Accounting as Technical, Social and Moral Practice: The Monetary Valuation of Public Cultural, Heritage and Scientific Collections in Financial Reports

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The International Public Sector Accounting Standards Board of the International Federation of Accountants issued exposure draft ED78 Property Plant and Equipment in April 2021. It proposes valuing ‘heritage items’ for recognition as ‘heritage assets’ in statements of financial position. This proposed requirement for global application casts the spotlight on a highly controversial topic in regulated financial reporting. The monetary valuation of cultural, heritage and scientific collections of public not-for-profit museums, art galleries and similar repositories has been subject to considerable discussion and debate for the past three decades. Our purpose is to critically examine this perennial financial reporting controversy, in the context of the three conceptions of accounting: accounting as technical practice, social practice and moral practice as articulated in the definition of accounting proposed by Carnegie et al. (2021a, 2021b) for discussion, debate and potential adoption in the accounting profession, including by accounting standard setters in all sectors. This article is intended to challenge accounting to enhanced self-awareness in reaching its full potential.

Bourgeois society is infected by monomania: the monomania of accounting. For it, the only thing that has value is what can be counted in francs and centimes.

- Simone Weil, La Condition Ouvrière, 1951

In 2015, the Sydney-based Museum of Applied Arts and Science (MAAS) wrote down its heritage collection, by almost a quarter of its monetary valuation, following the decision to exclude the Boulton and Watt steam engine from valuation on the basis that it was ‘unique and not able to be measured reliably’ (MAAS 2015: 41). Of note, the write down was only partially absorbed by the valuation reserve, thus leading to an operating loss for the year of about $68,000 (Ferri et al. 2021). This case reveals how an apparently technical problem relating to the monetary valuation of heritage assets (the difficulty to measure reliably) may lead to unintended consequences, while also casting light on the existence of different systems of values. The MAAS, in fact, signalled the high cultural and historical value of the oldest, yet still operative, steam engine by not assigning a monetary value to this rare and prized object.

This and other examples, as well as evidence from textual analysis, are used in this study to critically assess the latest efforts of the International Public Sector Accounting Standards Board (IPSASB) to develop standards on accounting for heritage assets. These efforts are presented in the 2021 exposure draft, ED78 Property Plant and Equipment (hereafter ED) and, especially in the consultation paper, Financial Reporting for Heritage in the Public Sector (hereafter CP), issued in April 2017 and which forms the basis of the ED.

The purpose of this study is to evaluate these proposals against an appreciation of accounting as technical, social and moral practice, in support of a recent proposal by Carnegie et al. (2021a, 2021b) in presenting a new definition of accounting for discussion, debate and potential adoption. It is intended to contribute to the positioning of this journal as a forum for discussion premised on its objective to ‘act as a vehicle for the exchange of

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ideas and evidence between those in academe and those in practice’ (Bradbury and Howieson 2021: 271) and to foster a dialogue with standard setters (Bradbury and Howieson 2020). It also broadens discussion appearing in this journal on recent accounting research. It provides a balance to the study of Pinnock and Stevenson (2021), which focuses on ‘two prominent strands of research (agency theory/costly contracting research and value relevance)’ by examining the interface between standard setters and academic research. Further, our study moves beyond Troshani and Rowbottom’s (2021) private sector-based digital corporate reporting study addressing capital market consequences, to consider the complexities of public sector collections’ monetary valuation and ramifications.

In this study, after providing background information on the ED and the CP, we focus on the latter to highlight its fundamental technical nature. According to the CP, ‘an asset is an asset’ regardless of where assets may be located and without any appropriate evaluation or adequate understanding of the organisational and social contexts in which they may be uniquely positioned. It also focuses on the moral implications arising from the application of calculative technologies and impacts which may put such public collections at risk of destruction and discontinuity.

Therefore, unlike other commentary on the CP (Aversano et al. 2020; De Wolf et al. 2020; Biondi et al. 2021), this evaluation goes beyond the assessment of comments provided in submissions on the CP to evaluate the rationale for producing an exposure draft on conceptual grounds as articulated in the CP. Moving from this evaluation, we intend to stimulate reflection and greater self-awareness within the accounting discipline and contribute to the profession reaching its full potential, thus enabling the flourishing of organisations, people and nature and, accordingly, helping to create a better world (Carnegie et al. 2021a, 2021b).

Background to ED78

In April 2021, the IPSASB, ‘based on responses to its CP’, issued the ED, proposing that ‘heritage assets that satisfy the definition of property, plant and equipment should be accounted for and recognized when they meet the recognition criteria’ (IPSASB 2021: 3). The ED with respect to the treatment of heritage assets essentially mimics the proposed changes set out in the 2017 CP. Specifically, these proposed changes include the removal of IPSAS 17’s scope exclusion for the financial reporting of heritage collections with the same principles on accounting for property, plant and equipment to now also apply to heritage collections. At the time of writing, the ED remains open for public comment with submissions closing on 25 October 2021.

