Joint Submission by the Association of Chartered Certified Accountants and Pan African Federation of Accountants

17 October 2022

Submission via website

Dear Ian

This submission is made jointly by the Association of Chartered Certified Accountants (ACCA) and the Pan African Federation of Accountants (PAFA). More information about ACCA and PAFA is contained in Appendix A.

ACCA and PAFA share a commitment to supporting good practices in public financial management across Africa and around the world. The adoption and implementation of international accounting standards is a cornerstone of transparency and accountability in the public sector, as well as providing decision-useful information to inform the policymaking process and support good value for money from public services.

ACCA and PAFA welcome the opportunity to comment on IPSASB's preliminary views on developing guidance on the recognition, measurement, presentation, and disclosure of natural resources in the public sector.

The consultation paper illustrates that recognising and reporting on natural resource assets is a complex area. It is important that IPSASB proceeds carefully to ensure that the project's outcome does not conflict with the goals of its proposals for sustainability guidance.

Our general comments are set out in more detail in the accompanying Appendix, in addition to our responses to specific questions.

The expertise from our members, networks, and in-house technical experts allows ACCA and PAFA to provide informed opinion on a range of financial, regulatory, public sector and business areas. Further information about our comments on the matters discussed here can be requested from:

Alex Metcalfe
Global Head of Public Sector
ACCA
alex.metcalfe@accaglobal.com
+ 44 (0)7715 600764

Lebogang Senne
Technical Director
PAFA
LebogangS@pafa.org.za
+27 (0)60 547 3869

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ACCA Think Ahead

Appendix

About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global professional body for professional accountants. We're a thriving global community of 241,000 members and 542,000 future members based in 178 countries and regions, who work across a wide range of sectors and industries. We uphold the highest professional and ethical values.

We offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904, being a force for public good has been embedded in our purpose. In December 2020, we made commitments to the UN Sustainable Development Goals which we are measuring and will report on in our annual integrated report.

We believe that accountancy is a cornerstone profession of society and is vital in helping economies, organisations and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities.

About PAFA

The Pan African Federation of Accountants (PAFA) is the continental body representing Africa's Professional Accountants. Established in May 2011, PAFA is a non-profit organisation currently with 55 Professional Accountancy Organisations (PAOs) from 44 countries. Our mission is to accelerate and strengthen the voice and capacity of the Accountancy profession to work in the public interest, facilitate trade, and enhance benefits and quality services to Africa's citizens.

PAFA takes a multi-layered approach to engaging with stakeholders at continental, regional and national levels, and we aim to develop the profession and work collaboratively to drive Africa's agenda.

Our mandate is founded on the premise that national Professional Accounting Organisations (PAOs) have the capacity to drive good financial management practices, accountability, transparency and good governance across public and private entities. We therefore believe that our ability to develop institutional capability will enable the acceleration of economic growth and the reduction of poverty in Africa.

Our vision is to work in the public interest by leading and developing the accountancy profession in Africa, and delivering value to our members.

General Comments

ACCA and PAFA recognise the importance of IPSASB providing guidance on natural resources to constituents. In considering the overall approach, it is helpful to assess the proposals against the four reasons for prioritisation of the natural resources project, as set out in Appendix A of the consultation paper.

Prevalence

As the consultation paper highlights, natural resources are of considerable significance in many jurisdictions. Consequently ACCA and PAFA recognise the demand which exists from stakeholders for accounting guidance on this issue.

We note the statement in paragraph a) of Appendix A that '*the reporting of natural resources could lead to information which is more faithfully representative of the underlying economic reality'*. However, we would contend that for natural resources the 'economic reality' is not a straightforward concept. Fundamentally, there are three different bases on which a natural resource could potentially be measured:

- in its current 'natural state', not subject to human interventions; or
- for the potential income that could be generated from its disposal (sale or granting of right to exploit), or use in operations, in providing services or in creating another asset; or
- for the cost of human activities associated with exploiting the natural resource.

For standards relating to the general purpose financial statement (GPFS), accounts preparers will need to select one of these bases for measurement. It would appear to be difficult, based on current techniques to arrive at a valuation which somehow combined these different approaches.

Indeed, in many cases approaches to measurement will be mutually exclusive. For example, if forest reserves are measured as an asset based on the value of the timber which could be sold or logging licenses, their value as wildlife reserves or for carbon sequestration will significantly decrease or be reduced to zero. As such, valuing an asset based on its disposal value is not appropriate, if the intention is to preserve a natural resource in its natural state.

