



THE INSTITUTE OF CHARTERED ACCOUNTANTS (GHANA)

P. O. Box GP 4268

Accra, Ghana

Tel.: 0288700101; 0288700111;
0288700222; 0288700333; 0288700444;
0544336701; 0277801422

E-mail: info@icagh.com; icaghana@gmail.com

Website: www.icagh.com

8th August, 2017

The Technical Director,
International Public Sector Accounting Standards Board
New York

Dear Sir,

PROPOSED INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARD: - FINANCIAL REPORTING FOR HERITAGE IN THE PUBLIC SECTOR.

Thank you for giving us the opportunity to comment on your draft on “Financial Reporting for Heritage in the Public Sector”. We submit herewith our comments and proposal for your perusal. We appreciate the opportunity given to us to add our voice to the IPSASB’s upcoming guidance on Financial Reporting for Heritage in the Public Sector. We acknowledge the importance of such guidance as there are numerous and varied heritage items, owned by the public sector which need to be accounted for in the financial statements. While we agree that such a guidance will be important we have the following comments. Our comments are based on the questions raised in the consultation paper.

Comments on Consultation Paper on Financial Reporting for Heritage in the Public Sector

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.

Comments:

We generally agree with the provisions of paragraphs 1.7 and 1.8. We believe that all the characteristics of heritage items and the potential consequences for financial reporting have been captured.

2. 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:

ICAG is a member of:



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 archaeological, 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.

Comments:

We generally agree with this definition given by IPSASB for heritage items.

3. 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.

Comments:

Yes, we agree with IPSASB's Preliminary View.

4. 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.

Comments:

We agree with this Preliminary View except that we would expect that this will be shown as a separate line item from all other categories of assets so that the purpose of presenting heritage assets will be achieved. We would rather consider them as special category of fixed assets with a greater focus on disclosure rather than capturing their values and consequent depreciation.

5. Do you support initially recognizing heritage assets at a nominal cost of one currency unit where historical cost is zero, such as when a fully depreciated asset is categorized as a heritage asset then transferred to a museum at no consideration, or an entity obtains a natural heritage asset without consideration? If so, please provide your reasons.

Comments:

- **We generally agree with the approach of initially recognising heritage assets at a nominal cost of one currency unit.**
- **We further think that, heritage assets should subsequently be carried at the value of one currency unit throughout the useful life of these assets. In this case, the financial statements of the entity that holds the heritage asset is not affected in any way either positively or negatively by changes in value of the heritage assets.**
- **Where we allow subsequent valuation, we hold the view that with time, heritage assets will lose the peculiar significance and become ordinary assets.**
- **Where the IPSASB however concludes that it is best to allow subsequent assignment of monetary amounts to heritage assets, we believe this option should be available from the stage of initial recognition. In this case, then Chapter 4.1**

(paragraph 4.17) should give option to enable the initial recognition of heritage assets at an amount other than one currency unit when the monetary values can be reliably estimated.

6. **Preliminary View—Chapter 4.1 (following paragraph 4.40)**

Heritage assets should 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.

Comments:

Yes, we agree that heritage assets should be recognized in the statement of financial position if they meet the recognition criteria in the IPSAS Conceptual Framework.

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 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.

Comments:

We do not think there is a situation where heritage assets cannot be assigned any value. However we generally think that it is more appropriate to initially recognise heritage asset at one currency unit as opposed to estimating and assigning monetary values to them. The reasons are the same as indicated in point 5 above.

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.

Comments:

We do agree that, in many cases it will be possible to assign monetary values to heritage assets. We also agree that the measurement bases mentioned above are appropriate.

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?

Comments:

We do think that IPSASB should adopt the approach of recognising and keeping heritage assets at one currency unit in which case additional guidance regarding measurements will not be needed. We recommend that more direct guidance and examples on how to apply replacement costs model should be given.

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.

Comments:

We do agree with the above but we think that the IPSASB should require that subsequent expenditure arising from heritage assets be treated separately from other non-heritage assets so that the value of heritage assets remain intact. Also depending on the nature of the asset, impairment/revaluation might not make sense, example, the great Pyramids of Egypt, and the Castles along the coast of Ghana cannot be revalued. In certain cases it might be difficult to treat heritage assets in the same way as other non-heritage assets because, for example, replacement costs, impairment or even maintenance, might not apply to certain purely natural phenomena that mankind cannot imitate.

11. Specific Matters 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.

Comments:

We did not identify any such assets.

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 recognize a liability.

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

Comments:

Yes, we do agree but the IPSASB should consider additional options to consider provisions that may result from a constructive obligation to incur specific expenditure on heritage assets.

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

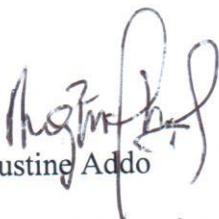
Information about heritage should be presented in line with existing IPSASB pronouncements. Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons and describe what further guidance should be provided to address these.

Comments:

Yes, we do agree that information about heritage items should be presented in line with existing IPSASB pronouncements. However, we believe that certain issues based on the characteristics of heritage items need to be addressed. Even though, the purpose of financial statements is to present financial information, the very definition of heritage assets is not focused on the fair value as reported in the General Purpose Financial Statements (GPFS), but rather the focus is on the intrinsic, artistic, cultural, and historical significance to the entity. If a heritage asset is presented at nominal value, the appropriate disclosures might not be based primarily on monetary unit. Assigning a value to heritage asset naturally leads to a comparison with other assets in the GPFS and this will therefore distort the point of this asset.

We hope the IPSASB finds this letter helpful in further developing its consultations to issue a standard on how heritage items should be treated in the financial statements of the public sector entities. In turn, we are committed to helping the IPSASB in whatever way possible to build upon the results of this Consultation Paper. We look forward to strengthening the dialogue between us. Please do not hesitate to contact us should you wish to discuss any matters raised in this submission.

Yours sincerely,



Augustine Addo

(Ag. Chief Executive Officer)