



Think Ahead



International
Federation
of Accountants®



PREPARING FOR SUSTAINABILITY REPORTING AND ASSURANCE

An introduction
for the public
sector globally



About ACCA

We are ACCA (the Association of Chartered Certified Accountants), a globally recognised professional accountancy body providing qualifications and advancing standards in accountancy worldwide.

Founded in 1904 to widen access to the accountancy profession, we've long championed inclusion and today proudly support a diverse community of over 247,000 members and 526,000 future members in 181 countries.

Our forward-looking qualifications, continuous learning and insights are respected and valued by employers in every sector. They equip individuals with the business and finance expertise and ethical judgment to create, protect, and report the sustainable value delivered by organisations and economies.

Guided by our purpose and values, our vision is to develop the accountancy profession the world needs. Partnering with policymakers, standard setters, the donor community, educators and other accountancy bodies, we're strengthening and building a profession that drives a sustainable future for all.

Find out more at www.accaglobal.com

About IDI

The INTOSAI Development Initiative (IDI) is an autonomous implementing body that is not-for-profit. Its mandate is to provide support to Supreme Audit Institutions (SAIs) in developing countries to enhance their performance and capacity in a sustainable manner. The work done by IDI is based on the needs and challenges experienced by SAIs. The support provided is focused on a needs-based and sustainable approach. IDI seeks to empower SAIs by promoting gender-responsiveness and peer-to-peer cooperation as essential elements of long-term capacity development. As an INTOSAI body, IDI works with 196 SAIs across the world.

In each country, there is a Supreme Audit Institution that is tasked with auditing public funds to ensure that it is an effective, accountable, and inclusive institution. IDI is convinced that its contribution to strengthening Supreme Audit Institutions can make a difference in the lives of citizens for several reasons. Firstly, government audits are key components of effective public financial management and good governance. Secondly, SAIs contribute to the quality of government engagement and better state-society relations through their work. Lastly, SAIs are key stakeholders in supporting the implementation of Sustainable Development Goals (SDGs).

www.idi.no

About IFAC

IFAC is the global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. IFAC is comprised of 180 members and associates in more than 135 jurisdictions, representing millions of professional accountants in public practice, education, government service, industry, and commerce.

www.ifac.org



About this report

Sustainability reporting and oversight in the public sector are gaining momentum. At their foundation should be the concept of sustainable development: the public sector has a responsibility for meeting the needs of the present without compromising future generations' ability to meet their own needs. This report sets out what sustainability reporting and oversight mean for the public sector and the key principles governments, other public sector bodies and supreme audit institutions (SAIs) need to consider in this journey. The report's insights were informed by global roundtables hosted by ACCA, IDI and IFAC with professionals involved in both reporting and audit in the public sector.

Introduction

Governments and other public sector entities have a leadership role in driving action to advance sustainability agendas globally.

Measuring progress and informing stakeholders about steps towards sustainable development through sustainability reporting is important to help build momentum. Ensuring this information is scrutinised, through a robust and appropriate audit and assurance process, improves confidence in reporting, strengthening transparency and accountability.

Comprehensive and relevant sustainability reporting must be accompanied by effective oversight mechanisms. Together both elements support the public sector's drive towards sustainable development. This report uses 'oversight' as an overarching term to include different forms of independent and objective assessment of sustainability information by supreme audit institutions (SAIs).

Our research approach

Our report is based on discussions at two virtual roundtable events hosted jointly by ACCA, IDI and IFAC in August and September 2023. The roundtable involved participants working in public sector entities and in SAIs, as well as in private sector audit firms with experience of public sector clients, multinational organisations and professional accountancy organisations. A full list of participants is included at the end of the report (see Appendix). Quotes from roundtable participants included in this report are not attributed to named individuals to maintain confidentiality.

1. Sustainability reporting for the public sector

- What does sustainability reporting mean for the public sector?
- Why should the public sector undertake sustainability reporting?
- Principles for sustainability reporting in the public sector



What does sustainability reporting mean for the public sector?

While 'sustainability reporting' is a frequently used term, it is difficult to identify a single definition, but the concept of 'sustainable development' provides a useful starting point. The best-known description of sustainable development comes from the United Nations' (UN) Brundtland Commission, which describes it as the goal of *'meeting the needs of the present without compromising the ability of future generations to meet their own needs'* (World Commission on Environment and Development 1987).

The concept of sustainable development helps to emphasise that sustainability includes not only environmental considerations, but also the social and economic impacts of human activities. The UN's 2030 Agenda for Sustainable Development, adopted by all UN member states, builds on this with a 'plan of action for people, planet and prosperity' (UN 2015). It sets out 17 Sustainable Development Goals (SDGs) *'with each government setting its own national targets guided by the global level of ambition but taking into account national circumstances'* (UN 2015).

At the heart of sustainability reporting for public sector is the principle of entities measuring and reporting on their positive and negative contributions to sustainable development. The definition of public sector sustainability reporting discussed at our roundtables was *'the practice of an organisation reporting on its impact on sustainable development'*.