Consequences

As paragraph b) of Appendix A highlights, from a public interest perspective, reporting of natural resources is an important issue, as information about these resources should inform policy decisions. The consultation paper refers to considerations of financial and environmental sustainability, as well as intergenerational fairness. These consequences are very significant and require an approach which addresses the growing public concerns for sustainable management of the natural environment. However, we recognise the considerable challenge this presents IPSASB.

Urgency

As paragraph c) highlights, the sustainable management of natural resources is increasingly a priority for governments. As such, we agree better information is needed to inform public financial management decisions and policy making. Developing an approach which recognises this priority should be IPSASB's foremost objective in developing the standards and guidance.

Feasibility

For some natural resources, it may be possible for IPSASB to establish standards for inclusion as assets in the GPFS and the consultation process may generate some innovative approaches in this area. However, based on the comments above, we believe in many instances it may be difficult to recognise natural resources in the GPFS. Nevertheless, we believe it is feasible, and indeed necessary, for IPSASB to provide authoritative guidance on the presentation of natural resources in the general purpose financial reports (GPFRs).

Areas for specific comment and preliminary views

Preliminary View 1

The IPSASB's preliminary view is that a natural resource can be generally described as an item which:

1) *Is a resource as described in the IPSASB's Conceptual Framework;*
2) *Is naturally occurring; and*
3) *Is in its natural state.*

Do you agree with the IPSASB's Preliminary View, particularly whether the requirement to be in its natural state should be used to scope what is considered a natural resource?

If not, please provide your reasons.

ACCA and PAFA agree with IPSASB's preliminary view. As paragraph 1.9 highlights, the proposed delineation will be important. We would urge the Board to provide a comprehensive range of examples to provide accounts preparers with certainty when considering the natural resources within their organisations' reporting remit.

Specific Matter for Comment 1

The IPSASB's preliminary description of natural resources delineates between natural resources and other resources based on whether the item is in its natural state.

Do you foresee any challenges in practice in differentiating between natural resources and other resources subject to human intervention? If so, please provide details of your concerns. How would you envisage overcoming these challenges?

ACCA and PAFA agree with the intention of delineating between resources and other resources based on whether the item is in its natural state. For those resources which are largely inaccessible to humans without specialist equipment, notably subsoil resources, this delineation will be straightforward.

However, for ‘above-soil’ resources, it may be more difficult to differentiate between a resource in its ‘natural state’ and one subject to intervention. The examples provided in chapters 3 to 5 are useful and detailed guidance will be needed for accounts preparers if standards are developed in this area. To determine its delineation, it may be necessary to provide a time threshold, for example, such as the number of years since there has been human intervention in a natural resource or, in the case of large assets, the proportion of a natural resource that has been subject to human intervention.

Specific Matter for Comment 2

The IPSASB noted that the natural resources project and sustainability reporting in the public sector are connected in that this project focuses on the accounting for natural resources while sustainability reporting may include consideration of how natural resources can be used in a sustainable manner.

In your view, do you see any other connections between these two projects?

ACCA and PAFA’s response to IPSAB’s recent consultation on sustainability reporting emphasised the importance of aligning both projects as far as possible. However, given the prioritisation of the natural resources project by IPSASB, **we believe there is value in pursuing an approach which specifically identifies and reports on natural resources within the GPFS and GPFR**. As the consultation paper indicates, the sustainability reporting guidance and the Natural Resources project have connected, but distinct aims.

If IPSASB takes an approach to valuing some natural resources in the GPFS according to their economic potential when consumed, entities could be required to provide more information in the GPFR building on a sustainability reporting approach. This could include the potential benefits of preserving these natural resources, for example, as carbon sinks or protecting endangered species and preserving biodiversity. Alongside this, costs associated with the potential negative environmental and social consequences of their consumption could also be illustrated.

Alternatively, or in addition, disclosures of information associated with natural resources controlled by a public sector entity could form a distinct segment of sustainability reporting. Again, such information could include environmental and societal benefits from the preservation of a natural resource, e.g. water or living resources. This would also enable those assets which are subject to human intervention, not within the scope of the natural resources definition in the consultation paper, to be recognised for their environmental benefits as well.

