

The International Public Sector Accounting Standards Board (IPSASB) Consultation Paper on Sustainability Reporting

Extract, PSA Discussion Group Report on the Public Meeting – May 12, 2022

On May 9, 2022, the IPSASB issued its Consultation Paper, “[Advancing Public Sector Sustainability Reporting](#),” as a first step in its global consultation. The Consultation Paper is open for public comment until September 9, 2022.

This consultation responds to stakeholders’ growing demand for guidance addressing the issues governments face related to climate change and supporting sustainable development. The input from the Group’s discussion will inform PSAB’s response to the IPSASB’s Consultation Paper and provide valuable Canadian perspectives to the IPSASB as part of its four-month consultation. [PSAB’s 2022-2027 Strategic Plan](#) sets out an objective to work with the IPSASB on areas of joint interest for the public sector, including relevant sustainability-related initiatives.¹ In line with this objective, Group members were asked to share their views, insights and considerations on the questions raised in the IPSASB’s Consultation Paper.

The Group was asked to consider the following preliminary views from the [Consultation Paper](#) and provide their thoughts:

- Global public sector sustainability guidance is needed and the IPSASB can use its experience, processes and relationships to develop such standards.
- The IPSASB should collaborate with other international bodies (i.e., the International Sustainability Standards Board (ISSB)) to develop the general requirements for sustainability- and climate-related disclosures first.
 - What other sustainability topics are important and why should these be prioritized?
- The Consultation Paper sets out several key enablers required to take forward development of global public sector sustainability guidance:
 - resources;
 - reference groups;
 - effective/efficient use of the IPSASB’s time;
 - engagement with international standard setters; and

¹ Key strategies in PSAB’s 2022-2027 Strategic Plan include: developing relevant and high-quality accounting standards; enhancing relationships with stakeholders and other standard setters; and supporting forward-looking accounting and reporting initiatives, such as sustainability.

- dialogue with national standard setters

Roundtable discussion of the IPSASB's Sustainability Reporting Consultation Paper

The Group supported the need for global sustainability reporting guidance specific for the public sector. The Group shared the view that the demand from stakeholders to develop such guidance is growing and that there is an opportunity to develop such standards to support public sector entities.

Group members gave the following reasons for their support:

- The environment is fundamental to quality of life and the [Consultation Paper](#) is an opportunity for the profession to contribute to the development and adoption of sustainability reporting standards that serve the public interest.
- Sustainability would lead into economic stability, social cohesion and quality of life, which are fundamental to public interest.
- All citizens have shared responsibility to protect the world's resources, such as air, land and water. Indigenous governments are public sector entities and Indigenous communities act as custodians of the environment and should be consulted in the development of public sector sustainability standards.
- The private and public sectors' responsibilities for sustainability and for addressing climate change in particular are different. Current sustainability guidance and projects for the private sector have an investor perspective as opposed to a multistakeholder perspective. The public sector regulates the private sector with respect to the environment, emissions, sustainability and other matters. But the public sector also has significant responsibilities of its own, including responding to multiple stakeholders, building resilient infrastructure, protecting the environment, and stewarding lands, waters and air quality. Climate change can affect public sector assets, revenue streams, the entitlements of its citizens and government programs. So, sustainability reporting standards tailored to the public sector are needed.
- Without the establishment of standards, governments will remain reactive while the impacts from climate change persist. Having standards will compel public sector entities to gather data, measure that data against a standard, and plan infrastructure projects in line with long-term sustainability objectives.
- While the impacts of climate change are felt around the world, the public sector requires sustainability standards to begin reporting on such matters so that future impacts can be mitigated.

One Group member asked if there were any initial indications that some national governments are more likely than others to adopt the standards the IPSASB proposes in the [Consultation Paper](#). Countries may have different priorities, such as food insecurity in less-developed countries, which take precedence over sustainability and sustainability reporting. The submitters responded that it is difficult to predict which countries will adopt standards that are yet to be developed. However, countries having currently adopted International Public Sector Accounting Standards (IPSAS) may be a good indicator of which countries may be early adopters of the standards the IPSASB proposes in its Consultation Paper. Less-developed countries struggle with setting their own national standards and have shown preference for adopting IPSAS.

Two Group members asked about alignment with [United Nations Sustainable Development Goals \(SDGs\)](#) being important for sustainability reporting in the public sector. The submitters noted that SDGs do not resonate as much with [Organisation for Economic Co-operation and Development countries](#) given their level of development. However, one Group member indicated Indigenous governments would appreciate focus on the SDGs, which can be extended to Indigenous communities. In developed countries, there is a significant gap between the Indigenous experience and that of mainstream society. A Group member noted that the [ISSB's proposed standards](#) would appear to fall short on establishing standards that would fit well for national governments in terms of attaining the SDGs.