The CP describes ‘heritage items’ as ‘those 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’ (IPSASB 2017: 4). The IPSASB proposes that while ‘heritage items’ have special characteristics, this does ‘not prevent them from being assets for the purposes of financial reporting’ (IPSASB 2017: 4). Therefore, ‘heritage items should be recognized in the statement of financial position if they meet the recognition criteria in the Conceptual Framework’ (IPSASB 2017: 5).

Remarkably, our analysis of formal submissions to the CP reveals that not a single cultural heritage or arts institution made a submission, when arguably these public institutions will be most heavily affected by the proposed changes. Of the 40 submissions made, there was one submission made by an association of museum directors, the Council of Australasian Museum Directors (CAMD) representing museums across Australia and New Zealand. Another submission was from the heritage-related organisation Amafa AkwaZulu Natali of South Africa.

On the other hand, submissions were made primarily from accounting profession insiders, such as professional accounting organisations, accounting standard setters, certain accountancy firms (such as KPMG), individual professional accountants and auditors and other accounting peak bodies, such as Accountancy Europe. The ‘public sector entities’ (De Wolf et al. 2020: 329) that made submissions, have responsibility mostly for accounting or auditing and/or treasury and finance. Alert to the dynamics of the international accounting profession, it is arguably highly unlikely that senior accounting officials of these public sector organisations, including members of professional accounting organisations, would adequately represent the interests of ‘users’ in general and other relevant stakeholders. This point will be further discussed in the conclusion section.

Framework for Analysis: Accounting as Technical, Social and Moral Practice

Underpinning most key definitions of accounting is the definition provided in 1941 by the American Institute of Accountants (now the American Institute of Certified Public Accountants), which defines accounting as ‘… the art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character, and interpreting the results thereof’ (American Institute of Accountants 1953: 9). Another longstanding definition of accounting by the American Accounting Association (1966) is founded on ‘decision-usefulness’ of the accounting process: ‘Accounting is the process of identifying, measuring and communicating
economic information to permit informed judgments and decisions by users of information’. Such definitions, however, do not proactively recognise and reflect the multi-faceted conception of accounting as a technical, social and moral practice (e.g., Tsahuridu and Carnegie 2018; Carnegie and Tsahuridu 2019).

Specifically, traditional definitions of accounting neglect the social and moral aspects of accounting as a multi-dimensional phenomenon. For this reason, we (i.e., the current authors) support Carnegie et al. (2021a: 69, 2021b) who propose to change the definition of accounting and advocate the following new definition of accounting for consideration and adoption in all organisational and social contexts in which accounting is deployed and operates:

**Accounting is a technical, social and moral practice concerned with the sustainable utilisation of resources and proper accountability to stakeholders to enable the flourishing of organisations, people and nature.**

These distinct conceptions of accounting are briefly elaborated in the following sub-sections.

**Accounting as technical practice**

According to O’Connell et al. (2015: 9), accounting has been long and widely understood as technical practice or ‘a comprehensive set of techniques, concepts, and practices resulting in the preparation of accounting reports’. In the context of public institutions, as the custodians of cultural, heritage and scientific collections, these reports are general purpose financial reports (GPFRs) or externally published financial reports. Accounting as technical practice does not require, in our view, any further explication, as it has been well identified and positioned for at least a century. However, importantly to the issue of the appropriate treatment of heritage assets, accounting is not merely technical in nature. For instance, while individuals may believe they possess an understanding of, and an appreciation for the technical dimensions of accounting, this alone is an insufficient understanding of the discipline and its impacts and potential. Accounting is ‘much more than an instrumental and purely technical activity’ (Miller and Power 2013: 557). Put similarly, accounting is not a mere ‘neutral, benign, technical business focussed practice’ (Carnegie et al. 2021a: 70), but has pertinent social and moral dimensions.

**Accounting as social practice**

Conceptions of accounting have broadened as the impacts of accounting have been subject to greater consideration and analysis by contemporary and historical accounting researchers since the early to mid-1980s (Carnegie et al. 2020). Such research has identified accounting as social practice (Hopwood 1983; Hopwood and Miller 1994; Miller 1994). Accounting has increasingly become an object of study less as technical practice, but rather as a pervasive, enabling and disabling social phenomenon. It serves as an instrument of power and control in organisations and society. Accordingly, accounting is increasingly recognised for its effects on (and reflections of) human behaviours and their actions, such as by means of ‘key performance measures’ (KPI) in organisations of all forms and in society with ramifications for organisational and social functioning and development.

Accounting comprises both ends and means. According to Carnegie et al. (2021a: 69), ‘the predominantly adopted conception in the past, viewing accounting as technical practice reflects what has been a strong focus on the means, which are hyper-developed, but the ends of accounting seem to be under-articulated and indeed hazy, if not very hazy or opaque’. However, a greater focus on ends is required to facilitate making accounting more accountable for its impacts, whether these are intended or not (e.g., Carnegie and West 2005).