More broadly, some public sector entities have significant powers to influence the protection and consumption of natural resources owned by non-public sector entities. This includes power over regulation, land use designation and arrangements for permitting activities. Some recognition and assessment of this in reporting requirements would provide useful information for public sector stakeholders. However, this is more likely to be appropriate as part of the approach to sustainability reporting, rather than accounting for natural resources as assets.

Materiality considerations will also need to be taken into account when considering both projects. IPSASB may wish to align materiality determinations between the two projects or determine separate materiality thresholds for the accounting of, and disclosure of natural resources.

Preliminary View 2

The IPSASB's preliminary view is that a natural resource should only be recognized in GPFS if it meets the definition of an asset as defined in the IPSASB's Conceptual Framework and can be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in GPFRs.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons

ACCA and PAFA support the rationale set out in Chapter 2 for the recognition criteria of a natural resource, specifically that it should satisfy the definition of an asset and that it is measurable consistent with the Conceptual Framework. Underlying this definition, however, are a number of complex issues that need to be considered carefully.

Taking the issues outlined in Chapter 2 in turn, firstly, we agree with the definition of an asset as a resource controlled by an entity as a result of a past event. The examples provide in the consultation paper are helpful in highlighting the issues that will need to be considered. As standards are developed, a 'decision-tree' or flowchart approach may be helpful for accounts preparers in making judgments on the recognition criteria. A natural resource should be recognised as an asset only when an entity can demonstrate control over it, and this includes the ability to determine a clear boundary around the natural resource. The latter would help with determining the unit of account.

Whilst the indicators of control set out in paragraph 2.6 assist in determining recognition of an asset and are not simply linked to economic factors, more guidance would be welcome. As highlighted above, public sector entities can often exercise considerable ability to direct land use without owning land, to further certain objectives or restrict activity that would be detrimental to its objectives, which are often wider than those relating to economic benefits. For example, governments do not always have ownership of all the land within national parks, but generally they have the power to designate the boundaries of the park and place significant restrictions on how land is used within that designated area.

We accept where there is sufficient uncertainty about an asset's existence, as described in paragraph 2.19, it should not be recognised in an entity's financial statements. Clearly, in circumstances where such uncertainty exists, it would undermine the usefulness of the statements to include such assets.

The qualitative characteristics set out in paragraph 2.22 set a relatively high bar for the measurement of an asset's monetary value in the GPFS. It is possible that information on many natural resource assets will meet some of these criteria, but it is likely that for most assets it will not be possible to satisfy all criteria. Similarly, the constraints on information may also make it difficult to include substantive information on natural resources in the GPFR.

There is undoubtedly a difficult balance to be struck. On the one hand, given the broad range of stakeholders for public sector financial information, there is demand for data on natural resource assets. However, any information included either in the GPFS or GPFR should be high quality, consistent and capable of being assured. It is important that information can be generated without excessive costs and wherever possible such information should be comparable across governments and public sector bodies.

Where these criteria can be achieved, assets should be recognised in the GPFS and GPFR. Even if all these criteria cannot be achieved, there may be a case for these assets to be recognised, rather than being wholly excluded. However, for entities to determine whether recognition is appropriate, there must be clear guidance from IPSASB on materiality, as well as information on what to include in any disclosures. For example, the measurement basis and assumptions used, and uncertainties associated with those assumptions which may change the value of the natural resources asset in future.

Notwithstanding the above comments, the general measurement principles set out in Chapter 2 of historical cost, fair value and current operational value provide a useful starting point and, in some cases, will provide an appropriate basis for items with '*the ability to generate economic benefits*'. However, we believe more discussion is required on the measurement basis for natural resources. For example, in the case of fair value, consideration needs to be given to accounting for changes in fair value, subsequent to an asset's initial recognition, as well as a cost/benefit analysis of measurement frequency, especially when a natural resource is not held for sale.

In addition to the proposed valuation methods above, which largely relate to the ability to generate economic benefits, IPSASB's Conceptual Framework also defines an asset as '*an item with service potential*'. The term 'service potential' could encompass a wide range of different uses of a natural resource, making the selection of a basis for measuring monetary value difficult in some contexts. An asset's service potential could relate to its ability to providing wider benefits by remaining in situ, rather than being consumed.

