



Objective of General Purpose Water Accounting Reports

Statement of Water Accounting Concept SWAC 2

CITATION

1. This Statement may be cited as Statement of Water Accounting Concepts 2 *Objective of General Purpose Water Accounting Reports* (SWAC 2).

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 objective of GPWAR.
5. This Statement specifies that the objective of GPWAR is to provide information to users who depend on those reports for information that will be useful to them for making and evaluating decisions about the allocation of resources.

WATER ACCOUNTING CONCEPTS

6. The following concepts shall be interpreted in the context of all paragraphs included in this Statement.
7. Definitions, as outlined in the WACF Preface, shall be read as forming part of the accounting concepts set out in this statement.

Concept of the Objective of General Purpose Water Accounting Reports

8. **General Purpose Water Accounting Reports shall provide information useful to users for making and evaluating decisions about the allocation of resources.**
9. **To facilitate the provision of a complete set of information useful for making and evaluating decisions about the allocation of resources, General Purpose Water Accounting Reports shall:**
 - a) **be prepared in a manner which assists users to evaluate accountability for the management of water resources;**
 - b) **disclose information that assists users to assess compliance with relevant externally-imposed requirements or with broader notions of best practice relevant to water reporting entities; and**
 - c) **include independent assurance to users as to whether the components of the reports are prepared and presented in accordance with the requirements of the Water Accounting Conceptual Framework, Australian Water Accounting Standards and other associated generally accepted water accounting practices and principles.**

DISCUSSION

Decision-making

10. Decisions about the allocation of resources may include water-related decisions such as the management or trade of water stocks and water rights or obligations over time or the provision of water-related services in the context of economic, environmental and social policies and concerns. They may also relate to non-water-related decisions such as whether to provide debt finance to the water reporting entity or to an organisation affected by the water reporting entity's operations.
11. Other decisions made by users of GPWAR may relate to the nature of water resources within a geographic area which is not subject to a significant level of human management but which may have an impact on legislation and other water policy at a broader level. For example, the nature and extent of deterioration of rivers and environmental sites may require detailed and careful analysis by relevant authorities such as governments to determine any necessary strategic and systematic policy response to ensure the river or site preservation, with implications for the environment and nearby farming and township communities. Such an analysis will be assisted by GPWAR.
12. GPWAR will meet the common needs of most users who are unable to command the production of special purpose water accounting reports to satisfy their particular user needs. Since the information needs of various users for the purposes of decisions relating to economic, environmental and social matters are many and varied, it is unlikely that GPWAR will provide all the information that each general purpose report user will need to make sound decisions and evaluations of decisions. However, GPWAR will provide most of the information common to general purpose report user needs. Such reports should, where applicable, be read in conjunction with other information prepared about water reporting entities. Relevant additional information may include jurisdictional water sharing plans, current market conditions, water quality and bio-physical indicators, trading rules and associated fees in certain jurisdictions as well as likely future policy developments and general purpose financial reports. Such information is beyond the scope of this WACF.
13. Information contained in GPWAR will help to address specific decision-making objectives such as those outlined in the National Water Initiative (2004) (NWI, 2004). These specific objectives include, but are not limited to, the preparation of water accounting information which:
 - a) can assist the implementation of a nationally-compatible market, regulatory and planning-based system of managing surface and groundwater resources for rural and urban use that optimises economic, social and environmental outcomes (NWI, 2004, para.23)
 - b) is able to meet the information needs of different water systems in respect of planning, monitoring, trading, environmental management and on-farm management (NWI, 2004, para.23)
 - c) supports 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. (NWI, 2004, para.80) This confidence will underpin decisions regarding the allocation of resources belonging to the general public or specific investors.
14. GPWAR assist decision-making, but they are not the only information that users may need to use. For example, the ability of the manager, management group or governing body of a water reporting entity to undertake sustainable water resource management will depend on climatic conditions and government policy. Information about relevant

government policy that affects the planning and management of the water resources attributable to the water reporting entity may therefore be relevant to assessments of accountability and management performance. A further example arises where a water reporting entity is subject to a water-sharing plan which incorporates minimum environmental flow rates. In such instances, when evaluating those decisions made by the manager, management group or governing body of the water reporting entity that affect the available water resources, GPWAR should be read in conjunction with information such as water sharing agreement/policy details, climate change forecasts and information about levels and distribution of annual rainfall.

