

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Virtual Meeting

Meeting Date: July 28, 2022

Agenda Item 1

For:

☐ Approval

☒ Discussion

☒ Information

REPORTING SUSTAINABILITY PROGRAM INFORMATION

Project summary	This limited-scope project will develop non-authoritative guidance to add to the IPSASB's Recommended Practice Guidelines (RPG), RPG 1, <i>Reporting on the Long-Term Sustainability of an Entity's Finances</i> and RPG 3, <i>Reporting Service Performance Information</i> . This additional non-authoritative guidance will ensure awareness of the RPGs applicability to sustainability reporting and help illustrate how the respective models can be applied for reporting on the impacts of green programs.	
Board sponsor	Ian Carruthers, IPSASB Chair is the Board sponsor for this project. IPSASB Staff and the Board sponsor are liaising with the OECD in relation to their work developing a framework of green budget principles to inform the development of proposals for non-authoritative amendments to the IPSASB the RPGs.	
Meeting objectives	Topic	Agenda Item
Project management	Reporting Sustainability Program Information: Project Roadmap	1.1.1
	Instructions up to Previous Meeting	1.1.2
	Decisions up to Previous Meeting	1.1.3
Decisions required at this meeting	Project Background and Overview	1.2.1
	Development and Issues: Limited-scope Project—Reporting Sustainability Program Information	1.2.2
Other supporting items	Draft ED [XX] Reporting Sustainability Program Information—RPGs 1 and 3: Non-authoritative Guidance	1.3.1
	June 2022 IPSASB CAG Advice	1.3.2

REPORTING SUSTAINABILITY PROGRAM INFORMATION PROJECT ROADMAP

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
March 2022	1. As a result of the Mid-Period Work Program Consultation, the IPSASB decided to add a limited-scope project to its work program.
June 2022	1. The IPSASB received an overview of the limited scope-Reporting Sustainability Program Information project, including an update on discussions with the OECD green budget collaborative related to the work to develop a green budget framework and principles.
September 2022	1. Review and approval of draft ED [XX], <i>Reporting Sustainability Program Information—RPGs 1 and 3: Additional Non-authoritative Guidance</i> (followed by 60-day consultation period from October 2022–December 2022).
March 2023	<ol style="list-style-type: none"> 1. Review of responses to draft ED [XX]. 2. Discussion of issues. 3. Approval of IPSASB pronouncement on the non-authoritative amendments to RPG 1 and RPG 3.

INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
June 2022	1. N/A – no instructions at this time on this limited scope project.	1. N/A.

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
March 2022	1. As a result of feedback to the Mid-Period Work Program Consultation, the IPSASB decided to add a limited-scope project: Reporting Sustainability Program Information to the work program.	1. N/A

Project Background and Overview

Question

1. To provide an overview of the Reporting Sustainability Program Information project.

Background

2. In March 2022, the IPSASB discussed feedback on the Mid-Period Work Program Consultation. To balance resources available with the projects proposed in the Mid-Period Work Program Consultation and begin work in the sustainability space, as prioritized by respondents, the IPSASB agreed¹ to:
 - (a) Add two new major projects (Differential Reporting and Presentation of Financial Statements) to the work program;
 - (b) Commit to the minor projects prioritized in the Consultation and to commence work starting in 2023 as resources become available; and
 - (c) Begin work on sustainability initiatives:
 - (i) Consultation Paper, *Advancing Public Sector Sustainability*. This project is a broad strategic consultation related to whether the IPSASB should address public sector sustainability reporting in its standard setting activities, or not; and
 - (ii) Limited-scope project—*Reporting Sustainability Program Information*. This project is a limited-scope project to enhance the IPSASB's current Recommended Practice Guidelines (RPGs) to ensure they are seen as relevant to reporting on sustainability, and to help entities understand the application of the principles in the respective RPGs to reporting on green program sustainability information. In taking this project forward, the IPSASB has liaised with the OECD Paris Collaborative on Green Budgeting in relation to their work developing a green budget framework and principles. The intention in liaising with this group at the OECD is to ensure that any additional enhancements to the RPGs is consistent with the current developments in budgeting so that the RPG reporting information is useful for budget decisions and policy making.
3. In June 2022, IPSASB staff discussed the Limited-scope project—Reporting Sustainability Program Information with the IPSASB CAG to receive initial input on the scoping and approach to the project. The IPSASB staff note that CAG members commented positively on the proposed approach to take forward this limited scope project, highlighting that it was sensible to enhance current guidance, practical as it relates to reporting on outputs/outcomes, and useful in that it works to make the information useful for other purposes (budgeting and policy decisions). IPSASB staff have included the full CAG comments received and noted specific IPSASB staff feedback on each comment in [agenda item 1.3.2](#).
4. The IPSASB also discussed a high-level overview of the project at its June 2022 meeting during the IPSASB Program and Technical Directors' Report session. This included first sight of the proposed implementation guidance questions, and the topics that illustrative examples would be developed for.

