

September 9, 2022

Ian Carruthers
Chair
International Public Sector Accounting Standards Board (IPSASB)
529 Fifth Avenue
New York, NY 10017

Submitted via the [IPSASB website](#)

Re: IPSASB Consultation Paper, *Advancing Public Sector Sustainability Reporting*

Dear Ian,

IFAC welcomes the opportunity to respond to IPSASB's Consultation Paper on *Advancing Public Sector Sustainability Reporting* (the "Consultation"). As the global voice of the accountancy profession, IFAC represents over 180 professional accountancy organizations in 135 jurisdictions, thereby representing more than three million professional accountants worldwide.

We believe that public sector accountability and trust hinges on strong governance and transparent financial *and* non-financial reporting by governments and public sector entities¹. But sustainability-related reporting in the public sector has not yet seen the same momentum globally as in the private sector, and there is a need for the public sector to increase its focus on reporting high-quality, relevant, reliable, and comparable non-financial information. The combination of the urgent need for action to prevent further climate change, alongside the need for better information to support the difficult decisions, and address setbacks to sustainable development, that most governments are contending with following the pandemic, have provided further catalysts for such reporting changes.

IFAC therefore agrees with IPSASB's **preliminary view 1** that there is a need for global public sector specific sustainability reporting guidance, and we applaud IPSASB for spearheading the development of such guidance.

Notwithstanding the key enablers outlined in chapter 4 of the Consultation (including IPSASB resourcing), that we agree will be necessary to successfully develop any public sector sustainability reporting guidance, IFAC also agrees with **preliminary view 2**. We believe that IPSASB, as the global accounting standard-setter for the public sector, is well placed to lead the development of sustainability reporting guidance.

Based on our extensive policy, thought-leadership and advocacy efforts in support of [sustainability standards](#) and [sustainability assurance](#), IFAC highlights five key areas that we believe are important in the context of this consultation to high-quality, decision-useful climate and sustainability-related disclosure for the public sector.

¹ [Greater Transparency and Accountability in the Public Sector | IFAC](#)



1. **Interconnected approach:** Government expenditure and policies are critical factors in successfully achieving the United Nation's Sustainable Development Goals (SDGs). Strong public financial management (including accrual accounting²) is an essential foundation to achieving the SDGs and governments must understand the long-term financial impacts of any policies to address the SDGs, as well as risks arising from climate and social related issues. Connectivity between financial and non-financial information is so critical in the public sector to understand the impact of spending on social value and outcomes. It is therefore important that any public sector sustainability reporting guidance builds upon, and is consistent with, IPSASB's existing financial reporting standards, conceptual framework, and recommended practice guidelines (RPGs). IPSASB is clearly best placed to ensure this consistency and connectivity.
2. **Stakeholder focus:** In deciding the topics to prioritize, an important starting point is to consider what type of reporting is needed to improve public sector decision making, transparency and accountability, as well as the primary stakeholders the reporting is aimed at and where the demand for sustainability reporting is coming from.

In a private sector context, the demand for sustainability disclosure has been largely investor driven as climate change and other sustainability-related information enhances investors' ability to assess company performance, risks, opportunities, and long-term prospects—i.e., enterprise value. In a public sector context, given that sovereign bonds make up almost 40 percent (US \$39 trillion)³ of the global bond markets, there is also demand from investors, in addition to policy makers, regulators, donors, and development finance organizations—as outlined in the World Bank report, [Sovereign Climate and Nature Reporting – Proposal for a Risks and Opportunities Disclosure Framework](#). To meet the information needs of these stakeholders, applying IFAC's "[Building Blocks Approach](#)," —as advocated by IFAC, the IFRS Foundation, IOSCO, and others—a starting point for the IPSASB (as it is for the newly formed International Sustainability Standards Board, ISSB) could be on "Block 1" to provide guidance on the sustainability-related financial reporting aspects in the context of IPSASB's existing financial reporting standards and guidance. We applaud the publication of a [staff document](#) that highlights existing IPSASB guidance (IPSAS and RPGs) relevant to sustainability reporting, including their applicability for reporting the impact of climate change and the SDGs on general-purpose financial reports for public sector reporting entities.

