

Mr Ian Carruthers
Chair
International Public Sector Accounting Standards Board
277 Wellington Street West
Toronto, ON M5V 3H2
CANADA

8 September 2022

Dear Mr Carruthers

IPSASB Consultation Paper Advancing Public Sector Sustainability Reporting

The Australasian Council of Auditors-General (ACAG) welcomes the opportunity to comment on IPSASB Consultation Paper Advancing Public Sector Sustainability Reporting (consultation paper). The views expressed in this submission represent those of all Australian members of ACAG.

ACAG agrees that there is a need for global public sector specific sustainability reporting guidance and considers the IPSASB well-placed to develop global public sector sustainability reporting guidance effectively.

The attachment to this letter addresses the IPSASB's request for comments on the preliminary views and specific matters for comment outlined in the consultation paper.

ACAG appreciates the opportunity to comment and trusts you find the attached comments useful.

Yours sincerely



Margaret Crawford
Chair
ACAG Financial Reporting and Accounting Committee

IPSASB Request for Comments

Preliminary View 1 – Chapter 1

The IPSASB's view is that there is a need for global public sector specific sustainability reporting guidance.

Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons.

ACAG is aware of the growing demand for global harmonisation and better disclosure in sustainability reporting and agrees that there is a need for global public sector specific sustainability reporting guidance because:

- the objectives of sustainability reporting are different to the private sector – the concept of increasing enterprise value to attract and retain investors is not relevant to the public sector as the focus is on the achievement of government policy which is aligned to public interest and benefit
- the public sector has a broader range of stakeholders who will be the users of the reports that need to be considered in developing guidance
- there is less of a focus on the individual entity and more on the whole-of-government – as there are limited resources, investment in sustainable development would need to be funded from a combination of reductions in other expenditure, additional taxes or debt. Therefore, opportunities and risks for sustainable development may not always be able to be assessed at the individual entity level and may need to be assessed at the whole-of-government level
- the public sector has a high level of contingent exposure to liability from catastrophic and major events (recent examples include COVID-19, bushfires and flooding events) that have widespread and significant impact on communities and private as well as public assets
- in most countries, the public sector is the largest sector – its impact on sustainability factors is likely to be among the highest. Positive impacts are possible through leading by example, and through its power to set laws, regulations and policies, and ability to provide subsidies and incentives to influence private sector businesses and the public to change behaviour
- for consistency and comparability reasons, a global solution that is acceptable to all jurisdictions is preferable to the alternative of individual jurisdictions developing their own guidance.

Preliminary View 2 – Chapter 2

The IPSASB's experience, processes and relationships would enable it to develop global public sector specific sustainability reporting guidance effectively.

Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons.

ACAG agrees that IPSASB is well-placed to expedite the development of global public sector specific sustainability reporting guidance and notes that IPSASB:

- has a conceptual framework addressing non-financial information
- has long-standing international standard-setting experience as well as established due process for developing new standards and adapting international standards for the public sector
- maintains strong international relationships with governments, international and regional organisations (including the International Federation of Accountants), regulators and national standard-setters and works closely with these stakeholders in its standard-setting activities and implementation support
- is experienced in the development of guidance directly relevant to broader financial reporting (Recommended Practice Guidelines (RPGs) 1 to 3).

However, this will be dependent on IPSASB's ability to source adequate resources for the project which is highlighted as one of the constraints in the consultation paper.¹

¹ Paragraphs 5.3 and 5.5 of the consultation paper.

Specific Matter for Comment 1 – Chapter 3

If the IPSASB were to develop global public sector specific sustainability reporting guidance, please tell us what topics you see as most pressing in your jurisdiction and why these should be prioritised by the IPSASB.

ACAG supports IPSASB in considering the United Nations (UN) Sustainable Development Goals (SDG) and interfacing with the Natural Resources Project in developing sustainability-related guidance.

ACAG notes the European Financial Reporting Advisory Group (EFRAG) proposes the use of the Environment, Social and Governance (ESG) classification with comprehensive sub-topics and supports its use as a means by which to:

- organise a clear and logical classification of sustainability topics
- ensure comprehensive coverage of all sustainability topics and easier identification of relevant information in sustainability reports
- define the list of topical standards that the standard setter will have to produce to ensure comprehensive coverage of all sustainability topics²
- assess sustainability when there are competing priorities for the different SDGs.

Preliminary View 3 – Chapter 3

If the IPSASB were to develop global public sector-specific sustainability reporting guidance it proposes applying the framework in Figure 5.

In developing such guidance, the IPSASB would work in collaboration with other international bodies, where appropriate, through the application of its current processes.

Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons, explaining what alternative you would propose, and why.

