



# Compliance Disclosures in General Purpose Water Accounting Reports

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Statement of Water Accounting Concept SWAC 7

## CITATION

1. This Statement may be cited as Statement of Water Accounting Concepts 7 *Compliance Disclosures in General Purpose Water Accounting Reports* (SWAC 7).

## APPLICATION

2. The concepts in this Water Accounting Conceptual Framework (WACF) underpin general purpose water reporting. Until regulation requires the adoption of the WACF, the concepts are not mandatory requirements for the purpose of preparing 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 requirements for compliance disclosures in GPWAR.
5. This Statement specifies the compliance disclosures in GPWAR that will help to enable the GPWAR to satisfy their intended objective, as specified in SWAC 2.

## 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

### Scope of Compliance Disclosures

8. This Statement focuses on Compliance Disclosures relevant to the objectives of general purpose water accounting (as described in SWAC 2). This means that compliance disclosures recommended here relate specifically to water resources and water accounting issues rather than the broad responsibilities of, or in relation to, water reporting entities. Therefore, compliance disclosures regarding statutory responsibilities pertaining to public health, corporations law, occupational health and safety or other areas are not addressed by this Statement.
9. This Statement does not specify all of the many agreements, legislation and policy documents that impose compliance requirements.
10. The management of individual water reporting entities will have differing responsibilities, and will therefore be subject to differing compliance requirements, depending on their organisational mandate and geographic scope. For instance, the management of some water -reporting entities will have water distribution responsibilities requiring compliance with multiple water sharing and cap agreements, sometimes involving interstate or cross-border agreements. The management of such entities will need to disclose compliance across all relevant water sharing and cap agreements. In contrast, the management of a water reporting entity responsible only for supply within a single region may have few water sharing compliance requirements.

## Concept of Compliance Disclosures in General Purpose Water Accounting Reports

- 11. General Purpose Water Accounting Reports shall 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.**

### DISCUSSION

12. The role of compliance disclosures is primarily to enhance the confidence of GPWAR users through the transparent reporting of outcomes compared to requirements.
13. Depending on the nature of the water reporting entity, compliance disclosures may be required across several distinct areas such as water sharing and cap agreements; water supply and operations; trading of water rights and obligations; environmental stewardship; and water planning and strategic initiatives.

### Water Sharing and Cap Agreements

14. The regulation of water resources management is based primarily on State systems of water sharing that establish water rights and obligations. Rules which govern water sharing within any particular system will be a function of the relevant Federal Government Water Act, State or Territory government Water Acts, State, Territory and regional water sharing and/or bulk water agreements, Federal and cross-border water agreements (such as the Murray-Darling Basin Cap) and additional specific policies or agreements, such as surface water or groundwater management plans.
15. The purpose of compliance disclosures is to enable users of the reports to make informed assessments of whether compliance obligations with respect to the water reporting entity are being met. The focus of these compliance disclosures relates to aspects such as where available water was distributed and used, whether rights or obligations and use aligned with policies and procedures, and whether all relevant agreements were adhered to.
16. Compliance disclosures for water sharing are likely to include both quantitative and qualitative items. Quantitative disclosures are likely to include allocations to specific holders of water rights, both consumptive and non-consumptive, as well as quantities transferred under cross-border agreements (for example, Murray-Darling Basin Agreement) and divisions under Bulk Water or water sharing agreements. In addition, qualitative disclosures will be required against stated policies and regulations regarding water sharing processes, compliance with international treaties and compliance with relevant water resource management objectives, such as 'security of supply' targets.

### Water Supply and Operations

17. Water regulations may also govern the quantity and nature of water supply, and operational requirements. For example, minimum passing flows may be defined for a specific waterway within an Act, agreement or policy. In addition, other operational constraints may be placed upon entities in relation to such matters as water deliveries, water quality, pumping rates, discharge quantities and quality, or other operational parameters.
18. A purpose of compliance disclosures for water supply and operations is to enable users of the reports to make informed estimates as to whether the management of the water-reporting entity is meeting its responsibilities in terms of actions within waterways, channels, pipes and other infrastructure, and to create transparency around water supply and operations. Examples of these compliance disclosures might include comparisons of water received or delivered with water available for rights or obligations, and the extent to which minimum passing flow requirements were met, end-of-system flows were supplied and interstate or inter-valley transfers were effected.

19. Disclosures regarding compliance with water quality requirements will also be required where relevant. For example, ensuring water delivered was of a quality sufficient to meet required levels where specified by a Drinking Water Act, Water Act or specific agreement.

### Water Rights, Obligations and Trading

20. Robust water rights, obligations, and trading arrangements are essential for an efficient and effective water resource management system. Compliance disclosures for water rights, obligations and trading assist in giving users confidence about how reallocation mechanisms operate, and their effect on the water reporting entity. Several regulatory authorities have jurisdiction in relation to requirements and desirable features of water rights, obligations and trading, including the Australian Competition and Consumer Commission, the National Water Commission, State Authorities (including Auditor-Generals Departments) as well as general guidelines relating to water trading outlined in water acts.
21. Compliance disclosures regarding water rights and obligations, and trading of both rights and obligations should give users confidence that there is transparency around who owns the water and where it is going.
22. Depending on the nature of the water reporting entity, desirable compliance disclosures for water rights and obligations may include: the formation and disclosure of water registries (according to requirements of the National Water Initiative), progress towards licensing of previously unlicensed rights and obligations (for example, groundwater, unregulated diversions and farm dams), or efforts to monitor compliance with provisions relating to the rights or obligations (for example, detecting water theft, illegal connections and leakage).
23. Depending on the nature of the water reporting entity, desirable compliance disclosures regarding water trading may include: general trading information about movements between districts, and processes in place for recording and processing trading of either rights or obligations (for example, time from trade occurring to trade being recorded).

### Environmental Stewardship

24. Environmental stewardship can be required by a wide range of regulatory instruments, licence conditions, agreements and treaties. Disclosures against environmental requirements will assist a wide range of stakeholders representing consumptive and non-consumptive users to make and evaluate decisions about the allocation of resources.
25. Specific compliance disclosures will depend on the reporting entity. However, examples of desirable compliance disclosures may include delivery against environmental flow targets (both event-based and minimum flows), compliance with licences issued by authorities (for example, licences issued by environmental management entities) that specify operating and discharge limits, and compliance with international agreements and treaties and relevant jurisdiction environmental protection policies.

## Water Planning and Strategic Initiatives

26. The range and scope of water planning and strategic initiatives is enormous and any individual reporting entity may be subject to a variety of plans and reporting requirements. Disclosures to assist better understanding of water planning and management will improve user confidence in the importance and effectiveness of such initiatives.

Desirable compliance disclosures relating to water planning and strategic initiatives may include: adherence to processes for developing water resource plans (meetings, approvals, etc); progress on implementation of regional resource plans and water allocation plans; and improvements in the administration of water rights and obligations (for example, against National Water Initiative objectives).