

Accounting for Tangible Heritage Asset: The Case of the National Archives of Malaysia

Mohamad Hafiz Rosli^{1*} and Amrizah Kamaluddin²

¹*Faculty of Accountancy, Universiti Teknologi MARA, Johor, Malaysia*

²*Faculty of Accountancy, Universiti Teknologi MARA, Selangor, Malaysia*

ABSTRACT

The reporting of heritage assets (HA) has become relevant since the implementation of accrual accounting in the Malaysian public sector. The current disclosure requirements may not adequately capture HA significance and rarity. The research aimed to describe the issues and challenges faced in accounting for HA in line with the implementation of accrual accounting in the public sector. The study employed a qualitative approach, through face-to-face interviews with accountants and curator officers in a selected government department. The findings highlighted five emerging issues and challenges in reporting for HA including reporting issues, legislation, lack of accounting policies and reporting guidelines, expertise in the valuation of HA, and staff competency. Despite these issues and challenges, this entity had already reported its HA and has taken various initiatives to address the issues. This study contributes to the existing literature on HA accounting in Malaysia and supports the public accountability paradigm. Additionally, it provides input for policymakers and preparers to better prepare for HA reporting. While this study focussed on a single entity, future research could encompass additional government agencies for a comprehensive understanding of their reporting practices.

Keywords: Heritage Asset, Reporting, Disclosure, Recognition and Measurement, Accrual Accounting

ARTICLE INFO

Article History:

Received: 22 May 2023

Accepted: 29 March 2024

Available online: 01 August 2024

* Corresponding Author: Mohamad Hafiz Rosli; Faculty of Accountancy, Universiti Teknologi MARA Johor Branch, Segamat Campus, Johor, Malaysia; Email: hafizrosli@uitm.edu.my; Tel: 0173478776

INTRODUCTION

Public sector accounting in Malaysia has undergone significant changes in line with the New Public Management (NPM) paradigm (Dianto & Aswar, 2020). This new paradigm brought accrual accounting to public sector accounting systems and the adaptation of the International Public Sector Accounting Standards (IPSAS) framework (Christiaens et al., 2014; Brusca et al., 2015). Specifically, in Malaysia accrual accounting has been effective from 1 January 2018 (Accountant General's Department of Malaysia, 2023) in line with the Public Sector Transformation Policy in the New Economic Model and the implementation of Outcome-Based Budgeting (OBB). This is one of the 21 initiatives of the Strategic Reform Initiative (SRI) Public Finance Lab (Accountant General's Department of Malaysia, 2018, 2021).

The adoption of IPSAS standards to Malaysian Public Sector Accounting Standards (MPSAS) in 2013 led to the emergence of accrual accounting resulting in the inclusion of accounting for "Heritage Asset" (HA) (Basnan et al., 2015; Hassan et al., 2016; Ahmad et al., 2016; Rosli et al., 2019). Accounting for HA has been increasingly debated by many researchers especially in Malaysia (Basnan et al., 2015; Hassan et al., 2016; Rosli et al., 2019; Rosli et al., 2020). Their argument is always related to the reporting including recognition, measurement and disclosure issues of HA. Presently, MPSAS 17 *property, plant and equipment* provide the recognition and disclosure requirement of HA but not the measurement of it. However, the present MPSAS 17 is insufficient to reflect the ethos, culture and significance of HA. HA is unique and significant to the historical, cultural and environmental aspects of every nation. HA consists of sites, objects and underwater cultural heritage. The disclosure of HA shall include non-financial information as HA differs from other public goods as it is meant for social reasons. Thus, the treatment of commercialized assets is not suitable for it (Barton, 2000; 2005).

HA is to be accounted for in the accrual ledger, provided it must first meet the requirements and be gazetted in the National Heritage Act (NHA), 2005 (Accountant General's Department of Malaysia, 2022). In the context of this act, 'gazetted' refers to the heritage item that has been declared and acknowledged under this act after fulfilling the requirements and is later to be named as "HA". In Malaysia, the National Heritage Department (JWN) is responsible for maintaining the record of the HA and gazetting it under the NHA 2005. JWN is under the purview of the Ministry of Tourism, Arts and Culture Malaysia (MOTAC). Besides JWN, the National Archives Malaysia (NAM) is also involved in managing and reporting the HA. The research objectives and research questions of this study were meant to describe issues and challenges faced by the NAM in accounting for HA and identify the issues and challenges in accounting for HA. The issues and challenges focused on reporting HA are always associated with producing better disclosure of HA. This entity was selected because it held a variety of invaluable and historic Has. Their collection is rare as compared to other forms of HA.

Past research in Malaysia has been carried out on the challenges and issues in accounting for HA in Malaysia (Hassan et al., 2016; Basnan et al., 2015; Basnan et al., 2012; 2013; Hassan et al., 2016; Ahmad et al., 2016). This research focussed on HA

specifically in NAM because many heritage items under this entity have received UNESCO recognition, such as *Watikah Pemasyhuran Kemerdekaan 1957* and *Surat-surat Almarhum Sultan Abdul Hamid Halim Shah Kedah*. The HA in NAM is unique and different as compared to other HAs, as it is based on documents rather than real artefacts. Therefore, this leaves a gap for research to be conducted. This study was motivated by the importance of HA to the country's history as well as to serve as a medium of public accountability of the government to its people. This study provides insight to policymakers to better formulate accounting policies as well as to establish procedures and guidelines related to the government's HA. In addition, the findings of this study can also be applied to amend the current legislation and regulations pertaining to HA. Public sector accountants known as preparers of HA reporting can better understand the necessary information of HA to be disclosed. This provides a better picture of the government's financial position and management of HA. Proper disclosure of HA strategically leads to better planning and managing. This paper begins with a background on HA followed by the literature review, methodology, findings and discussion, and finally, the conclusion.

