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CLIMATE RELATED DISCLOSURES

IPSAS SRS 1 CONSULTATION RESPONSE

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Manj has over 30 years' experience working in public sector, focusing on implementation of accrual accounting across UK central Govt departments and the Whole of Government Accounts consolidation. She has advised several jurisdictions on implementing accrual accounting.

Manj has particular interest in supporting governments to address the practicalities of implementing IPSASs.

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Dear IPSASB secretariat

IPSAS SRS1 Climate related disclosures

The IPSASB and staff are to be congratulated for the efforts in rising to the urgent demands from the World Bank to address the gap in reporting of climate related disclosures in the public sector. The speed at which this exposure draft has been developed is a great achievement especially given the unique issues experienced by jurisdictions across the world.

There is a clear need for such a standard given the urgency of the climate crisis where 'once in a generation' weather events are seemingly happening every year, each more devastating in impact to both lives and livelihoods. In 2024, the ten most financially costly events all had an impact of more than $4 billion each based on insurance estimates and yet this figure excludes the human cost[1].

When sustainability reporting was first considered, a specific concern was the lack of capacity and specialist knowledge within IPSASB to undertake this endeavour. The various stakeholders all contributing through the various fora created: Sustainability Reference Group, Climate Topic Working Group and the Sustainability Implementation Forum have all addressed these concerns. The approach to build on private sector guidance and make this applicable to the public sector through the work of the ISSB and the publication of IFRSS1 and IFRS S2 is optimal.

The public sector has a dual role – both in its own operations and uniquely, its ability to set policy, regulate and tax and subsidize all entities in the jurisdiction. This dual role has been captured as own operations and public policy programs.

[1] Research by Christian Aid Dec 2024, https://reliefweb.int/report/world/counting-cost-2024-year-climate-breakdown

However, in doing so there are potential issues for preparers, as identified in the alternative view, in particular ensuring consistency with the Paris Agreement Disclosure Requirement. The alternative view has merit in that it is best to separate the dual role of the public sector into these respective roles so that implementation is not compromised. For example, an individual entity will be required to provide information on outcomes to determine programme level disclosures. However, this will be very challenging for entities where this is a new requirement. Major private sector organisations have been providing some ESG disclosures for some time and have some capability and capacity. This is certainly not the case in several jurisdictions especially those transitioning to accrual accounting. In addition, how will the SAI community be able audit these disclosures?

Another issue is whether the single definition of materiality is sufficient and whether the double materiality concept looking at both impact and financial is better in providing a holistic assessment?

There is an urgent need for this standard and we do not want perfection to be the enemy of the good, but there are several concerns over the implementation challenges that will need to be addressed. For example, following the IFRS S2 timescales of one year will not be sufficient in the public sector especially in the case of public policy programs. In addition, several jurisdictions will need implementation support to build internal capacity to develop mechanisms to capture the required information to fulfil the requirements of the standard as it is proposed.

Overall, the alternative view is best i.e. have two separate standards for climate disclosures: own operations can be issued quickly but the public policy program element would need more work/ implementation guidance/time/build internal expertise to ensure adherence.

Thank you once again for the opportunity to comment. Detailed comments referring to the specific matters for comment (SMC) are included in the annex.

Please do not hesitate to contact me for further information.

Yours sincerely,

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Manj Kalar

Principal consultant

Annex: Specific Matters for Comment (SMC)

SMC 1: Separate disclosures required for own operations and public policy programs?

Agreed. There should be separate disclosures for own operation and public policy programs. In fact the alternative view hold merit and the IPSAS S1 should be split to focus on own operations at this stage whilst the public policy program side should continue to be developed focusing on fully supporting the implementation which will be the greatest challenge to the overall adoption of the standard. If the public policy program disclosures prove too onerous this would limit some organisations adopting the standard.

SMC 2: Own operations (application guidance)

Agreed. It is helpful to align to the ISSs which will help with consolidation across pubic sector entities and state owned enterprises that report on IFRSs. This will ensure consistency ie by using the same four pillars and is an opportunity to learn from SOEs if they have previously been reporting under established ESG frameworks.

SMC 3: Scope of public policy programs.

Agree with the alternative approach. Ms Ryan makes excellent points in her submission and given the scale of the implementation challenge and lack of existing capacity and capability, which will take time to develop, it makes sense to split the standard into the dual role undertaken by the public sector.

The risk is that the difficulties associated with gathering appropriate information for public policy programs could undermine the publication of the own operations information as this element may not be as easy to complete.

SMC 4: Public Sector specific definitions

Agreed. The definitions are aligned as far as possible with the ISS2 and adapted for the public sector.

SMC 5: Strategy for climate related public policy programs.

Not agreed. The alternative approach is best at this time.

SMC 6: Metrics and targets for climate related public policy programs

Partially agreed. This is a starting point and is a pragmatic solution.The metrics will be very difficult for many jurisdictions to gather information at the pace proposed in the exposure draft.

SMC 7: Conceptual foundations

Agreed. A foundation based on the conceptual framework is essential.

SMC 8: General requirements

The definition of 'connected information' may benefit from examples and may be an area for the implementation forum to assist with.

SMC 9: Transition

Not agreed. Whilst accepting the urgency for climate related disclosures, jurisdictions will need more time to be able to identify, develop processes and procedures to gather the information required to meet the requirements of the standard. The proposed timetable for one year aligns with the transition period in the ISSs for the private sector. However, it is not possible to compare to the private sector where, large companies are, to an extent, au fait with similar disclosures for ESG using other frameworks such as GRI that have been incorporated into the ISSs. In many jurisdictions it will take time to build the capability and capacity to be able to fulfil the requirements.

SMC 10: Other comments

The alternative approach is optimal at this stage.