

# Policy Statement

*Standing for trust and integrity*

January 2010



## Sustainability Public Sector

### Accountants driving sustainable changes in the public sector

FEE (Fédération des Experts comptables Européens - Federation of European Accountants) wishes to share its strategy on sustainability in the form of a series of policy statements<sup>1</sup> on core issues in relation to sustainability and the accountancy profession. FEE acknowledges that the urgent nature of the challenge of sustainability is becoming widely recognised. At the level of the organisation, accountants, whether in business, the public sector or within the world of professional practice, must rise to the challenge of sustainability which touches on many areas of traditional competencies.

#### About FEE

FEE represents 43 professional institutes of accountants and auditors from 32 European countries, including all 27 EU Member States. In representing the profession, FEE recognises the public interest. FEE has a combined membership of more than 500.000 professional accountants working in different capacities in public practice, small and larger firms, business, public sector and education, who all contribute to a more efficient, transparent, and sustainable European economy. Based on the practical experience gained in this daily involvement in all aspects of the economy and the set of values underpinning the profession's practice, FEE believes it has a contribution to make in this public policy debate.

FEE believes that the accountancy profession should assist in integrating and managing sustainability considerations by helping to embed them in strategy formulation, decision making, process improvement and performance measurement.

**FEE believes that the accountancy profession can, by sharing its expertise and experience, help public sector organisations to achieve greater sustainability in their activities and actions.**

Public sector expenditure in the EU represents more than 40% of EU Gross Domestic Product and public sector organisations<sup>2</sup> have a vital part to play in addressing sustainable development. Governments are establishing local and government wide sustainable development strategies; to build environmental

The accountancy profession should aid the development of better financial and non-financial reporting of sustainability information. It also has an important role in quantifying the impacts of organisations on society and the environment which are not currently accounted for in their financial statements. These impacts are commonly referred to as externalities. Ultimately, these externalities need to be internalised into organisations' cost structures.

The accountancy profession should also provide assurance on sustainability information which can support improved decision-making. In making their contribution accountants and auditors recognise and value the benefit from working in multi-disciplinary teams.

protection into development processes and to reduce unsustainable patterns of production and consumption. This gives rise to three challenges for public sector organisations:

- To address the sustainability of their operations;
- To factor sustainability impacts and consequences into the design of public policy; and
- To work with communities and with partners to raise awareness and make sustainable development a reality.

Public sector organisations committed to achieving excellence should embed sustainability in their operations and their procurement strategies. FEE



supports the routine reporting of sustainability impacts, and the resources used to reduce them in the core reports of public sector organisations. With the help of the accountancy profession, or as appropriate from other experts in the form of external assurance, public sector organisations can improve sustainability performance by:

- Identifying the scope for and realising resource efficiencies, for example through reducing waste and use of energy, water or other natural resources;
- Applying recognised best practice in public procurement to identify and minimise whole-life costs and sustainability impacts, such as carbon emissions and waste, from the purchase and use of products and services. This may involve working with others to develop collaborative procurement approaches or encouraging suppliers to develop products and services which have lower life-cycle costs and better performance;
- Setting targets and developing systems for the collection and presentation of sustainability information;
- Monitoring performance over time, against targets and wider public and private sector benchmarks; and
- Introducing and developing the reporting of sustainability impacts and securing assurance in accordance with professional standards.

When designing new policy measures for the public sector, considering new public investment or reviewing public services, public sector organisations must assess potential sustainability impacts and consider appropriate mitigation measures. They are responsible for establishing policies to achieve international sustainability obligations, in particular climate change commitments. They may also wish to demonstrate best practice and leadership on sustainability in public investment and public services.

FEE supports the need to consider, measure and address sustainability impacts throughout the public policy cycle (appraisal of options, implementation, evaluation and feedback). With the help of the accountancy profession, or as appropriate from other experts in the form of external assurance, public sector organisations can improve sustainability performance by:

- Addressing in policy and investment appraisals the likely impacts on environmental assets and carbon emissions and also the use of scarce resources and the likely impacts of climate change and adaptation measures. Sustainability impacts and their future costs and benefits can be difficult to quantify but the accountancy profession can use its financial expertise in the development of appropriate metrics;
- Implementing public policy using best practice public procurement methods;

- Establishing data collection systems to monitor the implementation of public policy and measure intended and unintended sustainability impacts, and provide assurance that these systems are working as intended to collect complete, reliable and up-to-date information; and
- Evaluating the sustainability impacts of public policy and public services and incorporating such assessments in wider value for money reviews for use by government decision-takers and elected representatives.

Public sector organisations may work with their community to increase understanding of the state of their environment and work with partners to make sustainable development a reality. This can involve developing a comprehensive picture of the state of the environment in which we live to help track the impact of public policy over time. It may also help policy makers determine where further efforts are required and communities, individuals and businesses to identify actions they can take to address sustainability. It can also involve undertaking research and making the results available for wider use – for example on the likely impacts of climate change over the medium to long-term; or scientific research to establish cause and effect of actions such as emissions of pollutants on air quality. Public sector organisations with responsibilities for particular geographical areas are appropriate agents for developing “state of the environment” (and/or sustainability) reports covering a particular locality.

FEE considers the accountancy profession can work with others to ensure such reports are complete, accurate and fairly reflect corporate responsibilities of organisations and, where relevant, their reporting of their impacts on sustainability.

FEE believes that the accountancy profession can, by sharing its expertise and experience, help public sector organisations to achieve greater sustainability in their activities and actions.

#### Notes:

- <sup>1</sup> Other Policy Statements issued can be found at the following link:  
[http://www.fee.be/publications/default.asp?library\\_ref=4&category\\_ref=235](http://www.fee.be/publications/default.asp?library_ref=4&category_ref=235)  
 This Policy Statement is issued together with two additional Policy Statements:
- Small and sustainable: opportunities for SMEs, January 2010
  - Equipping accountants for a sustainable future, January 2010

<sup>2</sup> This policy statement adopts the UN definition of government units, which indicates the distinct nature of public sector organisations: government units may be described as unique kinds of legal entities established by political processes which have legislative, judicial or executive authority over other institutional units within a given area. Viewed as institutional units, the principal functions of government are to assume responsibility for the provision of goods and services to the community or to individual households and to finance their provision out of taxation or other incomes; to redistribute income and wealth by means of transfers; and to engage in non-market production.