LITERATURE REVIEW

Roadmap of the World's Accounting for Heritage Assets

The International Public Sector Accounting Standards Board (IPSASB) has taken the initiative to finalise useful accounting standards for HA. The project began in 2015, and later in 2017, IPSASB issued a Consultation Paper (CP) "Financial Reporting for Heritage in the Public Sector" (IPSASB, 2020). The improvement has also been taken by IPSASB in issuing Exposure Draft (ED) 78 Property, Plant, and Equipment in 2021 to get public comments on the amendment of International Public Sector Accounting Standards (IPSAS) 17 on property, plant and equipment (International Accounting Standards Board, 2018; IPSASB, 2014, 2020, 2021). However, in Malaysia, MPSAS 17 is currently used.

In Malaysia, the accounting standard which addresses HA is Malaysian Public Sector Accounting Standards (MPSAS) 17 *Property, Plant and Equipment*, specifically on the disclosure requirement of HA (MPSAS 17, 2011). In that standard, the asset is classified as HA because of its cultural, environmental, or historical significance making HA different from other types of assets. The characteristics include (i) their value in cultural, environmental, educational, and historical terms that are unlikely to be fully reflected in a financial value that is based purely on a market price (Carnegie & Wolnizer, 1995; Hooper et al., 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 & Christiaens, 2014; Barton, 2005).

From the academic viewpoint, the debate on HA is increasing and brings challenging issues, especially on recognition, measurement and disclosure. The issues

highlighted were extensively debated internationally (Adam et al., 2011; Biondi et al., 2014; Aversano et al., 2014; Aversano et al., 2015; Aversano et al., 2018; Aversano et al., 2019; Biondi & Lapsley, 2021). Among the recent research closely related to the CP, Biondi et al. (2021) and Aversano et al. (2019) indicated that the issues of definition, recognition, measurement and disclosure are concerns for many governmental institutions. As different governmental institutions possess unique differences in culture, administrative traditions and accounting systems, it results in inconsistency and variations in the accounting practices of HA. Supported by Biondi et al. (2014), HA possesses unique characteristics and inalienability, making the recognition and measurement, especially concerning how to assign value and whether to report HA if the value is unknown. Due to its uncertainty, the disclosure of HA may be unable to reflect the asset.

Mattei et al. (2020) on the other hand indicated that the various practices in different jurisdictions eventually reduce comparability due to a lack of informative guidance in the present standards, including a lack of a definitive solution that requires public entities with unresolved accounting approaches to adopt. Woon et al. (2019) argued that not all HA shall be capitalized or attached with any monetary value. Consistent with the indicators of UNESCO, Woon et al. (2019) insisted that detailed disclosures are necessary. This shows that notes for the account are needed to provide further information. Redmayne et al. (2022) stated that the continuing issue of HA lies in the cost of obtaining the HA which may result in discouragement in the measurement of HA. With that limitation, the emphasis on qualitative disclosure in the financial reporting of HA could serve public accountability and stakeholder information (Aversano et al., 2014; Aversano et al., 2019).

Accounting for Heritage Assets: Insights from Malaysia

The research interest in HA in Malaysia is also increasing (Basnan et al., 2015; Hassan et al., 2016; Ahmad et al., 2016). However, these research were conducted before the implementation of accrual accounting in Malaysia, which occurred in 2018. Basnan et al. (2015) investigated the challenges faced by the Malaysian government department in accounting for HA. They concluded that the challenges lie in the recognition and measurement problem, asset registry and staff competency. This indicates that the readiness towards accrual accounting specific to HA is still inferior. The comments in Basnan et al. (2015) were also similar to their previous study, Basnan et al. (2013, 2012). On the other hand, Hassan et al. (2016) discovered how overseas museums report their HA to be used as benchmarks for Malaysian museums. In those challenges, Ahmad et al. (2016), in their study of the local museums in Malaysia, indicated that the TSM Museum practices are in the process of preparing for the full implementation of the accrual-based accounting, including the HA.

However, this literature supporting the current landscape after the implementation of accrual accounting in Malaysia is still scarce. Recent studies of HA in Malaysia conducted by Rosli et al. (2019) and Rosli et al. (2020) found that there is a lack of valuation guidelines, understanding of accrual accounting, incompetent staff and timing constraints.

In addition, Rosli et al. (2020) also informed that one of the agencies interviewed related to the art gallery had already implemented accrual accounting and was able to record it in the financial statements. However, constant training is needed to rouse their ability to carry out the accounting process.

Accounting Policy of Heritage Assets in Malaysia

The current accounting standard for HA in Malaysia is MPSAS 17 *Property, Plant and Equipment*. However, the existing accounting standard, particularly MPSAS 17 offers minimal information such as application guidance to the prepares of HA on the recognition, measurement and disclosure of HA. The Interpretation of Accounting Policies Revised 2022 issued by the Accountant General's Department of Malaysia points out that HA shall be recorded in the accrual ledger if it is gazetted under NHA 2005. The meaning of 'gazetted' is that the HA must first meet the HA criteria in NHA, recognized as national heritage and recorded under the NHA register. And if cost is available, it shall be measured at cost. However, if the cost is unknown or impractical to be determined, it shall be measured at a nominal cost of Malaysian Ringgit 1 (RM 1).

