of the proposed Guideline in the GRAP Reporting Framework to allow entities some time to align their accounting policies with the principles in the proposed Guideline. Participants proposed that the Guideline should be included in the GRAP Reporting Framework for financial periods commencing on or after 1 April 2021.	<p>Noted. During consultations on other pronouncements of the Board, it was noted that allowing entities one year to implement a pronouncement following its approval by the Board, is not always practical.</p> <p>To allow entities time to align their accounting policies with those in the Guideline, the Board agreed that the inclusion of the Guideline in the GRAP Reporting Framework should be aligned with the effective date of Improvements to the Standards of GRAP (2019).</p>



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
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No.	Comments	Board's response
SALGA Policy Unit (continued)		
9.3.3	Participants also noted that prior to the Guideline being included in the GRAP Reporting Framework, auditors should allow entities time to align their policies with that in the Guideline, otherwise it could result in an increased number of audit qualifications if entities are audited against the principles in the Standards of GRAP prior to the Guideline being included in the GRAP Reporting Framework.	Noted. The Board agreed to develop guidance on accounting for landfill sites to address the diversity in practice. Until the pronouncement is included in the GRAP Reporting Framework, entities can continue to account for the land in a landfill, the landfill site asset and the landfill rehabilitation provision in accordance with their accounting policies that are aligned with the Standards of GRAP. Auditors cannot require or compel entities to early consider a pronouncement if not included in the GRAP Reporting Framework.
9.4 Office of the Accountant-General		
9.4.1	Participants questioned if the Board intends to also develop guidance on accounting for water and sanitation infrastructure to specifically address accounting implications where the required infrastructure is not maintained. Delayed maintenance could result in increased liabilities for entities, with a negative impact on their cash flows.	<p>Noted. The Board agreed to develop the Guideline on accounting for landfill sites following a request from respondents to address divergence in practice. A project to develop guidance on accounting for water and sanitation infrastructure is not currently included on the Board's work programme.</p> <p>The IPSASB is working on a project to provide guidance on infrastructure assets. The Board will monitor developments in this regard.</p>



**ANALYSIS AND RESPONSES TO COMMENTS ON THE PROPOSED
GUIDELINE ON ACCOUNTING FOR LANDFILL SITES (ED 166)**

No.	Comments	Board's response
Office of the Accountant-General (continued)		
9.4.2	<p>Participants noted that the Board should delay including the proposed Guideline in the GRAP Reporting Framework to allow entities time to implement the proposed Guideline. This recommendation is based on the fact that a number of new Standards of GRAP are effective on 1 April 2019, and some entities are also still experiencing implementation challenges with other reforms, such as mSCOA.</p> <p>Participants also noted that it will take some time to identify all the relevant cash flows that relate to the landfill rehabilitation provision, particularly those entities that have not provided sufficiently for the rehabilitation provision. This assessment will also impact the carrying value of the landfill site asset that most likely needs to be adjusted retrospectively, to reflect the initial estimate of the costs of dismantling and removing the item and restoring the site on which the landfill site asset is located. Participants proposed that preparers should be given at least 5 years for implementation.</p>	Noted. Refer to the response to comment 9.3.2.
9.4.3	Participants proposed that guidance should be included in the proposed Guideline to address the accounting of revenue generating initiatives that result from landfill sites, i.e. where waste is used to generate gas that are either sold, or used in providing other services.	Noted. Refer to the response to comment 9.1.



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GUIDELINE ON ACCOUNTING FOR LANDFILL SITES (ED 166)**

No.	Comments	Board's response
Office of the Accountant-General (continued)		
9.4.4	<p>Participants noted that accounting for the landfill rehabilitation provision will impact entities' budgets, and for municipalities, their tariff setting.</p> <p>Participants questioned whether these aspects were considered during the development of the proposed Guideline as it may have a negative impact on entities' service delivery objectives in the long term.</p>	<p>Noted. The objective of the Guideline is to provide accounting guidance to address the divergent practice in accounting for landfill sites, following a request from respondents to address the divergence in practice. Addressing the inconsistent accounting practices in accounting for landfill sites will provide users with better information for decision-making.</p>
9.5 SAICA Public Sector Financial Reporting Project Group		
9.5.1	<p>Participants questioned when the proposed Guideline will be included in the GRAP Reporting Framework. Participants noted that entities will need some time to ensure that their accounting policies are aligned with the principles in the proposed Guideline, and as a result, the Board should consider allowing more time before including the Guideline in the GRAP Reporting Framework.</p>	<p>Noted. Refer to the response to comment 9.3.2.</p>
9.5.2	<p>The principles in the proposed Guideline are based on the principles in existing Standards of GRAP, i.e. GRAP 17 and GRAP 19. Participants questioned whether the auditors will allow entities time to implement the proposed Guideline prior to it becoming effective, or whether the auditors will audit against the existing requirements in the GRAP Standards.</p> <p>If entities are audited against the principles in the Standards of GRAP prior to the proposed Guideline becoming effective, it could result in an increased number of audit qualifications.</p>	<p>Noted. Refer to the response to comment 9.3.3.</p>



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No.	Comments	Board's response
9.6	Roundtable with auditors and other technical advisors	
	Participants indicated that the Board should include the proposed Guideline in the GRAP Reporting Framework sooner rather than later to address the divergent practice in accounting for landfill sites.	Noted. Refer to the response to comment 9.3.2.
9.7	Public Sector Accounting Forum	
	Participants indicated that the Board should include the proposed Guideline in the GRAP Reporting Framework as soon as possible.	Noted. Refer to the response to comment 9.3.2.