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From draft to accounting standard: stakeholders' views on heritage assets in the IPSASB's due process

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IMPACT

This article provides valuable insights for international and national public sector accounting standard setters, auditors, public sector financial managers and technical advisors involved in implementing or adapting IPSAS-based frameworks. Focusing on the transition from IPSAS 17 to IPSAS 45 (through ED 78), the authors demonstrate how stakeholder backgrounds shape both their participation in due process activities and their viewpoints on heritage asset (HA) reporting. By unpacking tensions between the different objectives of financial reporting (decision-usefulness and stewardship), the study helps practitioners anticipate interpretative challenges in recognition, measurement, and disclosure. It also clarifies to what extent IPSAS 45 reflects stakeholder concerns, and where practical or conceptual ambiguities remain. For senior policy-makers and technical specialists, the article offers evidence-based insights to strengthen consultation strategies, enhance implementation planning of accrual-based reforms, and design more inclusive engagement mechanisms. Ultimately, it supports more legitimate, transparent, and operationally feasible HA reporting in the current public sector context.

Questo studio fornisce interessanti spunti di riflessione per gli organismi internazionali e nazionali preposti alla definizione dei principi contabili per il settore pubblico, ai manager pubblici, ai revisori dei conti e ai consulenti tecnici coinvolti nell'attuazione o nell'adeguamento di sistemi contabili basati sugli IPSAS. Focalizzandosi sulla transizione dall'IPSAS 17 all'IPSAS 45 (attraverso l'ED 78), questo studio dimostra come il *background* degli *stakeholder* influenzi la loro partecipazione al processo decisionale e le loro opinioni in relazione al trattamento contabile delle attività del patrimonio culturale. Analizzando le tensioni tra le diverse finalità dell'informativa economico-finanziaria (utilità decisionale vs gestione responsabile), la presente analisi aiuta i professionisti ad anticipare le sfide interpretative in materia di rilevazione, misurazione e *disclosure* delle attività del patrimonio culturale. Chiarisce, inoltre, in che misura l'IPSAS 45 rifletta le preoccupazioni degli *stakeholder* e dove, invece, permangono ambiguità applicative/concettuali. Per i responsabili politici e gli specialisti tecnici, l'articolo offre approfondimenti basati su dati concreti per rafforzare le strategie di consultazione pubblica, migliorare la pianificazione dell'attuazione di riforme *accrual* e progettare meccanismi di coinvolgimento più inclusivi dei diversi portatori d'interesse. Da ultimo, sostiene una rendicontazione contabile dei beni culturali più legittima, trasparente e operativamente fattibile nel contesto del settore pubblico.

ABSTRACT

Financial reporting of heritage assets (HA) is a central challenge in the harmonization of public sector accounting. The International Public Sector Accounting Standards Board (IPSASB) launched its 'Heritage' project in the early 2000s, culminating in Exposure Draft (ED) 78 in 2021. This draft proposed including HA within IPSAS 17, 'Property, Plant, and Equipment', and ultimately led to the issuance of IPSAS 45, effective in 2025. This article examines stakeholders' participation in the IPSASB's due process on HA, focusing on responses to ED 78 and their influence on the development of IPSAS 45. Through content analysis of comment letters, the study investigates whether institutional background shapes engagement and viewpoints, and assesses the extent to which these perspectives were incorporated into the final standard. The analysis highlights persistent tensions between decision-usefulness and stewardship in public sector reporting, and demonstrates how principles-based standard setting mediates diverse stakeholder expectations, with implications for input and throughput legitimacy.

KEYWORDS

Accounting harmonization; comment letters; heritage assets (HA) financial reporting; International Public Sector Accounting Standards (IPSAS); transnational standard-setting process legitimacy

Introduction

Along the path to harmonizing public sector accounting, the financial reporting of heritage assets (HA) has been a particularly problematic issue. The debate on HA financial reporting started over four decades ago with academics and standard setters discussing this long-standing concern from different viewpoints (Biondi et al., 2021). They have yet to reach a solution. To compound this

problem, accounting practices for cultural heritage remain highly heterogeneous, both within and across countries (Anessi-Pessina et al., 2019; Brusca & Condor, 2002).

In the early 2000s, to identify a common accounting treatment for this particular type of asset, the International Public Sector Accounting Standards Board (IPSASB) started a 'Heritage' project, which, in April 2021, led to a draft

amendment to the International Public Sector Accounting Standard (IPSAS) 17 'Property, plant, and equipment' (PPE) through Exposure Draft (ED) 78. ED 78 proposed the inclusion of HA within its scope and suggested new requirements for the recognition, measurement, and disclosure of HA. In May 2023, the IPSASB approved IPSAS 45 (which replaces IPSAS 17) with an effective date from 1 January 2025.

Although a substantial body of literature has explored the transnational standard-setting process and its legitimacy in the private sector (Sanada, 2020; Wingard et al., 2016), the IPSASB's due process has attracted the attention of scholars only in recent years (Albuquerque et al., 2023; Aversano et al., 2020; De Wolf, 2019; De Wolf & Christiaens, 2022; De Wolf et al., 2020), and research focusing on its legitimacy remains limited (Bisogno et al., 2022).

Drawing on Richardson and Eberlein (2011), we investigated the participation of respondents and whether their institutional background influences their positions. We explored stakeholder perspectives on the accounting treatment of HA and the extent to which such perspectives were considered in the development of IPSAS 45. Although the IPSASB has concluded the standard-setting process with the issuance of IPSAS 45, analysing stakeholders' feedback is important for assessing the inclusiveness and legitimacy of the IPSASB's due process and to inform both the implementation phase and potential future revisions of heritage-related guidance. To achieve this goal, we conducted a content analysis of the comment letters (CL) relating to ED 78 focusing on 'Specific Matters for Comment' (SMC) about HA.

Towards accounting harmonization in the public sector: the standard-setting process for HA financial reporting

The legitimacy of the standard-setting process and the objectives of financial reporting

The harmonization of accounting systems is a topical issue; it began in the private context and has subsequently spread to the public sector. A key factor in achieving this goal is issuing a common set of international accounting standards: International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) in the private sector; and International Public Sector Accounting Standards (IPSAS) and European Public Sector Accounting Standards (EPSAS) in the public sector (Albuquerque et al., 2023).

Accrual accounting is widely regarded as the avenue for the harmonization of public sector accounts. Known as the traditional accounting system for private entities, in the public domain, many jurisdictions have included the movement from cash-based to accrual-based accounting systems in their reform agendas over time (Carlin, 2005; Farshadfar et al., 2022). Even though harmonized accounting standards have the benefit of comparability, the path towards their adoption often faces opposition at the local level, mainly due to differences in national accounting cultures and varying institutional conditions (Brusca & Condor, 2002).

Recent research has also emphasized the structural and institutional factors that affect stakeholder engagement in the standard-setting process. Studies have demonstrated

that participation in the IPSASB's due process is not equally distributed across countries, and that certain country characteristics—such as legal origin, income level, and IPSAS adoption—significantly influence the likelihood of stakeholder involvement (De Wolf & Christiaens, 2022). Also, differences in familiarity with the English language, the basis of accounting adopted (cash, modified cash, or accrual), and the degree of alignment between national public sector accounting standards and IPSAS create uneven participation costs, making it more difficult for some jurisdictions to meaningfully contribute to consultations (Albuquerque et al., 2023; Bisogno et al., 2022). In particular, jurisdictions that have implemented accrual accounting and are applying IPSAS-based standards are more directly affected by the IPSASB's deliberations and therefore have a stronger interest in participating in consultations than countries that still rely on cash or modified cash accounting, or on national accrual-based accounting standards.

