

September 9, 2022

Mr. Ian Carruthers  
Chairman  
International Public Sector Accounting  
Standards Board (IPSASB)  
International Federation of Accountants

Submitted via IPSASB website

**Re.: IPSASB Consultation Paper  
Advancing Public Sector Sustainability Reporting**

Dear Mr. Carruthers

We would like to thank you for the opportunity to provide the IPSASB with our comments on the Consultation Paper “Advancing Public Sector Sustainability Reporting” (referred to hereinafter as “CP”).

Apart from the general comments in this letter we have included our responses to the various Specific Matters for Comment in the appendix to this letter.

**General Comments**

The IDW supports the development of sustainability reporting by the IPSASB.

The IPSASB should indeed take ISSB’s standards as a basis; but given that ISSB’s standards focus on financial materiality and on enterprise value, amendments and further guidance to public sector specific aspects will be needed. The IDW considers an alignment with the UN’s Sustainable Development Goals (SDGs) as an important factor when developing guidance for sustainability reporting in the public sector.

There is probably a lack of expertise on sustainability matters within the IPSASB. Relevant expertise from the public sector, such as from environmental or social agencies and ministries, should be involved in the development of sustainability reporting for the public sector. This may have an effect on the

Institut der Wirtschaftsprüfer  
in Deutschland e. V.

Wirtschaftsprüferhaus  
Tersteegenstraße 14  
40474 Düsseldorf  
Postfach 32 05 80  
40420 Düsseldorf

TELEFONZENTRALE:  
+49 (0) 211 / 45 61 - 0

FAX GESCHÄFTSLEITUNG:  
+49 (0) 211 / 4 54 10 97

INTERNET:  
[www.idw.de](http://www.idw.de)

E-MAIL:  
[info@idw.de](mailto:info@idw.de)

BANKVERBINDUNG:  
Deutsche Bank AG Düsseldorf  
IBAN: DE53 3007 0010 0748 0213 00  
BIC: DEUTDE33XXX  
UST-ID Nummer: DE119353203

**Page 2 of 7** to the Comment Letter to the IPSASB CP Sustainability dated 9 September 2022

timeline, but this will certainly contribute to the quality and acceptance of those standards in the public sector.

We would be pleased to provide you with further information if you have any additional questions about our response.

Yours truly,

Melanie Sack  
Executive Director

Viola Eulner  
Technical Manager

## **Appendix: Questions for Respondents and Perspectives Requested**

### **Preliminary View 1 — Chapter 1**

*The IPSASB's view is that there is a need for global public sector specific sustainability reporting guidance.*

*Do you agree with the IPSASB's Preliminary View?*

*If not, please provide your reasons.*

Yes, we agree with the IPSASB's Preliminary View.

We confirm that there is a need for global public sector specific sustainability reporting guidance. At the moment, at the global level, we don't see another standard setter that could develop appropriate guidance for sustainability reporting for the public sector as a whole.

We also see some urgency to act in that area and to align actions in the private and in the public sector. As companies will be required to report on sustainability, also the public sector has its role to play – and not only in its role as regulator, but also with respect to mobility and transportation, energy provision, owner of offices, buildings, or infrastructure.

Sustainability reporting is just one part of public sector sustainability management, next to sustainability budgeting or a sustainability-focused audit. We consider an implementation of sustainability aspects into budgeting as even more important than in reporting, as sustainability budgeting based on metrics can make the SDGs measurable (e.g., the reduction of greenhouse gas emissions) and allows for a subsequent controlling whether these goals have been achieved. With its Green Budgeting Framework, the OECD launched a project on sustainability budgeting to which the IPSASB could refer. In case there is no international standard setter dealing with this kind of issues, the IPSASB could also consider extending its remit to budgeting issues. In case that the IPSASB would be in charge for sustainability budgeting and sustainability reporting, consistent approaches for public sector sustainability management could be developed. However, we see the danger that the IPSASB could be overwhelmed by such a task and the acceptance of such an approach in practice could be an issue.

Page 4 of 7 to the Comment Letter to the IPSASB CP Sustainability dated 9 September 2022

### **Preliminary View 2 — Chapter 2**

*The IPSASB's experience, processes and relationships would enable it to develop global public sector specific sustainability reporting guidance effectively.*

*Do you agree with the IPSASB's Preliminary View?*

*If not, please provide your reasons.*

We agree with the IPSASB's Preliminary View to some extent.

We confirm that the IPSASB has experience, processes and relevant relationships and we do acknowledge the IPSASB's intention to have a Sustainability Reference Group. Despite this, we are wondering whether the IPSASB in the end is capable of developing guidance for sustainability reporting. Having a Sustainability Reference Group might not be sufficient in the medium to long term and may raise concerns about the quality of standards. In our view, the IPSASB currently has no proven experience in the area of sustainability and there are no representatives from environmental or social agencies or ministries represented at the IPSASB.

We recommend that in case the IPSASB decides to develop guidance on that topic, relevant experts (especially in terms of environmental issues) need to be taken on board – both from a board's perspective but also from a staff perspective. However, the core tasks of the IPSASB, i.e. the development of standards for public sector financial reporting, should not suffer from the extended scope of the IPSASB.

