

28 February 2025


The International Public Sector Accounting Standards Board (IPSASB)

277 Wellington Street West
Toronto, ON M5V 3H2
Canada

RE: PROPOSED INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARD® ON TANGIBLE NATURAL RESOURCES (ED 92)

1. The South African Institute of Chartered Accountants (SAICA) welcomes the opportunity to make submissions on ED 92.
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 92 as it responds to the need as identified by stakeholders in the Natural Resources Consultation. However, SAICA cautions that the development of the tangible natural resources standard should be done in conjunction with the development of sustainability reporting standards due to the interoperability between these two topics and the impact that natural resources have on climate in arriving at net zero.
5. Members were consulted in responding to the exposure draft through a Project Group comprising of members, associates and experts in sustainability reporting, and a Roundtable facilitated by the IPSASB.
6. Our detailed comments on the specific matters for comment are included under **Annexure A: Specific Matters for Comment** of this comment letter.
7. 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.

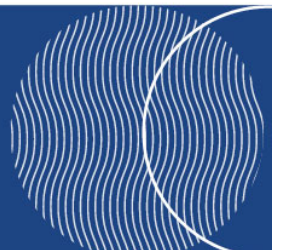
Kind regards,



Natasha Soopal
Executive: Ethics Standards and Public Sector



Odwa Benxa
Project Director: Public Sector



ANNEXTURE A: SPECIFIC MATTERS FOR COMMENT

No.	Specific Matter for Comment	Comment	Recommendation
1.	<p>Specific matter for comment 1: Scope (paragraphs 3–5)</p> <p>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).</p> <p>Do you agree with the proposed scope?</p> <p>If not, what alternative scoping approach would you propose and why?</p> <p>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.</p> <p>What other items would you anticipate being accounted for through this Exposure Draft?</p> <p><i>This Exposure Draft includes an Alternative view as per paragraphs</i></p>	<p>SAICA disagrees with the currently proposed scoping approach that makes ED 92 a residual standard. SAICA rather supports and agrees with the alternative view based on the following:</p> <ul style="list-style-type: none"> • Requiring the tangible natural resources standard to be a residual standard creates complexities for preparers as it requires preparers to first test the applicability of all other standards applicable to resources before concluding that the tangible natural resources standard is applicable. This may discourage the use of this standard due to the cost versus the benefit of performing this assessment. • Generally, the scoping for assets is determined based on the intention for holding the asset (use or sale) and this is the approach in other IPSAS such is IPSAS 45, <i>Property, Plant and Equipment</i> and IPSAS 12, <i>Inventories</i>. The scoping approach proposed in ED 92 is a departure from this principle which may lead to inappropriate accounting for tangible natural resources. 	<p>SAICA is unable to identify other tangible natural resources that could fall into the scope of, and natural resources definition in ED 92 other than natural resources held for conservation. As such the scoping of ED 92 should be limited to tangible natural resources held for conservation only instead of being a residual standard. This will eliminate the complexities and costs involved in testing the applicability of other IPSAS prior to concluding on the applicability of this exposure draft to tangible natural resources.</p> <p>In addition, the principles and requirements within this standard should be limited to those applicable to tangible natural resources. For example, the recognition criteria should only refer to service potential and exclude the probability of future economic benefits criterion as tangible natural resources held for conservation would not be expected to directly generate net cash inflows but rather embody service potential.</p>

