



KOREA INSTITUTE OF PUBLIC FINANCE

Government Accounting and Finance Statistics Center

IPSASB Consultation Paper”

Advancing Public Sector Sustainability Reporting

***Comments on the Consultation Paper,
Advancing Public Sector Sustainability
Reporting***

September 8, 2022

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Ross Smith
Program and Technical Director
International Public Sector Accounting Standards Board
277 Wellington Street West
Toronto, ON M5V 3H2 Canada

**Re: The comments on the Consultation Paper,
Advancing Public Sector Sustainability Reporting**

Dear Mr. Smith,

The Government Accounting and Finance Statistics Center (“the GAFSC”) at the Korea Institute of Public Finance is pleased to respond to the International Public Sector Accounting Standards Board (“the IPSASB”) Consultation Paper, *Advancing Public Sector Sustainability Reporting*.

We truly welcome the IPSASB’s initiatives for crafting international guidance of sustainability reporting for the public sector. This should pave the way for public sector entities to provide consistent, comparable, and timely sustainability information to various stakeholders. As elaborated in the following pages, we support the IPSASB’s approach toward public sector-specific sustainability reporting guidance which is meshed well with other efforts made by private standard setters regarding sustainability reporting.

Our comments below are responses to five preliminary views of the IPSASB and two specific matters for comments. Please feel free to contact us if you have any questions regarding our comments. You may direct your inquiries to the technical staff of the GAFSC, Yoonji Jang (yjang@kipf.re.kr).

Sincerely,



Park, Sung-Jin

Executive Director of GAFSC at KIPF

[Preliminary View 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.

[GAFSC Comments]

We agree with IPSASB's preliminary view.

There are several irreconcilable differences between financial reporting in the private sector and that of the public sector. As a case in point, "the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities" acknowledges that public sector entities' performance cannot be measured by the size of profit generated and that their financial sustainability may not be adequately evaluated by financial position itself. Distinct from profit-seeking private sector entities, public sector entities should provide not only decision-useful information but also a broader spectrum of information about their accountability to various stakeholders, and ultimately, civil societies and citizens as a whole. Further, we believe that public entities' legal and regulatory authority over private sector entities may require the dissemination of different types of information reflecting different "materiality" concepts.

[Preliminary View 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

[GAFSC Comments]

Our opinion is in full agreement with IPSASB's preliminary view.

By nature, public sector accounting standards (including nonfinancial disclosure) reflect unique characteristics of public sector entities and public service transactions. However, other (private) standard-setting organizations may not be able to properly incorporate the implication of non-exchange transactions and the role of approved budgets into their deliberation of a new standard or guidance.

Furthermore, IPSASB is already equipped with a well-functioning "due process" for

supplementing/complementing/modifying private sector standards to customize available private sector standards for public sector entities. By leveraging IPSASB’s experience in public sector accounting standard setting and its international network with other jurisdictions and organizations, we firmly believe that IPSASB can effectively execute the promulgation of new guidance on public-sector-specific sustainability reporting.

[Specific Matter for Comment 1]

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.

[GAFSC Comments]

We believe that the disclosure of climate change-related information should get the highest priority. As a part of the Korean Government’s carbon neutral strategy, a greenhouse gas reduction recognition budget system (GHG reduction recognition budget) is under development in Korea. This new budget system is intended to (1) provide information on the climate change impact arising from the government’s expenditure and fiscal policy and (2) monitor the Korean government’s mitigation effort. Effective for the fiscal year 2022 and onward, the Korean government should submit the GHG reduction recognition budget as a supplementary document to its report on the settlement and expenditure budgets. Therefore, IPSASB’s disclosure guidance on climate-related information is expected to be regarded as a matter of utmost importance.

In addition, we believe that the climate issue deserves more attention from public sector entities due to the scope of its negative externality. Policy intervention of government, in general, is intended to correct “market failure” such as the free-riding problem and/or negative externality. Although it can be debatable, negative externality from some sustainability issues in the area of social and governance can be internalized within a jurisdiction through, for example, regulations or correctional taxes. By contrast, the impact of GHG emissions and resulting climate change is not a matter of an individual jurisdiction. GHG emission creates a “global” negative externality. Therefore, we believe that international cooperation is imperative to address this global threat and therefore, we wish IPSASB tackles this urgent issue first to let public sector entities provide useful, consistent, and comparable information on environmental sustainability.

[Preliminary View 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.

[GAFSC Comments]

We agree with IPSASB's preliminary view of the framework as illustrated in Figure 5. Given that public sector entities should provide information with both (financial) decision usefulness and (public) accountability, separate consideration of Block 1 and Block 2, on top of general disclosure guidance, seems reasonable. By following this approach, we believe that the collaboration with other international bodies (who are already following TCFD recommendations) would become more seamless.

[Preliminary View 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.

[GAFSC Comments]

We agree with IPSASB's preliminary view. As we responded in [SMC 1], we believe that there is a pressing demand for the disclosure of climate-related information. For this, we think that general sustainability disclosure guidance should be prepared before or along with the preparation of climate-related disclosure guidance.

[Preliminary View 5]

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.

[GAFSC Comments]

We agree with IPSASB's preliminary view. The first three enablers listed in paragraph 4.2. would constitute practical requirements to successfully form disclosure guidance in a timely manner. To make the disclosure guidance for public sector entities be well-meshed with private sector guidance, close and orchestrated collaboration with other international sustainability standard setters would be indispensable. Also, for more successful implementation of the disclosure guidance, continuous dialogue with national standard setters shall be necessary.

[Specific Matter for Comments 5]

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?

[GAFSC Comments]

We are sympathetic to IPSASB's need for financial support. However, as a branch of the Korea Institute of Public Finance, a fiscal policy-oriented research institute sponsored by the Korean Government, our Center for Government Accounting and Finance Statistics is not allowed to make any financial commitment without approval from the institution. As such, we are not able to provide a firm answer to this.

That said, we are willing to add our hands to IPSASB's effort for developing public sector-specific sustainability reporting guidance. As a part of the standard-setting body of Korean public sector accounting standards, we can contribute to IPSASB's deliberation process by, for example, providing examples and cases of Korea related to sustainability reporting and collaborating with other private sector standard setters in Korea.