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ADVANCING PUBLIC SECTOR SUSTAINABILITY REPORTING



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MANJ KALAR



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Manj has almost 30 years' experience working in public sector, focusing on implementation of accrual accounting across UK central Govt departments and the Whole of Government Accounts consolidation. She has advised several jurisdictions on implementing accrual accounting.

Manj has particular interest in supporting governments to address the practicalities of implementing IPSASs.



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International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street, 4th Floor
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Ontario M5V 3H2
CANADA

Submitted electronically

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Dear IPSASB secretariat,

Consultation Paper: Advancing Public Sector Sustainability Reporting

Thank you for the opportunity to present my views on this important consultation paper.

The unmitigated impact of climate change is recognised as an existential threat to us all. Once in a generation weather events such as floods, increasing desertification, heat waves and wildfires are all becoming shockingly common place and the scale of devastation ever greater.

Globally, jurisdictions recognise the impact of carbon emissions and the need to keep the increase in temperature to below 1.5 degrees Celsius¹. When looking at climate change it is essential to recognise the inseparable interrelationship with the UN 17 Sustainable Development Goals (SDGs) as defined by the UN Department of Economic and Social Affairs:

At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.²

Given the scale of the challenge, the consultation is very timely. Effective monitoring and reporting on environmental, social and governance (ESG) is essential to ensure there is transparency and accountability to the global citizen on entities actions to mitigate climate change as well as demonstrate progress on SDGs.

¹ Latest measure shows an increase of over 1.2 degrees Celsius according to the Global Warming Index <https://www.globalwarmingindex.org/>

² <https://sdgs.un.org/goals>



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The International Sustainability Standards Board (ISSB) was established and launched at the UN Climate Change Conference 2021³ in response to growing demand for high quality, transparent, reliable, and comparable reporting by entities on climate change and other ESG matters⁴. The ISSB's aim is to deliver comprehensive global sustainability reporting disclosures, "an IFRS for sustainability reporting".

IPSASB plays an important role in the development of standards that address public sector specific issues and fills in the gaps with standards that are focused on the private sector.

Whilst I agree with the preliminary view that IPSASB should have a role, to address any gaps or specific public sector issues, there are a number of ways to achieve this: ranging from being part of the ISSB to establishing a parallel Board for public sector sustainability reporting. Given the additional skills and expertise required to provide insights on ESG issues significant input to IPSASB will be required.

To that end, it is good to see that IPSASB propose to use a similar approach to the development of IPSAS which is pragmatic, ensures the standards are consistent with IFRS, at pace and an efficient use of resources. In this case the reference will be ISSBs and other global best reporting practices such as the Global Reporting Initiative (GRI).

Clearly there is a need for one globally recognised set of guidelines for sustainability reporting. To be successful clearly defined vision, purpose, strategic aims and objectives of public sector sustainability reporting guidance and interaction with ISSBs will need to be developed and communicated to build and maintain credibility to promote adoption.

Detailed responses to the Preliminary Views and specific matters for comment are provided in the Annex.

Finally, thank you for the opportunity to comment. Once again, thank you to the team at IPSASB in preparing the webinar to support the consultation paper. If there are any questions, please do not hesitate to contact me.

Yours sincerely,

³ Overview of ISSB Video: Erkki Liikanen

⁴ <https://www.ifrs.org/groups/international-sustainability-standards-board/>



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A handwritten signature in black ink, consisting of the letters 'MK' followed by a long horizontal line that extends to the right.

Manj Kalar

Principal consultant



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Annex 1: Detailed comments

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?

There is a need for a global set of sustainability reporting guidance and the creation of the ISSB is a major step to delivering this. Prior to the ISSB there were a plethora of ESG standards, although the most notable was the GRI. However, an organisation's ability to select the standards that they deemed most appropriate may undermine credibility through a perception that specific standards were selected that enabled an entity to present its environmental, social and governance in the most favourable way. By endorsing one global set of sustainability reporting standards will eliminate any negative perceptions and will aid comparability between entities as well as accountability and transparency to the users.

This raises the question as to whether public sector specific sustainability reporting guidance is required. The consultation paper makes a compelling case for public sector specific sustainability reporting guidance given its size and impact of the public sector (e.g. In OECD countries 40% of government expenditure as a proportion of GDP is made by the public sector) and its wider functions.

Overall, I agree with IPSASB's Preliminary View but would caution that this should be in reference to the ISSB (further detail below) as we would not want to create yet another set of standards and undermine that which one global set of sustainability reporting standards is seeking to achieve.

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.

I partially agree with the IPSASB's Preliminary View.

The IPSASB has significant, and arguably, unrivalled experience and expertise in developing general purpose financial reporting standards that focus on public sector specific issues. However, developing guidance that meets environmental, social and governance (ESG) reporting guidance will require additional expertise.



