

29 September 2017

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International Federation of Accountants
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Submitted to: www.ifac.org

Dear John

Consultation Paper *Financial Reporting for Heritage in the Public Sector*

Thank you for the opportunity to comment on the Consultation Paper *Financial Reporting for Heritage in the Public Sector* (CP). The CP has been exposed in New Zealand and some New Zealand constituents may have made comments directly to you.

To put our response to you in context, the requirement to recognise heritage assets in the statement of financial position has been mandated in our New Zealand accounting standards for many years. There is one significant difference between our current New Zealand standard, PBE IPSAS 17 *Property, Plant and Equipment* and IPSAS 17 *Property, Plant and Equipment*. PBE IPSAS 17 requires that heritage assets which meet the recognition requirements be recognised as property, plant and equipment when they can be reliably measured. PBE IPSAS 31 *Intangible Assets* takes a similar approach to PBE IPSAS 17.

When developing PBE IPSAS 17 the New Zealand Accounting Standards Board (NZASB) noted there are instances where heritage assets are not able to be reliably measured and are therefore not recognised in the statement of financial position. The NZASB agreed that although non-recognition of heritage assets in such circumstances is appropriate, heritage assets should be recognised when they can be reliably measured. We support the recognition of heritage assets for accountability and decision making purposes. In particular, recognition of heritage assets provides transparency and visibility, thus highlighting the importance of such assets and the need for their preservation. If

heritage assets do not fulfil the recognition criteria, we still support the provision of information and good disclosure about them in the financial statements.

We note that, notwithstanding the measurement challenges for heritage items, many New Zealand public benefit entities, both in the public sector and not-for-profit sector, have managed to establish values for financial reporting purposes under PBE IPSAS 17.

However, the unique characteristics of Māori heritage items in New Zealand can mean that attributing a financial value can be particularly challenging when applying the recognition and measurement principles for accounting purposes. The Māori people view themselves as custodians of Māori heritage for past, present and future generations. This is different to the one-dimensional concept of control by a reporting entity that is the accounting concept. Although a Māori heritage item may reside in a museum, “ownership” is still usually attributed to the Māori people. In the context of Māori guardianship, the Māori people consider attributing any monetary value to an item of Māori heritage unnecessary and in many cases, disrespectful.

We have considered these Māori heritage matters in formulating our response to you. We note that other jurisdictions may also face challenges associated with the recognition and measurement of culturally sensitive items where the societal group responsible for such items see themselves as guardians rather than “owners”. Therefore, we have included comments on these challenges and the need to consider different forms of guardianships and ownership of heritage in financial reporting. In particular, we emphasise the need for good guidance on disclosure, either in the notes or in other reports, when appropriate financial values cannot be determined.

Despite our broad support for many of the proposals in the CP we disagree with the suggestion that, in some situations, heritage assets could initially be recognised at a nominal cost of one currency unit. Our outreach provided a unanimous view from constituents, which the NZASB concurs with, that the nominal cost of one currency unit is not an appropriate measurement basis for heritage assets. This approach would not promote consistent measurement practices and would most likely be perceived as offensive and culturally insensitive, given the New Zealand view of heritage.

We acknowledge that financial statements have limitations and that valuations used for financial reporting have limitations. Financial statements are not the sole source of information for decision making and accountability. There will be other valuations used for other purposes and a role for additional information about heritage items, possibly in the financial statements, but also in service performance information or other reports. Despite the limitations of financial statements and the measurement of items for financial reporting purposes, this does not stop us from striving for completeness in financial reporting when the recognition requirements are satisfied.

We have undertaken constituent outreach on the CP, by facilitating roundtables in Wellington, Auckland and Christchurch. We have also received three written submissions (one from a museum, one from a museum umbrella entity and one from an academic). We also understand that the New Zealand membership body, Chartered Accountants Australia New Zealand, and the Office of the Auditor-General are making submissions directly to you.

Overall, we support the proposals in the CP to develop additional guidance on the recognition and measurement of heritage items. We acknowledge that the IPSASB is at an exploratory stage in this

project, and, at this stage, we see the development of guidance as a pragmatic way of assisting preparers in the public sector to account for heritage items.