Moreover, evidence from analyses of CL on HA suggests that the nature of the respondent also matters, with standard setters, public sector organizations, and professional organizations engaging more frequently and assertively than academics or civil society actors, thereby shaping the framing and direction of the debate (Aversano et al., 2020; De Wolf et al., 2020).

In this context, it is useful to examine 'due process' procedures that are being followed in issuing international public accounting standards, and their legitimacy.

Following Richardson and Eberlein (2011), the legitimacy of a transnational standard setter, such as the IPSASB, can be analysed via three complementary dimensions:

- Input legitimacy, which relates to the inclusiveness and representativeness of stakeholders participating in the standard-setting process, reflecting the 'voice' of affected parties.
- Throughput legitimacy, which concerns the transparency, deliberative quality, and fairness of the procedures transforming inputs into standards.
- Output legitimacy, which depends on the perceived effectiveness and quality of the resulting standards in serving the public interest and enhancing the accountability of governments. Applying this framework to the IPSASB meant we could assess the IPSASB's formal adherence to due process as well as its substantive responsiveness to diverse constituencies in the field of public sector accounting.

The debate around HA can be also situated within the broader tension between the decision-usefulness and stewardship roles of financial reporting (Cordery & Sinclair, 2016). While *decision-usefulness* emphasizes the provision of relevant information to external users for economic decision-making, *stewardship* focuses on accountability for the custody and sustainable management of public resources. Consequently, different users and different user needs are emphasized, resulting in different approaches driving accounting standards. Even though the 'Conceptual framework for general purpose financial reporting by public sector entities' (CF) (IPSASB, 2014) apparently states that both objectives of financial reporting are relevant (CF paras. 2.1 and 2.2), with service recipients and resource providers (and their representatives) as primary users, it does not

clearly outline how each objective is to be implemented across the accounting standards. This dual perspective will help interpret the IPSASB's principles-based approach and stakeholders' divergent views on HA financial reporting.

The IPSASB's due process for HA financial reporting

The IPSASB has also adhered to its due process in addressing the issue of financial reporting for HA (Biondi & Lapsley, 2014). In fact, despite the acknowledged importance of cultural HA worldwide, and despite attempts made by some governments to regulate their accounting treatment (for example Australia, New Zealand, the UK, South Africa, Italy, and the USA), this relevant topic was not explicitly addressed at the international level when the accounting standard devoted to PPE (IPSAS 17) was issued. Only afterwards did the IPSASB decide to launch a 'Heritage' project; in 2006, it published the Consultation Paper (CP) 'Accounting for heritage assets under the accrual basis of accounting'.

However, due to other priorities, the project was postponed to 2014, when the board finally approved the CF (IPSASB, 2014) and then, three years later, released another CP entitled 'Financial reporting for heritage in the public sector' (IPSASB, 2017; see also Schatz & Watkins, 2023). The main issues raised concerned:

- The definition, identification, and classification of heritage items.
- The necessary conditions to consider items as HA.
- The criteria required to recognize HA in financial reports.
- The measurement basis to be applied.
- The disclosure to be provided (IPSASB, 2017, paras. 4–6).

After a long process of examining the opinions received (Aversano et al., 2020; Biondi et al., 2021; De Wolf et al., 2020), in April 2021, the IPSASB finally issued ED 78, the aim of which was to propose improvements to the accounting treatment of PPE by updating, among other things, guidance on HA financial reporting. In summary, the proposals included in ED 78 are:

- The removal of IPSAS 17's scope exclusion for HA, so that the accounting standard for PPE can also be applied to this type of asset.
- Rather than providing a definition of HA, the identification of specific characteristics that distinguish HA from other PPE (i.e. long and sometimes indefinite useful lives, irreplaceability, and restrictions on use and/or disposal).
- Improved disclosure for unrecognized HA that cannot be measured reliably.
- The introduction of additional 'application guidance', 'implementation guidance', and 'illustrative examples', aimed at clarifying the application of existing principles.

More specifically, as far as recognition is concerned, HA that satisfy the definition of PPE and meet the recognition criteria must be accounted for and included in the financial reports. Currently, recognition requires the existence of an asset and the ability to measure it (IPSASB, 2014, para. 6.2). As will be discussed in depth in the following section, some of the literature contrasts the definition of 'asset' in the public sector and raises concerns about considering HA recognizable and measurable.

Concerning measurement, the CF (IPSASB, 2014) requires the measurement basis chosen to mirror the cost of services provided by the entity, its operational capacity (i.e. the entity's ability to deploy its resources to sustain the provision of services in the future), and its financial capacity (i.e. the entity's ability to financially support its activities) (IPSASB, 2014, para. 7.2). Requirements related to measurement have also undergone a review process by the IPSASB, through ED 77: now IPSAS 46 (IPSASB, 2023b). This guidance establishes that the initial measurement of assets may happen at its transaction price (in the case of an exchange transaction) or at deemed cost (in the case of a non-exchange transaction) (IPSASB, 2023b, paras. 7–16). Usually, HA have no orderly market; hence, a deemed cost must be estimated. Subsequent measurement follows the same requirements as for other PPE. Consequently, this entails adopting a historical cost or a current value model (IPSASB, 2023b, para. 17). Focusing on subsequent measurement, ED 78 introduced a new public-sector-specific measurement basis under the current value model: current operational value (IPSASB, 2021, para. 29). This is important because, while the current value of traditional PPE is usually determined from market-based evidence (for example through the fair value), the current value of HA could be difficult to assess due to the absence of market transactions. Current operational value is finally defined as the amount that the entity would pay for the remaining service potential of an asset at the measurement date (IPSASB, 2023b, para. 6). This new measurement basis may assist in assessing the value of those assets mainly held for providing services to citizens.

In June 2022, the IPSASB's task force in charge of the agenda item on PPE reviewed responses and discussed issues, remarks, and suggestions of the CL to ED 78. Then, in May 2023, the IPSASB finally issued IPSAS 45 (which replaces IPSAS 17), with an effective date from 1 January 2025 (IPSASB, 2023a).

Against this theoretical and practical backdrop, this article analyses the opinions expressed by respondents of ED 78 to explore whether their background contributes meaningfully to shaping both their engagement in the due process and their perspectives on the issue under consideration. This allows us to investigate *input legitimacy* (Richardson & Eberlein, 2011). Hence, our first research question was:

RQ1: To what extent did respondents' background influence their points of view and participation?

We also wanted to understand the constituents' position on the accounting treatment of HA and to examine the extent to which these viewpoints informed the standard-setting process underlying IPSAS 45: the *throughput legitimacy*. In addition, we aimed to connect the debate on HA to the enduring tension between the decision-usefulness and stewardship roles of financial reporting, offering a conceptual bridge between these two interpretive perspectives:

RQ2: Did respondents agree with the IPSASB's view on the HA accounting treatment?

RQ3: To what extent has the IPSASB considered the main arguments and remarks raised by ED 78's respondents in IPSAS 45 development?

A contested issue: HA financial reporting

This section does not aim to summarize nearly 50 years of discussion on HA financial reporting; instead, it selectively discusses the most salient themes and debates that are directly relevant to the scope of this article. Notably, notwithstanding the approach taken by the IPSASB, part of the literature holds a different position and critically questions the possibility of considering heritage items as assets in financial reporting.

