

September 22, 2017

Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, ON M5V 3H2 Canada

Re: Consultation Paper “Financial Reporting for Heritage in the Public Sector”

Thank you for the opportunity to comment on the proposals in the Consultation Paper. Financial Reporting for Heritage in the Public Sector is an important and difficult topic facing public sector accounting today.

We are supportive of the objective of the proposals to improve financial reporting for heritage in the public sector both in general purpose financial statements and in other financial reports. We also support looking at the type of information that should be reported about heritage items and heritage-related responsibilities, including approaches to their recognition and measurement. The holding, maintenance, preservation and management of heritage items are key stewardship responsibilities of public sector entities, particularly governments.

The Canadian Public Sector Accounting (PSA) Handbook does not contain a standard on accounting for heritage items and related obligations in financial statements. Some guidance on items which could meet the definition of a heritage asset is provided in the PSA Handbook¹. Canada’s Public Sector Accounting Board (PSAB) acknowledges that accounting for heritage is complex and very important for the government organizations, including government not-for-profit

¹ For example in paragraphs PS 1000.57, PS 3150.08, PS 4230.21.

organizations, that hold, maintain and manage such items, and for their stakeholders. PSAB is closely monitoring the IPSASB's project on financial reporting for heritage. The outcome of this project may ultimately represent a topic for which Canadian convergence would easily fill in a gap in Canadian Public Sector Accounting Standards.

PSAB staff supports the principle of accounting for public sector heritage items that meet the definition of assets in the financial statements of public sector entities. We also support the idea that heritage items that do not qualify for asset recognition in financial statements nevertheless deserve to be reported in other financial reports of the entity in order to provide sufficient information for accountability and decision-making purposes to users about the full nature and extent of the heritage items held, maintained, preserved and managed by the public sector entity on their behalf.

Because the objective of public sector financial reporting is to provide information for accountability and decision-making purposes, we believe that the starting point for considering which heritage items can be considered for recognition as assets or presented as heritage items in other financial reports should be as broad as possible. Two of the Consultation Paper's proposals in particular may constrain the extent of items that would be considered for reporting as heritage items; we elaborate on our concerns in this regard below.

Responses to the Specific Matters for Comment are set out in the attached document "Appendix - Heritage Asset". As well, we wish to draw the attention of the IPSASB to the following issues:

1. Definition of a heritage item:

- **Characteristics of a heritage item:** We are concerned with the proposal that a long, possibly indefinite useful life is a definitive characteristic of a heritage item. A long or indefinite useful life may be a characteristic of some but not all heritage items. An item that would otherwise be considered a heritage item should not be disqualified from being accounted for as a heritage item and potentially a heritage asset because it does not have a long or indefinite useful life. Heritage assets may have a useful life if they are not preserved. Therefore, it is the process of preserving a heritage asset that may result in a heritage item having an indefinite life. If an item fits the definition of an asset under the conceptual framework and has the other identified characteristics of a heritage item, not accounting for it as such may reduce the accountability value of the financial statements or financial report from which it is excluded. Examples of items that might be excluded from being heritage items because of this characteristic are provided in Appendix A as part of the response to Specific Matter for Comment Chapter 2- description of heritage.
- **GFS versus IPSASB Conceptual Framework:** Since 2009, IPSASB has had an approved policy to reduce differences between GFS reporting guidelines and IPSAS.

We agree that unnecessary differences should not be created between GFS and IPSAS. Since 2014, the IPSASB has had a conceptual framework that is also a critical influence on its standard setting. Our understanding is that the new IPSASB conceptual framework would be the primary touchstone for setting public sector specific standards, although we recognize that the IPSASB has explained in its strategy document that it balances five possibly competing influences on its standard setting. The proposal to base the IPSAS definition of a heritage item substantially on GFS definition of a heritage asset may narrow the range of items considered to be heritage and evaluated for recognition as heritage assets or otherwise disclosed in financial reports. We are concerned that the choice to use a GFS based definition of heritage may reduce the information provided for accountability and decision making purposes. Meeting the stated objective of financial reporting in the conceptual framework should not be compromised to achieve the policy of GFS convergence. Examples of items that might be excluded from being heritage items as a result of using a GFS-based definition are provided in Appendix A as part of the response to Specific Matter for Comment Chapter 2 – description of heritage .

