

31 May 2024

The International Public Sector Accounting Standards Board (IPSASB)

277 Wellington Street West
Toronto, ON M5V 3H2
Canada

EXPOSURE DRAFT 86, *EXPLORATION FOR AND EVALUATION OF MINERAL RESOURCES (ED 86)*

1. The South African Institute of Chartered Accountants (SAICA) welcomes the opportunity to make submissions to the IPSASB on ED 86.
2. SAICA is South Africa's pre-eminent accountancy body and is widely recognised as one of the world's leading accounting institutes. The Institute provides a wide range of support services to more than 50 000 members who are chartered accountants [CAs(SA)], associate general accountants [AGAs(SA)] and accounting technicians [ATs(SA)] who hold positions as chief executive officers, managing directors, board members, entrepreneurs, chief financial officers, auditors, and leaders in their respective spheres of operation.
3. Our work in the public sector goes beyond member support but also includes a significant focus on advocacy and capacity building to support and encourage an improvement in public finance management.
4. SAICA welcomes the publication of ED 86 as this assists in the development of a public sector standard for exploration and evaluation assets which previously did not exist. This Standard will also assist with creating a single reference point for public sector entities for the recognition, measurement and disclosure of exploration and evaluation assets.
5. Our specific comments on the ED are included below in ***Annexure A: Comments on Specific Matters for Comment***.
6. We would also appreciate the opportunity to engage further, and we would be willing to discuss the comments if required. Please do not hesitate to contact Odwa Benxa (odwab@saica.co.za) in this regard.

Kind regards,



Natasha Soopal

Executive: Ethics Standards and Public Sector

ANNEXURE A: Comments on Specific Matters for Comment

No.	Specific Matter for Comment	Comment	Recommendation
1.	<p>The IPSASB decided to propose an IFRS 6-aligned Standard in ED 86 (see paragraphs BC2-BC7). Do you agree that amendments to IFRS 6, for the public sector, are limited to terminology and other IPSASB-specific formatting and consistency amendments (see paragraph BC8)?</p> <p>If not, please explain your reasons, stating clearly what further amendments are necessary and why?</p>	<p>SAICA acknowledges that the public sector standard should align to IFRS 6 as essentially there are no major differences in the exploration for, and evaluation of mineral resources activities between private and public sector entities.</p> <p>SAICA notes that paragraph 8 of ED 86 exempts entities from applying paragraphs 14 and 15 of IPSAS 3 when developing an accounting policy for exploration and evaluation for the recognition and measurement of exploration and evaluation assets. Furthermore, it is noted that paragraph 10 allows for entities to determine their own accounting policies specifying which expenditure is recognised as exploration and evaluation assets and apply the policy consistently. However, the use of management judgement in determining the accounting policy may lead to inconsistencies in the accounting for these costs and limit the comparability of financial statements from one entity to the other.</p>	<ol style="list-style-type: none"> 1. To limit the inconsistencies in the accounting for the exploration and evaluation costs and the limited comparability of financial statements from one entity to the other, the IPSASB should consider narrowing down the diversification in accounting policies by prescribing a minimum set of accounting policies that should be followed by public sector entities to avoid the consequence of public sector entities choosing the most advantageous accounting policies which negatively impact the relevance and reliability of information reported in the financial statements. 2. Paragraph BC8 of the ED states that the IPSASB did not identify any specific reason to depart from the principles in IFRS 6 in the development of this Standard, except for terminology and other IPSASB-specific formatting and consistency amendments. Paragraph BC10 states that the IPSASB also noted that the IASB concluded its project on Extractive Activities in September 2023, and no further changes to the accounting and disclosure requirements in IFRS 6 are expected, which supports the conclusion on the usefulness of information per BC8. <p>In terms of the IASB's Project Summary on Extractive Activities (December 2023) the IASB conducted extensive research and gathered evidence to help it decide whether to amend or replace IFRS 6 or consider making changes to improve other IFRS Accounting Standards applying to extractive activities. In terms of that research, the IASB did not find evidence of a significant financial</p>

No.	Specific Matter for Comment	Comment	Recommendation
			<p>reporting problem that could be addressed by standard-setting, despite evidence of diversity, some of which could be explained by an entity's particular circumstances. Following the completion of its comprehensive review of the accounting for extractive activities, the IASB decided to remove the word 'Temporary' from the heading of the section in IFRS 6 that exempts an entity from applying some of the requirements in IAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> to its accounting policies for exploration and evaluation expenditure. In contrast, the IPSASB has not included the words 'Temporary' under the heading 'Exemption from IPSAS 3 paragraphs 14 and 15' despite not having conducted a detailed review of accounting for extractive industries in the public sector. This implies that the exemption provided in paragraph 8 of ED 86 is permanent.</p> <p>SAICA therefore recommends that the IPSASB first conducts a detailed review of recognition, measurement and disclosure issues relating to exploration and evaluation assets experienced by public sector entities prior to applying the exemption in terms of paragraph 8 of the ED. This will ensure that the decision to exempt entities from applying paragraphs 14 and 15 of IPSAS 3 is informed by detailed evidence relating to the application of the standard.</p>