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Conseil de normalisation des comptes publics

Paris, July 5, 2022

Mr Ross Smith
Technical director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street, 4th floor
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Re: Response to Consultation Paper, *Advancing Public Sector Sustainability Reporting*

Dear Mr Smith,

The French Public Sector Accounting Standards Council (CNOCP) welcomes the opportunity to comment on the Consultation Paper, *Advancing Public Sector Sustainability Reporting* published in May 2022 (the CP).

We believe that sustainability reporting bears two fundamental features when viewed through the lens of an accounting standard-setter: it is both abysmal and non-financial in the sense that it provides information beyond the financial statements. It therefore seems necessary to start by taking a holistic view of sustainability and defining its scope before elaborating on its different components. Otherwise, the standardisation process would risk generating superfluous information and lead to numerous reports, at a prohibitive cost for the public sector.

As a result, we believe that it would be useful to question first the nature and content of sustainability information requirements that would supplement that already provided through existing IPSASB literature (accounting standards and RPGs, recommended practice guidelines). One could also call into question the legitimacy of the accounting standard-setter in that particular non-accounting oriented area. Answering those questions would help defining the scope of sustainability reporting and it would allow to grasp how it articulates with other existing reporting systems. We observe that the seventeen Sustainable Development Goals (SDGs) adopted by the UN use a set of indicators covering a wide scope and requiring extensive statistical work on varied topics. Accordingly, the extent to which sustainability reporting relates to SDGs

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should be elaborated on with a view to define the role and involvement of an accounting standard-setter in that area. While the World Bank invited the IPSASB to lead a consultative process on the issue of sustainability reporting, such invitation alone cannot legitimate the accounting standard-setter for the public sector to deal with sustainability reporting.

In addition, as mentioned in the CP, RPG 1 already addresses sustainability reporting in the form of long-term sustainability of an entity's finances. Beyond Chapter 8 of the Conceptual Framework, that the IPSASB should define a framework for general purpose information would help limiting the number of reports; indeed too many reports do not provide better information. Users need to know who does what and where to find the information they are looking for without having to peruse the contents of all published reports.

The CP proposes to begin with developing guidance on general disclosure requirements and climate-related disclosures. These topics are currently being addressed in the private sector by the ISSB and EFRAG within the context of the European Corporate Sustainability Reporting Directive (CSRD). Insofar as public sector entities provide goods and services, even though non-market, it seems clear that their activities have a similar impact on the environment as business activities in the private sector have. Aside from the difference in sustainability reporting users (citizens assessing public services in the public sector, and investors for the ISSB), any potential specificities relating to the data themselves are not likely to be material. Consequently, if the objective is to have public sector entities disclose information on the environmental impact of their activities, it does not seem necessary for the IPSASB to develop its own standards, even more so that this is a time-consuming and complex task. Indicating the type of entities that would apply part or all of the requirements would seem sufficient. However, the specific features of some public sector entities should be addressed independently, such as their roles as regulators of economic activities to help meeting goals related to fighting the effects of climate change. Doing so would require developing a specific line of thoughts, with an explicit consideration of feasibility, especially in terms of consumption of resources.

Should the articulation between sustainability reporting and financial reporting be clearly established, then the need to compare, validate or provide an opinion on sustainability-related information would justify that an ad hoc framework should be developed by the accounting standard-setter.

Lastly, as regards the question of the funding of the IPSASB, it seems imperative to establish a robust governance structure involving the Public Interest Committee (PIC), the oversight body for the IPSASB composed of representatives from international organisations (OECD, IMF, World Bank and INTOSAI). We would recommend drawing on the IFRS Foundation model and propose objective funding criteria that would guarantee the standard-setter's independence.

We present detailed responses to the Preliminary Views and Specific Matters for Comments in the appendix.

Yours sincerely

Michel Prada

APPENDIX

Preliminary View 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.

We would agree that sustainability reporting is a critical tool when managing public sector finances. Such information should span the entire range of SDGs, and therefore may go far beyond the sole issue of ecological transition. In any case, its scope should be defined.

Sustainability reporting in the public sector should be elaborated on by looking beyond the ISSB's scope, currently limited to reporting information to investors, and in a more restrictive context than that of EFRAG, whose work is defined by the CSRD.

Preliminary View 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.

In spite of the IPSASB's merits, it is important to keep challenges in mind: unlike the process for accounting standards, there is, as of today, no existing stable literature on sustainability reporting requirements, and the resources needed to develop a complete framework appear inordinately significant in light of the IPSASB's current resources.

In addition, many resources, and mainly those with relevant expertise, are already working on the same topic for the private sector, without clear evidence that the public sector has sufficiently unique characteristics to warrant an ad hoc set of standards for public sector entities to disclose the impact of their activities.

While existing literature for the private sector may likely be easily adapted to the public sector, specificities, such as the Central Government's role as a regulator and an assurer of last resort, would require separate consideration.

Specific Matter for Comment 1

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.

One approach could be to identify what requirements in the private sector could be applied to the public sector without modifications.

The timetable that intends to release initial guidance as soon as 2023 seems particularly ambitious.

Regardless, sustainability in the public sector should be defined before considering all-out convergence.

Preliminary View 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 alternatives you would propose, and why.

We agree that coordination with other bodies is critical. For example, the ISSB and EFRAG established a group focused on coordination between the two bodies. Work should also be conducted alongside the statisticians and national accountants who have already proposed a conceptual framework to structure the work on SDGs.

Preliminary View 4

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 the 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 not, please provide your reasons, explaining which topics the IPSASB should prioritise instead, and why.

Aiming for 2023 seems ambitious, even if the project is limited to general disclosure requirements and climate-related disclosures.

Preliminary View 5

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

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, identifying which of the proposed key enablers you disagree with, and why.

It is difficult to conceive that the proposed Sustainability Reference Group that would advise the IPSASB could bring sufficient resources and expertise, unless the objective is limited to reproduce all or part of the recommendations issued by the ISSB or EFRAG.

Any development specific to the public sector would require a full-fledged Board with its own resources and staff, in line with the approach taken by the IFRS Foundation and EFRAG.

Specific Matter for Comment 2

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?

First of all, it seems imperative to establish a robust governance structure, involving the Public Interest Committee (PIC), the oversight body for the IPSASB composed of representatives from international organisations (OECD, IMF, World Bank and INTOSAI). Funding on a jurisdiction by jurisdiction basis could cause issues in terms of the broader public interest.

The IPSASB could also submit a budget and approach those stakeholders who are pressing for sustainability reporting guidance.

In any case, the CNoCP is ready to contribute to the dialogue, as it already does for financial reporting standards.