Accountability

15. GPWAR prepared to assist users make and evaluate decisions about the allocation of resources will also provide information for understanding and evaluating the discharge of accountability for water resources by managers, management groups or governing bodies of water reporting entities. Such information may assist users to make a range of decisions and evaluations including whether changes in regulations, water plans or other policies are required, whether emergency or extraordinary measures for irrigators and other water-dependent businesses are required and/or are feasible and whether additional investment in water infrastructure is required. Those users who wish to assess accountability do so in order that they may understand, for example, whether water management has occurred in accordance with broader pronouncements such as the NWI (2004) and Water Act (2007), other relevant legislation, jurisdictional water plans and other regulations and policies, and in light of localised climatic conditions. Other parties with regulatory or oversight function, such as auditors-general, are concerned with the accountability of managers, management groups or governing bodies of water authorities and dam and river operators in order to monitor and assess the valuation of public sector assets and the responsible use of public funds.
16. Evaluating the ability of the management or governing bodies of water reporting entities to plan and manage water resources entrusted to them will be assisted by information about how physical water resources and the rights to those resources have been sourced, managed, shared and utilised. This requires information that focuses on key water attributes such as the stocks of available water resources, the management of those resources over time and the physical water flows.

General Purpose Water Accounting Reports

17. Achieving the objective of GPWAR involves providing users with information about water reporting entities that is useful for decision-making. Users may require information relating to physical flows of water. Further, users may need information about the quantity, location, and nature of the water reporting entity's water resources and how the water is shared at a particular point in time. Users may also need information about the changes in the water resources between two points in time. Their confidence in the information provided is likely to be enhanced by statements of compliance with externally-imposed requirements or with broader notions of best practice relevant to water reporting entities, and by independent assurance that the preparation and presentation of GPWAR conforms to the requirements of Australian Water Accounting Standards (AWAS) and other associated generally accepted water accounting practices and principles.
18. In different contexts, users may not require information on all of these aspects. In such instances, a subset of this information may be reported for the water reporting entity. The information reported in the GPWAR will vary according to the nature of the water reporting entity.

Water Assets and Water Liabilities

19. Information about the water resources attributable to a water reporting entity and about trades or other changes in rights or obligations relating to water is useful in assessing and predicting the ability of the water reporting entity to equitably and sustainably manage the water resources entrusted to it. This is particularly so in light of the competing demands for those resources and given the constraints imposed by climatic conditions, government legislation and other policy. Information about water rights and obligations is useful in predicting the future availability of water resources and how future inflows may be distributed among those with a claim or right to the water resources attributable to the water reporting entity. Such information, taken together, may be used to inform predictions of the ability of the manager, management group or governing body of the water reporting entity to meet the current and future commitments against those resources as they become due. In this respect, information on the quantity, location and nature of the water resources attributable to the water reporting entity would be relevant to users, as would details of significant trades that have occurred and information about legal or equitable (including environmental) entitlements and allocations against the water resources. Such information can be provided in a Statement of Water Assets and Water Liabilities.

Changes in Water Assets and Water Liabilities

20. Information about the management of water resources attributable to the water reporting entity, prepared on an accrual basis, will assist the understanding and assessment of current and potential future changes in the availability of water resources. Information about the variability of water management practices such as allocation decisions made over time is important in this respect. It is also useful in forming predictions about how additional water resources might be employed in future should such resources become available. Information about water management and the performance of a water reporting entity in obtaining, managing, sharing or utilising water is primarily provided in a Statement of Changes in Water Assets and Water Liabilities.

Physical Water Flows

21. To achieve the objective of GPWAR, water reporting entities may provide information about how the physical water resource and the rights to that resource have been sourced, managed, shared and used.
22. Information about the management of available water resources in a Statement of Changes in Water Assets and Water Liabilities will only partially explain changes in the water resources available from a water reporting entity. Additional information about the physical flows of water attributable to the entity is also useful in assessing movements in the available resources during the reporting period and will assist in providing users with a basis to assess the ability of the entity to deliver sustainable water supply. This is particularly the case where water rights or obligations are permitted to carry over from one reporting period to the next. Information about the physical flows of water in distribution channels or watercourses can be provided in a Statement of Physical Water Flows.
23. Different elements of GPWAR may reflect different aspects of the same water related balances, transactions, transformations and events. Although each statement described in paragraphs 19-22 inclusive provides information that is different from the others, none is likely to serve only a single purpose or provide all the information necessary for particular needs of users. For example, a Statement of Changes in Water Assets and Water Liabilities provides an incomplete picture of water management unless it is used in conjunction with the Statement of Water Assets and Water Liabilities and the Statement of Physical Water Flows.

