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Citation for published version:

Biondi, L & Lapsley, I 2014, 'Accounting, Transparency and Governance: the Heritage Assets Problem' *Qualitative Research in Accounting and Management*, vol. 11, no. 2, pp. 146-164. DOI: 10.1108/QRAM-04-2014-0035

Digital Object Identifier (DOI):

[10.1108/QRAM-04-2014-0035](https://doi.org/10.1108/QRAM-04-2014-0035)

Link:

[Link to publication record in Edinburgh Research Explorer](#)

Document Version:

Peer reviewed version

Published In:

Qualitative Research in Accounting and Management

Publisher Rights Statement:

© Biondi, L., & Lapsley, I. (2014). Accounting, Transparency and Governance: the Heritage Assets Problem. *Qualitative Research in Accounting & Management*, 11(2), 146-164. 10.1108/QRAM-04-2014-0035

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“ACCOUNTING, TRANSPARENCY AND GOVERNANCE: THE HERITAGE ASSETS PROBLEM”

Lucia Biondi Irvine Lapsley , (2014),"Accounting, transparency and governance: the heritage assets problem", *Qualitative Research in Accounting & Management*, Vol. 11 Iss 2 pp. 146 - 164

Permanent link to this document:

<http://dx.doi.org/10.1108/QRAM-04-2014-0035>

Introduction

Osborne (2010) has sought to initiate a debate on what constitutes `good public governance`. This paper contributes to that debate. Specifically this paper examines whether accounting can foster or enhance 'good governance' through the lens of transparency. Both accounting (Hood, 2006a) and transparency (Casey, 2006, p.176) are essential parts of what constitutes 'good governance'. Transparency has become a key concept which encapsulates long standing attributes of good practice into a modern concept of good governance (van Bijsterveld, 2005, p. 13). However, as shown below, transparency is a complex phenomenon which requires a nuanced understanding to explore effective governance. Furthermore, the contention of this paper is that, in the debate over the new public governance, the role of accounting and the particular challenges it faces in providing robust information for good governance has been taken for granted. The debate launched by Osborne reflects a preoccupation with changes in the nature of the delivery of public services, with changes in structures, partnership working and network organizations (Osborne, 2010). However, the accounting practices of government organizations remain contentious. This is best illustrated by the move to make government agencies adopt full accrual accounting as in commercial organizations. This policy has proved problematic (Lapsley et al, 2009), with particular difficulties over heritage assets (Christiaens et al, 2012; Nasi et al, 2001).

This issue of the availability of objective and precise accounting information is of particular importance, given the need for quantification and measurement in good public governance (Bovaird and Loffler, 2003; Pollitt, 2011). The objective of measuring what constitutes `public value` with new and qualified tools has become a topical issue in good public governance (Moore, 1995; Jorgensen and Bozeman, 2010; de Graaf and van der Wal, 2010). As part of this trend to improve measurement, the international accounting standards movement has increased the momentum for new forms of accounting in government organizations. However, the presumption that more sophisticated processes of standardization of accounting practices has resolved all dilemmas of accounting practice is misleading, given the inherent difficulties of standardization (Timmermans

and Epstein, 2010). There are particular issues over the accounting treatment of intangibles, such as brands, research and development, intellectual property and human resources, for which there are pernicious problems of measurement and recognition (Siegel and Borgia, 2007). It is outside the scope of this paper to address all such issues within contemporary accounting. Instead, this paper offers a contribution which addresses one particular aspect of this neglect of accounting - heritage assets – as an exemplar of the challenges facing accounting practices in achieving transparency in government and public services. This discussion reveals deep seated, pernicious problems of asset recognition and valuation, specifically regarding heritage assets. This difficult challenge places a boundary on the potential of accounting to contribute to the discharge of good public governance by the provision of robust accounting information for decision making by public service organizations and for holding accountable organizations with significant heritage assets.

