

09 September 2022

The International Public Sector Accounting Standards Board (IPSASB)

277 Wellington Street West
Toronto, ON M5V 3H2
Canada

IPSASB CONSULTATION PAPER, *ADVANCING PUBLIC SECTOR SUSTAINABILITY REPORTING*

The South African Institute of Chartered Accountants (SAICA) welcomes the opportunity to make submissions to the IPSASB on the *Advancing Public Sector Sustainability Reporting* Consultation Paper.

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, business owners, 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 has also established various initiatives to support its members and stakeholders on sustainability reporting in South Africa. SAICA's focus on sustainability includes:

- Reporting & Disclosure, with specific emphasis on the global convergence of sustainability reporting standards and frameworks;
- Assurance & Verification, with specific emphasis around non-financial sustainability information;
- Integrated thinking, with specific reference to sustainability in terms of the International Integrated Reporting Framework and the Integrated Thinking Principles; and
- Sustainability advocacy and thought leadership with identified key stakeholders, covering the areas of reporting, assurance and integrated thinking and any other key aspects considered non- or pre-financial information.

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

Members have been consulted in responding to the Consultation Paper 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 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 that reads "Soopal".

Natasha Soopal
Executive: Ethics Standards and Public Sector

A handwritten signature in black ink, appearing to be "Odwa Benxa".

Odwa Benxa
Project Director: Public Sector

ANNEXURE A – Comments on IPSASB’s Preliminary Views

Preliminary View Number	Preliminary View	SAICA Comments	SAICA Recommendations
Preliminary View 1 – Chapter 1	<p>The IPSASB’s view is that there is a need for global public sector specific sustainability reporting guidance.</p> <p>Do you agree with the IPSASB’s Preliminary View?</p>	<p>SAICA agrees that there is an urgent need for public sector specific sustainability reporting guidance.</p> <p>However, there may be jurisdiction specific factors that may need to be considered to enable sustainability reporting which include:</p> <ul style="list-style-type: none"> • Capacity that needs to be created within the structures of government to ensure that the objective of the developed guidance is achieved. • Necessary skills that may need to be developed at the Supreme Audit Institutions to ensure the provision of assurance on the reported information. • Consequence of regulatory changes to ensure there is no overlap with current existing legislation. • Financial cost of establishing capacity to respond to the sustainability reporting at various public sector institutions which many governments, particularly in developing nations, may 	<ul style="list-style-type: none"> • In developing the public sector specific sustainability reporting guidance, SAICA recommends that the IPSASB leverages on already available sustainability reporting guidance from organisations such as the United Nations Framework Convention on Climate Change, the United Nations Global Compact and the Global Reporting Initiative Standards on reporting on Sustainable Development Goals (SDGs), to avoid duplications that may occur. • Furthermore, the IPSASB should consider leveraging on the International Sustainability Standards Board’s IFRS Sustainability Disclosure Standards (tweaked for the public sector environment) once finalised to ensure efficiency in the development of public sector sustainability reporting guidance. • The guidance developed should aim to simplify the reporting process as far as



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		<p>not be amiable to redirecting funds to at the expense of basic service delivery priorities.</p> <p>In addition, there may not be sufficient understanding of sustainability in the various jurisdictions which may lead to a low uptake of sustainability reporting within these jurisdictions. Consideration should also be given to the fact that the maturity levels for sustainability reporting are not universally balanced across the various jurisdictions and that there will be a need for addressing this level of diversity</p> <p>The IPSASB should also take note that some jurisdictions have not yet been able to adopt accrual accounting due to factors such as lack of political and organisational support, technical challenges, insufficient funding and reform fatigue as reported in the <u>International Public Sector Financial Accountability Index 2021 Status Report</u>. The introduction of public sector sustainability reporting may therefore further delay the adoption of accrual accounting by these jurisdictions.</p>	<p>possible to avoid overburdening those responsible for the reporting process particularly when considering that financial reporting will still be required. This will also ensure that sustainability reporting adds value to the users of the reports.</p> <ul style="list-style-type: none"> • The IPSASB should consider conducting research to determine the readiness and willingness by the various jurisdictions to adopt sustainability reporting. This will also assist in determining whether the project should be taken up by the IPSASB. It will also be important to recognise and understand enablers of public sector institutions / organisations to take up sustainability reporting – and factor this into the decision-making regarding scope, timing and approach to the development of public sector specific sustainability reporting guidelines. This includes factors such as skills at organisation / institutional level, lack of quality data for these topics, political support in the relevant jurisdictions, among others. • The IPSASB should also consider partnering with the International Organization of Supreme Audit