### **Specific Matter for Comment 1 — Chapter 3**

*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.*

We consider the following as most pressing national issues:

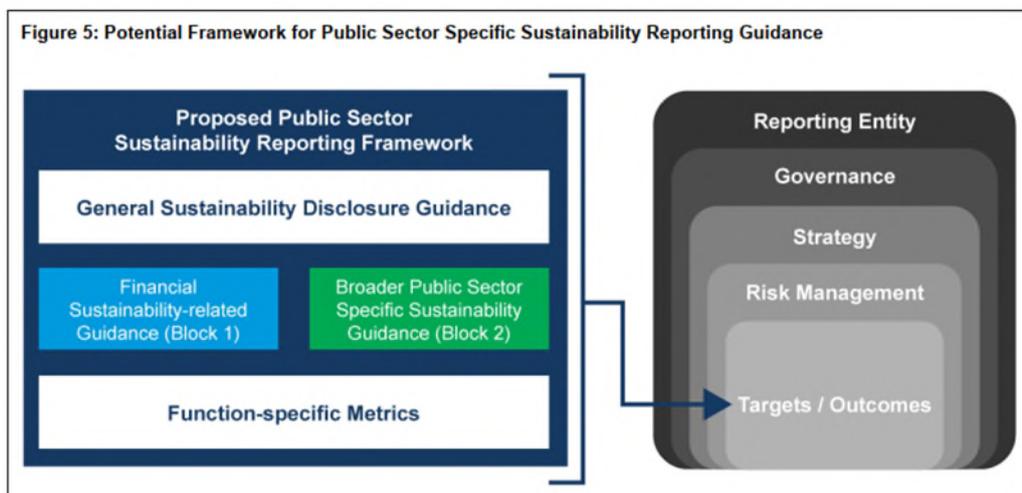
- In Germany, there are no generally applicable binding regulations on sustainability reporting for the public sector in place. International harmonized guidance may support the development of harmonized sustainability reporting requirements in Germany.

**Page 5 of 7** to the Comment Letter to the IPSASB CP Sustainability dated 9 September 2022

- The European Corporate Sustainability Reporting Directive (CSRD) will likely be of relevance to a majority of state-owned enterprises in Germany and there may be an impact by the CSRD on sustainability reporting of other public sector entities.
- With the European Green Deal the aim is to reach climate neutrality by 2050. Being responsible for several emission-intensive issues such as mobility/transportation, energy, housing, the public sector has its role to play in that context. Given the objectives of the Green Deal, the IPSASB should prioritize environmental issues in its standard setting, rather than focus on governance or social issues in the first place.
- In addition, the IPSASB could play a role in embedding the SDGs in public financial management, e.g. in the area of budgeting or reporting as outlined earlier.

### **Preliminary View 3 — Chapter 3**

*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.*

*Do you agree with the IPSASB's Preliminary View?*

*If not, please provide your reasons, explaining what alternatives you would propose, and why.*

**Page 6 of 7** to the Comment Letter to the IPSASB CP Sustainability dated 9 September 2022

Yes, we agree. However, given the presumable investor-focus of the ISSB's standards, they might not be fully suitable for the public sector.

Given the relevance of the SDGs – also in terms of budgeting – we do see a need to align the IPSASB's approach with SDG-based budgeting on SDG metrics and corresponding reporting. We consider an alignment of sustainability budgeting and sustainability reporting as essential for the acceptance of such approaches in practice.

Given that the GRI sustainability reporting framework is also widely used in the public sector, the IPSASB should work closely hand in hand with GRI and leverage on their expertise.

#### **Preliminary View 4 — Chapter 3**

*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.*

*Do you agree with the IPSASB's Preliminary View?*

*If not, please provide your reasons, explaining which topics the IPSASB should prioritize instead, and why.*

We agree with the Preliminary View of the IPSASB to address general sustainability-related information and climate-related disclosures as its first topics.

Subsequent priority topics can be addressed at a later stage.

#### **Preliminary View 5 — Chapter 4**

*The key enablers identified in paragraph 4.2 are needed in order for the IPSASB to take forward the development of global public sector specific sustainability reporting guidance.*

*The key enablers include:*

- *Appropriate resourcing;*

**Page 7 of 7** to the Comment Letter to the IPSASB CP Sustainability dated 9 September 2022

- *Experienced and active Sustainability Reference Group to advise the IPSASB;*
- *Effective and efficient use of IPSASB Member time;*
- *Coordination with other international sustainability standard setters; and*
- *Dialogue with national standard setters.*

*Do you agree with the IPSASB's Preliminary View?*

*If not, please provide your reasons, identifying which of the proposed key enablers you disagree with, and why.*

We generally agree with the IPSASB's Preliminary View.

A Sustainability Reference Group to advise the IPSASB may not be sufficient in the long run as sustainability expertise will also be needed at the Board level. The IPSASB's Reference Group might, in our view, only be a suitable approach for a transition period.

We also see the dialogue with environmental agencies and ministries as key for the success of this project.

#### **Specific Matter for Comment 2 — Chapter 4**

*To what extent would you be willing to contribute financial or other support to the IPSASB for the development of global public sector specific sustainability reporting guidance?*

The IDW's Public Sector Committee would be willing to contribute with its technical expertise and participate in future consultations related to sustainability reporting (budgeting).