

“L’ORIENTAMENTO INFORMATIVO DEI PRINCIPI IPSAS. GLI HERITAGE ASSETS NELL’ IPSAS 17”

ABSTRACT

The implementation of IPSASs in European Union countries and the harmonization of the governmental financial reporting have the aims to respond to the needs of the citizens, intended as potential investors (*Benito et Al., 2007*). Accounting systems of Public Administration are the object of a reform process, in order to adequate them to the new informative demands which emerge from the needs, regardless of the sector they belong to, for the articulation of a homogeneous informative structure in the field of economic activities.

This means the incorporation to the accounting systems of all patrimonial elements of public entities, among which there are some with special peculiarities, as in the case of “heritage assets”. Heritage assets are elements of tangible nature characterized by historic, artistic, architectural, aesthetic, scientific, technological, geophysical or environmental features.

The paper has the purpose to investigate to what extent the International Public Sector Accounting Standards (IPSAS 17) respond to the user needs of governmental financial reporting about heritage assets.

The relationship between the user of accounting information (*accountee*) and supplier of accounting information (*accountor*) can be framed in the theory of accountability. Accounting is probably the first and one of the most important accountability tools that citizen can use for control the management of the resources entrusted to the government, for scrutinize government’s economic policies, for control the efficiency and effectiveness of management of assets and liabilities.

This phenomenon is particularly relevant to public administration, because of the influence that public financial results have on politics and consequently on the decision-making processes, with inevitable social repercussions on the citizens’ satisfaction. In local government the private sector accountability flow is replicated by the flow to elected councilors, but those councillors are then accountable to the electorate, who are also the funders in their role as taxpayers.

Often governments dispose of such goods such as monuments, collections, museum, historical buildings, etc. In this paper the approach adopted on these types of goods by the IPSAS 17 covering heritage assets is analyzed.

Looking at the scientific literature about heritage assets an important point for examination rests on the apparently interminable argument fought out in the journals over the past decade in relation to the problems of accounting for heritage and similar assets. Various authors have studied the problem of accounting for heritage assets but their positions are conflicting and after a number of years of new public sector reforms, governments are still waiting for solutions on a number of unresolved questions and problems regarding heritage assets.

A possible solution to the need of accounting rules for the recognition, valuation and disclosure of heritage assets is given by the IPSAS 17. Nevertheless, previous researches (*Marti C., 2006; Sutcliffe, 2003; Christiaens, 2003*) have highlighted that in case of application of IPSAS 17 there might be some problems: in fact, the disclosure requirement of these standards could not be able to respond to user needs about heritage assets.

Some authors (*Anthony, 1978, Jones et al., 1985; Steccolini, 2004; Walker et al., 2004; Mack J. & Ryan C, 2006*) emphasized the importance of identifying the users of public sector reporting and

their information needs and decisions particularly when consulting the general purpose financial statement.

The users of public sector reports not only ask for basic financial information and highly detailed disclosures but, they also are interested in information about the management of the heritage assets, about their protection, conservation and maintenance for future generations (*Rowles, Hotton and Bellamy, 1998; Barker, 2006; Micallef & Peirson, 1997; Buch Gómez E. J. and Cabaleiro Casal R., 2008*) for accountability and decision-making reasons (*Jones et al., 1985; Steccolini, 2004; Mack J. & Ryan C, 2006*).

On the one hand, there is the user need for information about heritage assets, on the other hand there is the IPSAS 17 implying a number of rules and disclosure requirements about heritage assets. This leads to following research question: *To what extent does the IPSAS 17 respond to the needs of users about heritage assets of governmental financial reporting?*

From a methodological point of view, a survey of Italian local governments with populations above 30,000 was conducted sending a questionnaire by e-mail and post to the Mayors and city councils of 292 Italian Municipalities. Mayors and city councils were chosen because the mayors are considered the most interested users of the annual report (*Chan, 1981; Jones et al., 1985; Kloot and Martin, 2000; Mack J. & Ryan C, 2000; Mack J. et al., 2001; Steccolini, 2004; Walker et al., 2004*).

In accountability perspective, Mayors and Councillors are stimulated to use financial information for inform the citizens that elected them about their decisions and activities.

Inspired by user need research and papers in the domain of heritage assets (*Barton, 2000; Barker P., 2006; Lacerra A. Stafford A., 2009; Lee J, Fisherb G., 2004; Mack J. & Ryan C., 2004; Robbins, W.A., 1984*) a set of information needs of the Mayor and councillors was developed. Next to the list of information useful for the Mayor and councillors a list of information items required by IPSAS 17 is created. All these items have been broken down in four groups: valuation (*Lee J, Fisherb G., 2004*), information disclosure (*Robbins, W.A., 1984*), narrative information (*Mack J. & Ryan C., 2006*) and performance information (*Mack J. & Ryan C., 2006*).

For each item, the answers of the respondents are summed and the value of the average importance is calculated. Next to the percentage of response (or satisfaction) and the percentage of not response (or not satisfaction) of the user needs by the IPSAS 17 are calculated. The first percentage considers the items important for the users that are also required by IPSAS 17, instead the second percentage consider the items important for the users but that are not required by IPSAS 17.

Finally, the reasons for which users require or do not require information about heritage assets were investigated.

The empirical results of the survey on the Mayor and Councilors of large LGs shows that the conclusions are going in the direction of not very favorable for the IPSAS 17. IPSAS 17 responds to the user needs about heritage assets only for the 43% because twelve of the most important information (57%) that users research in the governmental financial reporting are not required by the standard.

Regarding the purposes for which users require information about heritage assets, the empirical results show that “*financial accountability*” and “*public accountability*” are the most important reasons for which users require information about heritage assets. Instead, the most important reason for which users do not require information about heritage assets is that it is not compulsory to put information about heritage assets in the governmental financial reporting.