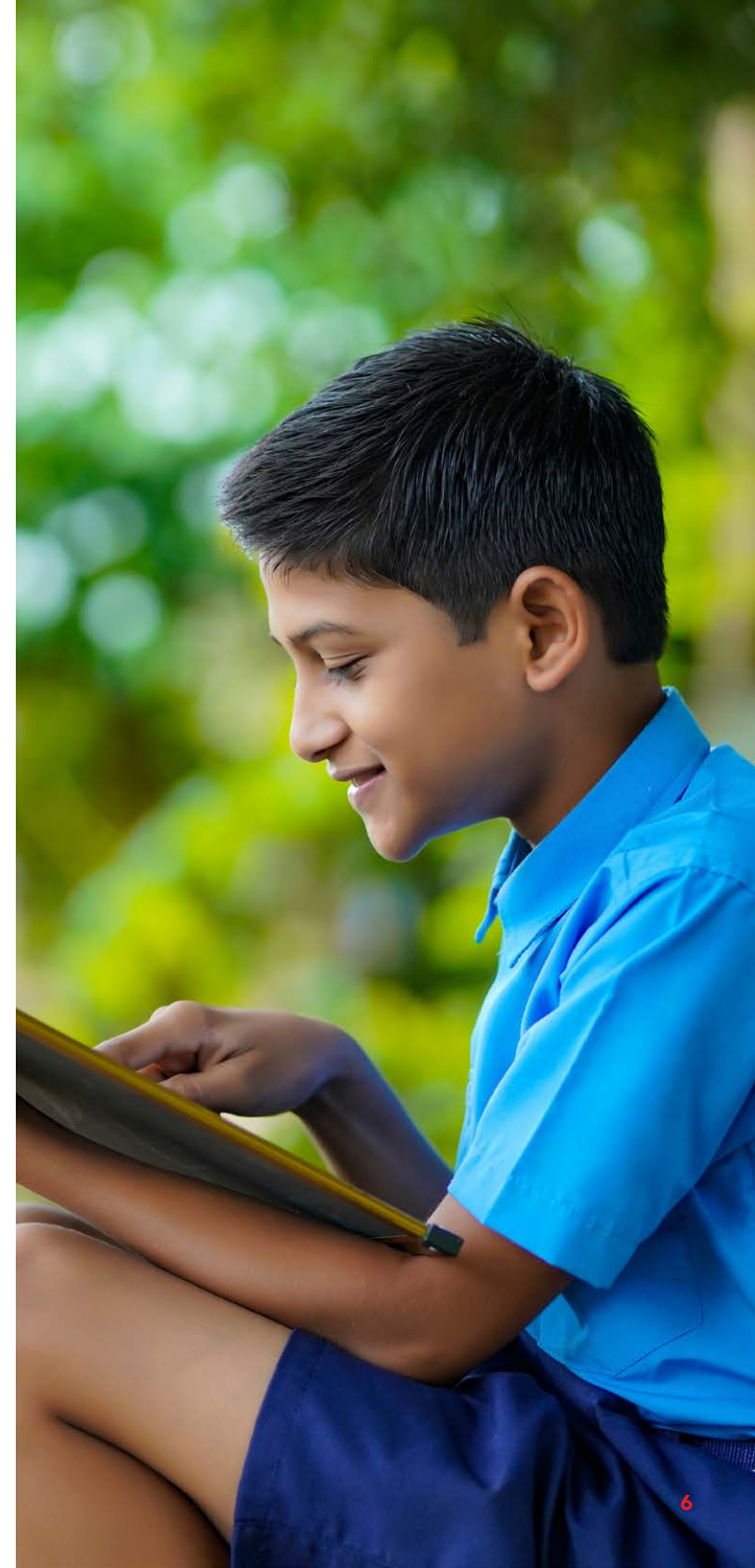
'Within the government...we can observe a broad range of forms of sustainability reporting...it's not limited to climate...it's a more holistic strategy... which includes SDGs.'

Roundtable participant

As a roundtable comment highlighted, the focus should be on defining sustainability at a broad level, recognising that *'country contexts vary significantly and the question of compliance with a very narrow definition could be tricky'*. Moreover, within the public sector in each country, there are a wide range of different organisations and bodies, including national, regional and local governments and their associated entities, such as agencies, commissions and boards. In addition, sub-sectors of the public sector, such as health and education services, include numerous organisations of varying sizes. Therefore, sustainability reporting for the public sector must be appropriate to the size and scope of the institutional context, but comprehensive enough to reflect the needs of the wide range of stakeholders representing the public interest.

SUSTAINABILITY REPORTING FOR THE PUBLIC SECTOR MUST BE APPROPRIATE TO THE SIZE AND SCOPE OF THE INSTITUTIONAL CONTEXT, BUT COMPREHENSIVE ENOUGH TO REFLECT THE NEEDS OF THE WIDE RANGE OF STAKEHOLDERS REPRESENTING THE PUBLIC INTEREST.

The UN Sustainable Development Goals



Why should the public sector undertake sustainability reporting?

The public sector plays a pivotal role in both setting the conditions for sustainable development and taking action towards that goal. As the International Public Sector Accounting Standards Board (IPSASB) stated in its consultation on advancing public sector sustainability reporting, *'public sector action is needed to bring about the widespread changes across the globe required to deliver the benefits of sustainable development'* (IPSASB 2022).

From the roundtable discussions, six principal reasons for the public sector to engage in sustainability reporting can be identified.

1. Advancing sustainable development

The overriding objective of sustainability reporting should be to advance progress towards sustainable development. Acting in the public interest is a fundamental purpose of the public sector and public sector entities have the ability and mandate to make a positive impact on people and planet. Sustainability reporting should provide policymakers and other stakeholders, including the public, with information to enable them to understand the sector's impact on sustainable development.

2. Supporting an economy-wide perspective

Sustainability reporting by large private sector companies is increasingly becoming the norm. Given that public spending represents a significant part of the global economy, the development of widespread public sector sustainability reporting will provide a better economy-wide understanding of progress towards sustainable

development. Public spending as a share of gross domestic product (GDP) varies across countries, but in Organisation for Economic Co-operation and Development (OECD) member countries, it amounted to almost half of GDP (46.3% on average) in 2021 (OECD 2023).

'It's not a one-sector effort... it has to be a hand in hand effort.'

Roundtable participant

3. Providing information to capital markets and development partners

Increasingly, investors in sovereign bonds, as well as bodies funding development initiatives, require information about the climate and nature-related risks and opportunities facing governments. Sustainability reporting by the public sector should enable borrowing entities to better attract investment and donor funding, where applicable, to put these goals into action. In terms of sovereign bonds, providing sustainability information for capital markets also fulfils an objective of the UN's Paris Agreement, which recognised the importance of *'making finance flows consistent with a pathway to low greenhouse gas emissions and climate resilient development'* (UNFCCC 2015).

4. Transparency and accountability

Given the scale of public spending, public debt issuance and the impact of the public sector on achieving sustainable development, the public's ability to hold governments and organisations to account is important. The public sector can demonstrate its impact on sustainable development through accurate sustainability reporting, enabling stakeholders to identify areas where progress is on track and issues that require more action.

'Shining the light and reporting and disclosing is always better than not... We're on a journey... it will develop and then change over time.'

Roundtable participant

5. Supporting internal decision-making

As well as the externally focused rationales outlined above, sustainability-related information supports policy, budget, and investment decisions made by those working in the public sector. Sustainability reporting enables policy makers to be better informed as they consider options when formulating policies. It also allows decision makers to allocate resources while taking into account sustainability considerations, supporting processes such as green budgeting.