¹ The full overview of the IPSASB project decisions can be found in the Mid-Period Work Program Consultation Summary here: <https://www.ifac.org/system/files/publications/files/MidPeriod-Workplan-Consultation-Summary.pdf>.

Agenda Item 1.2.1

IPSASB staff indicated that a first look at the draft amendments and the plan for the project would be brought to the IPSASB at the July 28, 2022 meeting.

Decision Required

5. For information only. No decision required.

Development and Issues: Limited-scope Project—Reporting Sustainability Program Information

Questions

1. Does the IPSASB agree to expose the non-authoritative amendments to RPGs 1 and 3, even though there are no requirements to do so.
2. Does the IPSASB agree with the proposed non-authoritative guidance (Implementation Guidance and Illustrative Examples) to be included in draft ED [XX], *Reporting Sustainability Program Information—RPGs 1 and 3: Additional Non-authoritative Guidance*.
3. Does the IPSASB agree to include the proposed project timeline in the work program.

Recommendation

4. Staff and the Board member sponsor recommend that:
 - (a) A draft ED [XX], *Reporting Sustainability Program Information—RPGs 1 and 3: Additional Non-authoritative Guidance* be developed and exposed for 60 days.
 - (b) That the draft non-authoritative guidance be included in draft ED [XX], *Reporting Sustainability Program Information—RPGs 1 and 3: Additional Non-authoritative Guidance*.
 - (c) The proposed timeline for the project be added to the work program.

Background

5. Please see the background and overview summary for this project included in [agenda item 1.2.1](#).

Analysis

Consultation and Due Process

6. The IPSASB Due Process is applied in promulgating IPSAS, and it sets out the required steps and working procedures that should be followed.
7. As stated on all IPSASB publications “*IPSAS relate to the general purpose financial statements (financial statements) and are authoritative. RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS RPGs do not establish requirements. Currently all pronouncements relating to GPFRs that are not financial statements are RPGs. RPGs do not provide guidance on the level of assurance (if any) to which information should be subjected.*”
8. IPSASB staff note that there is no requirement to consult on the proposed changes to RPG 1 and RPG 3 because:
 - (a) Paragraphs 6 and 7 make clear that due process is applied in promulgating IPSAS. Due process need not be applied to the development of RPGs (because they are not IPSAS); and
 - (b) RPGs, like IPSAS include guidance (core text and application guidance) and non-authoritative guidance (basis for conclusions, implementation guidance and illustrative examples). The amendments proposed only relate to the non-authoritative guidance in the RPGs.

9. However, in developing the non-mandatory RPGs (as well as other non IPSAS, such as the Conceptual Framework), the IPSASB normally consults to receive comments from stakeholders. Exposing the non-authoritative amendments provides the following benefits:
 - (a) Allows the IPSASB an opportunity to create awareness about its sustainability related work via a press release, and social media.
 - (b) Underlines IPSASB efforts to enter the sustainability reporting space and its ability to move with urgency; and
 - (c) Helps ensure the legitimacy and usefulness of the final amendments by receiving feedback from constituents.
10. Therefore the IPSASB staff and Board sponsor recommend that:
 - (a) The non-authoritative amendments to RPG 1 and RPG 3 be exposed for comment, even though there is no requirement to do so; and
 - (b) The exposure period be for 60-days (as allowed in due process for improvements), because the amendments are consequential in nature.