This paper is organized in five sections. First, the theoretical framework of transparency in public finances is addressed. Then the research context of the significance of heritage accounting is discussed. The research design is then elaborated upon. A major reference point in this research design is the UK Accounting Standards Board (ASB) as a successful example of a standard setting body in action. The importance of this exercise by the ASB on heritage asset accounting is recognized, internationally, as a leading report which was built upon by the International Public Sector Accounting Standards Board and its work in this area is also evaluated from a transparency perspective. Finally, we conclude by reflecting on the extent to, and manner in which, heritage accounting may place boundaries or limits on financial reporting in the promotion of `good public governance` in government and public service organizations.

Theory: Transparency in Financial Reporting

The contemporary development of financial accounting information by public services bodies is heavily influenced by the idea of transparency. Transparency is not a straightforward concept. Heald (2006a), for example, has observed that there are multiple interpretations as to what constitutes `transparency` and what it seeks to achieve, including issues of legitimacy and trust. Moreover, there are implicit assumptions within the arguments of proponents of transparency that, somehow, greater transparency has better policy outcomes, but this is unproven (Finkelstein, 2000). Nevertheless, transparency has achieved a near universal appeal, in contemporary discourse as a key element of good governance (Hood, 2006a). The case for greater transparency in public finances has been advanced by reformers and modernisers as a key element in good public governance for some time. For example, Hood (1996) made the following observation:

“budgets are becoming more ‘transparent’ in accounting terms, attributing costs to outputs and measuring outputs by qualitative performance indicators.”

This particular emphasis on transparency is seen as enhancing public accountability (Koppell, 2005). This pressure for transparency in public finances has assumed an international significance (Gomez *et al.*, 2004).

In this promotion of the case for transparency, it has been elevated to the status of a desirable attribute of public policy, *per se* (Shah *et al.*, 2003). Such is the weight attached to this attribute of ‘transparency’, that Hood (1996) has said this now has a *quasi-religious* significance in public policy. Furthermore, proponents of accrual accounting in government make explicit links between the adoption of accrual accounting and the achievement of transparency. For example, Cangiano (1996, p.15) makes the following statement in the context of New Zealand:

“The government produces its accounts completely on an accrual basis. This makes the assessment of the financial performance and position of the government more transparent. In particular, it clearly indicates whether movements in the government’s net worth are caused by a shift in the balance between capital consumption and new investment or whether the government is depleting its net worth to sustain current consumption.”

However, reservations might be expressed over this stance, on a number of levels. In the first instance, there are sceptics of the merits of accrual accounting, and even proponents of accrual accounting for government, who have expressed reservations over what it can achieve and how important the adoption of accrual accounting should be regarded. Second, there are issues over the nature of transparency, itself. The mere act of making available new forms of information to achieve transparency can be seen as uni-dimensional and not addressing the complexity of the different behaviours of actors in the exercise of accountability. Furthermore, the Guthrie *et al.* (1999) observation that there is scope for social construction of what many regard as purely technical documents raises important issues over the ‘availability’ of information as a criterion of transparency.

If we examine the first set of reservations, there are critics of accrual accounting who argue that this accounting innovation should not have a privileged status, because its outcome is not certain and may differ in different contexts, and indeed, this information is not neutral but is socially constructed (Guthrie *et al.*, 1999). There are fundamental reservations over accrual accounting which we address further below, in the context of transparency. However, there are proponents of

accrual accounting in central government who express reservations, particularly with regard to the possibility of overstating the significance of its impact in the exercise of accountability and express scepticism over the inclusion of all assets within annual accounts because of measurement difficulties (Barton, 2009). Also, it has been suggested that focussing on the accrual accounting system is an overly technical preoccupation of accountants which misses more significant elements of public sector transformation such as the adoption of a more managerial culture in public services

Secondly, the nature of transparency is a matter of subtlety. There are a number of finely grained levels of transparency which may be achieved. At one level, access to information is seen as achieving the aim of transparency (Cangiano, 1996; Kondo, 2001; Nielsen and Madsen, 2009). As Hood (2006b) and Heald (2006b) have expressed it, there is a challenge to get beyond nominal transparency to the achievement of effective transparency in which interested parties can process and use this information to good effect. This leads to a second level of transparency as suggested by Winkler (2000). In Winkler's view (2000,p.7), transparency is best achieved when there is a genuine level of *understanding* of the phenomenon disclosed. A third level of transparency is achieved where a sophisticated level of understanding, which extends to shared meanings, is held by potentially interested parties in the phenomenon disclosed (Florini, 1999; Christensen, 2002; van Bijsterveld, 2005).

