

AAAG/OCEO/6/7/42

27th February 2025

The Programme and Technical Director
International Public Sector Accounting Standards Board
277 Wellington Street West
Toronto, ON M5V 3H2
Canada

Dear Sir,

AAAG's Comments on the Exposure Draft 92: Tangible Natural Resources

The **African Association of Accountants General (AAAG)** appreciates the opportunity to provide comments on the IPSASB Exposure Draft 92 (ED 92): **Tangible Natural Resources**.

We support the IPSASB's ongoing efforts to enhance its standards and develop robust guidance on areas not currently addressed by existing International Public Sector Accounting Standards (IPSAS). In particular, we appreciate the Board's initiative in Exposure Draft 92 (ED 92) to establish accounting requirements for **tangible natural resources**, a critical aspect of public sector financial reporting. We believe that the proposed standard will contribute to greater transparency and accountability in the recognition, measurement, and disclosure of natural resources controlled by public sector entities. By providing a structured approach to accounting for these resources, ED 92 will help ensure that governments appropriately reflect their stewardship of natural assets in financial statements, thereby enhancing decision-making and public trust.

Thank you for the opportunity to provide input and we look forward to continued engagement in developing effective and inclusive global standards.

If you have any clarification about this letter or wish to discuss any of our responses, please feel free to contact me at Fredrick.Riaga@aaag.org.zm and info@aaag.org.zm

Your sincerely



Fredrick Riaga
Chief Executive Officer

Annex: Detailed Responses

We are pleased to present below our responses to the Specific Matters for Comment.

1. Specific Matter for Comment 1: Scope (paragraphs 3-5):

This Exposure Draft is broadly applicable to all tangible natural resources which are not within the scope of any other existing IPSAS. (See paragraphs 3-4, BC8, and BC34.) Do you agree with the proposed scope? If not, what alternative scoping approach would you propose and why?

As a result of the proposed scope, tangible natural resources held for conservation are one common example of items which could fall within the scope of this Exposure Draft. What other items would you anticipate being accounted for through this Exposure Draft?

This Exposure Draft includes an [Alternative View](#) regarding its scope and the definition of tangible natural resources.

Comment:

We agree with the proposed scope to apply the guidance to tangible natural resources not covered by other IPSAS as this ensures clarity and avoids duplicative guidance. The exclusion of tangible natural resources within the scope of existing standards such as IPSAS 12 or IPSAS 45 is logical to maintain the focus on unique reporting challenges of natural resources held for conservation or benefit of future generations.

However, we believe the proposed scope requires further expansion to provide clearer guidance on what qualifies as tangible natural resources. Given the existence of established standards covering other resources, it is essential to define specific criteria distinguishing assets that fall within this new standard.

To enhance clarity and practical application, we recommend including detailed examples and a structured framework to help financial statement preparers determine whether an asset qualifies under this category. Additionally, we propose that the conservation nature of these assets be explicitly stated upfront to avoid confusion, ensuring that ED 92 does not become a residual standard lacking precise categorization.

2. Specific Matter for Comment 2: Definitions (paragraph 6):

This Exposure Draft defines a natural resource as an item which is naturally occurring and embodies service potential, the capability to generate economic benefits, or both, and a tangible natural resource as a natural resource with physical substance.

Do you agree with the proposed definitions? If not, why not?

This Exposure Draft includes an Alternative View regarding its scope and the definition of tangible natural resources.

Comment:

We agree with the proposed definitions of natural resources and tangible natural resources as they mirror the definition of resources as prescribed in the IPSASB conceptual framework. The definitions are also clear and align with the objectives of financial reporting in the public sector. The distinction between naturally occurring items with physical substance and other types of assets is appropriate.

However, we seek further clarification regarding the classification of naturally occurring assets when human intervention is involved. Specifically, if conservation efforts or restoration activities, such as replanting trees after a fire, are undertaken, does the asset cease to be recognized as a tangible natural resource and instead fall under PPE or another category?

To improve clarity, we recommend explicitly addressing whether human intervention for preservation or restoration affects the classification of tangible natural resources. Providing guidance on such scenarios will enhance the practical application of the standard and ensure consistency in financial reporting.

3. Specific Matter for Comment 3: Depreciation (paragraph 23):

This Exposure Draft includes a rebuttable presumption that the tangible natural resources recognized within the scope of this [draft] Standard have indefinite useful lives on the basis that they are generally not used or consumed in the same manner as tangible assets within the scope of other IPSAS. Therefore, these tangible natural resources are not depreciated.

