

Agenda Item 7: Heritage

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IPSASB Meeting

Washington D.C., USA

March 12–15, 2019

Overview of Session

1. Background to discussion
2. Definition/description of heritage items
3. Heritage assets and their recognition
4. Presentation of information about heritage

7.2.1 Background to Discussion

- Purpose:
 - Provide background information on the Heritage Project
 - Confirm next steps for project (focus on heritage asset recognition)

7.2.1 Background to Discussion: Status and Progress in 2017

- CP, *Heritage*, published - April 2017
- Review of responses to the CP - December 2017
- Decision to defer further discussions until after measurement principles developed (Public Sector Measurement Project)
- Decision on approach going forward:
 - Develop application guidance on recognition of heritage assets, and include in IPSAS 17, *Property, Plant and Equipment*
 - Address measurement issues in IPSAS, *Measurement*

7.2.1 Background: Responses to Consultation Paper

- Good support for many of the preliminary views, including that:
 - The special characteristics of heritage items do not prevent them being assets for financial reporting purposes; and
 - Heritage assets should be included in the financial statements, if they meet the recognition criteria in the Conceptual Framework.
- Many respondents had issues with respect to measurement of heritage assets

Decisions required

IPSASB is asked to:

- (a) Note the information provided
- (b) Confirm that next steps are to address heritage asset recognition

7.2.2 Definition/Description of Heritage Assets

- Does IPSASB agree to defer discussion of a definition/description of heritage assets until after the IPSASB has firmed up its positions on their recognition and measurement?

7.2.2 Definition/Description of Heritage Assets

Heritage CP's description of "heritage items"—

- Items that are intended to be held indefinitely and preserved for the benefit of present and future generations because of their rarity and/or significance **in relation, but not limited, to their archeological, architectural, agricultural, artistic, cultural, environmental, historical, natural, scientific or technological features.**

CP responses to this description—

- 55% agreed with this description, 22% partially agreed, and 20% disagreed
- *Issues raised:* 1. Strengthen description /2 Add or remove **types of heritage** /3 Amend or address implications of "intend to be held indefinitely" /4 Address significance of "operational" heritage items

7.2.2 Definition/Description of Heritage Assets

Project's status report:

- CAG tentatively concluded that an extensive description or definition might not be needed for financial reporting for heritage
- Instead, an entity may need to:
 1. First, assess whether or not an item is an asset
 2. Second, determine whether the item is heritage
- If heritage assets are no different from other property, plant and equipment, or if the critical distinction is between operational/non-operational assets, rather than heritage/non-heritage, then do we need a definition?

Decision required

- Does the IPSASB agree to defer discussion of a definition for heritage assets until the need for such a definition becomes clearer?

7.2.3 Heritage Assets and their Recognition

- *Purpose:*
 - Provide background information on heritage asset recognition
 - Note that the Task Force will submit recommendations to the June meeting

7.2.3 Heritage Assets Recognition: Conceptual Framework

- Recognition criteria:
 - An item satisfies the definition of an element; and
 - Can be measured (qualitative characteristics and constraints)
- Asset: “a **resource** presently **controlled** by entity as result of **past event**”
- **Resource**: Has service potential or can generate economic benefits (EB):
 - Resource if can be used to provide services, where services may be to third parties
 - Notes that assets providing service potential include heritage assets
 - Use and disposal of public sector assets may be restricted
- **Control**: Able to use (or direct use) of resource - to derive benefits (achieve entity’s objectives, including service delivery objectives)

7.2.3 Heritage Assets Recognition: CP Responses

- 80% - agreed that the special characteristics of heritage items do not prevent them from being assets
- 78% - agreed that heritage assets should be recognized if they meet the recognition criteria

Measurement difficulties – impacting on recognition

- 68% - agreed that there are “heritage-related situations (or factors) in which heritage assets should *not* be recognized and/or measured because:
 - Not possible to assign a relevant and verifiable monetary value; or,
 - Cost-benefit constraint applies (costs do not justify the benefits)

7.2.3 Heritage Assets Recognition: Operational/ Non-operational



7.2.3 Heritage Assets Recognition: Operational/ Non-operational



7.2.3 Heritage Assets Recognition: Next steps

- Many heritage items are assets and should be recognized
- Next steps:
 - Focus on application guidance for heritage recognition
 - Apply the operational versus non-operational distinction (narrows the difficult area to non-operational heritage)
 - Museum collections – their valuation will be the challenge
- Heritage Task Force will submit recommendations on heritage asset recognition to the June 2019 IPSASB meeting

No decision required

The IPSASB is asked to:

- **Note that** the Heritage Task Force will submit recommendations on recognition to June meeting
- **Provide views on** factors/ situations that Task Force should consider when developing the recommendations

7.2.4 Presentation of Information about Heritage

Proposal: The Heritage Project should primarily focus on information in the financial statements

Background:

- PV: Heritage characteristics do not warrant specific presentation objectives
- CP responses: Some said disclosures and/or use of other reports would address heritage information needs
- Task Force Chair:
 - Disclosures cannot be a substitute for recognition of assets
 - Disclosures could be made in the Notes (financial statements) or other reports

7.2.4 Presentation of Information about Heritage

- A wider set of heritage-related information that needs to be publicly available?
- Other IPSAS pronouncements already adequately address this:
 - Service performance information (RPG 3, *Reporting Service Performance Information*)
 - Budgets (IPSAS 24, *Presentation of Budget Information in Financial Statements*),
 - Information on longer term resource availability (RPG 1, *Reporting on the Long-Term Sustainability of an Entity's Finances*)
 - Discussion and analysis of financial performance and position (RPG 2, *Financial Statement Discussion and Analysis*)

7.2.4 Presentation of Information about Heritage

- Examples of reporting by galleries/museums:
 - “Te Papa” (New Zealand) [annual report 2017/18](#)
 - The “AGO” (Ontario – Canada) [link to financial statements & year in review](#)
- *Non-financial information* in each report: Addresses *specific* needs. (Driven by environment, relationships, and accountability)
- *Buildings*: Recognized as assets and on the statement of financial position
- *Museum collections*:
 - Te Papa recognizes its collection (in the statement of financial position)
 - AGO discloses information in Notes about purchases/sales of collection items

Decision required

- Does the IPSASB agree that the Heritage Project's primary focus going forward should be on information presented in the financial statements?

Next steps

- Focus on recognition application guidance (to include in IPSAS 17, *Property, Plant and Equipment*)
- Heritage Task Force will submit recommendations on heritage asset recognition to the June 2019 IPSASB meeting



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