

Joint Submission by the Association of Chartered Certified Accountants and Pan African Federation of Accountants

16 January 2023

Submission via website

This submission is made jointly by the Association of Chartered Certified Accountants (ACCA) and the Pan African Federation of Accountants (PAFA). More information about ACCA and PAFA is contained in Appendix A.

ACCA and PAFA share a commitment to supporting good practices in public financial management across Africa and around the world. The adoption and implementation of international accounting standards is a cornerstone of transparency and accountability in the public sector, as well as providing decision-useful information to inform the policymaking process and support good value for money from public services.

ACCA and PAFA previously submitted a response to IPSASB's consultation paper '*Advancing Public Sector Sustainability Reporting*' in September 2022, as well as the consultation paper on '*Natural Resources*' in October 2022.

ACCA and PAFA strongly support IPSASB's initiatives to promote sustainability reporting in the public sector, and ACCA is providing financial support to IPSASB to advance this agenda. We welcome the opportunity to comment on Exposure Draft (ED) 83 on '*Reporting Sustainability Program Information - RPGs 1 and 3: Additional Non-Authoritative Guidance*'.

Our general comments are set out in more detail in the accompanying Appendix B, in addition to our responses to specific questions.

The expertise from our members, networks, and in-house technical experts allows ACCA and PAFA to provide informed opinion on a range of financial, regulatory, public sector and business areas. Further information about our comments on the matters discussed here can be requested from:

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Appendix A

About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global professional body for professional accountants. We're a thriving global community of 241,000 members and 542,000 future members based in 178 countries and regions, who work across a wide range of sectors and industries. We uphold the highest professional and ethical values.

We offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904, being a force for public good has been embedded in our purpose. In December 2020, we made commitments to the UN Sustainable Development Goals which we are measuring and will report on in our annual integrated report.

We believe that accountancy is a cornerstone profession of society and is vital in helping economies, organisations and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities.

About PAFA

The Pan African Federation of Accountants (PAFA) is the continental body representing Africa's Professional Accountants. Established in May 2011, PAFA is a non-profit organisation currently with 55 Professional Accountancy Organisations (PAOs) from 44 countries. Our mission is to accelerate and strengthen the voice and capacity of the Accountancy profession to work in the public interest, facilitate trade, and enhance benefits and quality services to Africa's citizens.

PAFA takes a multi-layered approach to engaging with stakeholders at continental, regional and national levels, and we aim to develop the profession and work collaboratively to drive Africa's agenda.

Our mandate is founded on the premise that national Professional Accounting Organisations (PAOs) have the capacity to drive good financial management practices, accountability, transparency and good governance across public and private entities. We therefore believe that our ability to develop institutional capability will enable the acceleration of economic growth and the reduction of poverty in Africa.

Our vision is to work in the public interest by leading and developing the accountancy profession in Africa, and delivering value to our members.

Appendix B

General Comments

We welcome IPSASB's recent announcement that it will begin scoping for three potential projects on sustainability reporting guidance in the public sector. As such, we recognise the limited-scope proposals in ED83 are an interim measure, pending a comprehensive approach to sustainability reporting in the years ahead.

ACCA and PAFA support IPSASB's objective of providing additional guidance for RPG 1 and RPG 3 to assist in the reporting of sustainability programme information. We believe the proposals meet the objectives stated in ED 83 for the additional guidance to improve users' understanding of the applicability of RPGs 1 and 3, and assist in applying the existing guidance in the RPGs.

Nevertheless, we believe IPSASB should consider a more ambitious approach by widening the scope of additional guidance for RPGs 1 and 3, to include broader sustainability reporting information. Our proposals are set out in the responses to specific matters for comment below.

Specific Matter for Comment 1

Do you agree with the proposed additional implementation guidance for RPG 1? If not, what changes would you make?

As outlined above, ACCA and PAFA support the general principle of providing additional guidance in RPG 1. The following comments focus on the changes and additions we believe are required. They include ACCA and PAFA's views on the proposed 'Basis for Conclusions' text, as well as the proposed additional implementation guidance.

