

Agenda item 13: Heritage Assets

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IPSASB Meeting

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Objective of this Session

- Provide direction on development of a Heritage Assets consultation paper.

Background

(1) IPSASB's previous work:

- 2006 Consultation Paper (with UK's ASB)
- IPSAS 17, *Property, Plant and Equipment*, and IPSAS 31, *Intangible Assets*:
 - Description of heritage assets. (No definition.)
 - Entities may recognize heritage assets. Provide disclosures. (Not required to apply measurement requirements.)

Background (cont'd)

(2) Other standard setters:

- Appendices A and B with 2006 CP's full summary.
- CNOCP Standard 17, *Heritage Assets*
- ASB, South Africa GRAP 103, *Heritage Assets*
- ASB UK FRS 30, *Heritage Assets*

Overview of Issues

- 1) Description of heritage items
- 2) Proposed approach to develop the CP
- 3) Can heritage items be “assets” for financial reporting purposes?
- 4) Definition of a “heritage asset”

Issue 1 Description of Heritage Items

- UNESCO definitions:
 - Cultural property (1954)
 - World cultural heritage (1972)
 - Natural heritage (1972)
 - Underwater heritage (2001)
 - Intangible heritage (2003)

Issue 1 Description of Heritage Items

- UNESCO focuses on “heritage” and protection.
- Not concerned with the “asset” part, e.g. control or value measurement
- Surrounding (non-heritage) structures included
- World perspective: “Outstanding importance”

Issue 1 Description of Heritage Items (UNESCO)

- Cultural property (1954 and 1972)
 - Moveable and immoveable property: Buildings, monuments, paintings, books, collections, specimens...
 - Cultural heritage, history, architecture, art, religious or secular, scientific, prehistory, technology, military, social...

Issue 1 Description of Heritage Items (UNESCO)

- Natural heritage (1972):
 - Physical, geological, and biological formations
 - Habitat of threatened species (animals and plants)
 - Natural sites (science, conservation, beauty)
- Intangible heritage (2003): e.g. oral traditions (including language) and traditional craftsmanship

Issue 1 Description of Heritage Items



Issue 1 Description of Heritage Items

- Key descriptors of heritage items:
 - Important (historically important, or otherwise important)
 - Significant
 - Rare (special, one-of-a-kind, unique)
 - Protect and preserve for future generations
- Identify heritage items by *value* placed on them by people (society, nation...)
- How to identify “objectively”? (Use of lists and/or a general, principles based description?)

Issue 1 Description of Heritage Items

- Common attributes of heritage items:
 - Value unable to be reflected in monetary terms
 - Difficult or impossible to sell
 - Irreplaceable
 - Value may increase over time
 - Indefinite life
 - They are protected and preserved

Issue 1 Staff proposal: Description

- Wide, inclusive description of heritage items
- Focus on fundamental characteristics (importance, rarity...)
- Keep financial reporting concerns *separate* from the description (e.g. ability to value an item)
- Separate step: *Financial reporting focus*: See Issues 2 and 3 for:
 - Focus on intersection with existing IPSASs; and
 - Focus on “assets”

Action Requested

1. Agree with description of heritage items?

Heritage items are items that are expected to be held and protected indefinitely for the benefit of present and future generations, because of their rarity, importance and/or special significance.

The expectation that such items will be held and protected indefinitely could arise from many different reasons including, and not limited to, their agricultural, artistic, cultural, environmental, historical, natural, scientific or technological importance.

Issue 2 Proposals to address Project's Scope

- *Proposal 1:* Focus on items that fit into existing accounting categories:
 - Property, plant and equipment
 - Intangible assets
 - Biological assets (or natural heritage items)

Issue 2 Proposals to address Project's Scope

- Implications for Consultation Paper:
 - Include brief description of wide set of heritage items.
 - Explain that CP focuses on heritage items in existing financial reporting categories
 - Specific Matter for Comment (SMC): Has CP identified those heritage types for which financial reporting guidance is needed?

Issue 2 Proposals to address Project's Scope

Proposal 2:

- First develop proposals for “property, plant and equipment” category of heritage items
- Second, apply results to the other two categories (intangible assets and biological/natural heritage)
- Review as project proceeds; re-evaluate if necessary

Reason for proposal 2:

- Property, plant and equipment is *main* concern
- Complexity of concurrent discussions on all 3 categories

Action Requested

2. Indicate whether agree that CP should:

- a) Discuss accounting for these categories of heritage items:
 - Property, plant and equipment;
 - Intangible assets; and
 - Biological assets (or natural heritage items).
- b) Focus mainly (initially) on heritage items that are similar to property, plant and equipment.