**Accounting as moral practice**

In accounting of all forms ‘morality is central to its practice’ (Carnegie et al. 2021a: 69), meaning accounting is not independent of, or disconnected from, morality. Accounting and morality are interconnected. According to Carnegie et al. (2021a: 68), ‘a social practice cannot be separated from morality since a social practice affects others and is based on human interaction that creates obligations and duties’. Therefore, morality is manifest in accounting’s core (e.g., Francis 1990). When professional accountants understand the full dimensions of accounting, they are also able to appreciate how morality is central to its practice and why accounting cannot be adequately conceived as a purely instrumental or technical pursuit.

As argued by Carnegie et al. (2021a: 69), ‘a moral practice can be understood as a practice whose actions or inactions influence others, both now and in the future. It helps shape the moral order of organisations and societies, which, in turn, affects individual and organisational behaviours’. Accounting is a human construction; people are the sole agents of accounting as technical, social and moral practice. Accounting is not a jurisdiction that only concerns professional accountants, members of professional accounting organisations, accounting standard setters, other peak accounting entities, and so on. In producing and auditing GPFRs, the moral compass of individuals cannot be removed from the ‘counting house’. A connection with accounting, both explicitly and implicitly, such as fully understanding and
respecting the standing and status of public collections as heritage objects to be preserved and conserved into perpetuity, is indeed a connection with morality. This key connection is not to be ignored or overlooked, such as in any meaningful definition of accounting and, more specifically, in the ED proposal for the monetisation of heritage assets in this sector on the grounds that these are readily accessible financial resources for reallocation at will, including as resources on which future capital charges may be imposed resulting in the disposal of prized collection objects (Carnegie and West 2005).

Accounting as technical, social and moral practice

In marked contrast to the CP submissions that have privileged an ordained technical accounting perspective on the monetary valuation of heritage assets issue, our broader concept of accounting incorporates technical, social and moral dimensions. In doing so, it addresses the following questions (Carnegie et al. 2021a, 2021b):

- Technical practice: How to do accounting?
- Social practice: What does accounting do?

Integrating consideration of this trinity of practices offers an approach to heritage assets that can facilitate our ‘understanding more fully the nature, roles, uses and impacts of accounting’ to ‘help to shape a better world’ (Carnegie et al. 2021a: 72; emphasis added). From this broader multidimensional perspective, there is an opportunity to embrace much more societally and morally responsible accounting approaches for heritage issues, such as was proposed by Carnegie and Wlonizer (1996) as ‘Accountability in Museums’ (EAM). While arguing against the monetary valuation of public collections for the purpose of financial reporting, they propose ‘a set of factual, reliable and interpretable financial and non-financial indicators of the vitality and viability of museums by which the accountability of museum managers may properly be assessed’ (1996: 84).

Assessing the CP: Accounting as Technical, Social and Moral Practice

The prime focus of the analysis of the monetary valuation of public collections proposals in this study is the CP rather than the ED. Althoughsubstance both documents essentially propose the same accounting treatments(7,12),(988,986), it is the CP that has been seemingly endorsed by the IPSASB through ‘public consultation’ and, therefore, is the subject of our critique. Further, the ED builds on what was developed and proposed in the CP and there were not any key changes pertaining to the treatment of heritage assets observed in the subsequently issued ED.

More generally, the CP focuses on heritage assets, while the ED deals with other classes of assets under the extensive umbrella of the somewhat mundane and colourless term of ‘property, plant and equipment’.

In the following paragraphs, the three conceptions of accounting as technical, social and moral practice are addressed in connection to the monetisation of public collections of museums, art galleries and other not-for-profit repositories proposed by the CP.

Monetary valuation of collections: Technical practice

As stated, the main argument of the CP is that ‘in many cases, it will be possible to assign a monetary value to heritage assets’ (IPSASB 2017: 5). This argument is premised on the basis that heritage assets, including public cultural, heritage and scientific collections are considered financial resources controlled by an entity as a result of past events (also see Micaleff and Peirson 1997). There is a body of literature which is opposed to this position (e.g., Jaenicke and Glazer 1991; Carnegie and Wlonizer 1995a, 1995b, 1996, 1997a, 1997b, 1999, 2002; Barton 1999a, 1999b, 2002, 2004; Carman et al. 1999; Newberry 2001, 2002; Hooper et al. 2004; Carnegie and West 2005; Christiaens and Rommel 2008; Christiaens et al. 2012; Wild 2013; Napier and Giovannoni 2021). The CP’s treatment of the topic is largely technical in nature, with the main concern of the IPSASB entailing how accounting for heritage assets should be implemented from a perspective of measurement.

Specifically, the CP discusses five measurement bases derived from the conceptual framework in the context of heritage assets (historical cost, market value, replacement cost, net selling price and value in use). The CP recommends historical cost, market value and replacement cost as valuation methodologies or their combination in practice. The CP adds that ‘it may be relatively straightforward to obtain monetary values’ (IPSASB 2017: 25; emphasis added) when heritage assets have been purchased recently, when replacement costs are available or when an active market exists. By doing so, the CP seems to suggest that the inability to measure is an exception rather than a rule. Of note, the high cost of attaching a monetary value to heritage assets is mentioned and immediately dismissed on the basis that the alternative, that is, assigning a single currency unit value – would ‘not meet the measurement objective, because it does not produce information for the assessment of cost of services, operational capacity or financial capacity’ (p. 25).

