

Meeting: International Public Sector Accounting Standards Board

Meeting Location: New York, USA

Meeting Date: March 10—13, 2020

Agenda Item 7

For:

Approval

Discussion

Information

HERITAGE

Project summary	Provide requirements and guidance on accounting for heritage.	
Meeting objectives Project management	Topic	Agenda Item
	Heritage: Project Roadmap	7.1.1
	Instructions up to Previous Meeting	7.1.2
	Decisions up to Previous Meeting	7.1.3
Decisions required at this meeting	Recognition of heritage assets: used for heritage/non-heritage purposes	7.2.1
	Heritage items as assets: Existence of control	7.2.2
	Depreciation of heritage assets	7.2.3
	Impairment of heritage assets	7.2.4
Other supporting items	IPSASB approved Heritage Issues list	7.3.1
	Implementation examples (for 7.2.1 and 7.2.2)	7.3.2

HERITAGE: PROJECT ROADMAP

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
June 2020	<ol style="list-style-type: none"> 1. Review ED text that reflects IPSASB instructions from March 2020 meeting. 2. Approve ED on financial reporting for heritage.
March 2020	<ol style="list-style-type: none"> 1. Consider two heritage financial reporting issues. 2. Consider issues raised by transition and first time adoption. 3. Review ED text that reflects IPSASB instructions on the issues considered at the December 2019 meeting.
December 2019	<ol style="list-style-type: none"> 1. Consider three heritage financial reporting issues. 2. Review ED text that reflects IPSASB instructions from September meeting. 3. Consider draft ED text to address generic issue of heritage asset recognition.
September 2019	<ol style="list-style-type: none"> 1. Review plan to address heritage financial reporting issues. 2. Consider four issues (as per the plan).
June 2019	<ol style="list-style-type: none"> 1. Explored the operational/non-operational distinction. 2. Considered issues raised (in CP and responses to the CP) and proposals provided on where each belongs (recognition, measurement, or presentation), using a table format for this classification.
March 2019	<ol style="list-style-type: none"> 1. Overview of project's progress to date, and the relationship between the Heritage project and the Public Sector Measurement project. 2. Provide direction on topics on which the Heritage Task Force should develop recommendations for consideration at subsequent meetings. 3. Comments on recognition of heritage assets (as input to Task Force development of recommendations for June.)
December 2017	<ol style="list-style-type: none"> 1. Review of responses to the CP, <i>Financial Reporting for Heritage</i>. 2. Discussion (during the work plan discussion) of the relationship between the Heritage and the Public Sector Measurement projects.
Earlier meetings	<ol style="list-style-type: none"> 1. The IPSASB approved the Consultation Paper (CP), <i>Financial Reporting for Heritage</i>, at its March 2017 meeting. 2. The IPSASB's first project discussion was in September 2015. At subsequent IPSASB meetings the IPSASB discussed issues raised by financial reporting for heritage; identified its preliminary views on such issues and specific matters for comment on which to request constituents' views; and reviewed draft consultation paper chapters.

INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
December 2019	1. Use same approach and same format as those for Infrastructure to develop Heritage agenda papers and draft guidance.	Actioned
	2. For March agenda papers, revise December's conclusions and draft guidance to align with changes to the flowchart, as approved during the board's discussion of Infrastructure.	Actioned
September 2019	1. Revise order of issues as follows: heritage usage; ownership/stewardship; depreciation/impairment; and then subsequent expenditure.	Actioned
	2. Provide evaluation of the adequacy of IPSAS 17's guidance for each issue.	Actioned
	3. Provide recommendations on need for guidance with text drafted.	Actioned
	4. Provide draft Bases for Conclusions text.	Actioned
	5. Provide exposition for each issue from a heritage point of view (Log heritage-specific issues.)	Actioned
June 2019	6. Consolidate analysis of stakeholder responses under generic headings presented at the IPSASB meeting; analyze them according to recognition, measurement and presentation; and consider whether additions or amendments will be required to guidance and which IPSAS/ED Measurement will be impacted.	Actioned
	7. Provide plan with order and timing for delivery of guidance/solution on the issues.	Actioned
	8. Provide first issues for discussion in September.	Actioned

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
December 2019	No decisions	Not applicable.
September 2019	No decisions	Not applicable.
June 2019	Tentative: <ol style="list-style-type: none"> 1. No separate heritage standard. 2. No definition of heritage assets. 3. Operational/non-operational approach not to be taken forward, but “heritage purposes” and “non-heritage purposes” approach should be further explored. 4. Heritage issues are concerned with measurement and not recognition. 	Awaits further decisions.
March 2019	<ol style="list-style-type: none"> 1. Focus on information in the financial statements; recognition and measurement specific to heritage assets. 	Awaits further decisions

Recognition of heritage assets used for heritage/non-heritage purposes

Question

- Whether the IPSASB agrees existing authoritative guidance on recognition of heritage assets that are used for heritage and non-heritage purposes is insufficient.

Issue—(Issue #1)

- Stakeholders questioned whether heritage assets used for heritage purposes should be recognized, with one basis for non-recognition being they are not “resources” (i.e. generate future economic benefits (FEB) and/or have service potential) from the reporting entity’s perspective, when they are only used for heritage purposes (i.e. held for public education, appreciation, etc.).

Applying the Flowchart (Decisions 1 to 5)

- The Task Force’s analysis¹ of this issue is shown in the table below. The detailed analysis is in [7.2.1A](#).

Flowchart	Task Force Analysis
Decision 1: Is the issue prevalent in the public sector?	Yes
Decision 2: Is there sufficient authoritative IPSAS guidance that already addresses this issue in the public sector?	No
Decision 3: Is this issue related to general purpose financial statements?	Yes
Decision 4: Is additional non-authoritative guidance necessary to enhance consistency of application?	Not applicable
Decision 5: Is the issue relevant to other projects?	No
Flowchart recommendation	Develop authoritative guidance

¹ The Task Force analysis in Agenda Paper 7 applies a working assumption that the heritage assets scope exclusion in the IPSAS 17 has been removed, so that IPSAS 17 requirements apply to heritage items that are items of property, plant and equipment.

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4. The Flowchart proposes developing authoritative guidance to address this issue. The table below shows current and proposed IPSAS guidance. Detailed guidance is in [7.2.1B](#).

IPSAS Guidance	Core Text	Application Guidance	Implementation Guidance	Illustrative Examples	Basis for Conclusions
Current	✓	X	X	X	X
Proposed	X	7.2.1B	7.2.1B	7.3.2	7.2.1B

Decisions required

5. Does the IPSASB agree with the:
- Flowchart recommendation to develop additional authoritative guidance; and
 - Proposed guidance in [7.2.1B](#)?