2. **Measurement Attribute(s):** When deciding what measurement attribute to use for reporting a heritage asset, an entity should assess whether or not a chosen attribute provides information useful for accountability and decision making purposes to its stakeholders. Arguably, the choice should be consistent with the measurement objective in Chapter 7 of the conceptual framework. Depending on the nature of a heritage asset and an entity’s objective in relation to the asset, the asset may be part of the entity’s operating or financial capacity. Such classification, or re-classification, may drive the choice of the best attribute for its recognition at a point in time. Reference to the measurement objective, however, may not be relevant for heritage items as many are not held for the provision of services or use in operations (i.e., so not part of “operational capacity”) and they do not comprise part of the financial capacity of a public sector entity. They are a unique type of public sector activity. The incompatibility of the nature of some heritage items with the measurement objective should not preclude their recognition in financial statements (see comment 3 below).

We provide the following specific comments for consideration:

- The historical cost of an item may not provide relevant information; cost incurred decades ago may not be relevant today.
- Recognizing a heritage asset at market value may be the most relevant measurement basis for an entity that can sell the asset and benefit from the appreciation in value.

- In other cases, as mentioned in the Consultation Paper, an entity may not be able to sell the heritage asset due to its rarity, significance or the law. In such circumstances, initially measuring a heritage asset at market value may not provide any beneficial information to stakeholders. In fact, its use may provide a misleading picture to stakeholders because it cannot be sold or exchanged.
- Initially recognizing a heritage asset at market value may also make sense if it has been acquired through an exchange transaction and there are no restrictions on its sale or exchange.

This may be an appropriate time to address the measurement attributes of assets that do not fall under entity's operating or financing capacity as IPSASB is currently working on Public Sector Measurement project and may require revising Chapter 7 of the conceptual framework.

Considering how complex this item is, achieving consistency on the statement of financial position may be difficult. This standard may provide the preparer with an option to adopt different measurement attributes. We believe that consistency can be achieved in other parts of the financial statements, i.e. in the notes to the financial statements. Consistent information can be required to be disclosed in the notes to the financial statements without impacting the financial statement ratios (e.g., working capital ratio) that an entity is required to maintain or a risk of showing an entity "richer or poorer" than what it actually is.

3. **Presentation of Heritage Items:**

We suggest that the IPSASB may want to consider creating a Stewardship Asset Category for heritage assets that can not be used under operational or financial capacity. This approach would require designating two types of public sector assets: stewardship heritage assets and other heritage assets.

The IPSASB model distinguishes between "operational capacity" and "financial capacity". Assets and liabilities are either part of "operational capacity" or "financial capacity". Some heritage items do not fit easily into the definitions of these categories unless the definitions of these capacities are stretched (Conceptual Framework, Chapter 7, paragraph 7.3). Trying to force-fit heritage items into either operational or financial capacity may not reflect their substance for accountability and decision-making purposes. Please see details of proposal in Appendix B.

Please note that this letter and the comments in the Appendix represent the views of PSAB staff and not those of the Public Sector Accounting Board (PSAB).

Thank you again for the opportunity to provide you with input on this Consultation Paper. We hope you find our comments helpful.

Sincerely,

Ali Ahmed
Principal, Public Sector Accounting

Financial Reporting for Heritage in the Public Sector

Response to Consultation Paper

July 31, 2017

Appendix A

Responses to Specific Matters for Comment

Chapter 1 – Introduction to the financial reporting for heritage in public sector

Specific Matters for Comment—Chapter 1

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?

If not, please give reasons and identify any additional characteristics that you consider relevant.

PSAB Response

The staff agrees that IPSASB has captured all of the characteristics of heritage items and its potential consequences for financial reporting in paragraphs 1.7 and 1.8. However, we do raise an issue with these characteristics – please see our comments on Preliminary View - Chapter 2.1 below.

Chapter 2 – Descriptions of heritage

Preliminary View—Chapter 2.1

For the purposes of this CP, the following description reflects the special characteristics of heritage item and distinguishes them from other phenomena for the purposes of financial reporting:

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.

Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons.

PSAB Response

The Merriam-Webster Dictionary defines “indefinite” as “not precise or having no limits”.²

As noted in the covering letter, staff does not agree that holding an item definitely or indefinitely is a definitive characteristic of a heritage item necessary to distinguish it from assets. Heritage assets

² <https://www.merriam-webster.com/dictionary/indefinite>

inherently can have a useful life if they are not preserved. Therefore, the definition can be confusing for the user where being held indefinitely and being preserved are two separate characteristics.