The CP deals with two other issues relating to ‘how to do accounting’: subsequent measurement and presentation of information on heritage items. The CP suggests that once a measurement basis is in place, subsequent
Measurement (subsequent expenditure, consumption, impairment and revaluation) is ‘facilitated’ (p. 31; emphasis added), and ‘can be approached in broadly the same way as for other, non-heritage assets’ (p. 29). Similarly, the characteristics of heritage items do not call for any special treatment in terms of presentation. As the CP states quite clearly: ‘just as for any other revenues, expenses, assets and liabilities, an entity should present information in a way that meets the objectives of financial reporting, applying existing IPSASB pronouncements’ (p. 33).

Upon reading the CP and its approach, one indeed gets the impression of a linear, unproblematic technical exercise: heritage items may well have a unique, rare and significant nature but, when it comes to accounting, they are nothing more than ‘business as usual’. However, if we leave the comfort zone of the technical field and move into the social and moral implications of the monetary valuation of heritage, we start to realise that the CP leaves unanswered many crucial questions.

**Monetary valuation of collections: Social practice**

Our contention is that a technical practice must be understood in relation to the social practices it reflects and activates. This leads to the questions: To what extent does the CP outline who should use the information and for what purpose? How does the CP address the intended – and unintended – impacts of the monetary valuation of heritage collections for financial reporting purposes?

We now present the results of a concise content analysis of the CP from the point of view of its focus on users and decision making. Our prime focus is on why it is necessary for public organisations as custodians of collections to recognise heritage assets in their audited statements of financial position. This justifies our examination of key IPSASB rationales for overturning longstanding accepted practice of not monetarising collections, in this truly unique setting of public administration and field of public education and cultural awareness.

**Users**

There are 34 different mentions of the word ‘users’ in the CP. One of these was considered irrelevant as it focuses on the details of how submissions to the CP may be made. This leaves 33 instances of relevance to the subject ‘heritage assets’. On occasions, ‘users’ was found up to three times in a single paragraph. Appendix 1 provides an analysis of the different uses of this word.

The use of this term is disappointing in our view as it is based on the presumption that users will find the monetary valuation of collections for financial reporting purposes to be useful for their needs. Instead of presenting as evidence or reasoned arguments, these are essentially mere claims about the usefulness of such financial values, in unique settings, for decision-making purposes which in the academic literature have been seriously put to the test under more rigorous and robust evaluation. Monetary valuations of non-financial resources included in a statement of financial position is a misnomer, reducing the dependability of statements of financial position, and will almost certainly and ultimately mislead stakeholders. Such valuations are subject to audit. While auditors serve an important role, they are unable to authenticate the value of priceless objects/artefacts. Heritage items are indeed irreplaceable; they are prized and admired non-financial resources and may be subject to descriptive types and levels of value ascribed by law (e.g., Carman 1996).

**Decision making and decisions**

The CP mentions ‘decision-making’ and ‘decision making’ a combined total of 13 times. The word ‘decisions’ is used five times, making 18 mentions in all. One of these was considered irrelevant as it focuses on the details of the consultation process of the IPSASB. This leaves 17 relevant uses, which are provided in Appendix 2. Only one of these is accompanied by some discussion related to what such decisions may entail. Paragraph 4.27 states in vague terms:

Information on the monetary value of heritage assets that entities hold supports users’ ability to make decisions about entities’ resources and hold entities accountable for their stewardship of heritage assets. Therefore, such information appears likely to achieve the qualitative characteristics of relevance (IPSASB 2017: 23).

This is the only reference to ‘stewardship’ in the CP which is heavily drawn upon to justify the asserted relevance of such information. After stewardship is used, the following claim is made: ‘Monetary values for heritage assets also appear likely to provide information that supports users’ assessments of entities’ operational capacity and cost of services’ (IPSASB 2017: para. 4.27; emphasis added). However, there is no description or discussion of what is meant by entities’ ‘operational capacity and cost of services’ in the context of heritage assets that are held under custodianship for the purpose of the preservation and conversation of public collections into perpetuity. We are unable to predict or even guess what that may be. Overall, the uses of decision-making/decision making and decisions in the CP are essentially assertions, unsupported by any evidence or recommendations for this sector. On the contrary, in Australia and New Zealand, as first-mover countries in heritage monetisation for financial reporting, available evidence shows the existence of (apparently) unexpected and problematic decisions arising from the inclusion of public...
collections among assets as now illustrated in the case of the National Library of New Zealand (NLNZ) below.

**Unexpected and problematic decision making due to monetary valuation**

The risks and potentially harmful effects of monetary valuation associated with the valuation of NLNZ’s collection in its statement of financial position for NZ$522 million as at 30 June 1994 included an annual capital charge of around 10% that was to be applied to ‘government departments’, of which the NLNZ was one, at least at that time. A capital charge of around $52 million, therefore, was registered to be paid, just for one financial year. According to Carnegie and West (2005: 912), ‘this would have had profound implications for the NLNZ, precipitating a redirection of resources away from the institution’s primary function of fostering the educational and intellectual well-being of its community and acting as a repository for historical manuscripts and other artefacts’.

