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The International Public Sector Accounting Standards Board

277 Wellington St. West
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Submission via website

09 September 2022

Dear Ross

COMMENTS ON THE CONSULTATION PAPER ON *ADVANCING PUBLIC SECTOR SUSTAINABILITY REPORTING*

We thank you for the opportunity to provide comments on this Consultation Paper.

We issued the Consultation Paper for comment in our jurisdiction. We arranged two roundtable discussions and four focussed discussions to solicit views from preparers, auditors, technical experts, academics, consultants, professional bodies, government officials and users. We also received one written comment letter. The comments received during the local consultation have been used to develop our response. The views in the comment letter are those of the Secretariat of the ASB and not the Board.

We are generally supportive of sustainability reporting standards for the public sector. We are, however, concerned that the approach may not be effective. We question whether the level of urgency in developing these standards should come at the cost of not setting up a separate Board with the relevant capacity and expertise. The development of sustainability reporting standards is a long-term project, so a considerable amount of investment time is needed in order to ensure that a strong foundation is in place to develop a suite of sustainability reporting standards. It is also unclear how sustainability reporting, RPG 1 on *Reporting on the Long-term Sustainability of an Entity's Finances* and RPG 3 on *Reporting Service Performance Information* will link together. The IPSASB should explain whether and/or how these pronouncements work together and whether the outcome will be cohesive and understandable to users, for reporting to be useful to users.

Our specific comments on the proposals in the consultation paper are outlined in Annexure A.

Board Members: Mr C Braxton (Chair), Ms A Muller, Mr A van der Burgh, Mr D Dlamini, Ms K Maree,
Ms P Moalusi (Deputy-Chair), Ms N Themba, Ms W de Jager,
Chief Executive Officer: Ms J Poggiolini

Should you have any questions regarding the comments outlined in our letter, please feel free to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read "Poggiolini". The signature is written in a cursive, flowing style with some loops and flourishes.

Jeanine Poggiolini

Chief Executive Officer

PRELIMINARY VIEWS AND SPECIFIC MATTERS FOR COMMENT**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.

We somewhat agree that there is a need for global public sector specific sustainability reporting guidance.

The exact extent and urgency of this need is however not clear.

Extent of the need:

The Consultation Paper is not clear on the extent of the preparatory work done in relation to this project. The IPSASB should provide more information on the needs analysis that was done. There is also no mention on the readiness of jurisdictions to adopt sustainability reporting. A holistic understanding of the needs and readiness of the jurisdictions will enable the IPSASB to better evaluate the urgency of sustainability reporting standards for the public sector.

There are presently many sources of sustainability reporting guidance available for public sector entities to use. However, we acknowledge that a uniform reporting framework will enhance comparability amongst public sector entities. The Consultation Paper is unclear whether and/or how sustainability reporting and the current IPSAS pronouncements like RPG 1 and RPG 3 will link together and whether the outcome will be cohesive and understandable to users.

While we believe that the key issues in the private sector may not be the same as the public sector, we question how different the reporting guidance will be for the public sector. If the intention of the IPSASB is to largely adopt the International Sustainability Standards Board's (ISSB) standards, the IPSASB should determine whether it will be more efficient to be a key contributor to the development of the ISSB standards rather than to develop standards for the public sector with minor adaptations to the ISSB standards.

Urgency of the need:

Our local public sector environment already reports performance information. This performance information is linked to the country's National Development Plan 2030, which is in turn based on the United Nation's Sustainable Development Goals (SDGs). As some information is already available about the achievement of the United Nation's SDGs, the need for separate sustainability reporting standards may not seem urgent.

The drivers supporting the urgency of public sector specific sustainability reporting standards should be reassessed to determine if they can be addressed in another manner that would not put pressure on the quick turnaround for the development of the standards. If the urgency to develop sustainability standards is due to pressures from the capital markets, the IPSASB could 'endorse' the application of the ISSB standards for debt and equity traded by public sector entities in the capital markets. While the goal is to have uniform reporting standards, it may not be as urgent as envisaged in the Consultation Paper, which means that the IPSASB

can give more time and careful consideration to determine the best use of the IPSASB's resources.

