

Definition of the Water Reporting Entity

Statement of Water Accounting Concept SWAC 1

CITATION

1. This Statement may be cited as Statement of Water Accounting Concepts 1 *Definition of the Water Reporting Entity* (SWAC 1).

APPLICATION

2. The concepts in this Water Accounting Conceptual Framework (WACF) underpin general purpose water reporting. Unless regulation requires the adoption of the WACF, the concepts are not mandatory requirements for the preparation of general purpose water accounting reports (GPWAR).
3. The WACF applies to GPWAR issued after 11 May 2009.

INTRODUCTION

4. The purpose of this Statement is to define and explain the concept of a water reporting entity.
5. If a water entity does not meet the definition of a water reporting entity under this Statement, that does not preclude other parties with the authority to do so (for example, regulatory authorities) from imposing a requirement for water accounting reports to be prepared for that entity.
6. This Statement specifies that GPWAR shall be prepared for water reporting entities and that these reports shall comply with the WACF and AWAS.
7. This Statement does not prescribe the methods of accounting for, measuring, disclosing or presenting water-related information. Nor does it prescribe who prepares GPWAR for a water reporting entity. Such prescriptions are included in AWAS, legislation or other authoritative pronouncements.

WATER ACCOUNTING CONCEPTS

8. The following concepts shall be interpreted in the context of all paragraphs included in this Statement.
9. A glossary of terms, as outlined in the WACF, shall be read as forming part of the accounting concepts set out in this statement.

Concept of the Water Entity

10. **A water entity is a physical entity, an organisation or individual, which:**
 - a) **holds or transfers water;**
 - b) **has rights or other direct or indirect claims to water;**
 - c) **has inflows and/or outflows of water; or**
 - d) **has responsibilities relating to the management of water.**

Concept of the Water Reporting Entity

11. **A water reporting entity is a water entity in respect of which it is reasonable to expect the existence of users who depend on General Purpose Water Accounting Reports for information about water, or rights or other claims to water, which shall be useful to them for making and evaluating decisions about the allocation of resources.**

Preparation of General Purpose Water Accounting Reports

- 12. General Purpose Water Accounting Reports prepared and presented in accordance with the Water Accounting Conceptual Framework and Australian Water Accounting Standards shall be prepared in relation to water reporting entities.**

DISCUSSION

Water Accounting Reports

13. Statement of Water Accounting Concepts 2 *Objective of General Purpose Water Accounting Reports* (SWAC 2) states that GPWAR are prepared to provide users with information about a water reporting entity which is useful for making and evaluating decisions about the allocation of resources. These decisions may include, but are not limited to, decisions concerning how the physical water resource, and the rights or other claims to that resource, will be sourced, managed, shared and used. Such decisions can be informed by reports about the physical water resource and how the rights or other claims to that resource, have been sourced, managed, shared and used.
14. When GPWAR meet this decision usefulness objective they will assist users to evaluate accountability for the management of water resources.
15. If Statements of WACF and AWAS are to be effective in ensuring adequate provision of information to users of GPWAR it is necessary that GPWAR are prepared in relation to those water entities that are also water reporting entities. It is also important that GPWAR are not required for those water entities that are not water reporting entities.
16. Water accounting reports, which meet the objective of GPWAR are GPWAR. GPWAR should be prepared when it is reasonable to expect the users dependent on water accounting reports for information about water, or rights or other claims to water, which shall be useful to them for making and evaluating decisions about the allocation of resources and where these users are unable to command the preparation of Special Purpose Water Accounting reports to satisfy their information needs. Further, their information needs will have elements in common. As such, GPWAR will be required to provide users with appropriate information for making and evaluating resource allocation decisions.

The Water Reporting Entity Concept

17. While in some instances a water reporting entity will be an individual water reporting entity, in other instances a water reporting entity will comprise a group of water entities (group water reporting entity). Some entities within the group water reporting entity may be water reporting entities themselves.
18. Legislation does not define the concept of a water reporting entity; nor does it prescribe who shall prepare GPWAR in most cases. However, the *Water Act 2007* requires the Bureau of Meteorology (BOM) to compile and maintain water accounts for Australia, including a set of water accounts to be known as the National Water Account even though BOM is not directly responsible for national water management and distribution. This requirement demonstrates that the preparer of GPWAR does not need to be the water reporting entity for which those reports are prepared. This is most obvious where the water entity is a physical water entity.