The issue here is that the disclosure requirement does not adequately reflect the significance of HA including the remaining unrecognized HA. Aversano et al. (2019) argued that HA should be reported narratively and contain a qualitative aspect of it. The RM1 of nominal value is not the main argument, however, the disclosure part of it shall need to reflect the true value of the assets (Basnan et al., 2013, 2015; Hassan et al., 2016; Rosli et al., 2019; 2020). Aversano et al. (2019) provided an analysis of the consultation paper (CP) provided by IPSASB in 2017, indicating that most of the governmental respondents required additional guidance on HA, particularly the disclosure part of it. Interestingly note that Aversano et al. (2019) indicated the responses from the CP stated that separate presentation and disclosure requirements should be imposed on HA. The disclosure of HA has a significant impact on the government's information delivery. The enhancement of HA disclosure would increase transparency and accountability of how the government manages its HA. Mack and Ryan (2004), Osborne (2010) and Aversano et al. (2019) showed that accounting users are now concerned about how governmental entities manage their public resources. This concern makes HA important to be disclosed properly in the government's financial statement (Aversano et al., 2019; Adam et al., 2011).

Legislation of Heritage Collection in Malaysia

In Malaysia, the NHA 2005 (Act 645) governs all the country's HAs. This act was enacted in 2005 and resulted in the establishment of the National Heritage Department (JWN). This act also superseded the Antiquity Act 1976 and the Treasure Trove Act 1957. NHA 2005 is an act to provide for the conservation and preservation of National Heritage, natural heritage, tangible and intangible cultural heritage, underwater cultural heritage, treasure trove and related matters. The ownership of the Heritage items, except for living persons, is divided into ownership either by federal government, state government, local authorities, or private ownership. Furthermore, this act defines a heritage item as a National Heritage, heritage site, heritage object, or underwater

cultural heritage listed in the Register (National Heritage Act, 2005, p. 12). The heritage status can be divided into (a) National Heritage (under section 67) and (b) heritage. Table 2.1 provides types and examples of HAS:

Table 2.1: Type of Heritage Assets

| Types | Examples |
|---------------------------------------|---|
| Heritage site (section 24) | Any area, place, zone, natural heritage, monument or building attached to land, archaeological reserve and any land with building, garden, tree or archaeological reserve |
| Heritage object (section 49 or 51) | Any moveable antiquity, tangible cultural heritage, intangible cultural heritage and historical object but excluding treasure trove. Cultural heritage includes the following: |
| | <ul style="list-style-type: none"> • Intangible cultural heritage includes any form of expressions, languages, lingual utterances, sayings, musically produced tunes, notes, audible lyrics, songs, folksongs, oral traditions, poetry, music, dances as produced by the performing arts, theatrical plays, audible compositions of sounds and music, martial arts, that may have existed or exist in relation to the heritage of Malaysia or any part of Malaysia or in relation to the heritage of a Malaysian community • Underwater cultural heritage means all traces of human existence having a cultural, historical or archaeological character which have been partially or totally under water, periodically or continuously, for at least one hundred years such as <ul style="list-style-type: none"> (a) sites, structures, buildings, artefacts and human remain, together with their archaeological and natural context; (b) vessels, aircraft, other vehicles or any part thereof, their cargo or other contents, together with their archaeological and natural context; and (c) objects of prehistoric character; |
| Treasure trove | means any money, coin, gold, silver, plate, bullion jewellery, precious stone or any object or article of value found hidden in, or in anything affixed to, the soil or the bed of a river or lake or of the sea, the owner of which is unknown or cannot be found, but does not include any tangible cultural heritage |

Source: National Heritage Act 2005 (Act 645)

As mentioned in the previous paragraph, National Heritage refers to any heritage site, heritage object, underwater cultural heritage or any living person declared as a National Heritage under section 67. For the heritage item to be listed as National Heritage, it needs to possess one of the specific characteristics 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 underwaternatural 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).

The categorisation of HA is similar to the United Nations Educational, Scientific and Cultural Organization (UNESCO). UNESCO indicates two types of Cultural HAs, namely (a) Cultural Heritage and (b) Natural Heritage. Cultural heritage consists of movable (e.g., paintings, sculptures, coins, and manuscripts), immovable cultural heritage (e.g., monuments, archaeological sites), underwater cultural heritage (e.g., shipwrecks, underwater ruins, and cities), and intangible cultural heritage (e.g., oral traditions, performing arts, rituals) (UNESCO, 2019). Meanwhile, natural heritage refers to natural sites with cultural aspects including cultural landscapes, and physical, biological, or geological formations (UNESCO, 2019). From the context of the NHA 2005 as well as UNESCO, it can be summarised that HA is unique, rare and irreplaceable compared to other commercial assets. HA is significant to the country's culture, history, environment, social, education and economy. The sustainability of HA is pertinent for the sake of future generations and societal reasons (Bambagiotti-Albert, Manetti, & Sibilio-Parri, 2016). Hence, the responsibility to protect and report HA to the public lies on the shoulders of the authorities with support from the public. Nevertheless, more comprehensive and meaningful information is needed to enhance and reflect the HA.

RESEARCH METHODS

Research Design

In this research, qualitative research via a descriptive single-case study design was used to serve the research objective and answer the research questions. A case Study is a qualitative design that allows the researcher to explore in depth a program, event, activity, process, or one or more individuals (Creswell, 2018). Yin (2014) indicated that a descriptive case study is meant to describe and explain a phenomenon in detail related to the real-world context as this study intended to describe issues and challenges faced by the NAM in accounting for HA. In-depth interviews and document reviews (Yin, 2014; Given, 2008; Bowen, 2009; Creswell, 2018) were employed for data collection and to understand the subject's point of view.