Project Approach and Proposed Non-Authoritative Guidance

11. IPSASB staff highlight that the guidance in the IPSASB's literature, in particular the RPGs, are already applicable to reporting information on sustainability (including reporting on green program impacts). However, it appears that there is a lack of awareness of the existing guidance in RPG 1 and RPG 3, and how the reporting models can be applied to sustainability/green program information.
12. Therefore, the IPSASB staff and Board sponsor have developed additional non-authoritative material for RPG 1 and RPG 3.
13. The proposed additions to RPG 3 include:
 - (a) IG1 which clarifies that RPG 3 can be applied for reporting information on green programs.
 - (b) IG2 that sets out how RPG 3 applies to reporting information on individual green programs.
 - (c) IE 4-7 examples that will help illustrate how to apply the RPG 3 reporting model for common green program transactions, such as green bonds, carbon taxes, investments in infrastructure to mitigate the impacts of climate related weather events and green tax expenditures. These examples are still under development. Staff are liaising with the OECD to obtain realistic fact patterns for these transactions to develop the examples.
14. The proposed additions to RPG 1 include:
 - (a) IG1 which clarifies that an entity can apply RPG 1 for reporting information on the impact of green programs on the sustainability of an entity's finances.
 - (b) IG2 related to how green programs impact the dimensions of long-term sustainability.
 - (c) IG3 highlights which principles and methodologies to apply when reporting impacts on green programs.
15. The proposed amendments to RPG 1 and 3 clarify how the principles in the various models in the existing guidance can be applied to green programs. No new principles or changes to the guidance are recommended.

16. The IPSASB staff and Board sponsor recommend that the proposed amendments included in [agenda item 1.3.1](#) be included in draft ED [XX], *Reporting Sustainability Program Information—RPGs 1 and 3: Additional Non-authoritative Guidance*.

Project Development Timeline

17. [Agenda item 1.1.1](#) sets out the proposed project timeline for this project. The key timelines for IPSASB members to note are as follows:
- (a) September 2022, approval of draft ED [XX], *Reporting Sustainability Program Information—RPGs 1 and 3: Additional Non-authoritative Guidance*.
 - (b) October 2022 – December 2022, 60-day exposure period.
 - (c) March 2023, review of responses to the ED and approval of the non-authoritative amendments to RPG 1 and RPG 3.
18. The IPSASB staff and Board sponsor recommend that the timeline set out above be added to the work program as it is realistic and appropriate for this limited-scope project to add non-authoritative guidance to RPG 1 and RPG 3.

Decision Required

19. Does the IPSASB agree with the staff and Board sponsor recommendations in paragraph 4?

**Draft ED [XX], Reporting Sustainability Program Information—RPGs 1 and 3:
Additional Non-authoritative Guidance.**

Exposure Draft XX
October 2022
Comments due: December XX, 2022

IPSAS®

Proposed Recommended Practice Guideline

Reporting Sustainability Program Information— RPGs 1 and 3: Additional Non-Authoritative Guidance

IPSASB

International Public
Sector Accounting
Standards Board®

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In meeting this objective, the IPSASB sets IPSAS™ and Recommended Practice Guidelines (RPGs) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

IPSAS relate to the general purpose financial statements (financial statements) and are authoritative. RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS RPGs do not establish requirements. Currently all pronouncements relating to GPFRs that are not financial statements are RPGs. RPGs do not provide guidance on the level of assurance (if any) to which information should be subjected.

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REQUEST FOR COMMENTS

This Exposure Draft was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by December XX, 2022.**

Respondents are asked to submit their comments electronically through the IPSASB website, using the [“Submit a Comment”](#) link. Please submit comments in both a PDF and Word file. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. This publication may be downloaded from the IPSASB website: www.ipsasb.org. The approved text is published in the English language.

Objective of the Exposure Draft

The IPSASB proposes additional non-authoritative guidance be developed to facilitate sustainability reporting, in particular the reporting of green program information. This additional non-authoritative guidance will enhance awareness about the applicability of, and to help in applying the existing reporting models in RPG 1, *Reporting on the Long-Term Sustainability of an Entity’s Finances* and RPG 3, *Reporting Service Performance Information*, so that the broader financial information can be used for both financial reporting and for other purposes, including budget purposes.

Guide for Respondents

The IPSASB welcomes comments on all the matters discussed in this ED. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

The Specific Matters for Comment requested for the ED are provided below.

Specific Matter for Comment 1

Do you agree with the proposed additional implementation guidance and illustrative examples to RPG 1? If not, what changes would you make?

