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The International Public Sector Accounting Standards Board

277 Wellington St. West
Toronto, ON
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Submission via website

16 January 2023

Dear Ross

COMMENTS ON EXPOSURE DRAFT 83 ON REPORTING SUSTAINABILITY PROGRAMME INFORMATION – RPGS 1 AND 3: ADDITIONAL NON-AUTHORITATIVE GUIDANCE

We thank you for the opportunity to provide comments on this Exposure Draft (ED).

We arranged a roundtable discussion with local stakeholders to solicit views on this ED from auditors, technical experts, academics, consultants and professional bodies. The comments received during the roundtable discussion have been used to develop our response. The views in the comment letter are those of the Secretariat of the ASB and not the Board.

Urgency for amendments

We are of the view that the amendments proposed in the ED are premature as the IPSASB is yet to consider the development of sustainability reporting standards. We also do not understand why the amendments are viewed as urgent as they are minor and non-authoritative.

Positioning amendments in the broader IPSASB project on sustainability

We acknowledge the IPSASB's decision in December 2022 to progress work on sustainability reporting in the public sector. As work in this area is yet to commence, it is unclear how and/or whether there will be a link between the sustainability reporting standards that will be developed, RPG 1 on *Reporting on the Long-term Sustainability of an Entity's Finances* and RPG 3 on *Reporting Service Performance Information*. The IPSASB should explain whether and/or how it sees these pronouncements working together and whether the outcome will be cohesive and understandable to users. It would be useful for the IPSASB to provide stakeholders with an understanding of the holistic approach (big picture) of the IPSASB's intention with respect to sustainability reporting.

Board Members: Mr C Braxton (Chair), Ms A Muller, Mr A van der Burgh, Mr D Dlamini, Ms K Maree,
Ms P Moalusi (Deputy-Chair), Ms N Themba, Ms W de Jager,
Chief Executive Officer: Ms J Poggiolini

Meeting the interim needs of users

There are several IPSASs and RPGs that can be useful for reporting aspects of sustainability – both within the financial statements and in reports that accompany the financial statements. Examples include IPSAS 24 on *Presentation of Budget Information in Financial Statements*, IPSAS 1 on *Presentation of Financial Statements*, IPSAS 19 on *Provisions, Contingent Liabilities and Contingent Assets*, and all the Recommended Practice Guidelines (including RPG 2 on *Financial Statement Discussion and Analysis*).

As there are broader application that could be considered across the suite of IPSAS, a standard setting solution may not be the most optimal way of communicating how IPSASs can be used to report various aspects of sustainability reporting. We suggest that the IPSASB issue a staff document that explains more broadly how the IPSASs and the RPGs can be applied to report on sustainability related issues. We believe this is more helpful than making narrow scope amendments to the RPGs.

For the reasons outline above, we do not support the amendments to RPG 1 and RPG 3.

Our specific comments on the proposals in the consultation paper are outlined in Annexure A.

Should you have any questions regarding the comments outlined in our letter, please feel free to contact me.

Yours sincerely



Jeanine Poggiolini

Chief Executive Officer

SPECIFIC MATTERS FOR COMMENT

Specific Matter for Comment 1

Do you agree with the proposed additional implementation guidance for RPG 1? If not, what changes would you make?

We agree with the additional implementation guidance. However, we question whether the proposed guidance is not already implied in the authoritative text of RPG 1, and whether the proposed guidance is providing **additional** useful guidance *or* guidance with limited usefulness.

In IG3, the last sentence states that a sensitivity analysis should be used to help users understand the impacts of significant changes in assumptions on the projections. This gives the impression that a sensitivity analysis *must* be used where there are significant changes in assumptions. But, the authoritative text in paragraph 53 does not require entities to use a sensitivity analysis. It, instead, states that providing a sensitivity analysis is useful. This may create confusion as to whether a sensitivity analysis is required as per RPG 1.

Specific Matter for Comment 2

Do you agree with the proposed additional implementation guidance and illustrative examples for RPG 3? If not, what changes would you make?

We agree with the additional implementation guidance. However, we question whether the proposed guidance is not already implied in the authoritative text of RPG 3, and whether the proposed guidance is providing **additional** useful guidance *or* guidance with limited usefulness.

We broadly support the illustrative examples as we find them useful in demonstrating the application of RPG 3 to different types of sustainability programs. Consistent with our overall comments, these examples could usefully be incorporated into the comprehensive staff document we suggested earlier.

We noted that IG2 acknowledges that decision makers may want to evaluate the governance, strategy, risks and performance associated with programs but information on these aspects are not disclosed in the examples provided. Information on governance, strategy and risks for a program is useful as it provides context to the program and the metrics disclosed. It is unclear whether RPG 3 requires disclosure of information on governance, strategy and risks.

The reference to governance, strategy and risks also seems to extract from the principles of the draft IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*. We question whether it may be premature to include these references in the IPSASB literature.

In Example 3, the last bullet states that there was a 57% reduction in flooding instances. We question the accuracy of this number. If there were 17 fewer flooding incidents compared to the 50 instances in 20x0, then there would be a 34% reduction ($17/50 \times 100 = 34\%$). The 57% being referenced seems to rather be the effectiveness of the project (17 over 30) rather than the actual reduction.

We wondered how and to what extent RPG 3 links or overlaps with the Function-specific Metrics in the Potential Framework for Public Sector Specific Sustainability Reporting

Guidance which was proposed in the Consultation Paper on *Advancing Public Sector Sustainability Reporting*. The changes proposed in this ED should align and be consistent to the content the IPSASB intends to include in the sustainability reporting standards.