It should be recognized that there are major challenges in producing appropriate technical information on heritage accounting – pernicious problems of valuation may undermine the desire for good governance based on high quality accounting information. These issues present a major challenge to the achievement of nominal or first level (as described above) transparency. The extent to which the construction of neutral, impartial accounting information may facilitate the higher levels of transparency and enhance good public governance is the aim of this paper, by specifically focusing on the topic of heritage assets as an exemplar of challenges in contemporary financial reporting by government organizations.

Research Context: Heritage Assets definitions and characteristics

The first challenge in addressing the issue of transparency in the accounting treatment of heritage assets is the lack of a generally accepted definition of this term. A common definition of “heritage assets” does not formally exist yet and, moreover, different criteria are applied by national and international organizations to include assets in this category. Adam et al. make the observation that “these assets are easier to name than to define in a conceptual framework or accounting standard, even in one language” (Adam *et al.*, 2011).

Focusing on the British definition attempts, the ASB, in the first issue of the Financial Reporting Standard (FRS) 15 “Tangible fixed assets” in 1999, did not provide a specific definition, but it suggested some examples referring to inalienable historical assets and similar, with a particular scientific, historical or artistic importance. It was necessary to wait ten years later with the amendment to FRS 15, made by the FRS 30 “Heritage Assets”, to have a specific definition of heritage asset as (ASB, 2009, p. 5):

“a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture”.

At an international level, neither the International Accounting Standards Board (IASB) nor the International Public Sector Accounting Standards Board (IPSASB) specifically define the “heritage asset”, but the IPSASB, in the International Public Sector Accounting Standard (IPSAS) 17 “Property, plant and equipment”, states that (IPSASB, 2006, p. 512):

“some assets are described as heritage assets because of their cultural, environmental or historical significance”

providing specific examples and characteristics. It is therefore evident that no single, formal, agreed definition of the concept exists, but it is possible to identify some common features that heritage assets have: they usually have no purchase price or relevant acquisition cost; their public value (in cultural, environmental, educational and historical terms) is not reflected in a financial value based purely on a market price; usually there are prohibitions or restrictions on their disposal by sale; they are irreplaceable and incomparable; they have a long-lasting useful life; they have non-rival and non-excludable consumption attributes, so they may be regarded as public goods.

This overview of the difficulties of key agencies in devising a commonly accepted definition of what constitutes a heritage asset reveals a fundamental challenge in providing accounting information which is consistently treated in the same way- an obstacle to a minimal level of transparency.

Research Design

The above discussion of transparency identified three levels:

1. at one level, access to information is seen as achieving the aim of transparency (Cangiano, 1996; Kondo, 2002; Nielsen and Madsen, 2009);

2. a second level of transparency which is best achieved when there is a genuine level of *understanding* of the phenomenon disclosed (Winkler (2000,p.7);
3. a third level of transparency is achieved where a sophisticated level of understanding, which extends to shared meanings, is held by potentially interested parties in the phenomenon disclosed (Florini, 1999; Christensen, 2002; van Bijsterveld, 2005).

It is outside the scope of this study to determine if levels 2 and 3 of transparency are being achieved by current accounting practices. However, for the purposes of this study it is sufficient to demonstrate if the first level of transparency is achievable, as it is necessary to achieve this minimal level before progressing to levels 2 and 3. Where the attainment of the first, minimal level, is not possible, there is no transparency. It is important to note that, in the above discussion of research context, there was no consensus over the definition of heritage assets by key oversight bodies. This is *prima facie* evidence of a severe obstacle to the attainment of first level transparency.

This study proceeds to examine the nature of advice promulgated by accounting bodies, and by examining submissions made by stakeholders in a consultation exercise to determine if there is consensus on practice, which would yield clarity and consistency in the information conveyed to interested parties. In particular, this study mobilizes the attempts of standard setting bodies to forge a policy through exposure documents and consultation on heritage assets. In this way, this particular accounting topic is taken as an exemplar of the potential difficulties of translating pernicious accounting problems into generally accepted accounting practices, such that transparency and good governance is achieved.

