

Swiss Comment to CP Sustainability Reporting

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1. Introduction

The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) was established in 2008 by the Swiss Federal Ministry of Finance together with the cantonal Ministers of Finance. One of its aims is to provide the IPSAS Board with a consolidated statement for all three Swiss levels of government (municipalities, cantons –i.e. states- and Confederation –i.e. federal government). The SRS-CSPCP has discussed the CP Sustainability Reporting.

2. General Remarks

The SRS-CSPCP is critical about the inclusion of sustainability reporting in the IPSASB work programme. In his view, this is primarily a political topic and potentially a topic for reporting, before being an accounting one. Sustainability reporting is certainly one of various dimensions to be included in non-financial reporting. And this dimension has somewhat links with financial reporting. Both types of reporting already interconnect with each other. In the future they will probably increasingly interconnect. It is therefore understandable that the IPSAS-Board shows a concern for this issue. However, the requirements regarding sustainable reporting should be kept to a reasonable level of detail. An appropriate balance must exist between the costs of such reporting and its possible benefits. It is always important to remember that the conceptual framework requires a favorable relationship between benefits and costs.

The SRS-CSPCP points out that in Switzerland sustainability reporting is not within the remit of the Ministry of Finance neither at the federal (central), nor at the cantonal or municipal level. This work is carried out centrally by the Federal Statistical Office and local by other Ministries or departments. The Federal Ministry of Department of Finance is involved only as far as the financial impact of public policies related to sustainability (or unsustainability) is concerned. The SRS-CSPCP is fully aware that the IPSASB deals not only with *General Purpose Financial Statements (GPFS)* but also with *General Purpose Financial Reporting (GPFR)*. The RPGs (*Recommended Practice Guidelines*) fall within this wider scope. Should the IPSASB develop guidelines on sustainability reporting, the SRS-CSPCP would propose to update RPG 3 (*Reporting Service Performance Information*). The update could integrate, at the same time, the issue of sustainability reporting in this RPG. This would have the advantage that the guidelines on sustainability reporting would not be binding but stipulated as *best practice*.

3. Preliminary View 1-Chapter 1

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

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons.

The SRS-CSPCP is of the opinion that there is a need for specific additional guidance on sustainability reporting in the public sector. However, the IPSASB should first concentrate on the distinctive situation and requirements of the public sector on this topic, compared to the situation of the entities in the private sector. Thus it should be made clear whether sustainability reporting requires guidelines that would really be specific to the public sector compared to the private sector.

4. Preliminary View 2-Chapter 2

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

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons.

The competences of the IPSASB are above all in the field of accounting. The legitimacy of the board flows from its recognized competences in the field of accounting. Therefore it should avoid to venture in areas where its legitimacy and credibility could be questioned. The SRS-CSPCP can conceive that one of the following entities could develop the guidelines for sustainability reporting in the public sector:

- a) IPSASB; however, the SRS-CSPCP does not favor this for the above-mentioned reasons.
- b) ISSB (*International Sustainability Standards Board ISSB*); but this board would then have to serve not only the private, but also the public sector).
- c) Analogously to the ISSB, a new board for sustainability reporting in the public sector that remains to be created (a sort of parallel board to the ISSB).

5. Specific Matter for Comment 1-Chapter 3

If the IPSASB were to develop global public sector specific sustainability reporting guidance, please tell us what topics you see as most pressing in your jurisdiction and why these should be prioritized by the IPSASB.

As far as sustainability reporting is concerned, the SRS-CSPCP would like the IPSASB to focus first on the revision of RPG 3. This revision should stay close to *financial reporting*. In addition, the accounting for emission rights and voluntary compensation measures should be addressed and have a more pressing priority. The SRS-CSPCP has already received enquiries from various public entities about accounting for them (measurement, recognition). Nevertheless, the SRS-CSPCP deems that at present there is no evidence that a distinctive demand on sustainability reporting in the public sector exists compared with the private sector. The SRS-CSPCP therefore favors to wait for private sector standards, before starting to address possible public specific issues.

6. Preliminary View 3-Chapter 3

If the IPSASB were to develop global public sector-specific sustainability reporting guidance it proposes applying the framework in Figure 5.

In developing such guidance, the IPSASB would work in collaboration with other international bodies, where appropriate, through the application of its current processes.

Do you agree with the IPSASB's Preliminary View?

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

Illustration 5 appears to the SRS-CSPCP to be rather theoretical. It is of the opinion that the IPSASB should concentrate on *Financial Sustainability-related Guidance (Block 1)*. The *General Sustainability Disclosure Guidance* covers the RPGs and therefore belongs to the framework concept of sustainability reporting. The SRS-CSPCP reiterates the need for the IPSASB to develop accounting guidance for emission rights.

7. Preliminary View 4-Chapter 4

If the IPSASB were to develop global public sector specific sustainability reporting guidance, it would address general sustainability-related information and climate-related disclosures as its first topics.

Subsequent priority topics would be determined in the light of responses to this Consultation Paper as part of the development of its 2024-2028 Strategy.

Do you agree with the IPSASB's Preliminary View?

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

The SRS-CSPCP is of the opinion that first the *climate-related disclosures* should be discussed in order to define the issues. Undoubtedly, the difference between sustainability reporting of public and private sector entities needs to be investigated. The SRS-CSPCP stresses that the IPSASB clarifies beforehand whether there are really specific topics for the public sector. The *general sustainability-related information* is something to deal with later and in connection with the revision of RPG 3. The SRS-CSPCP wishes also that both the revision of RPG 3 – whether or not it integrates the issue of sustainability reporting– and the measurement and recognition of emission rights be taken up in the 2024-2028 Strategy.

8. Preliminary View 5-Chapter 4

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

Do you agree with the IPSASB's Preliminary View?

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

The key enablers in Section 4.2. appear important, for the IPSASB to approach the issues concerning sustainability reporting. However, the enablers are very numerous. Since the SRS-CSPCP wishes that the IPSASB concentrates on the revision of RPG 3, it proposes the creation of a task force with members of the IPSASB and, if necessary, external experts, under the leadership of the IPSASB. As far as financial resources are concerned, the SRS-CSPCP is of the opinion that they should be raised from the various international organizations. As a matter of fact, these are the organizations, which have requested the IPSASB to take the lead in sustainability reporting.

As far as the dialogue with national standard setters is concerned, the SRS-CSPCP is not the suitable partner. Firstly, because its members do not have the necessary knowledge to respond to the IPSASB's Exposure Drafts on sustainability reporting if they go beyond RPG 3. Secondly, because the SRS-CSPCP mission is to deal with accounting issues.

9. Specific Matter for Comment 2-Chapter 4

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

The SRS-CSPCP does not see itself in a position to make any financial contribution to the IPSASB or to provide other support on this topic. The SRS-CSPCP has at its disposal only very limited financial resources, has no premises of its own and its members are not remunerated for their activity in the committee.