



**INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OF UGANDA**

Our Ref: STA/001

17 October 2022

The International Public Sector Accounting Standards Board
277 Wellington St. West
Toronto, ON
M5V 3H2
Submission via website

Dear Sir,

ICPAU RESPONSE TO IPSASB'S CONSULTATION PAPER, *NATURAL RESOURCES*

The Institute of Certified Public Accountants of Uganda (ICPAU) welcomes the opportunity to comment on IPSASB's Consultation Paper, *Natural Resources*.

The Institute consulted its members on the consultation paper, targeting public sector stakeholders to obtain information. Our submission is therefore informed by member feedback and responses to some of the preliminary views and specific matters for comment raised by the Board. These are attached in the Appendix.

We hope you will find our comments helpful.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Charles Lutimba', is written over a faint, circular stamp or watermark.

CPA Charles Lutimba
MANAGER, STANDARDS AND TECHNICAL SUPPORT

Appendix: ICPAU Response to IPSASB's Consultation Paper, *Natural Resources*

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APPENDIX: ICPAU'S RESPONSE TO IPSASB'S CONSULTATION PAPER, *NATURAL RESOURCES*

Preliminary View 1

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

- 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.

ICPAU generally agrees with the Board's preliminary view. However, members had reservations about the requirement for the natural resource to be in its natural state, particularly where the human intervention was unintended or was facilitating/promoting its preservation/continued existence. Would these natural resources then go unrecognized?

Members also thought the aspect of 'human intervention' was a grey area that ought to be well-defined for ease of application.

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

ICPAU agrees with 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 IPSASB's Conceptual Framework. The CP provides some helpful examples that highlight the issues that will need to be considered. We suggest that as the Board progresses with this project, a 'decision-tree' approach may be considered to guide users in making judgments on the recognition criteria.

We note that the major issue here would be measurement uncertainty. The measurement element of natural resources will be very difficult. 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, the qualitative characteristics set out in paragraph 2.22 set a relatively high bar for the measurement of an asset's monetary value. We believe more work is required on a specific measurement basis for natural resources.

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.

ICPAU agrees with the Board's proposal to base guidance on exploration and evaluation expenditures and development costs on guidance from IFRS 6 and IAS 38.

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.

ICPAU agrees with the Board's proposal to supplement the existing IPSAS 12, 17 and 31 as appropriate with guidance on the accounting for costs of stripping activities based on IFRIC 20.

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.

ICPAU agrees that certain information conventionally disclosed in GPFS should be presented in relation to natural resources. We are supportive of the proposals in paragraphs 6.7 - 6.15 and throughout the consultations, members emphasized the importance of disclosing information on natural resources even if it does not meet the recognition criteria. ICPAU also believes that the provision of natural resources-related information is made mandatory.

It would therefore be helpful for the Board to provide more detailed examples of the extent of such information and how it could be presented, as it progresses work on the

natural resources project. This is key information that the users of such financial statements would be very interested in knowing and the need to be accountable for our natural resources, especially for transgenerational preservation.

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?

As pointed out in paragraph 1.9 of the CP, the proposed delineation will be important. However, we note that it will be difficult to differentiate between a natural resource in its natural state and one that has been subjected to intervention. We also note that sometimes in the process of the natural resource generating economic benefits, there may be a certain level of human intervention. The CP provides some useful examples in chapters 3 to 5, but we believe more detailed guidance will be required.

We recommend that the Board considers a comprehensive range of examples to provide users with certainty when considering the natural resources within their organizations' reporting remit.