



Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

September 7, 2022

Mr. Ross Smith
Program and Technical Director
International Public Sector Accounting Standards Board
277 Wellington Street West
Toronto ON M5V 3H2

Dear Mr. Smith:

RE: CONSULTATION PAPER — ADVANCING PUBLIC SECTOR SUSTAINABILITY
REPORTING—MAY 2022

Thank you for the opportunity to comment.

The Office of the Auditor General of Ontario has a comprehensive mandate under the *Auditor General Act (Ontario)*, which includes examining and reporting to the provincial legislature on the results of its financial and value-for-money audits. In 2019, the Office of the Auditor General became responsible for an expanded environmental reporting mandate under the *Environmental Bill of Rights, 1993 (Ontario)*.

We support IPSASB's initiative to develop international sustainability reporting guidance for the public sector. Unlike the International Sustainability Standards Board's initiative that focuses on the needs of investors and creditors, the primary users of general-purpose financial reporting in the public sector are taxpayers and their elected representatives, who use this information to assess whether a public sector entity has exercised adequate stewardship over the resources provided to it and to assess compliance with various performance expectations.

Without appropriate public sector sustainability reporting guidance, differences in interpretation and application may result in variations as public sector entities try to apply investor and creditor-oriented standards. Lack of consistency in reporting undermines one of the essential goals of standardization. Clear and authoritative guidance designed for the public sector is needed to achieve consistent and comparable sustainability reporting.

To support meaningful and comparable sustainability reporting across the world, IPSASB should avoid the pitfall of diluting or weakening guidance due to pressures from less economically advantaged jurisdictions.

Responses to Requests for Specific Comments

Our responses to the matters on which you specifically requested comments are set out below.

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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 the IPSASB’s Preliminary View?

If not, please provide your reasons.

Yes, we agree. See our introductory comments.

While we recognize that some jurisdictions face resource constraints in reporting on sustainability matters, IPSASB should nonetheless set high standards for sustainability reporting to promote meaningful and comparable reporting internationally.

Preliminary View 2— Chapter 2

The IPSASB’s experience, processes and relationships would enable it to develop global public sector sustainability reporting guidance effectively.

Do you agree with the IPSASB’s Preliminary View?

In not, please provide your reasons.

We agree. The IPSASB is well positioned to develop public sector sustainability reporting guidance on an international level.

We support the involvement of individuals with expertise outside of the accounting and auditing profession, such as those with an environmental science background, including climate change specialists.

Sustainability reporting encompasses many specialties and involves a broader range of stakeholders than financial reporting standards. IPSASB will need to explore different channels to reach out to stakeholders beyond the traditional accounting and audit organizations that most frequently respond to documents for comment.

The IPSASB’s processes for developing sustainability reporting guidance should be parallel to, but separate from, the development of financial reporting standards. We recommend that IPSASB develop a consultation paper that sets out a formal governance structure for the development of sustainability reporting guidance and solicit feedback from respondents.

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.

We agree with the proposal to follow the ISSB's approach of first developing general requirements, followed by guidance that addresses climate change considerations. Other areas include species at risk, wetland protection and invasive species.

In addition, national governments have committed to reporting on the United Nations Sustainable Development Goals (SDGs). The IPSASB should provide guidance to governments on how to report on SDGs, with priority given to developing guidance on reporting on the environmental aspect of these goals, such as biodiversity loss, water quality/quantity, natural resource depletion and soil erosion.

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 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 the IPSASB should work with other international bodies to promote a consistent approach to sustainability reporting.

We expect that interest in public-sector specific sustainability reporting guidance will extend beyond those in the traditional auditing and accounting fields and that stakeholders will have varying degrees of familiarity with the standard-setting process. Therefore, we encourage IPSASB to simplify and elaborate on the framework in Figure 5.

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 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 prioritize instead, and why.

Yes, we agree. The proposal to focus on climate-related disclosures has many advantages:

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- Climate-related disclosures is one of the few areas of sustainability reporting with measurable and verifiable disclosures. This would naturally overlap with the IPSASB's existing areas of expertise.
- Other standard-setters have already developed guidance on climate-related financial disclosures, which will give IPSASB the opportunity to build upon an existing foundation.
- In addition, given the environmental urgency and societal priority of addressing climate change, it follows that the IPSASB start with reporting in this area.

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?

Yes, we agree.

Specific Matter for Comment 2—Chapter 4

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?

Our Office would be pleased to contribute to the standard-setting process via direct participation in standard-setting task forces, responses to documents for comment or otherwise be available for consultation.

If IPSASB plans to obtain financial support from any level of government, we recommend that IPSASB put strong safeguards in place to ensure that governments do not have undue influence on the development of guidance.

Sincerely,



Bonnie Lysyk
Auditor General of Ontario