Data Collection

The research utilised document review and semi-structured face-to-face interviews for data collection. A formal letter, along with the interview questions, was sent to NAM for approval purposes. Once the approval was received, a formal phone call was made for confirmation with participants before the interview sessions started. A semi-structured face-to-face interview was used to describe the issues and challenges faced by NAM in accounting for HA. Additionally, semi-structured face-to-face interviews

were conducted with three participants consisting of officers in NAM. The selection of interview participants was based on stratified sampling where the officers were involved in reporting and managing the heritage collection in NAM. The selection of officers involved with HA is pertinent, as they understand and are well-versed in the accounting of HA to obtain relevant findings that can serve the research objectives. The interview protocol and guide with the interview consent form were given to each participant before the interview session.

The interview session consisted of semi-structured questions, and the participants were required to answer the questions. Three questions were asked, including (i) the type of HA held; (ii) how the NAM accounts for HA and (iii) what issues and challenges are faced by this entity in accounting for HA. The interviews were carried out individually and took approximately 45 minutes to 1 hour for participants to complete the interview session. The participant's responses were recorded using the laptop recorder application with the participants' permission. Second, a document review was used to determine the type of HA held by NAM. The document review was based on the agency's internal report given by the officer.

Entity Information

NAM was established on 12 January 1957 as the Public Record Office. Later, in 1963 the name was changed to the National Archives of Malaysia. The objective of NAM is to improve the efficiency of record management through the enforcement of the National Archives Act 2003. This act provides laws and regulations relating to the creation, acquisition, custody, preservation, use and management of public archives and public records; and other matters connected there with. NAM is also responsible to save and preserve the archives records properly as a reference and national heritage. Concerning national heritage, NAM is also accountable for communalizing archival materials through advocacy programs to enhance the appreciation of the history of the country towards the establishment of the Malaysian identity. 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. Additionally, the collection of this department would be in the form of documents, audio, videos, pictures, artefacts, and born-digital materials (National Archives of Malaysia, 2022a).

Data Analysis

The data analysis from the semi-structured face-to-face interviews was conducted using thematic analysis. The interview was recorded and transcribed verbatim. The researcher read the transcript, annotated it, conceptualized the data, segmented the data, analyzed the segments, and wrote the results. Thematic analysis was used to analyse data. The thematic analysis consisted of the identification, codification, and categorization of the main themes that emerged in the database approach by Creswell (2018). Thematic analysis is a data reduction and analysis strategy by which qualitative data are segmented, categorized, summarized, and reconstructed in a way that captures the important concepts within the data set. Given (2008) indicated that the validity and reliability of the coding should be checked consistently to avoid mistakes during the

coding process. In this study, the researcher used an inter-coder reliability check by duplicating their research efforts under different conditions and checking the similarities and differences in readings, interpretations, responses to, or uses of given texts or data (Krippendorff, 2004). Eventually, the themes were assessed and presented. Furthermore, for document review, the content analysis method was used for data analysis. The analysis focussed on the type of heritage items under the custody of NAM.

FINDINGS AND DISCUSSION

Type of Heritage Asset

This section addresses the type of HA held based on NAM's list of HA. The heritage listing in NAM was maintained in the Online Finding Aid (OFA) system. In general, NAM holds heritage item consisting of documents, audio, video and pictures. As indicated in Table 4.1 10 HA have been gazetted in NHA 2005, making this asset qualified to be recorded in the accrual ledger. They consist of ten documents including books, publication records and buildings. All these 10 items were gazette and classified as National Heritage. Based on NHA 2005, National Heritage refers to any heritage site, heritage object, underwater cultural heritage, or any living person declared by the Minister of MOTAC as a National Heritage under section 67 of the NHA 2005. In Table 4.1, it can be seen that the heritage collection of NAM was not only documents but also land and buildings.

Table 4.1: National Heritage in selected government departments

| Name of HA | Types of HA |
|--|---|
| <ol style="list-style-type: none"> 1. <i>Watikah Pemasyhuran Kemerdekaan 1957</i> 2. <i>Surat-surat Almarhum Sultan Abdul Hamid Halim Shah Kedah</i> 3. <i>Karya Pendeta Zaa'ba</i> 4. <i>Surat Persendirian Zainal Abidin bin Ahmad (Zaba)</i> 5. <i>Surat Persendirian Tengku Omar Ibni Almarhum Sultan Ahmad Shah (Baginda Omar)</i> 6. <i>Pemasyhuran Malaysia 1963,</i> 7. <i>Perjanjian Kuala Lumpur 1974</i> 8. <i>Perisytiharan Wilayah Persekutuan Kuala Lumpur 1974</i> 9. <i>Perjanjian Labuan</i> | Documents (books and publication records) |
| 10. <i>Pustaka Peringatan P. Ramlee</i> | Land and building |

Source: National Heritage Department (2019) and National Achieves of Malaysia (2022b)

The heritage collection that had been gazetted was still small compared to the total heritage collection of NAM. Based on the maintained collection system, the heritage collection of NAM was more than the total gazetted and all of them are still not accounted. Several heritage collections were still in the process of being gazetted as it required a stringent process. The HA listed from number one to nine was categorised as documents, while item number ten was classified under land and building. The value of *Pustaka Peringatan P. Ramlee* could be assessed and reliably measured as compared to other documents. From the statistics given, it was inferred that NAM holds many invaluable collections that were primarily in the form of historic documents.

Issues and Challenges in Accounting for Heritage Asset

This section addresses the research objective to describe issues and challenges faced by NAM in accounting for HA. It was discovered during the interview that NAM had reported and provided their HA information for the respective department and ministry for compilation purposes towards the preparation of financial statements. Additionally, NAM had also submitted the heritage collection to be gazetted as National Heritage according to the NHA 2005. From thematic analysis, five emerging issues were obtained. These included the reporting of HA, legislation, lack of accounting policy and guidelines, lack of expertise and staff competency.

