HERITAGE ASSETS IN MALAYSIA: PERSPECTIVES OF MALAYSIAN GOVERNMENT AGENCIES

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Abstract

Purpose: This study discovered how the government agencies in responding to the accounting for HA, particularly the valuation and disclosure aspect of it.

Methodology: This study adopted a semi-structured face-to-face interview for data collection. Two government departments were identified as these departments have unique, special, and rare assets as compared to other government departments.

Main Results: Their perspective towards accounting for HA revealed that they were ready for HA valuation and in the process to recognize and value their HA. On top of that, policymakers needed to provide clear accounting guidelines and strengthen the recognition and measurement process, as well as the disclosure part of HA. Other factors, such as lack of technical knowledge and understanding among the factors could lead to the distortion of the accounting process. The agencies perceived that recognizing HA and disclosing it is important for public knowledge and the exposure towards the valuable national HA.

Implications: The finding of this study contributed to the existing literature on HA and could be the guideline to policymakers and preparers of public sector financial statements.

Keywords: Recognition, Measurement, Disclosure, Heritage Asset, National Heritage, Accrual Accounting, Malaysian Public Sector Accounting Standards (MPSAS).

INTRODUCTION

The accounting for “heritage assets” (HA) has become a hot issue in accordance with the implementation of accrual accounting in the Malaysian government. The accrual accounting in Malaysia officially took effect on 1 January 2018 (Accountant General’s Department of Malaysia, 2018), and through this accrual accounting, the Malaysian Public Sector Accounting Standards (MPSAS) will be used for the preparation and presentation of the government financial statements. In regard to HA, the MPSAS only provides the disclosure requirement of HA, thus leaving the preparers to decide on the valuation, measurement, and disclosure of HA. Barton (2000) indicated HA differs from the other public goods as it is meant for social reasons. HA consists of works of art, museum, library collections, buildings, monuments, memorials, national and state parks, maritime parks, archaeological sites (Barton, 2000). It is not only a physical thing, but HA could also be in the form of customs, culture, locality, buildings, archives, manuscripts. In Malaysia, a living person is also recognized as a national HA (National Heritage Act of Malaysia, 2005). To date, there are 15 living persons recognized as Malaysia National HA (National Heritage Department, 2019). This study discovered the methods applied by the government agencies in responding to the accounting for HA, in particular the valuation and disclosure aspect of it. To date, some research has been carried out on the challenges and issues in accounting for HA in Malaysia among museum department (Hassan, Saad, Ahmad, Mohammed Salleh & Ismail, 2016) and the National Heritage Department (Basnan, Md. Salleh, Ahmad, Mohd Harun & Upawi, 2015). Few studies have been discovered on the reporting of HA by other government agencies. This paper begins with a background on HA followed by the literature review, methodology, analysis, and discussion, and finally, the conclusion.

LITERATURE REVIEW

Overview of Heritage Asset: From the international glance, United Nations Educational, Scientific and Cultural Organization (UNESCO)1 indicates two types of Cultural HAs, namely i) Cultural Heritage and ii) Natural Heritage. Cultural heritage consists of moveable (paintings, sculptures, coins, and manuscripts), immovable cultural heritage (monuments, archaeological sites), underwater cultural heritage (shipwrecks, underwater ruins, and cities), and intangible cultural heritage such as oral traditions, performing arts, rituals (UNESCO, 2019). Meanwhile, natural heritage refers to natural sites with cultural aspects including cultural landscapes, physical, biological or geological formations (UNESCO, 2019). In the local context of Malaysia, the activities associated with the conservation and preservation of HA is the National Heritage Act 2005 (Act 645). In this act, heritage item refers to national Heritage, heritage site, heritage object, or underwater cultural heritage listed in the Natural Heritage Register (National Heritage Act, 2005, p. 12). The ownership of the Heritage items, except for living persons, is divided into ownership either by Federal Government, State Government (including local authorities), or private ownership.
The Interpretation of Accounting Policies ² (2018) issued by the Accountant General’s Department of Malaysia indicates that HA s are assets that possessed a cultural, environmental, or historical significance. Some of the heritage items are referred to as HA due to (i) their value in cultural, environmental, educational, and historical terms are unlikely to be fully reflected in a financial value that is based purely on a market price (Carnegie & Wolnizer, 1995; Hooper, Kearns, & Green, 2005); (ii) legal and statutory obligations may impose prohibitions or severe restrictions on the disposal by sale; (iii) they are often irreplaceable, and their value may increase over time, even if their physical condition deteriorates; and (iv) it may be not easy to estimate their useful lives which in some cases, could be several 100 years (Aversano & Christiansen, 2014; Barton, 2005). The examples of HA s include historical buildings and monuments, archaeological sites, conservation areas, and nature reserves, and works of art. In Malaysia, the HA s shall be recorded in the accrual ledger provided it must be gazetted under the National Heritage Act 2005. The Commissioner may declare in the Gazette any object which has cultural heritage significance to be a heritage object and shall cause it to be listed in the Register.

