

October 17, 2022

International Public Sector Accounting Standards Board (IPSASB)
277 Wellington Street West
Toronto, ON Canada M5V 3H2

Re: Response to the IPSASB's Consultation Paper, Natural Resources

Thank you for the opportunity to provide input on the IPSASB's Consultation Paper, Natural Resources.

We applaud the IPSASB for undertaking this important initiative and encourage continued focus in this area going forward. We would also like to thank IPSASB members and staff for their engagement during the consultation process and their participation in roundtables with Canadian stakeholders on this subject.

As indicated above, the views outlined in this letter were informed by high-level outreach conducted with Canadians through roundtable discussions held during summer 2022. This included consultations with auditors, Indigenous Peoples, representatives from varying levels of government (e.g., federal, provincial, and municipal governments), and other users. Where appropriate, we have highlighted and summarized specific views received from Canadians throughout our response.

While we agree with many of the technical views presented in the Consultation Paper, and strongly believe this topic requires further exploration, we do have some key observations and areas of feedback on the Consultation Paper as written.

Engagement with Indigenous Peoples

We strongly encourage the IPSASB to collaborate with and consider the perspectives of Indigenous Peoples in the development of accounting or reporting guidance on natural resources. Recent studies have shown that, while Indigenous Peoples comprise less than 5% of

the population, these communities protect 80% of global biodiversity.¹ The IPSASB should acknowledge the robust knowledge that Indigenous Peoples have in this area and ensure that their perspectives are included in future consultations.

As an example, our discussions with Indigenous Peoples highlighted that core accounting concepts, such as the determination of control, may not align with the relationships Indigenous Peoples have with natural resources. Indigenous communities place an emphasis on living in harmony with the natural environment as opposed to gaining control over the natural resources around them. Certain natural resources may also have cultural significance to Indigenous Peoples through their use in ceremonial or spiritual events. These perspectives should be considered by the IPSASB as the Natural Resources project progresses.

More broadly, Indigenous Peoples also encouraged standard setters to include Indigenous leaders in standard-setting activities to ensure that Indigenous viewpoints and knowledge can be shared. This could include incorporating more robust Indigenous representation onto Task Forces, committees, or other advisory groups.

Description of human intervention

We have identified some concerns with the description of human intervention as outlined in the Consultation Paper. Several Canadians provided examples in our consultations where activities to maintain, conserve, or restore natural resources are required within their jurisdictions. However, as many of these activities would currently be included under the description of human intervention, this could cause numerous natural resources to fall outside the scope of the Consultation Paper.

Many Canadians challenged this interpretation of human intervention as it appeared counterintuitive to scope natural resources out of the Consultation Paper because of conservation or preservation activities undertaken to sustainably manage these resources. From a reporting perspective, this could also create accounting and disclosure inconsistencies among similar natural resources which may fall in or out of scope of the Consultation Paper's guidance depending on the extent of their upkeep and management.

As a result of these concerns, we encourage the IPSASB to provide more flexibility around the concept of human intervention going forward. This action could prevent reporting inconsistencies and would continue to promote the sustainable management of natural resources among public sector entities.

¹ <https://www.nationalgeographic.com/environment/article/can-indigenous-land-stewardship-protect-biodiversity->

Accounting for green infrastructure investments

We encourage the IPSASB to provide further clarification and guidance around the accounting for investments in enhanced or engineered green infrastructure. Preliminary discussions with IPSASB staff have indicated that many of these investments would fall in scope of IPSAS 17, *Property, Plant, and Equipment*; however, this may not be intuitive for preparers and users, particularly if separate guidance on natural resources is provided. Signposting to IPSAS 17 in this instance would be helpful.

Further specificity may also be beneficial regarding how to apply core concepts in IPSAS 17 to green infrastructure investments, including by providing specific examples, such as urban trees and parks, rain gardens, bioswales, and green roofs, to ensure the scope of what IPSAS 17 would address is clear. Application guidance and/or illustrative examples in IPSAS 17 could also be beneficial to ensure that the accounting for these types of investments is clear.

Natural resource disclosures

Many Canadians we consulted with expressed the viewpoint that reporting on natural resources may be more appropriate as part of broader financial or sustainability reports as opposed to the financial statements. This type of reporting could focus more holistically on an entity's sustainable use of their natural resources and would not be subject to the same accounting and scoping limitations as those identified in the Consultation Paper. For example, this type of reporting could include more prescriptive disclosures on a public sector entity's stewardship, dependencies, and use of natural resources as part of any sustainability reporting initiatives.

