



PREPARING FOR SUSTAINABILITY REPORTING AND ASSURANCE

Executive summary

An introduction for the public sector globally

Introduction

It is crucial for the public sector to demonstrate leadership and drive action to progress sustainability agendas globally. Governments and other public sector bodies need to be able to measure and report on how they are addressing sustainability challenges. They should be transparent and demonstrate accountability for the long-term impacts of their decisions.

As a result, sustainability reporting and assurance in the public sector is gaining momentum, and as it does, the concept of sustainable development should be at the heart of the public sector's approach. An emphasis on sustainable development focuses reporting on those activities that have the most significant impact. Sustainability-related disclosure in the public sector should be of high quality and usable for decision making. Importantly, it should be subject to effective audit and assurance arrangements to help build public trust.

This executive summary provides an outline of the forthcoming introduction to sustainability reporting and assurance, intended for the public sector globally, to be published by the Association of Chartered Certified Accountants (ACCA), INTOSAI Development Initiative (IDI) and the International Federation of Accountants (IFAC). It draws on two global roundtables, held in August and September 2023, with professionals involved in both reporting and audit in the public sector.

Following discussions at these sessions, we highlight what sustainability reporting and assurance mean for the public sector and outline the key principles for governments, other public sector bodies and supreme audit institutions (SAIs) to consider in this journey.

Sustainability reporting and the public sector

What does sustainability reporting mean for the public sector?

Although sustainability reporting is a frequently used term, it is difficult to identify a single definition. Taking a step back, 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

For the public sector, a broad definition for sustainability reporting is important. At the heart of sustainability reporting for public sector entities should be 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’.

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 generally 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. Sustainability reporting for the public sector must be appropriate to the size and scope of the organisation but comprehensive enough to reflect the needs of the wide range of stakeholders representing the public interest.



Why should the public sector undertake sustainability reporting?

Acting in the public interest is a fundamental purpose of the public sector; public sector entities have the ability to make a positive impact on people and planet. As the roundtable participants highlighted, the public sector plays a pivotal role in both setting the conditions for sustainable development and taking action towards that goal. The consultation by the International Public Sector Accounting Standards Board (IPSASB) on advancing public sector sustainability reporting emphasises that:

‘Public sector action is needed to bring about the widespread changes across the globe required to deliver the benefits of sustainable development.’

IPSASB 2022

Given these roles, policymakers and other stakeholders, including the public, need information to understand the sector's impact on sustainable development. **The information provided through the sustainability reporting and assurance process should advance sustainable development.**

In addition, there are other important reasons why the public sector should engage in sustainability reporting.

- **Public spending represents a significant part of the global economy:** the proportion of public spending as a share of 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. As sustainability reporting is increasingly being adopted by the private sector, reporting by the public sector will enable a better economy-wide understanding of the impact of public spending on sustainable development.
- **Transparency and accountability:** given the scale of public spending and the impact of the public sector on achieving sustainable development, the ability for the public 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 good and issues that require more action.
- **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 governments enables countries to better attract investment and donor funding, where applicable, to put these goals into action.
- **Supporting internal decision-making:** as well as the external-focused rationales outlined above, sustainability-related information supports better informed policy, budget, and investment decisions made by those working in the public sector.
- **Promoting public trust:** Sustainability-related information can promote public trust in governments and public sector entities by providing more details about efforts to achieve national targets and outcomes aimed at sustainable development.





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.

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.

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'.

Align reporting with overarching strategies: at the organisational level, if a public sector entity has set out a strategy for sustainable development or sustainability more broadly, reporting should be structured consistently with the goals outlined in the strategy. Wherever possible an organisation's sustainability reporting should also be aligned with the overarching approach the national government takes to 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. 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 in sustainability reporting as it requires from other entities. In the longer term, creating clear links between sustainability and financial information is important.