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Appendix 7.2.1A: Detailed Analysis - Recognition of heritage assets used for heritage/non-heritage purposes

Question

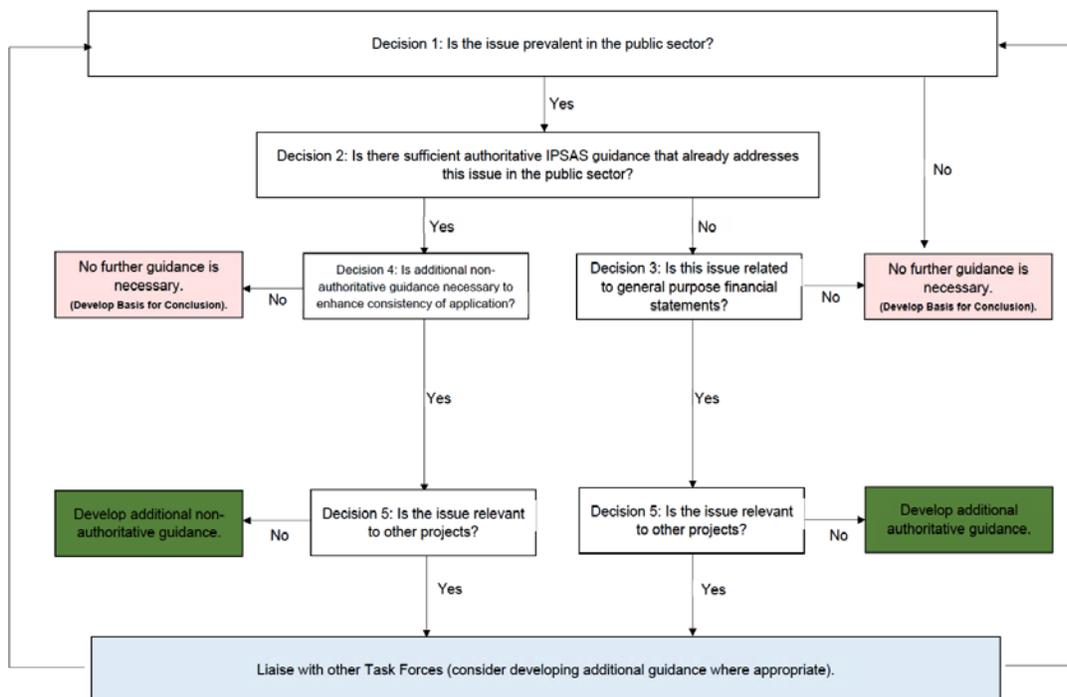
- Whether the IPSASB agrees existing authoritative guidance on recognition of heritage assets that are used for heritage and non-heritage purposes is insufficient.

Issue—(Issue #1)

- Stakeholders questioned whether heritage assets used for heritage purposes should be recognized, with one basis for non-recognition being they are not “resources” (i.e. generate future economic benefits (FEB) and/or have service potential) from the reporting entity’s perspective, when they are only used for heritage purposes (i.e. held for public education, appreciation, etc.).

Task Force Analysis—Applying the Flowchart (Decisions 1–5)

- The Task Force applied the Flowchart to analyze the heritage issues identified.



Decision 1: Is the issue prevalent in the public sector?

Yes

The issue of whether heritage assets used for heritage and non-heritage purposes should be recognized is prevalent in the public sector. In most national jurisdictions the majority of museums and art galleries are public sector entities and they hold extensive collections of heritage assets. Many other public sector entities, e.g. city councils, government departments, hospitals, universities, schools, and railways, hold heritage assets in the form of historic buildings, historic infrastructure (e.g. bridges, railway stations, railway tracks, and roads), paintings, and land. Entities that hold heritage assets may use them for heritage purposes (e.g. to display them to the public) or non-heritage purposes (e.g. an historic building that is used to provide office space or an historic power station that is used to generate power). Some national jurisdictions consider that only those heritage assets that are used for non-heritage purposes should be recognized as assets, while others consider that no heritage assets should be recognized. Some jurisdictions apply similar concepts to those in the Conceptual Framework to conclude that heritage assets should be recognized as assets so long as they meet the recognition criteria, whether their use is for non-heritage or heritage purposes.

Decision 2: Is there sufficient authoritative IPSAS guidance that already addresses this issue in the public sector?

No

There is not sufficient authoritative text (core text and application guidance) in IPSAS 17 on asset existence (service potential and/or future economic benefits (FEBs)), including whether an item of PP&E is a “resource” (as defined in the Conceptual Framework), from the reporting entity’s perspective. The Task Force noted that IPSAS 17 has authoritative guidance on recognition. However, the Task Force did not consider that it was sufficient for Heritage recognition purposes. On this basis the Task Force proposed that IPSAS 17 should be revised to include authoritative guidance that reflects the Conceptual Framework’s guidance on whether or not heritage items are resources and could, therefore, be assets, when they are used for different purposes, including for heritage purposes. [Task Force view–majority.]

Yes

IPSAS 17 has sufficient authoritative guidance to address this issue. Paragraph 14 states that “The cost of an item of property, plant, and equipment shall be recognized as an asset if, and only if: (a) It is probable that future economic benefits or service potential associated with the item will flow to the entity; and (b) The cost or fair value of the item can be measured reliably. Where IPSAS 17 uses the term “assets” the IPSAS 1 definition applies². National jurisdictions that have removed the heritage assets scope exclusion clause from IPSAS 17 (or its IFRS equivalent IAS 16) have not identified a need to add authoritative guidance to IPSAS 17 to address their recognition as assets. [Task Force minority view.]

² IPSAS 1, *Presentation of Financial Statements*, defines assets to be “resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity [paragraph 7].”

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Decision 3: Is this issue related to general purpose financial statements?

Yes

This issue is related to general purpose financial statements. A lack of guidance on recognition of heritage assets has the potential to negatively affect the ability of financial statements to provide useful information for accountability and decision making.

Decision 4: Is additional non-authoritative guidance necessary to enhance consistency of application?

Not applicable

Decision 5: Is the issue relevant to other projects?

No

The issue of whether heritage assets should be recognized, including the issue of whether heritage assets used for heritage purposes should be recognized, is unique to the Heritage project and not relevant to other projects.

Task Force Recommendation

4. The Task Force recommends additional authoritative guidance and non-authoritative guidance as appropriate to be developed for the recognition of heritage assets that are used for heritage and non-heritage purposes.

Decisions required

5. Does the IPSASB agree with the Task Force recommendation?

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Appendix 7.2.1B: Additional Guidance - Recognition of heritage assets used for heritage/non-heritage purposes

Proposed guidance

1. The proposed IPSAS guidance available to address whether heritage items used for heritage/non-heritage purposes could be resources (probable future economic benefits or service potential) is in the table below³. New text is underlined and deleted text is struck through.

Proposed Guidance (New text is underlined)				
Core Text	Application Guidance	Implementation Guidance	IEs	Basis for Conclusions
<p>Recognition</p> <p>IPSAS 17.14 states the cost of an item of property, plant, and equipment shall be recognized as an asset if, and only if:</p> <p>(a) It is probable that future economic benefits or service potential associated with the item will flow to the entity; and</p> <p>(b) The cost or fair value of the item can be measured reliably.</p>	<p><i>This Appendix is an integral part of IPSAS 17</i></p> <p><u>Recognition (see paragraphs 14-25) Probable future economic benefits or service potential</u></p> <p><u>AG1. Property, plant, and equipment (PP&E) is recognized when it is probable that future economic benefits or service potential associated with the item will flow to the entity and the cost or fair value of the item can be measured reliably.</u></p> <p><u>AG2. Service potential is the capacity to provide services that contribute to achieving the entity's objectives. Service potential enables an entity to achieve its objectives without necessarily generating net cash inflows.</u></p> <p><u>AG3. Public sector assets that embody service potential may include heritage, community, and other</u></p>	<p><i>This guidance accompanies, but is not part of, IPSAS 17</i></p> <p><u>Heritage Assets</u></p> <p><u>Assessment of service potential</u></p> <p><u>IG1. In the public sector, heritage items may be used for heritage purposes or non-heritage purposes. In each case an assessment of whether or not it is probable that service potential associated with the item will flow to the entity depends on consideration of the entity's objectives.</u></p> <p><u>IG2. Where heritage items provide services that contribute to achieving the entity's objectives, they have service potential. The entity may use heritage items to provide services to third parties. If those services contribute to achieving the entity's objectives, then the heritage items have service potential.</u></p> <p><u>IG3 Heritage items may be used to provide heritage-related services such as education, heritage appreciation, or increasing the</u></p>	<p>Link to IEs</p>	<p><i>This Basis for Conclusions accompanies, but is not part of, IPSAS 17</i></p> <p><u>Heritage Assets</u></p> <p><u>BC1. The IPSASB acknowledged that the current principle in IPSAS 17 on determining whether property, plant, and equipment should be recognized may be inconsistently applied to heritage assets.</u></p> <p><u>BC2. The IPSASB agreed to add application guidance (paragraphs XX-XX) and implementation guidance (paragraphs XX-XX) to clarify how entities should assess whether heritage items are resources.</u></p>

³ The proposed IPSAS guidance are staff's initial thoughts and are subject to discussions with the Heritage Assets Task Force.