For example, national governments often have ownership of the subsoil. Leaving aside the issue of measurement uncertainty; if there were subsoil resources of coal, oil or gas that could be exploited by the government selling extraction licences or rights, then it would be possible to determine a measurement basis. However, such a value would be unlikely to reflect the costs of negative externalities caused as result of extraction. Most obviously these would be greenhouse gas (GHG) emissions, but could also include disruption to local economies, such as congestion and air pollution, lower land values in neighbouring areas and increased risk of geological hazards and ground contamination, as well as restoration costs in the longer term.

These costs, if properly taken account of, could be greater than the economic benefits generated for the government by granting licences for extraction. None of the measurement bases proposed would be able to reflect these costs effectively. In these circumstances IPSASB could mandate reporting of the wider implications of a natural resource's consumption in accompanying information in the GPFR. The following responses to Preliminary View for Chapter 3 do not repeat this point, but it should be considered implicit in our responses.

Preliminary View 3

The IPSASB's preliminary view is that guidance on exploration and evaluation expenditures, as well as development costs, should be provided based on the guidance from IFRS 6, Exploration for and Evaluation of Mineral Resources, and IAS 38, Intangible Assets.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons.

ACCA and PAFA agree with IPSASB's proposal to base guidance on exploration and evaluation expenditures, and development costs on guidance from IFRS 6 and IAS 38. There does not appear to be any reason for the approach in the public sector to diverge from private sector practice in this area.

Preliminary View 4

The IPSASB's Preliminary View is that IPSAS 12, IPSAS 17, and IPSAS 31 should be supplemented as appropriate with guidance on the accounting for costs of stripping activities based on IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons.

ACCA and PAFA agree with IPSASB's proposal to supplement existing IPSAS with guidance on the accounting for costs of stripping activities based on IFRIC 20. As with Preliminary View 3, there does not appear to be any reason for the approach in the public sector to diverge from private sector practice in this area.

Preliminary View 5

The IPSASB's preliminary view is that, before consideration of existence uncertainty, an unextracted subsoil resource can meet the definition of an asset.

Do you agree with the IPSASB's Preliminary View?

Please provide the reasons supporting your view.

ACCA and PAFA agree with IPSASB's Preliminary View that an unextracted subsoil resource can meet the definition of an asset; this is consistent with the principles set out in Chapter 2. The categories of control provide a helpful framework for considering the recognition of an asset. For category B, where subsoil assets are owned by government, but access is determined by holders of surface rights, the question of control is not straightforward, as the consultation paper acknowledges. Nevertheless, if all subsoil resources where the government had not yet secured some right of access were excluded from the definition of an asset, it could be argued the financial statements effectively ignore natural resources which exist.

We believe there is a strong case for known subsoil resources in government ownership, and which meet materiality thresholds, to be recognised as an asset in the financial statements, even if access rights have yet to be secured. In most instances, it seems likely that the government would be able to secure access from a holder of surface rights at some point in the future, especially if a large-scale resource. Of course, such access is likely to come at a financial cost and an estimate of this cost could be reflected within the valuation of the asset.

Preliminary View 6

The IPSASB's preliminary view is that existence uncertainty can prevent the recognition of unextracted subsoil resources.

Do you agree with the IPSASB's preliminary view?

Please provide the reasons supporting your view.

ACCA and PAFA agree that, in principle, existence uncertainty can prevent the recognition of unextracted subsoil resources. Existence uncertainty and measurement uncertainty are inherent features of unextracted subsoil resources and are therefore important considerations in determining the recognition of such assets in financial statements.

Nevertheless, for public sector entities, the disclosure of information on natural resources would facilitate greater transparency and improved understanding by stakeholders. Although there is unlikely to be a single verifiable valuation, a point in the range of values that is most representative of the circumstances should be used. Accompanying this, in notes to the financial statements, the measurement uncertainty should be disclosed, including the measurement basis used, methodologies, inputs and the degree of uncertainty. Alternatively if the existence uncertainty is too great for any valuation to be placed on the subsoil resource, a description could still be included in the accompanying GPFR.

Preliminary View 7

The IPSASB's preliminary view is that the selection of a measurement basis for subsoil resources that achieves the qualitative characteristics and takes account of constraints on information in the GPFRs may not be feasible due to the high level of measurement *uncertainty. Based on this view, the recognition of subsoil resources as assets in the GPFS will be challenging.*

Do you agree with the IPSASB's Preliminary View?

If not, please provide the reasons supporting your view.