Measurement of natural resources

We recognize that the IPSASB is currently refining its proposals around current operational value as part of its ongoing Measurement project. As the Natural Resource project progresses, we encourage the IPSASB to consider how its proposed principles on current operational value, including the concept of replacement cost, would apply in practice to natural resources. Navigating these questions will be important in determining whether, and how, certain natural resources can be recognized in the financial statements.

The IPSASB should also acknowledge that measurement techniques for natural resources may evolve going forward as technologies and modelling methods advance. This could include the ability to more accurately project quantities of resources located underground or improvements in determining the operational capacity or replacement cost of resources on land, such as trees and certain bodies of water. The IPSASB should continue to monitor these developments and ensure that sufficient flexibility is provided in any accounting or reporting guidance to facilitate future advancements in this space.

Recent reporting developments for natural resources

We understand that this is a fast-evolving area and encourage the IPSASB to stay abreast of developments in natural resources reporting and disclosure. Of note, the [Taskforce on Nature-related Financial Disclosures](#) (TNFD) has recently published prototype guidance for review and consultation, with final recommendations expected in September 2023. The [CSA Group](#) has also released a new draft standard on completing natural asset inventories, which is available for public comment until late 2022. The IPSASB may want to consider these developments as it continues to explore advancing guidance for natural resources in the public sector.

Again, we would like to commend the IPSASB for taking a first step in developing guidance on natural resources and encourage further work on this topic to be performed. We look forward to working together and collaborating on future initiatives as part of this project.

We hope that you find our comments and insights helpful.

Kind regards,



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Chair, Public Sector Accounting Board

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RESPONSES TO SPECIFIC QUESTIONS

Preliminary View 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

While we agree broadly with the description of a natural resource in the Consultation Paper, we do not agree with the IPSASB's description of human intervention as part of the natural state requirement.

Currently, the IPSASB's Consultation Paper describes human intervention as any action "which modifies the quantity and/or quality" of a natural resource and notes that activities undertaken to preserve or conserve natural resources may qualify as human intervention. Upon further discussion of this issue, the IPSASB clarifies that activities such as actively breeding animals or fertilizing, pruning, and treating trees for disease would be considered human intervention and would cause a resource to fall outside the scope of the Consultation Paper.

We have some concerns with this interpretation of human intervention as it may result in inconsistent reporting outcomes and could act as a deterrent to the sustainable management of natural resources.

First, this could create situations where resources get excluded from the Consultation Paper without having a clear roadmap for accounting. For example, during our consultations, some Canadians noted that controlled burns may be conducted in forests to prevent wildfires and destroy invasive plants. Similarly, forest fires may occur which could cause restoration activities or new foliage to be planted. As these activities would currently appear to be considered human intervention, these forests and trees in question would fall outside the scope of the Consultation Paper; however, they may not clearly fall in scope of another IPSAS.² This could create

² Please see Specific Matter for Comment 3 for further details on scoping concerns raised surrounding living resources which have been subject to human intervention.

confusion and inconsistency over how, and in what circumstances, these types of resources are accounted for in the financial statements.

This could also create situations where similar resources are treated differently for accounting and reporting purposes. For example, within Canada, emerald ash borer beetles are known to destroy healthy ash trees, which can be treated by injecting infected trees with insecticides. Under the IPSASB's current Consultation Paper, an ash tree which has been treated for disease would not qualify as a natural resource, but ash trees which are otherwise healthy, or which are simply left diseased, would qualify as a natural resource. This outcome appears counterintuitive and could result in comparable ash trees being classified or disclosed differently in the financial statements, depending on whether they fall in scope of the Consultation Paper.

Finally, this could create practical and application challenges for preparers. Some Canadians we consulted with raised concerns with this description of human intervention as they noted it would be extremely onerous for entities to trace all instances where conservation, preservation, or restoration activities had been performed. More conceptually, this may disincentivize public sector entities from appropriately maintaining or preserving their natural resources as many of these activities would disqualify an asset as a natural resource from an accounting perspective. This would indicate that the current description of human intervention could work against the broader objective of sustainably managing and preserving natural resources in the public sector.

As a result of the concerns outlined above, we encourage the IPSASB to take a more flexible approach to human intervention and provide greater leeway for conservation and preservation activities which look to maintain or restore a natural resource's existing state. We also encourage the IPSASB to provide further guidance, where applicable, on activities which may or may not be considered human intervention in practice.