Reporting of Heritage Asset

The first issue and challenge in accounting for HA is the reporting of HA. The issue is particularly related to the disclosure as the present measurement of HA does not reflect the significance of HA. Participant A indicates that:

“...valuation of HA should include non-financial information...and there is need to have another special reporting of HA to indicate identity, history, spiritual to avoid the risk of losing the HA...”
(Participant A)

This indicates that the current reporting of HA is insufficient to reflect the culture, environment, education and historical significance of HA. The reporting of HA shall include non-financial information rather than focus on financial information, as the HA is priceless and irreplaceable based on the characteristics of HA in MPSAS 17. Participant B indicates that:

“...expenses related to conserve and preserve shall need to be reported even though it is not capitalised...descriptive reporting is important to be highlighted to increase government transparency and accountability.” (Participant B)

Participant C, on the other hand, also shares the same opinion as the previous participant. She mentioned that:

“Supplementary reporting is the best way, or I would say the forward reporting of a country’s heritage asset. The reporting should look into more descriptive and narrative in nature on the asset’s information as well as reporting such as strategies and mechanisms of conservation and preservation and costs involved also need to be disclosed. So that this information can attract more government fund allocations.” (Participant C).

Currently, the value of HA is only based on the cost of HA or the available current or market value of HA. That seems easier for certain land and buildings, as this asset is much easier to assess in terms of value. The recognition process for HA can be seen easily if the HA is obtained through the procurement process for the items because the purchase price is available. In the event that the HA is received such as a donation, the value is undeterminable. However, the valuation process might be slightly difficult as the documents are not like art pieces that are commercialized in the open market and most of the documents are from internal records and there is no trade between them. The HA that has been disclosed but the value is unknown, the nominal value of RM1 will be reported.

Legislation

From the legislation context, most of the participants commented that there was a redundancy in recognizing the HA. Participant A stated:

The whole collection of archives is a country heritage collection that has significant value, however, due to the requirement of the NHA 2005, it needs to be gazetted again. (Participant A)

This situation results in many potential assets that fall under the heritage category left unreported, unaccounted for and ungazetted. Participant C also argued:

Gazetted HA is important not only from an accounting perspective but also from the management perspective as this asset needs to be protected under a special act. (Participant C)

The present legislation of HA lies under NHA 2005 and interpretation of the accounting policy issued by the Accountant’s General Department. The government needs to strengthen the act related to HA including the accounting policy of it.

Lack of accounting policy and guidelines

As indicated in the previous literature review, this is among the biggest challenges in accounting for HA. Guidelines on accounting practices to recognise, measure and disclose HA are essential and crucial to ensure the HA can be better reported and the disclosure can reflect its significance. The present accounting

standards of HA are spelt out in MPSAS 17. Participant A commented that:

“...We have established the valuation committee to value the archives collection... however It is hard to have the expertise to value all archives collections...” (Participant A)

Lacking guidelines in HA valuation is one of the issues that lead to the HA not being valued and eventually not being reported. Participant B, for instance, alluded:

“...that no specific guideline to value the HA and the current MPSAS 17 provides fewer guidelines to preparers as well as the disclosure requirement.” (Participant B)

The accounting and reporting policy, as mentioned by the participants, is related to the valuation and disclosure of HA's information, especially on accounting techniques and practices to deal with the HA. Moving to the administration and management policy of HA, the participants argued that without clear direction also known as instruction from the top management, the agenda of HA would not be addressed and concerned.

Lack of expertise

Lack of expertise and mechanism of valuation leads to this difficulty. Some of the HA found and obtained during this work is invaluable and significant to the history of Malaysia but the difficult part is to put the value in financial currency. This is due to a lack of expertise and experience in the valuation process which hinders the value determination. Furthermore, Participant A also stated that:

“...but if the item is found, it is quite difficult to place its value.” (Participant A)

Participant C also added:

“...It is difficult to have expertise in valuing old records and documents...” (Participant C)

Participant B also said that:

“We need to look at the social value, aesthetic value, historical value and comparison with other countries before placing the value.” (Participant B)

If the value is unknown, the reporting shall need to be enhanced to reflect the HA rather than just disclose RM1 in terms of the monetary value, thus, the disclosure should reflect the descriptive parts of the HA.

Staff competency

The last theme that emerged is staff competency. Some participants believed that there is a need for special training to enhance the staff's knowledge and skills in managing and reporting the HA. Participant A mentioned that:

"...sufficient training to account for HA is needed to ensure the preparer able to account for it... so far, the understanding is not inclusive." (Participant A)

Participant B said that:

"...we just follow the guidelines, manuals and treasury instructions issued by the Accountant's General Department of Malaysia". However, migration is the most critical part." (Participant B)

Participant B stated that migration to accrual accounting brings many challenges to the reporting revenue and expenses, and it is necessary for the entire organisation to know about this concept as this concept is not only meant for accounting parts. Hence, it is important to embrace the understanding of the accrual accounting concept among them. Disclosure of HA is important to reflect its significance, especially to be used as information in the decision-making process such as fund allocation, budget for the preservation, and conservation cost. Without proper disclosure, the information on HA is not assessable and reduces its relevance.