Our recommendations and responses to the Specific Matters for Comment and Preliminary Views are set out in the Appendix to this letter. If you have any queries or require clarification of any matters in this letter, please contact Judith Pinny (Judith.pinny@xrb.govt.nz) or me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kimberley Crook', written in a cursive style.

Kimberley Crook

Chair – New Zealand Accounting Standards Board

Appendix: Responses to Specific Questions for Comment and Preliminary Views in the Consultation Paper

1. Specific Matters for Comment – Chapter 1 (following paragraph 1.8)

Do you agree 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.

The NZASB agrees with the heritage item characteristics identified by the IPSASB and the areas where these characteristics might have financial reporting consequences.

We note that, although most heritage items are controlled by public sector entities, the for-profit sector also controls some heritage items. An example is corporate art collections. Consequently, we encourage the IPSASB to engage with the International Accounting Standards Board on this topic.

2. Preliminary View – Chapter 2.1 (following paragraph 2.11)

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:

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.

In principle, the scope of the description of heritage items appears satisfactory. We note that this is a description of all heritage items, of which those heritage items that can be recognised as assets and measured for financial reporting purposes is a subset.

We recommend that the IPSASB consider adding "social" to the description of heritage items.

Heritage New Zealand¹, which has Māori² heritage and national historic landmarks within its mandate, includes aesthetic, social, and traditional values within its definition of historical and cultural heritage.³ One constituent suggested that "social heritage" be added to the definition of heritage items to capture all items of heritage significance to New Zealand. The reference to "social" can reflect a wider scope than cultural features. For example, some historic vehicles are considered to have social importance due to their impact on New Zealand society, but may not necessarily be considered to have cultural importance.

We consider it important that any definition used by the IPSASB explicitly emphasise that it is for financial reporting purposes, because there are many different views internationally on what is meant by "heritage".

¹ Heritage New Zealand is the New Zealand Government's expert advisor on historical and cultural heritage.

² The native people of New Zealand.

³ <http://www.heritage.org.nz/resources/-/media/e0dde159aaef4d01b322f9d10d72b6ec.ashx>, page 6.

3. Preliminary View – Chapter 2.2 (following paragraph 2.12)

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

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

The NZASB agrees that natural heritage covers areas and features.

However, we do not necessarily agree that natural heritage should specifically exclude living plants and organisms from the scope of heritage items. It is difficult to come to a definitive conclusion without understanding:

- (a) the implications of including or excluding particular items; and
- (b) the unit of account to be applied (i.e. the species or the individual plant/organism).

Living plants and organisms could, in some instances, be recognised as heritage assets when they meet the recognition criteria in the Conceptual Framework. For example, in New Zealand endangered species are often held in protected areas (within natural heritage sites) and are individually tagged. For these individual protected animals, there may be instances where control can be demonstrated and the recognition criteria satisfied. The kiwi, a native bird, and the tuatara, a native three-eyed lizard, are considered to be heritage animals in New Zealand.

Another example provided during outreach events was the native Kauri trees in New Zealand. The Kauri trees are, in some cases, thousands of years old which would fulfil the "longevity criteria". The Kauris are both rare and significant to New Zealanders, and particularly the Māori people, but are excluded from the description of natural heritage used within the CP.

Historical items of this nature could, under specific circumstances, meet the current requirements for recognition as property, plant and equipment.

We consider that in many instances living plant and organisms will not meet the asset recognition criteria in the Conceptual Framework. However, this should not necessarily preclude them from the scope of heritage items for disclosure purposes. The inclusion of living plants and organisms within the scope of heritage items will encourage entities to acknowledge the significance and importance of these heritage items in their financial statements through disclosures, when not recognised as assets. Information about unrecognised heritage assets, for which an entity has custodian and preservation obligations, would be useful in the financial statements or in the service performance information.

4. Preliminary View – Chapter 3 (following paragraph 3.11)

The special characteristics of heritage items do not prevent them from being considered as assets for the purposes of financial reporting.