Issue 3 Can heritage items be “assets”?

Asset definition in Chapter 5 of Conceptual Framework

- Resource that is...
- Presently controlled by the entity....
- As a result of a past event.

Issue 3 Can heritage items be “assets”?

- Not all heritage items will be “assets”
 - e.g. A language can be a heritage item, but a language cannot be controlled by any one entity
- Recognition (or non-recognition) is a separate question from being an “asset” (*Critical issue*: measurement)
- Key question: Are there fundamental aspects of heritage items that *prevent* them being “assets”?

Issue 3 Can heritage items be “assets”? Yes

✓ Resource because:

- Service potential: Direct achievement of entity’s aims, if museum, art gallery, conservationist, etc. (Provide services to community in form of education, enjoyment, preservation, etc.)
- Service potential: Indirect support for entity’s aims, if enhances primary services e.g. art work in the Ministry of Finance
- Generate economic benefits (ticket sales, merchandising, loan or rent, or sale)

Issue 3 Can heritage items be “assets”? Yes

- ✓ Controlled by entity because:
 - Can restrict access
 - Responsible for preservation and protection.

Issue 3 Can heritage items be “assets”? No

- ✘ *Not* resources because the entity has:
 - Only very restricted “use” (restricted by law, etc.)
 - No scope to sell or dispose of heritage items
 - Only role is as guardian
 - No net economic benefits (costs much higher than revenue)

Issue 3 Can heritage items be “assets”? No

- ✘ *Not* controlled by entity because:
 - Public has the right to access the heritage items
 - Entity cannot restrict access or has only very limited ability to restrict access

Conceptual Framework, Paragraph 5.9

See page 10 of Item 13.1 for full paragraph:

- Public sector assets that embody service potential may include recreational, **heritage**, community, defense and other assets
- Used to provide services to third parties
- Services may be for collective or individual consumption
- Use and disposal of such assets may be restricted

Issue 3 Can heritage items be “assets”?

Conceptual Framework:

- Mentions “heritage assets”
- Addresses arguments used to oppose heritage items as assets

Heritage Assets project brief

- Identifies this as an issue for the project to address
- Still controversial for some groups

Staff recommends: CP should discuss this issue, include Preliminary View and could also include Specific Matter for Comment

Action Requested

3. Indicate whether CP should:
 - Discuss whether heritage items should be considered assets; and
 - Include a specific matter for comment (SMC) on this issue.
4. Indicate the IPSASB's Preliminary View on whether heritage items could meet the definition of an asset

Issue 4 Definition of a “heritage asset”

Proposed definition, based on previous description:

Heritage assets are assets that are expected to be held and protected indefinitely for the benefit of present and future generations, because of their rarity, importance and/or special significance.

The expectation that heritage assets will be held and protected indefinitely could arise from many different reasons including, and not limited to, their agricultural, artistic, cultural, environmental, historical, natural, scientific or technological importance.

Issue 4 Examples of heritage asset definitions

2006 IPSASB–ASB (UK) CP:

An asset with historic, artistic, scientific, technological, geophysical or environmental qualities that is *held and maintained* principally for its *contribution to knowledge and culture* and this purpose is *central to the objectives of the entity holding it*.

GRAP 103, ASB–South Africa:

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic *significance* and are *held indefinitely* for the benefit of *present and future generations*.

Standard 17, CNOCP–France:

Heritage assets are assets *controlled by the Central Government* and are subject to one of the *sets of governing rules exhaustively* listed below.

Issue 4 Identification through specific designation

- Standard 17, CNOCP–France uses specific designation (lists of items) to identify heritage assets:
- Can heritage assets be identified objectively?
- Staff recommends that:
 - CP should discuss use of lists to identify heritage assets
 - A general, principle-based definition is also needed, to address heritage items not on any list

Action Requested

5. Indicate whether agree with heritage asset definition:

Heritage assets are assets that are expected to be held and protected indefinitely for the benefit of present and future generations, because of their rarity, importance and/or special significance.

The expectation that such assets will be held and protected indefinitely could arise from many different reasons including, and not limited to, their agricultural, artistic, cultural, environmental, historical, natural, scientific or technological importance.

Next Steps

Staff and the TBG will:

- Begin drafting the Consultation Paper (CP); and
- Provide a second issues paper to IPSASB's December meeting.