The key research questions were:

- how are, or how should, heritage assets be valued for financial reports in the pursuit of good Public Governance?
- how have policies (accounting standards) been developed over time? What are the policies of the ASB?
- what is the current policy of the IPSASB and to what extent can IPSAS play a role in resolving valuation difficulties?

In order to address these issues, a documentary analysis was used as the primary research method. Documents studied included exposure drafts, consultations on technical policy guidance and formal requirements of accounting policy. This research approach recognizes that policy documents are not

mere receptacles of information on accounting practices, but important traces of debate and contest (Prior, 2003, p.21). An analysis of documents which identifies clarity, consistency and consensus points to the achievement of first level transparency. An analysis which reveals a contested arena of accounting policy making suggest the first level of transparency is not attainable.

Results

1. How are, or how should, heritage assets be valued for financial reports in the pursuit of good Public Governance

One of our key research questions has been how are, or how should be, public heritage assets valued for financial reports, in the pursuit of good Public Governance. The wide debate in recent years mainly concerns (i) the opportunity for recognition of public heritage assets, (ii) the measurement criteria to adopt and (iii) the disclosure requirements to be made. There are academic commentators (Mc Gregor, 1999; Rowels, 1992) and national standard setters, e.g. Australia (Australian Accounting Standards Board, 2009a, 2009b; Public Sector Accounting Standards Board of the Australian Accounting Research Foundation, 1998a, 1998b) and New Zealand (Institute of Chartered Accountants of New Zealand, 2001; Ministry of Economic Development of New Zealand, 1993), who believe that these categories of asset should be reported using the generally accepted accounting standards for capital assets. Following this assumption, the British entities should adopt the FRS 15 (Tangible Fixed Asset) while, at an international level, IAS 16 and IPSAS 17 (Property, plant and equipment) should be applied. Table n. 1 summarizes these accounting standards with specific reference to heritage assets.

INSERT TABLE 1 HERE

This is intended to facilitate the comparison between the private and public sectors in relation to the decisions which they have made and the performance objectives which they have achieved. Rowles considers that a number of artworks, antique artefacts, historical buildings, could be evaluated (Rowles, 1992). But the contention that heritage assets can be meaningfully valued is a contested area of accounting (Barton, 2000; Carnegie and Wokniexer, 1995-6; Glazer, 1991; Hooper *et al.*, 2005; Mautz, 1988; Newberry, 2001; Pallot, 1990, Rentscheler and Potter, 1996; Stanton and Stanton, 1997). Following an holistic approach, recent studies argue that the accounting policy is not merely related to the physical type of assets, but it depends on the status given to such goods. Public sector capital goods should therefore be divided into “businesslike assets”, to which business

accounting treatment can be applied, and “social/cultural assets”, that should be reported off balance sheet and recognize in social reports (Christiaens *et al.*, 2012).

A lot of authors debated on the possibility to consider or not heritage assets as “assets” (Mautz, 1988; Pallot, 1990; Carnegie and Wolnizer, 1995-6; Glazer and Jaenicke, 1991). Part of the literature believes that heritage assets cannot be considered as assets and therefore they should not be included in financial statements (N□si *et al.*, 2001).

On the other hand, the ASB considers that “heritage assets” are assets because they can embody service potential (culture, education, instruction, research) as well as, or instead of, cash flows (entrance tickets, copyright) and that they are central to the purpose of the entity. The IPSASB, as well, defining assets as (IPSASB, 2001, p. 907):

“Resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity”

enlarging the definition of asset by adding the word “service potential” and replacing the term “enterprise” by “entity” (Christiaens, 2004) seems to include heritage assets as assets.

We therefore examine which is the best way to account for this particular category of assets. Three different possibilities are evident:

- to give heritage assets a value (somehow determined) and recognize them in the balance sheet;
- to give them a value if reasonable and relevant, and include them in the notes;
- to give them no value (because it is impossible, not representative, too difficult or too expensive) and recognize them just in a qualitative way.