Specific Matter for Comment 2

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

EXPOSURE DRAFT [XX], REPORTING SUSTAINABILITY PROGRAM INFORMATION—RPGS 1 and 3: ADDITIONAL NON-AUTHORITATIVE GUIDANCE

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Objective

1. The objective of this Exposure Draft (ED) is to add non-authoritative guidance to RPG 1, *Reporting on the Long-term Sustainability of an Entity's Finances* and RPG 3, *Reporting Service Performance Information* to ensure awareness of the respective reporting models and their applicability to reporting information on green programs.

Summary of Proposed Non-Authoritative Guidance

[To be developed for September 2022 meeting, summarizing guidance proposals to RPG 1 and RPG 3 related to BCs capturing IPSASB decisions, proposed IGs and IEs, when applicable]

Non-authoritative Amendments to RPG 1

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, RPG 1.

[To be developed based on IPSASB decisions at July and September 2022 IPSASB discussions on this project.]

Implementation Guidance

The guidance accompanies, but is not part of, RPG 1.

IG1 – Can an entity apply RPG 1 for reporting information on the impact of green programs on the sustainability of an entity’s overall finances?

Yes, RPG 1 provides principles to apply in reporting on an entity’s long-term fiscal sustainability, which is the ability of an entity to meet service delivery and financial commitments, including those relating to green programs, both now and in the future. It can be used to address the financial impacts of non-financial factors (including environmental ones) provided these are included when developing projections.

IG2 – How should green program impacts on the dimensions of long-term sustainability be addressed?

RPG 1 discusses three inter-related dimensions of long-term fiscal sustainability:

- Service;
- Revenue; and
- Debt.

Green programs can impact on all of these dimensions in terms of future inflows and outflows. These impacts should therefore be modelled and included in the overall projections on the basis of assumptions regarding current policies, and about future economic conditions. Depending on the purpose of the report, and their significance, the impacts of green programs can either be presented separately or as part of the overall totals.

IG3 – Which principles and/or methodologies should be applied in reporting on the impacts of green programs?

The guidance in RPG 1 on policy and economic assumptions, as well as on other principles and methodology can be applied to reporting on the projected future inflows and outflows associated with green programs. Sensitivity analysis can be used to help users understand the impacts of significant changes in assumptions on the projections.

Non-authoritative Amendments to RPG 3

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, RPG 3.

[To be developed based on IPSASB decisions at July and September 2022 IPSASB discussions on this project.]

Implementation Guidance

The guidance accompanies, but is not part of, RPG 3.

IG1 – Can an entity apply RPG 3 for reporting information related to green programs?

Yes, RPG 3 provides principles to apply in reporting on an entity's service performance by considering its service performance objectives, and measuring performance against relevant indicators (inputs, outputs, outcomes or efficiency).

The RPG 3 principles are applicable for entities that establish service performance objectives related to green programs, and can measure performance against relevant overall indicators set by the entity or particular green program metrics.

IG2 – How does RPG 3 apply to an individual green programs?

Decision makers need to be able to evaluate the governance, strategy, and risks associated with green programs as part of delivering the entity's service performance objectives. RPG 3 provides a reporting framework that supports transparency in these key areas which are important both for ensuring accountability, and providing useful information for decision-making purposes.

The illustrative examples in RPG 3, show the application of the principles in the reporting model to four different types of green programs. They include outlines of how an entity focuses on identifying its Service Performance Objectives, and how they can be expressed using Performance Indicators related to inputs, outputs, outcomes or efficiency, or through a combination of one or more of these performance indicators.

Illustrative Examples

These examples accompany, but are not part of, RPG 3.

[Below are the four proposed illustrative examples, to be developed]

IE 4 – Green bond [Links to Debt Dimension in RPG 1¹]

IE 5 – Carbon tax [Links to the Revenue Dimension in RPG 1]

IE 6 – Investments in infrastructure to mitigate the impacts of climate related weather events [Links to the Service Dimension in RPG 1]

IE 7 – Green tax expenditure [Links to Revenue Dimension in RPG 1]

¹ RPG 1, Appendix B includes a diagram that shows the relationship between the dimensions of Long-Term Fiscal Sustainability (the debt dimension, revenue dimension and service dimension).