'The merit comes for public sector reporting [in seeing] where efforts align or where there is a mismatch or gap, which actually leads to other parties failing their commitments or ambitions.'

Roundtable participant

6. Promoting public trust

Governments make commitments on a broad range of sustainable development issues through the UN and other international agreements, as well as regional and national-level commitments. For example, in addition to the UN's Paris Agreement on climate change and the SDGs, the UN's 'Guiding Principles on Human and Business Rights' apply to all states (UN 2011). Sustainability-related information reported by governments and other public sector entities can help to promote trust in the sector's efforts to achieve international and national targets which support sustainable development.



Principles for sustainability reporting in the public sector

Our roundtables demonstrated that there is enthusiasm for sustainability reporting in the public sector. Nonetheless, specifying a single approach to sustainability reporting for the whole sector is difficult, given the varying sizes, capabilities and activities of different public sector bodies. Roundtable participants pointed out that public sector sustainability reporting practices vary even within countries.

‘Sustainability reporting is quite varied at the moment in the public sector...for example we have a strong focus on climate [involving] reporting against the TCFD [Task Force on Climate-related Financial Disclosures] as a formalised requirement, others have broadened that outlook to performance against SDGs, the GRI [Global Reporting Initiative] and other elements. We’re also seeing biodiversity increasingly become a theme for government, particularly our local governments.’

Roundtable participant

Whatever a public sector entity’s specific role, social value is a primary concern across all activities because, fundamentally, every public sector organisation should act in the public interest to provide governance or services and therefore has an impact on society and environment. In addition, governments play a critical role in establishing good governance through the institutional, policy and regulatory frameworks in which society as a whole operates. Consequently, the potential breadth of sustainability reporting for the public sector could be huge. From our roundtable discussions and the previous work of ACCA, IDI and IFAC in this area, we identify four key principles for public sector sustainability reporting.

- Focus on the areas of greatest impact
- Align reporting with overarching strategies
- Lead by example
- Select an appropriate framework

Focus on the areas of greatest impact

At the beginning of the sustainability reporting journey, governments and other public sector entities cannot realistically report on every element of their impact on sustainable development. Instead, each one needs to review its remit and operations methodically and identify the areas of activity in which it has the most impact on sustainable development. This is known as a ‘materiality assessment’.

The Global Reporting Initiative (GRI) defines impact as ‘the effect an organization has or could have on the economy, environment, and people including effects on their human rights as a result of the organization’s activities’ (GRI 2021). Clearly, for some public sector entities the range of impacts is very wide, which is why each entity will need to assess which are material: those that represent the most significant impacts.

This concept of ‘impact materiality’ is wider than the emphasis on meeting the information needs of investors in the International Sustainability Standards Board (ISSB) standards. Those standards focus on an entity’s disclosure of ‘material information about the sustainability-related risks and opportunities that could reasonably be expected to affect its prospects’ (IFRS 2023a). This materiality is often referred to as financial materiality.

Reporting in the public sector needs to include both financial and impact dimensions because of the public sector’s significant investment in, and broad impact on, sustainable development. Public sector entities’ reporting should include the direct impacts of their own operations as well as considering their wider ability to set policy, laws and regulation for the wider economy.

CLEARLY, FOR SOME PUBLIC SECTOR ENTITIES THE RANGE OF IMPACTS IS VERY WIDE, WHICH IS WHY EACH ENTITY WILL NEED TO ASSESS WHICH ARE MATERIAL: THOSE THAT REPRESENT THE MOST SIGNIFICANT IMPACTS.

Align reporting with overarching strategies

Increasingly governments are setting out strategies for achieving emissions reductions or wider sustainability goals. According to a UN survey of 60 countries, three quarters of national governments had developed strategies and action plans for the UN SDGs (UN 2023: 30). Although the level of detail in these strategies varies, they can provide a statement of the overarching approach the national government takes to sustainable development. For example, Ireland’s government has published the ‘National Implementation Plan for the Sustainable Development Goals 2022-24’. It has five strategic objectives, one of which is to introduce ‘robust reporting mechanisms to monitor progress of Ireland’s implementation of the SDGs reporting mechanisms’ (Government of Ireland 2022). Box 1 outlines how SDGs can be used as a results framework.

BOX 1: SDGs a comprehensive results framework for sustainable development

The 2030 Agenda for Sustainable Development includes 17 SDGs and 169 targets, which establish quantitative and qualitative objectives across the social, economic and environmental dimensions of sustainable development.

They represent a comprehensive results framework covering 16 thematic areas in all dimensions of sustainable development, as well as global partnership and means of implementation (Goal 17). The Agenda also commits to engage in systematic follow-up, monitoring and review of progress at national, regional and global level to promote accountability, support international cooperation and foster mutual learning and sharing of good practices.

The UN’s High Level Political Forum and the Voluntary National Review Framework provides a platform and mechanism for follow up, monitoring and review at the global level. SAIs have been auditing preparedness for and implementation of SDGs at the national level since the adoption of the 2030 Agenda (IDI, 2019).

While national governments have overall responsibility for progress towards international commitments, it is individual public sector entities, whether at the national, regional or local level, that implement actions to achieve those objectives. In many cases, these bodies have also set out their own strategies, targets and goals for tackling climate change and working towards sustainable development.

Whether at the national or individual entity level, reporting should be structured consistently with the goals outlined in the strategy. Of course, in developing its approach to sustainability reporting, each entity will need to make a materiality assessment. Nonetheless, these strategies should focus on those areas where an organisation's impact is most significant, making the task of assessment more straightforward.

As well as the impacts of an organisation, its size, type and remit will also need to be considered when developing its approach to sustainability reporting. This is not necessarily a straightforward consideration; for example, a public sector regulatory body may itself be a small organisation, but with the ability, through its regulatory powers, to set policy that could have significant impacts on sustainable development.

Lead by example

In many countries, governments and public sector organisations, in their role as regulators, are increasingly mandating sustainability reporting requirements for private sector organisations, particularly for large companies. Roundtable participants highlighted examples of rules which required companies over a certain size threshold to publish sustainability reports. However, in general, these rules do not apply to public sector entities, with the exception in some cases of state-owned enterprises.

Sustainability reporting in the public sector has a wider focus than in many private sector entities. But, while there may be differences in reporting methods, it is important that the public sector demonstrates best practice by achieving the same levels of transparency, through its sustainability reporting, as it requires from other entities.

