



Agenda Item 11: 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

- First IPSASB discussion in September
- IPSASB's previous work and other standard setters
 - 2006 Consultation Paper (IPSASB with UK's ASB)
 - IPSAS 17, *Property, Plant and Equipment*, and IPSAS 31, *Intangible Assets*
 - Other standard setters: See 2006 CP's summaries of work done
 - Standards developed since: France, South Africa, United Kingdom
- Task Force: Establish 2016. (Two members identified; Amanda Botha and Annalien Carstens. IVSC will propose participant, also IPSASB member(s) starting in 2016)

Background—From September

- Heritage items description ✓

Heritage items are items that, because of their **rarity, importance and/or significance**, are expected to be **held for the benefit of present and future generations** and **preserved indefinitely**. They are preserved for many different reasons including, and not limited to, their architectural, agricultural, artistic, cultural, environmental, historical, natural, scientific or technological importance.

Background—From September

- IPSASB directions:
 - *Assets*: Take wide, inclusive approach to heritage items, and apply asset definition
 - *Liabilities*: Are heritage items liabilities? Is there a related liability to preserve the item?
 - *Reporting*: Discuss arguments for and against reporting information on heritage items in a general purpose financial report (GPFR) or in another type of report

Overview of Issues

- (1) Preservation activities and reporting on heritage
- (2) Obligations to preserve heritage items
- (3) Heritage items as potential assets:
 - (a) Cultural property
 - (b) Underwater cultural heritage
 - (c) Intangible cultural heritage
 - (d) Natural heritage

Issue 1 Preservation and Reporting on Heritage

- Some public sector entities hold heritage items:
 - Direct responsibility for their preservation; and,
 - Right to control public access
- Other public sector entities help to preserve heritage items, but do not hold them, for example
 - Border control officers prevent illegal transport out of country
 - Police officers protect against theft and vandalism

Issue 1 Heritage Preservation Activities

Public sector activities to preserve heritage include:

- Develop legislation
- Enforce legislation, including:
 - Prevent destruction or removal of heritage items
 - Restrictions on sale (e.g. government rights to purchase heritage items from private owner)
- Define, classify, and list heritage items
- Report on heritage items (status, etc.)
- Financial support for people/institutions (public or private)

Issue 1 Heritage Preservation Activities

- Ownership of heritage items may be:
 - Mixed (private and public)
 - Unclear, disputed, or rejected as an applicable concept
 - The subject of international agreements
- Public sector responsibility for preservation of heritage:
 - Not restricted to items held by public sector entities
 - Activities apply to all heritage items: public and private sector entities, reporting and non-reporting entities

Issue 1 Preservation Activities, Reporting on Heritage

- Three different types of report:
 - *Type 1*, Status reports on heritage items (all items, without restriction as to their ownership)
 - *Type 2*, Service performance information (entity with service performance objectives for heritage preservation)
 - *Type 3*, Financial reports that include information on heritage items held by an entity (entity holds/owns heritage items)

Example 1: Ministry of Heritage Buildings

All three types of report:

Type 1, Status report on all heritage buildings

Type 2, Service performance information

Type 3, Financial report that includes heritage buildings and artwork held by Ministry

Issue 1 Reporting on Heritage

Type 1, Status report on heritage items (e.g. all heritage buildings):

- Is this type of report a GPFR?
- This issue could be discussed in the consultation paper
- Staff view:
 - Type 1 report is not a GPFR
 - Status of heritage items could be outcome information (service performance reporting)

Action Requested

1. IPSASB asked to indicate whether:

(a) Descriptions are reasonably comprehensive:

- Public sector activities—preservation of heritage items; and
- Types of information that could be reported about heritage

(b) Descriptions should be include in consultation paper

Issue 2 Obligations to Preserve Heritage Items

- Two types of obligation:
 - General obligation: Preserve all heritage items; and
 - Obligation to preserve items held by reporting entity
- General obligation:
 - Ministry for Culture (museums, etc.)
 - National Library and National Archive
 - Department for Conservation (nature reserves, etc.)