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			<p>Institutions (INTOSAI) which has programmes to train Supreme Audit Institutions (SAIs) on auditing non-financial performance, including SDGs, for collaboration and learning purposes in sustainability reporting. The collaboration should also be targeted at those SAIs that are already auditing SDG reporting in their respective jurisdictions. This will assist in ensuring that there is no duplication of effort and reduce the administrative burden on national resources which are already constrained.</p>
<p>Preliminary View 2 – Chapter 2</p>	<p>The IPSASB’s experience, processes and relationships would enable it to develop global public sector specific sustainability reporting guidance effectively.</p> <p>Do you agree with the IPSASB’s Preliminary View?</p>	<p>SAICA acknowledges that the IPSASB has processes and experience in setting accounting standards, as well as established relationships that aid its standards development process. However, SAICA has noted certain concerns as per below:</p> <ul style="list-style-type: none"> • Capacity constraints in the form of – <ul style="list-style-type: none"> ○ the skillset within the IPSASB to develop sustainability reporting guidance ○ Board members’ time to be available for the effective development of sustainability guidance without impacting and delaying the IPSASB’s strategic 	<ul style="list-style-type: none"> • It is acknowledged that the IPSASB intends on forming a Reference Group to assist with the development of sustainability reporting guidance. SAICA recommends that the necessary technical expertise from a sustainability and non-financial data reporting perspective should be integrated to support the development of the guidelines to ensure that the guidelines are appropriate and align to the nature of sustainability reporting. • It is important to ensure that the Reference Group has sufficient and suitable representation from developing



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		<p>objective of strengthening Public Financial Management (PFM) globally through increasing adoption of accrual-based International Public Sector Accounting Standards</p> <ul style="list-style-type: none">○ Financial resources availability to allow the IPSASB to focus on sustainability reporting without compromising the financial reporting standards development in line with its core mandate• The IPSASB has predominantly focused on accounting standards which may differ vastly from sustainability reporting standards. <p>Although there are clear areas where accountants can make a strong and unique contribution to sustainability reporting in the public sector, it is also an area that raises challenging issues for the profession. These issues relate to the key elements of the sustainability approach – the interconnected nature of environmental, economic and social factors and measurement thereof. The associated challenges include difficulties of estimation and projections, understanding links</p>	<p>countries to consider the unique constraints of these jurisdictions.</p> <ul style="list-style-type: none">• Also refer to recommendations in preliminary view 1- Chapter 1.



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		<p>between actions and impact, establishing robust indicators, and verifiability and assurance.</p> <p>Therefore, the current experience within the IPSASB may not be sufficient for sustainability reporting and may require assistance from other professions.</p> <ul style="list-style-type: none">• The IPSASB intends on issuing the first set of guidance by the end of 2023 even though the expertise and processes have not necessarily been developed which may negatively impact on the quality of the guidance developed.	
Preliminary View 3 – Chapter 3	<p>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.</p> <p>Do you agree with the IPSASB's Preliminary View?</p>	SAICA agrees with the proposed Framework.	<p>In developing the sustainability reporting guidance, the IPSASB should consider the following:</p> <ul style="list-style-type: none">• The guidance should be tailored towards the collation and consolidation of sustainability reporting information because sustainability information may already exist as part of the service delivery mandates of various public sector institutions with challenges experienced from an information collation perspective.



