

September 26, 2017

Mr. Ian Carruthers  
Chair, IPSASB  
International Public Sector Accounting Standards Board  
277 Wellington Street West  
Toronto, ON M5V 3H2

**Ref: World Bank Comments on the Consultation Paper on Financial Reporting for Heritage in the Public Sector**

Dear Mr. Carruthers,

We appreciate the opportunity to provide comments to the Consultation Paper on Financial Reporting for Heritage in the Public Sector. We welcome this initiative to develop guidelines on recognition, measurement and presentation for heritage that will improve financial reporting in the public sector.

Our comments on IPSASB preliminary views and on specific matters are organized in three sections as follows:

Section I - Concept definition and heritage assets characteristics (Chapters 1 and 2);  
Section II - Heritage items as assets and related responsibilities (Chapters 3 and 6); and  
Section III - Recognition, measurement and presentation of Heritage Assets (Chapters 4, 5, and 7).

**Section I - Concept definition and heritage assets characteristics (Chapters 1 and 2)**

1. The document has captured the main characteristics of heritage items and the potential consequences for financial reporting (following paragraphs 1.8 and 2.11). However IPSASB refers to and accepts the UNESCO definition which refers to other features that could be incorporated. For example that they typically represent the past, they have been created in previous generations, and usually gain value over time.
2. Another important characteristic to consider could be that these assets may be held for social reasons to contribute to knowledge and culture. This could be important in order to differentiate those assets held by the private sector (i.e. corporate art).
3. In terms of the definition we suggest to verify the use of terms “agricultural” and “natural”, as there may be inconsistencies with the concepts treated or to be treated in different IPSAS, such as IPSAS 27.

4. With regard to paragraph 2.12, we could imagine cases where plants and animal species, as well as ecosystems may be preserved for future generations, and this may fall within the heritage asset definition. However, we could understand that there may be practical reasons for excluding these assets, given the difficulty for example in counting them and measuring their value.

## **Section II - Heritage items as assets and related responsibilities (Chapters 3 and 6)**

5. We broadly agree with the preliminary view on the topic that special characteristics of heritage assets do not prevent them from being considered as assets for the purposes of financial reporting (following paragraph 3.11). Some exceptions could be considered when it's not possible to assign a relevant and verifiable monetary value; or if the cost of recording the assets exceed the benefits.

6. In addition, their unique intangible characteristics and contribution to cultural/natural preservation could prevent measurement in a way that captures their value in a sufficiently relevant, verifiable and consistent manner to allow for reliable comparability across financial statement issuers.

7. Further information could be provided on the concept of control and the impossibility of an entity to dispose heritage assets without consent. Also, we suggest expanding the explanation of service potential as a distinctive characteristic of heritage assets as public goods.

8. We agree with the preliminary view that special characteristics of heritage items do not result in a present obligation (following paragraph 6.10), but some special circumstances should be considered. One is that legally binding obligations associated with maintenance of a particular item or type of heritage assets could turn into a liability. Another is that participating countries have agreed to cultural heritage preservation under UNESCO conventions, and, therefore, are obligated through international agreements to preserve these items.

## **Section III - Recognition, measurement and presentation of Heritage Assets (Chapters 4; 5, and 7)**

9. We do not support the initial recognition of heritage assets at a nominal cost of one currency unit where historical cost is zero, or an entity obtains a natural heritage asset without consideration (following paragraph 4.17). This "symbolic cost" does not represent the value of the item presenting incomplete information in the financial statements and different treatment in similar assets.

10. To address this issue and, at the same time, to promote the stocktaking of all heritage assets, we suggest to promote the usage, additional to finance records, of administrative inventories, which should include all heritage assets that are covered under its definition. We also support the disclosure in notes of relevant information on heritage assets not explicitly recognized in the financial statements.

11. Another recommendation would be to have a similar treatment to US GASB (SFFAS 29), in which cultural assets and liabilities are included in a line item in the

financial statements with no amounts, and qualitative disclosures are included to inform users.

12. We largely agree with the preliminary view about heritage assets recognition (following paragraph 4.40) if they meet the recognition criteria in the conceptual framework. Further analysis on dual-use heritage assets would be necessary to achieve their measurement on an objective basis.

13. With respect to the measurement bases (following paragraph 4.40) proposed in the consultation paper when it will be possible to assign a monetary value to heritage assets (historical cost, market value and replacement cost) alternative measurement methods may need to be developed to adjust the historical cost and replacement cost measurements (i.e. indices) as these do not capture the intangible value of these assets. Otherwise, up to date current values would be desirable although its many practical difficulties given that there is no readily available market to provide value for these assets.

14. With regards to additional guidance to enable the measurement bases proposed to be applied on heritage assets (following paragraph 4.40) it would be helpful to provide additional guidelines on what to do when heritage assets cannot be measured and recognized in financial statements, to ensure that these assets are still accounted for.

15. We agree with the subsequent measurement of heritage assets IPSASB preliminary view (following paragraph 5.14). Subsequent expenditure and revaluation could be particularly relevant given the special characteristics of heritage assets. We recommend providing specific guidance on impairment of heritage assets compared to depreciation approaches.

16. We also agree with the information about heritage assets presented in line with existing IPSASB pronouncements (following paragraph 7.9). It would be helpful to be more specific on the type of information that should be disclosed either in the financial statements or in their notes. If it is not possible to assign a value to the heritage asset, and any attempt to do so would misinform the users of general purpose financial statements (GPFS), then informative qualitative disclosures would better inform users of GPFS.

We look forward to hearing the results of this consultation.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Edward Olowo-Okere', written in a cursive style.

Edward Olowo-Okere

Director

Governance Global Practice