Issue 2 Obligations to Preserve Heritage Items

- General obligations:
 - *Activities*: Legislation, enforcement, report on status
 - *Funding/budgets* for specific public sector entities (e.g. National Archives, Department for Conservation)
 - Government's commitment, cash flows extend far into future:
 - Social benefit (wider *IPSAS 19* description)
 - RPG 1, *Fiscal Sustainability*, relevant
 - *Staff*: Propose that CP discusses general obligations. Link them to fiscal sustainability and social benefits

Issue 2 Obligations to Preserve Heritage Items

- “Normal” obligations arising from preservation of heritage items:
 - Public sector entity holds heritage items
 - Obligations that result in, for example, accounts payable or salary payable

Issue 2 Obligations to Preserve Heritage Items

Example 2: National Museum

- *Normal:* Museum engages in heritage preservation activities:
 - Employees spend time cataloguing historic objects; a salary payment obligation
 - Contractor engaged to clean and restore paintings, so an accounts payable for those services
- *General obligation:* Museum has obligation to preserve:
 - Entire annual funding dedicated to this general aim
 - Ability to meet this general obligation raises issues related to sustainability of museum's finances

Issue 2 Obligations to Preserve Heritage Items

Should heritage items be classified as liabilities?

- Separate out a general preservation obligation from costs related to particular heritage items
- Particular heritage item: Negative net cash flows?
 - Government choice to subsidize public access to heritage
 - Non-exchange aspect similar to governments' decisions to make (for example) water supply or roads or education available for less than they cost

Action Requested

2. Indicate whether agree that:

- (a) Public sector entities could have responsibilities to preserve heritage items that result in:
 - Obligations similar to “obligations to provide social benefits”, and
 - Normal (exchange) obligations such as accounts or salary payables
- (b) Consultation paper should discuss these two different types of obligations

Issue 3 Heritage items as potential 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 Heritage items as potential assets



Issue 3 Heritage items as potential assets

- Meeting (or not) the asset definition does not automatically mean recognition (or non-recognition):
 - Asset “yes”, recognized “no”: Item does not meet recognition criteria e.g. measurement
 - Asset “no”, recognized “yes”: Heritage items recognized as “other resource”

Issue 3 Heritage items as potential assets

Two overarching issues:

(1) Meaning of “resource”:

- Is it OK to assume that heritage items will be resources (service potential or generate future cash flows or both)?
- Market (commercial) value
- Heritage value (service potential)

(2) If asset, normal or special accounting?

- Separate question: Whether special (heritage-specific) accounting treatment should apply

Issue 3 Heritage items: Table 1 Values

Example	Heritage value	Market value	Comment
1. Historic document	very high	low	Foundation document for nation, not old, many similar documents
2. Rare animals	very high	illegal to trade	Black market indicates high value
3. Rare animals	very high	zero	Rare mud worm. No appeal to public or market
4. Marshlands	high	low	Ecological significance, not useful for agriculture or building
5. Ruin	high	zero	Historical significance, no commercial value, no tourism appeal

Issue 3 Heritage items: Table 1 Values

Example	Heritage value	Market value	Comment
6. Historic building (country)	medium	low	Historically significant. Average value as residence.
7. Historic building (CBD)	low	very high	Historic, but many similar buildings. Location; valuable commercially.
8. Artwork (1)	very high	very high	Internationally recognized artist; paintings demand high prices. Local view; national treasures.
9. Artwork (2)	high	low	High significance locally. Not important internationally.
10. Artwork (3)	zero	low	Sculpture of deposed ruler. Rescued from garbage by enthusiastic collector.

Issue 3 Heritage: Table 2 Cultural Property

	Asset?	
Example	Control (Legal Right) &....Resource
1) Land under historic building	Yes.	Yes, service potential
2) Land under gardens (e.g. Monet's)	Yes.	Yes, service potential
3) Land - historic open space (e.g. Times Square)	Yes.	Yes, service potential
4) Land—Sacred grounds; several religions	Yes?	Yes? service potential No, “asset” offensive
5) Cemeteries or gravestones	Ownership unclear? Private?	Yes? service potential No, “asset” ” offensive

Issue 3 Heritage: Table 2 Cultural Property

Example	Asset?	
	Control (Legal Right) &....Resource
6) Historic manuscripts (constitutions, etc.)	Yes, held by government	Yes, service potential (and cash flows)
7) (a) Statue: respected ruler (b) Statue: deposed ruler	Yes, owned by entity	(a) Yes, Service potential (b) No?
8) Structure under building e.g. foundation under Rome	Yes, owner of building controls	No? (No resource until excavated)
9) Structure under building e.g. sewer system of Paris	Yes, owner of system	Yes (Heritage?)
10) Graffiti artwork on bridge, famous artist	Yes, owner of bridge	Resource-yes?