Heritage items possess cultural value and are typically held by governments for the benefit of current and future generations. They often symbolize collective identity, are unique and irreplaceable, and usually acquired without cost. Lacking active markets and defined useful lives, they exhibit non-rival and non-excludable consumption characteristics (Barton, 2000; Biondi & Lapsley, 2014; Mautz, 1988; Rowles, 1992).

To assess whether these distinctive items qualify as assets from an accounting perspective, it is necessary to refer to the definition of 'asset'. This definition embeds three elements: the concept of resource; its control by the entity; and a past event that resulted in the present control (IPSASB, 2014). While scholars do not question the element of 'past event', the issues of 'resource' and 'control' may raise some criticalities when referring to heritage.

Traditionally, in the private context, the existence of a 'resource' implies that economic benefits flow to the entity holding its 'control'. Some heritage items produce economic benefits for the entity, for example through entrance ticketing; however, many heritage items are often used to provide services to citizens for free, rather than to generate cash inflows. A strand of academic research believes that only heritage items to which the state has granted a status implying the generation of economic benefits are to be considered 'assets' (Christiaens, 2022). Otherwise, they would be liabilities (Mautz, 1981) or facilities (Mautz, 1988).

In this regard, in its CF, the IPSASB has broadened the notion of resource to encompass the concept of 'service potential', which is the ability of the resource to enable the entity to meet its objectives without necessarily yielding economic benefits (IPSASB, 2014, paras. 5.7–5.8; see also Schatz & Watkins, 2023). However, part of the literature claims that the term 'service potential' is too ambiguous and cannot be assessed adequately in financial terms through the existing measurement bases (Anessi-Pessina et al., 2022; Carnegie & Wolnizer, 1995; Stanton & Stanton, 1997). Other scholars, while admitting its significance, rebut that those non-economic benefits flow to the citizens instead of to the entity holding its control (Task force IRSPM A&A SIG, CIGAR Network, EGPA PSG XII, 2017). In this sense, these items could be considered community assets (Pallot, 1990), trust assets (Barton, 2000), or community assets held in trust (Christiaens et al., 2012), which should therefore be disclosed off-balance sheet.

Conversely, other academics point out that the citizenry is a constituent component of the government and its primary beneficiary (Airoldi, 2020). Hence, one of the government entity's main goals is satisfying citizens' needs through the provision of services (Biondi, 2012; Biondi et al., 2023; McGregor, 1999; Micallef & Peirson, 1997).

Concerning recognition in financial reports, this implies not only meeting the 'asset' definition but also the possibility of measuring it reliably. Measuring HA is challenging because of their peculiar features that make it difficult to apply traditional measurement bases (for example historical cost, market value, replacement cost). Some authors even claim that 'there is a danger that accounting measurement will lead to a loss of cultural value' (Ellwood & Greenwood, 2016, p. 11). However, an effort to find alternative approaches for HA financial reporting should be made because the valuation of HA is a crucial element of an efficient, coherent, and transparent public resource management system (Hone, 1997; Rowles, 1992; Schatz & Watkins, 2023).

Research design

To address our research questions, we adopted a qualitative research method by examining the CL to ED 78 sent to the IPSASB by different stakeholders from all over the world during the consultation phase of the standard-setting due process. Accordingly, the research design consists of three stages. In the first stage, to investigate the *input legitimacy*, we classified the respondents based on several background criteria. Building on previous research on CL determinants (Bisogno et al., 2022; De Wolf et al., 2020), the respondents were categorized based on their affiliation and geographical location. Moreover, answering the call from Brusca and Condor (2002), we chose to explore the legal system adopted by the reference country—a criterion that has been overlooked in previous studies—on the assumption that it could have a potential impact on the results.

Respondents were classified by affiliation into the following categories: academics; standard setters; public sector entities; professional organizations; and practitioners. In parallel, based on the geographical location criterion, respondents were classified according to their primary area of activity: Europe; Asia; Africa; North America; South-Central America; and Oceania. Respondents working globally were classified as 'international'. Respondents' legislative background was classified as 'civil law', 'common law', 'Muslim law', 'mixed' (which includes respondents operating in a hybrid legal system), or 'undefined' (which includes respondents operating worldwide who cannot be tied to a specific legal system). This distinction could be helpful to investigate whether—for example—the accounting profession may have a different influence on common law compared to civil law countries, as previous studies have affirmed (Brusca & Condor, 2002).

In the second stage, with the aim of exploring the *throughput legitimacy*, we carried out a human-based content analysis. This is a methodological approach aimed at deriving systematic, replicable, and valid insights from text to context (Krippendorff, 2019). Of the 43 CL sent by the respondents to ED 78 and published on the IPSASB's website, looking at the following SMC with a focus on HA:

- Restructuring of IPSAS 17 with ED 78 (SMC 1).
- Accounting policy choice between current operational value or fair value measurement basis in the case of adoption of the current value model (SMC 2).

- Additional characteristics of HA with respect to those cited in ED 78, para. AG3 (SMC 3).
- Disclosure limited to unrecognized HA (SMC 5).
- Non-authoritative implementation guidance on HA financial reporting (SMC 6).

SMC 4 and SMC 7 are out of the scope of our analysis since they refer to infrastructure assets.

We engaged in triangulations to mitigate the risks of subjective interpretation, ensure the robustness of evidence, and ultimately make the argument more compelling to readers (Krippendorff, 2019). Each author independently analysed the 43 CL and, coherently with prior research (Bisogno et al., 2022; De Wolf et al., 2020), classified the answers into the following coding scheme categories, based on the general level of agreement of respondents to ED 78:

- *Agree*, when respondents fully agree with the IPSASB's view.
- *Neither fully agree nor disagree*, when respondents do not fully agree with the IPSASB's proposal and provide remarks, suggestions, or observations.
- *Disagree*, when respondents give negative feedback to the IPSASB's view.
- *No reply*, when respondents do not express any opinion.

Subsequently, we met to analyse individual results with the aim of defining a common coding of answers to every single SMC. In case of total convergence, the shared responses were approved; while in case of divergences, we debated and came to a common decision.

In the third stage, we analysed and summarized all remarks and observations given by respondents to ED 78 to identify common opinions, links, and connections, as well as to verify whether IPSAS 45 embraces stakeholders' suggestions expressed in CL to ED 78.

As far as SMC 3 is concerned, since the IPSASB asked respondents to provide any additional characteristics of HA that present complexities in the phases of application, we deepened the advice provided to find similarities and differences among respondents.

The choice of this method is consistent with the literature, which considers content analysis to be an effective technique for comparing different positions and trends in reporting (Guthrie et al., 2004). Moreover, this method allowed us to determine the level of agreement/disagreement and whether respondents provided supporting arguments for their position (Tutticci et al., 1994).

Results

Stakeholders' background and their participation in the consultation phase

As mentioned above, ED 78 received 43 CL, which is an above-average number compared to the responses gathered by the consultation documents published by the IPSASB between 2005 and 2018 (De Wolf & Christiaens, 2022) and fairly in line with those received by the more recent CP on HA (Bisogno et al., 2022), indicating that the topic still generates a good level of interest among stakeholders. As explained earlier, we detected the

influence of respondents' background on their engagement in the consultation phase.

