

**Chief Executives Board
for Coordination****Conseil des chefs de secrétariat
des organismes des Nations Unies
pour la coordination****SUBMISSION: Consultation Paper: *Financial Reporting for Heritage in the Public Sector***

13 October 2017

Mr. Stanford
Technical Director
International Public Sector Accounting Standards Board
277 Wellington Street West
Toronto Ontario Canada M5V 3H2

Dear John,

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

1 Thank you for the opportunity to comment on Consultation Paper: *Financial reporting for Heritage in the Public Sector*.

United Nations System Task Force on Accounting Standards

2 The United Nations System Task Force on Accounting Standards (Task Force) appreciates the work that the IPSASB is carrying out in developing accounting standards for public sector entities, including international organizations such as those making up the United Nations system. The Task Force is an inter-agency group consisting of directors of accounting, chief accountants and chief financial officers from United Nations System organizations. The comments below represent the views of Members of the Task Force. The individual organizations that provided comments on this submission and concurred with its submission to the IPSASB are listed in Appendix 1.

General Comments

3 Our organizations hold a wide and diverse collection of heritage items which are in most cases donated by our Member States. Heritage items are composed of historical buildings, monuments, works of art (paintings, graphic arts, decorative arts and textiles), books and maps; and other items. These items are often irreplaceable, distinctly unique and are donated for political, prestigious and sentimental reasons.

4 The Task Force notes that the CP refers to the IPSAS Conceptual Framework (CF), which states that assets are resources controlled by an entity as a result of a past event. A resource is an item with service

potential or the ability to generate economic benefits while service potential is the capacity to provide services that contribute to achieving the entity's objectives. The CP only addresses heritage items that have service potential or economic benefits and ignores those items held by an entity that have no service potential or economic benefits.

5 Our organizations frequently receive unsolicited donations from Member States as a goodwill and political gesture. These items are not used in the achievement of our objectives as mandated by our governing bodies and consequently have no service potential. Based on the above definition of an asset, these donated heritage items are not assets. The CF and CP fail to address the accounting treatment for such items, which is likely to result in inconsistent interpretations and accounting practices across various organizations and by auditors. The Task Force is of the opinion that this constitutes a significant conceptual gap that would need to be addressed prior to the Board moving to the next stage of this project. This gap directly impacts our organizations.

6 The CP and any subsequent documentation on heritage should clearly define heritage items as those items that have service potential or economic benefits. Furthermore, the CP should be explicit about the treatment of items which have no service potential or economic benefits. It is the Task Force's position that it would be erroneous, confusing and misleading to include such heritage items that do not contribute to carrying out the objectives of our organizations on the Statement of Financial Position. The Task Force believes disclosure in the Notes to the Financial Statements for such items is the most appropriate treatment.

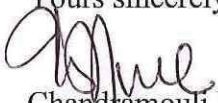
7 Furthermore, the IPSAS Board should consider whether such matters are likely to impact not just the United Nations organizations but also other multilateral or regional organizations as well as national governments which similarly receive unsolicited donations.

Specific Matters and Preliminary Views for Comments

9 The Task Force's detailed comments on the specific matters and preliminary views are included in Appendix 2.

10 Should you have any queries on our comments, please contact Ms. Dinara Alieva (alievad@un.org), Ms. Claire Goulet (goulet@un.org) or me at ramanathanc@un.org.

Yours sincerely,



Chandramouli Ramanathan
Chair, Task Force on Accounting Standards
United Nations System Organizations

APPENDIX 1: UNITED NATIONS SYSTEM TASK FORCE ON ACCOUNTING STANDARDS

Task Force Members from the following organizations reviewed this submission and concurred with its contents.

Organisation	Agree (Disagree)
1. FAO	Agree
2. IAEA	Agree
3. ICAO	Agree
4. ILO	Agree
5. IMO	Agree
6. ITU	Agree
7. PAHO	Agree
8. UN	Agree
9. UNAIDS	Agree
10. UNDP	Agree
11. UNESCO	Agree
12. UNFPA	Agree
13. UNHCR	Agree
14. UNICEF	Agree
15. UNIDO	Agree
16. UNOPS	Agree
17. UNRWA	Agree
18. UPU	Agree
19. WFP	Agree
20. WHO	Agree
21. WIPO	Agree
22. WMO	Agree
23. WTO (Tourism)	Agree
24. UNWomen	Agree
25. IOM	Agree

APPENDIX 2: CONSULTATION PAPER: FINANCIAL REPORTING FOR HERITAGE IN THE PUBLIC SECTOR

In response to the IPSASB's request for comments on these Preliminary Views and Specific Matters please find below comments of the Task Force:

Specific Matter # 1 for Comment (SMC):

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.