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

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

The New Zealand PBE Standards, PBE IPSAS 17 and PBE IPSAS 31, require recognition and measurement of heritage assets. The requirements in PBE IPSAS 17 and PBE IPSAS 31 differ from the IPSASB's current requirements in IPSAS 17 and IPSAS 31.

For many years NZ GAAP has required that entities recognise and measure heritage assets in the same way as other items of property, plant and equipment when the asset recognition criteria are met.

The NZASB notes that there are instances where heritage assets are not able to be reliably measured and therefore are not recognised in the statement of financial position. Although non-recognition of heritage assets in such circumstances is appropriate, heritage assets should be recognised when they can be reliably measured.

5. Specific Matters for Comment – Chapter 4.1 (following paragraph 4.17)

Do you support initially recognising heritage assets at a nominal cost of one currency unit where historical cost is zero, such as when a fully depreciated asset is categorised as a heritage asset then transferred to a museum at no consideration, or an entity obtains a natural heritage asset without consideration?

If so, provide your reasons.

In providing our response below, we have focused on the appropriate accounting treatment for an entity that is already applying IPSAS (i.e. not a first-time adopter of IPSAS) and the appropriate treatment on an on-going basis (i.e. not on first-time application of a new standard requiring recognition of heritage assets for the first time). We consider that transitional provisions (including whether any pragmatic relief should be provided to entities that have not recognised heritage assets previously) should be considered separately. We suggest that the IPSASB take a flexible approach to establishing transitional requirements, particularly those applying to entities which are determining deemed costs from current values for heritage assets on transition.

The NZASB does not support the recognition of heritage assets at one currency unit. Although this may be a pragmatic solution, we believe that perceptions about ascribing notional values are likely to vary across jurisdictions, and could be regarded as culturally insensitive. Our discussions with the Māori people about heritage has confirmed that this is the case in New Zealand.

We note that the recognition criteria in the Conceptual Framework require that items be measured in a way that satisfies the qualitative characteristics. Application of a one currency unit nominal cost contravenes the qualitative characteristics of relevance, faithful representation, comparability and verifiability. We also note that, conceptually, applying a value of one currency unit is quite different to depreciating an asset to zero.

A nominal cost approach is inconsistent with how we account for other assets that an entity receives in exchange for no consideration, such as donated non-heritage property, plant and equipment. IPSAS 17 requires that where an asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Heritage items are sometimes difficult to value because they are unique, or have no ready market. However, we note that this difficulty is not limited to heritage items; many non-heritage items are also difficult to value.

We consider that when heritage items meet the asset recognition criteria, the measurement requirements at initial recognition should be consistent with the accounting for other assets.

6. Preliminary View – Chapter 4.1 (following paragraph 4.40)

Heritage assets should be recognised 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.

The NZASB agrees with this Preliminary View. As noted in our earlier comments, we support the recognition of heritage assets for accountability and decision-making purposes. For example, we note that ascribing a financial value to an asset gives people more reason to preserve and care for that asset. The recognition of an asset in the financial statements is also useful when applying for funding to safeguard the asset for future generations.

We encourage the IPSASB to provide additional guidance on how to apply the recognition criteria to heritage items, given their unique characteristics. We note that demonstrating present control, a past event and service potential can be particularly challenging when accounting for heritage items.

We acknowledge that some aspects of Māori heritage may be unique. In particular, the concepts of ownership and asset valuation do not have a parallel in the Māori world-view which makes recognition of Māori heritage challenging for financial accounting purposes. The closest concept to control or ownership of heritage items used by the Māori people is the concept of *Kaitiakitanga* which differs from the legal concept of ownership frequently applied in financial reporting.

Kaitiakitanga means guardianship, protection, preservation or sheltering. Traditionally, Māori believe that all life is connected. People are not superior to the natural order; they are part of it. *Kaitiakitanga* grows out of this connection and expresses it in a modern context. *Kaitiakitanga* can apply to valued family items and include family heirlooms such as *korowai* (cloaks), *mere pounamu* (jade clubs) and books about *whakapapa* (genealogy). An item that belongs to a person later becomes the property of all their descendants. It is cared for by an individual *kaitiaki* on behalf of the group. The *kaitiaki* is responsible for bringing the object to important occasions such as funerals, and for holding information about it.