Select an appropriate framework: identifying a suitable framework for sustainability reporting provides confidence that disclosures are being made according to agreed standards and enables assurance to be conducted more easily. IFAC's analysis of the 'state of play' for sustainability disclosure and assurance shows standards such as those developed by the Task Force on Climate-Related Financial Disclosures or the Global Reporting Initiative support assurance engagements (IFAC 2023). The IPSASB is also intending to publish an exposure draft on climate-related standards for the public sector in 2024, which will provide alternative reporting criteria.

Sustainability assurance and the public sector



What does sustainability assurance mean for the public sector?

As sustainability reporting develops, independent external assurance of this reporting will become increasingly necessary to build trust in the information being disclosed. The external assurance provided by public sector auditing gives confidence to those using the information that it is reliable and accurate. As sustainability reporting is less well established than financial reporting, it is important to choose the appropriate approach to providing assurance, and this is explored further below.

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 public spending in particular. In the same way, roundtable participants saw SAIs as taking the lead in providing independent external oversight on sustainability reporting, building on the experience they have developed more broadly in auditing progress towards sustainable development. Ultimately, the independent and objective assessments provided by SAIs through assurance of sustainability information will support the public sector's drive towards sustainable development.

Principles for sustainability assurance in the public sector

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

- identifying the right audit approach
- providing the appropriate level of confidence or assurance
- supporting the development of frameworks for the public sector.

Identifying the right audit approach: SAIs undertake three main types of audit: financial audits, compliance audits and performance audits. Categorising SAIs' work in this way clarifies the objective of the audit. In the same way, identifying the purpose of an audit of sustainability information will determine how the audit is conducted.

In an audit where the focus is on providing assurance on the accuracy of the information disclosed, such as reporting on greenhouse gas emissions, a similar approach to financial audit is likely to be required. In contrast, a performance audit approach would be more appropriate for assessing the economy, efficiency and effectiveness of a particular

public sector organisation's policy or programme in relation to sustainable development. This approach can 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. Assurance for sustainability information can be communicated in two main ways: through an engagement which explicitly provides an opinion on the level of assurance or in another form where auditors provide users with appropriate confidence. 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.

In engagements where an explicit level of assurance is given, assurance can either be limited or reasonable. Given the emerging development of sustainability reporting across the public and private sectors, audit engagements for this information have generally given only a 'limited assurance' opinion, which provides negative assurance (assurance that the information appears not to be materially misstated). In contrast, positive assurance, given by a 'reasonable assurance' opinion, provides a significantly higher level of certainty.

Alternatively, in circumstances where auditors do not give an explicit statement of assurance on the subject matter, they can instead 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)

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 academia, development bodies and the International Organisation of Supreme Audit Institutions (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.

Finance professionals adding value through sustainability reporting and assurance

As IFAC has highlighted, the accountancy profession is best positioned to lead sustainability reporting and assurance (IFAC 2021). Professionals working in financial accounting, reporting, internal and external audit 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 assurance in the public sector.

The goal of sustainability reporting and assurance in the public sector must be to strengthen progress towards sustainable development. Ultimately, the sustainability disclosures reported must provide useful information that can form a basis for decision-making. It's time for public sector finance and audit professionals to take the lead on the sustainability reporting and assurance agenda.

Supporting sustainability reporting and assurance

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 assurance on sustainability reporting will involve audit professionals in reviewing and assessing these new types of information. Developing existing skills to provide appropriate forms of assurance or confidence in sustainability information is important for building public trust.

ACCA, IFAC and IDI are committed to supporting both public sector bodies, to help them report effectively on their impacts on sustainable development, and SAls, in their assurance of sustainability information.

For sustainability assurance, IDI has developed [resources](#) for auditing SDGs (INTOSAI 2022b), including IDI's SDGs Audit Model (ISAM), which has practical 'how-to' guidance to SAls for conducting audits of SDGs implementation (INTOSAI 2022c). Across all sectors, IFAC has dedicated resources on sustainability [standards](#) (IFAC 2021) 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 (ACCA 2023).

Working towards a professionalised finance and audit workforce in public sector bodies and SAls 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 SAls and public sector bodies (ACCA and IFAC 2022).

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





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 judgement 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 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/

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