



Republic of Kenya



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Ross Smith

Program and Technical Director
International Public sector accounting standards Board
International Federation of Accountants
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Dear *Ross,*

CONSULTATION PAPER ON ADVANCING PUBLIC SECTOR SUSTAINABILITY REPORTING

The Public Sector Accounting Standards Board Kenya welcomes the views of the International Public Sector Accounting Standards Board (IPSASB) that there is need for global public sector sustainability reporting guidance. Our support to this view is mainly driven by the following factors:

1. The role of PSASB- Kenya in setting generally accepted accounting standards

PSASB is mandated by the PFM Act 2012 to prescribe financial reporting formats for public sector entities to enhance compliance with the standards prescribed. These financial reporting templates are prepared in accordance with the IPSASs and IFRS which PSASB has adopted for use in Kenya. In addition to this, the Board has also prescribed the minimum requirements to be disclosed/included in the general-purpose financial reports and this includes sustainability reporting by public sector entities. Unlike the accounting standards, the challenge that PSASB faces under the requirements for sustainability reporting is what kind of information to include in the reports and which entity is required to report what information. A global public sector guidance will assist PSASB to resolve some of these challenges that it currently faces.

2. The role of Government entities on matters relating to sustainability

The importance of sustainability by governments cannot be overemphasized. Government plays a dual role with regards to sustainability. On one hand the government is a regulator, it can influence as well as give incentives to promote sustainability. On the other, governments themselves contribute to sustainability through their action or inaction. This means that governments require to report on these two roles and inform the public on the impact of their regulations and incentives as well as on their individual contribution to sustainability.

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3. Global public interest

There has been increased demand for sustainability reporting across the world. The setting up of the International Sustainability Standards Board (ISSB) is a key indication of the need to standardize sustainability reporting globally. It is only through reporting that governments, private sector entities and international bodies can know how well the sustainable development goals are being achieved. Kenya enacted the Kenya Climate Act of 2016 in a bid to promote climate resilient low carbon economic development. Kenya is also a signatory to the resolutions of COP 26 which included the announcement of the formation of the ISSB. This indicates the country's commitment towards global sustainability efforts, and it is therefore ready to embrace a public sector sustainability reporting guidance to complement the achievements made so far.

The Public Sector Accounting Standards Board, Kenya is therefore pleased to submit its comments on the consultation paper on Advancing Public Sector Sustainability Reporting. Responses to the Preliminary views and Specific Matters for Comment are included in the appendix to this submission.

Yours *Sincerely,*

FCPA FREDRICK RIAGA
CHIEF EXECUTIVE OFFICER



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RESPONSES TO THE CONSULTATION PAPER ON 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 the IPSASB's Preliminary View? If not, please provide your reasons.

PSASB agrees that there need for Public Sector Sustainability Reporting Guidance to provide guidance and promote standardized sustainability reporting by the public sector.

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

The IPSASB has existing infrastructure, right tools, competence and experience of developing standards and it can ride this to kickstart the process of developing the public sector guidance. IPSASB has also great experience in developing guidance for GPFs and has an existing process for adapting private sector financial reporting standards which will enable to board to swiftly move in to set sustainability reporting guidance for the public sector. IPSASB will also be able to plug in the immediate demand for these standards in the shortest time possible.

However, IPSASB has made considerations in Chapter 4 of the consultation paper on key enablers if it were to develop global public sector specific sustainability reporting guidance. It is the view of PSASB that other considerations to be made should include:

- a) Whether the IPSASB will set these standards for the long term or in the interim and advocate for establishment of another board to take over setting of standards or guidance in public sector sustainability reporting?***
- b) What are the implications to the current IPSASB's work plan?***
- c) Is there key expertise lacking in the current board that would be required for setting sustainability standards and what are IPSASB's plans to bring in the expertise?***

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It is there the submission of PSASB that IPSASB can and should develop public sector sustainability reporting guidance but in the interim or for a specific period with the intention to either setting up a committee within IPSASB or a separate standard setting board to continue with sustainability standard setting in the long run.

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.

PSASB proposes the following areas as areas of possible topics to be considered as the most pressing in our jurisdiction:

- a) Climate – Related considerations- This consideration arises from the global concerns and the efforts the nation has made towards climate change. In the year ended 30th June 2022, Government now requires public sector entities to report on climate change related expenditures. Guidance on this topic will come in handy to inform other disclosures that would inform policy decisions on climate change.***
- b) Disaster preparedness and management and its related disclosures***
- c) Natural Resources- It's PSASB's considered opinion that the Consultation on Natural Resources has a significant impact/ influence on sustainability reporting. In a sense, Natural Resources is a sub- set of sustainability reporting and linkage of disclosure requirements for these two projects is imperative. Kenya has significant Natural Resources and therefore is keen to have this guidance/ standard in place.***
- d) IPSASB may consider aligning other topics in relation to the 17 Sustainable Development Goals. These Goals cut across several sustainability reporting areas and therefore goals with high impact to sustainability can be considered first or considered together.***
- e) Renewable Energy- This is also an emerging area not only in our jurisdiction but also globally. Sustainability reporting around renewable energy is therefore a topic that Kenya would have a great interest in considering the use of Natural Gases, the Sunlight and Wind for energy.***

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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.

PSASB agrees with the two -block approach proposed by IPSASB and welcomes collaboration with other entities dealing with sustainability reporting on this approach.

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.

PSASB agrees that addressing general sustainability relates information and climate relates disclosures should be the first topics to be considered by IPSASB should it develop public sector sustainability related guidance. This is because of the urgency and high priority placed on these two topics from a global perspective.

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.

PSASB agrees with IPSASB on the key enablers and welcomes the need for dialogue with national and regional standard setters. However, we opine that the list of key enablers is not exhaustive. IPSASB may consider the following issues within this area:

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- i. Under effective and efficient use of IPSASB member time and in linkage with our response to preliminary view 2, this enabler can be further enhanced by IPSASB determining:*
- a) The timeframe of setting the sustainability reporting guidance and whether this can be done through establishing a committee of IPSASB or a separate standard setting body.*
 - b) Co- option or appointment of board members with expertise on sustainability reporting knowledge to sit in IPSASB without having to establish a separate board or committee.*
- ii. The role of the accounting profession and what new learning they need to attain to promote sustainability reporting. Since this guidance will be coming from the Accounting Standards Board, it will be interpreted that accountants will be the drivers and therefore must be in a position to promote and report on sustainability.*

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?

PSASB is committed to contribute/ support IPSASB in the following ways:

- 1. National awareness creation on matters sustainability reporting***
- 2. Promoting sustainability reporting in the Public Sector in Kenya and influencing the same for the private sector***
- 3. Responding to EDs and Consultation Papers on Sustainability reporting and other related areas.***