Amid protests, this treatment of imposing a capital charge on the country’s library, these collections ‘were transferred to the Crown on 1 July 1994 at book value’ (NLNZ 1995); the ‘heritage collections’ were effectively removed from the financial reports of the NLNZ. In summary, a ‘book entry’ solved the ‘problem’. Therefore, ‘the library did not pay a charge based on the $522 million valuation’ (Carnegie and West 2005: 912). It was agreed at the time that ‘the custodianship function’ was all-important in the organisational and social context of the NLNZ, and it has never been provided with powers providing the ‘unrestricted control of resources’ (Carnegie and West 2005: 912).

Ferri et al. (2021) found that none of the 16 cultural institutions included in their sample used or referred to the newly developed valuations when addressing their annual results and activities between 1992 and 2019. According to these authors, the pragmatic approach of Australian cultural institutions of ‘doing’ mandated financial valuations, but not ‘speaking’ about the annual report, as a key accountability device, seems to date to the newly developed valuations when addressing their annual results and activities between 1992 and 2019. Therefore, the CP mentions the word ‘accountability’ 13 times. One instance is not relevant as the word ‘accountability’ is merely mentioned and is not linked to the financial reporting of heritage, leaving 12 relevant mentions. There were also three mentions of ‘accountable’, but no mentions of ‘accountor’ or ‘accountee’. Appendix 3 provides a summary of these depictions of accountability.

In our assessment, these references to accountability fall well short in making an adequate case for the monetary valuation of collections. The single reference including ‘improved asset accountability’ is stated in full as follows: ‘Improved asset accountability and a case example and elaboration to illustrate issues associated with misrepresentation, fairness and respect.

**Accountability**

Accountability happens to be one of those words that implies the maintenance of desirable human behaviour. It is a concept and related practices that generally attract societal expectations and support. Generally, it refers to holding someone responsible for ascribed duties that leads to accountability and it involves giving an account about what has been done to fulfil these duties (Tsahuridu and Vandekerckhove 2008). Accountability is not about holding someone responsible for duties that are not ascribed. One does not legitimately hold people accountable for matters for which they are not responsible and cannot control. The CP mentions the word ‘accountability’ 13 times. One instance is not relevant as the word ‘accountability’ is merely mentioned and is not linked to the financial reporting of heritage, leaving 12 relevant mentions. There were also three mentions of ‘accountable’, but no mentions of ‘accountor’ or ‘accountee’. Appendix 3 provides a summary of these depictions of accountability.

In our assessment, these references to accountability fall well short in making an adequate case for the monetary valuation of collections. The single reference including ‘improved asset accountability’ is stated in full as follows: ‘Improved asset accountability and management, including better identification of preservation
priorities’ (IPSASB 2017: para. 4.34(c)). The only reference to the ‘discharge of accountability’ refers to ‘The Conceptual Framework … [which] explains that information is material if its omission or misstatement could influence the discharge of accountability by the entity’ (IPSASB 2017: para. 4.32). There was no clear explanation of what is ‘appropriate accountability’ of heritage assets in the form of cultural, heritage and cultural collections which are held for preservation and conservation purposes in public museums, art galleries and other repositories. Collections, as non-financial resources in the contexts in which they are positioned, under the unambiguous declared state of custodianship in perpetuity, are inappropriately misclassified as heritage assets or indeed as any other asset.

The financial valuation of public collections does not suddenly or mystically increase the accountability of the custodians of these collections as they have no accountability for changes (increases or decreases) in the financial values of objects; however, these may be ascertained or even imagined. In other words, custodians of public not-for-profit collections do not owe this accountability to anyone, that is, they cannot be held accountable for financial values of objects comprising collections to anybody. None of us can be legitimately made accountable for what is not within our formal responsibility. This is particularly the case in the contexts in which these collection objects are held for preservation and conservation as well as for their protection.

Besides, the lack of consideration of the preparation and use of any KPIs, which potentially may be prepared after recognising public collections as heritage assets, only reiterates the at best vaguely asserted link between heritage monetisation and the proper organisational accountability of the custodians of collections put forward by the CP. Based on our evaluation of the CP’s contents, the concept of accountability is inadequately contextualised with respect to the setting of public not-for-profit institutions of the genre that were established for, and are dedicated to, the preservation, conservation and protection of cultural, heritage and scientific collections.

Heritage professionals in these cultural and arts institutions are keenly aware of their roles and responsibilities as would be expected. At a more general level, in the CP there is, unfortunately, no apparent attempt to identify, explain or appreciate the world views of heritage professionals (and other non-accounting stakeholders) on the valuation of public collections in non-financial terms in the specific organisational and social contexts in which such institutions operate. As argued by Ferri et al. (2021: 984), ‘professional accountants aspire to attribute financial values to collections, whereas heritage professionals are concerned with the non-financial values of the collections to society’. The latter professional community understands and fully acknowledges the broad-based cultural, heritage and scientific values of prized public collections as well as their educational values, which each represent non-financial values in the unique contexts in which such museums operate (Carnegie and Wolnizer 1995b, 1996).