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Proposed Guidance (New text is underlined)				
Core Text	Application Guidance	Implementation Guidance	IEs	Basis for Conclusions
	<p><u>assets which are held by governments and other public sector entities, and which are used to provide services to third parties. Such services may be for collective or individual consumption. Many services may be provided in areas where there is no market competition or limited market competition. The use and disposal of such assets may be restricted as many assets that embody service potential are specialized in nature.</u></p> <p><u>AG4. Economic benefits are cash inflows or a reduction in cash outflows. Cash inflows (or reduced cash outflows) may be derived from, for example: (a) an asset's use in the production and sale of services; or (b) the direct exchange of an asset for cash or other resources.</u></p>	<p><u>beauty or sense of history in a building or other location. Heritage items may also be used to deliver services unrelated to their heritage nature, such as transportation or power generation. These different uses (heritage and non-heritage) do not affect the extent to which heritage items have service potential, which is assessed in terms of the capacity to provide services that contribute to achieving the entity's objectives.</u></p>		

Decisions required

- 2 Does the IPSASB agree with the additional guidance?

Heritage items as assets: Existence of control

Question

- Whether the IPSASB agrees that existing authoritative guidance on control of heritage assets is sufficient.

Issue—(Issue #2)

- Stakeholders stated that guidance is needed on control of heritage items, to support assessments of whether they are assets for financial reporting purposes.

Task Force Analysis – Applying the Flowchart (Decision 1 - Decision 5)

- The Task Force applied the Flowchart to analyse the heritage assets issues identified. The analysis is summarized in the table below. The detailed analysis is in [7.2.2A](#).

Flowchart	Task Force Analysis
Decision 1: Is the issue prevalent in the public sector?	Yes
Decision 2: Is there sufficient authoritative IPSAS guidance that already addresses this issue in the public sector?	Yes
Decision 3: Is this issue related to general purpose financial statements?	Not applicable
Decision 4: Is additional non-authoritative guidance necessary to enhance consistency of application?	Yes
Decision 5: Is the issue relevant to other projects?	Yes (Infrastructure and Leases)
Flowchart recommendation	Liaise with other Task Forces

- The Flowchart recommends liaising with other Task Forces (and considering developing additional guidance where appropriate). The table below shows current and proposed IPSAS guidance. Detailed guidance is in [7.2.2B](#).

IPSAS Guidance	Core Text	Application Guidance	Implementation Guidance	Illustrative Examples	Basis for Conclusions
Current	✓	X	X	X	X
Proposed	X	X	7.2.2B	7.3.2	7.2.2B

Decisions required

5. Does the IPSASB agree with the Task Force's recommendations that:
 - (a) Existing authoritative guidance on control of heritage assets is sufficient; and
 - (b) Non-authoritative guidance should be developed as appropriate (see [7.2.2B](#))?

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Appendix 7.2.2A: Detailed Analysis - Heritage items as assets: Existence of control

Question

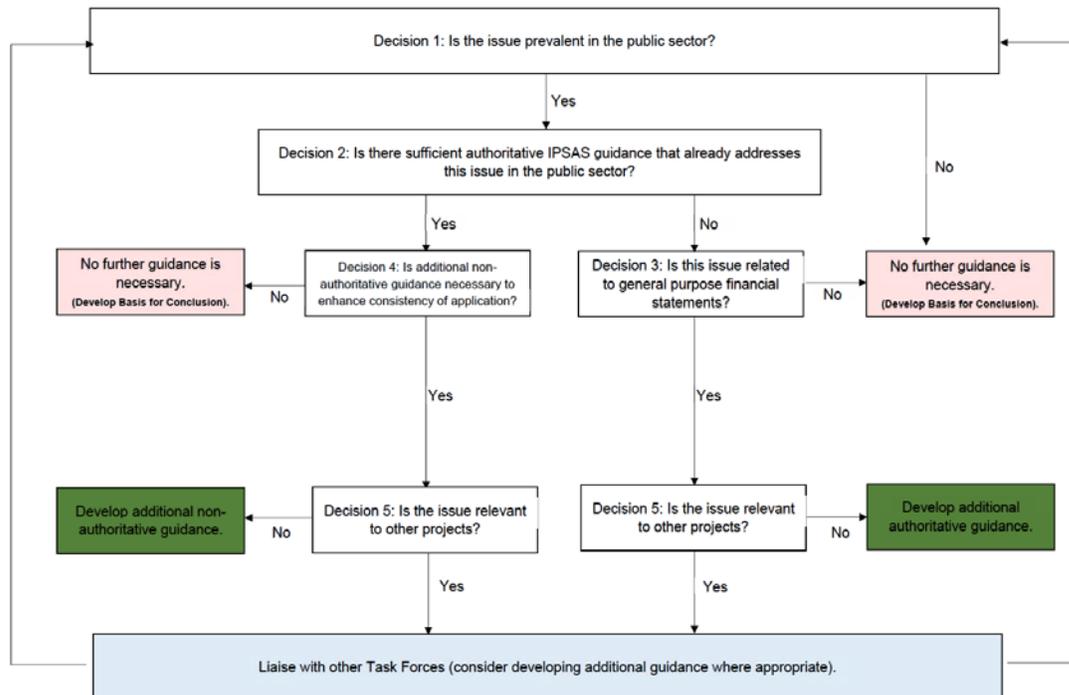
- Whether the IPSASB agrees that existing authoritative guidance on control of heritage assets is sufficient.

Issue—(Issue #2)

- Stakeholders stated that guidance is needed on control of heritage items, such that they could be assets for financial reporting purposes. The issue relates to stewardship, custodianship, being held in trust, ownership, and duties of care, as these relate to control. Some stakeholders questioned whether control heritage assets should be recognized where there are restrictions.

Task Force Analysis – Applying the Flowchart (Decision 1 - Decision 5)

- The Task Force applied the Flowchart to analyze the heritage issues identified.



Decision 1: Is the issue prevalent in the public sector?

Yes

The issue of control over heritage items is prevalent in the public sector. Entities that hold heritage items often view themselves as stewards, guardians or trustees rather than controllers or owners. There are often restrictions on how entities can use heritage assets.

Decision 2: Is there sufficient authoritative IPSAS guidance that already addresses this issue in the public sector?

Yes

Although IPSAS 17 does not explicitly address control over PP&E assets in its authoritative text (core text and application guidance), the majority view of Task Force members was that authoritative guidance in IPSAS 17 is sufficient to address Heritage issues. Paragraph 14 of IPSAS 17, *Property, Plant, and Equipment*, indicates control needs to be achieved prior to property, plant, and equipment being recognized. Recognition occurs when "...it is probable that the future economic benefits or service potential associated with the item will flow to the entity; and the cost or fair value of the item can be measured reliably." IPSAS 1, *Presentation of Financial Statements*, defines assets to be "resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity [paragraph 7]." Where IPSAS 17 uses the term "assets" this definition applies. [Task Force view–majority.] Non-authoritative guidance could be appropriate on specific control issues, including situations where heritage items may not be controlled because they are only managed on behalf of others (e.g. lands belonging to indigenous people).