Sustainability-related information is also key for internal stakeholders who need the information on impacts and sustainability performance, and the connectivity to financial risk and implications to make better informed policy, budget, and investment decisions. The citizens of a country are also a key stakeholder group for the public sector. They rely on the fact that the information is being produced, available and is based on high-quality reporting frameworks.

To the extent IPSASB determines, based on due process and stakeholder engagement, that broader public sector sustainability-related guidance ("Block 2" disclosures) is also needed because of demand from, and broader information needs of, a wider range of stakeholders (including citizens),

² [International Public Sector Financial Accountability Index: 2020 | IFAC](#)

³ See page 9 of the World Bank report [Sovereign Climate and Nature Reporting – Proposal for a Risks and Opportunities Disclosure Framework](#).



we urge the Board to leverage the work of existing international standard initiatives—such as GRI—which focuses on societal impact and sustainable development information disclosures. The Memorandum of Understanding between GRI and the ISSB demonstrates the potential compatibility of these two standard-setting workstreams.

3. **Global alignment:** There must be alignment of key concepts, terminologies, and metrics to avoid standard-setting and regulatory fragmentation and to avoid unnecessary duplication.
- With regards to **preliminary views 3 and 4**, we would support an approach that first considers the potential public sector applicability of other significant global guidance and standards (including those being developed by the ISSB, which IFAC strongly supports⁴), and then the need to modify or develop additional guidance where necessary to meet the specific needs of the public sector.
 - The alignment with and interoperability of global sustainability-related disclosure requirements developed by IPSASB with any jurisdiction-specific requirements is important and will allow public sector reporting entities to collect and report in a manner that effectively serves both local and global requirements.

Alignment is not an easy task and must not be an afterthought. We urge the IPSASB to continue to expand its dialogue with national standard setters to support global **alignment** efforts and to build its guidance, to the greatest extent possible, on existing private sector sustainability disclosure standards.

4. **Adoption and implementation:** Lessons can be learnt from experience in the private sector, where a myriad of (primarily voluntary) disclosure frameworks led to the current fragmented approach to sustainability-related reporting. IFAC's research indicates that 80% of companies who reported ESG information relied on multiple standards/frameworks—an increasing trend since 2019⁵. In our response to the [ISSB's Exposure Draft addressing general requirements for disclosure of sustainability-related financial information](#), we commented that, to achieve high-quality disclosure, authorities and regulators will need to mandate sustainability reporting and its assurance. Should the IPSASB proceed with this initiative, consideration needs to be given upfront on how to maximize the uptake of any global guidance developed, and how to minimize the risk of a fragmented approach in the public sector. IPSASB would need to engage with governments to ensure the incorporation of global guidance consistently, either through direct adoption of IPSAS guidance or through national reporting requirements⁶.
5. **Assurance:** To be trusted, sustainability-related information should be subject to high-quality, independent, external assurance, based on high-quality assurance and ethics standards. Disclosures must be based on clear reporting frameworks/requirements that support assurability.

We believe that the accountancy profession, with its public interest mandate, must play a critical role in helping public sector entities to address the systemic, interconnected issues represented by the SDGs.

⁴ [IFAC Congratulates the ISSB on Publication of its First Two Proposed Standards Addressing Climate and General Sustainability-Related Disclosures](#) | IFAC

⁵ See page 6: [The State of Play in Reporting and Assurance of Sustainability Information: Update 2019-2020 Data & Analysis](#) | IFAC

⁶ For considerations on how a global initiative can fit together with reporting requirements set at the local level, see: [How Global Standards Become Local](#) | IFAC



We believe that with the diversity, skillsets, and ethics of professional accountants in the public sector across their various roles at governance, strategic, and operational levels; they can support in the provision of high-quality sustainability related information for better decision making internally, as well as better and more transparent communication with stakeholders. Suitably qualified professionals are needed to implement sustainability related practices and the measurement, reporting and assurance of metrics arising from such practices. Professional accountants have both an important responsibility and a transformative opportunity to engage in and lead on improving the quality of sustainability related information⁷.

IFAC stands ready to engage with the IPSASB, as well as our member bodies and other stakeholders, to support this important initiative.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Dancey", with a stylized flourish at the end.

Kevin Dancey
Chief Executive Officer, IFAC

⁷ [Professional Accountants Leading Reporting and Assurance on Sustainability | IFAC](#)