



Accounting for Australia's Water

What is water accounting?

Water accounting is the systematic process of identifying, recognising, quantifying, reporting, assuring and publishing information about water, the rights or other claims to that water, and the obligations against that water.

Through the National Water Initiative (NWI), Australian federal and state and territory governments have committed to the achievement of a national water accounting process which is able to 'meet the information needs of different water systems in respect to planning, monitoring, trading, environmental management and on-farm management'

This commitment is being actioned through the development and implementation of:

- water accounting system standards
- standardised water reporting formats
- water resources accounts that can be reconciled and aggregated to produce a national water account.

The outcome of water accounting under the NWI is 'to ensure that adequate measurement, monitoring and reporting systems are in place in all jurisdictions, to support public and investor confidence in the amount of water being traded, extracted for consumptive use, and recovered and managed for environmental and other public benefit outcomes.'

Figure 1. Water accounting: a systematic process providing consistent insight into the management of our water resources and confidence in our investment decisions



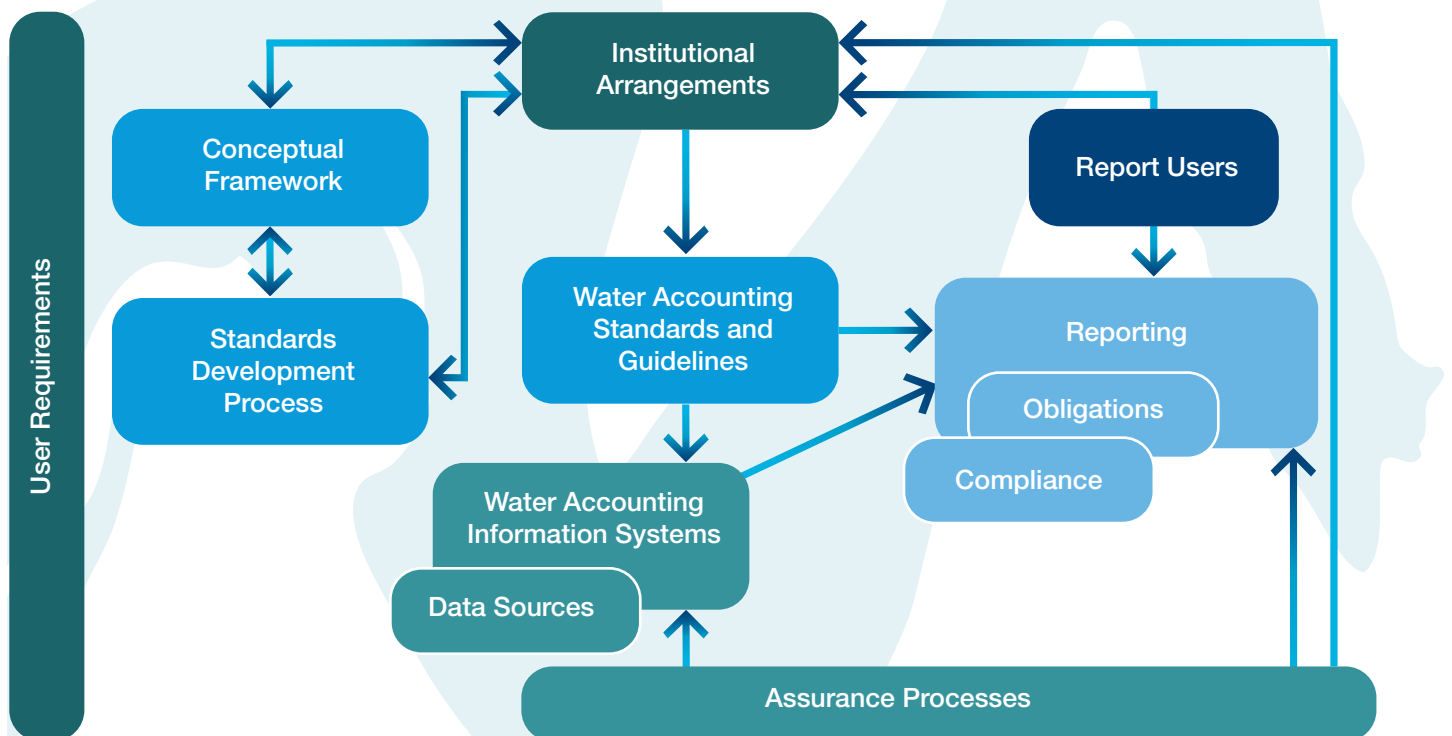
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A national approach to water accounting encompasses:

- the user requirements of water accounting
- institutional arrangements for the development and issuing of water accounting standards and guidelines
- the conceptual framework and procedures underpinning the development of water accounting standards and guidelines
- the water accounting standards and guidelines that inform the preparation and presentation of water accounting reports
- the water accounting information systems and data sources from which water accounting reports derive
- the assurance processes that attest to the integrity of the information systems and the level of compliance of reports with standards.

