

16 January 2023

The International Public Sector Accounting Standards Board (IPSASB)

277 Wellington Street West
Toronto, ON M5V 3H2
Canada

IPSASB EXPOSURE DRAFT 83, REPORTING SUSTAINABILITY PROGRAM INFORMATION RPGS 1 AND 3: ADDITIONAL NON-AUTHORITATIVE GUIDANCE (ED 83)

The South African Institute of Chartered Accountants (SAICA) welcomes the opportunity to make submissions to the IPSASB on *ED 83*.

SAICA is South Africa's pre-eminent accountancy body and is widely recognised as one of the world's leading accounting institutes. The Institute provides a wide range of support services to more than 52 000 members who are chartered accountants [CAs(SA)] and associates [AGAs(SA)] who hold positions as chief executive officers, managing directors, board members, entrepreneurs, chief financial officers, auditors, and leaders in their spheres of business operation.

Our work in the public sector goes beyond member support but also includes a significant focus on advocacy and capacity building to support and encourage an improvement in public finance management.

SAICA supports the issuing of additional guidance regarding sustainability reporting. The guidance assists by further clarifying the applicability of already available Recommended Practice Guideline specifically on sustainability programs and SAICA believes the issued guidance will assist public sector entities with sustainability reporting guidance and principles while the IPSASB takes forward the comments on the proposals contained in its *Consultation Paper on Advancing Public Sector Sustainability Reporting*.

For ease of reference, we include our responses as follows:

- (a) Annexure A - our detailed comments on the IPSASB's Preliminary Views.
- (b) Annexure B – our detailed comments on the IPSASB's Specific Matter for Comment
- (c) Annexure C – our general comments for the IPSASB's consideration

Members have been consulted in responding to the exposure draft and therefore the comments reflected in the annexures consider the view of the membership. In addition, a task group of highly skilled professionals with experience and understanding in public sector



financial, program information and sustainability reporting supported the institute in the preparation of this submission.

We would also appreciate the opportunity to engage further, and we would be willing to discuss the comments if required. Please do not hesitate to contact Odwa Benxa (odwab@saica.co.za) in this regard.

Kind regards,

A handwritten signature in black ink, appearing to read 'Soopal'.

Natasha Soopal
Executive: Ethics Standards and Public Sector

A handwritten signature in black ink, appearing to read 'Odwa Benxa'.

Odwa Benxa
Project Director: Public Sector

ANNEXURE A – RPG 1: Specific Matter for Comment 1

Implementation Guidance (IG)	Narrative	SAICA Comments	SAICA Recommendations
<p>IG2. How should sustainability program impacts on dimensions of long-term fiscal sustainability be addressed?</p>	<p>IG2. RPG 1, paragraph 27 discusses three inter-related dimensions of long-term fiscal sustainability:</p> <ul style="list-style-type: none"> • Service; • Revenue; and • Debt <p>Sustainability programs can impact on all these dimensions in terms of cash inflows and outflows. These impacts of should therefore be modelled and included in the overall projections on the basis of assumptions regarding current policies, and about future demographic and economic conditions. Depending on the purpose of the report, and their significance, the impacts of such programs can either be presented separated or as part of the overall totals.</p>	<p>SAICA agrees that the service, revenue and debt dimensions can impact on sustainability programmes and should be factored into the entity’s cash flows. However, the IPSASB should consider including the disclosure of other qualitative factors that may have an impact on these dimensions or that are not specifically taken into account by the dimensions. Such qualitative factors may include the following:</p> <ul style="list-style-type: none"> • Services that are provided by government are sourced through a procurement process established within the jurisdiction. There may be inefficiencies in the procurement process that may result in delays in the procurement of services which may impact the services dimension. Therefore, it may be appropriate to disclose these qualitative factors in the application of RPG 1. 	<p>The IPSASB should consider including examples of the disclosures that are expected of entities when RPG 1 is applied to assist in providing guidance on the type of information to be disclosed and the format thereof. Furthermore, the inclusion of examples will promote consistency in the disclosure of information.</p>



Implementation Guidance (IG)	Narrative	SAICA Comments	SAICA Recommendations
		<ul style="list-style-type: none">• The availability of key public infrastructure such as water treatment plants is key to the provision of services by entities. Key to the continued provision of services is the maintenance of such infrastructure. Therefore, in addition to the financial impact of the infrastructure maintenance, it may be appropriate to disclose the impact of not maintaining the infrastructure as this may have a negative impact on the services dimension.• Public sector entities may be negatively affected by instances of fraud and corruption which may lead to deficiencies in governance structures and processes. The existence of these governance deficiencies may have a negative impact on the entity's ability to raise revenue and debt due to the level of risk associated with governance shortfalls. This may then have a negative impact on the revenue and debt dimensions that may require disclosure by the entity when applying RPG 1.	