However, for the heritage to be listed as National Heritage, the heritage item needs to possess specific characteristic such as (1) historical importance; (2) good design or aesthetic characteristics; (3) scientific or technical innovations or achievements; (4) the social or cultural associations; (5) potential to educate, illustrate or provide further scientific investigation in relation to Malaysian cultural heritage; (6) importance in exhibiting a richness, diversity or unusual integration of features; (7) rarity or uniqueness of the natural heritage, tangible or intangible cultural heritage or underwater cultural heritage; (8) representative nature of a site or object as part of a class or type of a site or object; and (9) any other matter which is relevant to the determination of cultural heritage significance (National Heritage Act, 2005). Thus, it can be concluded that HA is unique, rare, and special as compared to other business assets. It defines cultures, histories, and the identity of the country. The sustainability of HA is pertinent for the sake of future generations and societal reasons (Bambagiotti-Albert, Manetti, & Sibillio-Parri, 2016). Therefore, the responsibility to protect and report HA to the public lies on the shoulder of the government.

Accounting issue of Heritage Asset:

The implementation of accrual accounting requires the government to disclose all information pertaining to the financial performance and position of the country. This disclosure would increase transparency and accountability of how the government manages their financial aspects. Accounting users are now interested in assessing how governmental entities manage public resources (Aversano, Christiansen, & Van Thienen, 2019; Osborne, 2010; Mack and Ryan, 2004). Thus, accounting for HA is a relevant issue (Aversano et al., 2019; Adam & Jones, 2011) especially in defining the HA, recognizing and measuring the HA as well as to disclosure the HA s. Despite the special characteristic of HA and its usefulness, much previous research in Malaysia has discovered accounting issues of HA including the recognition, measurement as well as disclosure requirement related to HA (Rosli, Hasbolah, & Yahya, 2019; Aversano et al., 2019; Hassan et al., 2016; Basnan et al., 2015; Aversano, Sammino, & Polcini, 2015; Aversano at al., 2014). As today, the accounting standards deal with HA are MPSAS17 Property, Plant and Equipment, and MPSAS31 Intangible Asset (MPSAS is the adoption of IPSAS version)/Accountant’s General Department, 2013; 2014). These standards do not explain much about the recognition and measurement of HA s. In fact, this standard doesn’t require the governmental entities to recognize the HA. Thus, it has been viewed as insufficient to the user’s decision making as both MPSASs only provide simple disclosure requirement. In the event that the cost of HA is unknown, the HA shall be measured at a nominal cost of RM1. This has been argued by many researchers because the valuation of RM1 doesn’t reflect the true value of the assets (Rosli et al., 2019; Hassan et al., 2016; Basnan et al., 2015). Meanwhile, the International Public Sector Accounting Standards (IPSAS) has taken the step to provide clear guidance and has released the consultation paper (CP) on HA in April 2017. This consultation paper seeks views from constituents on the topic asked, particularly on HA. Aversano et al. (2019) have provided an analysis of the CP. Most of the respondents agreed about the definition of HA suggested in the CP and required additional guidance by the IPSASB.

RESEARCH METHODS

This research adopts a semi-structured face-to-face interview for data collection. Three questions were asked to the respondents and recorded using the phone recorder with the permission of the interviewees. Interviews were conducted with the government officials in each of the departments. The questions asked including (i) the type of HA; (ii) how do they account for HA and (iii) issues in accounting for HA s. Two government departments were selected (i) the National Archives of Malaysia and (ii) the National Art Gallery of Malaysia for this research. Two formal letters, along with the questions, were sent to the respective government to get their approval for the interview session. A phone call was made for confirmation purposes on the day, time, and the person to be interviewed. The management assigned someone that involves in managing the heritage items, and this would allow researchers to get more comprehensive information pertaining to HA. The selection of both departments was due to the limited study found that focused explicitly on the HA s hold by these agencies. These departments also hold invaluable HA, which is also important for Malaysia. All interview sessions lasted between 1 to 1.5 hours. In analyzing the data, the recorded interviews were transcribed verbatim. Thematic analysis of the interview scripts was performed. It consists of identification, codification, and categorization of the main themes that emerged in the databased on approach by Creswell (2018).
RESULTS AND DISCUSSIONS

