

Sustainability reporting for the public sector[?]

February 2023





Disclaimer

The views and opinions expressed in this presentation are those of the individual. Official positions of the ASB on accounting matters are determined only after extensive due process and deliberation.



Agenda

- What's happening internationally?
- What is sustainability reporting in public sector?
- Is sustainability reporting needed in the public sector?
- Where to from here?



What's happening internationally?





What's happening internationally?

- IFRS Foundation established ISSB and issued Exposure Drafts ISS 1 and ISS 2.
- Recent IPSASB Consultation Paper issued on *Advancing Public Sector Sustainability Reporting*.
- Proposal for the IPSASB to issue Sustainability Standards for the public sector.
- Comment deadline was September 2022.



What is sustainability reporting in the public sector?



What is sustainability reporting – private sector

- Focus on “enterprise value”, which reflects the amount, timing and certainty of future cash flows over the short, medium and long term and the value of those cash flows in light of the entity’s risk profile, and its access to finance and cost of capital.
- Information in the financial statements and sustainability-related disclosures are essential inputs to assessing enterprise value.



What is sustainability reporting – public sector?

- Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.
- Drive to meet human development goals while mitigating man-made effects of climate change and sustaining the ability of natural ecosystems.
- Wide range of topics: environmental, social and governance parameters.



What is sustainability reporting – public sector?

- The United Nations Sustainable Development Goals (SDGs) comprise 17 goals for attaining the ideal society by 2030.

SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY



2 ZERO HUNGER



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



5 GENDER EQUALITY



6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



14 LIFE BELOW WATER



15 LIFE ON LAND



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



17 PARTNERSHIPS FOR THE GOALS



What's the difference between public and private sectors?

Objective of financial reporting?



Who are the users of the information?



Measure of sustainability?

IASB and ISSB
Information on return of or on capital



Investors, lenders and other creditors



Enterprise value

IPSASB
Hold entities accountable and make decisions



Resource providers and service recipients



UN sustainability goals

Is sustainability reporting needed in the public sector?

What type of reporting is envisaged?

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**MULTI-STAKEHOLDER
FOCUSED**
SUSTAINABILITY
REPORTING



INTEROPERABILITY

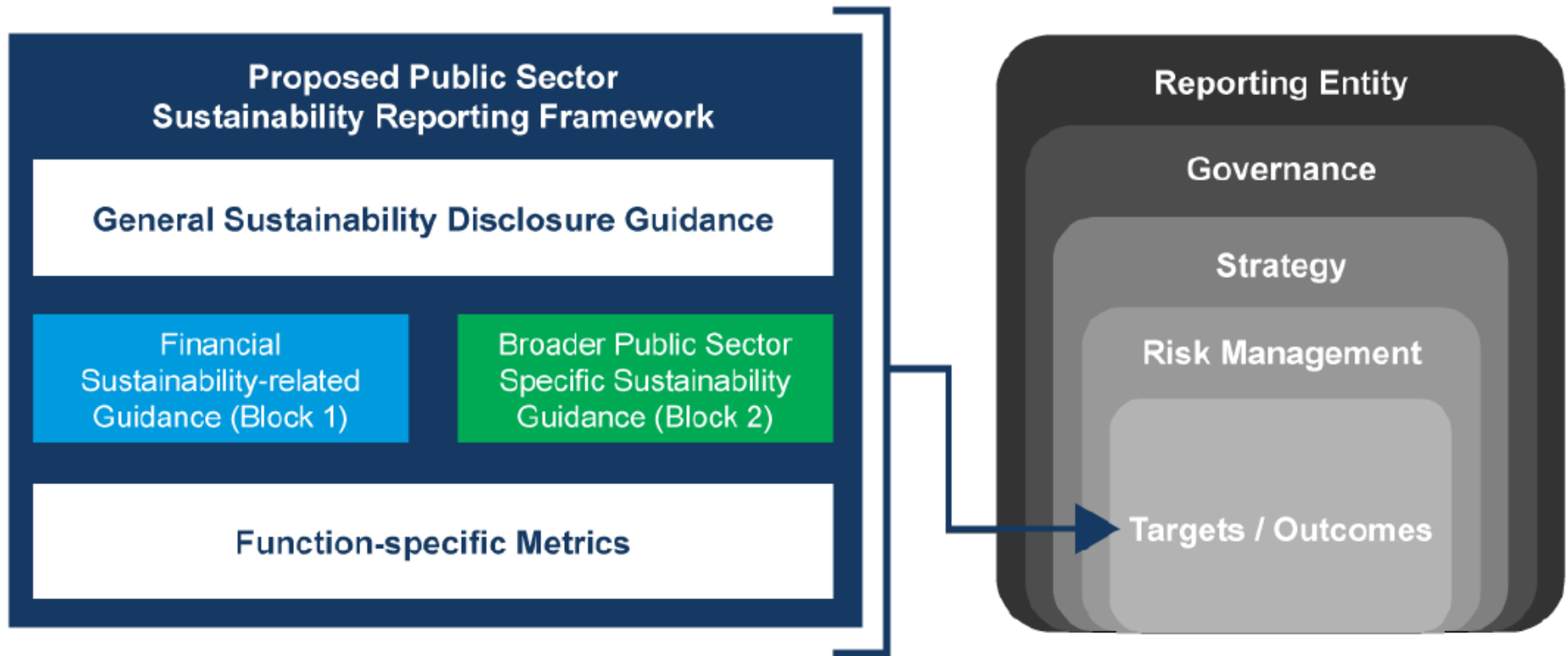
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INVESTOR FOCUSED
SUSTAINABILITY
INFORMATION MATERIAL
TO ENTERPRISE VALUE



Potential Framework

Figure 5: Potential Framework for Public Sector Specific Sustainability Reporting Guidance



What is already reported?





Some food for thought

- Public sector already reports performance information based linked broadly to UNSDGs → where does this link into the proposed framework?
- IPSASB has voluntary reporting on long term fiscal sustainability of entities → where does this link into proposed framework?
- Status of guidance on compliance with IPSAS
- Entities' level of capacity/competence → not all entities in the public sector apply accrual accounting.

Some food for thought

- Reporting boundary/relevance – would it make sense for all entities to report, or only some → ESKOM versus the ASB versus the whole of government.
- How would double-counting be avoided if reporting at a “whole of government level”?



State of play at the IPSASB





State of play at the IPSASB

- In December 2022, IPSASB decided to progress work on sustainability reporting.
- Progressing work would depend on funding.
- Likely to rely on existing work of the ISSB.
- Changes may be needed to some of the IPSASB's processes, e.g. adding “committee of experts” to support the IPSASB in developing sustainability reporting requirements.



State of play at the IPSASB

- GSSB currently consulting on its work programme
→ proposal to research what is needed in the public sector.





Keep informed





Keep informed

- FAQs.
- COVID-19 - www.asb.co.za/covid-19/
- Research papers
- Newsletter
- Social media
- Translations of Standards
- YouTube channel
- Accounting Guidelines by OAG – <https://oag.treasury.gov.za>

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