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	<p><i>AV1 – AV12 regarding its scope and the definition of tangible natural resources.</i></p>		
2.	<p>Specific matter for comment 2: Definitions (paragraph 6)</p> <p>The Exposure Draft defines a natural resource as an item which is naturally occurring and embodies service potential, the capacity to generate economic benefits, or both, and a tangible natural resource as a natural resource with physical substance.</p> <p>Do you agree with the proposed definitions?</p> <p>If not, why not?</p> <p><i>This Exposure Draft includes an Alternative view as per paragraphs AV1 – AV12 regarding its scope and the definition of tangible natural resources.</i></p>	<p>SAICA agrees with the definitions of both natural resources and tangible natural resources, except that tangible natural resources scoped into this exposure draft would be only those that are held for conservation when considering the comments under specific matter for comment 1. Therefore, reference to the capacity to generate economic benefits would be removed.</p>	<p>The recognition criteria should only refer to service potential and exclude the probability of future economic benefits criterion as tangible natural resources held for conservation would not be expected to directly generate net cash inflows but rather embody service potential. The IPSASB should therefore consider removing reference to the capacity to generate economic benefits.</p>
3.	<p>Specific matter for comment 3: Depreciation (paragraph 23)</p> <p>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</p>	<p>SAICA agrees that tangible natural resources are not typically consumed in the same manner as tangible assets in other IPSAS. For example, a tangible natural resource would not be used in the production of goods and services but would typically be preserved for future generations thus prolonging its useful life. Therefore, tangible natural resources would typically have indefinite useful lives by their mere nature and thus would not be depreciated.</p>	<p>None.</p>

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	<p>consumed in the same manner as tangible assets within the scope of other IPSAS. Therefore, these tangible natural resources are not depreciated.</p> <p>Do you agree with the proposed rebuttable presumption that tangible natural resources should not be depreciated?</p> <p>If not, why not?</p>		
4.	<p>Specific matter for comment 4: Exemption from Certain Disclosures (paragraph 51)</p> <p>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.</p> <p>Do you agree with the proposed disclosure exemption?</p> <p>If not, why not?</p>	<p>SAICA agrees with the exemption allowing for an entity to not disclose certain information which may lead to further degradation of tangible natural resources which are rare or endangered as this ensures that these tangible natural resources are protected. SAICA further supports the requirement in paragraph 51 of the exposure draft for entities to disclose the general nature of the tangible natural resource and more importantly, the reasons why certain information about it has not been disclosed as this will assist in ensuring transparent reporting of tangible natural resources by entities.</p>	None.
5.	<p>Specific matter for comment 5: Cross-References to IPSAS 45, Property, Plant, and Equipment (paragraphs 15 and 54)</p> <p>This Exposure Draft includes cross-references to the guidance</p>	<p>SAICA supports reference to other IPSAS. However, the reference should only be to principles and requirements that are applicable to tangible natural resources scoped into ED 92, considering the comments under specific matter for comment 1 above.</p>	<p>The IPSASB should consider removing reference to principles and requirements in other IPSAS than are not applicable to tangible natural resources, considering the comments under specific matter for comment 1 above. For example, tangible natural resources held for conservation would primarily be held for their operational capacity instead of their financial capacity and therefore reference</p>

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	<p>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.</p> <p>Do you agree that these cross-references are sufficiently clear?</p> <p>If not, how should the above guidance be incorporated into the Final Standard?</p>		<p>to fair value in paragraph 18 of the ED should be removed. In addition, reference to fair value in paragraphs 80 to 84 of IPSAS 45 would not be applicable to tangible natural resources held for conservation.</p>
6.	<p>Specific matter for comment 6: Transition (paragraph 60)</p> <p>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, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>.</p>	<p>SAICA supports the transitional provisions that allow for both a full and modified retrospective approach.</p>	<p>None.</p>

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	<p>Do you agree that the option to apply the proposed guidance on a modified retrospective basis will result in useful information?</p> <p>If not, why not?</p>		
7.	<p>Specific matter for comment 7: Amendment to the Description of ‘Heritage Asset’ in IPSAS 45, Property, Plant, and Equipment (Appendix B)</p> <p>The IPSASB proposes to amend the description of ‘heritage assets’ in IPSAS 45 so that heritage assets which are also tangible natural resources are accounted for within the scope of this [draft] Standard.</p> <p>Do you agree with the proposed amendment?</p> <p>If not, why not?</p>	<p>SAICA agrees with the amendment to the definition of heritage assets to remove reference to <i>environmental and natural significance</i> as this will ensure that tangible natural resources held for conservation are not accounted for in terms of the IPSAS on heritage assets but are accounted for in terms of the standard on tangible natural resources.</p>	None.