An important way in which the public sector can lead by example is in the range of sustainability information reported. While climate standards are at a more advanced stage of development than other sustainability reporting measures, the public sector can take the lead in reporting on the broad span of factors that contribute to sustainable development. In the longer term, creating clear links between sustainability and financial information is important. Several roundtable participants mentioned the importance of integrated reporting and ensuring connectivity, where appropriate, between financial and sustainability information.

Select an appropriate framework

Wherever possible, aligning public sector sustainability reporting to existing frameworks should assist in more rapid adoption and embedding of the process. The use of agreed standards enables assurance to be conducted more easily by auditors. This will build confidence among stakeholders that disclosures are being made and audited in line with recognised and established frameworks. An overview of some of the frameworks already in use and being developed is available in Box 2. They include the International Sustainability Standards Board's standards published in June 2023 and the GRI standards.

For climate-related reporting, evidence from our roundtables demonstrates that some public sector entities are using the recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD). For example, the UK government has published guidance on how public sector bodies can align their disclosures in annual reports to the TCFD's recommendations (HM Treasury 2023). The new ISSB Standards meet the recommendations of TCFD. In addition, the IPSASB has begun work on developing a specific public sector sustainability standard on climate-related disclosures.

The quality of how information is reported matters. Comprehensive sustainability reporting should be based on appropriate standards and frameworks. These provide suitable criteria for audit and assurance engagements, as the next section explores.

'It sets a very valuable tone for society, for the capital markets, for the government at large when [public sector entities] are also doing the same level of reporting that they are requesting of others.'

Roundtable participant



BOX 2: Sustainability reporting frameworks

International Sustainability Standards Board

The ISSB issued its first two Sustainability Disclosure Standards in June 2023, following an extensive consultation process. These standards build on the climate-related disclosures established by the TCFD and meet the recommendations of TCFD, meaning that organisations adopting the ISSB Standards do not need to apply the TCFD recommendations as well.

- **IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information** is intended to enable entities to disclose information about all sustainability-related risks and opportunities in the short medium and long term. Aimed at investors, its objective is to provide 'a comprehensive baseline of sustainability-related financial information to meet the needs of global capital markets' (ISSB/IFRS 2023).
- **IFRS S2 Climate-related Disclosures** is intended to be used together with IFRS S1 and focuses on disclosing specific climate-related risks and opportunities. It integrates the TCFD recommendations and specifies 'disclosure of information about both cross-industry and industry-specific climate-related risks and opportunities' (IFRS 2023b).

Global Reporting Initiative

The GRI Standards are widely used global standards, developed over more than two decades. They are intended to be used by large and small organisations in the public and private sectors and are designed as a modular system of three series of interconnected standards:

- **Universal Standards** apply to all organisations; they outline the purpose of GRI standards, general disclosures and material topics, providing a structural approach for organisations to use when reporting information.
- **Sector Standards** are being developed for 40 sectors, starting with those with the highest impact and list the material topics and disclosures relevant for each sector. The sector standards are intended to 'enable more consistent reporting on sector-specific impacts'.
- **Topic Standards** contain disclosures for providing information on specific topics, such as standards on waste, occupational health and safety, and tax.

International Public Sector Accounting Standards Board

IPSASB develops accounting standards and guidance for use by public sector entities. Separate from their accounting standards work, IPSASB is prioritising sustainability standards as a new area of development. It has begun research and scoping for the development of new International Public Sector Sustainability Reporting Standards in three areas: climate-related disclosures, general requirements for disclosure of sustainability related information and natural resources (non-financial disclosures).

It is currently focusing on climate-related disclosures as its first sustainability project. Their objective is to 'meet the needs of users of public sector sustainability reports (service recipients and resource providers) and ensure better transparency, accountability and enable improved decision-making' (IPSASB 2023a).

Climate-related disclosures: as its first major contribution to sustainability reporting, IPSASB is currently developing a public sector specific climate-related disclosures standard. It intends to publish an exposure draft in September 2024, and produce the final standard by the end of 2025.

Its working assumption is that the standard will use IFRS S2 Climate-related Disclosures as a baseline and 'layer on guidance' from the GRI Topic Standards 'to address the multistakeholder needs of the public sector' (IPSASB 2023a; 2023b). IPSASB will also review other international guidance, including the SDGs, as part of this process.

Existing guidance: IPSASB has published amendments to Recommended Practice Guidance (RPG) 3 on 'Reporting Service Performance Information and RPG 1 'Reporting on the Long-Term Sustainability of an Entity's Finances'. This guidance, which does not have the authority of standards, can be applied now by governments and public sector entities, and is intended to provide additional guidance to support their reporting on programmes addressing both climate change and the SDGs (IPSASB 2023c, 2023d).

As part of IPSASB's consultation on its strategy and workplan for 2024-28, it is seeking views on what additional public sector reporting issues it should add to its work programme (IPSASB 2023e).

2. Sustainability audit and assurance for the public sector

- What does sustainability audit and assurance mean for the public sector?
- Value added by SAIs: External independent oversight on sustainability reporting
- Principles for sustainability audit and assurance in the public sector

What does sustainability audit and assurance mean for the public sector?

As sustainability reporting develops, independent external oversight of this reporting will become increasingly necessary to build trust in the information being disclosed. Implementing both effective internal controls and appropriate external audit and assurance for sustainability reporting will give those using the information confidence that it is reliable and accurate. Ultimately, the independent and objective assessments provided by SAIs through audit and assurance of sustainability information will support the public sector's drive towards sustainable development.

'Assurance just adds to that integrity and starts to create information that can drive dialogue.'

Roundtable participant

Our roundtable participants emphasised that ensuring strong internal controls are in place is important in enhancing the credibility of sustainability reporting. From this perspective, maintaining effective processes and systems, as part of day-to-day operations to generate a flow of timely, relevant and reliable information, is crucial.

'A step that comes first is supporting organisations within government to implement internal controls and processes that will support quality reporting.'

Roundtable participant

In addition, internal control should also include an effective internal audit function. Internal audit can play a key role in reviewing management controls over sustainability data, and the appropriateness of policies and procedures in place. SAIs in some jurisdictions have a responsibility to evaluate the adequacy of entities' internal control arrangements. This should be extended to assessing whether the internal controls are suitable for sustainability reporting.