It is evident that the act of seeking valuations is undermined by the nature of these assets, their *locus* and the absence of reliable market signals on the worth of these assets to their communities. The act of valuing these assets may appear to achieve transparency, but the levels of subjectivity in valuation serve to obfuscate rather than make financial positions clearer.

Overall, this review of the policy prescriptions and of leading authorities depicts a contested arena, without clarity and congruence on the best way forward for the accounting treatment of heritage assets. This is further evidence that the first level, or minimal level of transparency is unlikely to be achieved for public organisations with heritage assets.

2. *How have policies (accounting standards) been developed over time? What are the policies of the ASB?*

This part of this paper focuses on British attempts at issuing a financial reporting standard on heritage assets. As noted above, the ASB has a distinct principles-based approach to accounting regulation (Tweedie and Whittington, 1990; Weetman et al, 1998). The strength of this UK regulatory body compares favourably with others (Di Piazza and Eccles, 2002 p.5). This makes the British attempts at the resolution of this pernicious problem particularly relevant to our study. Therefore we have examined how policies (accounting standards) have been developed over time, what was the former policy as compared with the new one. In order to understand if and how heritage assets should be valued in the pursuit of good Public Governance, on January 2006 the ASB issued a Discussion Paper named “Heritage Assets: can accounting do better?” (ASB, 2006a).

According to the FRS 15, all tangible assets should be recognized, included heritage assets. The SORP for Charities mirrored this guidance but allowed not to recognize heritage assets acquired in the past because it could be not convenient on a cost-benefit analysis, while recent heritage assets acquisitions should be recognized, if adequate information was available without further costs. Similar considerations are applied to central government agencies.

This is another issue: the accounting treatment is determined according to “when” the asset has been acquired and not according to its specific characteristics. Furthermore, the inclusion of only acquired heritage assets may mean the reporting of a minority of the museums and galleries’ collections, potentially excluding the most significant ones. Thereby the balance sheet will not represent the real value of the entities’ assets.

The Financial Reporting Advisory Board (FRAB), a British policy advisory group, explained its worries on this situation and recommended the monitoring of heritage assets accounting in public sector and not for profit entities (FRAB, 2001). Firstly, the Discussion Paper provided the first official UK definition of “heritage assets”, indicating that they are indeed “assets” and that they have a common aspect (ASB, 2006a, p. 18):

“An asset with historic, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture, and this purpose is central to the objectives of the entity holding it”.

This definition focused on the importance of the requirement of "centrality" of the heritage asset to the objectives of the entity. This sets the distinction between “heritage assets” and “historic assets used by the entity itself” and “corporate arts”. In these cases the requirement of “centrality” is missing, therefore these assets do not meet the abovementioned definition.

In the Discussion Paper, the ASB also reflected on the current British accounting and reporting system for heritage assets, trying to identify the suitable characteristics for this kind of asset and its main stakeholders: funders and financial supporters (that means, for the Government, tax payers) . A financial reporting system for heritage assets realized in the pursuit of good Public Governance should (ASB, 2006a, p. 22):

“inform about the nature and, where available, value of assets held, report on the stewardship of the assets by the entity and inform decisions about whether resources are being used appropriately”.

The ASB proposed to apply an “all or nothing approach”, depending on whether it is *practicable* to obtain a reliable value of the asset. In both cases, disclosure is required.

Following up the Discussion Paper comments, the ASB has subsequently issued the Financial Reporting Exposure Draft (FRED) n. 40 “Accounting for Heritage Assets”, to enhance the quality of heritage assets financial reporting and to overcome the current criticisms. Acknowledging the opinions expressed by the respondents, some important changes were made compared to the previous formulation. The definition of heritage asset has been adjusted, removing the requirement of “centrality” of the purpose of knowledge and culture and therefore broadening its area of applicability to those (ASB, 2006b, p. 9):

“entities that hold heritage assets to contribute to a principal objective of the entity of promoting knowledge and culture”

even if this purpose is not the most important one for the entity. Also, the definition of a collection is included in order to facilitate the application of a proper accounting method for those assets with similar characteristics. The accounting treatment has to be applied to individual collections, not to the totality of heritage assets. FRED 40, indeed, required a valuation approach for collection of heritage assets whereas it is practicable (no particular method is specified), otherwise a non recognition approach should be applied. In both cases, disclosure is required.