According to the *affiliation* criterion, as shown in Figure 1, standard setters constituted the category most actively engaged in the consultation process initiated by ED 78. Although less represented, professional organizations and individual practitioners also made significant contributions, indicating that the recognition and measurement of HA is a matter of interest within the private sector. In contrast, public sector entities and academics submitted the fewest responses. Nevertheless, the level of engagement from governmental institutions, regardless of whether they serve as standard setters, as well as from the professional community (both individual practitioners and associations), is consistent with the response patterns observed during the previous CP on HA (Bisogno et al., 2022).

Regarding *geographical location*, Figure 1 shows that nearly one-third of respondents are primarily active in the South–Central America region. This is followed by the category of 'international' respondents (including practitioners operating globally and international academic groups) and, subsequently, respondents from Africa, Asia, Oceania, Europe, and North America, in descending order. The strong participation of respondents from developing countries contrasts with the relatively low number of CL submitted by European and North American stakeholders. Given the richness of Europe's cultural heritage and the high volume of responses from European governmental organizations in previous consultations (Aversano et al., 2020), this limited engagement appears noteworthy. Indeed, respondents identifying Europe as their primary region constituted the largest group in the earlier CP on HA (Bisogno et al., 2022).

Regarding the *legal system* classification, Figure 1 indicates that respondents from 'civil law' jurisdictions outnumber those from 'common law' systems by more than two to one. Additionally, over one-quarter of respondents are located in African and Asian countries characterized by 'mixed' legal systems. Finally, nearly one-fifth of the CL were submitted by international respondents, categorized as 'undefined' because they could not be assigned to a specific legal system.

Stakeholders' viewpoints on HA financial reporting

Next, we analysed the general level of agreement for each SMC (see Table 1), the main arguments and remarks raised by ED 78's respondents, and the extent to which those inputs have been transformed into outputs in IPSAS 45 development.

SMC 1—restructuring of IPSAS 17: SMC 1 assesses whether respondents agree with the suggested restructuring of IPSAS 17, which proposes improvements to the existing requirements, relocating some generic measurement guidance to ED 77, and adding guidance on HA financial reporting. SMC 1 generated the highest level of agreement among respondents, with nearly half endorsing the reorganization proposed in ED 78. The remaining CL, however, reveal areas of persistent concern and divergence, particularly regarding the treatment of, and guidance on, the accounting for HA. Specifically, five respondents advocated for retaining the scope exclusion in IPSAS 17 (three of whom suggested developing a dedicated IPSAS

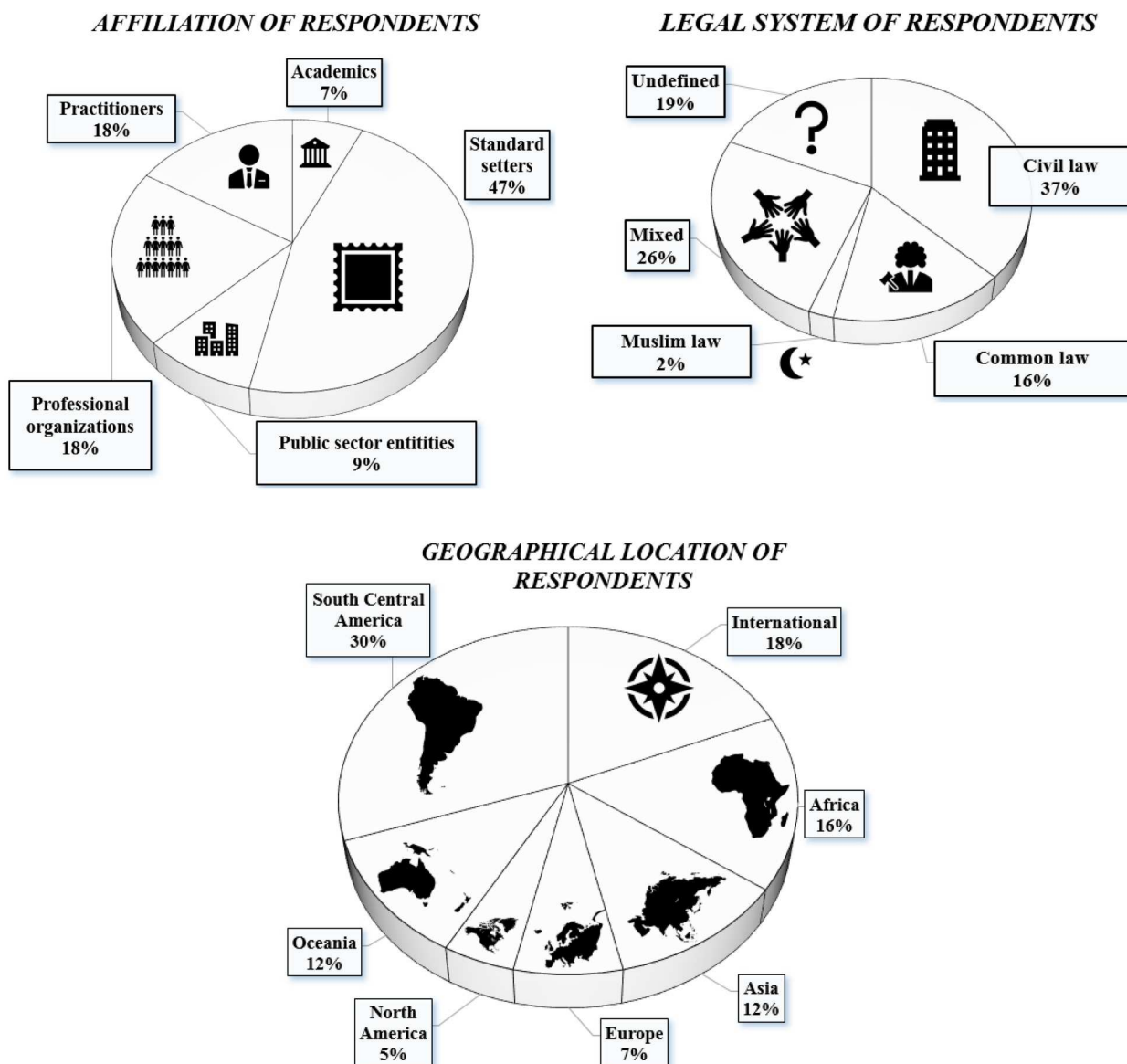


Figure 1. Affiliation, geographical location, and legal system of respondents. Source: Authors' elaboration.

on HA), while nine called for more detailed guidance, including practical examples and decision trees.

The IPSASB's subsequent decisions in IPSAS 45—particularly the removal of the scope exclusion and the inclusion of supplementary non-authoritative guidance—may be interpreted as a deliberate effort to enhance the transparency of public financial reports (IPSASB, 2023a,

para. BC13) and to improve the operationalization of accounting practices through the implementation guidance. For example, this is reflected in the adoption of the current value model (IPSASB, 2023a, paras. IG15, IG16, and IG17) and the decision tree (IPSASB, 2023a, paras. BC6–BC7).

These choices appear to align more closely with the stewardship accountability perspective, as they emphasize transparency, faithful representation, and the discharge of public responsibility. They are also consistent with the IPSASB's principles-based approach, which prioritizes flexible, principle-driven guidance over prescriptive rules.

SMC 2—choice of measurement basis and accounting policy: The discussion on measurement bases revealed divergent views on whether entities should be allowed to choose between current operational value and fair value under the current value model. While most respondents supported this flexibility, about 26% of them expressed concerns about the ambiguity in distinguishing assets mainly held for their operational or financial capacity, calling for clearer guidance (IPSASB, 2023a, paras. BC46–BC49).