DISCUSSION OF FINDINGS

Based on the findings, the issues and challenges in accounting for HA have been significant in line with the implementation of accrual accounting. As mentioned in the Interpretation of Accounting Policy, only gazetted heritage assets under NHA 2005 shall be accounted for. From the review of HA in NAM, all the heritage collection in ANM generally met the definition of heritage item in the NHA 2005. However not all the collection had been gazetted as National Heritage in the same act. Therefore, the collection that was yet to be gazetted was not accounted for in the accrual ledger. It is important to disclose the heritage items to the public to know the total as well as the type of HA. The valuation always becomes an issue in accounting for HA. The government needs to provide a new policy, especially for the items which are not gazetted under the NHA 2005, whether they should be accounted for, valued, or just remain as department collection. NAM also faces difficulties in determining the value of HA. However, all HAs that have been reported have a value of either the market or a nominal value of RM1. It is important to reliably measure the value of HA either at cost or fair value to be reported in the statement of the financial position of the government.

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 individuals or others. The MPSAS 17 indicates that disclosure of the measurement shall need to be disclosed but is not necessary. Thus, the entity needs to establish the experts in determining the historical and cultural value of heritage items. The valuation experts shall consist of different backgrounds including accountants, curators, policymakers, industry experts and academicians as the valuation process is not an easy task to be carried out and various committees' members could reduce the bias and increase its reliability.

As indicated in the previous paragraph, non-financial information is also needed to reflect the true value of HA. The information of HA can be divided into financial and non-financial information. Financial information has been quantified in the financial statement. Meanwhile, the non-financial information is disclosed in the notes to the financial statements. This disclosure is needed to ensure the financial report users get a true picture of the government's HA while assisting the governmental agencies to discharge their public accountability to all its stakeholders through reporting. However, the current disclosure of HA is not sufficient to reflect its uniqueness of HA.

A supplementary report i.e., additional reporting or special report of HA is needed to indicate the country's HA. The interpretation of the accounting policy of the government needs to be enhanced to include all important information about the HA such as its importance, description, cost and resources allocation and strategic plan of the HA. IPSASB (2014) stated 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. Accrual accounting requires capital expenditure to be accounted for. In accordance with IPSAS 17 and MPSAS 17, the cost of any replacement to an asset, the capitalized cost should be recognized in the carrying value of the asset. Thus, any related cost of HA shall need to be capitalized. HA involves many costs such as preservation and conservation costs. In NAM, these costs are needed to protect the physical conditions of HA from damage or deterioration. Even though the IPSAS 17 and MPSAS 17 indicate the depreciation of HA, the value of HA is not depreciated, the value increases over time. This is also among the arguments by Aversano et al. (2019) that heritage items may increase in value over time even if their physical condition deteriorates.

Without proper training among the preparers and managers of HA, accrual accounting might not be able to be materialized. Sufficient and specialized training in accounting for HA is needed to ensure the officer is able to report on their HA as well as able to disclose necessary information about the HA. Currently, the Accountant General Department has issued the Interpretation of Accounting Policy revised 2019. However, this interpretation needs to be enhanced especially on the recognition, measurement and valuation, depreciation and disclosure of HA. The government perhaps can come out with an initiative to have special policies and disclosure pertaining to HA. From the legislation aspects, detailed provisions need to be specified in Treasury Instruction as well as to strengthen the NHA 2005 as what has been practised in the United Kingdom (the Financial Reporting Manual), and

New Zealand (the Valuation Guidance for Cultural and Heritage Assets).

In conclusion, five emerging themes were derived from the analysis namely (i) reporting of HA, (ii) legislation, (iii) lack of accounting policy and guidelines, (iv) lack of expertise and (v) staff competency. All these issues and challenges need a remedy, and the government needs to be proactive and take the initiative to address all the stated issues. The finding of these interviews is also in line with the previous research (Aversano, 2014; Aversano et al., 2015; Basnan et al., 2012, 2023, 2015; Hassan et al., 2016; Rosli et al., 2019; Aversano et al., 2019).

CONCLUSION

The implementation of accrual accounting brings various challenges, especially in the accounting for HA. Despite its issues and challenges, the reporting of HA enhances public accountability and transparency. Interestingly, it is noted that Malaysia is rich in varieties of HA including NAM. Through disclosure, the government could provide meaningful information to the stakeholders. HA is known for its cultural, historical, social and environmental significance. The ongoing debates on HA have indicated that the issues of recognition, measurement and disclosure are among the pertinent issues that lead to the difficulties in accounting and reporting this HA. This study intended to describe the issues and challenges faced by the government entity in accounting for HA, especially on the accrual basis. Five issues and challenges were discovered consisting of reporting, legislation, lack of accounting policy and guidelines, lack of expertise and staff incompetency. The finding of this study also supported previous research such as Basnan et al. (2015), Hassan et al. (2016) and Ahmad et al. (2016).

To ensure that the HA can be accounted for, several mentioned issues and challenges should be addressed and resolved including the establishment and formulation of clear accounting policies, guidelines and guidance that can assist the preparer in recognition, measurement and disclosure. Establishing a valuation committee and training enhancement are priorities to ensure the readiness of the public sector in reporting those assets. Enrichment of the present legislation (i.e., act) to suit the current needs and scenario is vital to ensure better management and custodianship of HA. The non-financial information of HA in the financial statement also needs to be considered as this can reflect the relevant and reliable disclosure of HA to ensure stakeholders obtain a comprehensive and accurate picture of the financial values of the total assets, including HA, and the financial position of the government. The current reporting might not be able to reflect all those criteria. As suggested in the findings, a special report can be considered by the government to provide more information about the HA.

Reporting on HA could enhance the public sector's accountability and transparency in delivering information to the public. The disclosure can provide an accurate picture of the government's financial performance and position. As this asset is unique and irreplaceable, the reporting can reflect on the importance of the cultural

and historical characteristics of HA, representing the national identity, and is important to be appreciated by the present generation. The findings of this study contribute to practical insights for policymakers and preparers (i.e., accountants, curators and administrators) into the issues and challenges faced by governmental agencies in reporting their HA that may be considered in the improvement of their policies and practices. From an academic viewpoint, this study contributes to the enhancement of current literature on HA as well as to the debate on HA. Furthermore, this study also supports the theoretical understanding of public accountability. This study only focussed on one entity; thus, future research may include other governmental agencies and expand the data collection techniques such as focused group interviews, extensive document reviews, and surveys and expand the sample selection to gain more views and perspectives to increase the generalizability of the findings.