Underwater cities, sunken ships, poorly managed heritage items and heritage items close to the coastal areas are some of the categories of heritage items that may have an estimated life. They are maintained for the benefit of present and future generations because of their rarity and significance. It provides current generation an educational and/or cultural experience and may benefit future generations through academic and scientific research conducted on it.

Recent studies suggest that many cities may be submerged by rising sea levels due to climate change. Therefore, if there were natural heritage items located along the coastal region, would they be disqualified from meeting the definition of heritage items because they are not expected to be held indefinitely? This concept of holding an asset indefinitely may confuse preparers of the financial statements.

We noticed that GFS 2014 defines heritage asset as assets that a government intends to preserve indefinitely because they have unique historic, cultural, educational, artistic, or architectural significance. The suggested definition under CP closely aligns with GFS 2014³ and may result in lesser differences. However, this standard will not just be applicable to government but other government organizations, some of which may have a mandate to maintain a heritage asset for public interest. Therefore, in order to keep those organizations accountable, the definition should not exclude heritage assets that have a useful life.

If the IPSASB decides to retain this idea in the definition, then perhaps a more accurate split might be “finite” versus “infinite”. This distinction avoids comingling the ideas of imprecision and infinite life. And perhaps this particular distinction could be used to distinguish two types of heritage items, rather than heritage items from other items.

Preliminary View—Chapter 2.2

For the purposes of this CP, natural heritage covers areas and features, but excludes living plants and organisms that occupy or visit those areas and features.

Do you agree with the IPSASB’s Preliminary View? If not, please provide your reasons.

³ Heritage assets, which are assets that a government intends to preserve indefinitely because they have unique historic, cultural, educational, artistic, or architectural significance. (7.10 of Government Finance Statistics Manual 2001)

PSAB Response

The paper mentions the following reason why plants and living organisms are excluded “*Plants and living organisms cannot be held indefinitely and preserved for present and future generations*”.

If useful life is the only reason why plants and living organism should be excluded, we have reservations. The focus should be on the benefit it provides to the general public rather than its tangible useful life. Plants or other living organisms may not live forever. However, they may provide educational experience to the present generation, and academic and scientific research conducted on them will provide benefits to future generations. We understand that valuing these plants and living organisms maybe difficult. However, if they are a part of a heritage item, and an entity is responsible for managing these, the entity should be accountable for it. In future, plants may have a value due to their ability to offset carbon emissions and an entity may not be able to sell those plants but they will provide value to present and future generations.

For example, the Central Amazon Conservation Complex is a heritage site that is over 6 million hectares and is one of the planet’s richest regions in terms of biodiversity. It also includes an important sample of varzea ecosystems, igapó forests, lakes and channels which take the form of a constantly evolving aquatic mosaic. Considering living organisms and plants are an important part of this complex, how will an entity that is accountable to maintain this site, account for this complex? Does the entity have to separate living plants and organisms from the area to account for the complex?

Further, we wonder if the IPSASB should look at natural heritage as a way of beginning to incorporate natural capital into financial statements and other financial reporting in the public sector. If natural heritage is considered to be a subset of natural capital, then the Board will want to ensure that the principles for financial reporting of heritage will also be appropriate for other types of natural capital in order to ensure internal consistency within IPSAS.

Chapter 3 – Heritage items as assets

Preliminary View—Chapter 3

The special characteristics of heritage items do not prevent them from being an asset for the purposes of financial reporting.

Do you agree with the IPSASB’s Preliminary View? If not, please provide your reasons.

PSAB Response

We agree that special characteristics of heritage items do not prevent them from considered as assets for the purposes of financial reporting.

Chapter 4 – Recognition and initial measurement for Heritage assets

Specific Matters for Comment—Chapter 4.1

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 a heritage asset and transferred to the entity, or an entity obtains a natural heritage asset without consideration?

If so, please provide your reasons.

PSAB Response

Based on the characteristics of heritage items mentioned in chapter 2, the first portion of the comment mentioned above is not valid. Heritage items are held indefinitely, hence not depreciable according to chapter 2.

Readers of financial statements may not understand what measuring a heritage asset at nominal value means and we are concerned about the accountability that such measurement provides. Due to materiality, a user may not be able to see the asset in the statement financial position or in the asset continuity schedule (in the notes to the financial statement). Therefore, we see recognizing heritage assets at nominal value as a means to require the inclusion of a summarized inventory of heritage assets in the notes to the financial statements.

