FINANCIAL REPORTING FOR HERITAGE ASSETS. TOWARDS AN INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARD?

Lucia Biondi

Fabio Giulio Grandis

Giorgia Mattei

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Dipartimento di Economia Aziendale
Università degli Studi Roma Tre
Via Silvio D'Amico, 77
00145 Roma – Italia
Email: ricerca.economiaaziendale@uniroma3.it

Abstract

In the last decades, a strong debate around the harmonization of public sector accounts spread at an international level. In this process, the International Public Sector Accounting Standards Board (IPSASB), through the issuing of the IPSAS, and the EU Commission, through the launch of the European Public Sector Accounting Standards (EPSAS) project, have played a pivotal role.

Within this stream of research, heritage assets accounting represents a problematic issue, still raising many concerns about (i) a proper definition of such items, (ii) the opportunity of their recognition in the financial reporting statements, (iii) the measurement criteria to adopt, (iv) the additional disclosing information to provide.

Recently, the IPSASB opened a discussion by releasing the Consultation Paper (CP) "Financial Reporting for Heritage in the Public Sector".

Against this background, this paper intends to join in the debate on heritage reporting by carrying out a critical analysis of the CP in order to highlight its strengths, weaknesses and make recommendations. Hereby, we mainly refer to the Italian context.

We address our research question by applying a qualitative method of investigation, through the review of relevant institutional documents issued by two main players in the cultural and accounting field (i.e. IPSASB and the MEF) with a critical eye.

Our main finding is that, even if the proposals included in the CP represent a first step toward an organic regulation of heritage asset reporting, there remains much room for improvement, especially in finding a proper method to assess the financial value of such kind of assets.[i]

Keywords: heritage assets, financial reporting, IPSAS, EPSAS

Corresponding author: Lucia Biondi, email address: lucia.biondi@uniroma3.it

1. Background to study

As we know, from many years, the harmonization of accounting systems is currently undergoing an intense debate, firstly concerning the accounting systems of the private sector and subsequently with reference to the public sector. Focusing on the latter, during the New Public Management (NPM) era, it arose the exigency to abandon the traditional cameralistic/cash-based accounting to introduce accrual accounting systems, brought in from the for-profit sector (Christiaens & Rommel, 2008). In this process, the International Public Sector Accounting Standards Board (IPSASB), through the issuing of the IPSASs, has played a pivotal role (Mussari, 2014). The Board started to elaborate international accounting standards for the public entities, firstly taking into account the ones issued for the private sector, and, then, considering the peculiarities of the public sphere. For this reason, unavoidably, the intrinsic choice was to adopt an accrual accounting system.

Some years later, by the European Directive n.85/2011, also the EU Commission reiterated this approach through the request addressed to Member States to "have in place public accounting systems comprehensively and consistently covering all sub-sectors of general government and containing the information needed to generate accrual data with a view to preparing data based on the ESA 95 standard" (EU Commission, 2013: 2).

In this way, the essential inconsistency between the public sector accounts, which only recorded cash flow, and the fact that the EU budgetary surveillance is based on ESA 95 accruals data, was recognized. The lack of coherence between primary public-sector accounts and ESA 95 accruals data was already affirmed in the Commission communication of 15th April 2011 to the European Parliament and the Council named *Towards robust quality management for European Statistics*: "This communication draws attention to the high dependence of the quality of European-level statistical information on the appropriateness of the entire production process. Eurostat, therefore, started to promote a system of harmonised accruals-based accounting standards, consistent with the ESA, for all entities of the government sector" (EU Commission, 2013: 2-3).

Ascertained that the IPSASs are the only internationally recognised set of public-sector accounting standards, based on accrual principle, the EU Commission required also to verify the adequacy of these standards. The conclusion was that IPSASs represent an indisputable reference for potential EU harmonised public sector accounts, but, at the same time, analyzing the criticalities, it would be better elaborate a specific set of standard considering the peculiarities of the EU Member States in the future. Therefore, the EU Commission persuaded that it would have been appropriate to develop a specific set of standards for the EU Member States; so it launched the European Public Sector Accounting Standards (EPSAS) project.