Many Māori heritage items for which the concept of *Kaitiakitanga* applies are on loan to entities such as museums. Māori heritage represents a large proportion of many collections in New Zealand museums. For example, the largest museum in Auckland, New Zealand, has 70% of its Māori collection on loan from the Māori people.

We note that there are many different forms of guardianship of heritage assets such as ownership, co-ownership, lease, loan⁴ and hybrid⁵ e.g. part-owned and part-leased. An entity would need to

⁴ Loans maybe for a specific period, or indefinite.

⁵ This occurs in Heritage New Zealand’s portfolio of Heritage properties.

consider its rights, and the rights of others, in relation to a heritage item to make a decision about recognition of that item as a heritage asset.

Our constituents would welcome guidance on the accounting for heritage items where the reporting entity has custodian and preservation responsibilities but may not necessarily have “control” or have ownership rights. We note that the New Zealand national museum, Te Papa Tongarewa, has produced a series of guides for New Zealand museums and art galleries, under the title *He Rauemi Resource Guides*. Guide No 8: *A Guide to Guardians of Iwi Treasures*⁶ provides advice on the partnership between *iwi*⁷ and museums for looking after Māori *taonga*.⁸ Also, because paintings are often loaned between art galleries, guidance around the recognition of these heritage items would be useful.

7. Specific Matters for Comment – Chapter 4.2 (following paragraph 4.40):

Are there heritage-related situations (or factors) in which heritage assets should not initially be recognised 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 recognised in these situations.

- (a) Assigning a relevant and verifiable monetary value

The NZASB agrees that there are instances where heritage assets are not able to be reliably measured and therefore should not be initially recognised in the statement of financial position. Although non-recognition of heritage assets in such circumstances is appropriate, heritage assets should be recognised when they can be reliably measured.

We encourage the IPSASB to provide guidance on determining what constitutes reliable measurement, reflecting the unique characteristics of heritage assets. Any assistance or pragmatic solutions provided to assist preparers in the determination of the initial measurement of heritage assets will encourage a greater level of reporting of heritage assets in the statement of financial position.

In particular, we consider it important to distinguish measurement of heritage items for financial reporting purposes and measurement for other purposes. In New Zealand there is particular sensitivity surrounding assigning any financial value to cultural assets. Recording individual financial value to *taonga* invites a comparison of value that may be inconsistent or even offensive. Prioritising “only the most valuable” items raises further difficulty, because one significant source of value in a Māori framework is the *mana*⁹ of the people connected to the artefact in question. Perception of value can depend on one’s relationship with that person and is something that will alter with

⁶ https://www.tepapa.govt.nz/sites/default/files/8-a-guide-to-guardians-of-iwi-treasures_1.pdf

⁷ *Iwi* means a Māori tribe.

⁸ *Taonga* means a treasure in Māori culture.

⁹ *Mana* means power, prestige or status.

context. Items of high value to one *hapu*¹⁰ will not be significant to another so it becomes difficult to establish a hierarchy or any reliable or meaningful relativity.

Therefore, we recommend providing guidance that clarifies the objective of measurement for financial reporting purposes, as distinguished from other purposes.

When a heritage asset cannot be reliably measured, we would encourage the disclosure of information about its nature and significance of any unrecognised heritage assets. In these instances it may be more appropriate to disclose non-financial information about the heritage asset. We note that the preparation of non-financial information is not without cost and has its own challenges, such as the application of materiality.

(b) Cost-benefit constraints

Although the Conceptual Framework states that the IPSASB will make assessments about costs and benefits in setting standards,¹¹ the Conceptual Framework does not suggest that these assessments would be made by individual entities. In applying standards, entities need to make judgements about the application of requirements in the standards to individual items, including consideration of materiality. The nature of heritage items is such that the criterion of “reliably measure” needs to be assessed on a case by case basis.

