



Consultation Paper: Advancing Public Sector Sustainability Reporting

Response from the Public Accountants and Auditors Board (PAAB), Zimbabwe

09 September 2022

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Further information about PAAB can be obtained at www.paab.org.zw

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CP: ADVANCING PUBLIC SECTOR SUSTAINABILITY REPORTING

PAAB is pleased to present its comments on this Exposure Draft, which have been reviewed by PAAB's Public Sector Accounting Standards Committee (PSASC).

Response to Specific Matters for Comment

Detailed comments on the Specific Matters for Comment are provided in the attached Annex.

We hope this is a helpful contribution to IPSASB's work in this area.

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ADVANCING PUBLIC SECTOR SUSTAINABILITY REPORTING

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 this view?

If not, please provide your reasons.

We agree with the view

Private sector sustainability standards will not be able to address adequately the needs of the public sector largely due to broad nature of the stakeholders that public sector reports are intended for. Also private sector standards are drawing significantly from the conceptual framework of IFRS standards and IPSASB has a conceptual framework that is primarily drawn from the public sector. However, it is important to note that there are areas of similarities between the public and private sector and the standards of accountability are high for the two sectors. There is therefore need to draw as much as possible from private sector standards which are now ahead of the public sector standards following the same approach that IPSASB has done on IFRS standards. This will ensure that there is no unnecessary reinventing on the wheel. So in essence the focus should be on those areas which are unique to the public sector.

SDGs - Also in support of the UN Sustainable Development Goals (SDGs) it is important that governments and government organisations also take a leading role in advancing sustainability therefore sustainability is now much more a necessity that a "nice to have". By developing public sector accounting standards this objective can be met.

Demands from the Citizens – Citizens demands from the public sector have evolved significantly from the past. The expectation that governments have strategy to address some of the fundamental challenges facing countries is very high for example, addressing inequalities, climate change. Sustainability reporting allows governments report back on what it is doing to address some of those fundamental issues.

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

Not agreed, this need to be explored further. The current biggest challenge with IPSAS implementation is that it is still largely seen as an "accounting thing". Accrual reporting is beyond accounting and successful implementation of IPSAS requires involvement of the whole organisation from the head to other functional departments. In our experiences, involving other functions is very difficult as sometimes IPSAS is seen as for accountants. Now, the need for sustainability standards to be seen as beyond accountants is more important than ever. Issuing sustainability standards as additional IPSAS can shut out other needed disciplines. Our view that while leveraging on the IPSASB there is need to have a separate body of standards on Sustainability which clearly will not be seen as accounting standards. It is more important to get it right at this stage than try and correct it at a later stage.

Also, drawing from the private sector, there was realisation that expertise that IASB had may not have been enough to issue suitability standards thus the creation of the ISSB. The expertise of IPSASB is largely on financial report and not sustainability standards. The setting of a resource group may not be sufficient, the reform would need a board that has the appropriate expertise.

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 prioritized by the IPSASB.

Natural Resources Project. Zimbabwe has a lot of natural resources and it is therefore critical that the IPSASB considers producing guidance on reporting that clearly demonstrates to the users of public sector reports, the sustainability performance of the

reporting organisation, including both positive and negative contribution of the reporting entity's operations.

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 a 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 which topics the IPSASB should prioritize instead, and why.

Partially Agreed. Whilst we support the building block model, we believe that the concept of enterprise value applies more to the private sector than it does to the public sector. Enterprise value is much more concerned with the maximisation of company value for the shareholder. The role of a shareholder looking for a financial return is more pronounced in the private sector and not in the public sector. In the public sector, organisations are created for much more to provide services to the population and not to maximise financial value. There is therefore a need to replace "enterprise value" with a term that is more inclusive and broader to economic, social and environmental value.

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 disclosure 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, identifying which topics the IPSASB should prioritize instead, and why.

PAAB agrees with the proposal. This is also in line with the strategy adopted by the ISSB and this will allow leveraging on work that has already been done.

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

PAAB agrees with the proposal. Whilst the pace of development is welcome because of the urgency around sustainability, it is also important to have a focus on implementation by the users. Governments will need support in developing implementation strategy and overseeing the implementation.

Specific Matter for Comment 2: Chapter 4

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

PAAB will be directing staff time to supporting the IPSAS Board in the development of global public sector sustainability reporting guidance