19. This Statement adopts a water reporting entity concept that is tied to the information needs of users. Users may be individuals or organisations with an interest in water resources. There is a wide range of potential users of GPWAR include, but are not limited to, industry, environmentalists, ratepayers, policy makers, and irrigators.
20. This Statement requires that water reporting entities shall be identified by reference to the existence of users who depend on GPWAR for information for making and evaluating decisions about the allocation of resources. Water -reporting entities are a subset of water entities. They may be individuals, physical entities, organisations, or an organisation that has management responsibility for a physical entity (e.g., a catchment water authority whose responsibility is for the physical catchment).
21. The concept of the water reporting entity adopted by this Statement does not depend on the sector - public or private - within which the water entity operates or the purpose for which the water entity was created - business or non-business/profit or not-for-profit. Nor does the concept of the water reporting entity depend on the manner in which the water entity is constituted – as a legal entity or other type of entity. It is a concept which is tied to the objective of GPWAR and, as noted in paragraph 12, is a concept which requires GPWAR to be prepared for water entities with users dependent on information in for making and evaluating decisions about the allocation of resources.

Identification of Whether Dependent Users Exist

22. For the purposes of this Statement, the identification of an entity as a water reporting entity is linked to the information needs of users of GPWAR for making and evaluating decisions about the allocation of resources. In many instances, it will be readily apparent whether, in relation to a water entity, there are users who depend on GPWAR as a basis for making and evaluating these decisions. User categories may include, but are not limited to, water resource and infrastructure providers, recipients of water and water services and parties performing a regulation or oversight function of water entities and water-related decisions.
23. For those water entities where it is not readily apparent that users dependent on GPWAR exist, the factors outlined in paragraphs 24 and 25 are identified as significant factors to be considered in determining whether a water reporting entity exists. Other factors may also be relevant in determining whether a water entity is a water reporting entity.

Separation of Management from Economic, Environmental or Social Interest

24. The greater the extent of the separation between management and parties with an economic, environmental or social interest in the water entity's water-related decisions, the more likely it is that there will exist users who depend on GPWAR as a basis for making and evaluating resource allocation decisions.

Economic, Environmental and Social Importance/Influence

25. The greater the economic, environmental or social importance of a water entity, the more likely it is that there will be users who depend on GPWAR as a basis for making and evaluating resource allocation decisions. Water reporting entities identified on the basis of this factor are likely to include entities with significant inflows and outflows of water; or significant holdings of water or rights or other claims to water.

Implications of Application of the Water Reporting Entity Concept

Implications of the Criteria for Identification of a Water Reporting Entity

26. The concept of the water reporting entity in this Statement is related to the information needs of users. Judgement will be required in determining whether a water entity is a water reporting entity.
27. The implications of the factors listed in paragraphs 24 and 25 are that most government departments, private water businesses and statutory authorities that play a role in water policies, water management, water allocation or water delivery will be water reporting entities. This arises because of the separation between the parties with an economic, environmental or social interest in water-related decisions and the parties responsible for making those decisions.
28. An implication of applying the water reporting entity concept to a public sector water entity is that a government as a whole, whether at the Federal, State, Territorial or local government level, would be identified as a water reporting entity because it is reasonable to expect that users will require GPWAR to facilitate their decision making in relation to the water policies, management, planning, allocation and delivery decisions made by, and accountability of, those governments. At a lower level of reporting, a number of individual statutory authorities and departments (and the entities they control) may also be defined as individual water reporting entities because of their economic, environmental or social significance. In some cases, these factors may also identify a ministerial portfolio as a water reporting entity.
29. Classification as a water reporting entity may not be constant from one reporting period to the next.

Groups of Water Entities as Water Reporting Entities

30. A water reporting entity, as defined in this Statement, can comprise a group of individual water entities. If it is reasonable to expect that there is an individual entity or a group of entities for which there are users who depend on GPWAR for information about water, or rights or other claims to water, which shall be useful to them for making and evaluating decisions about the allocation of resources, then that individual entity or group of entities is a water reporting entity. The fact that a group of individual water entities (for example, river systems within a state or territory) may collectively form a water reporting entity does not affect whether any of the individual water entities are water reporting entities in their own right.

Implications of the Water Reporting Entity Concept for Differential Reporting

31. Statements of Water Accounting Concepts and AWAS are applicable to all water reporting entities for which GPWAR are prepared.
32. Bases that have been proposed for identifying water entities for which GPWAR would not need to be prepared, but which are not supported by this Statement, include:
 - the size of the water entity
 - ownership characteristics
 - a combination of size and ownership characteristics.

33. In this Statement the need to prepare GPWAR is linked to the existence of users who depend on those reports for making and evaluating decisions about the allocation of resources. The existence of users dependent on GPWAR is not determined by either the size or the ownership characteristics of a water entity. Accordingly, the bases outlined in the preceding paragraph are not supported by this Statement. However, the water reporting entity concept enunciated in this Statement embodies a concept of differential reporting in that certain entities will not be identified as water reporting entities and thus would not be required to prepare GPWAR or comply with Statements of Water Accounting Concepts and AWAS in their preparation. The water entities for which GPWAR do not need to be prepared are those in respect of which it is reasonable to expect that users do not exist who are dependent upon information contained in GPWAR for making and evaluating decisions about the allocation of resources.