

**Meeting:** International Public Sector Accounting  
Standards Board

**Meeting Location:** Zurich, Switzerland

**Meeting Date:** September 12–15, 2023

# Agenda Item 15

For:

☐ Approval

☒ Discussion

☐ Information

## FIRST-TIME ADOPTION OF ACCRUAL BASIS IPSASS

<b>Project summary</b>	The objective of this project is to address stakeholder concerns with IPSAS 33, First-time adoption of Accrual Basis IPSASSs.	
<b>Task Force members</b>	<ul style="list-style-type: none"> <li>Abdullah Al-Mehthil, Task Force Chair, IPSASB Member</li> <li>David Watkins, IPSASB Technical Advisor</li> </ul>	
<b>Meeting objectives</b> <b>Project management</b>	<b>Topic</b>	<b>Agenda Item</b>
	<a href="#">Instructions up to Previous Meeting</a>	<a href="#">15.1.1</a>
	<a href="#">Decisions up to Previous Meeting</a>	<a href="#">15.1.2</a>
	<a href="#">Project Roadmap</a>	<a href="#">15.1.3</a>
<b>Decisions required at this meeting</b>	<a href="#">Determining the best option of the First-Time Adoption of Accrual Basis IPSASSs Project to enable the use of IPSAS 33 in practice</a>	<a href="#">15.2.1</a>

**INSTRUCTIONS UP TO PREVIOUS MEETING**

Meeting	Instruction	Actioned
June 2023	1. Prepare a high-level options analysis for the September meeting considering what might be included in a revised Standard and what might be included in separate guidance (linked to Pathways to Accrual).	1. See <a href="#">Agenda Item 15.2.1</a> .

**DECISIONS UP TO PREVIOUS MEETING**

<b>Meeting</b>	<b>Decision</b>	<b>BC Reference</b>
June 2023	1. No decisions	1. N/A

**FIRST-TIME ADOPTION OF ACCRUAL BASIS IPSASS:  
PROJECT ROADMAP**

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
	1. To be determined after September 2023.

**Determining the best option to improving IPSAS 33, *First-Time Adoption of Accrual Basis IPSASs* to better enable the use of IPSAS 33 in practice.**

**Question**

1. Does the IPSASB agree IPSAS 33, *First-Time Adoption of Accrual Basis IPSASs*, should be rearranged by topic and non-authoritative guidance should be added to support adopters in their transition efforts?

**Recommendation**

2. Staff recommend rearranging IPSAS 33 by topic and adding non-authoritative guidance to further support new adopters in their transition efforts, focusing on the first set of financial statements for which a public sector entity could claim full compliance with accrual basis IPSAS.

**Background**

3. Since it was issued in January 2015, IPSAS 33 has been amended several times by other standards and by regular improvement projects.
4. At the June 2023 meeting, the IPSASB discussed feedback from jurisdictions with experience in applying IPSAS 33. The IPSASB noted the accountability index identifies a significant number of jurisdictions planning to adopt IPSAS by 2030, which will result in an increase in the use of IPSAS 33 in the coming years.
5. The IPSASB decided to consider alternatives at its September meeting on how IPSAS 33 could be improved to better enable the implementation of IPSAS.

**Analysis**

*Considering the IPSASB's Options*

6. Considering the public need and the IPSASB's role as the international public sector accounting standard setter, the IPSASB could proceed with one of the following options, each of which have advantages and disadvantages as follow:
  - a) **[Option 1]** Aligning IPSAS 33, *First-time Adoption of Accrual Basis IPSASs* with IFRS1, *First-time Adoption of International Financial Reporting Standards*.
    - Advantages: The revised Standard would be more familiar and therefore easier to apply if the private sector in that jurisdiction has the experience of transitioning from its local GAAP to IFRS.
    - Disadvantages: This option may be cumbersome to public sector entities since, in the majority of cases, a public sector entity would transition from a cash or modified cash basis, rather than a fully accrual basis, of accounting to accrual basis IPSAS.
  - b) **[Option 2]** Maintaining the body of IPSAS 33 as it currently stands and adding non-authoritative guidance (for example, Implementation Guidance material) to further support new adopters in their transition efforts, (for example: linkage of IPSAS 33 with the Pathways to Accrual tool).

