

9 September 2022

Mr. Ian Carruthers  
Chairman  
International Public Sector Accounting Standards Board  
277 Wellington Street West  
Toronto, ON M5V 3H2 Canada

## Re: Response to IPSASB's Consultation Paper, Advancing Public Sector Sustainability Reporting

Dear Mr. Carruthers,

We are pleased to respond to the IPSASB's Consultation Paper, Advancing Public Sector Sustainability Reporting. Our overarching comments are set out below with detailed responses to the questions in the Consultation Paper included in the Appendix.

Deloitte supports the development of global sustainability reporting standards for the public sector which would facilitate the provision of consistent and comparable sustainability information. The public sector is a significant economic actor in its own right and plays an essential role in the global response to climate change and the achievement of the United Nations Sustainable Development Goals more broadly. In our view, public sector-specific reporting guidance would promote accountability and enhance the necessary transparency for public sector entities.

Therefore, we welcome the IPSASB's proposal on the development of public sector-specific sustainability reporting guidance. We agree that IPSASB has an important role to play in providing guidance for the public sector given its global reach and experience in standard-setting. To ensure that IPSASB is successful in its role, we encourage it to build the appropriate level of sustainability-related expertise which will be necessary for its expanded remit.

In fulfilling this role, we consider it essential that IPSASB takes the sustainability disclosure standards currently under development by the International Sustainability Standards Board (ISSB) as its starting point.

Building on the ISSB standards as its foundation would parallel the IPSASB's previous work in adapting the International Financial Reporting Standards (IFRS) in its development of public sector-specific financial reporting standards. Deloitte believes it is essential to promote connectivity between financial and sustainability information. ISSB standards are being designed to sit alongside the IFRS, for example by drawing on content from IAS 1 and IAS 8, which should enhance connectivity of reporting, and we think this strengthens the case for IPSASB to use ISSB as its starting point.

The ISSB standards will cover a range of sustainability matters and will incorporate reporting on impacts that are relevant to the reporting entity. While the focus of the ISSB standards is on enterprise value, this is drawn broadly within the ISSB's proposals. In our view, these will provide a significant proportion of the information needs of users. We consider that the IPSASB could develop further guidance and interpretation to enhance the applicability of this approach to the public sector, for example by emphasizing value creation over time within the context of the role of the organizations in the sector.

Then, additional guidance should be provided to meet the needs of broader stakeholders and objectives of the public sector. The sustainability standards for the public sector should require reporting of information that is useful to constituents for holding the public sector entity accountable and to improve decision-making. We agree that the IPSASB could look to other sources to supplement its guidance, such as the Global Reporting Initiative (GRI).

Taking this approach is consistent with the concept of the “Building Blocks” as set out by IFAC and others, acknowledging the importance of achieving a global baseline of sustainability information based on the ISSB standards, which is supported by G7 and many jurisdictions, while allowing for further requirements to address specific public policy priorities or reporting to stakeholders more broadly.

Finally, we consider that interoperability between standards is essential and encourage the IPSASB to continue its collaboration with the ISSB, further to its role of observer to the IFRS Foundation’s Technical Readiness Working Group.

If you have any questions on our comments, please contact Frans van Schaik at [fvanschaik@deloitte.nl](mailto:fvanschaik@deloitte.nl) or +31655853527.

Yours sincerely



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## **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.*

Yes, Deloitte agrees there is a need for global public sector-specific sustainability reporting guidance for the reasons stated in the Consultation Paper.

We support standard setting at a global level because global issues need global solutions. Achieving the United Nations Sustainable Development Goals (SDGs), including addressing climate action, have a high degree of public interest and require a global approach. The public sector has the appropriate scale and reach to support the advancement of the SDGs.

Public sector organizations are in a unique position to both advance the sustainability of their operations and influence societal progress towards a sustainable future through their roles in policy-making, legislation, public financial management, socio-economic development, and as employers. The differences between the public and private sectors in terms of their roles, planning horizons, nature of their programs and transactions, justify a need for sustainability standards that are tailored to the public sector.