Our consultations with Canadians reiterated this as a key area of concern with the Consultation Paper. Many individuals we consulted with noted that the current description of human intervention was too broad and would result in numerous natural resources being excluded from the scope of the Consultation Paper. Certain stakeholders also questioned whether conservation and preservation activities should simply be looked at as activities conducted to prevent asset impairment, and therefore not be used as a basis to exclude an asset from being a natural resource. We encourage the IPSASB to consider these perspectives and views related to human intervention as it evaluates its next steps on this project.

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?

Response

There may be challenges in determining how investments in green infrastructure interplay with the Consultation Paper and we encourage additional clarity on this topic to be provided.

Green infrastructure can cover a wide range of investments, including enhanced or engineered assets such as urban parks, urban trees, green roofs, and the construction of watercourses, raingardens, or bioswales to improve drainage. While these investments involve the use of resources such as water, plants, and trees, they would generally fall outside the scope of the Consultation Paper because they have been subject to some form of human intervention and/or they are not considered to be naturally occurring (e.g., as something has been physically planted or an artificial pathway has been constructed).

Preliminary discussions with IPSASB staff have indicated that many types of investments in enhanced or engineered green infrastructure would fall in scope of IPSAS 17; however, we encourage the IPSASB to clarify this and communicate this conclusion for ease of application, particularly as a separate standard on natural resources is intended to be introduced. The IPSASB may also want to consider whether more prescriptive guidance is necessary for these types of investments as challenges could arise in applying IPSAS 17. For example, these challenges could include:

- how the determination of control should be made if investments cross multiple jurisdictions;
- how or if depreciation accounting should be applied for resources such as trees and plants; and
- how generic disclosure requirements in IPSAS 17 would usefully apply to green infrastructure initiatives.

The introduction of additional specificity on investments in green infrastructure may encourage entities to keep these initiatives “top of mind” and may ultimately help to continue to drive these investments, which can be beneficial to the economy and environment. Similarly, some public sector entities may be reluctant or unclear on how to account for these types of investments unless specific scoping or clarity from the IPSASB is provided.

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?

Response

We agree with the interconnection outlined by the IPSASB regarding the natural resources and sustainability projects.

Given the limited number of natural resources which may qualify for recognition in the financial statements, it is particularly important for the IPSASB to consider natural resources as part of any sustainability reporting initiatives. This should include consideration of a public sector entity's stewardship, dependency, and use over valuable natural resources within their jurisdictions.

Some Canadians also expressed the viewpoint that information on natural resources may be better suited for presentation outside of the financial statements as this type of reporting could focus more holistically on an entity's stewardship role over preserving these resources. These stakeholders felt that this type of reporting in broader financial or sustainability reports may be more appropriate, and ultimately more useful, to users.

Preliminary View 2:

The IPSASB's preliminary view is that a natural resource should only be recognized in the 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 in GPFRs.

Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons.

Response

We agree that a natural resource should only be recognized in the financial statements if it meets the definition of an asset and if it can be reliably measured. These are fundamental recognition principles which should be upheld in the application of any natural resources accounting standard.

Comments regarding our views on the IPSASB's conclusions for recognition over specific natural resources are outlined in the responses below.

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.

Response

We do not have any concerns with the IPSASB leveraging guidance from IFRS 6 and IAS 38 on the accounting for exploration and evaluation expenses, as well as development costs.

However, we encourage the IPSASB to elaborate on the work conducted and basis for their view that this IFRS guidance would remain appropriate for the public sector.

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.

Response

We do not have any concerns with the IPSASB leveraging guidance from IFRIC 20 on the accounting for stripping activities.

However, we encourage the IPSASB to elaborate on the work conducted and basis for their view that this IFRS guidance would remain appropriate for the public sector.

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.

Response

We agree with the IPSASB's technical analysis on evaluating whether unextracted subsoil resources can be presently controlled and can have that control arise from a past event.

However, existence uncertainty should not generally be evaluated separately when determining if a resource meets the asset definition. This assessment should be performed holistically as the existence of a resource is fundamental to determining whether an asset is ultimately present.

We encourage the IPSASB to consider the purpose and relevance of this separate determination going forward.

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.

Response

We agree that existence uncertainty could prevent unextracted subsoil resources from meeting the asset definition and, therefore, from recognition.