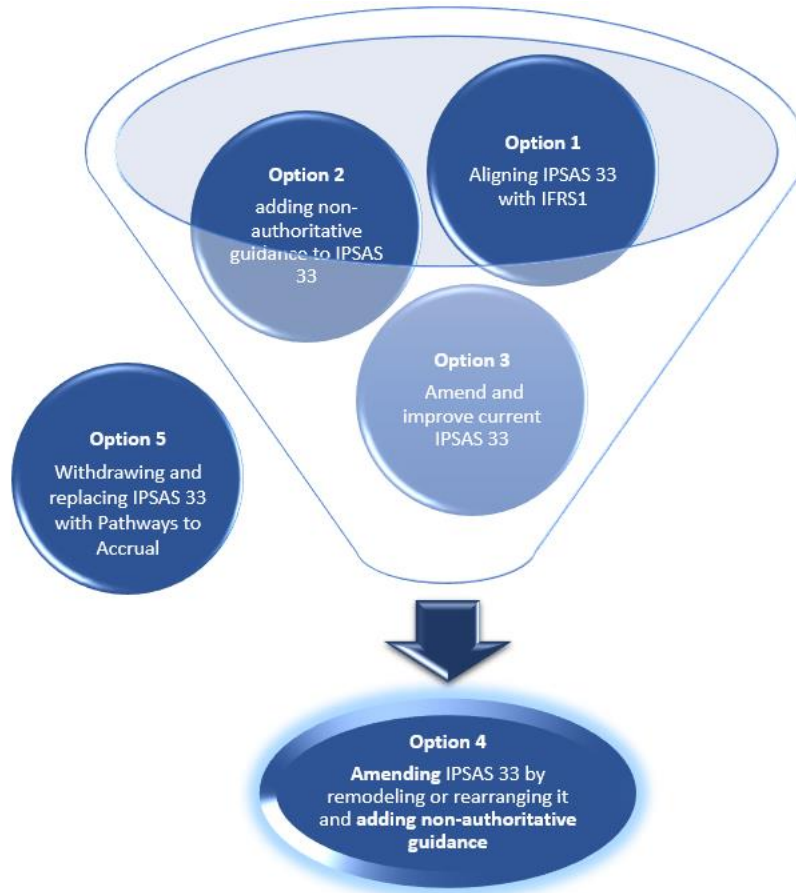
- Advantages: This would fill a gap in the current role of IPSAS 33 so that it would cover all aspects of the transformation effort to accrual basis IPSASs, thereby providing for the wider context of the transition and improving the Standard's overall usefulness.
  - Disadvantages: Careful consideration would need to be given to how linkages should be made in IPSAS 33 to the Pathways to Accrual tool. For example, it would not be normal for an IPSAS to deal with financial management matters outside the scope of the financial reporting requirements of the Standard, such as data collection, process reforms, modernization of IT systems, and capacity building.
- c) **[Option 3]** Amend and improve current IPSAS 33, by removing, adding and rearranging material.
- Advantages: IPSAS 33 currently arranges material by standard. Rearranging material by topic will better reflect the way preparers think. This would increase the effectiveness of the standard and the likelihood that the standard will be a comprehensive reference for first-time adopter of accrual basis IPSAS.
  - Disadvantages: Given the feedback received from stakeholders, presented to the IPSASB at its June 2023 meeting, this might not be sufficient to address the needs of first-time adopters who are moving from a cash to accrual accounting framework.
- d) **[Option 4]** Amending IPSAS 33 by rearranging material by topic—for example, grouping material by topic so that it links more closely to the Pathways to Accrual tool and focusing on the first set of financial statements for which a public sector entity could claim full compliance with accrual basis IPSAS; shortening the core text more in line with IFRS 1—moving it to Application Guidance and Implementation Guidance (in line with the IPSASB's current approach); and adding additional non-authoritative implementation guidance where appropriate to further support new adopters in their transition efforts.
- Advantages: This would result in a streamlined and comprehensive reference for first-time adopters of accrual basis IPSAS, that is familiar to those jurisdictions that have applied IFRS in the private sector, while retaining and enhancing the public sector specific material in IPSAS 33.
  - Disadvantages: As for Option 2.
- e) **[Option 5]** Withdrawing and replacing IPSAS 33 with *Pathways to Accrual*.
- Advantages: Pathways to Accrual offers resources that are intended to help governments and other public sector entities forge their own pathways towards adopting and implementing accrual-based reporting frameworks.
  - Disadvantages: Pathways to Accrual is a compilation of best practices and is not prescriptive in nature, nor does it provide specific guidance on dealing with accrual basis IPSAS on transition and during the transition period. In the absence of such guidance, reporting practices could vary.
7. Staff has concluded that Option 4 is the best option because the resulting standard would provide both streamlined guidance for the accounting transition and, by incorporating relevant information from, and providing linkages to the Pathways to Accrual tool, a comprehensive reference that would assist jurisdictions undertaking the reforms forge their own paths towards accrual basis IPSAS in the

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face of their own unique challenges, as successful implementation cannot happen without proper planning and preparation.

8. The figure below summarizes the suggested options:

Next Steps



9. Depending on the IPSASB's decision on this paper, staff will provide the following:
- a) Additional analysis or details on specific outputs under the selected option; and
  - b) Proposed project timeline.

### Decision Required

10. Does the IPSASB agree with the Staff [recommendation](#)?