What does this mean in the context of public institutions of the genre? Heritage experts, across decades and centuries, have been cognisant of the importance of preserving and conserving public collections into perpetuity, specifically in accordance with the organisational missions and objectives of such institutions and the legislation or constitutions enabling their establishment and operation. The custodians of these public collections are not accountable for maintaining or maximising the financial values of heritage, nor for maximising return on assets or equity. Therefore, under the missions and objectives of these institutions, they are empowered and funded to conserve and preserve these resources as well as to protect them; they do not have the power to trade commercially in heritage collections (Carnegie and Wolnizer 1995b, 1996; Carnegie and West 2005). Indeed, to do so would not only be inappropriate, but also illegal. Carnegie and Wolnizer argue ‘by virtue of their dedication for community use, items in collections are off the market; they are exempt from market forces’ (1995b: 41). As a result, they are effectively removed, both in conceptual terms and importantly at law, ‘from the cut-and-thrust of the economics of the marketplace’ (Ferri et al. 2021: 986).

Based on the above arguments, it is arguably immoral to make individuals accountable for things for which they cannot legitimately be held accountable. This alone is a major issue requiring greater discussion and debate, including at the very least, heritage professionals. Moreover, it is concerning that this means of financial reporting is evidently perceived as an acceptable development within the international accounting profession, by means of the issue of a proposed accounting standard, applicable to cultural and arts organisations of the genre addressed herein. In addition, the monetary valuation of public collections for audited financial reporting purposes can create various other concerns connected to morality, such as with misrepresentation and lack of fairness and respect.

**Misrepresentation**

There have been various instances over the years where public collections were valued using contrived methods of financial valuation. One of these cases, the (then) public Film Centre repository in Melbourne, Victoria, particularly reveals the moral implications of the monetisation of collections. At the Film Centre repository, which is regarded as a leading cultural institution for the archiving of cinematic works, a novel financial valuation approach was employed to derive an initial monetary
value for their collection in the 1990s. It was decided to first estimate the length of each of the films held in the collection, and then determine the total length of all its films (i.e., a grand total of the length of all films with images under preservation and conversation). To derive a heritage collection monetary value, the cost at the time of valuation of purchasing new (blank) film per metre was obtained from a major international supplier. The figure representing the total length of all films held in the collection (i.e., featuring images) was multiplied by the cost per metre of acquiring new film, without any contents at all, to determine the monetary valuation of the heritage collection for financial reporting purposes.

From the perspective of accounting as moral practice, approaches along these lines, in our perception, illuminate a purported lack of morality as it involves misrepresenting the ‘heritage collections’ by a measure which has nothing to do with the heritage resources held. In our view, such heavily improvised or even contrived valuation approaches, constitute a step towards ‘uncharted and potentially turbulent territory’ for both public collection repositories and professional accounting and auditing.

According to the IPSASB, information needs to be both relevant and possess ‘representational faithfulness’ to be useful, presumably for decision making. Specifically,

The qualitative characteristics work together to contribute to the usefulness of information. For example, neither a depiction that faithfully represents an irrelevant phenomenon, nor a depiction that unfaithfully represents a relevant phenomenon, results in useful information (IPSASB 2014: para. 3.41).

Accounting can, at least hypothetically, derive thousands of ‘representations’ for any single object or artefact held in institutions of the genre. For representations to be ‘faithful’, these measures must be grounded in an understanding of what is valued in monetary terms in specific organisational and social contexts. For public institutions as the subject of this study operating under the legislation or constitutions enabling their advenct and existence, ‘representational faithfulness’ would be required to represent the multiple, contextual non-financial values of heritage. A purported financial valuation cannot do this with any ounce of legitimacy. Therefore, while public collections are valuable and prized, they are non-financial resources in the context of financial reporting. The purported ability to attain the representational faithfulness characteristic, when assigning monetary values to ‘priceless’ resources, resembles proceeding into a ‘no-go zone’.

**Fairness and respect**

According to the CP, a monetary value can be attached to heritage assets ‘in many cases’ (IPSASB 2017: 3; emphasis added). Evidence from practice shows that the residual cases usually refer to human remains, secret sacred objects and culturally sensitive assets. In these instances, the exclusion from monetary valuation for financial reporting purposes is now seen as generally accepted practice (Ferri et al. 2021). However, artefacts in public collections of public cultural institutions are all conceptually recognised as significant in the memory of past actors as contributors to civilizations and conditions. They are all culturally sensitive within the communities and societies in which they were imaged, designed, produced and deployed, and they have been uniquely integral to the education of citizens across generations, regions, countries and diverse communities. The exclusion of only some objects from monetary valuation while others are considered ‘fair game’, surely raises issues of dignity, respect and fairness. Moreover, should professional accountants and auditors be accorded the right to be the arbiters of such sensitive decisions in cultural and historical terms?