Heritage Item collection

Table 1: National Heritage in selected government departments

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Department</th>
<th>Total National HA*</th>
<th>Types of HA</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>National Achieves of Malaysia</td>
<td>10**</td>
<td>Documents such as letters and book</td>
</tr>
<tr>
<td>B</td>
<td>National Art Gallery of Malaysia</td>
<td>33***</td>
<td>Art object, painting, sculpture and photography</td>
</tr>
</tbody>
</table>

*Gazetted under National Heritage Act 2005

**Based on listing provided by the National Achieves of Malaysia (February 2019)

***Based on listing given by the National Art Gallery of Malaysia (September 2019)

The National Achieves of Malaysia was established on 12 January 1957 as the Public Record Office (National Achieves of Malaysia, 2019a). The responsibilities of this department are to identify, collect, store, and maintain records of information materials that have a national heritage and history as national treasures. Thus, the collection of this department would be in the form of documents, letters, books, and printed papers. Then, the National Art Gallery of Malaysia was established on 27 August 1958 (National Art Gallery of Malaysia, 2019a). The responsibility is to restore, preserve, document, and research the National Visual Art Permanent collection and the history of national arts. Among the collection are painting, photography, sculpture, and others. Table 1 provides the statistics information of the HA in the selected government department in Malaysia. As mentioned in the literature review, National Heritage means any heritage site, heritage object, underwater cultural heritage or any living person declared as a National Heritage under section 67 of the National Heritage Act 2005. Respondent A and B are the deputy director and senior curator of that department, respectively.

Table 1 indicates the National Achieves of Malaysia holds 10 national HAs. Among the collections are Watikah Pemasyhuran Kemerdekaan 1957, Surat-surat Almarhum Sultan Abdul Hamid Halim Shah Kedah, Karya Pendeta Zau’ba, Surat Persendirian Zainal Abidin bin Ahmad (Zaba), Surat Persendirian Tengku Omar Ibni Almarhum Sultan Ahmad Shah (Baginda Omar), Pemasyhuran Malaysia 1963, Perjanjian Kuala Lumpur 1974, Perjanjian Labuan and Pustaka Peringatan P. Ramlee. All these HAs have their own value, identified by the National Achieves of Malaysia. Meanwhile, the National Art Gallery of Malaysia has in total 33 National HAs. The latest collections are Lembu Liar (Arch), Village Shopping (Painting), Lukisan Lama Heritage Station Hotel Stesen Kereta Api Tahan Melayu Berhad (Painting), and Cadangan Mural Muzium Negara (Painting). However, respondents B indicated that “the value of the collection is not shared to the public to avoid any speculation or sentiment”. Data received from the National Heritage Department as at 22 January 2019, in total, there are 438 heritage items have been gazetted under the National Heritage Act 2005. The number of the items gazetted under this act is still low as the collection is huge.

Accounting for Heritage Asset: Perspective of Malaysian Government Agencies

The displays in Table 1 confirm that both departments have a unique and special type of HA. Usually, HA is associated with monuments, buildings, and objects, but table 1 reveals that the collection of HAs is varied. During the interviews with the respective departments, it was discovered that both departments were in the process to understand the accrual accounting and the requirement to account for the HA in the government financial statements. Respondent A indicated that “the initial step was taken such as to establish the valuation committee to value the archives collection”. However, respondent B said, “we have the guideline to recognize the artwork to be the national collection and we have the procurement committee consisting of the Art Gallery Board member, that looks to the art gallery collection in terms of its significance and monetary value”. Even though the collection is still not gazetted under the National Heritage Act 2005, the value of the collection is in hand. Respondent B also said, “any collection of the National Art Gallery will go through the same procedure either the collection is purchased or donated by others”. The recognition process for each department can be seen via the procurement process. National Art Gallery of Malaysia has been seen as easier to derive based on the monetary value as the sources could come from the collector, artist or through the board member. However, for the National Art Gallery of Malaysia, the valuation process might slightly difficult as the documents are not like art pieces that are commercialized in the open market.