In finalizing IPSAS 45, the IPSASB responded by narrowing the scope of discretion. If the item of PPE (including HA) is held primarily for its operational capacity, current

Table 1. Overview of answers to SMCs 1, 2, 3, 5, and 6.

	Neither fully agree nor disagree			
	Agree	Disagree	No reply	
SMC 1	49%	30%	14%	7%
SMC 2 (paras. 29–30)	28%	37%	26%	9%
SMC 5 (paras. 80–81 and AG44–AG45)	21%	35%	39%	5%
SMC 6 (paras. IG1–IG40)	47%	35%	9%	9%
Average	36%	34%	22%	8%
		Provided additional characteristics	Did not provide additional characteristics	No reply
SMC 3 (para. AG3)	–	49%	35%	16%

Source: Authors' elaboration.

operational value shall be applied. Alternatively, if the item of PPE (including HA) is held primarily for its financial capacity, fair value shall be applied (IPSASB, 2023a, paras. 27–BC53). Moreover, the IPSASB provided additional implementation guidance (IPSASB, 2023a, paras. IG16–IG17), thereby strengthening consistency across asset classes (IPSASB, 2023a, para. IG15).

Again, this evolution signals a move away from a market-oriented decision-usefulness approach (more oriented on fair value) toward a stewardship/accountability logic (more focused on current operational value), prioritizing faithful representation and comparability over valuation optionality and user-specific relevance. It also reflects the difficulty in balancing conceptual flexibility with practical comparability, which is typical of a principles-based approach.

SMC 3—additional characteristics of HA: The debate on the defining features of HA highlighted ongoing ambiguity in their conceptual delineation. ED 78 identified three main characteristics: restrictions on use, irreplaceability, and long or indefinite useful lives (IPSASB, 2021, para. AG3). However, nearly half of respondents argued that these were insufficient to capture the unique, multidimensional, and context-dependent nature of such assets. Moreover, several respondents suggested that the IPSASB should:

- Expand the number of illustrative examples of HA to enhance clarity and consistency.
- Provide a distinct and comprehensive definition of HA.
- Take into account the specific legal or institutional constraints on the disposal of HA, which pose challenges for the practical implementation of ED 78.

Despite this feedback, IPSAS 45 retained the same descriptive framework without introducing a formal definition (IPSASB, 2023a, paras. BC19–BC20). This outcome reflects both the principles-based orientation of IPSASB—favouring conceptual flexibility over exhaustive prescription—and the broader tension between decision-usefulness (which would call for clearer definitional boundaries) and stewardship/accountability (which values a more flexible, context-sensitive understanding aligned with the diverse cultural and institutional realities of public heritage).

SMC 5—disclosure of unrecognized HA: ED 78 proposed specific disclosure for HA not recognized in financial statements due to measurement uncertainty. While respondents broadly supported greater transparency, most (39%) disagreed with limiting such disclosure solely to unrecognized heritage PPE, advocating instead for broader and more qualitative reporting.

Nevertheless, IPSAS 45 ultimately retained ED 78's narrower disclosure requirements (IPSASB, 2023a, paras. BC34–BC35). By maintaining a restricted disclosure scope, here the IPSASB seems to prioritize decision-usefulness concerns over a fuller accountability narrative encompassing non-financial dimensions of public heritage.

SMC 6—non-authoritative implementation guidance on HA financial reporting: ED 78's implementation guidance aimed to support consistent application of the standard. Among all queries, SMC 6 received the most favourable feedback overall (47%), with very few disagreements (9%) but a significant share of 'Neither fully agree nor disagree' responses (35%). Many comments nonetheless urged the IPSASB to provide clearer indications on specific issues,

such as the control, recognition, measurement, and depreciation of HA.

In IPSAS 45 (IPSASB, 2023a), these requests were addressed through additional non-authoritative guidance about control (paras. IG6–IG8), recognition related to subsequent expenditure on unrecognized HA (para. IG9), capitalization thresholds (paras. IG10–IG14), measurement at current value (paras. IG18–IG21), and depreciation related to useful lives (see paras. IG30–IG33). This included a decision tree for measurement (IPSASB, 2023a, paras. BC3–BC7).

Conceptually, this emphasis on guidance and operational clarity reflects the IPSASB's continuing effort to mediate between decision-usefulness (by improving comparability and consistency) and stewardship/accountability (by facilitating faithful representation and understandability for users responsible for the management of public heritage). In this sense, the implementation guidance acts as a bridge between these two interpretive logics.

The link between stakeholders' background and their views

Finally, we attempted to match the two analyses conducted to assess whether respondents' background might have influenced their opinions. For this purpose, since the analysis of the 'geographical location' criterion did not reveal any significant association with the positions expressed in the CL or substantively meaningful patterns, this dimension was subsequently set aside to focus on the other two more informative criteria: 'affiliation'; and 'legal system'.

To more effectively capture the potential influence of each background on the positions expressed by CL respondents, we constructed graphical representations to visually illustrate the relevant data trends, specifically:

- The level of agreement of every single category, according to the 'affiliation' and 'legal system' criteria, concerning all the SMC analysed.
- The level of agreement on every single SMC analysed, concerning all categories, according to the 'affiliation' and 'legal system' criteria.

As noted above, since SMC 3 requested stakeholders to provide supplementary attributes of HA instead of gauging their agreement levels, we treated the analysis of SMC 3 separately from that of the other SMCs.

Affiliation background: Table 2 summarizes the findings regarding the extent to which respondents' affiliations influence their perspectives.

Evidence demonstrates that:

- The professional organizations are the category most in line with ED 78, both considering the numerous positive feedback and the low percentages of 'disagree'.
- The standard setters (the largest category of respondents), agreed with ED 78 in seven out of 10 CL, either completely or with some caveats.
- The categories (as a percentage) that disagreed most with the cited SMC are the academics and the public sector entities.

Table 2. Level of agreement of each single category according to the ‘affiliation’ criterion.

		Affiliation of respondents				
		Academics	Standard setters	Public sector entities	Professional organizations	Practitioners
SMCs 1, 2, 5, and 6	Agree	8%	36%	13%	59%	32%
	Neither fully agree nor disagree	34%	34%	50%	25%	39%
	Disagree	50%	21%	31%	8%	25%
	No reply	8%	9%	6%	8%	4%

Source: Authors’ elaboration.

The results of the analysis of the level of agreement on each SMC analysed according to the ‘affiliation’ criterion are reported in [Figure 2](#).

[Figure 2](#) shows that SMC 1 (restructuring of IPSAS 17 with ED 78) received substantial overall support. However, a disaggregated analysis of responses by organizational affiliation reveals a more nuanced picture. While, as anticipated, standard setters and professional organizations broadly endorsed the proposed restructuring of IPSAS 17 via ED 78, it is noteworthy that public sector entities also expressed a significant degree of agreement with SMC 1. Conversely, none of the CL submitted by academics conveyed full agreement with the proposal. When considered alongside the data in [Table 2](#), the findings suggest that, although public sector entities generally supported the overarching rationale for restructuring IPSAS 17, they did not perceive the specific proposals advanced by the IPSASB as adequate.

SMC 2 (accounting policy choice between current operational value and fair value under the current value model) ranked among the queries with the lowest levels of unequivocal support, second only to SMC 5, as previously discussed (see [Table 1](#)). Evidence indicates that only professional organizations expressed either full or partial agreement with SMC 2. In contrast, other categories of respondents exhibited considerable reservations, criticism, or requested further clarification regarding this issue.

