

**IPSASB Consultation Paper (CP): Financial Reporting for Heritage in the Public Sector**  
**Proposed comments from the FOCAL<sup>i</sup> working group**

**(Chile, Colombia, Brazil, Ecuador, Mexico, Peru, Paraguay and Panama)**

**Section 1: Definition and Identification**

- Chapter 1: Introduction to Financial Reporting for Heritage in the Public Sector
- Chapter 2: Description of Heritage

Question	Acceptance by countries	Comments
<p><b>1. SPECIFIC MATTERS FOR COMMENT</b>  <b><i>Do you agree that the IPSASB has captured all of the characteristics of heritage items and the potential consequences for financial reporting in paragraphs 1.7 and 1.8?</i></b></p> <p>If not, please give reasons and identify any additional characteristics that you consider relevant.</p>	<p>Partially agree</p>	<p>Regarding to the characteristics of the elements of historical heritage</p> <p>A. It is requested to be more specific:</p> <ul style="list-style-type: none"> <li>• To say that they are ALWAYS IRREPLACEABLE, instead of often as the document says.</li> <li>• There are other characteristics which should be taken into account such as: that they are unique, authentic and irreplaceable, an exceptional testimony to a disappeared or existing culture or civilization, and that they constitute a masterpiece of man's creative ingenuity.</li> <li>• Include the fact that the value of such goods may increase over time.</li> <li>• To say that "There is a little probability that the monetary value reflects the characteristics of this type of elements".</li> <li>• To say that in addition to restricting or preventing the sale, transfer or destruction, include: DEMOLITION OR TRANSFORMATION.</li> </ul> <p>B. It is suggested that at the moment of speaking of restrictions to prevent the sale, transfer or destruction of heritage:</p> <ul style="list-style-type: none"> <li>• Do not include ethics, since it leads to subjectivities that make measurement difficult.</li> <li>• Colombia considers that the scope of the definition should be limited to the tangible heritage declared by the competent authority.</li> </ul> <p>C. Peru comments on its disagreement at the moment of defining the characteristics, since it considers that there are elements that should be considered by other standards (agricultural elements covered by NICSP 27) or have their own rules (agricultural and natural elements). It also asks to ignore the reference to the scientific and technological because it comprises elements of singular existence of almost impossible measurement. In addition, it suggests incorporating aquatic and underwater heritage.</p>

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<p><b>2.1 PRELIMINARY VIEW</b>  <b><i>For the purposes of this CP, the following description reflects the special characteristics of heritage items and distinguishes them from other phenomena for the purposes of financial reporting:</i></b></p> <p><b><i>Heritage items are items that are intended to be held indefinitely and preserved for the benefit of present and future generations because of their rarity and/or significance in relation, but not limited, to their archeological, architectural, agricultural, artistic, cultural, environmental, historical, natural, scientific or technological features.</i></b></p> <p>Do you agree with the IPSASB's Preliminary View?</p>	<p>Mostly in agreement</p>	<ul style="list-style-type: none"> <li>• However, Colombia maintains its position and proposes that the scope of the standard should be limited to the tangible assets controlled by the entity, and which the community recognizes as part of its memory and identity.</li> <li>• They also indicate that this conceptualization could generate confusion or divergence to the preparers or users of the information regarding the natural heritage, since by comprising nonrenewable natural resources (capable of generating economic benefits), understood to be outside the scope of this project, these should have a specific regulation.</li> <li>• They consider it important to prepare a special non-financial report, independent of the limitations of its measurement, so that the financial information can comply with the definition of assets of the Conceptual Framework.</li> <li>• Treatment of goods that are born as immovable property and become historical</li> <li>• Finally, Peru indicates that the NICSP language (inherited from the NIC) should be used, and that the definition should be as elements, not as objects.</li> </ul>