But why did the choice fall on an accrual-based system? In addition to the motivations provided by Eurostat, others, systematized by national and international accounting standards and academic scholars, are worth to be mentioned.

The implementation of accrual accounting system would produce some benefits and opportunities to the public sector entities (Guthrie, 1998; Christensen, 2002; Carlin, 2005; Paulsson, 2006; Lapsley et al., 2009; Manes Rossi et al., 2016). Some of them could be summarized in:

i) more comprehensive information (Guthrie, 1998);
ii) improved accountability (Wynne, 2007; Evans 1995);
iii) contribution to better assess financial policies and performance (Anessi-Pessina & Steccolini, 2007; Evans, 1995; Andriani et. al., 2010);
iv) liability and inventory management (Guthrie, 1998; Anessi-Pessina & Steccolini, 2007);
v) management of assets (Anessi-Pessina & Steccolini, 2007; Andriani et al., 2010);
vi) determination of full cost of services to define public service tariff (Guthrie, 1998; Anessi-Pessina & Steccolini, 2007) and, therefore, more efficient and effective use of resources (Evans, 1995);
vii) emphasis on intergenerational-equity measurement (Anessi-Pessina & Steccolini, 2007);
viii) better measurement of costs and revenues including comparisons between years (Evans 1995; Ellwood &Newberry, 2006);
ix) increased efficiency (Wynne, 2007).

By focusing on the management of assets, this accounting system has the undisputed merit of improving it.

In the accrual accounting context, some scholars assert that the definition of an asset, based on private sector meanings, creates distortions and, as such, is of limited use in decision-making in the public sector (for example, Carnegie and Wolnizer, 1995; 2002; Barton, 2005; Carlin, 2005). But, which is the good manner to recognize one particular and specific category of assets, such as public cultural heritage?

The present study is introduced in this context; it analyses innovation from an accounting perspective, focusing on heritage assets reporting.

Indeed, within this stream of research, heritage assets accounting represents a problematic issue (Adam et al., 2011; Biondi & Lapsley, 2014), still raising many concerns about (i) a proper definition of such items, (ii) the opportunity of their recognition in the financial reporting statements, (iii) the measurement criteria to adopt, (iv) the additional disclosing information to provide.

Notwithstanding a prolific body of literature and several national standard setters' attempts to tackle these matters, no agreed-upon definition or accounting treatment has been reached to date. Not even the IPSAS 17 (Property, plant, and equipment) provides a definitive solution, leaving the public sector entities the choice of which accounting approach to adopt. This resulted in a variety of practices in different jurisdictions and, consequently, reduced comparability (Mattei et al., 2017).

Italy is famous worldwide for its national heritage. Nevertheless, unlike in other jurisdictions, no national accounting standard for such items exists. Hence, heritage assets are not the subject of organic regulation in Italy.

Recently, the IPSASB opened a discussion by releasing the Consultation Paper (CP) "Financial Reporting for Heritage in the Public Sector". The aim is to receive views from constituents in order to provide guidance on this topic, hence meeting the information needs of users of General Purpose Financial Reports (GPFRs) for accountability and decision-making purposes. Among the 40 comment letters gathered, also Italy expressed its position through the Ministry of Economy and Finance (MEF).

Against this background, this paper intends to join in the debate on heritage reporting by carrying out a critical analysis of the CP in order to highlight its strengths, weaknesses and make recommendations.

The remainder of the paper is structured as follows: section 2 focuses on the debate around heritage assets accounting and its unresolved issues, raising our research question; section 3 describes the methodology we adopted; section 4 provides the critical analysis of the consultation paper; section 5 draws some preliminary conclusions.

2. The debate around heritage assets. A never-ending story?

Heritage assets are a controversial subject. The discussion already starts from what they are and what kind of items this word includes. Far from finding an agreed-upon definition (Adam *et al.*, 2011), heritage items can be better identified by their common features: the importance to be preserved and maintained for the enjoyment of current and future generations; the multifaceted value they embed (cultural, environmental, educational, historical, artistic, archeological, social value) which is difficult to catch in a number; their inalienability; their uniqueness; their undetermined life; their non-rival and non-excludable consumptions attributes (Biondi & Lapsley, 2014).