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			<ul style="list-style-type: none">• The guidance should focus on policy development to ensure the achievement of sustainable development goals.• The guidance should indicate the level of government at which reporting must be done. For example, given that national government determines the policy direction of a country, it may be more beneficial for sustainability reporting to be done at national government level as opposed to local government level. In addition, there may be jurisdictions with numerous state-owned entities of different sizes which would necessitate the IPSASB to consider a materiality threshold in determining the types and sizes of public sector institutions to report on sustainability reporting.• Private sector focus on sustainability reporting is predominantly on the impact of private sector institutions' operations on sustainability whereas public sector institutions also focus on policy determination to drive sustainability for the benefit of the broader economy and society. In developing the guidance, it will be important for this distinction to be considered to ensure fit-for-purpose guidance on sustainability reporting.



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Preliminary View 4 – Chapter 3	<p>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.</p> <p>Do you agree with the IPSASB's Preliminary View?</p> <p>If not, please provide your reasons, explaining which topics the IPSASB should prioritize instead, and why.</p>	SAICA agrees with the focus on climate change as the first topic due to its impact from a social and environmental perspective. It will also be important that the other topics flow through soon after the climate-related sustainability disclosures guidance is issued.	<ul style="list-style-type: none">• The IPSASB guidance developed should consider the jurisdictional context of sustainability when determining materiality for reporting as different jurisdiction may not have the same priorities especially when considering the developmental stages of the different jurisdictions. For example, there may be more focus on just transition in developing countries when compared to developed countries in advancement of the green economy. Materiality determination and consideration should focus on the broader role of the public sector and thus, "general sustainability-related information" should speak to the mandate of the public sector in terms of service delivery and national development objectives.• The guidance should consider the <u>Nationally Determined Contributions</u> for each jurisdiction which embody efforts by each jurisdiction to reduce national emissions and adapt to the impacts of climate change in terms of <u>The Paris Agreement</u>.
Preliminary View 5 – Chapter 4	The key enablers identified in paragraph 4.2 are needed in order for the IPSASB to take forward the	SAICA agrees with the key enablers that have been identified. However, the concerns raised under Preliminary View 2	None.



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	<p>development of global public sector specific sustainability reporting guidance.</p> <p>Do you agree with the IPSASB's Preliminary View?</p> <p>If not, please provide your reasons, identifying which of the proposed key enablers you disagree with, and why.</p>	<p>above would need to be considered by the IPSASB.</p>	



ANNEXURE B – Comments on IPSASB’s Specific Matter for Comment

Specific Matter for Comment Number	Specific Matter for Comment	SAICA Comments
<p>Specific Matter for Comment 1 – Chapter 3</p>	<p>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.</p>	<p>South Africa has a <u>National Development Plan 2030: Our future - make it work</u> (the NDP) which determines the key priorities for the country to eliminate poverty and inequality. The NDP makes a firm commitment to achieving a decent minimum standard of living for South African citizens and identifies the key elements of a decent minimum standard of living such as access to education, healthcare services, electricity and water and sanitation. These activities also have a direct link to the UN Sustainable Development Goals and would likely be key areas of focus from a South African government perspective.</p> <p>The IPSASB should also consider <u>South Africa’s Nationally Determined Contribution under the Paris Agreement</u> (the NDC) which is the country’s commitment in terms of the United Nations Framework Convention on Climate Change (UNFCCC) and its Paris Agreement (PA) to contribute to the global climate change effort. The NDC sets out the goals and undertakings to be achieved over the period 2021 to 2030. The NDC will assist in determining the country’s climate change related topics for sustainability reporting guidance required.</p> <p>The IPSASB should also consider the <u>African Union Agenda 2063: The Africa We Want</u> which is the continent’s strategic framework that aims to deliver on its goal for inclusive and sustainable development. The strategic framework sets out the strategic goals for the continent including a high standard of living, quality of life and well-being for all citizens, well-educated citizens and skills revolution underpinned by science, technology and innovation, healthy and well-nourished citizens, environmentally sustainable and climate resilient economies and communities, among others. This strategic framework will assist in determining the African regional topics for sustainability reporting guidance required.</p>



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		The guidance developed should also focus on the processes for the collation and consolidation of the sustainability reporting data for reporting purposes and the sphere of government (national or local) at which the collation, consolidation and reporting should be performed.