ACKNOWLEDGEMENTS

The authors acknowledge the Ministry of Higher Education (MOHE) for funding under the Fundamental Research Grant Scheme (FRGS) (FRGS/1/2021/SS01/UITM/02/42).

REFERENCES

- Accountant General's Department of Malaysia (2018) SPANM BIL. 11/2017 Polisi Peralihan Pelaksanaan Perakaun Akruan Kerajaan. Retrieved from https://www.anm.gov.my/images/dokumen/pekeliling/surat-pekeliling-anm/2017/SPANM_Bil_11_2017_Bil_40_Polisi_Peralihan_Pelaksanaan_Perakaunan_Akruan_Kerajaan.pdf
- Accountant General's Department of Malaysia (2021). Accruals Policy. Retrieved from https://www.anm.gov.my/images/dokumen/pekeliling/surat-pekeliling-anm/2017/SPANM_Bil_8_2017_Bil_37_Polisi_Perakaunan_Akruan_Kerajaan_Persekutuan.pdf
- Accountant General's Department of Malaysia. (2022). Polisi Perakaunan Akruan. Retrieved from <https://www2.anm.gov.my/akruan/Pages/Polisi-Perakaunan-Akruan.aspx>
- Adam, B., Mussari, R., & Jones, R. (2011). The diversity of accrual policies in local government financial reporting: an examination of infrastructure, art and heritage assets in Germany, Italy and the UK. *Financial Accountability & Management*, 27(2), 107-133. <https://doi.org/10.1111/j.1468-0408.2011.00519.x>
- Ahmad, H. N., Saad, N., Hassan, N. L., Ismail, M. S., & Md Saleh, M. S. (2016). A Case Study on Accounting for Heritage Assets. *The Social Sciences*, 11(30), 7263-7267. <https://doi.org/10.36478/sscience.2016.7263.7267>

- Aversano, N., & Christiaens, J. (2014). Governmental financial reporting of heritage assets from a user needs perspective. *Financial Accountability & Management*, 30(2), 150-174. <https://doi.org/10.1111/faam.12032>
- Aversano, N., Christiaens, J., & Van Thielen, T. (2018). Does IPSAS meet heritage assets' user needs? *International Journal of Public Administration*, 42(4), 279-288. <https://doi.org/10.1080/01900692.2018.1433205>
- Aversano, N., Christiaens, J., Polcini, P. T., & Sannino, G. (2019). Accounting for heritage assets: An analysis of governmental organization comment letters on the IPSAS consultation paper. *International Journal of Public Sector Management*. <https://doi.org/10.1108/IJPSM-12-2018-0275>
- Aversano, N., Ferrone, C., Christiaens, J., Sannino, G., & Polcini, P. (2015). Heritage assets in local government financial reporting: the analysis of two case studies. *Journal of Economy, Business and Financing*, 3(1), 35-46.
- Bambagiotti-Albert, L., Manetti, G., & Sibilio-Parri, B. (2016). The quality of annual reporting by Italian museums: An international comparison. *International Journal of Public Administration*, 39(14), 1159–1170. <https://doi.org/10.1080/01900692.2015.1070361>
- Barton, A. (2005). The conceptual arguments concerning accounting for public heritage assets: A note. *Accounting, Auditing & Accountability Journal*, 18(3), 434-440. <https://doi.org/10.1108/09513570510600774>
- Barton, A.D. (2000). Accounting for public heritage facilities – assets or liabilities of the government?. *Accounting, Auditing & Accountability Journal*, 13(2), 219-236. <https://doi.org/10.1108/09513570010323434>
- Basnan, N., Md Salleh, M. F., Ahmad, A., Harun, A., & Harun, A. M. (2013). Ke Arah Pelaksanaan Perakaunan Asas Akruan di Malaysia: Cadangan Perakaunan dan Perundangan Bagi Aset Warisan. *IPN Journal*, 3(1), 15-65.
- Basnan, N., Md Salleh, M. F., Ahmad, A., Harun, A., & Harun, A. M. (2012). Perakaunan dan Pelaporan Aset Warisan, Aset Pertahanan dan Aset Infrastruktur Berasaskan Akruan. *IPN Journal*, 2(1), 29-40.
- Basnan, N., Salleh, M. F. M., Ahmad, A., Harun, A. M., & Upawi, I. (2015). Challenges in accounting for heritage assets and the way forward: Towards implementing accrual accounting in Malaysia. *Geografia-Malaysian Journal of Society and Space*, 11(11).
- Biondi, Lucia & Grandis, Fabio & Mattei, Giorgia. (2021). Heritage assets in financial reporting: a critical analysis of the IPSASB's consultation paper. *Journal of Public Budgeting, Accounting & Financial Management*. ahead-of-print. <https://doi.org/10.1108/JPBAFM-09-2020-0158>
- Biondi, L., & Lapsley, I. (2014). Accounting, transparency and governance: The heritage assets problem. *Qualitative Research in Accounting & Management*, 11(2), 146-164. <https://doi.org/10.1108/qram-04-2014-0035>

