

## **Comments and suggestions on the IPSASB Exposure Draft (ED) 86 *Exploration for and Evaluation of Mineral Resources***

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) 86, *Exploration for and Evaluation of Mineral Resources*. 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.

### **Comments on the mineral resources exposure draft**

We believe this is a very high technical area for financial reporting. The ED addresses a fundamental issue related to the cost incurred for exploration and evaluation of mineral resources, including the cost of the determination of the technical feasibility and of viability of extraction of resources. The ED also addresses impairments and disclosures. Our comments are limited by this level of technicality, in particular when the ED makes references to other standards.

## Specific Matter for Comment 1

The IPSASB decided to propose an IFRS 6-aligned Standard in ED 86. Do you agree that amendments to IFRS 6, for the public sector, are limited to terminology and other IPSASB-specific formatting and consistency amendments? 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 but for the commercial viability test. Therefore, we support making limited amendments to accounting practices for exploration and evaluation of mineral resources, without requiring major changes compared to IFRS 6.*

*However, we provide a few comments below on the high level of technicality of the proposed standard.*

*The proposed ED includes definitions of exploration for and evaluation of mineral resources, and exploration and evaluation expenditures. The ED identifies, in Paragraphs 5-6, expenditures that are excluded from the proposed definition of exploration and evaluation assets. We support additional guidance to assist in identifying exploration and evaluation expenditures that are excluded in the definition of an exploration and evaluation expenditure and asset. Notably, we believe that more attention should be paid to addressing the demonstration of the technical feasibility and commercial viability, as this triggers the non-applicability of the standard. Examples of such a demonstration should be given to support the guidance.*

*We observe that paragraphs 22-23 do not clearly describe the level of the impairment. We believe that it could be difficult in this area to identify a segment from the guidance of IPSAS 18, as it could be deemed subjective and arbitrary.*

*Although the ED is recalling IPSAS 45 or IPSAS 31 for the disclosures requested in the case of impairment, we strongly believe that more (detailed) disclosure requirements with regard to the impairment testing, at least in terms of examples, should be considered by the Board. Moreover, IPSAS 45 and 31 also recall other standards in terms of disclosures, i.e. IPSAS 21 and 26. It would be better to mention in the standard such disclosures separately and on each of them refer to the appropriate IPSAS.*

*In addition, as the ED is proposing alignment with IFRS 6, it should also align with the other standards which are implicitly or explicitly recalled in the ED itself. For example, IPSAS 18 should be aligned with IFRS 8, since the latter has more specific guidance on the determination of segments.*

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Signed on behalf of the persons listed below:

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