As explained in the conceptual framework, information is relevant if it is capable of making a difference in achieving the objectives of financial reporting. Information is capable of making a difference when it has a confirmatory value, predictive value, or both. We are not sure if nominal value supports users in making decisions about entities' resources and holding entities accountable for their stewardship of heritage assets. The suggested measurement attribute does not align with the objective of measurement (7.2 conceptual framework). In addition, nominal value is not identified as a measurement basis under Chapter 7 of the conceptual framework.

Thus if the IPSASB continues to propose nominal value, it should be as a stated pragmatic choice.

Further, in our view, if heritage assets are transferred without consideration, the transfer should be disclosed in the notes to the financial statements to highlight the reduction in the heritage assets held by the entity in stewardship for the public. See also our proposals for sale of a stewardship asset in Appendix B.

Preliminary View—Chapter 4.1

Heritage assets be recognized in the statement of financial position if they meet the recognition criteria in the Conceptual Framework.

Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons.

PSAB Response

We agree that heritage assets be recognized in the statement of financial position if they meet the recognition criteria in the Conceptual Framework.

Specific Matters for Comment—Chapter 4.2

Are there heritage-related situations (or factors) in which heritage assets should not initially be recognized and/or measured because:

- (a) It is not possible to assign a relevant and verifiable monetary value; or
- (b) The cost-benefit constraint applies and the costs of doing so would not justify the benefits?

If yes, please describe those heritage-related situations (or factors) and why heritage assets should not be recognized in these situations.

PSAB Response

We agree with above view point.

Preliminary View—Chapter 4.2

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.

Do you agree with the IPSASB's Preliminary View?

PSAB Response

Please see our comments in the covering letter. In addition, we offer the following thoughts.

According to the conceptual framework, the objective of measurement is:

“To select those measurement bases that most fairly reflect the cost of services, operational capacity and financial capacity of the entity in a manner that is useful in holding the entity to account, and for decision-making purposes.”

Measuring a heritage asset that is inalienable⁴, for which no consideration was exchanged, or historical cost is not relevant, market value or replacement cost will provide no additional value to the readers of the financial statements.

For assets that were purchased, historical cost is an appropriate measurement attribute if the information is relevant.

We are not sure what value measuring heritage assets at market value will provide. Most of the heritage assets cannot be sold due to local laws and regulations. Therefore, recognizing heritage assets at market value may give an impression that the organization is richer than it really is, or that an entity can benefit from increases in the market value of the heritage asset..

Paragraph 4.7 notes that some heritage items are part of operational capacity. Heritage items by definition are preserved and thus not part of “operations” unless they are for sale or are being used in operations. Similarly, it is difficult to see how some heritage items can be considered to be part of “financial capacity” as set out in paragraph 4.8. These paragraphs seem to conflict with the definition of heritage items as being preserved indefinitely.

By definition heritage items are held for preservation, not consumption or sale. So the measurement attribute chosen for initial (and subsequent) measurement should be that which would best facilitate accountability for its preservation and management. If a heritage item is subsequently re-classified as held for sale, then another measurement attribute might be appropriate. Please see our comments on stewardship assets in Appendix B.

Specific Matters for Comment—Chapter 4.3

What additional guidance should the IPSASB provide through its Public Sector Measurement Project to enable these measurement bases to be applied to heritage assets?

PSAB Response

Heritage assets are unique and therefore it is possible to have no active and orderly markets for those. Therefore, guidance should be provided for those circumstances where there is no active or orderly market. Assessed value should also be explored as one of the alternatives to market value. In some jurisdictions, museums provide a tax receipt when a collection is received as a donation. Guidance relating to deriving value through estimation techniques may also be useful. These examples indicate that there may need to be specific consideration given in the Public Sector Measurement project to the appropriate measurement attribute(s) for heritage assets.

⁴incapable of being alienated, surrendered, or transferred (<https://www.merriam-webster.com/dictionary/inalienable>)

Further, the IPSASB may have to consider whether a change to the measurement objective in its Conceptual Framework Chapter 7 is required to properly reflect heritage items as assets in public sector financial statements for accountability and decision-making purposes. As noted in the covering letter, heritage assets do not fit easily into the financial or operating capacities identified in the existing measurement objective. This comment relates to the suggested stewardship category addressed in Appendix B, which follows.