Notes and Supplementary Schedules

24. GPWAR may also include notes and supplementary schedules which provide additional relevant information about the items in the Statement of Water Assets and Water Liabilities, the Statement of Changes in Water Assets and Water Liabilities and the Statement of Physical Water Flows. They may include disaggregated information about items in the statements, narrative explanations of the material judgements and assumptions made and estimates used in preparing the statements, or disclosures about the risks and uncertainties affecting water reporting entities. Information about primary water systems or sources which comprise the water reporting entities, aspects of water quantity and quality, information relating to markets and the effect on the entity of changing climatic conditions and other factors are further examples of items that might be disclosed as supplementary information.
25. Users of GPWAR are likely to be interested in information relating to water markets not otherwise contained in particular water-related statements. Such information may include, for example, summary information about the nature of trades occurred during the relevant period by jurisdiction – specifying the source and destination of water that was traded, the quantity and nature of the water product traded and the average prices paid. In addition, useful information about water trades might include the intended use of the water.

Compliance and Assurance

26. Concepts relating to compliance and assurance in respect of GPWAR are outlined in SWAC 7 and SWAC 8 respectively within the WACF.
27. Information about compliance is relevant to making and evaluating decisions about the allocation of water resources because knowledge of non-compliance with externally-imposed requirements, internal plans, or with broader notions of best practice relevant to water reporting entities may affect resource allocation decisions made by users. For example, information about externally-imposed compliance requirements that may be relevant to users includes performance in relation to minimum passing flows, maximum diversion rates and water saving targets, and water quality levels. Users should be able to presume that, in the absence of disclosures to the contrary, the manager, management group or governing body of the water reporting entity has complied with all relevant externally-imposed requirements. However, reporting of externally-imposed requirements and compliance with them can assist users' evaluations and decisions based upon the GPWAR.
28. Assurance refers to the attestation of whether the preparation and presentation of GPWAR conforms to the requirements of AWAS and other associated generally accepted water accounting practices and principles. The assurance function, undertaken by an independent assurance provider, is an important aspect of enhancing users' confidence in the veracity of the information being utilised to inform decision-making.

Assumptions Underlying the Preparation and Presentation of General Purpose Water Accounting Reports

29. In order to realise the objective of GPWAR should contain information that is recorded and processed in a rigorous and robust fashion. Recording water-related information using a systematic approach will facilitate meeting this objective.

Accrual Basis of Water Accounting

30. In order to meet the objective GPWAR preparation of a Statement of Water Assets and Water Liabilities or a Statement of Changes in Water Assets and Water Liabilities on an accrual basis, is likely to be required. Applying the accrual basis of water accounting means that the effects of transactions, transformations and events are recognised when the decisions or commitments that give rise to them occur. This may not necessarily be the time at which water is physically transacted, transferred or transformed. Accrual basis of water accounting ensures that transactions, transformations and events are recorded in the Statement of Water Assets and Water Liabilities or Statement of Changes in Water Assets and Water Liabilities in the periods to which they relate. For example, a legal obligation to provide water from a particular catchment area would be recognised as a water liability in relation to the water reporting entity in that reporting period, even though water has not been physically transferred in that period. GPWAR prepared on an accrual basis inform users not only of past transactions, transformations or events involving the physical transfer or transformation of water but also of commitments or obligations to transfer or transform water in the future and of resources that represent water to be transferred or transformed in the future. Hence, they provide the type of information about past transactions, transformations and events that is most useful to users in making and evaluating decisions about the allocation of resources.
31. The accrual basis of water accounting is appropriate where unused water rights or obligations continue to exist from one reporting period to the next. In some cases, the water rights or obligations do not exist across water reporting periods. In these cases, the accrual basis of water accounting may provide little additional information to users and the accrual-based Statement of Changes in Water Assets and Water Liabilities may not be needed. In such instances, the Statement of Physical Water Flows and the Statement of Water Assets and Water Liabilities will be the primary source of information to users.