Decision 3: Is this issue related to general purpose financial statements?

Not applicable

Decision 4: Is additional non-authoritative guidance necessary to enhance consistency of application?

Yes

Although the Task Force did not reach an explicit view on whether non-authoritative guidance is necessary during the lead up to this IPSASB meeting. Staff has submitted non-authoritative guidance for consideration, given the Task Force's support for non-authoritative guidance on this issue during the lead up to the IPSASB's December 2019 meeting.

Decision 5: Is the issue relevant to other projects?

Yes

The issue of control is relevant to other projects, for example the Infrastructure project. The specific issue of heritage items held on loan from another entity is relevant to the Leases project. (Majority view)

No:

One Task Force member stated that Heritage control issues are distinguishable from infrastructure control issues.

Task Force Recommendation

4. The Task Force recommends that existing authoritative guidance on control of heritage assets is sufficient.

Decisions required

5. Does the IPSASB agree with the Task Force recommendation that
 - (a) Existing authoritative guidance on control of heritage assets is sufficient; and
 - (b) Non-authoritative guidance should be developed as appropriate?

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Appendix 7.2.2B: Additional Guidance—Heritage items as assets: Existence of control

Proposed guidance

1. The proposed IPSAS guidance to address the issue of control of heritage assets is in the table below⁴. New text is underlined and deleted text is struck through.

Proposed Guidance (New text is underlined)				
Core Text	Application Guidance	Implementation Guidance	IEs	Basis for Conclusions
<p>Recognition IPSAS 17.14 The cost of an item of property, plant, and equipment shall be recognized as an asset if, and only if:</p> <p>(a) It is probable that future economic benefits or service potential associated with the item will flow to the entity; and</p> <p>(b) The cost or fair value of the item can be measured reliably.</p>	<p>Not applicable</p>	<p><i>This guidance accompanies, but is not part of, IPSAS 17</i></p> <p><u>Assessment of control over heritage assets</u></p> <p><u>How is control over heritage items determined when there are restrictions on what an entity is able to do with the heritage items that it holds?</u></p> <p><u>IG1. In the public sector, it may be challenging to assess whether the entity controls heritage items for which it is responsible. There are often restrictions on uses to which heritage items can be put, with a common one being prohibitions against sale and a duty to preserve the heritage, while also making it publicly accessible for appreciation and/or education.</u></p> <p><u>IG2. Control of heritage items is evidenced by the following criteria:</u></p> <p>(a) <u>Ability of the entity to use the heritage items or direct other parties on their use so as to derive service potential or economic benefits;</u></p> <p>(b) <u>Legal ownership; and</u></p> <p>(c) <u>Access to the heritage items, or the ability to deny or restrict access to them.</u></p> <p><u>IG3. An entity controls a heritage item if it has the ability to use it or direct other parties on its use so as to derive service potential or economic benefits. An entity may use heritage items to deliver services to others in</u></p>	<p>Link to IEs</p>	<p><i>This Basis for Conclusions accompanies, but is not part of, IPSAS 17</i></p> <p><u>Control over Heritage Assets</u></p> <p><u>BC1. The IPSASB acknowledged that the current principle in IPSAS 17 on control may be inconsistently applied to heritage assets.</u></p> <p><u>BC2. The IPSASB agreed to add implementation guidance (paragraphs XX-XX) to clarify how to assess control over heritage items.</u></p>

⁴ The proposed guidance is subject to discussions with other Task Forces.

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Proposed Guidance (New text is underlined)				
Core Text	Application Guidance	Implementation Guidance	IEs	Basis for Conclusions
		<p><u>pursuit of the entity's objectives. The entity's objectives may be to provide heritage-related services or to provide other non-heritage services.</u></p> <p><u>IG4 If one entity has the right to direct access to, and restrict or deny the access of others to the heritage item while another entity is its legal owner, substance over form indicates that the heritage item is controlled by the entity that has the right to direct access (or to restrict or deny the access of others) to the heritage item.</u></p> <p><u>IG5. An entity may be granted a right to use the heritage item for a period of time. Control of the heritage item will be demonstrated if the entity has rights over the heritage item that enable the entity to direct access to it, or to restrict or deny the access of others to it. For the entity to demonstrate control, the right to use the heritage item needs to be for an unlimited period of time and have other rights to direct access to the heritage item, or to restrict or deny the access of others to the heritage item.</u></p> <p><u>IG6. The right to use heritage items to generate service potential or economic benefits is insufficient on its own to demonstrate control. The entity must be able to restrict or deny access to heritage items. There are situations where an entity's ability to restrict access to heritage items may appear to be limited by the need to make heritage accessible to the public. An entity that is able to restrict access to heritage items when it deems that this is necessary, consistent with its objectives—even where those objectives generally mean that the heritage items are accessible to the public—has the ability to restrict or deny access from a control perspective.</u></p>		

Decisions required

- 2. Does the IPSASB agree with the additional non-authoritative guidance?

Depreciation of heritage assets

Question

- Whether the IPSASB agrees existing authoritative guidance on depreciation of heritage assets is insufficient.

Issue—[\(Issue #3\(a\)\)](#)

- Stakeholders raised issues related to the depreciation of heritages assets, including the estimation of useful lives and whether it is appropriate to not depreciate certain types of heritage assets or heritage assets held in certain circumstances.

Applying the Flowchart (Decisions 1 to 5)

- The Task Force's analysis of this issue is shown in the table below. The detailed analysis is in [7.2.3A](#).

Flowchart	Task Force Analysis
Decision 1: Is the issue prevalent in the public sector?	Yes
Decision 2: Is there sufficient authoritative IPSAS guidance that already addresses this issue in the public sector?	No
Decision 3: Is this issue related to general purpose financial statements?	Yes
Decision 4: Is additional non-authoritative guidance necessary to enhance consistency of application?	Not applicable
Decision 5: Is the issue relevant to other projects?	Yes (Infrastructure and Measurement)
Flowchart recommendation	Liaise with other Task Forces

- The Flowchart proposes liaising with other Task Forces (and considering developing additional guidance where appropriate). The table below shows current and proposed IPSAS guidance. Detailed guidance is in [7.2.3B](#).

IPSAS Guidance	Core Text	Application Guidance	Implementation Guidance	Illustrative Examples	Basis for Conclusions
Current	✓	X	X	X	X
Proposed	7.2.3B	TBD	7.2.3B	TBD	TBD

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5. Further guidance may be necessary and this has been indicated by “to be determined” (TBD) in the table above.

Decisions required

6. Does the IPSASB agree with:
 - (a) The Task Force’s recommendation that existing authoritative guidance on depreciation of heritage assets is insufficient; and
 - (b) Proposed guidance in [7.2.3B](#)?