Value added by SAIs: External independent oversight on sustainability reporting

SAIs already play a fundamentally important role in the accountability of the public sector, and particularly for public spending. In the same way, roundtable participants saw SAIs as taking the lead in providing independent external oversight on sustainability reporting. Ultimately, public sector auditing provides those responsible for governance, and the wider public, with *'independent, objective and reliable information, conclusions or opinions'* as set out in 'Fundamental Principles of Public Sector Auditing' [ISSAI 100].

The experience SAIs have in the public sector carrying out financial, compliance and performance audit work makes them uniquely well placed to undertake oversight of sustainability reporting information. Oversight of sustainability information would also build on the broader experience many SAIs have developed in auditing progress towards the SDGs.

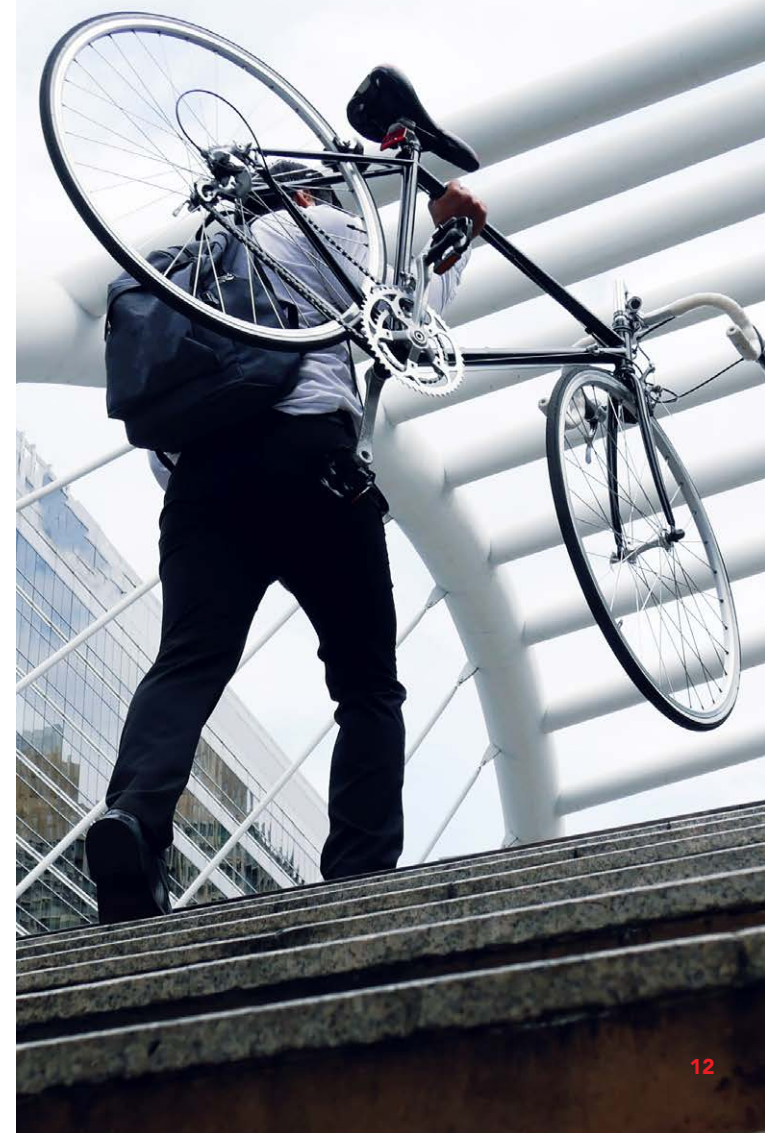
'SAIs are actually very well set up for this type of work, because if you look at what we usually do... compliance audit, financial audit and performance audit...are very well transferable to what you have to do in the end for sustainability auditing and assurance.'

Roundtable participant

Furthermore, SAIs are able to gain a system-wide perspective of government performance that is often not replicated elsewhere in the public sector. This enables them to consider the approach of different parts of the public sector towards a specific element of sustainable development. A roundtable participant from an SAI outlined how the organisation was considering the appropriate SAI response to sustainability assurance as a whole in each of its different types of audit work.

'An SAI potentially has quite a different role to an assurer in the private sector space where you are just looking at that [one] organisation...the role we have as SAIs, because we can look across the system as a whole,... we can look at [whether] the arrangements [are] working effectively.'

Roundtable participant



Principles for sustainability audit and assurance in the public sector

Roundtable participants recognised that external oversight of sustainability information in the public sector is at an early stage, and they identified three key elements for SAs and other providers of external assurance to consider when developing their approach to providing audit and assurance.

- Identifying the right approach
- Providing the appropriate level of confidence or assurance
- Supporting the development of frameworks for the public sector

Identifying the right audit approach

As ISSAI 100 sets out, SAs undertake three main types of audit: financial, compliance and performance audits. Engagements are either 'attestation engagements' or 'direct reporting engagements'. In attestation engagements, auditors gather *'sufficient and appropriate audit evidence provide a reasonable basis for expressing a conclusion'* on the subject matter information being measured against the criteria and presented by the public sector entity (known as the 'responsible party') [ISSAI 100]. Financial audits are always attestation engagements.

In direct reporting engagements *'it is the auditor who measures or evaluates the subject matter against the criteria'* (INTOSAI 2022a: 14). Therefore, the auditor selects both the subject matter and criteria; the outcome of measuring the subject matter against the criteria is presented in an audit report in the form of findings, conclusions, recommendations or an opinion. Performance audits are usually direct reporting engagements, while compliance audits can be either attestation or direct reporting engagements, or both at the same time.

It is important that the objective of the audit of sustainability information is clear, as this will determine the appropriate type of audit and the way in which it is conducted. A compliance audit where the focus is on providing assurance on the accuracy of the information disclosed, such as reporting on greenhouse gas emissions against a recognised standard, would be an attestation engagement. Whereas a performance audit approach would be used to assess the economy, efficiency and effectiveness of a particular public sector organisation's policy or programme in relation to sustainable development. This would be a direct reporting engagement. A direct reporting engagement approach could also be extended to assessing governments' progress towards outcomes at an overarching national level.

Providing the appropriate level of confidence or assurance

Enabling users of sustainability information to trust its reliability and relevance for decision making is important. Auditors should communicate to users of sustainability information the level of assurance they can provide in a transparent way. This can be through an engagement with an opinion or conclusion which provides an explicit level of assurance: the approach for attestation engagements and some direct reporting engagements. Alternatively, for some direct reporting engagements, it can be communicated in another form where auditors provide users with appropriate confidence.

