

September 29, 2017

Mr. John Stanford
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
227 Wellington Street West
Toronto, Ontario MSV 3H2

Dear John

CONSULTATION PAPER – FINANCIAL REPORTING FOR HERITAGE IN THE PUBLIC SECTOR

Thank you for the opportunity to comment on the IPSASB's Consultation Paper on *Financial Reporting for Heritage in the Public Sector*.

We agree that the holding of heritage items is a distinguishing feature of the public sector. Accordingly, we support the Board's initiatives to address heritage asset information needs of users of general purpose financial reports.

Our responses to the IPSASB's preliminary views and specific matters for comment are set out in Appendix A of this letter.

Should you wish to discuss any of our comments, please feel free to contact me.

Sincerely,



Stuart Barr

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Appendix A

Responses to preliminary views and specific matters for comment

Specific Matters for Comment—Chapter 1 (following paragraph 1.8)

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.

Yes, we agree.

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.

Yes, we agree.

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

Yes, we agree.

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.

Yes, we agree.

Specific Matters for Comment—Chapter 4.1 (following paragraph 4.17)

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.

Yes, we support this approach as one option for a starting point to address user information needs. On its own, however, the recognition of heritage assets at a nominal cost of one currency unit is unlikely to be sufficient. What would be useful to users of general purpose financial reports in relation to such

heritage assets would be additional qualitative information about, for instance, the nature, purpose and use of the asset provided elsewhere in the general purpose financial report either in the notes to the financial statements or outside the financial statements. At the same time, user information needs may be met simply through disclosure of such qualitative information, without the need to record a nominal cost of one currency unit on the entity's statement of financial position.

We do not support the view in paragraph 4.16 of the consultation paper that it is necessary for an entity to record a one currency unit on initial recognition to then be able to capitalize subsequent capital expenditure as tangible capital assets on the statement of financial position. When subsequent capital expenditures are incurred in relation to a heritage asset with a historical cost of zero, those subsequent capital expenditures should be assessed against the recognition criteria for tangible capital assets based on their nature to determine if capitalization is appropriate, irrespective of the fact that the underlying heritage asset has a historical cost of zero.

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.

Yes, we agree.

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.

We do not believe that a standard on heritage should exclude specific heritage-related situations from the general recognition criteria for assets. Applying the initial recognition criteria to the specific circumstances of an entity and the heritage asset will often require significant judgment. While it will often be possible within reasonable effort to assign a verifiable monetary value to a heritage asset and therefore recognize such asset in the financial statements, this may not always be possible.

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.

Yes, we agree that different measurement bases can be relevant depending on the nature of the heritage asset and the purpose for which they are held by the entity.

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.

Yes, we agree that subsequent measurement of heritage assets can be approached in broadly the same way as subsequent measurement for other types of assets.

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.

We do not have other factors to offer at this point.

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.

Yes, we agree.

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.

Yes, we agree that information on heritage should be presented according to existing IPSASB pronouncements.