Issue 3 Heritage: Table 3 Underwater

Example	Asset?	
	Control (Legal Right) &....Resource
(1) Shipwreck HMS Erebus	Yes. MoU allocates control	Yes
(2) Shipwreck Titanic	Yes. Salvage rights belong to discoverer	Yes. (Not heritage item—UNESCO definition)
(3) Shipwreck Unknown	Yes. Salvage rights belong to discoverer	No. Not yet established, therefore no asset
(4) Submerged building (a) Buried under new construction; (b) Contents—saved	Yes. Rights belong to relevant public sector entity	(a) No, unable to save (b) Yes, items will be extracted, studied and displayed

Issue 3 Heritage: Table 3 Underwater

Example	Asset?	
	Control (Legal Right) &....Resource
(5) Submerged building: Raised from seabed	Yes. Rights belong to relevant public sector entity	Yes
(6) Submerged building: Diving site	Yes. Rights belong to relevant public sector entity	Possibly yes. (Access means scope to generate service potential and/or cash flows)
(7) Building foundation e.g. Venice	Yes. Owner of building controls.	No. (No additional resource until excavated.)

Issue 3 Heritage: Table 4 Intangible

General (Not Asset)	Specific—Asset?	
	Control (Legal Right) and....Resource
1) Knowledge (e.g. traditional craftwork)	Yes Specific (e.g. book, licensed trade practice with copyright/ license)	Yes (Cash flows, service potential)
2) Performing arts (e.g. dances)	Yes Specific (song, dance owned by artist or entity, e.g. ballet company)	Yes
3) National flag	Yes Company owns machinery to create flags and the resulting inventory	Yes
4) National anthem	Yes Audio or video recording of group or singer owned by music company	Yes

Issue 3 Heritage: Table 4 Intangible

General (Not Asset)	Specific—Asset?	
	Control (Legal Right) and....Resource
5) Symbol – Louvre museum	Yes, right to use “Louvre” name, e.g. Abu Dhabi museum allowed name “Louvre”	Yes
6) Symbol – Champagne	No? Use of symbol restricted to wines produced in region. (Whose control?)	Service potential, cash flow, for whom?
7) Dance – Waltz, haka, disco	Yes, particular haka (dance) that has been licensed to one group	Yes
8) Social – Baseball	Yes, particular baseball field, merchandize, licensing over uniform, etc.	Yes

Issue 3 Heritage: Table 5 Natural

Example	Asset?	
	Control (Legal Right) &....Resource
1) National parks (conservation, tourism)	Yes, government	Yes
2) Donated land: park	Yes, e.g. city council	Yes
3) Historic hunting grounds; several tribes have rights, access	Yes, government preserves (not owned)	Yes—service potential (unique national culture) No—Benefits to others
4) Sacred grounds; several international religions involved	Yes, government preserves (not owned)	Yes—service potential (unique culture, tourism) No—Benefits to others
5) Island reserve for rare animals; no tourists	Yes, public sector entity controls access	Yes—service potential (protects heritage)

Issue 3 Heritage: Table 5 Natural

Example	Asset?	
	ControlResource
6) Endangered snails in wild, scientific value	No	Yes—service potential
7) Rare lizards in wild	No	Yes—service potential (cash flows)
8) Rare birds (national zoo)	Yes	Yes—service potential
9) Bonsai trees (200+ years old)	Yes	Yes—service potential
10) Tree “Tane Mahuta” (1000+ years old)	Yes	Yes—service potential

Action Requested

3. Discuss existence of *control* and *a resource* for the heritage item categories:

- (a) Cultural property
- (b) Underwater cultural heritage
- (c) Intangible cultural heritage
- (d) Natural heritage

Next Steps

Staff will:

- Provide an issues paper to IPSASB's March 2016 meeting



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