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<p><b>2.2 PRELIMINARY VIEW</b>  <b><i>For the purposes of this CP, natural heritage covers areas and features, but excludes living plant and organisms that occupy or visit those areas and features.</i></b></p> <p>Do you agree with the IPSASB'S Preliminary View?  If not, please provide your reasons.</p>	<p>Partially agree</p>	<ul style="list-style-type: none"> <li>• Although it is considered that, because of the nature of these resources, it would not be feasible to determine a reliable monetary measure and therefore could distort the value of the assets with which a public entity supports its obligations, all conclude that they have exceptions in terms of organisms in danger of extinction, or green areas unique in the world, so making exclusions would be complicated.</li> <li>• It is considered important not to exclude biodiversity resources from the definition of natural heritage, regardless of whether it is subsequently identified that they do not meet the criteria to be recognized or valued.</li> </ul>

## Section 2: Heritage Items

- Chapter 3: Heritage Items as Assets
- Chapter 6: Heritage-Related Obligations

Question	Acceptance by countries	Comments
<p><b>3. PRELIMINARY VIEW</b>  <i>The special characteristics of heritage items do not prevent them from being considered as assets for the purposes of financial reporting.</i></p> <p>Do you agree with the IPSASB's Preliminary View?            If not, please provide your reasons.</p>	<p>Mostly in agreement</p>	<ul style="list-style-type: none"> <li>• However, they mention that it is important to take into account that although this statement is true, this condition does not always apply to this type of property, so it is necessary to define the scope and criteria that will allow its reclassification and recognition within the financial information.</li> <li>• These assets must be reasonably measured to meet the qualitative characteristics and consider the constraints of the financial information.</li> </ul>

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<p><b>6. PRELIMINARY VIEW</b>  <i>The special characteristics of heritage items, including an intention to preserve them for present and future generations, do not, of themselves, result in a present obligation such that an entity has little or no realistic alternative to avoid an outflow of resources. The entity should not therefore recognize a liability.</i></p> <p>Do you agree with the IPSASB's Preliminary View?            If not, please provide your reasons.</p>	<p>Mostly in agreement</p>	<ul style="list-style-type: none"> <li>• It is recommended to be more explicit in what moments it is necessary to recognize the liability.</li> <li>• It is considered that there are cases where the maintenance costs of these goods will exceed the expected service potential or economic benefit, in which an associated provision should be recognized. Measuring this obligation can be useful if countries that are pressured for its conservation are to be able to obtain resources to deal with these costs.</li> <li>• In addition, it is mentioned that, as a criterion, NICSP 17 should not only record costs or expenses as it corresponds, but assume liabilities for the "future obligation" of maintaining or improving its constituent elements.</li> </ul>

### Section 3: Recognition, Measurement and Presentation

- Chapter 4: Recognition and Initial Measurement of Heritage Assets.
- Chapter 5: Subsequent Measurement
- Chapter 7: Presentation of Information on Heritage

Question	Acceptance by countries	Comments
<p><b>4.1 SPECIFIC MATTERS FOR COMMENT</b>  <b><i>Do you support initially recognizing heritage assets at a nominal cost of one currency unit where historical cost is zero, such as when an asset was fully depreciated before being categorized as heritage asset and transferred to the entity, or an entity obtains a natural heritage asset without consideration?</i></b></p> <p>If so, please provide your reasons.</p>	Partially agree	<ul style="list-style-type: none"> <li>• Although it is agreed, because it is preferable that the asset is recognized, it is suggested to have evidence of the asset in the notes to the financial statements.</li> <li>• Considering that the purpose of the measurement is to expose the potential benefits to be considered by the asset, a single monetary unit may not be the appropriate sample. The nominal cost does not meet the reliable measurement condition.</li> <li>• If the historical asset will not offer future economic benefits, nor can it estimate its market value, then it is not worth it to be included in the financial statements.</li> <li>• If it is obtained at no cost, it is more than likely that the donor has a reference to the amount that would be recognized under NICSP 23 Transactions Income without consideration (Taxes and Transfers), since the transfers include donations.</li> </ul>