The invitation to comment FRED 40 had a strong response with 52 British entities making comments They were asked to state their opinion on heritage asset accounting by addressing nine questions (ASB, 2006b, pp. 6-8). Table n. 2 analyzes the answers to FRED 40.

INSERT TABLE 2 HERE

By examining the percentage of agreement and disagreement with the above questions, it was clear that, according to the respondents:

- the proposed requirements of FRED 40 were an improvement on the current requirements, but did not represent a satisfactory solution yet;
- it led to a “mixed approach”, it was too discretionary (with the “practicability” test and definition of collection open to a wide range of interpretations);
- the regulatory impact missed some important points (it did not consider important costs and it did not emphasize “why” the financial reporting of heritage assets would be useful or relevant);
- it would have possibly lead to negative implications (sales of heritage assets) and problems for the auditors (the proposal to require separate consideration of each collection would be difficult to implement and control)

and, therefore, further improvements to the standard were necessary.

Following its review of the responses to FRED 40, the ASB finalized its standard on heritage, issuing the Financial Reporting Standard 30 on Heritage Assets on June 2009, that

- includes heritage assets within the scope of the recognition and measurement criteria of FRS 15;
- excludes heritage assets from the disclosure requirements of FRS 15, from the requirement to test for impairment and from the requirement to depreciate fixed assets.

Two important changes to its guidance were made:

- the Board decided to abandon the “practicability” requirement to revert to an “availability” requirement: heritage assets have to be reported in balance sheet where information on cost or value is available;
- enhanced disclosure is required whether or not heritage assets are reported in balance sheet.

Table n. 3 compares the Discussion Paper, the Financial Reporting Exposure Draft and the Financial Reporting Standard.

INSERT TABLE 3 HERE

The ASB has a project on the future of UK GAAP. Public entities which meet the ASB definition will have to comply with the EU adopted IFRS. Small entities will continue to use the UK FRSSE (Financial Reporting Standards for Smaller Entities). Other entities will use a standard for medium-sized entities (the FRSME) which is based on IFRS for SMEs. The requirements for heritage assets will be included in FRSME. The development of the UK policy on heritage assets can be seen as a

kind of relentless policy which is preoccupied by quantification and which alleges that the release of even partial information on the valuation of heritage assets held by organizations as achieving the fundamental aim of transparency. This is the typical regulatory position and this is one which may not provide appropriate information to stakeholders. Because of the complexity of valuations and the mixed policies which they endorse, the signals to stakeholders may be confusing. This guidance has emerged from a consultation in which different positions have been taken up by those interested parties who have responded to the consultation. The outcome is guidance which lacks clarity and does not achieve the first, minimal level of transparency.

3. *What is the current policy of the IPSASB and to what extent can IPSAS play a role in resolving valuation difficulties?*

At an international level, given the importance of the topic for governments and public sector entities, the International Public Sector standard setter has been conscious for a long time of the need to develop requirements on accounting for heritage assets and to harmonize them across national jurisdictions. Nevertheless the public sector specific project on heritage assets has had a troubled history. It started in 2004, but due to resource considerations it immediately stopped. Then, in 2005, the IPSASB decided to benefit from the work of the UK ASB in order to jointly develop a discussion paper on this controversial topic. The Consultation Paper (IPSASB, 2006) was issued on February 2006 and it comprises an Introduction by the IPSASB and the ASB Discussion Paper; the aim was to disseminate this consultation to a worldwide audience (not only to British entities) and identify matters to be considered by the International Public Sector standard setter to develop guidance for heritage assets accounting. The Consultation Paper addresses accounting on an accrual basis, not considering either the cash basis or modified cash/accrual based accounting.