We believe that the starting point for IPSASB developing public sector-specific sustainability reporting guidance should be the IFRS Sustainability Disclosure Standards being developed by the International Sustainability Standards Board (ISSB). Building on the ISSB standards as the foundation for IPSASB's public sector-specific sustainability reporting guidance would mirror the approach of using IFRS Accounting Standards as the basis for development of IPSAS. However, such standards in isolation, may not currently meet the unique challenges and incremental requirements of the public sector as outlined in paragraph 1.14 of the Consultation Paper. This is acknowledged in paragraph 10 of the Exposure Draft *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information*, which states that the ISSB standards may be suitable for public sector business entities, but tailoring of the standards may be required to be better suited for application to the public sector's non-profit oriented activities. While we acknowledge that the public sector is implicated in the capital markets and value creation, for example through the sizable proportion of sovereign debt relative to the broader global bond market, we agree that such standards in isolation are not designed to meet the needs of the public sector's broader stakeholder audience.

### **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.*

Yes, Deloitte agrees the IPSASB has the overall experience in standard-setting, including due process, governance structure, and relationships needed to develop global public sector sustainability reporting guidance. Its extensive experience in the adaptation of private sector-oriented international financial reporting standards for the public sector at the global level will be invaluable in the development of public sector-specific sustainability reporting guidance of a similar scale. We encourage the IPSASB to consider how it could design its guidance so that it could be applied by public sector reporting entities whether they adopt IPSAS or other public sector-oriented accounting standards used in their jurisdiction.

However, it is clear the effectiveness of the standard setting body that will take on global public sector sustainability standards is contingent on the body having sufficient knowledge of and experience with sustainability-related subject matters. We acknowledge and support the proposal to overcome this challenge and expedite the development of public sector sustainability standards by creating a Sustainability Reference Group.

While we consider the IPSASB's proposed approach practical at this stage, especially given the need for/benefit to adapt ISSB and other standards, we remain concerned about whether the IPSASB membership as it exists today has the proper expertise on sustainability-related matters to adequately challenge the recommendations of the Sustainability Reference Group. Over time the board may wish to consider if it needs to evolve the structure. We encourage the Board to further reflect on whether alternative structures may be more effective in the long term by considering the following additional questions.

1. Is there an appetite for the IPSASB to explore the need for a separate board that would be fully dedicated to the development of public sector-specific sustainability guidance, similar to the approach taken by the IFRS Foundation with the creation of the ISSB distinct from the IASB? Sustainability reporting guidance issued by the IPSASB are likely to be adopted only by entities that adopted IPSASB's financial reporting standards.
2. Has the IPSASB considered attracting sustainability expertise within the Board's membership in addition to creating the Sustainability Reference Group?
3. Can the role of the Sustainability Reference Group be elevated such that it has the authority to lead the development of the public sector-specific sustainability reporting guidance, and not act solely as a point of reference or consultation? Additionally, could the IPSASB consider changing the name of the group to clearly indicate that the group has such authority? For example, the name Sustainability Task Force would better describe its role.

Regardless of the approach taken by the IPSASB, we strongly encourage its close collaboration with the ISSB.

### 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 prioritized by the IPSASB.*

See also our response to Preliminary Views 3 and 4.

It is critical that the development of public-sector specific sustainability standards maintain alignment with topics under the initiatives of other standard setting organizations, particularly the ISSB. This will enhance interoperability of the "Building Block approach"<sup>1</sup> to sustainability reporting and would help expedite the IPSASB's topic-specific sustainability standard development.

We agree it is appropriate to prioritize climate-related information as the first topic to address in the public sector. This will create consistency with other global developments in sustainability reporting and meet the urgent need to address climate change.

While climate should be the priority, we consider that there are other sustainability matters that also need to be addressed, for example, various social matters, water, and biodiversity. A starting point for identifying some of those themes could be the preliminary topics identified by the ISSB in advance of its planned Request for Information to inform its agenda priorities, the sustainability disclosure topics within the Sustainability Accounting Standards Board (SASB, the developer of industry-specific standards that is now consolidated into the IFRS Foundation) Standards, the GRI, or the themes identified by the World Economic Forum International Business Council in its Stakeholder Capitalism Metrics project<sup>2</sup>.