'There's a readiness we need to get to before we start providing limited assurance and reasonable assurance.'

Roundtable participant

Roundtable participants emphasised that sustainability reporting information needed to be sufficiently well established before implementing arrangements for assurance engagements. External auditors choosing the most suitable approach need to consider the type of audit being conducted, the risk of material misstatement and the time and effort required to obtain assurance.



Assurance

In engagements where an explicit level of assurance is given, assurance can either be limited or reasonable. It is important to emphasise that both limited and reasonable assurance levels aim to enhance the intended users' confidence. The higher the level of assurance provided, the greater the confidence of the intended users' can be on the sustainability information being assured.

A reasonable assurance engagement is one *'in which the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the practitioner's conclusion'* (IAASB 2021: 81)

'In the private sector there's mostly just limited assurance being given on sustainability reports, if anything, and there's a recognition we're working towards reasonable assurance, but that will take time and for the public sector I think we really need to be taking the same approach.'

Roundtable participant

A limited assurance engagement is one *'in which the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement'*. A conclusion is expressed in a form *'that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the practitioner's attention to cause the practitioner to believe the subject matter information is materially misstated'* (IAASB 2023: 81).

The International Auditing and Assurance Standards Board is developing a global sustainability assurance standard, ISSA 5000. It is intended to serve as a stand-alone standard suitable for any sustainability assurance engagement. ISSA 5000 will be applicable to sustainability information reported under all frameworks.

Confidence

Alternatively, in audits conducted in accordance with ISSAI 3000, auditors have to explain *'how findings, criteria and conclusions were developed in a balanced and reasoned manner, and why the combinations of findings and criteria result in a certain overall conclusion'* (INTOSAI 2022a: 12). This approach, where users are provided with 'confidence' rather than an explicit level of assurance is more appropriate for performance audits on sustainability-related matters or for certain types of information if sustainability reporting is at an early stage.

Supporting the development of frameworks for the public sector

As sustainability reporting develops, the engagement of SAIs in the process of developing frameworks and standards is vital. Some SAIs are mandated to set accounting and auditing standards for the public sector, while in some countries other organisations set reporting requirements. SAI engagement or leadership in establishing frameworks for sustainability reporting will help ensure that disclosures are based on clear reporting frameworks that enable 'assurability'.

It is important, for this purpose, that SAIs engage with a wide range of stakeholders at the national, regional and international level. These could include academics, development partners, professional accountancy organisations and INTOSAI. Broad engagement can highlight potential difficulties and challenges that may arise in the auditing of information. Identifying problems at an early stage can help ensure that the right data is collected and the reporting system is designed well, so audit outcomes are positive and public trust is enhanced.



3. Finance and audit professionals adding value through sustainability reporting and oversight



- Taking a lead
- Resources to support the public sector
- Opportunities to engage in standards development ►

Taking a lead

As IFAC's Chief Executive Kevin Dancey has highlighted, 'our profession is well positioned to rise to this challenge' (IFAC 2021). Professionals working in financial accounting, reporting, and internal and external audit and assurance roles can all apply their expertise to this agenda. As many organisations are at the start of their sustainability reporting journeys, there is a real opportunity for finance, accountancy and audit professionals to demonstrate leadership and drive this agenda forward. Their knowledge and experience of reporting processes, systems and controls, regulatory compliance, adherence to standards and, in the case of auditors, internal and external assurance, are vital in establishing and embedding sustainability reporting and oversight in the public sector.

In addition, the fundamental principles of integrity and objectivity are at the core of finance and audit professionals' training and standards of professional behaviour. For professional accountants, the key ethical principles are set out in the 'International Code of Ethics for Professional Accountants' (IESBA 2023) and, for auditors working in SAs, 'ISSAI 130 Code of Ethics' (INTOSAI 2019). Finance and audit professionals exercising professional scepticism, judgment and due care in sustainability reporting and assurance supports the development of high-quality sustainability information and helps build trust.

For many public sector organisations, integrating sustainability reporting processes will be a new challenge. It will require finance professionals to build on their existing skills and work with experts in other fields. It will also need existing systems and processes to be adapted to capture new types of relevant information. Similarly, providing oversight on sustainability reporting will involve audit professionals in reviewing and assessing new types of information.

Developing and adapting existing skills to provide appropriate forms of assurance or confidence in sustainability information is important for building public trust.

Roundtable participants emphasised the need for public sector entities to begin sustainability reporting if not already engaged in this. As sustainability reporting matures, ensuring public sector entities share experience between organisations of similar types will help to develop practice in the sector. There is also an important role for SAs in promoting examples of effective sustainability reporting more widely, so that the public sector can learn from these.

'It's necessary to share good practice... this will inevitably bring about greater quality as organisations are able to see how other organisations are demonstrating how they report against some of these things.'

Roundtable participant



Resources to support the public sector

ACCA, IFAC and IDI are committed to supporting both public sector bodies, to help them report effectively on their impacts on sustainable development, and SAIs, in their oversight of sustainability information. For sustainability assurance, IDI has developed resources for auditing SDGs (IDI 2022a), including IDI's SDGs Audit Model, which has practical 'how-to' guidance to SAIs for conducting audits of SDGs implementation (IDI 2022b). Across all sectors, IFAC has dedicated resources on sustainability standards (IFAC 2021 and 2022) and assurance for the wider profession and ACCA recently published a report on the challenges currently faced in meeting rapidly increasing demands for sustainability assurance (Diolas and Rogdaki 2023).

Working towards a professionalised finance and audit workforce in public sector bodies and SAIs is also important in generating credibility, trust and confidence. ACCA and IFAC's Global Guide for Professionalisation in Public Sector Finance outlines the benefits and the journey to professionalisation, with examples from SAIs and public sector bodies (ACCA and IFAC 2022).

Opportunities to engage in standards development

As highlighted above, it is important that the perspectives of those working in public sector bodies and SAIs are considered as frameworks and standards are developed. The International Auditing and Assurance Standards Board (IAASB) is consulting on an exposure draft for a new International Standard on Sustainability Assurance (ISSA 5000) (IAASB n.d.). Both the Global Sustainability Standards Board (GRI 2023) and the IPSASB standards (IPSASB 2023a) are expected to produce exposure drafts on climate-change-related standards for consultation in 2024. Ensuring that all these standards incorporate a broad range of public sector considerations is essential and we encourage governments, public sector bodies and SAIs to engage with these consultations.