Appendix 7.2.3A: Detailed Analysis—Depreciation

Question

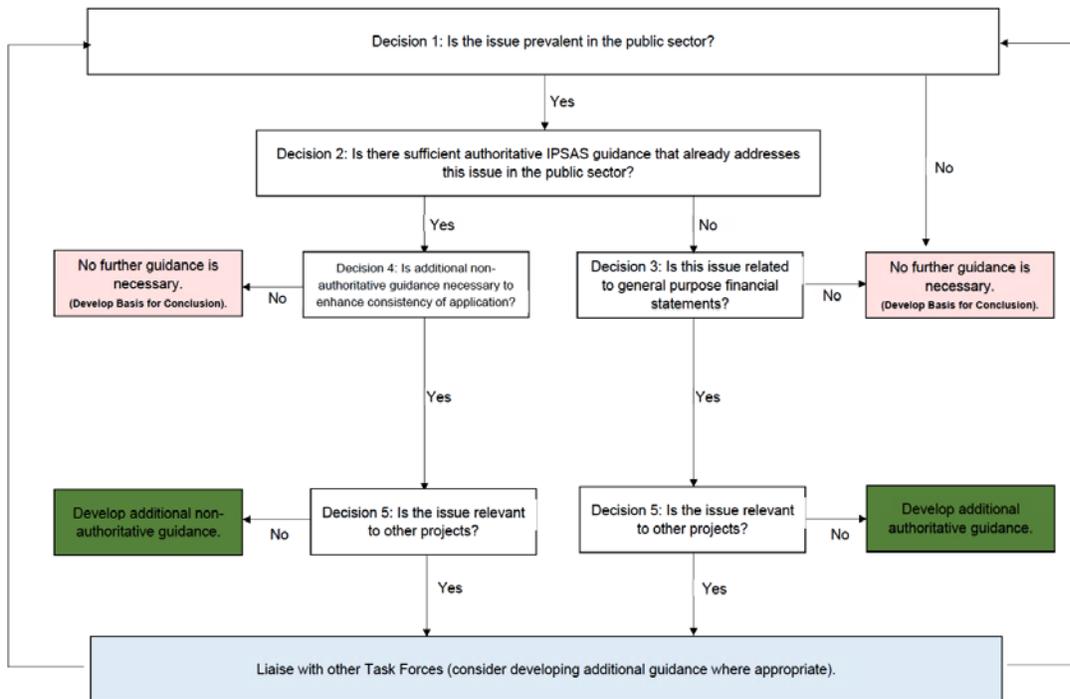
- Whether the IPSASB agrees existing authoritative guidance on depreciation of heritage assets is insufficient.

Issue ([Issue #3\(a\)](#))

- Stakeholders raised issues related to the depreciation of heritages assets, including the estimation of useful lives and whether it is appropriate to not depreciate certain types of heritage assets or heritage assets held in certain circumstances.

Task Force Analysis—Applying the Flowchart (Decisions 1–5)

- The Task Force applied the Flowchart to analyze the heritage issues identified.



Decision 1: Is the issue prevalent in the public sector?**Yes**

This issue is prevalent in the public sector. Many heritage assets are depreciable assets and entities need to determine their useful lives in order to calculate depreciation. There are also many heritage assets that have very long and possibly indefinite useful lives, either due to their nature or the circumstances in which they are held, with the result that constituents either consider that there is no basis for depreciating such assets or are unsure as to how to determine their useful lives.

Decision 2: Is there already sufficient authoritative IPSAS guidance to address this issue?**No**

IPSAS 17 assumes that the reporting entity uses PP&E for a specific period of time and that the residual value of PP&E is less than the value at the start of its useful life with the depreciable amount therefore being a non-zero amount. The assumed reality is that PP&E is “used up” during usage, with a finite value that, over time, reduces as a result of various factors, with the main ones being physical wear and tear and/or functional obsolescence. This situation applies to some types of heritage assets but is difficult to apply in a meaningful way to other types/situations. For example, an item of heritage-valued jewelry, collection of bronze coins, or statue held in a controlled environment to protect their longevity could be preserved indefinitely and arguably not depreciate. Cave paintings that have survived intact for thousands of years appear able to survive indefinitely, without suffering from depreciation either due to usage or obsolescence (given their heritage value).

Decision 3: Is this issue related to general purpose financial statements?**Yes**

This issue is related to general purpose financial statements. A lack of guidance on depreciation of heritage assets may negatively affect the ability of financial statements to provide useful information for accountability and decision making.

Decision 4: Is additional non-authoritative guidance necessary to enhance consistency of application?

Not applicable

Decision 5: Is the issue relevant to other projects?

Yes—The issue of depreciation is relevant to the Infrastructure and Measurement projects.

Task Force Recommendation

4. The Task Force recommends that additional authoritative guidance be developed to address depreciation of heritage assets and non-authoritative guidance as appropriate. Proposed guidance is in [7.2.3B](#).

Decisions required

5. Does the IPSASB agree with the Task Force recommendation?

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Appendix 7.2.3B: Additional Guidance—Depreciation

Proposed guidance

1. Bases for Conclusions text and further guidance (if any) on depreciation of heritage assets will be proposed after liaison with other Task Forces. New text is underlined and deleted text is struck through.

Proposed Guidance (New text is underlined)				
Core Text	Application Guidance	Implementation Guidance	IEs	Basis for Conclusions
<p>IPSAS 17.74:</p> <p>73. The useful life of an asset is defined in terms of the asset's expected utility to the entity. The asset management policy of an entity may involve the disposal of assets after a specified time, or after consumption of a specified proportion of the future economic benefits or service potential embodied in the asset. Therefore, the useful life of an asset may be shorter than its economic life. The estimation of the useful life of the asset is a matter of judgement based on the experience of the entity with similar assets. <u>In rare cases an asset may be assessed as having an unlimited useful life.</u></p> <p>74. Land and buildings are separable assets and are accounted for separately, even when they are acquired together. With some exceptions, such as quarries and sites used for landfill, land has an unlimited useful life and therefore is not depreciated. Buildings <u>generally</u> have a limited useful life and therefore are depreciable assets. An increase in the value of the land on which a building stands does not affect the determination of the depreciable amount of the building. <u>Where a building or other type of PP&E is held for its heritage value and is being preserved indefinitely such that there is evidence that its useful life is so long as to be unlimited it is not therefore depreciated.</u></p>	<p><i>To be determined.</i></p>	<p><i>This guidance accompanies, but is not part of, IPSAS 17</i></p> <p><u>IG1 Given the nature of heritage assets, they may not have limited useful lives (for example, when the entity adopts appropriate curatorial and preservation policies), and therefore may not be subject to depreciation.</u></p> <p><u>IG2 The curatorial and preservation policies referred to in paragraph IG2 above would typically be those developed and monitored by qualified personnel and include the following:</u></p> <p style="margin-left: 20px;"><u>(a) a clearly stated objective about the holding and preservation of items;</u></p> <p style="margin-left: 20px;"><u>(b) a well-developed plan to achieve the objective, including demonstration of how the policy will be implemented, based on advice by appropriately qualified experts;</u></p> <p style="margin-left: 20px;"><u>(c) monitoring procedures; and</u></p> <p style="margin-left: 20px;"><u>(d) periodic reviews.</u></p> <p><u>IG3 In addition, there would be evidence that the policies have been adopted by the governing body of the entity.</u></p>	<p><i>To be determined</i></p>	<p><i>To be determined</i></p>

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Decisions required

2. Does the IPSASB agree with the additional guidance? (Staff will develop further draft guidance as necessary, for Task Force consideration, following the IPSASB's decisions and instructions on these proposals.)

Impairment of Heritage Assets

Question

- Whether the IPSASB agrees existing authoritative guidance on impairment of heritage assets is insufficient.

Issue—[\(Issue #3\(b\)\)](#)

- Stakeholders asked for guidance on indicators of impairment when considering heritage assets and whether there are types of heritage or heritage-related situations where impairment does not apply.