The terms 'sustainability program information' and 'sustainability-related transactions' are included within the proposed additional paragraphs in the *Basis for Conclusions* section. Similarly, in the proposed *Implementation Guidance*, the term 'sustainability program' is used. These are important terms for the interpretation of the guidance; however, they are not specifically defined within the proposed paragraphs or in the existing RPG 1 document.

ACCA and PAFA believe a clear definition of these terms is particularly important, as RPG 1 is concerned with the long-term sustainability of an entity's finances, in which the term largely relates to fiscal sustainability. Whilst it is important that the guidance remains high-level and is not unnecessarily prescriptive, further examples of 'sustainability programs' would be helpful to preparers of the general purpose financial statements (GPFS). This will assist preparers in determining the sort of programmes which will be in scope, alongside the existing guidance in paragraphs 10 to 13 of RPG 1.

We consider sustainability reporting to be broader than reporting on 'sustainability program information'. In the context of a greater focus on sustainability reporting,

IPSASB should also consider providing more guidance on how public sector bodies can report on the impact of environmental factors on the long-term sustainability of an entity's finances. Although this aspect is briefly referenced in paragraphs 4 and 50 of the existing RPG 1 document, additional guidance, on a similar basis to that proposed in ED 83 for 'sustainability programs' would help to ensure there is a balanced approach to sustainability reporting. There is a risk that if the proposed guidance, and consequent reporting, concentrates solely on specific sustainability programmes, it could present a limited picture of the overall impact of environmental and sustainability considerations on the entity's finances.

Paragraph 4 of the existing RPG1 document currently states that the RPG: '*does not directly address issues associated with the reporting of environmental sustainability. However, an entity should assess any financial impacts of environmental factors and take them into account when developing its projections*'. We believe this wording needs to be modified to additionally reflect the proposed changes in ED 83. As outlined above, the focus of this sentence appears to differ from the 'sustainability programs' referenced in the ED.

Lastly, although a minor point, we note the paragraph number for the additional paragraphs starts at BC37, although the existing RPG 1 document linked to on the consultation website ends at BC34.

Specific Matter for Comment 2

Do you agree with the proposed additional implementation guidance and illustrative examples for RPG 3?

If not, what changes would you make?

ACCA and PAFA support the principle of providing more information on individual sustainability programmes. The proposed additional text for the *Basis for Conclusions, Implementation Guidance* and *Illustrative Examples* sections of RPG 3 is clear and provides helpful information to preparers of the accounts. Nevertheless, our comments on definitions for 'sustainability programs', outlined above, apply equally to the additional text proposed for RPG 3.

The proposed illustrative examples are useful; however, they could be complemented by further exemplifications. For instance, the first two examples relate to income from bond proceeds and a specific tax respectively; as such, information on the level of income forecast and received could be included, to present a comprehensive picture. In addition, it would assist users if an example was provided which presented service performance information in a 'tabular or statement form', given Paragraph 78 of RPG 3 suggests this as a format for summarising information.

Again, a minor point, however, we note the paragraph number for the additional paragraphs starts at BC44, although the existing RPG 3 document linked to on the consultation websites ends at BC42.

Finally, we believe IPSASB should consider additional amendments to RPG 3 to provide guidance on how wider sustainability considerations could be incorporated

within service performance information. In particular, guidance could focus on sustainability information related to outputs and outcomes (paragraphs 15 to 16 and 17 to 19, respectively) across the whole range of services being reported on. As highlighted in our comments on RPG 1 above, it would also avoid a narrow focus on sustainability programmes only. Climate and environmental considerations should form an important element of the assessment of service performance. This wider perspective is increasingly being integrated into the budget process.

In particular, green budgeting, referenced in IPSASB's press release accompanying the exposure draft's publication, is being implemented or considered by a growing number of public sector entities. ACCA has recently [published](#) a toolkit on green budgeting for finance professionals in the public sector. We would be supportive of further guidance from IPSASB, in advance of the planned future work on sustainability reporting, to assist public sector bodies currently considering this agenda.