



IPSASB CONSULTATION: ADVANCING PUBLIC SECTOR SUSTAINABILITY REPORTING

Issued 9 September 2022

ICAEW welcomes the opportunity to comment on the consultation paper Advancing Public Sector Sustainability Reporting published by the International Public Sector Accounting Standards Board (IPSASB) on 9 May 2022, a copy of which is available from this link.

For questions on this response please contact our Public Sector team at representations@icaew.com quoting REP 72/22.

This response of 9 September 2022 has been prepared by ICAEW's Public Sector team, which supports members working in and with the public sector to deliver public priorities and sustainable public finances, including over 8,000 in ICAEW's Public Sector Community. ICAEW engages with policy makers, public servants and others to promote the need for effective financial management, audit and assurance, financial reporting and governance across the public sector to ensure public money is spent wisely.

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of strong economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 165,000 chartered accountant members in over 147 countries. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.

© ICAEW 2022

All rights reserved.

This document may be reproduced without specific permission, in whole or part, free of charge and in any format or medium, subject to the conditions that:

- it is appropriately attributed, replicated accurately and is not used in a misleading context;
- the source of the extract or document is acknowledged and the title and ICAEW reference number are quoted.

Where third-party copyright material has been identified application for permission must be made to the copyright holder.

ICAEW

Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK
icaew.com

The Institute of Chartered Accountants in England and Wales (ICAEW) incorporated by Royal Charter (RC000246)
Registered office: Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK

KEY POINTS

We welcome IPSASB’s review of its role in sustainability reporting

1. ICAEW’s vision is that ICAEW Chartered Accountants enable a world of sustainable economies and supporting this vision is the key strategic theme of helping achieve the UN Sustainability Development Goals (SDGs).
2. Accountants have a major role to play with regards to sustainability. Being able to communicate complex information to both internal and external stakeholders to enable decision makers to make the right choices and to hold those responsible to account through robust, timely and decision useful information is critical.
3. We therefore fully support IPSASB’s consultation on their sustainability standard setting activity. It is a major public interest theme that must not be delayed.

Relevant expertise

4. The IFRS Foundation set up the International Sustainability Standards Board (ISSB) to create global sustainability standards. And whilst we would have liked to have seen IPSASB sit under the auspices of the IFRS Foundation, the reality is that IPSASB do not have the same level of resources available as some of the private sector organisations such as the ISSB – both financially and in terms of expertise.
5. Given the importance of this topic and the need to move at pace, IPSASB should leverage as much as possible from the existing sustainability standards (although at the time of writing this response the ISSB standards were only in draft) and adapt those, where necessary, for the public sector. This should reduce the need for specialist input and speed up the development of public sector sustainability standards.
6. It is more than likely that private sector standards/frameworks will need to be adapted for the public sector. There are some risks in adapting standards but in our view the IPSASB is well placed to carry out this work given its experience in adapting IFRS standards.

Natural resources project

7. In our view, IPSASB’s Natural Resources project should be paused and integrated into the sustainability project. The reason is that most natural resources are unlikely to meet the definition of an asset and will therefore have minimal impact on the financial statements. The non-financial reporting disclosures will be of far more importance.
8. The ISSB framework is based on TCFD and the disclosure requirements in the natural resources project would have to be compliant with that framework. There is a risk that some of the disclosure proposals in the natural resources project may not align with potential future disclosure requirements of the sustainability standards.

ANSWERS TO SPECIFIC QUESTIONS

PV 1

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

Do you agree with IPSASB’s Preliminary View?

If not, please provide your reason.

9. Agreed, there is a need for global public sector specific sustainability reporting guidance.
10. ICAEW strongly supports the creation of ISSB’s sustainability standards to act as a global baseline to promote consistency. However, as noted in our consultation response to ISSB’s draft standards [S1](#) and [S2](#), we do not believe these to be wholly appropriate for application to the public sector.