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<p><b>4.1 PRELIMINARY VIEW</b>  <b><i>Heritage assets should be recognized in the statement of financial position if they meet the recognition criteria in the Conceptual Framework.</i></b></p> <p>Do you agree with the IPSASB's Preliminary View?            If not, please provide your reasons.</p>	Mostly in agreement	<ul style="list-style-type: none"> <li>• Control should be considered for those assets that are owned by third parties, but have limitations for their administration.</li> <li>• It is commented that in several cases it would imply a deviation in the main of the qualitative characteristic of faithful representation.</li> </ul>

Question	Acceptance by countries	Comments
<p><b>4.2 SPECIFIC MATTERS FOR COMMENT</b>  <b><i>Are there heritage-related situations (or factors) in which heritage assets should not initially be recognized and/or measured because:</i></b></p> <p><b><i>(a) It is not possible to assign a relevant and verifiable monetary value; or</i></b>  <b><i>(b) The cost-benefit constraint applies and the costs of doing so would not justify the benefits?</i></b></p> <p>If yes, please describe those heritage-related situations (or factors) and why heritage assets should not be recognized in these situations.</p>	<p>Mostly in agreement</p>	<p>Those heritage-related situations in which heritage assets should not be recognized and/or measured are described as follows:</p> <ul style="list-style-type: none"> <li>• If there is no reliable basis of measurement for the recognition of these assets, it would be prudent not to recognize the asset, but evidence it through the notes of the Financial Statements or a non-financial report independent of its recognition in the presentation of financial information.</li> <li>• It is considered a good and intermediate solution for heritage assets to be recognized and valued initially for a monetary unit, since it is difficult to allocate relevant and verifiable monetary values for their unique and irreplaceable characteristics, as well as not being subject to transactions in organized and active open markets.</li> <li>• In addition, the dominant cost-benefit constraint would not be applicable, because benefits would not be measured in many cases, but rather the high costs motivated by the demand for services rendered by persons specialized in the development of measurement.</li> </ul>

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<p><b>4.2 PRELIMINARY VIEW</b>  <b><i>In many cases it will be possible to assign a monetary value to heritage assets. Appropriate measurement bases are historical cost, market value and replacement cost.</i></b></p> <p>Do you agree with the IPSASB's Preliminary View?  If not, please provide your reasons.</p>	<p>Partially agree</p>	<ul style="list-style-type: none"> <li>• The proposed forms of measurement would show the physical composition of the asset and not to its historical, artistic and / or cultural value.</li> <li>• The market value would not apply due to the disposals restrictions and lack of market</li> <li>• The replacement cost is subject to the general replacement of the asset, but not to its maintenance or restoration.</li> <li>• Some countries suggest the initial registration should be the acquisition, historical, symbolic, development or construction value, and if it proceeds, assign a subsequent value.</li> </ul>

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<p><b>4.3 SPECIFIC MATTERS FOR COMMENT</b>  <b><i>What additional guidance should the IPSASB provide through its Public Sector Measurement Project to enable these measurement bases to be applied to heritage assets?</i></b></p>		<ul style="list-style-type: none"> <li>• They could encourage the evidence of these assets through the notes of the Financial Statements.</li> <li>• To subdivide the goods into categories, such as: tangible, intangible, operational or appreciative use.</li> <li>• Offer other alternative measures, such as: present value of future economic benefits, or the opportunity cost of not having such assets.</li> <li>• It is recommended to first make a legal comparative of the countries, with their classifications and treatment in order to be able to advance in the regulations.</li> <li>• Taking into account the peculiarities of each country, it would be a good option to include all goods at their symbolic value, a situation that would allow the start of programs oriented toward the integration of inventories, classifications and other important data for their control, conservation and safeguard. It is assumed at the outset that registration to symbolic value would have to start in some countries, without establishing a time of conclusion due to the work that it represents, but due establishing a uniform parameter that could give comparable information in the future.</li> <li>• Analyze the scope of the definition of the PHAC, as it covers more than what it appears to be, in other words: aspects of the elements of nature (natural, environmental or ecological reserves with their fauna and flora), scientific and technological elements, incidences of aquatic and underwater heritage, cultural aspects (dances, dances, patronal and religious festivals), unlikely to be measured.</li> </ul>