In order for the benefits of information about heritage items to exceed the costs of recognition, in our view, the IPSASB should promote pragmatic approaches to the first-time recognition of heritage items. We acknowledge the difficulty in initial recognition for assets acquired in non-exchange transactions when IPSAS 23 *Revenue from Non-Exchange Transactions* applies. However, we believe that the focus should be on assisting entities to undertake such measurements, rather than non-recognition of heritage items on cost/benefit grounds where a reliable measure cannot be made. This is because, in our view, the recognition of heritage items is important for accountability purposes.

We also note the quantum of heritage items that some public sector entities hold. This suggests the need for pragmatic solutions to assist these entities. We also note that unit of account can be problematic, and indeed, judgements about the unit of account can change over time.

8. Preliminary View – Chapter 4.2 (following paragraph 4.40):

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? If not, please provide your reasons.

The NZASB supports the overall objective of getting more heritage assets onto the balance sheet by helping entities to overcome the difficulties associated with assigning values.

¹⁰ *Hapu* means a number of extended family groups that form a sub-tribe.

¹¹ Paragraph 3.40 of the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*.

In principle, we consider the initial and subsequent measurement options in IPSAS 17 are appropriate for heritage assets, although we feel additional guidance is needed to apply these approaches to reflect the unique characteristics of heritage assets.

We observe that there is often no market for heritage assets, and entities would find it particularly helpful if additional guidance was provided for determining the market value of heritage assets. There are various bases for arriving at a market value through valuation approaches, including an insurance valuation¹² which may be readily available and relevant. We suggest a wider pragmatic and flexible approach be taken to valuations, including for entities that apply the revaluation model for subsequent measurement, to mitigate the high costs of regular independent valuations (as discussed further in our response to question 10).

We also suggest guidance be provided on what is meant by replacement cost for heritage assets. In some cases, any replacement cost would be for a replica of the asset as the original could not be recreated. For example, in the case of replacement cost of an historic building, is the entity contemplating the replacement of what was already there, or a more modern version more suitable for contemporary needs? Following the 2010/11 Christchurch earthquakes the Christchurch Cathedral was severely damaged. The choice of how to replace Christchurch Cathedral lay with the Christchurch Anglican Diocese which considered whether it would rebuild the original (a replica), or build a modern 21st Century cathedral.¹³ The Diocese has now decided to rebuild the original.

9. Specific Matters for Comment – Chapter 4.3 (following paragraph 4.40)

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

The IPSASB has a range of options available:

- (a) amend standard(s);
- (b) issue new standard(s);
- (c) provide general guidance; or
- (d) facilitate the sharing of specific guidance.

In making this decision, the IPSASB should consider the costs versus the benefits of these options, and the difficulty of being able to address the measurement of the wide range of heritage items such as museum collections, heritage properties and cultural icons.

We consider that the IPSASB issuing general guidance would be the most appropriate outcome. This should encourage more widespread recognition of heritage assets on the balance sheet, which, in turn, should support better management and preservation of heritage assets. Such guidance could draw upon the approaches applied in countries that currently recognise heritage items.

We also recommend that the IPSASB consult the International Valuation Standards Council to ensure that the valuation standards work effectively with the resultant general guidance.

¹² Although not a market value *per se*, it may be a suitable proxy in the context of a particular valuation.

¹³ A third option was to gift the currently damaged ruin “as is” to the people of New Zealand.

10. Preliminary View – Chapter 5 (following paragraph 5.14):

Subsequent measurement of heritage assets:

- (a) Will need to address changes in heritage asset values that arise from subsequent expenditure, consumption, 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.

We have not identified any reason to disagree with the IPSASB's Preliminary View on the subsequent measurement of heritage assets. In principle, we consider the subsequent measurement options in IPSAS 17 are appropriate for heritage assets. In general, the basic accounting treatment is the same whether the asset is heritage or non-heritage. We note that the revaluation approach for subsequent measurement is an accounting policy choice.

However, we would encourage the IPSASB to take a pragmatic approach when developing the subsequent measurement approach requirements and guidance. This could include allowing for greater flexibility by giving consideration to the following.