As outlined in the IPSASB's Consultation Paper, existence uncertainty is the "uncertainty over whether a resource presently exists, uncertainty over whether an entity controls the resource, and uncertainty over whether there is a past event which resulted in control".

In the context of unextracted subsoil resources, as these resources have not been subject to any form of exploitation, significant ambiguity would persist regarding the quantity and quality of subsoil resources which exist underground. In these cases, it would be unclear to an entity as to what extent subsoil resources may be available for extraction and therefore whether any future benefits could be derived. This level of uncertainty would indicate that the asset definition may not be met as it is unclear whether a resource presently exists.

During our consultations, some Canadians also inquired about the recognition of similar resources located on or under the Earth, such as soil, sand, and rocks. The IPSASB may want to consider whether these resources are eligible for recognition and measurement in future iterations of this project.

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 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.

Response

We agree that high levels of measurement uncertainty could prevent the selection of a reliable measurement basis for unextracted subsoil resources. Uncertainties surrounding unknown future quantities, selling costs, and selling prices may create challenges in determining an economic value that is relevant, verifiable, and faithfully representative of the underlying resource.

We also note the IPSASB's argument that, while there are estimation approaches used to estimate quantities of unextracted resources, these models can result in materially different outcomes based on different interpretations or assumptions. The use of these models for

recognition in the financial statements may not currently meet the objectives of financial reporting due to the high degree of subjectivity and uncertainty involved.

We are also supportive of the IPSASB considering the need for disclosures on unextracted subsoil resources in broader financial reports, including those which are consistent with the regulatory filings of publicly traded mining entities. In particular, these types of disclosures may be relevant for public sector entities which are planning to exploit or extract subsoil resources within their jurisdictions.

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 the GPFS if the water can be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in 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.

Response

We agree with the technical arguments presented by the IPSASB and note that the reasoning to support the conclusions outlined above on water are sound. However, some specific observations and areas of feedback are outlined below.

Water resources in scope of the Consultation Paper

It is unclear in the Consultation Paper whether the IPSASB specifically considered transitional bodies of water, such as swamps and other wetlands. These are distinct ecosystems where low-lying land is covered by water and can support aquatic plants and wildlife.

These bodies of water provide a significant number of benefits to society, including filtering sediments and toxic substances, supplying food and habitat for animals and fish, and preventing coastal erosion. They also help to control flooding by providing water storage during periods of

high rainfall or snow.³ These significant benefits are similar to those provided by certain types of investments in enhanced or engineered green infrastructure, examples of which have been cited above.

We encourage the IPSASB to consider how these types of resources would fit within the conclusions stated in the Consultation Paper to ensure a robust analysis of water resources is performed.

Definition of an asset

While we agree that it would be challenging to demonstrate control over free-flowing water, some Canadians we consulted with encouraged the IPSASB to think about the control assessment for water resources more broadly. For example, instead of focusing on control over individual units of water, could control be considered at the level of the body of water (e.g., for rivers or lakes). One individual captured this viewpoint succinctly with the following comment: "Can rivers or lakes be compared to roads? It is possible for public sector entities to control roads without controlling the individual cars that pass on it."

Of note, we also agree with the flexibility provided for groundwater aquifers in the Consultation Paper, which leaves the door open for potential recognition and measurement depending on the underlying characteristics of individual aquifers and the development of measurement techniques. Further information on groundwater aquifers in Canada can be found below:

- General information on groundwater aquifers, including confined aquifers, can be found [here](#).
- An example of disclosure surrounding the use of groundwater aquifers in the Town of Gibsons, British Columbia can be found on page 10 of their 2021 financial statements - available [here](#).

Measurement basis for natural resources

We encourage the IPSASB to continue refining its proposed measurement basis of current operational value, which is defined in the Consultation Paper as "the value of an asset used to achieve the entity's service delivery objectives at the measurement date." Further clarity over how current operational value may apply to various natural resources, such as water or living resources, could be helpful in future as this project progresses.

During our consultations, some Canadians also suggested that replacement cost be used as a viable measurement approach for natural resources in addition to fair value or current operational value. This type of approach could consider what a public sector entity would

³ <https://www.canada.ca/en/environment-climate-change/services/water-overview/sources/wetlands.html> and <https://envirodm.org/wetlands-and-flood-management/>

otherwise have to spend on traditional infrastructure if a natural resource could not be utilized or was not available.