As discussed above, even if IPSAS 17 mentions heritage assets including some of their characteristics, it neither defines them nor requires recognition unless these assets meet the definition of property, plant and equipment. When this standard was published, it was immediately clear that this topic would have to be considered more carefully in due course because of differences between heritage assets accounting approaches. In the IPSASB's opinion, even if the ASB proposals particularly involve those jurisdictions that are mainly concerned about heritage assets (because of their nature or history), nevertheless they have an international relevance. Thus IPSASB has urged a wide-ranging debate, both legislative and institutional.

At the end of 2006, the IPSASB reviewed submissions on the Consultation Paper. Respondents indicated considerable support for the ASB proposals on the definition of “heritage assets” and need for additional disclosures, but two significant and contrasting points of view on recognition and measurement came out:

- one view favours no deviation from IPSAS 17 requirements;
- the other view favours non-recognition, primarily on cost- benefit grounds.

In 2007, the IPSASB acknowledged that further analysis of the abovementioned issues would assist in determining the next steps of the project. But, after that, due to other priorities the project has not gone ahead. Up to now, the IPSASB has neither amended IPSAS 17 nor has it issued its own standard. The project was halted in May 2007 and no decision has been taken yet in order to reactivate it.

On the other hand, in 2010 the IPSASB issued a new standard, IPSAS 31, *Intangible Assets*, that covers the accounting for and disclosure of intangible assets, filling a gap in the IPSASB literature and adding some guidance on public sector specific issues, such as intangible heritage assets (IPSASB, 2010b, p. 1356). The regulation of intangible heritage assets (e.g. recordings of significant historical events and rights to use the likeness of a significant public person in postage stamps or collectible coins) is comparable to those in IPSAS 17, so it does not provide a definition of such goods and their recognition is neither required nor prohibited, but in case of capitalization disclosure requirements must be provided (e.g. the measurement basis and the amortization method used).

At the moment, IPSASB is concentrating its efforts on developing a public sector conceptual framework, whose completion is expected in 2014 (IPSASB, 2010, 2012a, 2012b, 2013). The objective is to make explicit the concepts, definitions and principles that underpin the development of IPSASs. This project is seen as critical in establishing credibility as the international standard setter for the public sector (Chan, 2009). This would impact on heritage assets as well. As a matter of fact, the project on heritage assets has been included in the “Additional Potential Project” of the IPSASB Work Program for 2013-2014 (IPSASB, 2012c, p. 16), where it is stated that it has been deferred until the issuing of the Public Sector Conceptual Framework because the development of a definition of an asset may have potential implication on heritage assets. At the moment, the ED 2 defines asset as (IPSASB, 2012a, p. 10):

“a resource, with the ability to provide an inflow of service potential or economic benefits that an entity presently controls, and which arises from a past event”.

Heritage assets are considered as public sector assets that embody *service potential*, so they are *resources* that contribute to achieving the entity's objectives, without necessarily generating net cash inflows (Pallot, 1992); they are usually *controlled* by the governments and other public sector entities, whose have the responsibility to protect and preserve such goods for future generations (IPSASB, 2001, p. 9); they arise from *past events*, through purchase, production or non-exchange transactions, e.g. by exercising of sovereign powers (Christiaens, 2004). Compared with the IPSASB's definition of asset, the ED's definition seems to mitigate the condition by which (economic or) non-economic benefits *are expected to flow to the entity*, so that the inflow could be provided not only to the accounting entity but to others (such as citizens and users) as well. This is the case of heritage assets. Therefore heritage assets seems to meet the proposed definition. However it may be modified in light of comments received before being issued in final form.

Furthermore the IPSASB confirms that there are a lack of international guidance and challenges in garnering consensus, therefore there is room for further research to be conducted. All of this confirms the subject of heritage assets as one in which there is a lack of precise agreed guidance on accounting practice, which undermines the achievement of a minimal, first level of transparency.

Conclusion

This paper has sought to redress the neglect of accounting in the important debate over new public governance, as initiated by Osborne (2010). This perspective has particular importance as there are increasing pressures for quantification to measure the effectiveness of good public governance (Bovaird and Loffler, 2003; Pollitt, 2011). Accounting practices and measures were a dominant feature of NPM (Hood, 1991; 1995). This dominance was a function of the availability of accounting measures, the significance of the accounting profession and the desire to mimic private sector practice. While all these features are not present in the New Public Sector Governance, the prominence of accounting practices in the world of business and in the public sector remains. However, it is the contention of this paper that there remain pernicious problems within conventional accounting practice, which in themselves can confound the desire for good public governance and which cannot be ignored.