### 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.*

See also the response to Specific Matter for Comment 1.

We largely agree with IPSASB's proposed approach, particularly its alignment with the pillars of the Task Force on Climate-Related Financial Disclosures. As noted above, we consider that the ISSB standards should be the starting point for the development of global public sector-specific standards. Accepting the role that public sector organizations play in sustainable development more broadly, leading to a need for reporting to a broader range of stakeholders, we also consider that additional guidance will be needed in relation to wider impacts and sustainable development including public policy objectives. We agree that IPSASB could look to other sources to supplement its guidance, such as the GRI. The GRI has formed an initiative<sup>3</sup> with the

<sup>1</sup> IFAC, [Enhancing Corporate Reporting: The Way Forward](#), September 2020

<sup>2</sup> World Economic Forum, [Stakeholder Capitalism](#)

<sup>3</sup> United Nations Global Compact, [Reporting on the SDGs](#)

United Nations Global Compact in which reporting on the SDGs leverages the GRI Standards. This initiative enhances the suitability of collaboration between the GRI and the public sector in turn since public sector organizations are critical actors in driving the effort to meet the SDGs. Furthermore, the collaboration agreement between the ISSB and GRI is intended to enhance the interoperability of the respective standards, including by aligning where possible terminology and guidance.

However, we query the presentation of the approach as outlined in Figure 5 to the extent that it appears to artificially segregate considerations of impacts that affect enterprise value from wider impacts on people, the planet, and the economy.

While the focus of the ISSB standards is on enterprise value, this is drawn broadly within the ISSB's proposals. For example, the ISSB emphasizes that disclosure on matters relevant to enterprise value could include information about an entity's 'reputation, performance and prospects as a consequence of the actions it has undertaken, such as its relationships with people, the planet and the economy, and its impacts and dependencies on them'.

We therefore emphasise the importance of the IPSASB addressing the concept of dynamic materiality' in its approach, based on the work of the 'Group of 5'<sup>4</sup> which identifies that impacts on people, planet and economy will be relevant to those users with an interest in making an assessment of the enterprise value of a company (the focus of the ISSB standards) as well as those who want to assess a company's contribution to sustainable development. We recommend that this dynamic connection is reflected in Figure 5.

#### **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 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 prioritize instead, and why.*

See also the response to Specific Matter for Comment 1.

Yes, we agree with the proposed approach to prioritize general sustainability-related information and climate-related disclosures as the two first topics before addressing other topics. This is consistent with the approach that the ISSB is adopting to prioritize developing standards on general requirements and climate-related disclosures first.

We further encourage the IPSASB to consider advancing the sustainability topics outlined in Specific Matter for Comment 1, especially where existing high-quality, topic-specific standards that have been developed by other leading sustainability standard-setting bodies can be leveraged.

#### **Preliminary View 5**

*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 the proposed key enablers you disagree with, and why.*

See also our response to Preliminary View 2.

Yes, we agree that the five enablers listed in paragraph 4.2 of the Consultation Paper are key to the successful development of public sector-specific sustainability reporting guidance. We emphasize the importance of coordination with other international sustainability existing standard setters, particularly the ISSB, to enable the IPSASB to build on these standards.

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<sup>4</sup> CDP, CDSB, FRI IIRC and SASB: [Statement of Intent to Work Together Towards Comprehensive Corporate Reporting](#)

In addition to these enablers, the IPSASB should consider training for existing IPSASB members to equip them with adequate knowledge of sustainability-related matters. The IPSASB should also consider bringing in sustainability expertise at the Board level through appointments of future members. Without a sufficient level of sustainability expertise at the Board level, we question the effectiveness of the Board in understanding and challenging the views of the Sustainability Reference Group.

We also encourage the IPSASB to consider the key requirements for success set out by the IFRS Foundation for its establishment of the ISSB and its creation of sustainability standards, to assess whether further enablers should be considered.

#### **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?*

We are willing to support the IPSASB in its endeavor and look forward to further discussions with the IPSASB on this topic.