We have noted that the IPSASB's latest proposals on current operational value as part of their Measurement project broadly incorporate the principles of replacement cost above. As part of the September 2022 briefing note, IPSASB staff highlight that "a strong indication of the operational capacity of an asset is the amount the entity would incur to replace the operational capacity of the asset, to achieve its present service delivery objective." However, further specificity around how this concept would apply to natural resources may be required. For example, for a tree, would replacement cost be considered the cost to buy new seeds or the cost of trees of comparable growth for planting? Or would replacement cost be the additional investment needed in clear air or cooling initiatives to replace the service value of that tree to society? How would these principles then apply to water? The IPSASB may need to contemplate these questions as this project progresses.

During our consultations, some Canadians also encouraged the IPSASB to focus its measurement of natural resources on the operational capacity, or service value, of these resources to society as opposed to their fair value in financial markets. Stakeholders felt that this approach was important to ensure that accounting principles reflected the "true" value of these resources and ultimately helped to drive the sustainable management of the natural environment.

Finally, during our consultations, certain Canadians expressed discomfort over trying to put a value on water resources, which they viewed as a priceless commodity given its essential role in sustaining life. These stakeholders highlighted that qualitative reporting over water may ultimately be more appropriate as it may not be possible to accurately capture the value of this resource with numbers.

Feedback from Indigenous Peoples

Indigenous Peoples highlighted the robust stewardship role that their communities play in preserving the waters and lands of our Earth. Other specific areas of feedback received from this community during our consultations are outlined below:

- Many individuals questioned whether an inherent value should be placed on the act of stewardship given its significant benefits to society. For example, in the context of water, this could include the ability to preserve or restore wild fish populations through the sustainable management of water ecosystems.
- Indigenous Peoples noted that certain natural resources may have cultural significance through their use in ceremonial or spiritual events. These factors should be considered when determining a natural resource's value and may create complexities in establishing an appropriate measurement basis.

- Some individuals highlighted challenges which could occur with the recognition of natural resources in the financial statements. Notably, this included the need to resolve outstanding land claims to appropriately determine control from an accounting perspective over such assets.

More generally, some individuals also reiterated the importance of recognizing and/or disclosing obligations associated with the stewardship of natural resources. While existing accounting standards provide a framework for the recognition of present obligations, stewardship activities may be undertaken because of moral or ethical commitments to a sustainable world. We note that disclosing such information, including future outflows, would appear largely consistent with the IPSASB's proposed disclosures on natural resources in their Recommended Practice Guidelines.

Other considerations

Based on the IPSASB's current conclusions, most types of water resources would not qualify for recognition as they either would not meet the asset definition (e.g., free-flowing water in streams, lakes, or rivers) or it may not be possible for entities to develop a reliable measurement to reflect their operational capacity using current operational value (e.g., water contained in reservoirs, canals, or certain types of groundwater). Further, even if measurement techniques were to advance in future, this may only theoretically allow contained water to be brought on balance sheet.

This begs the question of how useful this information is to users and whether the financial statements are the right place for this type of reporting. As highlighted by several Canadians, it may make more sense for the IPSASB to focus on an entity's use and stewardship of water resources as part of broader financial or sustainability reporting initiatives, which would not be subject to the same accounting and scoping limitations as the financial statements.

Specific Matter for Comment 3:

Living organisms that are subject to human intervention are not living resources within the scope of this Consultation Paper. The accounting treatment of those living organisms, and activities relating to them and to living resources, is likely to fall within the scope of an 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? If not, please explain the reasons for your view.

Response

As outlined in our response to Specific Matter for Comment 1, we encourage the IPSASB to provide additional guidance to clarify that investments in enhanced or engineered green infrastructure, such as urban parks and trees, would fall outside the scope of the Consultation

Paper and would fall in scope of IPSAS 17. Application guidance and/or illustrative examples are also encouraged to be provided for these types of investments.

In line with our comments in Preliminary View 1, if greater flexibility on human intervention is not introduced, we also encourage the IPSASB to provide more specificity on how certain living resources which have been subject to human intervention would be scoped in under the IPSAS' cited above.

For example, if we take the ash tree treated with insecticide in Preliminary View 1, it is not likely that this resource would fall in scope of IPSAS 27, *Agriculture* or IPSAS 12, *Inventories* as it would not be held for harvest or be in production for sale. By default, it may qualify for scoping in IPSAS 17 on the basis that it is a tangible item "held for use in the production or supply of goods and services" and is expected to be "used during more than one reporting period."⁴ However, given the underlying nature of this resource, it may not be intuitive to constituents that this ash tree should be accounted for as property, plant, and equipment. Further, it may not be clear that this resource is "held for the supply of services" and how this would differ from the more generic service potential criteria in the asset definition.