**Conclusions**

In this article we critically analysed the CP through the lens of accounting as a technical, social and moral practice. We observed that the CP focuses primarily on technicalities. This CP on heritage assets, among other ‘official papers’, seems to take a predetermined and referential accounting profession ‘in-house’ style with different topics being inserted on proforma documents and a ‘new’ CP is then produced for another financial reporting issue. They gain strong input from the somewhat vague and abstract conceptual framework for financial reporting in the public sector (IPSASB 2014).

Moreover, the ‘public consultation’, and its ‘due process’, in our assessment of the responses to the CP, has failed to consult with those that are most likely to be affected by the proposals. Rather this appears to have been a case of the accounting profession consulting self-referentially. Its own lobbying appears predisposed to produce a traditional technicist accounting ‘solution’ without any regard for wider stakeholder and community conditions, concerns and evaluation of future implications. Such a limited scope process lays this proposal open to the criticism of merely reflecting ‘international accounting parochialism’. Account preparers tend to hold ‘different positions to other respondents’ on public sector proposals for accounting emergence and change and are ‘unable to persuade the standard-setters to their position’ (Ryan et al. 2000: 393).
Overall, in examining the CP Financial Reporting for Heritage in the Public Sector to assess the rationale of the proposed amendments in respect to ‘users’, ‘decision making and decisions’ and ‘accountability’, our analysis reveals that the reasons given are poorly justified and explained. Specifically, the CP, based on a close reading of the document, indicates that:

• the purpose is to benefit users, yet we are not enlightened as to the identity of the users;
• the information is needed for decision making, yet there is little-to-no insight provided as to which decisions are to be made based on this information;
• the information is useful for accountability purposes, yet it remains unclear to whom accountability is owed and for what.

In the absence of clearly defined users who require this information for the purposes of decision making and/or to ensure that accountability is being appropriately discharged, the relevance of such information is highly questionable. Relevance is a fundamental qualitative characteristic of financial information, with information being considered as ‘relevant’ only ‘if it is capable of making a difference in achieving the objectives of financial reporting’ (IPSASB 2014: para. 3.6).

Apparent this interpretation of relevance ignores or disallows financial reporting aligned with the objectives or missions of public, not-for-profit arts and cultural institutions.

In this context, therefore, the monetary valuation of collections runs counter to the notion of appropriate accountability, has the potential to undermine trust in the accounting profession due to misreporting and/or misrepresentation of the monetary values of artefacts and raises serious issues around the fundamental moral values of fairness and respect. One may ask: ‘Is this what accounting should do?’ or perhaps ‘Is this what accounting should not do?’ For the purposes of credibility, the accounting profession would be wise not to depart too far from universal understood notions of proper representation with respect to such unique institutions.

This could be achieved in two, partially overlapping, ways. First and at a minimum, more diversity in submissions on consultation papers from other sectors of society, especially heritage professionals, cultural, heritage and accounting academics, donors and sponsors and, most particularly, from a wide diversity of public cultural and arts institutions (i.e., the account preparers in the specific sector impacted), is indeed essential if the IPSASB is to be exposed to, and ultimately reflect, a broad sweep of views in developing and setting accounting standards on heritage assets. Second, at a deeper level, we argue that the IPSASB could achieve a fuller understanding and evaluation of proposals to place monetary valuations on public collections by embracing an understanding of accounting as a combined technical, social and moral practice, as we have argued, following Carnegie et al. (2021a, 2021b).

Accounting has impacts on human behaviour through such means as KPIs and therefore has implications for organisational and social functioning and development. It is pervasive, enabling and disabling. Accounting is necessarily an instrumental social and moral practice. It needs to achieve social and community legitimacy if it is to gain the trust of a diversity of stakeholders in making decisions or for accountability discharge.

This heritage valuation issue highlights the importance of the way in which we conceive of accounting and its societal role. If we limit ourselves to a purely technical approach to the discipline and its profession, we risk damaging impacts on stakeholders, communities and society at large. According to Carnegie et al. (2021a, p. 72), and as we have endeavoured to illuminate in this study, ‘accounting is more influential than many people may think. [They] … contend that accounting has yet to reach its full potential and a clear and highly relevant “game-changing” definition can provide the foundation for that achievement’. What is the full potential of accounting?

That question will remain an open one until accountants and non-accountants around the globe fully understand ‘the nature, roles, uses and impacts of accounting, we argue, will help to shape a better world’ (Carnegie et al. 2021a: 72; emphasis added), including a healthier, more sustainable natural environment for the benefit of humans and all other living species. Indeed, for accounting to ‘enable the flourishing of organisations, people and nature’ (Carnegie et al. 2021a: 69, 2021b), it is necessary that the accounting profession accept responsibility and accountability for the impacts associated with their actions and inactions. To this end, the following key question is posed by Ferri et al. (2021: 1003): ‘Will the international accounting profession, represented by IFAC, especially … by the IPSASB, prove to be sufficiently accountable, or not, in making its next move on this now longstanding international accounting controversy?’.