ACCA Sustainability Pack 2023

ACCA has made available, free of charge, a collection of all its existing resources on sustainability. It includes a range of videos, reports, webinars and articles to keep up to date on sustainability issues. The resources are available on ACCA Learning and require approximately 14 hours of learning, representing an equivalent number of Continued Professional Development (CPD) hours.

[VISIT THE ACCA SUSTAINABILITY PACK 2023 HERE →](#)



S1 and S2 explainer videos →

Watch ISSB members explain the recently published corporate standards on sustainability disclosures for 1 unit of free CPD.



Insights reports →

Explore ACCA's latest insights on sustainability, including green finance skills, sustainability assurance, and accounting for society's values.



Webinars →

Join our recent webinars on accounting for sustainability, green finance, and the new sustainability standards for 3 units of free verifiable CPD.



References

ACCA and IFAC (2022), *A Global Guide for Professionalisation in Public Sector Finance*. Downloadable from <https://www.accaglobal.com/content/dam/ACCA_Global/professional-insights/professionalisation-public-sector/PI-PROFESSIONALISATION-PS-FINANCE%20v3.pdf>, accessed 27 September 2023.

Adams, A (2023) *Public sector sustainability reporting: time to step it up*. Downloadable from <<https://www.cipfa.org/-/media/Files/Publications/cipfa-report-sustainability-reporting-time-to-step-it-up-april-2023.pdf>>, accessed 17 October 2023.

Diolas, A. and Rogdaki, M. (2023), *Sustainability Assurance – Rising to the Challenge*. Downloadable from <<https://www.accaglobal.com/gb/en/professional-insights/global-profession/sustainability-assurance-rising-to-challenge.html>>, accessed 27 September 2023.

Government of Ireland (2022), *National Implementation Plan for the Sustainable Development Goals 2022-24*, <<https://www.gov.ie/en/publication/e950f-national-implementation-plan-for-the-sustainable-development-goals-2022-2024>>, accessed 17 October 2023.

GRI (Global Reporting Initiative) (2021), *GRI 1: Foundation 2021: Universal Standard*. Downloadable from <<https://www.globalreporting.org/standards/download-the-standards/>>, accessed 17 October 2023.

GRI (Global Reporting Initiative) (2023), 'Project for Climate Change Standard(s)' [website article] <<https://www.globalreporting.org/standards/standards-development/project-for-climate-change-standard-s/>>, accessed 27 September 2023.

HM Treasury (2023), *TCFD-Aligned Disclosure: Application Guidance: Phase 1*, <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1173407/TCFD-aligned_disclosure_application_guidance_-_Phase_1.pdf>, accessed 17 October 2023.

IAASB (International Auditing and Assurance Standards Board) (n.d.), 'Understanding International Standard on Sustainability Assurance 5000' [website article] <<https://www.iaasb.org/focus-areas/understanding-international-standard-sustainability-assurance-5000>>, accessed 27 September 2023.

IAASB (2023) *Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Service Pronouncements Volume II (2022 edition)*, <<https://ifacweb.blob.core.windows.net/publicfiles/2023-10/IAASB-2022-Handbook-Volume-2.pdf>>, accessed 24 October 2023.

IFAC (International Federation of Accountants) (2021), *Professional Accountants Leading Reporting and Assurance on Sustainability* [website article] <<https://www.ifac.org/knowledge-gateway/contributing-global-economy/discussion/professional-accountants-leading-reporting-and-assurance-sustainability>>, accessed 27 September 2023.

IFAC (2022), 'Sustainability Standards' [online resources] <<https://www.ifac.org/knowledge-gateway/contributing-global-economy/discussion/sustainability-standards>>, accessed 27 September 2023.

IFAC (2023), *The State of Play: Sustainability Disclosure & Assurance 2019-2021, Trends & Analysis*. Downloadable from <<https://www.ifac.org/knowledge-gateway/contributing-global-economy/publications/state-play-sustainability-disclosure-assurance-2019-2021-trends-analysis>>, accessed 27 September 2023.

IFRS (2023), 'IFRS Sustainability Standards Navigator' [website portal] <<https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/?language=en&year=2023&issue-type=all#pdf-collection>>, accessed 28 September 2023.

IFRS (2023a), 'ISSB Frequently Asked Questions' [website article] <<https://www.ifrs.org/groups/international-sustainability-standards-board/issb-frequently-asked-questions/>>. accessed 17 October 2023.

IFRS (2023b), *IFRS S2 Sustainability Disclosure Standard: Climate-related Disclosures*, <<https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s2-climate-related-disclosures.pdf?bypass=on>>, accessed 17 October 2023.

International Standards of Supreme Audit Institutions, *ISSAI 130: Code of Ethics*. Downloadable from <<https://www.issai.org/pronouncements/issai-130-code-of-ethics/>>, accessed 26 September 2023.



International Standards of Supreme Audit Institutions, *ISSAI100: Fundamental Principles of Public Sector Auditing*. Downloadable from <<https://www.issai.org/pronouncements/issai-100-fundamental-principles-of-public-sector-auditing/>>, accessed 26 September 2023.

INTOSAI Development Initiative (IDI) (2019), *Auditing Preparedness for Implementation of Sustainable Development Goals Guidance for Supreme Audit Institutions*. Downloadable from <<https://www.idi.no/elibrary/relevant-sais/auditing-sustainable-development-goals-programme/1373-auditing-preparedness-for-implementation-of-sustainable-development-goals-guidance-for-supreme-audit-institutions-version-1/file>>, accessed 2 November 2023.

INTOSAI Development Initiative (IDI) (2022), 'Auditing the SDGs' [website article] <<https://www.idi.no/work-streams/relevant-sais/auditing-sdgs>>, accessed 27 September 2023.

INTOSAI Development Initiative (IDI) (2020), 'IDI's SDG Audit Model (ISAM)' [website article], <<https://www.idi.no/work-streams/relevant-sais/auditing-sdgs/audit-sdgs-implementation/isam>>, accessed 27 September 2023.

IPSASB (International Public Sector Accounting Standards Board) (2022), *Consultation Paper, Advancing Public Sector Sustainability Reporting*. Released 9 May. Downloadable from <<https://www.ipsasb.org/publications/consultation-paper-advancing-public-sector-sustainability-reporting>>, accessed 26 September 2023.