The debate around heritage assets accounting is rooted in a not even far back past. To our knowledge, it can be dated back to the Seventies of the last century, when some Italian scholars already discussed the difficulties – but not the impossibility - to attach a monetary value to cultural heritage (Cassandro, 1970; Buscema, 1976). Especially, these authors questioned the issue of inalienability. They believed that, even though these goods cannot be sold, and therefore one cannot identify a market value, this does not imply that they do not have a financial value or do not have any impact on the financial statement (Paoloni & Grandis, 2007).

However, a major interest in this topic internationally spread in the Eighties from the Anglo-Saxon countries (America, Australia, New Zealand), giving rise to a "tit for tat" between scholars and practitioners.

The main debated argument is about the possibility to consider such goods as "assets" from the accounting perspective, and consequently recognize them in the balance sheet. On this subject, two main opposing views exists: on the one hand, who supports the idea that heritage items are assets (Rowles, 1992; Micallef & Peirson, 1997; Hone, 1997; Mc Gregor, 1999); on the other hand, who believes that they should rather be considered as something different. And, in this second case, be recognized separately from the financial statement (Carnegie & Wolnizer, 1995, 1996; Jaenicke & Glazer, 1991, 1992; Stanton & Stanton, 1997, Nasi *et al.*, 2001).

For example, Mautz claimed that, since their maintenance and preservation generate outflows, they should be treated as "liabilities" instead (Mautz, 1981, 1988). Specifically, he introduces the concept of "facilities" to identify "properties essential to the purpose of a not-for-profit organization that are acquired to facilitate the transfer of resources outward" (Mautz, 1988: 125). Similarly, Pallot argued that such goods are "community assets", in that they embed a social purpose, belong to the citizenry, and cannot be sold (Pallot, 1990). Barton adopts a trusteeship approach to explain the same concept, as "The government holds them in trust for present and future generations and has a responsibility to protect and preserve them" (Barton, 2000: 231). Therefore, he believes that "The correct method of accounting for assets managed on behalf of others is that they be treated as assets held in trust by the custodial entity” (Barton, 2005: 438). More recently, by mixing the two concepts proposed by Pallot and Barton, Christiaens et al. suggest the term “community asset held in trust”, to distinguish those governmental capital goods to which a social status has been attributed by the law or the government, from those that are business-like capital goods, having an economic status (Christianes et al., 2012).

Conversely, there are academics and standards setters which support the idea that heritage goods can be treated as assets from an accounting perspective. To name but a few, Micallef & Peirson refer to cultural, heritage, scientific and community collections (CHSCCs) arguing that most of them meet the definition of asset and therefore can, and indeed should, be recognised, in the pursuit of a good management of assets and to provide users with indication about the use of resources by the entities that control them (Micallef & Peirson, 1997). Likewise, Hone, in his study, concludes that valuing public collections is an essential component of a sound public management system, in that it allows to assess and monitor (i) the allocation of funds between competing uses, (ii) the performance of public managers, (iii) the application of scarce public resources in a socially and economically responsible way (Hone, 1997: 42). These considerations could be extended to all other heritage items as well. In some authors’ opinion, heritage assets should not be considered as different from other assets categories, since traditionally recognized capital goods sometimes display similar characteristics (Rowles, 1992; McGregor, 1999). To make an example, the inalienability, the absence of an active market, the indefinite useful life can be found in other assets too, do not preclude their evaluation regardless the nature of the reporting entity.

Some standards setters share the same opinion. Australia and New Zealand are among the first countries that questioned about this topic. The Australian Accounting Standards Board (AASB) indeed believes that heritage assets are a subset of property, plant and equipment that should be subject to the same definition and accounting treatment (AASB 116). The same happens in New Zealand (PBE IPSAS 17), even if the Treasury Accounting Policy Team in 2002 issued a specific Valuation Guidance for Cultural and Heritage Assets with the aim to “to provide practical guidance on the valuation of heritage and cultural assets in the context of New Zealand general purpose financial reporting, so as to facilitate a consistent and cost effective approach across the public sector.” (Treasury Accounting Policy Team, 2002: 3).