Chapter 5 – Subsequent measurement

Preliminary View—Chapter 5

Subsequent measurement of heritage assets:

- (a) Will need to address changes in heritage asset values that arise from subsequent expenditure, depreciation or amortization, impairment and revaluation.
- (b) Can be approached in broadly the same way as subsequent measurement for other, non-heritage assets.

Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons.

PSAB Response

Heritage assets are unique in nature and therefore should not rely solely on other standards in establishing the requirements for subsequent measurement, though consistency where appropriate is preferred. We believe that due to their unique characteristics and challenges, separate guidance relating to subsequent measurement is likely required.

Subsequent expenditures on heritage: For financial statement purposes, subsequent expenditures on heritage, as for other assets, would probably be classified as betterments, which would be capitalized, and maintenance, which would be expensed. In relation to paragraphs 4.6 and 5.7-5.9, which concluded that no special guidance is required for making this distinction for heritage items, we offer the following:

- Paragraph 4.6: Does defining “cost of services” to include maintenance of heritage items make an assumption that maintenance is required? That is, does it assume that a certain policy choice has been made ad infinitum or that the decision to do or not do maintenance is no longer a policy choice? Does this contradict the conclusion in Chapter 6 that the special characteristics of heritage items do not of themselves give rise to present obligations that would result in the recognition of a liability?

- Paragraphs 5.7-5.9 may not provide enough guidance given the complexity of spending on heritage items to maintain them, restore them or better them. More nuanced guidance than what is provided in existing IPSAS may be required to make such distinctions.

For example, consider if the betterment/maintenance distinction is appropriate for some heritage items – especially those used in “operations”. In such cases when a heritage asset is consumed in providing operational services, that service potential would have to be replaced (because heritage items are to be preserved). When parts of a heritage item are replaced (just like capital assets) the cost or other value of the replaced part would be written off and the cost of the replacement part would be added to the cost or other value of the asset as a whole.

- For other items, ongoing maintenance just to keep it in good condition – even if it is not consumed and does not depreciate (but perhaps appreciates) preservation is unlikely to require replacement and “betterments”. In fact, since this second type of heritage asset is likely not held for its service potential, the factors that would normally identify a “betterment” for capitalization would not exist (i.e., service potential may be enhanced when there is an increase in the previously assessed physical output or service capacity, where associated operating costs are lowered, the useful life of the property is extended or the quality of the output is improved).
- An operating/non-operating heritage items distinction might help in setting out guidance in relation to the betterment/maintenance/restoration distinction and the impact on cost of services.

Specific Matters for Comment—Chapter 5

Are there any types of heritage assets or heritage-related factors that raise special issues for the subsequent measurement of heritage assets?

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.

PSAB Response

We do not have an example. However, in theory capitalizing subsequent expenditures will eventually result in assets having a significant value. Considering heritage assets can not be sold, these assets may stay in the statement of financial position indefinitely and the value in which they are carried on the statement of financial position may keep on increasing. Stakeholders of government not for profit organizations primarily use the statement of operations to evaluate the

entity. Therefore, capitalizing an expense for an asset whose useful life does not change due to betterments, may give an impression to the users of the statements that the value of asset is increasing and overshadow the fact that there were outflows of resources.

IPSASB should address issues of this sort in the subsequent measurement guidance where any work done on the asset may not increase the useful life of an asset due to its inherent indefinite useful life (according to chapter 2) but would preserve it.

See also comments regarding betterments and maintenance under Preliminary View Chapter 5 above.

Chapter 6 – Heritage related obligations

Preliminary View—Chapter 6

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.

Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons.

PSAB Response

We agree with IPSASB's preliminary view.

Recognition of a liability for (deferred) maintenance on heritage items would set a precedent. For example, liabilities for deferred maintenance of infrastructure are not currently recognized in financial statements. Arguably public sector entities have a responsibility to preserve these assets too. And a (government) policy choice in favour of or requiring maintenance would be assumed by requiring such liability recognition, which may not be appropriate.

Chapter 7 –Presentation of information on heritage items

Preliminary View—Chapter 7

Information about heritage should be presented in line with existing IPSASB pronouncements.

Do you agree with IPSASB's preliminary view? If not, please provide your reasons and describe what further guidance should be provided to address these.