ACCA and PAFA agree that the recognition of subsoil resources as assets in the GPFS will be challenging. As the consultation indicates, there is a consensus within the private sector that such challenges cannot be overcome. We acknowledge the difficulty that estimation approaches can result in too much variability to support recognition in the financial statements. Similarly, the fair value approach exemplified in the consultation paper would appear to include too many variables to be practicable.

More consideration by IPSASB of the implications of valuing an asset based on an estimation of the income that could be derived from the sale of licences would be welcome. This could reflect the reality that in many instances governments themselves do not take responsibility for extracting resources. Instead, the government sells licences for exploration and extraction to private sector entities, thus transferring the risks to the private sector. Whilst recognising that a government's power to issue licences is not an asset itself, as outlined in paragraph 3.4, more research could consider accounting for future income potential from natural resources as assets. The estimate could potentially incorporate historic information on the sale of licences in countries where this already the practice. Alternatively, the approach adopted in the United States, as outlined in paragraph 3.41, could be pursued, for example.

IPSASB may determine that there are too many obstacles to overcome for the recognition of subsoil resources as assets in the GPFS. If so, we would strongly support their recognition in the GPFR, as outlined in our introductory general comments above. These disclosures should include estimates of the direct costs related to the extraction/exploitation of the resources, as well as the indirect costs of associated with the activities, including environmental costs.

Preliminary View 8

Based on the discussions in paragraphs 4.11-4.31, the IPSASB's preliminary views are:

- *(a) It would be difficult to recognize water in seas, rivers, streams, lakes, or certain groundwater aquifers as an asset in the GPFS because it is unlikely that they will meet the definition of an asset, or it is unlikely that such water could be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in the GPFRs;*
- *(b) Water impounded in reservoirs, canals, and certain groundwater aquifers can meet the definition of an asset if the water is controlled by an entity;*
- *(c) Where water impounded in reservoirs and canals meets the definition of an asset, it may be possible to recognize the water in GPFS if the water can be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in the GPFRs; and*

(d) *In situations where the financial capacity or operational capacity of a water resource cannot be reliably measured using currently available technologies and capabilities, the resource cannot be recognized as an asset in the GPFS.*

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons supporting your view.

ACCA and PAFA agree with IPSASB's preliminary view on the recognition of water as an asset in the GPFS. The fundamental issues of control and existence uncertainty are barriers to recognising water in seas, rivers, streams, lakes and aquifers as assets in the GPFS. Similarly, we agree that where the financial or operational capacity of a water resource cannot be reliably measured, it should not be recognised. We agree however, that it may be possible to recognise water impounded in reservoirs and canals in the financial statements, providing an appropriate value for its measurement basis can be identified.

As indicated in response to previous questions, we believe the presentation of information on water resources which cannot be recognised as assets would nevertheless be useful to stakeholders of public sector financial information. Some consideration needs to be given by IPSASB to those jurisdictions where the government has privatised the provision of water supplies to consumers.

Specific Matter for Comment 3

Living organisms that are subject to human intervention are not living resources within the scope of this CP. The accounting treatment of those living organisms, and activities relating to them and to living resources, is likely to fall within the scope of existing IPSAS.

In your view, is there sufficient guidance in IPSAS 12, IPSAS 17, or IPSAS 27 on how to determine which IPSAS to apply for these items necessary?

If not, please explain the reasons for your view.

In ACCA and PAFA's view there is sufficient guidance in IPSAS 12, 17 and 27 to determine which standard to apply in relation to living organisms subject to human intervention. The flowchart included in the consultation paper on page 43 provides a useful guide and IPSASB could complement this with a more detailed published version, to support preparers and users of accounts.

Preliminary View 9

Based on the discussions in paragraphs 5.18-5.41, the IPSASB's preliminary views are:

It is possible for a living resource held for financial capacity to meet the definition of an asset, be measurable in a way that achieves the qualitative characteristics and takes account of the constraints on information in the GPFRs, and thus meet the criteria to be recognized as an asset in GPFS;

If a living resource with operational capacity meets the definition of an asset, an entity will need to exercise judgment to determine if it is feasible to measure the living resource in a way which achieves the qualitative characteristics and takes account of the constraints on *information in the GPFRs, and so meet the criteria to be recognized as an asset in the GPFS; and*

In situations where the financial capacity or operational capacity of a living resource cannot be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in the GPFRs using currently available technologies and capabilities, the living resource cannot be recognized as an asset in the GPFS.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons.

