Comments and suggestions on the IPSASB Exposure Draft (ED) 87 *Stripping Costs in the Production Phase of a Surface Mine (Amendments to IPSAS 12)*

Task force IRSPM PSAAG, CIGAR Network, EGPA PSG XII

May 31, 2024

The IPSASB has requested comments and answers to one specific question regarding its Exposure Draft (ED) 87, *Stripping Costs in the Production Phase of a Surface Mine (Amendments to IPSAS 12)*. The following document comprises a general comment which accompanies our responses to the Preliminary View and the Specific Matter open for Comment (SMC). This document was prepared by the Task force IRSPM PSAAG, CIGAR Network, EGPA PSG XII.

The IRSPM PSAAG, CIGAR Network, EGPA PSG XII are three research networks that focus on Public Sector Accounting. The Task Force is made up of 16 researchers from these networks. The views expressed in this document represent those of the members of the Task Force and not of the whole research community represented by the networks, and neither of the Institutions/Universities with which they are affiliated.

Core assumptions

We are of the opinion that Public Financial Management (PFM), in its broadest sense, is the system by which public financial resources are planned, managed, and controlled. Furthermore, the PFM system is the foundation on which the accountability of public sector entities, both external and internal, is built upon, to enable and control the efficient and effective delivery of public service outcomes, and to discharge accountability towards citizens and their representatives. In our view, PFM is paramount for accountability, which should be prioritized over stewardship and decision-usefulness functions.

We recognise the pivotal role of the IPSASB in developing high quality international public sector accounting standards to support high quality financial reporting and to enhance non-financial disclosure by public sector entities, to increase citizens' trust. Thus, we applaud the initiative to prepare specific guidance for exploration and evaluation of mineral resources. The initiative contributes to enhanced accountability by public sector entities for the use of natural resources. Such guidelines should help to establish clear and consistent requirements on measurement, presentation and disclosures on mineral resources for mainstream reporting and could address problems of diverse accounting practices in reporting by public and private entities.

In general, public sector entities require public sector specific principles and standards that properly address and accommodate public sector specificities. But in this area we are of the opinion that the same financial reporting standard would apply in the public and the private sector to maintain symmetry, and therefore they should be as aligned as possible. This core assumption underpins our proposals and recommendations herein.

Specific Matter for Comment 1

The IPSASB decided to propose an IFRIC 20-aligned guidance in ED 87 (see paragraph BC9). Do you agree that amendments to IFRIC 20, for the public sector, are limited to terminology and other IPSASB-specific formatting and consistency amendments (see paragraph BC10)? If not, please explain your reasons, stating clearly what further amendments are necessary and why.

Comment:

Agree.

We believe that in this particular area, the principles and standards of public financial reporting should be aligned with those of the private sector. In addition, in this case, the IFRIC aligned guidance is provided in an annex to IPSAS 12.

We support making limited amendments to accounting practices for exploration and evaluation of mineral resources, without requiring major changes compared to IFRIC 20.

However, we provide a few comments for consideration.

IFRIC 20 is specifically designed for surface mines. The public sector might have entities dealing with a wider range of extractive activities (e.g., quarries, forestry). The IPSASB might need to clarify if the guidance applies broadly or needs adjustments for different resource extraction types.

Public sector entities heavily rely on government grants. IFRIC 20 does not address how stripping costs might be treated when grants are involved. The IPSASB might need to provide guidance on how to account for stripping costs funded by grants, considering IAS 20 on government grants.

In conclusion, while terminology and formatting adjustments are likely for IFRIC 20 adoption in the public sector, further amendments might, in the future, be necessary to address specific public sector considerations like its applicability to various extractive activities, treatment of stripping costs with government grants.

Specific Matter for Comment 2

The IPSASB decided to propose an IFRIC 20-aligned guidance in ED 87 as an amendment to IPSAS 12, Inventories, by including the guidance as an Appendix (see paragraph BC11). Do you agree with IPSASB's decision? If not, please explain your reasons, stating clearly what further amendments are necessary and why.

Comment:

Agree*.*

IPSAS 12 shall provide clear cross-references to Appendix A.

In terms of bringing this guidance into a public sector context, we would like to highlight that the identification of a specific ore body component for cost allocation can be complex and requires good geological data and estimates.

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Signed on behalf of the persons listed below:

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