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The IPSASB will need to invest in a new/different skills and expertise across its members and advisory groups to enable it to effectively develop public sector specific sustainability reporting guidance.

Overall, whilst I agree that the IPSASB is best placed to understand public sector issues for financial reporting, it will need to expand and acquire different expertise to be able to do the same for sustainability reporting guidance. The creation of the ISSB has shown that this is possible.

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?

If the IPSASB were to develop global public sector specific sustainability reporting standards it is sensible to combine deliberations with the work that IPSASB is undertaking on natural resources. It is a public sector specific issue, hence unlikely to be a priority for the ISSB and a lot of thinking and analysis underpinning the development of the natural resources standard will be relevant, thereby avoiding duplicating effort.

Preliminary View 3

If the IPSASB were to develop public sector specific sustainability reporting guidance it proposes applying the framework in figure 5 (reproduced below).

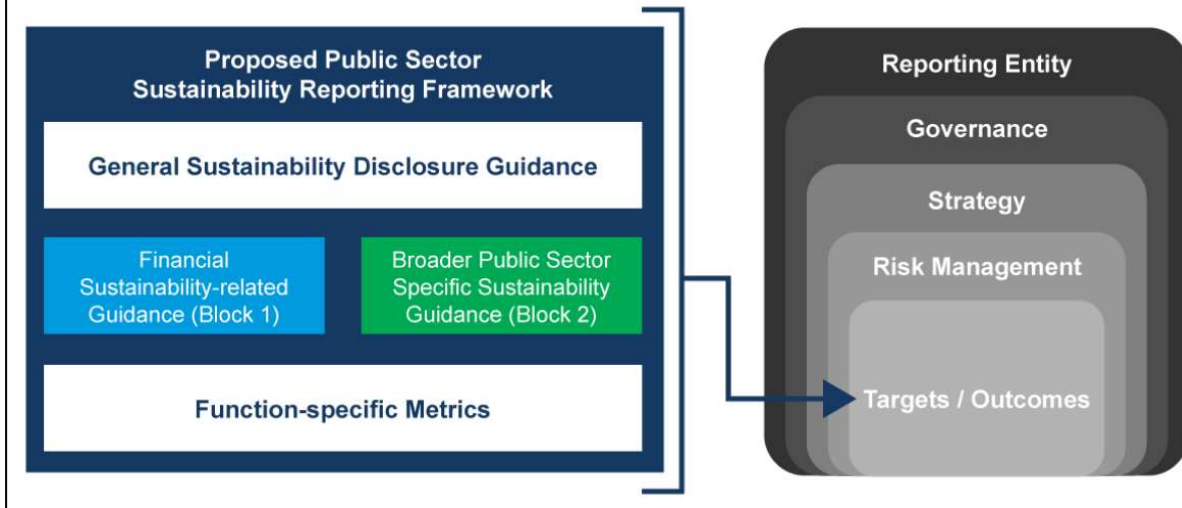
In developing such guidance, the IPSASB would work in collaboration with other international bodies where appropriate through the application of its current processes.

Do you agree with the IPSASB's Preliminary View

If not, please provide your reasons, explaining what alternatives you would propose and why.



Figure 5: Potential Framework for Public Sector Specific Sustainability Reporting Guidance



I agree with IPSASB's Preliminary View.

By adopting this approach IPSASB will ensure consistency between the guidance it is developing for the public sector and the ISSB's work and build on established good practice i.e. the GRI.

Preliminary View 4

If the IPSASB were to develop global public sector specific sustainability reporting guidance, it would address general guidance for 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 2024-28 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.

I agree with IPSASB's Preliminary View.



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The proposed approach is pragmatic and will help set the 'rules of the road' by establishing general principles for sustainability reporting; future work can then focus on key areas in the public sector such as natural resources, in particular oil and gas and their environmental impact and climate change.

Preliminary View 5

The Key enablers identified in para 4.2 (reproduced below) 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.

Key Enablers:

- Appropriate resourcing
- Experienced and active Sustainability Reference Group to Advise the IPSASB
- Effective and efficient use of IPSASB Member time
- Coordination with other international sustainability standard setters, and
- Dialogue with national standard setters

I agree with IPSASB's Preliminary View.

This is similar to IPSASB's established approach to develop IPSAS and relevant Recommended Practice Guidelines (RPGs) and a pragmatic proposal. Key to the success of the new public sector specific sustainability reporting guidelines will be the new Sustainability Reference Group to advise the IPSASB supported by Members and resources with appropriate expertise.

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?



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I would be happy to support IPSASB in the development of global public sector specific sustainability reporting standards through consultation responses and working with jurisdictions to support their transition to accrual accounting.