IPSASB (2023a), 'IPSASB Begins Development of Climate-Related Disclosures Standard for the Public Sector' [website article], 14 June <<https://www.ipsasb.org/news-events/2023-06/ipsasb-begins-development-climate-related-disclosures-standard-public-sector>>, accessed 27 September 2023.

IPSASB (2023b), *Agenda Item 13: Climate-related Disclosures*, 12–15 September <<https://www.ipsasb.org/flysystem/azure-private/2023-08/13-Sustainability-%20Climate-related%20Disclosures.pdf>>, accessed 17 October 2023.

IPSASB (2023c), *RPG 3 Reporting Service Performance Information*. Downloadable from <<https://www.ipsasb.org/publications/reporting-sustainability-program-information-amendments-rpgs-1-and-3-additional-non-authoritative>>, accessed 18 October 2023.

IPSASB (2023d), *RPG 1 Reporting on the Long-Term Sustainability of an Entity's Finances*. Downloadable from <<https://www.ipsasb.org/publications/reporting-sustainability-program-information-amendments-rpgs-1-and-3-additional-non-authoritative>>, accessed 18 October 2023.

IPSASB (International Public Sector Accounting Standards Board) (2023e), *Strategy and Work Program 2024-2028: Consultation*. Released 3 October. Downloadable from <<https://www.ipsasb.org/publications/strategy-and-work-program-2024-2028-consultation>>, accessed 19 October 2023.

ISSB/IFRS (2023), *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information*, <<https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifs-s1-general-requirements-for-disclosure-of-sustainability-related-financial-information.pdf?bypass=on>>, accessed 17 October 2023.

OECD (Organization for Economic Co-operation and Development) (2023), 'OECD (2023), Government at a Glance 2023' [website article] <<https://www.oecd.org/publication/government-at-a-glance/2023/dashboard>>, accessed 18 October 2023.

UN (United Nations) (n.d.), 'The 17 Goals' [website article] <<https://sdgs.un.org/goals>>, accessed 27 September 2023.

UN (United Nations) (2011), *Guiding Principles for Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, <<https://unglobalcompact.org/library/2>>, accessed 27 September 2023.

UN (2015), *Transforming our World: The 2030 Agenda for Sustainable Development*. Downloadable from <<https://sdgs.un.org/2030agenda>>, accessed 26 September 2023.

UN (2023), *Times of Crisis, Times of Change: Science for Accelerating Transformations to Sustainable Development*, <https://sdgs.un.org/sites/default/files/2023-09/FINAL%20GSDR%202023-Digital%20-110923_1.pdf>, accessed 17 October 2023.

UNFCCC (United Nations Framework Convention on Climate Change) (2015), *Paris Agreement*, <https://unfccc.int/files/meetings/paris_nov_2015/application/pdf/paris_agreement_english.pdf>, accessed 26 September 2023.

World Commission on Environment and Development (the 'Brundtland Commission') (1987), *Our Common Future*. Downloadable from <<https://www.un.org/en/academic-impact/sustainability>>, accessed 26 September 2023.



Appendix

ACCA, IDI and IFAC held two global roundtable discussions on public sector sustainability reporting and assurance. We are very grateful to the following who contributed to our research by participating in our discussions.

Alex Metcalfe, ACCA

Ami Rahmawati, Audit Board of Republic of Indonesia

Andrew Paul, Baker Tilly International

Antonella Risi, Public Sector Accounting Board, Canada

Archana Shirsat, INTOSAI Development Initiative

Bailey Church, KPMG, Canada

Bernardine Rakotoalison, Cour des Comptes (SAI) Madagascar

Bernhard Schatz, PwC, Austria

Bilkish Khan, Auditor General of South Africa

Bruce Vivian, International Federation of Accountants

Carol Adams, University of Durham, UK

Celine Chan, International Public Sector Accounting Standards Board

Chris Coyne, National Audit Office, UK

Dave Warren, International Public Sector Accounting Standards Board

Eti Shukla, Office of the Comptroller and Auditor General of India

Fery Irawan, Audit Board of the Republic of Indonesia

Gregory Krueger, City of Vancouver

Hassan Idi, African Sub-Saharan Organization of French-Speaking Supreme Audit Institutions (CREFI AF)

Iain Murray, Chartered Institute of Public Finance and Accountancy

Ian Waugh, ACCA Public Sector Global Forum

Isabel Garza Rodriguez, United Nations

Jade Quarrell, INTOSAI Development Initiative

Jan Van Schalkwyk, Auditor-General's Office South Africa

Jens Heiling, EY, Germany

Josephine Mukomba, African Organisation of English-speaking Supreme Audit Institutions

Karma Tenzin, INTOSAI Development Initiative

Katharina Bryan, Amazon, Luxembourg

Katy Losse, National Audit Office, UK

K. S. Subramanian, Office of the Comptroller and Auditor General of India

Laura Leka, International Federation of Accountants

Maik Esser-Müllenbach, Bundesrechnungshof (SAI), Germany

Maria Joao Kaizeler, Asian Development Bank

Mark Johnson, ACCA

Max Greenwood, HM Treasury, UK

May Alkhulaif, National Audit Office, Bahrain

Michel Afonso Assad Cohen, Federal Court of Accounts, Brazil

Miguel Perez Ludena, Global Reporting Initiative

Natashia Soopal, South African Institute of Chartered Accountants

Nicholas Hoben, Office of the Auditor General of Canada

Hussian Niyazy, Auditor General's Office, Maldives

Normas Andi Ahmad, Audit Board of the Republic of Indonesia

Patrick Kabuya, World Bank

Paul Gisby, Accountancy Europe

Rasmimi Ramli, Malaysian Institute of Accountants

Riowen Abgrall, Office of the Auditor General of Canada

Ross Smith, International Public Sector Accounting Standards Board

Sagar Adhau, Office of the Auditor General, New Zealand

Srinivas Gurazada, Public Expenditure and Financial Accountability (PEFA) Secretariat

Tahmeen Ahmad, Asian Development Bank

Chomprang, State Audit Office of the Kingdom of Thailand

Timm Klare, Bundesrechnungshof (SAI), Germany

Vivi Niemenmaa, National Audit Office, Finland

Will Killen, National Audit Office, UK