A valuation process is not an easy task to be carried out. Both respondents agreed that the committee should consist of experts in the area, including accountants, policymakers, industry experts and academicians. If the committee only consists of one party, the valuation might not be done properly. For example, respondent A said, “if the committee comes only from the archives department, the valuation derived might not faithfully be represented”. Thus, the mixed members in the committee are seen as the best way to ensure the process of measurement and valuation is fair and transparent. Interestingly, respondent B explained that the collection under the National Art Gallery of Malaysia will undergo the revaluation process every five years to indicate the latest value for each artwork. The revaluation committee is not only among the department but also consists of a government officer, historian, accountants, collector, and gallery owner.
However, the collection value is increased annually based on the interest stated by the management of the HA. In addition, the acquisition of archive items can be made either by (i) legal deposit under the National Archive Act 2003 (Act 629) that usually involves government records; (ii) purchase from others that involves important documents that were retained by others, and (iii) donation from individual or others. Respondent A also added that “National Archives of Malaysia is also having the committee for the selection of documents to be recognized as archives collection and Heritage or National Heritage and usually leads by the director or section leader”. In regards to the conservation and preservation cost, the expenditure is expensed off and not capitalized or increase the value of the items. The HA does not depreciate, but both respondents agreed that the value should be increased over time. Respondent B added, “The artwork that has to go through the conservation process, the value of the item is flat and staged”. This is also among the arguments between continents in the research conducted by Aversano et al. (2019) which the heritage items may increase in value over time even if the physical condition deteriorates.

Pertaining to the current legal context, respondent B indicated that there was a redundancy in recognizing the HA. He added, “the whole collection of National Art Gallery of Malaysia is the national heritage because it is accepted as a collection due to its significance value, however, due to the requirement of National Heritage Act 2005, it needs to be gazetted again”. Besides, he also agreed that the National Heritage Act 2005 protected the collection. He also added that the HAs needed to be protected and exposed to the public for knowledge advancement. In regards to the reporting of the HA, the National Art Gallery of Malaysia provides a one-line item of the total collection. The value of each collection is not disclosed to the public. The same also goes for the National Achieves of Malaysia. Despite their positive perspective and views in accounting for HA, the respondents also shared their perspective of challenges that needed to be catered. The perspective is summarized in the following paragraph. Lack of precious guidelines in accounting for HA, including recognition, measurement, and disclosure are among the factors that distorted the valuation process. As to date, MPSAS itself provides a lack of guidance to the preparers in the understanding of HA and the process of incorporating HA into the financial statements. The staff that is associated with the work of HA need to be provided with sufficient knowledge, particularly the accounting standards, in regards to HA, IPSASB (2014) also indicated that the implementation of accrual accounting depends not only on the accounting policies and standards but also on the software and technology as well as human resources. The government needs to provide a new policy especially for the items which are not gazetted under the National Heritage Act 2005, whether they should be accounted for, valued, or just remained as department collection.

In conclusion, these perspectives provide another insight, particularly in accounting for HAs. Four broad themes could be derived from the interview session including (i) recognition process of HA needs to be clear and transparent especially when different agencies have different procedures, and they contradict each other; (ii) valuation guideline is needed to be the basis of the preparation and presentation of the information in the government financial statements; (iii) staff needs to be equipped with technical knowledge and understanding about the HAs. The finding of this interview is also in line with the previous researches (Rosli et al., 2019; Aversano et al., 2019; Hassan et al., 2016; Basnan et al., 2015; Aversano et al., 2015; Aversano et al., 2014). From the statistics, it can be inferred that each of the government departments still holds the valuable collection, but they are still in the process to be recognized as HA.

CONCLUSION

HAs are particularly important for the culture, national identity, and history of a country. The accounting and reporting of HA have been viewed significantly as it will provide information not only to the government for funding purposes, but it is also useful for decision making. The present study intended to discover how the government agencies respond to the accounting for HA particularly the recognition, measurement, and valuation aspect of it. The existing MPSAS17 and 31 is lacking precise guidelines in the preparation and presentation of HA. The MPSAS itself does not clarify the valuation techniques to measure the HA, including its disclosure. The standard technique merely prescribes the disclosure requirement if the entity chooses to disclose the HA. The regulator and policymakers need to provide specific guidance for the account for HAs. The reporting of HA is inconsistent with the implementation of accrual accounting that would provide the accounting users such as the public, private company, government agency, and others with a more comprehensive view of the government's financial position and the economic value of the assets. The reader should bear in mind that the study is based on the face to face interviews. Future research might conduct focused group interviews to gain more (views) perspectives on the tested question to increase the generalizability of the findings.

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