11. Paragraph 10 of exposure draft S1 acknowledges that the ISSB proposals are focused on profit-orientated entities and goes on to say that amendments may be needed if they are to be applied by not-for-profit entities.
12. It is likely that any such amendments would need to shift the focus from the impact of significant sustainability-related risks and opportunities on enterprise value, as this measure is not relevant to not-for-profit entities. Users of financial reporting by such entities – including those in the public sector – are more likely to be interested in outward-looking information highlighting the wider impact of the entity’s business model and strategies on society and the environment
13. Although many of the proposed disclosure requirements in ISSB and other sustainability frameworks are relevant to the public sector, there are certain public sector specifics that need to be considered. Some have been summarised in paragraph 1.14 but there is also a wider role for government to play in this important area.
14. Governments also have a duty to protect a country’s natural assets to ensure that future generations can benefit from a rich and diverse biosphere, breathe clean air and access clean water. So, the impact an entity has on the environment is very important for the public sector whereas the private sector seems to focus more on the impact climate has on the entity.
15. Sustainability is wider than just climate. The UN’s SDGs should be of equal importance for jurisdictions such as the alleviation of poverty, improvement of services such as education and health, and general improvements of wellbeing. People must be able to change behaviour and adapt in order to help save the planet from a climate catastrophe but that is only possible if they have the means to do so. Governments should also be reporting on social, governance and ethics as part of wider sustainability reporting.
16. Governments have the power to make changes happen and fast. Financial and non-financial reporting will drive change but so does regulation, taxation and subsidies. All these change behaviours directly and quickly. These sovereign powers are the key difference between the public and private sectors.

PV 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.

17. We only partly agree with PV2. In our view IPSASB lack the relevant experience but do have the processes and relationships to develop the necessary guidance effectively.
18. We agree with the IPSASB about the urgency of improving sustainability and sustainability reporting in the public sector. In our view, setting up a specific board to look at public sector sustainability reporting is not necessary at this point in time since much of the content has already been created by the private sector.
19. As we previously said in response to a consultation on IPSASB’s governance arrangements, we would have liked to have seen the IPSASB move into the auspices of the IASB Foundation which would have then most likely resulted in the ISSB having a wider remit to also consider the public sector. But that has not happened. It should be noted that not only was the ISSB specifically set up to focus on sustainability and climate, but specialist staff were also recruited, including many who had previously written the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

20. The specialist staff and leveraging on existing content allowed the ISSB to move extremely fast in standard setting terms. By contrast, the voluntary nature of IPSASB places restrictions on their speed regarding the creation of public sector specific standards.
21. Given the shortage of specialists in respect of climate reporting and sustainability standard setting, it is hard to see how the existing IPSASB has the experience to develop global public sector specific sustainability reporting guidance effectively. In our view, the IPSASB must leverage heavily on existing frameworks and try to bring in specialists as and when required, much like using RICS when developing the measurement standard.
22. IPSASB do have robust processes in place and have good relationships with key stakeholders, including the IASB, OECD and ISSB, where the IPSASB Chair was an observer. Whilst IPSASB is most likely lacking relevant experience in-house, they should nevertheless be able to produce a global sustainability reporting framework for the public sector. One critical factor is time, as we urge IPSASB to move at pace so that public sector reporting keeps pace with the private sector on this important topic.

SMC 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.