ACCA and PAFA agree that it is possible for a living resource held for financial capacity to be recognised as an asset, subject to the definition underpinning the consultation paper's proposals. Again the issue of control is an important consideration and we share the view that it may be difficult to demonstrate control over motile organisms.

We welcome the acknowledgement that living resources can serve multiple purposes and, as such, determining an appropriate measurement basis for their operational value could be difficult. We would encourage IPSASB to consider further work on measuring the value of benefits such as carbon dioxide absorption and biodiversity. These benefits, which cannot be realised through the sale of an asset, are nonetheless fundamental reasons why a public sector entity may wish to protect and retain natural resource assets. IPSASB could stimulate thinking on approaches to valuation in this area if it was to advocate a new approach. Notwithstanding this, in circumstances where measurement cannot be made, we agree the living resource should not be recognised as an asset in the GPFS. However, as with other types of natural resources, they should be disclosed as supplementary information in entities' financial reports.

Preliminary View 10

Based on the discussion in paragraphs 6.7-6.15, the IPSASB's preliminary view is that certain information conventionally disclosed in GPFS should be presented in relation to natural resources.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons.

ACCA and PAFA agree that the information conventionally disclosed in GPFS is equally applicable for natural resources. In particular, the penultimate bullet point in paragraph 6.9 is likely to be relevant for natural resources, namely that the notes should also include '*items that do not meet the definition of an element of the recognition criteria but are important to an understanding of the entity's finances and ability to deliver services*'.

We also support the objective of disclosures of natural resources as set out in paragraph 6.10. However, information enabling users to evaluate '*the nature of, and risks and opportunities associated with, natural resource assets*' could require a significant amount of non-financial information, as evidenced by paragraph 6.12. It would therefore be helpful for IPSASB to provide more detailed examples of the extent of such information and how it could be presented, as part of its work on natural resources.

Equally, we are supportive of the proposals in paragraph 6.14 and, throughout the consultation response, have emphasised the importance of disclosing information on natural resources even if it does not meet the recognition criteria. However, this should always take into account issues of quality, comparability and the implications for assurance.

Preliminary View 11

Based on the discussion in paragraphs 6.16-6.20, the IPSASB's preliminary view is that certain information conventionally found in broader GPFRs should be presented in relation to recognized or unrecognized natural resources that are relevant to an entity's long-term financial sustainability, financial statement discussion and analysis, and service performance reporting.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons.

ACCA and PAFA strongly agree with IPSASB's Preliminary View that information on natural resources should be presented in the same way as other information conventionally found in broader GPFRs. Long-term financial sustainability is clearly an important consideration for users of public sector financial information. For some entities' economies that are more dependent on natural resources, it is important that these assets, whether or not they are recognised in the financial statements, are disclosed within the financial reports. The broader environmental considerations we have highlighted in this consultation response should also form an important part of financial statement discussion and analysis, and service performance reporting, for all relevant public sector entities.

Where a natural resource is not recognised as an asset, its existence, the nature of, the physical quantities, the quality of, risk and opportunities, associated with the natural resource should be disclosed, such as those outlined in paragraphs 6.12, 6.14, and 6.15. Given the current limitations on measurement bases for natural resources that reflect wider benefits than solely their financial value, arguably their inclusion in broader GPFRs is even more necessary. The Natural Resources project's aims are to provide information for users of the GPFRs for accountability purposes and decision-making purposes (Paragraph A3 Appendix A); incorporating this information fulfils both those objectives.

Specific Matter for Comment 4

The proposals in paragraphs 6.16-6.20 (Preliminary View 11) are largely based on the IPSASB's RPGs.

While these proposals are expected to be helpful to users of the broader GPFRs, the information necessary to prepare these reports may be more challenging to obtain compared to the information required for traditional GPFS disclosures. As noted in paragraph 6.17, the application of the RPGs is currently optional.

In your view, should the provision of the natural resources-related information proposed in Preliminary View 11 be mandatory? Such a requirement would only be specifically applicable to information related to natural resources.

Please provide the reasoning behind your view.

The arguments for and against mandating such information are finely balanced. In principle, the delineation between authoritative standards as mandatory and best practice guidance as recommended is a sensible one. RPGs tend to be high level and do not establish requirements; as such, they do not necessarily facilitate information that is comparable and which can be subjected to assurance. However, more information on the proposed scope of natural resources-related information is needed before we can take a definitive view.