Actually, when considering heritage items as assets, the consecutive matter is about their accounting treatment: how should they be recognized? How their value can be measured? Can they be accounted for as traditional fixed assets or do they need a specific accounting standard?

In this regard, the IPSASs do not appear to provide a definitive solution. In fact, nor the IPSAS 17 (Property, plants and equipment) neither the IPSAS 31 (Intangible assets) require tangible and/or intangible heritage assets recognition, leaving the public sector entities the choice of which accounting approach to adopt.

A recent analysis of the countries that report on an accrual basis, carried out by the Organisation for Economic Co-operation and Development (OECD) in 2017, highlights the following situation about heritage assets accounting (Tab. 1):

Tab. n. 1 –Reporting practices for heritage assets in Annual Financial Statements of OECD countries

Recognized in the balance sheet	Not recognized in the balance sheet but disclosure provided	Not reported at all	Information not available
Australia, Austria, Canada, the Czech Republic, Finland, France, New Zealand, Poland, Slovenia, Spain, Sweden, the United Kingdom	Israel, Korea, the USA	Belgium, Chile, Denmark, Greece, Hungary, Iceland, Mexico, Portugal, Switzerland, Turkey	Estonia, Japan, the Slovak Republic

Source: our adaptation from OECD/IFAC (2017), *Accrual Practices and Reform Experiences in OECD Countries*, OECD Publishing, Paris, p. 18

This study reveals that the lack of reference accounting treatment and the difficulties for establishing reliable and meaningful valuation result in only 43% governments reporting heritage assets.

Even when recognized on the balance sheet, different measurement methods can be applied, each of them presenting strengths and weaknesses. Historical cost, market value, value in use, contingent valuation, travel cost method, hedonic pricing method, expertise, symbolic/token value are the most common ones (Biondi, 2018). This led to a variety of practices among countries and, as a consequence, limited the comparability (Mattei et al., 2017).

Since the issuing of IPSAS 17, in 2001, the Board acknowledged that heritage assets accounting should have been the subject of a further in-depth analysis later on. After a few years, a "Heritage" project started, in order to move toward the preparation of an international accounting standard for the public sector entities, but its story has been quite troubled (Tab. 2).

After a long period in stalemate, waiting for the publication of a Conceptual Framework (CF) for General Purpose Financial Reporting by public sector entities, in April 2017 the Board issued the Consultation Paper (CP) titled "Financial Reporting for Heritage in the Public Sector", seeking feedbacks to develop guidelines on recognition, measurement and presentation for heritage.

Giving its troublesome history and the abovementioned unresolved issues, it is then reasonable to wonder: will the "heritage assets" project be a never-ending story or will it finally come to a happy ending?

Tab n. 2 – The troublesome history of the "Heritage project"

	"Heritage" project
2001	Issuing of IPSAS 17. Heritage assets will be the subject of further development
2004	A project brief on heritage assets accounting is activated. But, due to budget constraints, it is postponed.
2005	Collaboration with the British Accounting Standards Board (ASB) for the joint development of a Consultation Paper on heritage assets
2006	Issuing of the Consultation Paper "Accounting for Heritage Assets Under the Accrual Basis of Accounting" which embeds the ASB Discussion Paper "Heritage Assets: Can Accounting do better?"
2007	The project is halted due to other priorities
2010	Issuing of IPSAS 31 – Intangible assets.
2014	Issuing of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.
2015	Approval of a new project brief on heritage assets
2017	Issuing of the Consultation Paper "Financial Reporting for Heritage in the Public Sector".