Notes

1 This is perhaps not surprising as Australia and New Zealand are still recognised as prime movers of new public management (NPM) reform in the public sector.

2 As a provincial heritage resources authority, this body is an agency of the Office of the Premier of the Government of the KwaZulu-Natal Province of South Africa and is a ‘public entity’ under the Public Finance Management Act, see: https://amafainstitute.org.za/ and https://en.wikipedia.org/wiki/Amafa_aKwaZulu-Natali (accessed 10 July 2021).

3 Accountancy Europe is an organisation that ‘unites 50 professional organisations from 37 countries that represent close to 1 million professional accountants, auditors and advisors’,
4 Also see Redefining Accounting for Tomorrow | IFAC (14th para. from top).
5 The rationale for adopting a new definition of accounting of the genre is not repeated in this study.
6 A ‘counting house’ is an office, a floor of a building or a building itself in which accounts are updated and prepared and where money is kept for a person or for an organisation or a group of entities.
7 Observations of the genre have been made in relation to other financial reporting issues, such as by Howieson (2013: 39), in connection with the adoption of a ‘control concept in AASB 27 to identifying consolidated reporting entities in the NFP public sector’, which posed ‘a number of conceptual and implementation issues’, including ‘confusion regarding the distinction between ownership and regulatory forms of power’.
9 In addition, there are three mentions of ‘accountable’. Of these, there is only one use of ‘stewardship’. Paragraph 4.27 of IPSASB (2017) refers to the holding of ‘… entities accountable for their stewardship of heritage assets’. The other two mentions relate to holding entities accountable for ‘their preservation of heritage items’ (2017: para. 1.9) or ‘for its heritage assets’ (2017: para. 1.34(a)(ii)).
10 In this study, Carnegie and Wolnizer (1995b), as quoted by Ferri et al. (2021), is stated as Carnegie and Wolnizer (1995). In other words, Ferri et al. (2021) refer to Carnegie and Wolnizer (1995) but this is the same reference in this AAR article as Carnegie and Wolnizer (1995b).
11 As described in endnote 8.
12 As described in endnote 9.
13 Paragraph 1.10 of IPSASB, 2017 refers to ‘decision making on the entity’s operational capacity and cost of services’.
14 Paragraph 4.34(a)(ii) of the CP states ‘Make decisions relevant to the entity as a whole and its heritage-related responsibilities’.
15 Specifically, the following was stated a total of four times: ‘for the purpose of accountability and decision making’ (see Executive Summary, second paragraph from top, IPSASB 2017: paras 1.9, 1.10 & 1.13).
16 In all three instances, the following was stated: ‘for accountability and decision-making’ (see Executive Summary, IPSASB 2017: paras 4.30 & 7.1).

References

American Accounting Association (AAA). 1966, Committee to Prepare a Statement of Accounting Theory, A Statement of Basic Accounting Theory, AAA, Florida.


Appendix 1

A content analysis summary of the use of users

| Users of GPFS need accountability and decision making | 18 |
| Users are to comprehend or understand the meaning of information | 4 |
| To provide users with relevant and representationally faithful information | 2 |
| To provide useful information to users | 2 |
| Information may not be relevant or meaningful to users | 1 |
| Users need to be able identify similarities in, and difference between, two sets of phenomena | 1 |
| Users need information on the preservation of heritage items | 1 |
| Users may need information on the entity's operational capacity and cost of service | 1 |
| Monetary values of heritage items, as assets, benefits users, and public sector entities | 1 |
| Would users benefit more from non-financial information about heritage items? | 1 |
| Heritage asset valuations are costly, and not justified by the benefits to users | 1 |
| Total | 33 |

Appendix 2

A content analysis summary of the use of decision making and decisions

| Information is needed ‘for the purpose of … decision making’ | 4 |
| Useful ‘for …. and decision-making purposes’ | 3 |
| The need for ‘… and decision-making’ | 2 |
| Decision-making for heritage | 1 |
| Some hold the view that monetary values ‘are not used in decision-making’ | 1 |
| Those against this argue ‘that the information is not useful for decision-making’ | 1 |
| Financial reports can support ‘decision making for heritage’ | 1 |
| To ‘Make decisions on resources needed for heritage preservation’ | 1 |
| To ‘make decisions relevant to an entity’ | 1 |
| To ‘make decisions about entities’ resources’ | 1 |
| Decisions that users ‘make on the basis of the entity’s GPFRs’ | 1 |
| Total | 17 |

Appendix 3

A content analysis summary of the use of accountability

| Information is needed ‘for the purpose of accountability’ | 4 |
| Useful ‘for accountability purposes’ | 3 |
| The ‘need for accountability’ | 1 |
| Financial reports ‘can support accountability’ | 1 |
| The ‘discharge of accountability by the entity’ | 1 |
| ‘Improved asset accountability’ | 1 |
| Disclosures can ‘provide appropriate accountability over heritage assets’ | 1 |
| Total | 12 |