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Reporting Sustainability Program Information – June 2022 [Draft] Report Back

June 2022 CAG Discussions

- Below is an extract from the IPSASB Program and Technical Directors Report's Report related to CAG member advice on the Reporting Sustainability Program Information project from the June 2022 meeting. IPSASB staff have noted how each comment should be handled in taking forward the project.

Representatives' and Observers' Comments	Response
June 2022 CAG Meeting Comments	
IPSASB Program and Technical Director, Ross Smith, updated the CAG on the progress of ongoing projects and provided an overview of significant changes to the current work program since the December 2021 CAG meeting. Mr. Smith also provided additional information on the proposed limited-scope project Reporting Sustainability Program Information, and how Recommended Practice Guideline (RPG) 1 and RPG 3 can be enhanced to more clearly demonstrate their application for sustainability reporting.	
The CAG members commented as follows:	
1. Mr. Williamson noted that, since existing RPGs work, it is sensible to enhance them to more clearly show how they can be applied rather than creating new policies for the green dimension.	IPSASB staff agree, and this is consistent with the approach taken for this limited scope project.
2. Ms. Colignon agreed that the approach appears sensible and well thought out. She asked whether proposed integration of budget and financial reporting may be difficult for certain jurisdictions, and whether the IPSASB will consider dealing with new methods of reporting on natural resources and other environmental considerations in the upcoming Presentation on Financial Statements project.	No additional comment, see point #3 with staff response.
3. Mr. Smith reminded members that the Natural Resources and Sustainability Consultation Papers (CPs) are still out for comment, and the Board will consider comments once received to determine the direction, scope, and other considerations.	No additional comments.

Representatives' and Observers' Comments	Response
<p>4. Mr. Page highlighted the strong link between the OECD work on tagging budgets and spending and analysis of spending on sustainability initiatives, which includes more long-term assumptions. He noted that it may be useful to consider adding another Illustrative Example for tax expenditures, as governments may use tools like credits to influence the behaviors of its citizens.</p>	<p>IPSASB staff have updated the proposed amendments to plan for the inclusion of a fourth Illustrative Examples on tax expenditures.</p>
<p>5. Mr. Close strongly supported the outlined approach because it is practical and demonstrates the value of outcomes. He noted that the proposed Illustrative Example #3 (related to Infrastructure) for RPG 3 in particular will help communicate how the RPGs can provide useful information regarding green initiatives and projects.</p>	<p>No additional comment necessary.</p>
<p>6. Mr. Carruthers thanked CAG members for their feedback. He reflected on how OECD would like to move away from tagging (inputs) and better emphasize outputs and the impacts of programs. Mr. Carruthers also noted that discussions have supported that existing guidance can be applied, and that the proposed clarity will be useful and can be provided in a timely manner for users.</p>	<p>No additional comments.</p>
<p>7. Ms. Colignon inquired about the project timelines and the response deadlines for the Natural Resources and Sustainability CPs. She also shared that the 2020 Handbook has been fully translated into French, and will be working on translating IPSAS 43, <i>Leases</i> and IPSAS 44, <i>Non-current Assets Held for Sale and Discontinued Operations</i>.</p>	<p>No additional comment, see point #8 with staff response.</p>

Representatives' and Observers' Comments	Response
<p>8. Mr. Smith responded that the deadline for responses to the Sustainability CP is intended to address the urgency and pace at which the IPSASB has been asked to move in this space. Mr. Smith noted that the IPSASB intends to review responses in September and to feature this topic at the 2022 Public Sector Standard Setters Forum.</p>	<p>No additional comments.</p>
<p>9. Ms. Busquets supported Ms. Colignon's comment and noted the potential difficulty in finalizing a robust set of inputs before the Sustainability CP deadline.</p>	<p>IPSASB staff highlight that the consultation was issued on May 9, 2022 and is out for the normal IPSASB comment period of 120 days, as per the IPSASB's due process. The IPSASB specifically considered whether a longer comment period should be provided, but ultimately agreed that given the urgency of the issues and the expectation for guidance to be developed in a timely fashion, that extending the normal comment period would not be appropriate.</p>
<p>10. Mr. Carruthers supported Mr. Smith's comment about the pace in the sustainability space, particularly through discussions with the Public Interest Committee, which have influenced the IPSASB's need to "get on the moving train" and work within the proposed timeline.</p>	<p>No additional comments.</p>

Matters for CAG Consideration

- Representatives and Observers are asked to note the Report Back above.