Source: adaptation from Biondi L. (2018), La valutazione del patrimonio culturale nel bilancio delle Pubbliche Amministrazioni. Accounting for Heritage Assets, Wolters Kluwer, Cedam, Milano, pp. 108-109

3. Methodology

In order to address our research question, we discuss the last institutional document issued by the IPSASB within the "Heritage project", namely the CP "Financial Reporting for Heritage in the Public Sector" with a critical eye. A critical analysis is a qualitative research method which systematically assesses a work's effectiveness in order to highlight its strengths, weaknesses and make recommendations.

Hereby, we mainly refer to the Italian context, which we consider as both a typical and a critical case study. It is a typical case in that it displays emblematic features about this phenomenon. It is a critical case in that it entails logical generalization to other cases, because what is true to this case, it is likely to be true to all other ones (and vice versa) (Patton, 1990; Yin, 2003).

Italian national heritage includes 53 United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage sites (more than any other nation on earth) and 8 UNESCO Intangible Cultural Heritage items. Nevertheless, unlike in other jurisdictions, no national accounting standard for such items exists, surprisingly. One must analyse the specific regulation of the different Italian public sector entities to identify some isolated attempts to provide requirements for this particular category of items (e.g. cultural fixed assets of the Central or Local Government, book holdings of Universities, etc.). Hence, heritage assets are not the subject of organic regulation in Italy.

Thus, we apply a document analysis as method of investigation, through the review of relevant institutional documents (Corbetta, 2003) issued by the IPSASB and the MEF, i.e. CP, CF, preparatory documents from the IPSASB meetings, the Italian comment letter. Therefore, we mainly rely on secondary source of data.

For our purposes, those documents serve a twofold function: on the one hand, information therein contained suggests questions that need to be asked and situations that need to be observed. On the other hand, preparatory documents provide a means of tracking change and development (Bowen, 2009).

Consequently, a document analysis entails us to establish the meaning of the CP and its contribution to the issues being explored (Bowen, 2009).

This study is the first step of a wider research project which involves the University of "Roma Tre", the MEF, the Ministry of Cultural Heritage and Activities and Tourism (MIBACT) and the Municipality of Rome.

4. "Financial Reporting for Heritage in the Public Sector". Towards a happy ending?

The CP issued by the Board adopts a systematic logical path, tackling the heritage assets accounting issues by successive approximations.

The starting point is the identification of heritage items and the necessity to develop their description (CP: 13-15). In the choice between setting an exhaustive list and just establishing identification criteria, the Board oriented towards the latter approach, by suggesting the following definition, which highlights the specific characteristics of such goods:

"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." (CP: par. 2.11)

In order to categorize the items meeting this notion, the Board refers to the UNESCO convention (UNESCO, 1972), which seems to be widely agreed. It separates cultural heritage from natural heritage; the first including both tangible (e.g. monuments and historical buildings, archaeological sites, art-works, natural and scientific collections) and intangible items (the so-called "knowledge-in-action", and the intellectual property). The second should contain, besides natural areas and features, living plants and organisms as well; however, since the latter have limited life, do not meet the abovementioned definition.

Looking at the Italian case, the Cultural Heritage and Landscape Code (Legislative Decree 42/2004) contains a similar classification. Nevertheless, intangible cultural heritage is not considered at all, and landscape heritage falls part under the natural heritage category and part under the tangible cultural heritage one.

After defining heritage items, the second issue wonders whether they meet the definition of an asset or not. To this end, one should refer to the CF, where an asset is identified as:

"A resource presently controlled by the entity as a result of a past event" (CF: par. 5.6)

Heritage items are resources. Indeed, they have the capacity to provide services that contribute to achieving the entity's objectives (service potential). Even more, it can be argued that they represent the entity's objective themselves (Paoloni & Grandis, 2007).

And, even if this is not their primary goal, they can also generate cash inflows (economic benefit), e.g. through the sale of tickets, or the use in the provision of services (CF: par. 5.7-5.10).

As far as the control requirement is concerned, it exists when an entity can (i) demonstrate legal ownership, (ii) access to the resource or limit the access, (iii) direct the use of the resource to achieve its objective (CP: par. 5.12). This happens for entities belonging heritage items as well, with the exception of "knowledge-in-action", which cannot be controlled by a single entity but by an entire community.