PSAB Response

Response to Consultation Paper – *Financial Reporting for Heritage in the Public Sector*

We believe that separate presentation and disclosure requirements should be provided for heritage assets. Following are some of the reasons:

Some heritage assets may be recorded at nominal value, as per chapter 4 of this document. Assets carried at nominal value, due to their immateriality, may not be presented on the face of the statement of financial position or in schedules in the notes to the financial statements. Financial statements are generally denominated in thousands or millions. Heritage assets may be immaterial in cost but the cost to preserve them may be significant. Therefore, for the user of the financial statements, a presentation of aggregated amounts of the significant classes of heritage assets held by the entity, and directly attributable expenses to preserve those classes of items will provide users with beneficial and comparable information for accountability and decision-making purposes.

Appendix B

Reporting of Heritage Items – “Stewardship Assets” Proposal

Stewardship assets could be a separate category of assets. They would be reported as a separate category on the statement of financial position; with a corresponding separate category of net assets. (This would mean that the reporting model currently set out in IPSAS 1 would have two categories of net assets – remeasurements and stewardship assets. See illustration below).

Possible examples of Stewardship Assets:

- Heritage items;
- Endowments restricted in perpetuity;
- Natural capital (including Crown Lands not held for sale).
-

Possible mechanics of Stewardship Asset recognition:

- Receipt of stewardship asset (or initial recognition of existing items in F/S) – balance sheet entry only:

Dr. Stewardship Asset

Cr. Separate category of net assets for Stewardship

- Impairments or write-offs of stewardship assets would be recognized in expenses when the impairment (damage, loss, stolen, fire, etc.) occurs.
- A stewardship asset would not normally be intended for sale. So sale of a stewardship asset would need to be highlighted in the financial statements for accountability purposes. A stewardship asset that is intended for sale would be moved from the Stewardship Asset category when the commitment is made to the sale using criteria such as the following:

An asset held for sale should be recognized as a non-stewardship asset when all of the following criteria are met:

- (a) prior to the date of the financial statements, the public sector entity, management board or an individual with the appropriate level of authority commits the entity to selling the asset;
- (b) the asset is in a condition to be sold;

- (c) the asset is publicly seen to be for sale;
- (d) there is an active market for the asset;
- (e) there is a plan in place for selling the asset; and
- (f) it is reasonably anticipated that the sale to a purchaser external to the reporting entity will be completed within one year of the financial statement date.

The plan in place for selling the asset must identify all significant actions to be taken to sell the asset. Actions required by the plan will begin as soon as possible after the commitment to sell is made.

- When a stewardship asset is sold the gain on sale should be highlighted in the statement of surplus/deficit – separate reporting required for accountability purposes for sale of an item not normally sold.
- There would need to be a separate statement of Stewardship Assets – that is, separate from the existing required Statement of Change in Net Assets. This statement would better highlight the unique nature of stewardship assets, their preservation and management.
- If there are heritage items that do not meet the definition of an asset, they are still held by the entity and accountability for their stewardship is still required. So separate stewardship reporting to accompany the financial statements could be set out as required supplementary information (Consider an RPG?). The report would reference those stewardship assets included in the financial statements as well as heritage items that did not qualify for financial statement recognition but are still held for the benefit of the jurisdiction and for which the entity is accountable.

Benefits of the proposed stewardship asset approach:

- Builds on existing IPSASB model (in IPSAS 1) but allows for future accommodation of reporting needs of public sector not for profit organizations (see example of endowments reported as one type of stewardship asset).
- Allows for things like natural capital to be accommodated in financial statements (and other reports). If a natural capital items meets the definition of an asset and the general recognition criteria it could be recognized in this category. So the stewardship asset proposal is a future oriented approach that leaves room for addressing emerging accounting issues.

Illustration of Stewardship Assets in the Reporting Model

Statement of Financial Position		
as at March 31		
	20X3	20X2
Assets	\$ XX	\$ XX
Stewardship Assets	XX	XX
Liabilities	XX	XX
Net Assets/Liabilities	XX	XX
Plus Other Resources*	XX	XX
Less Other Obligations*	XX	XX
Net Financial Position**	\$ XX	\$ XX
Accum. Remeasurements	XX	XX
Accum. OR and OO	XX	XX
Stewardship Assets	XX	XX
Net Financial Position	\$ XX	\$ XX

*If an entity does not have other resources or other obligations, these would not be presented.

** The components of net financial position would be listed with the details of the changes to the components in a separate statement, the statement of changes in net assets.