

Heritage Project Status Report following IPSASB Meeting in December 2017

Heritage Task Force Chair, Mr. Bernhard Schatz

Review of Responses to the Consultation Paper, *Financial Reporting for Heritage in the Public Sector*

This note summarizes the outcome of the International Public Sector Accounting Standards Board (IPSASB) discussion of the issues raised by constituents who responded to the Consultation Paper (CP), *Financial Reporting for Heritage in the Public Sector*, taking into account the comments made by the IPSASB's Consultative Advisory Group (CAG).

There were differing views about the appropriateness of the **definition/description** of Heritage Items given in the CP. In its discussion with the IPSASB, the CAG tentatively concluded that an extensive description or definition might not be needed for Financial Reporting for Heritage. Instead, an entity may need first to assess whether or not an item is an asset and, as a second step, determine whether the item is heritage. This will pose specific issues for measurement and disclosure.

Regarding **recognition and initial measurement** of assets with heritage significance, respondents to the CP emphasized, in response to several Specific Matters for Comment and Preliminary Views, the usefulness of recognition and initial measurement at nominal/symbolic value. However, although the pragmatism of symbolic value is acknowledged, the IPSASB remains of the view that symbolic value does not provide relevant information on financial capacity, operational capacity or cost of services.

There was a wide variety of views from constituents in the area of **measurement**. Comments included the definition of useful lives for heritage items; impairment considerations; the application of deemed cost if historical cost is not available; the circumstances where items are replaceable and therefore replacement cost might be applicable, but noting that heritage items are likely to be irreplaceable; and finally when market values for heritage items might be available and applicable. The IPSASB found the distinction between operational heritage and "pure" heritage mentioned by respondents to the CP as particularly helpful to guide the applicability of certain measurement bases. In discussion, the IPSASB noted that these issues will have to be assessed through the lens of the reporting entity and their accounting/reporting objectives. The IPSASB reaffirmed that it has decided to look at measurement issues in conjunction with the currently ongoing project on Public Sector Measurement.

Some respondents to the CP took the view that an appropriate way to cope with heritage assets might be **disclosure and/or use of other reports**. The IPSASB's position is that disclosures cannot be a substitute for recognition and measurement of assets. In respect of stewardship, heritage items that might fall within the responsibility of the reporting entity but (currently) do not serve the objectives of the entity don't constitute a resource of the entity; there are, therefore, no assets to recognize. However, disclosures could be made in the notes to the financial statements or in other reports, providing additional information about them, their management and any relationship to the financial statements.

The Task Force on Heritage will work on refining these issues with the objective to come back to the IPSASB in late 2018 with proposals for any draft guidance that is needed in the areas of definition/description, recognition and disclosure. Measurement will be covered within the prospective IPSAS on Public Sector Measurement.