A Group member discussed the familial relationship between Indigenous peoples and the environment. They noted that Indigenous peoples are stewards of the environment and that Indigenous lands hold 80 per cent of the world's remaining biodiversity. A Group member cited article 32, paragraph 1 of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP)² [It](#) emphasizes that Indigenous communities must be engaged in the consultative process in determining and developing priorities and strategies for the development or use of their lands or territories and other resources. More generally, Group members agreed that engaging Indigenous peoples will be crucial to developing sustainability standards and they will need to be consulted early in the process.

Several municipalities in Canada have already begun reporting sustainability information accompanying their financial statements. The Government of Canada announced in February 2022 that Canada endorsed the framework of the [Task Force on Climate-related Financial Disclosures \(TCFD\)](#) and will also be joining the new [Task Force on Nature-related Financial Disclosures \(TNFD\)](#). So, there is already an appetite in Canada to move forward on sustainability-related reporting.

One Group member mentioned the significant differences between the impacts and considerations between the private and public sectors with respect to sustainability reporting. The role and responsibilities that governments hold differ from the expectations and objectives of private enterprises. While the ISSB's Exposure Drafts, "[\[Draft\] IFRS 1 General Requirements for Disclosure of Sustainability-related Financial Information](#)" and "[\[Draft\] IFRS 32 Climate-related Disclosures](#)" propose important guidance, members supported the [IPSASB's Consultation Paper](#) proposal to leverage progress and relationships of other bodies as well.

Most Group members noted that the IPSASB is well equipped to take the lead in creating and establishing public sector sustainability standards. The IPSASB has the expertise and experience to lead this project as it has a history in standard setting while collaborating with stakeholders from around the world.

One Group member noted that the project may require collaboration with other professionals, such as economists, engineers, actuaries, environmentalists and others, to ensure all issues and opportunities are considered.

² Resolution adopted by the UN General Assembly on September 13, 2007, by which the Council adopted the text of the UNDRIP.

Group members also shared the following items and topics for consideration in integrating financial reporting and sustainability standards:

- Assessing modifications to the Conceptual Framework and the reporting model that may be required for use when developing sustainability standards.
- Canada's natural capital landscape is significant (89 per cent of the land is under government entities' control and stewardship). The IPSASB's Natural Resources project is a good starting point for Canada. PSAB should begin to assess what modifications may be required to integrate the IPSASB's future natural resources standards into Canadian Public Sector Accounting Standards (PSAS).
- Impacts and considerations of sustainability standards on Indigenous communities are a priority focus in the development of sustainability standards.
- While most efforts seem focused on the reduction of carbon dioxide (Co2) emissions, some consideration must be given to the how methane gas emissions affects the environment and the climate.
- Good information is critical to informed decision making. Figure 5 of the [Consultation Paper](#) details the proposed framework.
- Beginning with general standards is a good idea. However, time is of the essence given the continued rate of climate change. There must be a balance between the speed at which sustainability standards are introduced and the level of quality and degree of consultation considered in developing such standards.
- Canada possesses many natural resources. Further consultation among Canadian stakeholders is welcomed as the development of sustainability standards evolve.

Ultimately, the Group acknowledged that global public sector sustainability guidance is needed. The IPSASB is well positioned to lead this work given its experience, processes and relationships already in place.

The Group agreed that the IPSASB should collaborate with and/or leverage the work of other international bodies, such as the ISSB, to develop general requirements for sustainability- and climate-related disclosures first. However, many Group members agreed that much of the ISSB's proposed guidance remains focused on investor needs and enterprise value, and that broader and public sector-specific guidance is needed.

Although the Group did not disagree with the key enablers listed in the [Consultation Paper](#), it did share several improvements that it would welcome. These improvements included involving Indigenous peoples, communities and governments throughout the consultative process.

The Group members noted that certainty regarding the proposed Canadian structure for addressing sustainability reporting may be important in providing input to the IPSASB's [Consultation Paper](#). The work of the [Independent Review of Canadian Standard Setting](#), the Committee's recommendation of a Canadian sustainability standards board, and [PSAB's new International Strategy](#) would all be factors in determining that structure in the coming months.

In closing, the submitters thanked Group members for sharing their thoughts, comments and perspectives. The IPSASB welcomed Group members to submit comments and respond to the [Committee's recommendation of a Canadian sustainability standards board](#) as the input is an important part of the consultative process. Respondents are asked to submit their comments electronically through the IPSASB website, using the "Submit a Comment" link.