Applying the Flowchart (Decisions 1 to 5)

- The Task Force's analysis of this issue is shown in the table below. The detailed analysis is in [7.2.4A](#).

Flowchart	Task Force Analysis
Decision 1: Is the issue prevalent in the public sector?	Yes
Decision 2: Is there sufficient authoritative IPSAS guidance that already addresses this issue in the public sector?	No
Decision 3: Is this issue related to general purpose financial statements?	Yes
Decision 4: Is additional non-authoritative guidance necessary to enhance consistency of application?	Not applicable
Decision 5: Is the issue relevant to other projects?	Yes (Infrastructure and Measurement)
Flowchart recommendation	Liaise with other Task Forces

- The Flowchart recommends liaising with other Task Forces (and considering developing additional guidance where appropriate). The table below shows current and proposed IPSAS guidance.

IPSAS Guidance	Core Text	Application Guidance	Implementation Guidance	Illustrative Examples	Basis for Conclusions
Current	✓ 7.2.4B	X	X	X	X
Proposed	✓	✓	✓	✓	✓

- If the IPSASB agrees with the recommendation to develop authoritative guidance on the impairment of heritage assets then this is likely to impact on IPSAS 17 and the two impairment Standards; IPSAS 21, *Impairment of Non-Cash-Generating Assets*, and IPSAS 26, *Impairment of Cash-Generating Assets*. Specific proposals on additional guidance in these three IPSASs would be submitted to a future IPSASB meeting.

Decisions required

6. Does the IPSASB agree with the Task Force recommendation that authoritative guidance on the impairment of heritage assets is needed and non-authoritative guidance as appropriate?

Appendix 7.2.4A: Detailed Analysis—Impairment

Question

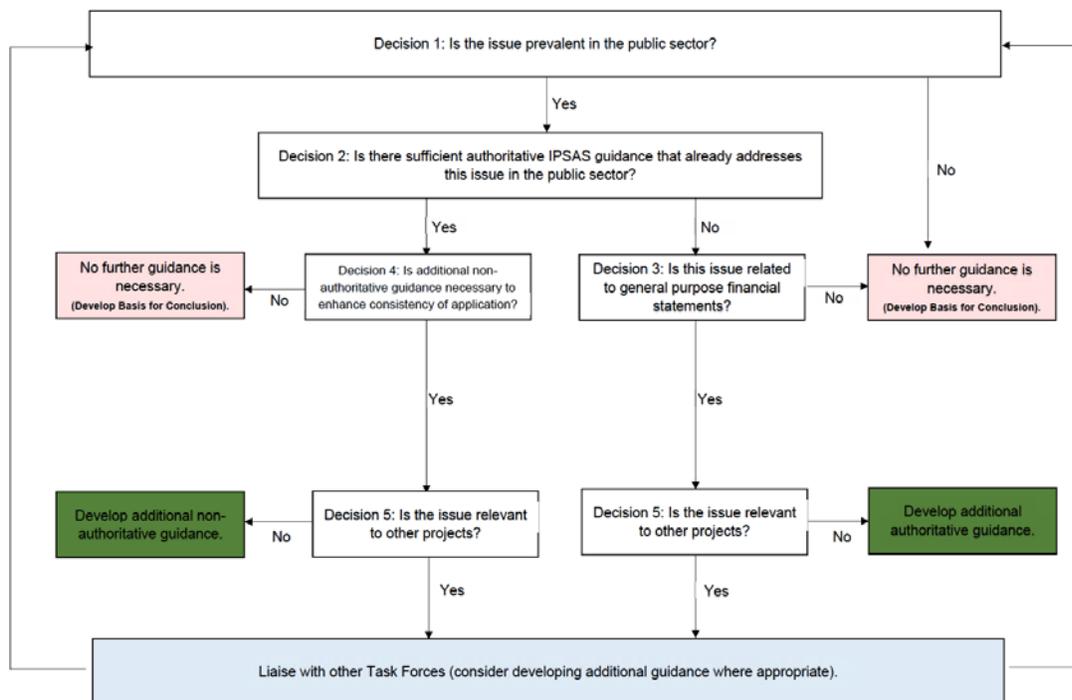
- Whether the IPSASB agrees existing authoritative guidance on impairment of heritage assets is insufficient.

Issue ([Issue #3\(b\)](#))

- Stakeholders asked for guidance on indicators of impairment when considering heritage assets and whether there are types of heritage or heritage-related situations where impairment does not apply.

Task Force Analysis—Applying the Flowchart (Decisions 1–5)

- The Task Force applied the Flowchart to analyze the heritage issues identified.



Decision 1: Is the issue prevalent in the public sector?

Yes

This issue is prevalent in the public sector. Many heritage assets are held for future generations, with an expectation that they will be preserved and not, therefore, be susceptible to impairment. Impairment may, nonetheless, occur as a result of, for example, the impact of fire, flood, or earthquake.

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Decision 2: Is there already sufficient authoritative IPSAS guidance to address this issue?

No

The authoritative guidance in IPSAS 17 covers accounting for impairment in its definitions, and coverage of initial costs (17:22), cost model (17:43), revaluation model (17:44), measurement after recognition (from 17:42) and paragraph 79, which explains that an entity applies IPSAS 21, *Impairment of Non-Cash Generating Assets*, and IPSAS 26, *Impairment of Cash-Generating Assets*, as appropriate to determine whether an item of PP&E is impaired. However, IPSAS 17, IPSAS 21 and IPSAS 26 do not sufficiently address the heritage-related issues raised by stakeholders. [Task Force view—unanimous, with one tentative.]

Decision 3: Is this issue related to general purpose financial statements?

Yes

This issue is related to general purpose financial statements. A lack of guidance on impairment of heritage assets has the potential to negatively affect the ability of financial statements to provide useful information for accountability and decision making.

Decision 4: Is additional non-authoritative guidance necessary to enhance consistency of application?

Not applicable

Decision 5: Is the issue relevant to other projects?

Yes—The Task Force view is that the issue of impairment is relevant to the Infrastructure and Measurement projects. (The Task Force noted that CP Measurement excluded impairment from the project's scope. On the basis that (a) there nonetheless appears to be a link between impairment and measurement generally, and (b) the review of responses to CP Measurement is in progress, the Task Force decided that, on balance, a link to the Measurement project should be noted for this issue.

Task Force Recommendation

4. The Task Force recommends developing additional authoritative guidance to address impairment of heritage assets and non-authoritative guidance to the extent appropriate.

Decisions required

5. Does the IPSASB agree with the Task Force recommendation that authoritative guidance on the impairment of heritage assets is needed and non-authoritative guidance as appropriate?

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Appendix 7.2.4B: Additional Guidance—Impairment

Illustrative guidance

1. Bases for Conclusions text and guidance on impairment of heritage assets will be provided after liaison with other Task Forces.

Proposed Guidance (New text is underlined)				
Core Text	Application Guidance	Implementation Guidance	IEs	Basis for Conclusions
IPSAS 17.79: Impairment 79. To determine whether an item of property, plant and equipment is impaired, an entity applies IPSAS 21 or IPSAS 26, <i>Impairment of Cash-Generating Assets</i> , as appropriate. These Standards explain how an entity reviews the carrying amount of its assets, how it determines the recoverable service amount or recoverable amount of an asset, and when it recognises, or reverses the recognition of, an impairment loss. IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i> IPSAS 26, <i>Impairment of Cash-Generating Assets</i>	<i>To be determined.</i>	<i>To be determined.</i>	<i>To be determined</i>	<i>To be determined</i>

Decisions required

2. None at this point in time. (For information the IPSAS 17 core text that specifically addresses impairment has been provided. All of the core text in IPSASs 21 and 26 addresses impairment.)
3. The Task Force has agreed on the application of the Flowchart to this issue, and agreed on the recommendation that authoritative guidance is need to address the impairment of heritage assets. The Task Force has not considered draft authoritative guidance and, as appropriate, non-authoritative guidance, which staff will develop for Task Force consideration following the IPSASB’s decisions and instructions.

