

October 17, 2022

ICAN/ED/R&T/OCT/17/2022

International Public Sector Accounting Standard Board
529 Fifth Avenue
New York, NY 10017

Dear Sir,

Re: RESPONSE TO THE EXPOSURE DRAFT ON CONSULTANCY PAPER, NATURAL RESOURCES

Please find below our responses to the Exposure Draft named above.

Preliminary View 1 – Chapter 1

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

- (a) Is a resource as described in the IPSASB’s Conceptual Framework;
- (b) Is naturally occurring; and
- (c) 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.

Response:

We agree with the Board’s Preliminary View and the recognition requirements that a natural resource should be in its natural state. However, the Board should consider aligning its definition of natural resources with that of other standard setters like the International Sustainability Standards Board (ISSB), IFRS etc.

Specific Matter for Comment 1—Chapter 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?

Response:

We do not foresee any challenges in practice in differentiating between natural resources and other resources subject to human intervention. However, the board should provide more guidance/further clarity on the structure/nature of human intervention whose aim is to preserve/enhance natural resource, but which does not negate the meaning of the “preserved item” from not being natural resource.

Preliminary View 2 – Chapter 1

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?

Response:

We see a further connection with respect to the United Nation's Sustainability Development Goals. Those Goals address sustainability issue and the accounting for natural resource should further be linked not only with public sector sustainability but also with the United Nation's Sustainability Development Goals for a comprehensive interconnection.

Specific Matter for Comment 2 – Chapter 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.

Response:

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

Preliminary View 3 – Chapter 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.

Response:

We agree with the Board's Preliminary View that guidance on exploration, evaluation expenditures, and development costs, should be provided based on the guidance from IFRS 6.

Preliminary View 4 – Chapter 3

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.

Response:

We agree with the Board's Preliminary View that the provision of IPSAS 12, IPSAS 17, and IPSAS 31 should be supplemented with the guidance on the accounting for costs of stripping activities based on IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine.

Preliminary View 5—Chapter 3

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.

Response:

We agree with the Board's preliminary view that, before consideration of existence uncertainty, an unextracted subsoil resource can meet the definition of an asset based on the following criteria:

There is existence of the subsoil resource

The existence of the subsoil resources generates economic benefit to the owner

Ownership can be established.

However, the economic benefit for a resource that is uncertain is not quantifiable/measurable, and thus considering it as assets may present some challenges.

Preliminary View 6—Chapter 3

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.

Response:

We agree with the Board's view that existence uncertainty can prevent the recognition of unextracted subsoil resources. For a resource whose existence is uncertain and not measured, its economic benefits are not quantifiable thereby making it impossible for it to be recognised as an asset.

Preliminary View 7—Chapter 3

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 GPFs 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.

Response:
We agree with the Board's view 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.

Preliminary View 8 – Chapter 4

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.

Response:
We agree with the Board's Preliminary View as above. However, the Board would need to set a clear threshold and categorization of water to ensure there is a clear-cut framework that govern the reporting of water resources in the GPFS.

Specific Matter for Comment 3 – Chapter 5

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.

Response:

We agree with the Board's view that those standards are substantially sufficient to report for living organisms and activities related therein which are not living resources

Preliminary View 9 – Chapter 5

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

- (a) 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;
- (b) 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
- (c) 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.

Response:

We agree with the Board's Preliminary View.

Preliminary View 10 – Chapter 6

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.

Response:

We agree with the Board's Preliminary View that certain information conventionally disclosed in GPFS should be presented in relation to natural resources.

Preliminary View 11 – Chapter 6

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.

Response:

We agree with the Board's preliminary view 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.

Specific Matter for Comment 4 – Chapter 6

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.

Response:

The provision of the natural resources-related information proposed should presently be optional as preparers of financial statement come into fuller understanding and gain mastery of the nature of natural resources, its reporting and disclosure.

We appreciate the privilege to contribute to the Consultation Paper and we are available should there be need for further clarification.

Yours faithfully,
For: Registrar/Chief Executive



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