As noted, SMC 5 (disclosure limited to unrecognized HA) elicited the lowest number of affirmative responses, the fewest abstentions, and the most widespread opposition among respondents. [Figure 2](#) shows that SMC 5 attracted the highest number of dissenting comments across all respondent categories, albeit with varying intensities. Academics were unanimously opposed to the proposal, followed by practitioners and standard setters, who also registered significant disagreement. Public sector entities were evenly divided between expressing disagreement and partial agreement. As with SMC 2, professional organizations were the group most aligned with the IPSASB’s position on SMC 5.

In contrast, SMC 6 (non-authoritative implementation guidance on HA financial reporting) emerged as the most positively received proposal. Practitioners, in particular, demonstrated unanimous support—whether total or partial—for the introduction of non-authoritative guidance. Positive responses were also prevalent among academics, public sector entities, and professional organizations. Although standard setters recorded the highest relative percentage of approval for SMC 6, a substantial proportion of them refrained from responding to this specific matter.

Finally, regarding SMC 3 (additional characteristics of HA beyond those cited in paragraph AG3), the categories most inclined to consider the existing characteristics as insufficient were academics, standard setters, and practitioners. Notably, practitioners diverged from the

positions taken by most professional organizations and public sector entities, which generally opposed the inclusion of additional HA characteristics.

Legal system background: The findings of the analysis concerning the extent to which respondents’ perspectives were shaped by their respective legal systems are presented in [Table 3](#).

The data reveal several noteworthy trends:

- The rate of disagreement across all respondent categories is approximately 25%, with the exception of the ‘mixed’ category, which exhibits a lower rate of dissent (14%) and emerges as the group most aligned with the IPSASB’s positions.
- The proportion of ‘common law’ respondents expressing full agreement with the SMCs is less than one-fourth that of the ‘mixed’ group and approximately half that of the ‘civil law’ respondents.
- The highest proportion of non-responses is associated with respondents from ‘common law’ jurisdictions.

[Figure 3](#) displays the level of agreement with each SMC, disaggregated by legal system.

The data underscore the strong support expressed by respondents from both ‘mixed’ and ‘civil law’ systems for SMC 1 (restructuring of IPSAS 17 with ED 78). This SMC appears to be the most favourably received among ‘civil law’ respondents, although a substantial portion of positive responses was accompanied by comments and recommendations for refinement. In contrast, ‘common law’ respondents did not present a unified stance: while some fully agreed, others offered only partial agreement, one explicitly disagreed, and one did not respond.

SMC 2 (accounting policy choice between current operational value or fair value measurement basis in the context of the current value model) proved to be among the most contested issues, registering the highest rates of abstention and disagreement among ‘common law’ respondents, none of whom expressed full agreement with the IPSASB’s position. In contrast, respondents from ‘mixed’ jurisdictions demonstrated the greatest alignment with the IPSASB’s view. For ‘civil law’ respondents, the number of supportive comments was comparable to those expressed for SMC 1, although responses to SMC 2 included significantly more recommendations and qualifications.

Consistent with earlier observations, SMC 5 (disclosure limited to unrecognized HA) attracted the highest levels of opposition and the lowest agreement rates across all legal systems. The analysis shows that most of the negative feedback was submitted by ‘civil law’ and ‘mixed’ respondents, with several ‘common law’ contributors also expressing critical views, although most within this latter group either withheld definitive agreement or opted for neutral positions.

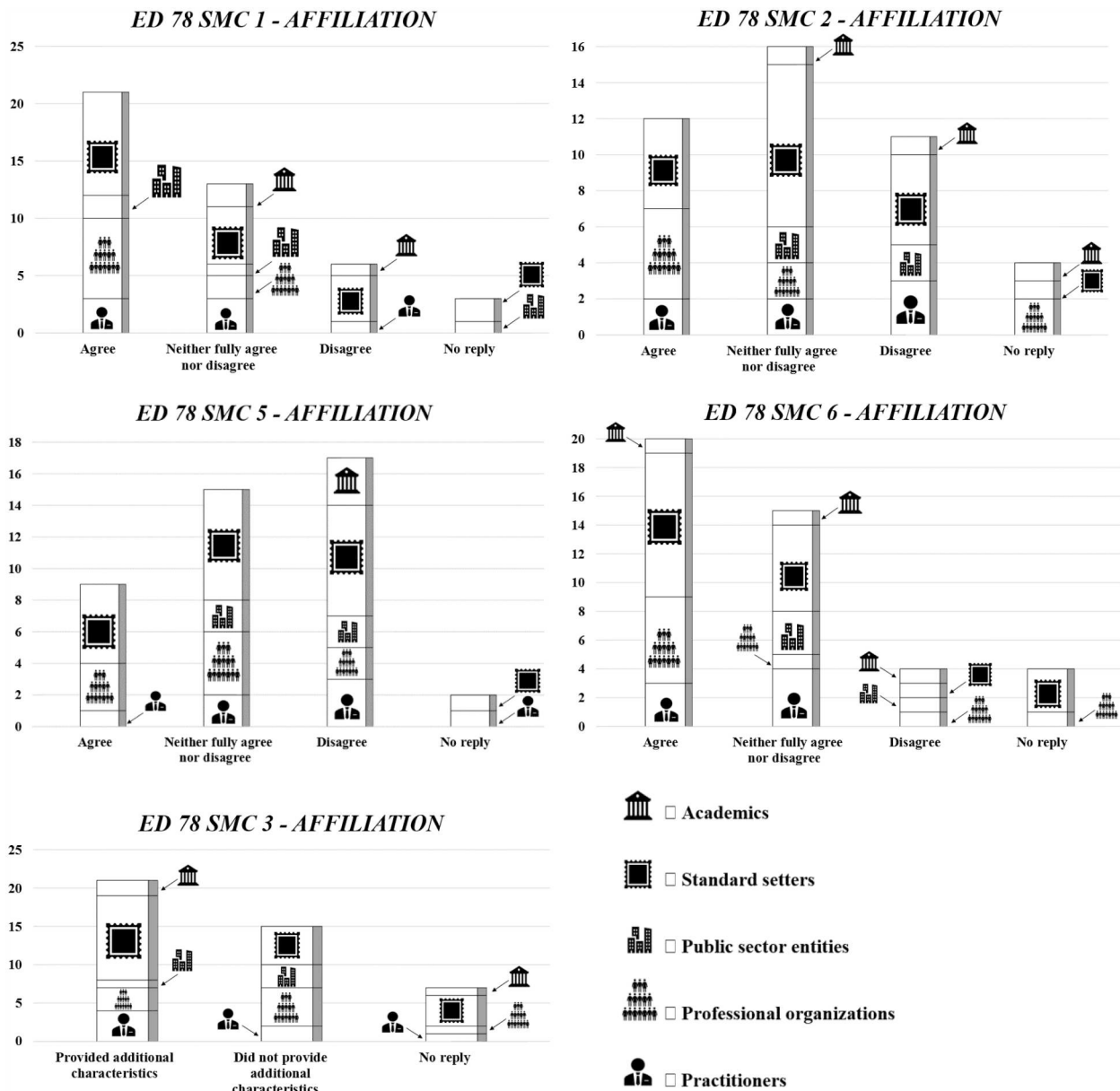


Figure 2. Level of agreement with reference to the 'affiliation' criterion. Source: Authors' elaboration.