- Bowen, G. A. (2009). Document analysis as a qualitative research method. *Qualitative Research Journal*, 9(2), 27-40. <https://doi.org/10.3316/qtrj0902027>
- Brusca, I., Caperchione, E., Cohen, S., & Manes Rossi, F. (2015) *Public Sector Accounting and Auditing in Europe - The Challenge of Harmonization* (London: Palgrave Macmillan) <https://doi.org/10.1057/9781137461346>
- Carnegie, G. D., & Wolnizer, P. W. (1995). The financial value of cultural, heritage and scientific collections: An accounting fiction. *Australian Accounting Review*, 5(1), 31–47. <https://doi.org/10.1111/j.1835-2561.1995.tb00164.x>
- Christiaens, J., Vanhee, C., Manes-Rossi, F., Aversano, N., & van Cauwenberge, P. (2014). The effect of IPSAS on reforming governmental financial reporting: an international comparison. *International Review of Administrative Sciences*, 81(1), 158–177. <https://doi.org/10.1177/0020852314546580>
- Creswell, J. W., & Creswell, J. D. (2018). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*. Fifth edition. Sage publication.
- Dianto, A. W., & Aswar, K. (2020). Assessing Accrual Accounting Implementation in Cianjur Regency: An Empirical Investigation. *International Journal of Business and Economic Sciences Applied Research*, 13 (1), 7–13. <https://doi.org/10.25103/ijbesar.131.01>
- Given, L. M. (2008). *The SAGE encyclopedia of qualitative research methods*. SAGE Publications.
- Hassan, N. L., Saad, N., Ahmad H. N., Mohammed Salleh, M. S., & Ismail, M. S., (2016). The Accounting Practices of Heritage Assets. *International Journal of Economics and Financial Issues*, 2016, 6(S6) 80-83. ISSN: 2146-4138.
- Hooper, K., Kearins, K., & Green, R. (2005). Knowing “the price of everything and the value of nothing”: Accounting for heritage assets. *Accounting, Auditing & Accountability Journal*, 18(3), 410-433. <https://doi.org/10.1108/09513570510600765>
- International Accounting Standards Board (IASB) (2018), *Conceptual Framework for Financial Reporting*, IFRS Foundation, London.
- IPSASB. (2014). *Conceptual framework for general purpose financial reporting by public sector entities*. New York, NY: IFAC.
- IPSASB. (2020, June 8). *Financial reporting for heritage in the public sector*. Retrieved from <https://www.ipsasb.org/publications/financial-reporting-heritage-public-sector-0/>
- IPSASB. (2021). *Exposure Draft (ED) 78, Property, Plant, and Equipment*. New York, NY: IFAC. Retrieved from <https://www.ipsasb.org/publications/exposure-draft-ed-78-property-plant-and->

equipment#:~:text=ED%2078%20updates%20IPSAS%2017,of%20public%20sector%20assets%20should

- Krippendorff, K. (2004). Content analysis: An introduction to its methodology. SAGE.
- Mack, J., & Ryan, C. (2004). An empirical investigation of users of the general-purpose financial reports Australian government departments. Asia Pacific Interdisciplinary Research in Accounting Conference 4 to 6 July 2004 Singapore.
- Mattei, G., Jorge, S. and Grandis, F.G. (2020), "Comparability in IPSASs: lessons to be learned for the European standard", Accounting in Europe, Vol. 17 No. 2, pp. 158-182.
- MPSAS 17 Property, Plant and Equipment (2011). Malaysia: Accountant General's Department of Malaysia. Retrieved from [https://www2.anm.gov.my/Publishing/Images/SitePages/Malaysia%20Public%20Sector%20Accounting%20Standard%20\(MPSAS\)/MPSAS%2017%20Hartanah%20Logi%20dan%20Peralatan_V1.pdf](https://www2.anm.gov.my/Publishing/Images/SitePages/Malaysia%20Public%20Sector%20Accounting%20Standard%20(MPSAS)/MPSAS%2017%20Hartanah%20Logi%20dan%20Peralatan_V1.pdf)
- National Archives of Malaysia (2022a). History of National Archives. Retrieved from <http://www.arkib.gov.my/en/web/guest/home>
- National Archives of Malaysia (2022b) Listing of National Heritage.
- National Heritage Act 2005 Act 645 (2005). Malaysia: The Commissioner of Law Revision, Malaysia.
- National Heritage Department (2019). Daftar Warisan Sistem Aset Warisan Malaysia.
- Osborne, S. (2010). The new public governance? Emerging perspectives on the theory and practice of public governance. London, UK: Routledge. <https://doi.org/10.4324/9780203861684>
- Redmayne, N. B., Laswad, F., & Ehalaiye, D. (2022). Measurement and reporting of heritage assets – Insights from practice in New Zealand. Measurement in Public Sector Financial Reporting: Theoretical Basis and Empirical Evidence, 171-192. <https://doi.org/10.1108/978-1-80117-161-820231009>
- Rosli, M. B., Hasbolah, F. B., & Yahya, N. F. B. (2019). Accounting for Heritage Assets: Issues and Challenges in Malaysia. International Journal of Innovation, Creativity and Change, 6(9), 231-244.
- Rosli, M. H., Kasim, N., & Kamaluddin, A. (2020). Heritage assets in Malaysia: Perspectives of Malaysian government agencies. Humanities & Social Sciences Reviews, 8(2), 969-973. <https://doi.org/10.18510/hssr.2020.82107>
- UNESCO (2019). Convention Concerning the Protection of the World Cultural and Natural Heritage.

- Woon, Peir, Chatterjee, Bikram and Cordery, Carolyn J. (2019). Heritage reporting by the Australian Public Sector: possibilities from the concepts of new public governance. *Accounting, Auditing and Accountability Journal*, 32(2), pp. 612-631.
- Yin R. (2014). *Case study research and applications: Design and methods* (6th ed.). SAGE Publications.