- (a) Regularity of fair value valuations. Allowing for fair value valuations to be performed, say, once every 10 years, regardless of market movements. Requiring valuations to be carried out more regularly may not be relevant, given heritage assets are expected to be held indefinitely, and are not held for capital appreciation purposes. Our main concern is to ensure that entities are not required to do annual fair value assessments. This suggestion could create a special class of revaluations applicable only to heritage assets.
- (b) Allow rolling valuations over a specified period to spread valuation costs. Some guidance around how to manage this process would be useful for constituents. For example, with a three year valuation period, the guidance should require that only a third of the population needs to be fair valued in any year, and the other two-thirds would need no fair value assessment in that year. Rolling valuations could also have longer cycles than those used for non-heritage assets.
- (c) Allow smaller classes of assets based on the assets' heritage characteristics and significance (which would particularly assist art galleries¹⁴).

11. Specific Matter for Comment – Chapter 5 (following paragraph 5.14)

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.

Valuation costs are often identified as an obstacle to the recognition of heritage assets in financial statements. Entities can decide whether or not to revalue a particular class of assets.

¹⁴ For example, having classes by the century in which a picture was painted, or by artist, instead of having "all paintings" as one class.

For art galleries, a decision to revalue would mean that all art would need to be revalued, as the common practice in New Zealand is to treat all art as a single class. Allowing for, say, a triennial rolling valuation would mitigate these costs with all assets having a valuation that is not more than three years old. Longer rolling valuation periods could also be considered. In contrast, museums tend to hold items across a number of asset classes so the application of the revaluation requirements in standards is not as onerous. See our related comments in response to question 10 above.

Due to the nature and age of heritage assets, they often have higher than usual maintenance costs. However, we do not see a pressing need for guidance on how to account for such maintenance costs.

12. Preliminary View – Chapter 6 (following paragraph 6.10)

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 recognise a liability.

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

We agree with this Preliminary View, noting that all the facts and circumstances need to be considered.

13. Preliminary View – Chapter 7 (following paragraph 7.9)

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

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

We agree that the current disclosures for accounting for heritage assets are appropriate. Current disclosures are sensible and provide useful information.

Although we support heritage assets that meet the recognition criteria being recognised in financial statements, we acknowledge the limitations of financial statements, and the role that disclosures, or other forms of reporting, have in providing information about heritage items. For example, it is relevant for an entity with responsibility for managing heritage assets to provide information on its management of heritage assets in its service performance report.

As discussed earlier, we acknowledge that the value obtained for financial reporting purposes is not the only value that a heritage item may have for a community. In particular, the significance of a heritage item to an ethnic group is not readily converted to financial value but is nonetheless an important indicator of heritage in the museum community. The seminal reference on significance is *Significance 2.0, a guide to assessing the significance of collections*, a publication of the Collections Council of Australia Ltd.¹⁵ This guide promotes the writing of a statement of significance for heritage collection items.¹⁶ The statement of significance would usually be a one page summarised pictorial

¹⁵ <https://www.arts.gov.au/sites/g/files/net1761/f/significance-2.0.pdf>

¹⁶ *Ibid* pp38-41.

and written statement of the meaning and importance of the specific heritage item. Information from these statements could form the basis for some non-financial disclosures about heritage items. In some cases, it is the human context that gives an item its value. For example, a weapon has more significance when it has been used by a famous person, than when it is just an example of 19th Century weaponry.

Some of our constituents were in favour of a separate accounting standard for heritage. Arguments advanced in favour of this option are set out below.

- (a) Signalling to users that heritage is important.
- (b) It would be easier to address the special characteristics of heritage assets in a separate standard.
- (c) Preparers would have a marked delineation for accounting purposes between heritage items and other assets.
- (d) Supporting the request for preservation funding.
- (e) Demonstrating custodial rights and responsibilities.

Although we considered these arguments, but formed our view that general guidance was preferred. This approach supports the recognition and measurement requirements that already exist in IPSAS 17 and IPSAS 31 for heritage assets that meet the recognition criteria in the IPSASB's Conceptual Framework. However, the most appropriate location of requirements on accounting for heritage assets may need to be considered during the next phase of the project.