SMC 6 (non-authoritative implementation guidance on HA financial reporting) emerged as the most widely supported proposal overall. The 'mixed' respondents were particularly supportive, with all but one expressing full or partial agreement. Similarly, nearly all 'common law' respondents endorsed the proposal, although many qualified their support with constructive comments. In contrast, a notable portion of 'civil law' respondents either disagreed or declined to comment on this matter.

Finally, regarding SMC 3 (additional characteristics of HA beyond those cited in paragraph AG3), approximately half

of the 'civil law' and more than half of the 'mixed' respondents expressed support for the inclusion of additional HA characteristics. In contrast, 'common law' respondents did not exhibit a consistent position, as evidenced by the relatively high incidence of non-responses.

Discussion and conclusions

Originality, limitations and future research

This study examines stakeholders' participation in the IPSASB's due process on HA, focusing on how institutional background shapes both engagement and perspectives on the accounting treatment proposed in ED 78, and the extent to which these views are reflected in IPSAS 45. By analysing comment letters (CL) and linking respondents' positions to their organizational affiliations and legal contexts, the study contributes to ongoing debates on transnational standard-setting legitimacy (Richardson & Eberlein, 2011) and the contested nature of financial reporting for HA (Cordery & Sinclair, 2016).

In doing so, this article advances the literature on the transnational standard-setting process and its legitimacy

Table 3. Level of agreement of each single category according to the 'legal system' criterion.

		Legal system of respondents				
		Civil law	Common law	Muslim law	Mixed	Undefined
SMCs 1, 2, 5, and 6	Agree	28%	14%	50%	61%	34%
	Neither fully agree nor disagree	38%	47%	25%	20%	38%
	Disagree	25%	25%	25%	14%	25%
	No reply	9%	14%	0%	5%	3%

Source: Authors' elaboration.

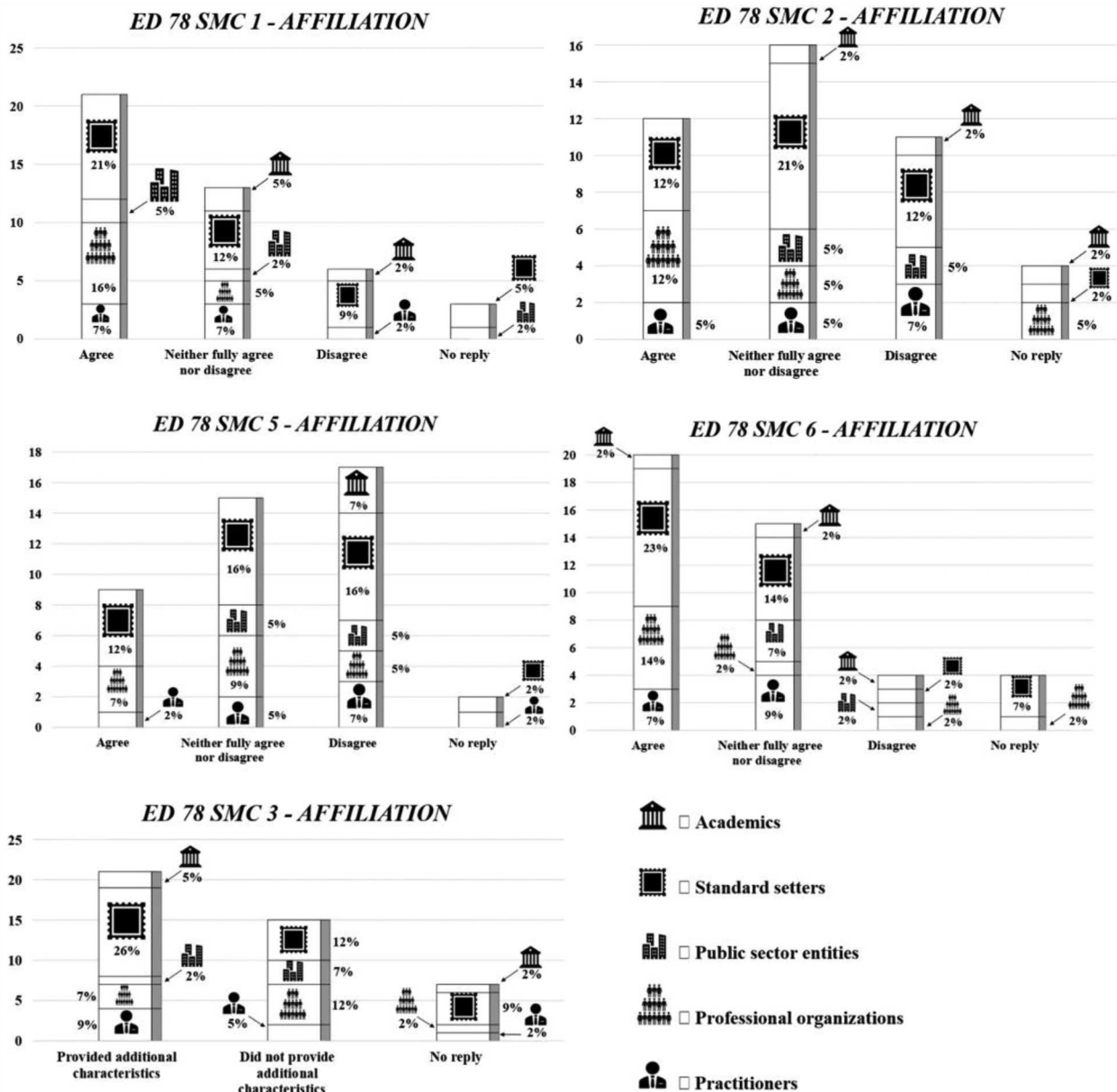


Figure 3. Level of agreement with reference to the 'legal system' criterion. Source: Authors' elaboration.

within the public sector context. Its originality lies in addressing both input and throughput dimensions of legitimacy, and in advancing informed recommendations for their enhancement. In addition, it provides a more comprehensive understanding of stakeholder participation and procedural fairness in the IPSASB's due process.

While this study does not address output legitimacy, future research should broaden the scope by examining the implementation of IPSAS 45 in practice, thereby enabling an assessment of the standard's effectiveness and its contribution to decision-making and accountability.

The discussion that follows is organized around the three research questions, which are addressed in turn in light of both the empirical findings and the theoretical framework.

Input legitimacy in the IPSASB's due process

Overall, the evidence indicates uneven participation and influence across stakeholder categories, highlighting enduring concerns regarding input legitimacy. Regarding RQ1, the

findings demonstrate that participation and perspectives are strongly influenced by institutional background. Looking at the affiliation criterion, standard setters and professional organizations were the most active and aligned with the IPSASB's proposals, whereas academics and public sector entities contributed fewer responses and voiced comparatively greater reservations. The strong participation and endorsement of other standard setters and professional organizations are consistent with prior literature (Aversano et al., 2020; Bisogno et al., 2022; De Wolf & Christiaens, 2022), showing that the due process tends to privilege actors with higher technical resources, institutional proximity, and familiarity with international accounting language and frameworks. Additionally, the comparatively limited engagement and higher level of scepticism among academics align with previous analyses of IPSASB consultations on HA (De Wolf et al., 2020). The academic position echoes concerns raised in the literature regarding the appropriateness of applying private sector concepts to public goods, such as HA (Carnegie & Wolnizer, 1995; Stanton & Stanton, 1997). These

respondents were particularly vocal in opposing the limited disclosure scope and in requesting a more robust definition and treatment of service potential (Anessi-Pessina et al., 2022; Christiaens, 2022).