Vision for Water Accounting in Australia: Water accounting is established as a robust discipline and underpins public confidence in water management and trade.

Figure 2. Key elements of a national approach to water accounting



Why do we need water accounting?

In 2007-08, almost 1 million megalitres of water entitlements and 1.5 million megalitres of allocations were traded throughout Australia for a gross value of \$1.7 billion.

Systems are in place to account for the volume and value of water being traded, but they have been developed in an ad hoc and inconsistent fashion across the country, leading to divergent outputs and understandings.

As the competition for water resources increases, it is more important than ever to account, fully and consistently, for how water is shared between the economy, critical human needs and the environment.

Who benefits from water accounting?

Water accounting facilitates informed decision-making based upon information about water resources.

Similar to the way general purpose financial reports assist financial and business decision-making, General Purpose Water Accounting Reports (GPWAR) will assist their users to make and evaluate decisions about the allocation of resources. These reports will usually be prepared by those with a water management responsibility and will address the general information needs of people—water users, water market investors, traders and brokers, environmental organisations, auditors, financiers, local governments, researchers, planners and policy formulators—who cannot normally command this information directly from the organisations that hold it.

In contrast, the National Water Account (NWA) will be prepared by the Bureau of Meteorology (the Bureau), and will aggregate a set of sub-national Special Purpose Water Accounting Reports (SPWAR) designed to address the specific consolidation and consistency requirements of a national report.

GPWAR and the NWA are designed to:

- provide information that is relevant, reliable, comparable and understandable
- inform their users about how water resources have been sourced, managed, shared and utilised during the reporting period
- enhance their users' confidence in their water-related investment decisions.

Developing the foundations of water accounting

The National Water Accounting Development project, which commenced in 2007 and is scheduled to run until March 2010, is establishing the foundations of a national approach to water accounting. Key activities of this project include:

- a user requirements study
- developing a Water Accounting Conceptual Framework
- proposing a process for developing Australian Water Accounting Standards
- drafting those Standards
- proposing appropriate institutional arrangements for water accounting in Australia.

Australian governments have been involved in the project through a Jurisdictional Reference Panel and the hosting of pilot projects to test water accounting concepts and standards through demonstration water accounts.

Under the Commonwealth *Water Act* (2007), the Bureau has three specific responsibilities with respect to water accounting:

- the issuing of water accounting standards
- compiling and maintaining water accounts for Australia, including a set of water accounts to be known as the National Water Account
- publishing annually the National Water Account in a form readily accessible by the public.

The Water Accounting Standards Board (WASB) has been established as an independent expert advisory board to the Bureau to oversee and coordinate all Australian Water Accounting Standards development activities. WASB also provides advice to the National Water Account Committee for water accounting standards matters relevant to the National Water Account. WASB has a dedicated support office, operating as a small unit within the Bureau.

Water Accounting Conceptual Framework

The theoretical foundation of water accounting is contained in the *Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports* (WACF). The primary purpose of the WACF is to guide the development of Australian Water Accounting Standards to ensure they remain cohesive and integrated. However, preparers of reports can draw on the WACF for principle-based guidance in the production of a GPWAR. The principles in the WACF have guided WASB in the development of the Preliminary Australian Water Accounting Standard (PAWAS), which in 2009 is undergoing a practical test through the Methods Pilot for the National Water Account.

The WACF defines and explains the concept of a water reporting entity for which a GPWAR shall be prepared and sets out the objective of GPWAR.

The WACF comprises eight Statements of Water Accounting Concepts and has been written in consultation with water industry experts, financial accountants and financial accounting standard setters.

The WACF is now available for public comment. Feedback will be taken into account when the WACF is formally reviewed

following publication of the first National Water Account at the end of 2010.

This document can be downloaded at: <http://www.bom.gov.au/water/wasb/wacf-download.php>, and feedback can be emailed to wasbofeedback@bom.gov.au.

Preliminary Australian Water Accounting Standard

The PAWAS is a preliminary version of the Australian Water Accounting Standards (AWAS) prepared specifically to guide the Methods Pilot for the National Water Account in 2009.

The PAWAS is now available for public comment. The WASB invites feedback on the practical application of the PAWAS before December 2009 to inform the development of the AWAS. An exposure draft of the AWAS is scheduled for release in June 2010.

This document can be downloaded at: <http://www.bom.gov.au/water/wasb/pawas-download.php>, and feedback can be emailed to wasbofeedback@bom.gov.au.

For more information

For more information on the development of water accounting in Australia, please visit us at: www.bom.gov.au/water/wasb

Figure 3. Delivery of General Purpose Water Accounting Report to a user

