

Quito, May 2024

R-01-05-IPSAS

Mr. Ian Carruthers
Chairman International Public Sector Accounting Standards Board,
International Federation of Accountants,
277 Wellington Street West,
Toronto, Ontario M5V 3H2 CANADA

Dear Ian Carruthers,

Subject: Comment letter on Exposure Draft 86, "Proposed for the Exploration and Evaluation of Mineral Resources".

For the College of Public Accountants of Ecuador, we are pleased to provide comments on Draft Standard 86, "Proposed for the Exploration and Evaluation of Mineral Resources", issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC).

Specific topic for comment 1:

The IPSASB decided to propose a standard harmonized with the IFRS 6 in the ED 86 (see paragraphs BC2 to BC7). Do you agree that the amendments to IFRS 6, for the public sector, are limited to terminology and other format and consistency changes specific to IPSASB (see paragraph BC8)?

If not, explain your reasons, clearly stating what additional changes are needed and why.

Answer comment 1:

No, we think that the IFRS 6 amendments for the public sector are not limited to terminology and other format, but requests that the following considerations be evaluated:

1. In the Scope P. 3-5, it is recommended to clarify the applicability by considering FC P.18 of IPSAS 1 on the Consultation Document (DC), IPSAS applicability to Public Enterprises and Other Public Sector Entities.

Rationale: A large part of the activities indicated in this standard are undertaken by Public Enterprises that will not necessarily apply IPSAS.

2. In Cost of Exploration and Appraisal Assets Elements. P.10 in subparagraph (a) Rights Acquisition to explore; even those that do not involve monetary outlay should be included and should be measured at fair value.

Rationale: Some exploration and appraisal assets are treated as intangibles (e.g., drilling rights), when they are managed by the state itself and there is no disbursement that does not consider these values within the measurement.

In Specification of the level at which impairment of exploration and appraisal assets is assessed P. 22-23,

3. In deterioration, recognition, and measurement. P.20 should not be evaluated exclusively in relation to P. 21 but should be considered elements of IPSAS 26 P. 25-29.

Rationale: This could result in the exclusion of material information from the financial statements due to the failure to timely recognize impairment losses and the inclusion of unreliable information due to the inclusion of assets that do not accurately represent the transactions and other events they purport.

Please feel free to contact us in case any further clarification in this regard is required.

Regards,

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