Do you agree with the proposed rebuttable presumption that tangible natural resources should not be depreciated? If not, why not?

Comment:

We agree with the rebuttable presumption that tangible natural resources generally have indefinite useful lives and are not depreciated. This approach acknowledges the unique nature of natural resources, which are not consumed like traditional assets. However, as with providing guidance for rare scenarios where depreciation applies (finite useful lives) is beneficial.

4. Specific Matter for Comment 4: Exemption from Certain Disclosures (paragraph 51):

As explained in paragraph BC31, this Exposure Draft exempts an entity from disclosing certain information which may lead to further degradation of tangible natural resources which are rare or endangered.

Do you agree with the proposed disclosure exemption? If not, why not?

Comment:

The proposed disclosure exemption for rare or endangered resources is reasonable to prevent harm through over-disclosure. Protecting sensitive resources aligns with the principle of public interest and ensures that transparency does not lead to unintended consequences, such as resource exploitation.

While the Exposure Draft infers that disclosing the information on the quantity and location of endangered species may lead to their illegal poaching, it does not provide guidance on what constitutes a rare or endangered resource. Lack appropriate guidance would lead different interpretation.

5. Specific Matter for Comment 5: Cross-References to IPSAS 45, Property, Plant, and Equipment (paragraphs 15 and 54):

This Exposure Draft includes cross-references to the guidance in IPSAS 45 on the determination of cost in an exchange transaction and the disclosure requirements for current value. This guidance was incorporated by cross-reference as the acquisition of tangible natural resources is expected to be rare in the public sector, and there is familiarity with the principles on the determination of cost, which are consistent with those found in IPSAS 45.

Do you agree that these cross-references are sufficiently clear? If not, how should the above guidance be incorporated into the Final Standard?

Comment:

We do not agree with the incorporation of cross-references to IPSAS 45.

We recommend that the standard includes all relevant measurement and classification criteria within **one document**, rather than relying heavily on cross-referencing other IPSAS standards. The frequent need to refer to multiple standards can make application cumbersome for users and preparers of financial statements.

By consolidating key guidance within ED 92, clarity and ease of use will be improved, ensuring a more practical and user-friendly approach to accounting for tangible natural resources.

6. Specific Matter for Comment 6: Transition (paragraph 60):

This Exposure Draft allows the application of its requirements on a modified retrospective approach, by recognizing tangible natural resources which meet the recognition criteria on the date of initial application of the [draft] Standard at their

deemed cost, or on a full retrospective basis in accordance with IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors.

Do you agree that the option to apply the proposed guidance on a modified retrospective basis will result in useful information? If not, why not?

Comment:

We do not agree that the option to apply the proposed guidance on a modified retrospective basis will result in useful information.

We recommend that **prospective application** be considered as an alternative to retrospective application when implementing ED 92. Retrospective application can be challenging, especially when initial recognition values are difficult to establish, and the assets in question are not subject to depreciation.

Applying the standard prospectively, except in cases of **significant impairment**, would reduce unnecessary burdens on preparers while ensuring meaningful and practical financial reporting.

7. Specific Matter for Comment 7: Amendment to the Description of 'Heritage Asset' in IPSAS 45, Property, Plant, and Equipment (Appendix B):

The IPSASB proposes to amend the description of 'heritage asset' in IPSAS 45 so that heritage assets which are also tangible natural resources are accounted for within the scope of this [draft] Standard.

Do you agree with the proposed amendment? If not, why not?

Comment:

We support the proposed amendment to ensure heritage assets overlapping with tangible natural resources are included under ED-92. This will avoid confusion and ensures that heritage assets which are also tangible natural resources are accounted for within the scope of this new standard, ensuring consistency and clarity in financial reporting.

8. Specific Matter for Comment 8: Sufficiency of Proposed Implementation Guidance and Illustrative Examples:

The non-authoritative guidance in this [draft] Standard was developed for topics that are potentially complex and difficult to apply in practice, are areas of concern for constituents, or where additional non-authoritative guidance could be useful.

Do you agree that the proposed implementation guidance and illustrative examples are sufficient? If not, what other topics would be helpful and why?

Comment:

We agree that the proposed implementation guidance and illustrative examples are sufficient. They provide clear and practical examples that will help entities apply the standard effectively. Additional topics that could be helpful include more detailed guidance on the measurement of current operational value and examples of complex scenarios involving multiple units of account.