

Agenda Item 4: Heritage Assets

Gwenda Jensen

IPSASB Meeting

New York, USA

March 8—11, 2016

Objective of this Session

- Provide direction on development of a Heritage Assets consultation paper

Background—1

Task Force (From March 2016): Mike Blake, Amanda Botha, Michel Camoin, Annalien Carstens, Bernard Schatz, Adriana Tiron Tudor and David Tomback (IVSC)

IPSASB discussions in September and December 2015

Heritage items: Working description agreed

Background—2: 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—3: IPSASB discussions

- Asset definition applied to UNESCO categories:
 - Cultural property
 - Intangible heritage
 - Natural heritage
 - Underwater heritage
- Heritage-related public sector activities, information needs and obligations

Heritage Categories



Overview of Issues

1. Structure for Consultation Paper, Accounting for Heritage
2. Review of draft Chapter 1
3. Recognition of heritage assets
4. Treatment of intangible heritage and natural heritage
5. Heritage-related liabilities

Issue 1 Structure for Heritage Consultation Paper

- Appendix A has proposed structure
- Questions:
 - Liabilities chapter: Before chapters on heritage assets?
 - Intangible and natural heritage chapter: Separate chapter?
 - A separate chapter on each one: (a) asset, (b) recognition and (c) measurement?

Action requested

1. Provide direction on draft structure (see Appendix A)

Issue 2 Draft Chapter 1

1. Introduction
2. IPSASB's Heritage Assets Project:
 - History of project
 - Project objective
3. Approach taken in this CP
 - Application of Conceptual Framework
4. Previous Work on Accounting for Heritage Assets
5. Heritage Responsibilities and Information Needs

Issue 2 Draft Chapter 1

- Description of 2006 CP—Right amount or too brief?
- Appendices: Include in CP?
- Application of Conceptual Framework: Sufficient coverage?
- Section 5 (heritage responsibilities and information):
 - Include in Chapter 1 or in separate chapter?
 - Comments on revised description?

Action requested

2. (a) Provide direction on draft Chapter 1; and
- (b) Provide comment on Section 5's description of information reported when heritage preservation is major service performance responsibility

Issue 3 Recognition of Heritage Assets

- Recognition criteria:
 - Satisfy definition of an asset; and
 - Measurable: qualitative characteristics and constraints
- Definition of an asset:
 - A resource that is...
 - Presently controlled by the entity....
 - As a result of a past event

Issue 3 Recognition—Asset: Table 1

	Asset—Yes	
Heritage Item	ControlResource
1) Land beneath, around historic building	Yes	Yes, service potential, cash
2) Land forms historic open space (e.g. Times Square)	Yes	Yes
3) Historic and significant building	Yes	Yes
4) Collections e.g. historic manuscripts and books	Yes	Yes
5) Artwork, historic important	Yes	Yes
6) Precious, historic items (e.g. necklaces, crowns, etc.)	Yes	Yes

Issue 3 Recognition—Measurement

- Attach monetary value to item
- Choose appropriate measurement basis
- Measurement:
 - Achieve qualitative characteristics: **relevance**, **faithful representation**, understandability, timeliness, comparability, and verifiability
 - Take account of constraints: materiality, **cost-benefit**, balance between the qualitative characteristics

Issue 3 Recognition: Table 2 Heritage Assets

Example	Monetary Value	Relevant & Rep. Faithful	Understandable	Cost-benefit
1) Land (building)	Yes	Yes	Yes	Yes
2) Land (open)	Yes	Yes	Yes	Yes
3) Heritage building	Yes	Yes	Yes	Yes
4) Collections	Yes	Yes	Yes	Yes
5) Artwork	Yes	Yes	Yes	Yes
6) Precious items	Yes	Yes	Yes	Yes

Issue 3 Heritage Recognition

- *Understandable*: Users understand restrictions on assets
- *Relevance*: Important for accountability and decision-making
- *Faithful representation*: Represents value of heritage
- *Cost-benefit*:
 - Do the benefits outweigh the costs?
 - What are the measurement costs?

Issue 3 Heritage Recognition: National Standards

Approach 1, *Full Recognition*: Recognize heritage assets that meet recognition criteria

Approach 2, *Partial Recognition*: Recognize heritage assets when benefits exceed the costs, e.g. recognize from date of first-time application of standard

Approach 3, *Non-Recognition*: Do not recognize heritage assets

⇒ *Appendix B has an evaluation of these approaches*

Issue 3 Heritage Recognition: National Standards

- Factors important for choice of recognition approach:
 - Ability to and cost of measuring heritage assets
 - Whether asset:
 - Measurement/valuation information is readily available
 - Is donated or purchased
 - Is multi-use or used exclusively for heritage uses
 - Is in collection or outside of a collection

Action requested

- (3) Consider recognition of heritage assets and provide views on:
- (a) Whether heritage items meet recognition criteria and can be recognized as assets
 - (b) Further factors or considerations to include in CP's discussion of heritage asset recognition
 - (c) Situations or types of heritage assets for which recognition is not appropriate

Issue 4 Intangible and Natural Heritage

- CP's discussion of intangible heritage (proposed):
 - Knowledge-in-action
 - e.g. languages, story-telling, dance, behaviors
 - preservation depends on enactment by living people
 - Intellectual property rights over heritage:
 - e.g. copyright over heritage books, films, televisions series, pictures, etc.