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<p><b>5. PRELIMINARY VIEW</b>  <b>Subsequent measurement of heritage assets:</b>  <b>(a) Will need to address changes in heritage asset values that arise from subsequent expenditure, depreciation or amortization, impairment and revaluation.</b>  <b>(b) Can be approached in broadly the same way as subsequent measurement for other, non-heritage assets.</b></p> <p>Do you agree with the IPSASB's Preliminary View?</p>	<p>Do not agree, there is difference of opinion.</p>	<ul style="list-style-type: none"> <li>• This proposal only evidences the values of the physical composition of the asset and not with respect to its historical, cultural and artistic value.</li> <li>• It is not recommended to approach subsequent measurement in the same way as the assets that do not meet the definition of heritage assets, unless the use is associated with production, sale or services of property, plant and equipment, or investment property.</li> <li>• It would be challenging to apply the concepts of impairment and revaluation, due to the difficulty in estimating recoverable values and market values, respectively.</li> <li>• It is suggested to recognize if the expense increases the value of the asset.</li> </ul>

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<p><b>5. SPECIFIC MATTERS FOR COMMENT</b>  <b>Are there any types of heritage assets or heritage-related factors that raise special issue for the subsequent measurement of heritage assets?</b></p> <p>If so, please identify those types and/or factors, and describe the special issues raised and indicate what guidance IPSASB should provide to address them</p>	<p>Mostly in agreement</p>	<ul style="list-style-type: none"> <li>• The depreciation criterion would be difficult to apply if the assets have an indefinite useful life.</li> <li>• IPSASB should assess the situations confronted by the reporting entities, in order to face in a practical way, the subsequent measurement of the assets. The most relevant are: lack of financial capacity for hiring experts, as well as cost benefit and establishment of budgetary programs on a continuous basis for the determination of the subsequent measurement.</li> <li>• Guidance should be given for those assets that must be restored on a regular basis, for which the process could be analogue to that of major maintenance or periodic inspections, as it is indicated in the Property, Plant and Equipment rule.</li> <li>• A non-financial report would be useful, regardless of its recognition and measurement, for the presentation of financial information.</li> <li>• The recognition of the intangible cultural heritage.</li> </ul>

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<p><b>7. PRELIMINARY VIEW</b>  <b><i>Information about heritage should be presented in line with existing IPSASB pronouncements.</i></b></p> <p><i>Do you agree with the IPSASB's Preliminary View?</i></p> <p><i>If not, please provide your reasons and describe what further guidance should be provided to address these.</i></p>	<p>Partially agree</p>	<ul style="list-style-type: none"> <li>• For intangible assets: <ul style="list-style-type: none"> <li>○ The IPSASB standards could be non-mandatory for the cultural heritage, since there are countries that besides tangible heritage they also have intangible, therefore, not having many assets for evidence.</li> <li>○ Another suggestion is to consider a measurement by estimation or by symbolic value, with the possibility of disclosure in the notes.</li> </ul> </li> <li>• Given the nature of the heritage under evaluation and the purposes of the financial information, it is considered appropriate to reconsider the scope of the standard, orienting it to the recognition, measurement, presentation and disclosure of resources that comply with the requirements for the recognition of assets established in the Conceptual Framework, as well as limiting the scope to tangible assets controlled by the entity.</li> <li>• All pronouncements should be aligned to the legal basis of each country.</li> <li>• It should be considered that countries such as Mexico have variations in the registry of memorandum accounts, not contemplated by IPSAS, in addition to the fact that there are records in the assets and differences in how the initial and subsequent valuation is established, which could cause that the information would not be comparable with other entities.</li> </ul>

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<sup>i</sup>FOCAL: The Governmental Accounting Forum in Latin America is a permanent, autonomous, apolitical and non-profit meeting network, whose objective is to become a space for analysis, studies, reflection and exchange of experiences, knowledge and good practices, for the development of professional and technical accounting models. The ultimate goal of FOCAL is to promote the development and strengthening of public accounting as a language of transparency and accountability for the financial administration of Latin American countries for greater fiscal transparency.