The past event, which determined the actual control of the resource, may arise in different ways: purchase, donation, discovery, etc. And this is the case for heritage items too (CF: par. 5.13)

Therefore, drawing on the CF, the preliminary view of the Board is that the special characteristics of heritage items do not hinder them from being considered as assets (CP: par. 3.10). We agree with this opinion, which is applicable in the Italian context too.

In addition, we agree also with the IPSASB view according to which the intention to preserve heritage items for the benefit of present and future generations does not give rise to liabilities, in that it implies neither a present obligation nor an outflow of preservation resources that cannot be deferred (CP par. 6.1-6.10).

Acknowledging that heritage items can, in principle, fulfil the definition of heritage assets, then the traditional requirements addressed by any accounting standards come up: (i) recognition; (ii) measurement; (iii) disclosure.

With reference to the recognition issue, it involves two criteria: the existence of an asset and the ability to measure it. Even when admitting that heritage items can be considered asset from an accounting perspective, as we already discussed many arguments in favor of and against recognition exist. Recognizing entails measuring, and measuring involves assigning a monetary value to the asset, by selecting an appropriate evaluation method and in a way that both achieve some qualitative characteristics (relevance and representational faithfulness, understandability, timeliness, comparability and verifiability) and take account of the constraints of information GPFRs (materiality and cost-benefit analysis) (CF: par. 6.7). The measurement basis is considered as appropriate when it provides information that enables users to assess: the cost of services provided; the operational capacity (i.e. the entity's ability to guarantee the delivery of services in the future) and the financial capacity (i.e. the entity's ability to have a solid financial position) (CF: par. 7.3). In our opinion, even if recognizing requires costs and any monetary value could understate the heritage assets' value, the benefits of including the heritage assets in an entity's financial statement are greater for purpose of accountability and decision-making in the asset management, providing useful information to users of GPFRs.

As far as measurement bases are concerned, the CF does not require a single method but provide guidance for the choice between historical cost, market value, replacement cost, net selling price, value in use (CF: par. 7.13 - 7.68). The Working Group of the Heritage project has analyzed these methods during the IPSASB meetings in order to assess their suitability for the heritage assets reporting. Hence, the IPSAB preliminary view is that only historical cost, market value and replacement cost are appropriate measurement bases to value heritage assets.

Historical cost is the cost incurred on acquisition or development of the asset (CF: par. 7.13 –7.21). However, the information could be not available or unreliable if the asset is very old or it has been obtained through non-exchange transactions.

Market value is defined as "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction" (CF: par. 7.24). Nevertheless, often an open, active and orderly market does not exist for such goods, which are unique and incomparable.

Replacement cost (CF: par. 7.37 – 7.48) requires an asset to be replaceable by another asset with the same service potential. Even though most heritage assets are irreplaceable and this method is difficult to follow.

We do not agree with the exclusion of the value in use criteria, which we believe could be one of the most suitable approaches. According to the CF, it is:

"The present value to the entity of the asset's remaining service potential or ability to generate economic benefits if it continues to be used, and of the net amount that the entity will receive from its disposal at the end of its useful life." (CF: par. 7.58)

In our opinion, for the public sector entities, considering that the accrual principle works in a somehow upturned way, the use value could be better estimate not only by applying a discounted cash flow method, but also as the capitalization of the past expenditures that the entities incurred to preserve and maintain the heritage asset to date.

In addition, we believe that also the symbolic value of one currency unit (e.g. 1€), which was discussed and excluded during the IPSASB meetings, could be applied if the subsequent expenditures will be capitalized on that initial amount.

This introduces the issue of the subsequent measurements, which involve also depreciation and amortization, impairment and revaluation (CP: par. 5.7-5.14). The Board approaches this problematic point in broadly the same way as for the subsequent measurements of other, non-heritage assets. With reference to depreciation, it is generally applicable to the assets that have a definite useful life. However, this does not seem to be the case of most heritage assets which, by definition, increase their significance over time instead. In our opinion, it would be better to create provisions for future expenses, with a view to maintenance expenditures to preserve the asset. For the same reasons, impairment does not seem, in principle, to be applicable. Just in case, IPSAS 21 (Impairment of non-cash generating asset) can work as a reference. Talking about revaluation, the CP only considers that the special characteristics of heritage assets do not prevent them from this process.