Issue 4 Intangible Heritage: Knowledge-in-action

Staff proposal for Consultation Paper:

- Describe knowledge-in-action intangible heritage
- Note that:
 - Preservation depends on use by groups of living people
 - Not an asset; cannot be controlled
 - Transformation into an asset involves specific incarnation (e.g. copyrighted symbol) of general idea. Specific incarnation no longer falls within this category of intangible heritage

Issue 4 Intangible Heritage: Intellectual property rights

Staff proposal for Consultation Paper:

- Describe intellectual property rights over heritage
- Discuss whether such rights are heritage items
- Propose that such rights be accounted for in the same way as other non-heritage intangible assets, applying IPSAS 31, *Intangible Assets*

Issue 4 Natural Heritage:

Different concepts of natural heritage:

- Area such as (a) parks, reserves or geographic regions, or (b) land and marine forms ⇒ *Can be preserved for future generations*
- Ecosystems (e.g. a particular rainforest, ancient forest or marine reef) with interconnected life forms ⇒ *Can be preserved*
- Groups or populations of living organisms ⇒ *Can be preserved*
- Individual plants and animals ⇒ *Finite life*

Issue 4 Natural Heritage: Land

Natural heritage land:

- Land under heritage areas such as parks and reserves
- Asset: Resource, controlled, past event
- Recognition: Measurement. Yes? (Issues similar to those for cultural property)
- Apply IPSAS 17, *Property, Plant and Equipment*

Issue 4 Natural Heritage: Ecosystem or Population

- *Control:*
 - Control may exist over whole system or defined population; or
 - No control because spreads (or moves) across entity boundaries, existing partly in areas controlled by other entities.
- *Resource:* A resource may exist (service potential? cash flows?)
- *Measurement:* What measurement base? (Historic cost not appropriate for living organisms. Use of black market values not appropriate. Value each individual living organism and aggregate?)

Issue 4 Natural Heritage: Living plants and animals

- Wild or “managed” ?
- Managed:
 - Held in a confined space
 - e.g. elephants in zoo or reserve, where number of elephants is monitored and movement to other entities takes place (e.g. sale to zoos or transfers to other reserves)
 - Apply IPSAS 27, *Agriculture*

Action requested

- (4) (a) Indicate whether agree with proposals on CP's discussion of intangible heritage; and
- (b) Provide comment on discussion of natural heritage:
 - (i) Treatment of natural heritage land
 - (ii) Identification of a “natural heritage item” (individual living organisms *or* ecosystems *or* areas with both living organisms and land beneath)
 - (iii) Asset recognition for different concepts of “natural heritage item”

Issue 5 Heritage Related Liabilities

- Are heritage items liabilities?
 - Entities may incur higher costs for a heritage item (compared to similar non-heritage item)
 - Long timescale for holding heritage items
 - Preserve heritage item for future generations, so costs could be very high
- Apply Conceptual Framework definition

Issue 5 Heritage Related Liabilities

- Liability definition:
 - Present obligation (Little or no realistic alternative to avoid)
 - Outflow of resources
 - Results from past event
- Liability recognition:
 - Satisfy definition of a liability; and
 - Can be measured (qualitative characteristics and constraints)

Issue 5 Heritage Related Liabilities

Situation	Resource Outflow and Situation	Present Obligation?	Liability
1	Heritage item needs regular maintenance. Entity can let heritage item decay	No, able to avoid outflow	No
2	As for Situation 1, except entity has made public commitment to preserve item	No, able to avoid outflow	No
3	As for Situation 2, except entity is legally required to preserve heritage item	No, maintenance not yet required	No
4	As for Situation 3 and the heritage item requires maintenance	Yes, present obligation	Yes

Issue 5 Heritage Related Liabilities

- Staff proposal for Consultation Paper's discussion:
 - Discussion of heritage item related obligations
 - Note that such obligations may involve:
 - Higher resource outflows than for similar, non-heritage items; and
 - Earlier recognition, if entity has a legal requirement to preserve
 - Propose that the liability recognition issues raised by these differences are already adequately addressed by existing IPSASs

Action requested

- (5) (a) Provide comment on the discussion of heritage—related liabilities: Any further situations or significant factors?
- (b) Situations where entity needs to recognize a heritage—related liability: Adequately addressed?

Next steps

For June IPSASB meeting develop:

- Issues paper; and
- Draft chapters for Consultation Paper