What is more striking, however, is the low level of participation in consultations from public sector entities. These organizations are the primary preparers and implementers of IPSAS-based financial reporting and would be directly affected by any changes to the accounting treatment of HA. This imbalance highlights a persistent asymmetry in representation, which may limit the diversity of viewpoints incorporated into standard development and weaken the inclusiveness of the due process. In particular, the perspectives of those responsible for operationalizing the standards appear underrepresented. To address this gap, more proactive engagement mechanisms—such as targeted outreach, structured capacity-building initiatives, and locally facilitated consultation forums—are essential. These measures would help ensure that preparers' voices are not only solicited but also meaningfully integrated into both the implementation phase and future revisions of heritage-related guidance.

Furthermore, although the CF identifies service recipients and resource providers as the primary users of general-purpose financial reports, these stakeholders are consistently absent from the due process. Their lack of involvement underscores a structural disjuncture between the stated objective of financial reporting (IPSASB, 2014) and the actual configuration of participation in standard setting. From an input legitimacy perspective, this creates a situation in which those most directly affected by the societal and accountability implications of heritage reporting have virtually no voice in shaping the frameworks that govern it. To foster the meaningful inclusion of primary users in the standard-setting process, it is important to recognize that citizens typically lack specialized accounting expertise, which constitutes a structural barrier to participation (Richardson & Eberlein, 2011). One way forward would be to establish institutionalized channels of representation—for example, through civil society advisory panels or deliberative and educational forums—designed to present issues in clear and accessible terms and thereby enable these constituencies to engage substantively with the implications of HA reporting. Such initiatives would help ensure that the ongoing harmonization of public sector accounting does not become a 'silent reform'—technically implemented but socially unacknowledged—and would support a more democratically grounded form of input legitimacy.

We found that the legal system influenced respondents' views, although not as much as we expected. 'Civil law' and 'mixed' jurisdictions, where public administration values stewardship, mostly supported the IPSASB's proposals, with requests for clarifications. Respondents from 'common law' countries, where market-based values are key, were more divided, especially regarding the measurement. Legal and administrative traditions continue to shape the definitions, measurement, and reporting roles of assets in the public sector.

Although our data did not show a direct correlation between geographic region and stance, strong participation from stakeholders in developing countries and 'mixed' legal systems highlights an emerging voice in international standard setting that warrants further attention (Albuquerque et al., 2023).

Throughput legitimacy in the IPSASB's due process

Turning to throughput legitimacy, the study shows that, while the IPSASB has made visible efforts to consider stakeholders' viewpoints and remarks—particularly through expanded implementation guidance—significant areas of conceptual ambiguity remain. Regarding RQ2, the results reveal a general, albeit not uncritical, support for the IPSASB's initiative to revise the accounting treatment of HA. Respondents broadly agreed with the restructuring of IPSAS 17, the introduction of implementation guidance on HA financial reporting, and the elimination of the HA exclusion clause. SMC 1 (restructuring of IPSAS 17) and SMC 6 (implementation guidance) received the highest levels of agreement. This reflects a consensus on the necessity of providing public sector entities with a clearer and more applicable framework for HA, consistent with the objectives of accrual-based financial reporting (Cordery & Sinclair, 2016) and signalling endorsement of the IPSASB's principles-based approach. Nevertheless, mixed responses emerged regarding SMC 2 (choice of measurement basis) and SMC 5 (disclosure limited to unrecognized HA). While the IPSASB's option to use either current operational value or fair value for assets measured under the current value model was supported by most respondents, several stakeholders emphasized the need for more prescriptive guidance to reduce ambiguity. Concerns were raised about the practical challenges in distinguishing between operational and financial capacity, as well as the reliability of value assessments for HA, which lack observable market data (Ellwood & Greenwood, 2016; IPSASB, 2023a). Regarding disclosure, a significant portion of respondents opposed the limitation to unrecognized HA, arguing for broader, more informative disclosures encompassing both recognized and unrecognized assets, to support accountability and transparency (Anessi-Pessina et al., 2019; Aversano et al., 2020).

Nearly half of the respondents supported adding features such as uniqueness, rarity, and increasing value over time to HA (SMC 3) to capture the complexities of heritage items. This reflects ongoing concerns in the literature about whether standard asset definitions adequately suit public sector items, especially those that are non-rival, non-excludable, and primarily service-oriented rather than revenue-generating (Biondi & Lapsley, 2014; Christiaens, 2022; Mautz, 1988).

Overall, stakeholders are taking a cautiously optimistic stance. They welcome broader inclusion of HA in IPSAS 45 but still call for conceptual clarity and operational feasibility. Compared to the prior consultation (Bisogno et al., 2022; De Wolf et al., 2020), the CL to ED 78 shows greater overall agreement about the IPSASB's HA project. However, varying agreement on the SMC reveals divides over whether HA assessment should focus on decision-usefulness or stewardship (Cordery & Sinclair, 2016). These tensions show that no single perspective dominates, and that HA accounting's operationalization remains disputed.

RQ3 focused on the responsiveness of the IPSASB to stakeholders' input, assessing the extent to which these viewpoints informed the standard-setting process and were incorporated into the resulting standard. Our findings suggest that the IPSASB incorporated stakeholder inputs selectively, as reflected in the degree of alignment between

issues raised during the due process and the provisions ultimately included in IPSAS 45. Specifically, implementation guidance was expanded, including clarifications on control and measurement thresholds, as well as the introduction of a decision tree. These developments improved throughput legitimacy by addressing practical challenges and enhancing interpretative clarity. However, the IPSASB retained a descriptive rather than definitional approach to HA (since they are a subset of PPE—see IPSASB, 2023a, para. BC17), maintained some measurement flexibility (referring to IPSAS 46: see IPSASB, 2023b for further details), and limited disclosure requirements.

Our findings also illustrate how the IPSASB's decisions, as reflected in the final standard, mediate between the decision-usefulness and stewardship objectives of financial reporting. The introduction of current operational value and the expanded implementation guidance can be interpreted as steps toward a stewardship-based accountability model, foregrounding service potential, public resource management, and intergenerational responsibilities. Conversely, the limited disclosure of unrecognized HA and the absence of comprehensive recognition guidance may still constrain users' ability to assess governments' management of cultural resources fully.

These decisions reflect a principles-based stance intended to respect diverse legal and cultural contexts, but they also mean that some conceptual tensions have been deferred to practice. In this sense, the standard embodies a deliberate compromise rather than a resolution.

To enhance throughput legitimacy, the IPSASB could improve the transparency and traceability of the link between stakeholders' inputs, its deliberations, and final decisions, making it more straightforward for external observers to assess how stakeholders' views shape the standard-setting process.

Strengthening structured engagement mechanisms—such as intermediate consultations and targeted dialogue sessions—would further support inclusiveness and procedural credibility. Additionally, establishing early post-implementation feedback loops would help mitigate interpretative ambiguities and ensure that conceptual trade-offs are more explicitly addressed.

Final remarks

Our evidence shows that the mere existence of a formalized due process is not in itself sufficient to ensure the legitimacy of standard setting. Rather, legitimacy requires both the effective and equitable participation of all stakeholders—reflecting a democratic foundation of voice and representation. In addition, procedures and outputs must meaningfully respond to the expectations, needs, and practical realities of all affected parties. Without these conditions, due process risks remaining procedural rather than substantive—formally open, yet functionally exclusionary. As a result, its capacity to produce accounting standards perceived as legitimate, relevant, and publicly accountable is limited.

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