IPSASB approved list of issues—accounting for Heritage

List of Issues
Issue #1: Heritage use/ non-heritage use
<p>CP respondents stated that only heritage assets used for non-heritage purposes (i.e. operational heritage assets) or those used for financial capacity should be measured at something other than symbolic value. Non-operational heritage assets should only be disclosed in the notes. Some CP respondents stated that guidance should be developed for heritage assets with a dual purpose, clarifying that the asset should only be recognized when an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Non-operational heritage assets should not be depreciated.</p>
Issue #2: Ownership/stewardship/held in trust
<p>CP respondents stated that the IPSASB should consider concepts involving stewardship, custodianship, ownership, and duties of care, as these relate to control. Heritage assets may be held in trust rather than owned. Guidance should clarify that, in assessing the entity's ability to access or deny or restrict access, the entity should assess whether it can decide how, and by whom the resource can be used. This demonstrates the entity's ability to direct the future economic benefits or service potential associated with the resource. CP respondents stated that control could be indicated either by purchase or through long term/indefinite loans from another party. Address situations where the entity has custody but not ownership and may not have control. Some CP respondents stated that control over heritage is difficult to satisfy, since entities manage heritage items from a stewardship/custodial perspective. Some stated that the IPSASB should consider whether heritage assets should be recognized where there are restrictions. Instead a separate statement should be presented. Additional guidance should be provided for disclosures on unrecognized stewardship heritage assets.</p>
Issue #3: Useful lives/depreciation/impairment
<u>Issue #3(a)—Depreciation of heritage assets</u>
<p>Some CP respondents stated that guidance is needed on determination of heritage assets' useful lives. Some CP respondents stated that guidance is needed on (i) types of heritage assets that should be depreciated, (ii) whether some or all heritage assets should be treated as having an indefinite useful life; and (iii) depreciation/amortization when the asset's value is increasing. Some CP respondents stated that the value of assets should not change subsequent to initial measurement, with no depreciation or impairment.</p>
<u>Issue #3(b)—Impairment of heritage assets</u>
<p>Some CP respondents stated that guidance is needed on impairment indicators and impairment when the value of heritage assets is increasing, even as their physical condition deteriorates. Some CP respondents stated that impairment losses should not be recognized and instead impairments should be disclosed in the notes.</p>

Issue #4: Subsequent expenditure

Some CP respondents stated that there is a need for guidance on when subsequent expenditure [on heritage assets] should be capitalized and when expensed. Some CP respondents stated that all subsequent expenditure on heritage assets should be expensed. Some CP respondents stated that there is a need for guidance on subsequent expenditure for off balance sheet items when assets are fair valued. Some CP respondents stated that there is a need for guidance on heritage assets that must be restored on a regular basis, which could be similar to major maintenance or periodic inspections, as per IPSAS 17.

Issue #5: Relevance/ measurement basis

Issue #5—Monetary values do not provide relevant information about heritage assets

Some CP respondents considered that recognition of heritage assets does not provide relevant and useful information to GPFR users. They argued against recognition of heritage assets in the financial statements and/or in favor of using symbolic value (a nominal value of 1 currency unit), on the basis that monetary values such as historical cost, replacement cost, and market value do not provide relevant information about heritage assets.

Issue #6: Natural heritage

Issue #6—Recognition of natural heritage assets

Some CP respondents argued that natural heritage assets should not be recognized, because natural heritage cannot be controlled; cannot be measured reliably; and measurement cannot be done within the constraints and/or to achieve the qualitative characteristics. CP respondents raised the issue of determining whether or not there is control when natural heritage crosses over public/private boundaries and when living heritage moves around (e.g. animals that migrate). CP respondents stated that guidance would be needed on how to measure natural heritage assets. One respondent stated that depreciation, impairment, replacement, and revaluation are not applicable. CP respondents raised specific issues about what to value when dealing with natural heritage areas, with some supporting valuation of the land only, others treating the land as non-heritage and considering living natural heritage separately, and others supporting a valuation that captures both the land and its living organisms, although noting that this would be difficult to measure.

Issue #7—Techniques (and sources)

CP respondents said that guidance is needed on techniques for revaluations to current value and that that exit values are inappropriate. For example, can sector benchmarks be used when measuring heritage assets and what types of inputs (e.g. directly observable market inputs, unobservable inputs, etc.) will be acceptable to determine a market value for a heritage asset in the absence of an active market? One respondent suggested a new heritage asset valuation technique—the “value of use:” This is the value that the asset has because it is seen, visited, enjoyed), measured based on the financial flows generated by its use, and by a non-use value (the value that people attribute to the cultural asset even without using it) which may be measured with complicated ad hoc techniques (e.g. contingency evaluation). CP respondents said that guidance is needed on techniques to value heritage collections, which often have the unusual characteristic of being worth more than the sum of their individual parts. CP respondents said that guidance is needed on techniques to measure increases/decreases in service potential as increases/decreases in monetary value. CP respondents said that guidance is needed on what sources of information represent expert knowledge for identification of heritage—specifically whether jurisdiction listings of heritage items represent expert knowledge.

Issue #8—Reliability/ measurability

Many CP respondents stated that there are particular types of heritage assets or particular situations in which it may not be possible to recognize heritage assets because they cannot be measured. CP respondents said that guidance is needed on how to measure heritage assets reliably and what constitutes reliable measurement for heritage. One respondent stated that valuation should be tailored to the use of the HA, with consideration of reliability, cost and relevance.

Issue #9—Presentation: Information to Display and Disclose

Many CP respondents identified heritage-specific presentation needs; line items, note disclosures, and supplementary schedules. The most frequently raised issue was the need to disclose information about heritage assets that are not visible in the financial statements, either because not recognized or already at zero value when the entity begins to recognize its heritage assets. CP respondents stated that information about heritage's assets preservation, for example disclosure of deferred maintenance, should be presented. The main items that CP respondents recommended for display on the face of the statement of financial position were (a) a separate line for heritage assets, (b) distinguish between dual use and pure use heritage assets, (c) a link to heritage disclosures, and/or (d) a reserve within net equity reserves with value of inalienable state property and heritage assets.

Some CP respondents stated that the statement of financial performance should have a line item for heritage-related expenses, both from a stewardship perspective and because such expenses are generally higher than those for non-heritage assets.

Most CP respondents identified a need for heritage-specific note disclosures. Recommendations ranged from a few related to the financial statements (e.g. measurement bases) to extensive amounts of non-financial information. Views depended on positions on recognition, with additional non-financial information either replacing asset recognition or augmenting it to reflect the significance of preserving heritage assets. Views also depended on positions on subsequent measurement. For example, where a CP respondent stated that heritage assets should not be depreciated, the same respondent would generally also state that information on undepreciated heritage assets should be disclosed in the notes.