Implementation Guidance (IG)	Narrative	SAICA Comments	SAICA Recommendations
<p>IG3. Which principles should be applied in reporting on the impacts of sustainability programs?</p>	<p>IG3. The guidance in RPG 1 related policy, demographic and economic assumptions, as well as on other principles and methodology should be applied to reporting on the projected future cash inflows and outflows associated with sustainability programs. Sensitivity analysis should be used to help users understand the impacts of significant changes in assumptions on the projections.</p>	<p>SAICA agrees that policy, demographic and economic assumptions, as well as other principles and methodology should be applied, with sensitivity analyses performed, to reporting on the projected future cash inflows and outflows associated with sustainability programs.</p>	<p>None.</p>

ANNEXURE B – RPG 3: Specific Matter for Comment 2

Implementation Guidance (IG)	Narrative	SAICA Comments	SAICA Recommendations
<p>IG.1 Does RPG3 apply to reporting information related to sustainability programs?</p>	<p>IG1. Yes, RPG 3 provides principles to apply in reporting on an entity's service performance by considering its objectives, and measuring performance against relevant indicators (inputs, outputs, outcomes, efficiency, or effectiveness).</p>	<p>SAICA agrees that the principles of RPGs can be applied to service performance objectives related to sustainability programs.</p>	<p>The IPSASB should consider amending the RPG to specifically state that the RPG will be applicable to the sustainability programs that the entity is directly responsible for in terms of the entity's mandate. This will ensure that the information reported is relevant to the entity and directly addresses its service performance objectives as required in terms of the entity's mandate. This will also ensure that there is</p>



Implementation Guidance (IG)	Narrative	SAICA Comments	SAICA Recommendations
	<p>The RPG 3 principles are applicable to entities that establish service performance objectives related to sustainability programs and can measure performance against relevant overall indicators set by the entity or specific program metrics.</p>		<p>accountability by the entity on how it is meeting its mandated objectives.</p>
<p>IG2. How does RPG 3 apply to an individual sustainability program?</p>	<p>IG2. The illustrative examples (IE4 – IE8) in RPG 3 demonstrate the application of the principles to four different types of sustainability programs. Including how an entity identifies service performance objectives of its respective programs, and how they can be expressed using performance indicators related to inputs, outputs, outcomes, efficiency or effectiveness, or through a combination of one or more such indicators.</p>	<p>SAICA agrees with the examples included in RPG 3.</p>	<p>The IPSASB should consider including examples that may apply to developing nations, such as Just Transition financing. This will assist in ensuring that the examples can be easily applied across all jurisdictions. The below serves as sources where some of the examples can be obtained from a South African perspective:</p> <ul style="list-style-type: none">• 2022 ESKOM Sustainability Report• 2022 Transnet Sustainability Report



ANNEXURE C – General Comments

Implementation Guidance (IG)	Narrative	SAICA Comments	SAICA Recommendations
RPG 1, BC41.	<p>The IPSASB considered whether paragraph 4 should be amended to remove the statement that RPG 1 was not designed for reporting on environmental sustainability. The IPSASB decided not to amend this because RPG 1 does not address broad environmental sustainability reporting. As the second sentence in paragraph 4 makes clear, RPG 1 reporting captures the financial impact of environmental factors and notes that these should be taken into account when developing RPG 1 projections.</p>	<p>SAICA agrees that paragraph 4 of RPG 1 should neither be amended nor removed as the RPG does not deal with broader environmental sustainability reporting matters. However, entities would need to factor the financial impact of environmental matters when developing the projections based on their activities. For example, any penalties that may have been imposed due to the environmental impact of the entity's operations would need to be factored into the projections.</p>	None.