ACAG agrees with IPSASB's proposal to work in collaboration with other international bodies such as the International Sustainability Standards Board (ISSB), International Auditing and Assurance Standards Board (IAASB) and the International Organisation of Supreme Audit Institutions (INTOSAI), and make adaptations to address public sector sustainability issues as it:

- will ensure any standards developed reflect the needs of the public sector while increasing consistency and comparability between sustainability reporting in the public and private sectors
- balances the needs of the public sector with the urgency of stakeholder demands for guidance and IPSASB's limited resources
- will ensure any standards set are auditable, including the application of ISA 540 *Auditing Accounting Estimates*.

ACAG notes the large number of submissions and diverse views made to the ISSB's recent proposals. These submissions may complicate the IPSASB's work in determining current ISSB views.

² EFRAG (February 2021), [Final Report: Proposals for a Relevant and Dynamic EU Sustainability Reporting Standard-Setting](#) (page 10).

Preliminary View 4 – Chapter 3

If the IPSASB were to develop global public sector-specific sustainability reporting guidance it would address general sustainability-related information and climate-related disclosures as its first topics. Subsequent priority topics would be determined in light of responses to this Consultation Paper as part of the development of its 2024-2028 strategy.

Do you agree with the IPSASB's Preliminary View? If you disagree, please provide your reasons explaining which topics the IPSASB should prioritise instead and why.

ACAG supports the development of general sustainability-related information and climate-related disclosures. General sustainability-related information should be addressed to:

- establish an overall reporting framework to address the purpose, principles, and presentation of sustainability-related information
- provide clarity on where sustainability-related information should be disclosed
- outline how sustainability-related information interacts with financial statement information
- provide principles when drafting the specific standards and guidance on specific sustainability issues
- provide requirements and guidance that can address the reporting of a broad range of sustainability-related information in the absence of a specific standard on a sustainability issue.

Climate-related disclosures should be developed first as it is an area of global focus and presents risks for all entities, their activities, and each sector of the economy. ACAG notes ISSB ED S2 *Climate-Related Disclosures* (ISSB ED S2) draft standard has already been developed based on the recommendations from the Taskforce on Climate-related Financial Disclosures (TCFD).

ACAG has also identified the following matters to be addressed for public sector sustainability-related reporting:

- a definition of sustainability
- a public sector concept of enterprise value, business model and value chain
- clarification of the scope of sustainability reporting
- whether reporting is at entity, whole-of-government or economy level, or all levels – As explained in our response to Preliminary View 1 – Chapter 1 above, ACAG is of the view that reporting should be focused on whole-of-government
- scalability of standards for smaller entities
- whether cost is greater than benefit for some entities and whether reporting should be mandated in these circumstances
- clarity for public sector entities on how to determine Greenhouse Gas Protocol (GHG) scope 3 emissions (emissions not controlled by the entity) given the lack of guidance and wide scope, and indeed whether scope 3 disclosures should be mandated
- the application of ISSB ED S2 and sector related disclosures given the breadth of activities of the public sector.

ACAG also asks that IPSASB consider the auditability of sustainability-related information concurrently to ensure timely workable standards and guidance. A key element will be to ensure that, for any standards issued, sufficient lead time is given so that preparers and auditors have a shared understanding of the sustainability disclosure and supporting audit evidence requirements.

Preliminary View 5 – Chapter 4

The key enablers identified in paragraph 4.2 are needed in order for the IPSASB to take forward the development of global public sector specific sustainability reporting guidance.

Do you agree with the IPSASB’s Preliminary View? If you disagree, please provide your reasons explaining which topics the IPSASB should prioritise instead and why.

ACAG agrees with IPSASB’s view that a standard setter would require the following five enablers to succeed in developing global public sector specific sustainability reporting guidance:

- appropriate resourcing – to enable the development of quality sustainability reporting guidance and standards that meet the needs of the public sector and to ensure any standards and guidance are developed and issued in a timely manner
- experienced and active Sustainability Reference Group to advise the IPSASB – to ensure that the stakeholders, sustainability experts, those that have experience in the area (for example, scientists for climate reporting), and governments have input into the development of the standards and guidance to ensure they can be effectively implemented
- effective and efficient use of IPSASB member time – to ensure IPSASB members have time to devote to sustainability reporting to ensure success
- effective coordination with other sustainability standard setters – to ensure comparability between sustainability reporting by the public and private sectors and for the IPSASB to leverage off guidance being developed by these standard setters
- dialogue with national standard setters – to obtain guidance on emerging public sector sustainability reporting issues, user needs, guidance already issued on sustainability reporting and whether any standards and guidance developed can be effectively implemented.

Specific Matter for Comment 2 – Chapter 4

To what extent would you be willing to contribute financial or other support to the IPSASB for the development of global public sector specific sustainability reporting guidance?

Due to limited resources and funding, ACAG is not able to provide financial support or other resources to the IPSASB but is keeping a close watching brief on developments related to sustainability reporting and are committed to responding to public sector specific consultation papers, invitations to comment and exposure drafts on this matter. A number of ACAG members have expressed a willingness to participate in any sustainability reporting working groups that the IPSASB may establish in this regard.