The desire to have measurements of the quality of good governance (Bovaird and Loffler, 2003; Pollitt, 2011) provides an opportunity for accounting measures and practices to enter this sphere and contribute to good public governance. Indeed, contemporary ideas of public sector financial reporting are imbued with ideas from an emergent theory of transparency (Hood and Heald, 2006), which resonates with the ideas of the new public sector governance. However, this field of study is

masked by serious problems of ambiguity. This ambiguity extends to ideas of transparency (Heald, 2006), but also to the ideas of what constitutes `good public governance` (Hyndman and Mc Donnell, 2009; Hughes, 2010). These fundamental, definitional problems pose severe challenges to the refinement of what constitutes best practice. This paper shows how these definitional problems can be exacerbated by particular accounting practices which do not provide quantification with precision, but which actually obscure or even obfuscate, which could blur stakeholder understandings and undermine good public governance.

The specific accounting practice examined in this paper is that of accounting for heritage assets. This can be seen as an extreme case of accounting difficulty. However, there are a complete set of accounting problems for intangibles which pose difficulties for standardized accounting treatment (Siegel and Borgia, 2007). The selection of heritage assets is particularly pertinent for this study given its focus on government and public services organisations., t The challenges of heritage asset accounting serve to place boundaries on the manner and scope by which accounting practices for this group of assets can contribute to good public governance. Financial reporting on heritage assets still remains a very difficult and challenging accounting problematic. The key results of our research are:

1. there is no unanimous or common definition of “heritage assets”;
2. it is not clear what “public value” can be attributed to heritage assets;
3. it is argued by the standard setting body that accounting on heritage assets has improved over the years in the UK, but difficult and challenging issues remain;
4. if accounting standards are applied at all to this category of assets, there may be a case for specific forms of heritage asset accounting to be developed for public sector entities. This would extend beyond narrow financials to embrace qualitative indicators.

Even considering a number of alternative approaches, none of the presently available options for accounting for heritage assets seems preferable. In a pursuit of increased transparency, FRS 30 has enhanced disclosure, but it would enable most organizations with heritage assets to leave them `off balance sheet` if information on cost or value is not available. This mixed approach to the recognition of this particular category of assets can only provide incomplete and potentially misleading information. At an international level, after the Consultation Paper and the examination of submissions, no further attempts to issue an international accounting standard has been made and the project has ceased since 2007.

The subject of heritage asset accounting remains contentious, but unresolved. There is a case for further research on how these assets might be accounted for. In particular, a more nuanced approach which seeks to combine financial information – even if limited – with contextual information on the cultural significance of, and wider societal appreciation of, particular heritage assets is merited. This approach recognizes that the first level, naïve approach to transparency - the mere disclosure of information – fails to achieve its aim of connecting with actual or potentially interested stakeholders. The achievement of higher levels of transparency, whether a second level `genuine understanding` (Winkler (2000,p.7) or a third level of shared meanings and interpretations (Florini, 1999; Christensen, 2002; van Bijsterveld, 2005) looks unattainable. To determine whether such levels of transparency and good governance was being achieved would require a more finely grained approach to setting out the nature of these assets which should be tested against the views of stakeholders to determine whether and how value is added, if at all. This is a different approach from the typical approach to accounting standard setting, which is essentially the product of committee meetings in private. This would address the fundamental challenge of definitional issues which are inherent – in these assets, in concepts of transparency and in `good public governance`.

List of Abbreviations

ASB	Accounting Standards Board
CP	Consultation Paper
ED	Exposure Draft
FRS	Financial Reporting Standard
GAAP	General Accepted Accounting Standard
IASB	International Accounting Standards Board
IPSAS	International Public Sector Accounting Standard
IPSASB	International Public Sector Accounting Standards Board
SORP	Statement of Recommended Practice
UNESCO	United Nations Educational Scientific and Cultural Organization

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