Appendix 7.3.2—Implementation Guidance Examples

This guidance accompanies, but is not part of, IPSAS 17

Is the Heritage Item a Resource?*Example 1—Paintings Purchased by National Art Gallery*

- IG1. A national art gallery has just purchased two paintings by Picasso for Currency Unit (CU) 22 million. The purchase adds to the art gallery's existing, world-renowned collection of Picasso paintings. The art gallery's mission is to make great art accessible to the nation. It does not charge admission fees for entry, consistent with that mission. Although the gallery expects to hold the paintings indefinitely it can sell paintings in its collection and has done so in the past due to changing views about the optimum approach to its collections and tradeoffs between, for example, its collections of modern, ancient, and post-modern heritage pieces.
- IG2. *Analysis:* The paintings have service potential and the ability to generate future economic benefits. They form part of the gallery's capacity to provide services that contribute to achieving its objectives. Therefore, the paintings are resources from the art gallery's perspective and assets that should be recognized if they meet the recognition criteria.

Example 2—Art Works in Parliament Building

- IG3. The provincial government's Parliament building has a collection of art works dating back to the 18th century. These are of variable technical quality and range in market value from a few thousand CUs to several million CUs. Their significance is their subject matter. The art works depict past prime ministers, provincial ideals, and significant parliamentary debates, principles, and decisions.
- IG4. The art works are controlled by the Office of the Parliament, which is wondering whether they should be recognized as heritage assets, even though they are not central to the Office's role of providing the appropriate secure space and meeting facilities for a well-functioning Parliament.
- IG5. *Analysis:* The art works have service potential. They contribute to the reporting entity's capacity to provide services and achieve its objectives. Therefore, the art works are resources from the Office's perspective and assets that should be recognized if they meet the recognition criteria.

Example 3—Cemetery on Regional Council's Land

- IG6. A regional council has purchased land where it plans to build a road, consistent with its 10-year strategy to address the region's transportation needs. Surveyors discover an ancient cemetery, and the national government immediately decrees that the road cannot be built due to the heritage significance of the find. The council has already recognized the land purchase as an asset.
- IG7. *Analysis:* The cemetery does not appear to be a resource from the council's perspective, since it does not contribute to the reporting entity's capacity to provide services and achievement of its objectives. The land appears to be an asset, but a restricted one. If the cemetery did contribute to other council objectives, then it could be a resource and therefore an asset. For example, if the council has an objective to preserve and make accessible the community's heritage or an objective to promote tourism, including tourism to view heritage sites such as the cemetery, then the cemetery could be a resource and an asset that should be recognized if it meets the recognition criteria.

Example 4—Historic Railway Stations Classified as Heritage Buildings

- IG8. A city council owns the rail lines and related land and infrastructure, including railway stations, that link the city center to several towns, which have been absorbed into the city during the past 50 years. The railway stations are over 100 years old, have architectural and historic significance, and contribute to the character of each suburb (formerly separate township) and the city as a whole.
- IG9. Community groups were worried that the city council plans to replace the railway stations with more modern, high rise buildings that will be cheaper to maintain and capable of generating cash flows through shop and apartment rentals. They made a case to the national government, which agreed that the railway stations have heritage value, and classified them as “Class B” heritage buildings. This classification means that the city council can continue to use these historic buildings as railway stations but must preserve their condition. Repairs must be faithful to the original material and technique, so that they reproduce the buildings’ historic features. There are severe penalties for failure to respect this legal requirement.
- IG10. *Analysis:* The railway stations continue to be resources from the city council’s perspective, because they have service potential. They contribute to the reporting entity’s capacity to provide services and achieve its objectives.

Does the Entity Control the Heritage Item?*Example 5—Department’s Head Office Building Receives Heritage Designation*

- IG11. A government department’s head office building has recently received a heritage designation, which protects its historic nature so that the reporting entity cannot sell either the land or building to a developer and must gain approval for significant repairs, to ensure they maintain the building’s character. The reporting entity owns and occupies the heritage building, which it continues to use as its head office.
- IG12. *Analysis:* The reporting entity can use the resource (land and building) to derive the benefit of the service potential or economic benefits embodied in the resource in the achievement of its service delivery or other objectives. Indicators of control include legal ownership; access to the resource, the ability to deny or restrict access to the resource; the means to ensure that the resource is used to achieve its objectives; and the existence of an enforceable right to service potential or the ability to generate economic benefits arising from a resource.

Example 6—A Collection on Loan from another Art Gallery

- IG13. Art Gallery (A) has a collection of heritage paintings on loan from Art Gallery (B). The loan agreement stipulates the loan period (6 months) and various requirements with respect to how the collection is protected and used during the period. There are conditions which ensure that any failure to comply with the agreement would mean immediate requirement to return the collection along with large financial penalties. It also requires publicity around the exhibit to promote the other Art Gallery (B) and a percentage of ticket and merchandise sales belongs to Art Gallery B.
- IG14. *Analysis:* The reporting entity can use the resource (paintings) to derive the benefit of the service potential in the achievement of its service delivery objectives. However, this usage is for only the period in the agreement and the art gallery does not have legal ownership. It has limited and severely

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restricted access to the resource, with temporary ability to deny or restrict access, which Art Gallery (B) has defined. Art Gallery (A) does *not* presently control the on-loan collection.

Example 7—Sculpture (Ancestor Representation) on Permanent Loan from First Nations Tribe

- IG15. The National Museum holds a sculpture that represents an ancestor of a First Nations Tribe, and which is on permanent loan from the Tribe. There are actions that could trigger return of the sculpture to the Tribe. For example, if the National Museum treats the sculpture disrespectfully, from the Tribe's perspective, then this would trigger a return clause in the loan agreement. However, the intention on both sides of the loan arrangement is that the sculpture will remain with the National Museum indefinitely, so that it can be appreciated and preserved for present and future generations. To ensure that none of the return conditions occur museum staff have received training, while museum management include members of the Tribe who have extensive knowledge of tribal customs and expectations with respect to appropriate treatment of ancestor representations. The Tribe retains an absolute right to borrow the sculpture for short periods as necessary.
- IG16. *Analysis:* The National Museum presently has the ability to deny or restrict access to the sculpture, while being able to benefit from the sculpture's service potential to achieve its objectives. The National Museum presently controls the sculpture for financial reporting purposes.

Example 8—Sacred Ancestral Mountain—Custodianship

- IG17. National Government Z has a national park encompassing a mountain which the indigenous people (Tribe W) consider to be an ancestor and therefore both a person and sacred. Although technically "ownership" of the mountain and surrounding land belongs to the government, the concept of legal ownership is culturally inappropriate, given the mountain's status as an ancestor. Furthermore, the relationship and custodianship/stewardship arrangements are more complicated than simple "ownership."
- IG18. The government has day-to-day management of the park, does the detailed work of establishing and monitoring regulations related to the park, and bears all costs related to custodianship and making the park accessible to the public (construction of trails, bridges, viewing platforms, information booths, huts, etc.). The government also receives a relatively small amount of revenue arising from camping and fishing permits, etc. On a day-to-date basis the government controls access, which involves making the park open to the public unless there are reasons (e.g. fire risk, regeneration of trees) to close off all or part of the area.
- IG19. The tribe holds 50% of the membership of the park's management body and an absolute right to veto practices that it deems culturally offensive to its ancestor and tradition. This role has meant that the rules applying to the park include (a) processes that must be followed if anyone dies in the park and (b) restrictions on what can be done near the head of the mountain, including absolutely no consumption of food within 400 meters of the head.
- IG20. *Analysis:* Government Z has control for financial reporting purposes based on the indicators of control. Indicators of control include legal ownership; access to the resource, the ability to deny or restrict access to the resource; the means to ensure that the resource is used to achieve its objectives (where objectives include (i) provision of publicly accessible national parks, (ii) preservation of natural heritage, and (iii) encouragement of respect for the indigenous people and

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their beliefs and culture); and the existence of an enforceable right to service potential arising from a resource.