Response:

The Task Force agrees with the SMC # 1 that the characteristics of heritage items are fully captured in paragraphs 1.7 and 1.8. of the CP.

Preliminary View # 1 for Comment:

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.

Response:

The Task Force agrees with the preliminary view regarding the description of heritage items.

Preliminary View # 2 for Comment:

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.

Response:

The Task Force agrees with the preliminary view regarding the exclusion of living plants and organisms from natural heritage to be used for financial reporting purposes.

Preliminary View # 3 for Comment:

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.

Response:

While the Task Force generally agrees that the special characteristics of heritage items should not prevent them from being considered as assets for purposes of financial reporting, the Task Force considers that Chapter 3 of the Consultation Paper (CP) does not explicitly address whether heritage items are assets. The CP refers to the definition of an asset in the Conceptual Framework (CF) which refers to the presence of a resource with economic benefits or service potential. The CF and the CP, however, failed to address items with no economic benefits or service potential which creates a conceptual gap. Inconsistent interpretations are likely to occur. The Task Force considers that in the absence of economic benefits or service potential, a heritage item is not an asset. Consequently it should not be recognized on the Statement of Financial Position and should only be disclosed in the notes. Indicators of economic benefits or service potential are (a) whether a heritage item is used in carrying out the objectives of the organization; or (b) whether in an event of loss or damage to the item, the organization would replace such item. Our organizations receive unsolicited gifts from Member States that meet the definition of heritage items but are not used in the achievement of our objectives as established by the General Assembly or other governing bodies.

Specific Matter # 2 for Comment:

Following paragraph 4.17 of Chapter 4 of the CP, 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.

Response:

No comment at this point.

Preliminary View # 4 for Comment:

Following paragraph 4.40 of Chapter 4 of the CP, 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.

Response:

The Task Force agrees that if the criteria of an asset are met then heritage assets should be recognized in the Statement of Financial Position. However, the CF and CP imply that heritage items with no economic benefits or service potential are not assets and should not be recognized on the Statement of Financial Position. Clarifications are required as discussed in Preliminary View #3.

Specific Matter # 3 for Comment:

Following paragraph 4.40 of Chapter 4 of the CP, 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.

Response:

Our organizations may have heritage items that could meet the definition of an asset as they have limited economic benefits or service potential and are retained by the organizations due to restrictions on disposal.

However, it must be noted that assigning a monetary value to such items would not be possible due to the following factors:

- a) Items were donated to the organization and have no historical cost;
- b) Items are retained by the organization due to restrictions on disposals; and
- c) Costs of valuing such items would exceed their limited benefits.

In these situations, valuation could only be highly subjective and would not achieve the purpose of being relevant, faithfully representative, verifiable and comparable, hence would not achieve the qualitative characteristics of information reported in GPFRs.

Preliminary View # 5 for Comment:

Following paragraph 4.40 of Chapter 4 of the CP, 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.

Response:

For heritage items donated to our organizations:

- a) historical cost is not an applicable valuation basis as the items were donated;
- b) considering we would not sell the donated items due to legal, social or contractual restrictions, it would be impossible to assign a market value that is verifiable. Consequently, valuation at market value is not an appropriate valuation basis;
- c) considering the item is not used for operations and would not be replaced by us if it were to be lost or damaged, it would be impossible to assign a replacement cost that is

verifiable. Consequently, valuation at replacement cost is not an appropriate valuation basis.

The Task Force does not agree with the IPSASB's Preliminary View and we request the IPSASB to consider more appropriate valuation methods for items that have no or limited economic benefits or service potential.

Specific Matter # 4 for Comment:

Following paragraph 4.40 of Chapter 4 of CP, What additional guidance should the IPSASB provide through its Public Sector Measurement Project to enable these measurement bases to be applied to heritage assets?

Response:

No comment at this point.

Preliminary View # 6 for Comment:

Following paragraph 5.14 of Chapter 5 of the CP, 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.

Response:

No comment at this point

Specific Matter # 4 for Comment:

Following paragraph 5.14 of Chapter 5 of the CP, 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.

Response:

No comment at this point.

Preliminary View # 7 for Comment:

Following paragraph 6.10 of Chapter 6 of CP, 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.

Response:

The Task Force agrees that the special characteristics of heritage items and an intention to preserve them for present and future generations should not result in a present obligation and the entity should not recognize a liability.

Preliminary View # 8 for Comment:

Following paragraph 7.9 of Chapter 7 of the CP, 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.

Response:

The Task Force agrees that information about heritage should be presented in line with existing IPSASB pronouncements.