23. Sustainability reporting in the UK public sector is relatively advanced, having implemented a reporting framework called the [Greening Government Commitments](#) (GGC) since 2011. GGC focus on a number of metrics and targets including:
 - a. Greenhouse Gas (GHG) emissions as measured in CO2 equivalents;
 - b. Waste such as recycle rates and landfill usage;
 - c. Water consumption;
 - d. Procurement of sustainable products
24. More recently the GGC have added reporting commitments on nature recovery and adaptation.
25. A key focus in the UK is on GHG emissions given the target to reach net zero by 2050 – there are some important milestones to be reached in the interim. However, by having this target set in law, many organisations are focusing on climate mitigation to the detriment of climate adaptation. The world will move beyond the critical threshold of 1.5C warming which will have material consequences and adaptation must be treated with the same importance as mitigation, both go hand in hand.
26. Whilst UK government entities have been collecting climate related data for over a decade, what is lacking is the thread through the annual reports. Whilst improvements are being made, risks and opportunities could be explained in more detail along with how these are managed.
27. The Financial Reporting Advisory Board (FRAB) has approved TCFD aligned disclosures in the UK public sector and we should see improvements in this space over the coming years.
28. As already noted in our response to PV1, wider sustainability issues will be of great relevance to the public sector, and we therefore strongly support developing guidance around the SDGs. Social justice and how jurisdictions tackle these will be of great public interest.
29. We also support the remaining areas of focus as listed in paragraph 3.3 in the consultation. In relation to the interface with the Natural Resources project, we would recommend pausing that project to incorporate it within wider sustainability reporting. It is quite evident that many natural resources do not meet the current definition of an asset and will thus have minimum

impact on the financial statements. There is a risk that some of the disclosure proposals in the Natural Resources project may not align with potential future disclosure requirements in the sustainability standards.

PV 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.

30. We agree with PV 3, especially with respect to TCFD consistency and to look at financial sustainability-related guidance and broader public sector specific sustainability guidance (addressing the double materiality¹ point which is relevant to the public sector).
31. It would have been helpful to have had financial sustainability-related guidance (block 1) in Figure 5 explained. Paragraph 3.8 explains all the elements in Figure 5 apart from what exactly is meant by financial sustainability.
32. Our interpretation of Figure 5 is that IPSASB will follow one or more sustainability frameworks that already exist, such as ISSB or GRI. These will then be amended as follows:
 - a. To ensure the existing guidance fits with a public sector context such as terminology and broader stakeholder base;
 - b. By adding public sector specific context such as environmental materiality (impact entities have on the environment).
33. To ensure good quality and timely sustainability standards, IPSASB will have to liaise with relevant organisations. As noted in PV2, it is unlikely that IPSASB will have the relevant expertise to create this guidance on a timely basis without basing their work on existing private sector standards or frameworks.

PV 4

If the IPSASB were to develop global public sector specific sustainability reporting guidance, it would address general requirements for sustainability-related information and climate-related disclosures as its first topic. 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.

34. We agree with PV4. This approach is the same as ISSB which has created a general sustainability draft standard and then a climate specific standard. They intend to build on those over time by adding additional standards such as on biodiversity, water etc
35. As noted in our response to SMC1, the IPSASB should pause the natural resources project and combine it with the sustainability project.

¹ Double materiality is an EU concept that looks at financial materiality – the impact that climate will have on enterprise value and environmental materiality – the impact the entity will have on the climate. The latter is also connected to entities having a broader stakeholder base than just investors.

PV 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 which of the proposed key enablers you disagree with, and why.

36. We agree with the key enablers identified in paragraph 4.2.
37. The availability of adequate financial resources and experts in sustainability reporting are obviously of key importance. The resources required to endorse existing private sector standards into public sector guidelines are less than for developing public sector specific guidelines on completely new topics. We would therefore recommend concentrating on this work in the earlier stages whilst capacity is built up (Sustainability Reference Group as per paragraph 4.7) to start work on public sector specific sustainability reporting issues.
38. We support using ISSB standards, adapted for the public sector and using GRI standards to address the needs of broader stakeholders to the extent not covered by the ISSB standards.

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?

39. ICAEW strongly support the work of IPSASB, especially the sustainability agenda which is very much in the public interest.
40. ICAEW is a strong supporter of IFAC and its standard setting bodies and already make considerable resources available. Apart from an annual financial contribution to IFAC, a number of ICAEW staff are directly engaged with the various standard setting bodies. We will continue to offer this support which will also include any future work on sustainability standards.