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.

We agree that the IPSASB's relationships would enable it to effectively develop guidance, but we question whether the experience and processes currently in place will be sufficient and robust enough to develop and sustain a new reporting framework.

We note that additional staff and a Sustainability Reference Group will be appointed for the work on sustainability reporting. We propose that the IPSASB considers whether the current Board has the capacity and the required skill-set to effectively develop sustainability reporting standards.

Capacity of the Board:

The Consultation Paper states that there are capacity constraints at the Board level. We are concerned that the development of sustainability standards will take the Board's focus away from their current objectives. There are already significant IPSAS projects that are behind schedule, and these have a material impact on the relevance of financial reporting in the public sector. The IPSASB should consider developing a separate Board similar to how the IFRS Foundation developed the ISSB. The process and time of setting this up must be balanced against the response time for developing sustainability standards. Looking back at our response to Preliminary View 1, the need for sustainability standards may not be as urgent as indicated in the Consultation Paper.

Experience and skill-set of the Board:

The skill-set required to develop sustainability reporting standards is different to the skill-set that accountants possess. In order to respond quickly to the development of sustainability standards, the Board should not compromise on the quality of the work required for the development of these standards. The IPSASB should assess whether the current Board's experience and skill-set are fit-for-purpose for the development of sustainability standards.

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 the most pressing in your jurisdiction and why these should be prioritized by the IPSASB.

The most pressing sustainable development goals in our jurisdiction are aligned to the basic needs of society, for example, clean energy and water, zero hunger, job creation and security against criminals. Our National Treasury is also currently focussing on incorporating gender equality and climate change into their budget tagging.

The priorities of jurisdictions will differ based on their specific circumstances, and this will make it difficult for the IPSASB to determine how to prioritise sustainability topics. We propose that the IPSASB rather provide a generic framework that can be applied to multiple sustainability topics so that individual jurisdictions can use this guidance to report on their specific sustainability topics.

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 with applying the framework in Figure 5, but we request the IPSASB to first consider the paragraphs below.

If the intention of the IPSASB is to largely adopt the ISSB standards because there are no major differences when applying it to public sector entities, the IPSASB should determine whether it will be more efficient to be a key contributor to the development of the ISSB standards rather than to develop standards for the public sector with minor adaptations to the ISSB standards. If the urgency to develop sustainability standards is due to pressures from the capital markets, the IPSASB could 'endorse' the application of the ISSB standards for debt and equity traded by public sector entities in the capital markets.

In Figure 5, the context of sustainability reporting should be made clearer with respect to the Broader Public Sector Specific Sustainability Guidance (Block 2) and the Function-specific Metrics. As many governments' performance information may already be linked to the United Nation's SDGs, it is unclear whether the IPSASB intends to provide general reporting guidance, or specific metrics, or both. The IPSASB should carefully consider prescribing specific metrics as targets with respect to SDGs as what is achievable will differ from jurisdiction to jurisdiction and entity to entity.

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.

We agree with the preliminary view.

However, we question whether the climate-related disclosure guidance is a good indication of what is crucial and specific to the public sector in all jurisdictions. The IPSASB should weigh

up the time spent to develop the climate-related disclosures standard to whether that time can be spent on another topic that is more crucial to the public sector in all jurisdictions. There is merit in prioritising topics that are more pertinent in the public sector.

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

We agree with the preliminary view but would also add additional capacity and relevant experience of the Board as key enablers.

Please refer to Preliminary View 2 on the capacity and experience of the Board.

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.

We are unable to contribute financially.

We will provide support by commenting and providing input to the IPSASB, where requested.

We emphasise that if the IPSASB were to develop sustainability reporting standards, this is a significant undertaking, which means that the IPSASB will need to source long-term funding and other resources.