As far as disclosure is concerned, the CP concludes that the special features of such assets do not require a particular presentation of information (CP: par. 7.1-7.9). We do believe that information about such goods should not be presented separately, but included in the statement of financial position. However, we claim that enhanced disclosure in the notes to the account is needed, to provide users with more comprehensive information about which heritage assets are reported, what evaluation method has been adopted for initial measurement and why, how subsequent measurements have been conducted, etc.

5. Preliminary conclusions

Following our analysis, we can present some preliminary conclusions. The CP issued by the IPSASB has undoubtedly the merit of having drawn again the attention after several years on the unresolved issue of heritage assets accounting. The proposals therein contained represent a new step toward an organic regulation of heritage asset reporting. Nevertheless, there remains much room for improvement. Firstly, the boundaries of what items fall under the proposed definition of heritage items are quite blurred. Even if we agree with the principle-based approach, a clear identification of such goods could be challenging when looking at the national jurisdiction criteria of different countries, such as in Italy.

Secondly, as far as recognition is concerned, we believe that a full recognition approach is needed. Although we acknowledge the difficulties of attaching a monetary value to those assets, one has to bear in mind that such amount is a mere book value from a microeconomic perspective (the aim being the inclusion in the entity's financial report) which is not meant to embed the overall heritage significance for the citizenry. Benefit accruing by the recognition of heritage assets (better described later on) in our opinion exceed the costs.

Thirdly, better guidance on the selection of the appropriate measurement basis should be developed. The choice of the method should be led by the qualitative characteristics of the information and the applicability within the different national contexts. This should be done trying to minimize the margin of discretion of the choice, allowing comparability. In our view, as stated before, the value in use method should be taken again into consideration as one of the most suitable ones.

Finally, we do not completely agree with the IPSASB view, according to which heritage should be presented in line with existing IPSASB pronouncements. Enhanced disclosure is required in order to meet the users' need for information. Information could be both qualitative and quantitative, financial and non-financial. For example, a table included in the notes to the account could display as follows:

Tab. n. 3 – Presentation of heritage-related information. A proposal

Heritage item	**Amount**	**Measurement Basis**	**Motivation**	**Possible alternative methods**
Name, location, category (tangible, intangible natural), sub-category (historical, archaeological, artistic, environmental, etc.), age, entity, other relevant information	Currency unit	Historical cost/ Market value/ Replacement cost/ Value in use/ Symbolic value/ Others…		

Source: our elaboration

This would foster the possibility to analyse and compare data by auditors too.

In conclusion, from a theoretical point of view, this study offers a contribution in developing an international accounting standard on heritage assets for the public sector, aiming to converge and equalize accounting and financial reporting of EU member states too.

As far as practical implications are concerned, recognizing the heritage assets in the financial statement would help to provide a more comprehensive picture of the economic and financial situation of a government. Indeed, the protection, promotion, and management of heritage assets to preserve them for future generations require expenses, which have a negative impact on the liability side. The recognition of such items on the asset side could also improve the quality of statistical reporting, helping to contribute to the sustainability of the government debt, within the European fiscal policy rules too.

Moreover, disclosing information on heritage assets could affect public managers and policy-makers, as well as other users of GPFRs (as citizenry) for the purposes of accountability, transparency and decision-making.

The main limitation of the study is that it does not currently provide any empirical evidence about the determination of specific heritage items values. Therefore, future development of this research will focus on proposing a calculation formula, identifying its variables, specifying a methodology of application and experimentally testing the model.

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- 8th Workshop Azienda Pubblica "Managing innovation in the Public Sector theory and practice", Venice, Italy, June 7-9, 2018;
- 14th CIGAR Workshop, Zagreb, Croatia, July 5-6, 2018.
- 10th International EIASM Public Sector Conference, Lund, Sweden, September 4-6, 2018.