More precise direction from the IPSASB may be helpful in the scoping determination for living resources which have been subject to conservation or preservation activities, and which are not being harvested or processed for sale. However, a more advantageous solution to this problem may be to introduce increased flexibility to the human intervention definition as suggested above. This action could resolve reporting inconsistencies among similar natural resources and would continue to encourage the sustainable management of these resources among public sector entities.

Preliminary View 9

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 the constraints on information in GPFRs, and thus meet the criteria to be recognized as an asset in the 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

⁴ In this example, we have assumed that this ash tree is not considered a bearer plant, which is a biological asset used in the production and supply of agricultural produce.

constraints on information in 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 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 technical arguments presented by the IPSASB and note that the reasoning to support the conclusions outlined above on living resources are sound. However, some specific observations and areas of feedback are outlined below.

Definition of an asset

Of note, we agree that it may be challenging for entities to demonstrate control over motile living resources, such as animals, which are able to roam freely. This would indicate that these types of resources, in many cases, would not meet the definition of an asset or qualify for recognition in the financial statements.

Measurement basis

Please see our discussion on water in Preliminary View 8 for comments surrounding the measurement of natural resources. Some additional considerations specific to living resources are outlined below:

- Certain Canadians highlighted nuances regarding the valuation of living resources such as plants and trees. Unlike other depreciable capital assets, the value of these resources may increase over time as additional shade coverage and clean air are provided throughout growth and maturity. The IPSASB may want to consider these distinctions as measurement approaches for natural resources are being explored.
- Similar to water, some Canadians expressed discomfort with assigning a value to living resources, many of which are essential to providing clean air and sustaining life. Certain individuals also felt that qualitative disclosures in broader financial or sustainability reports would be more appropriate for users to understand the inherent use and value of these resources to society.

Feedback from Indigenous Peoples

Please see Preliminary View 8 for specific feedback received from Indigenous Peoples on water and living resources.

Other considerations

While the IPSASB concludes that some living resources may be able to meet the asset definition, it is likely that only a small sub-set of living resources may currently qualify for recognition in the financial statements given the inability to determine a reliable measurement for their operational capacity using current operational value.

Similar to water, several Canadians highlighted that it may make more sense for the IPSASB to focus on an entity's use and stewardship of living resources as part of broader financial or sustainability reporting initiatives, which would not be subject to the same accounting and scoping limitations as the financial statements.

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 the 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 are supportive of enhanced disclosures on natural resources and agree that the financial statement disclosures proposed by the IPSASB are reasonable.

During our consultations, some Canadians also highlighted the importance of explicitly disclosing an entity's intent for natural resources recognized in the financial statements (e.g., whether they will be used on an ongoing basis to provide services or if they will be ultimately held for sale). This information may be helpful to set expectations on the use of natural resources and increase transparency among users.

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.

Response

We are supportive of enhanced disclosures on natural resources and agree with the disclosures outlined by the IPSASB for all natural resources in broader financial reports. This includes reporting on risks and uncertainties related to natural resources as well as objectives and performance indicators of natural resource conservation or preservation programs.

We also encourage the IPSASB to consider the need for more prescriptive reporting guidance on an entity's overall stewardship, dependencies, and use of natural resources as part of any sustainability reporting initiatives. These disclosures should consider how a public sector entity is sustainably managing their natural resources and preserving them for future generations.

In considering relevant disclosures for broader financial or sustainability reporting initiatives, the IPSASB may want to also consider the draft TNFD framework, which is currently being finalized. The TNFD framework will provide disclosure recommendations for nature-related risks and opportunities that follow the four pillars of governance, strategy, risk management, and metrics and targets. Further details on this framework can be found [here](#).

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 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

While we strongly support the need for increased disclosures on natural resources, it may be too early for prescribed disclosures on natural resources to be mandatory for all public sector entities.

Several Canadians highlighted concerns with mandatory disclosures at this stage, especially those entities that are smaller and more constrained for resources. Canadians also recognized that time may be required for entities to gather information on natural resources, including developing inventories of natural resources within their jurisdictions, to accurately inform reporting initiatives.

Going forward, we encourage the IPSASB to continue assessing the need for natural resources-related disclosures as part of future iterations of this project.