

Water Accounting Standards Board

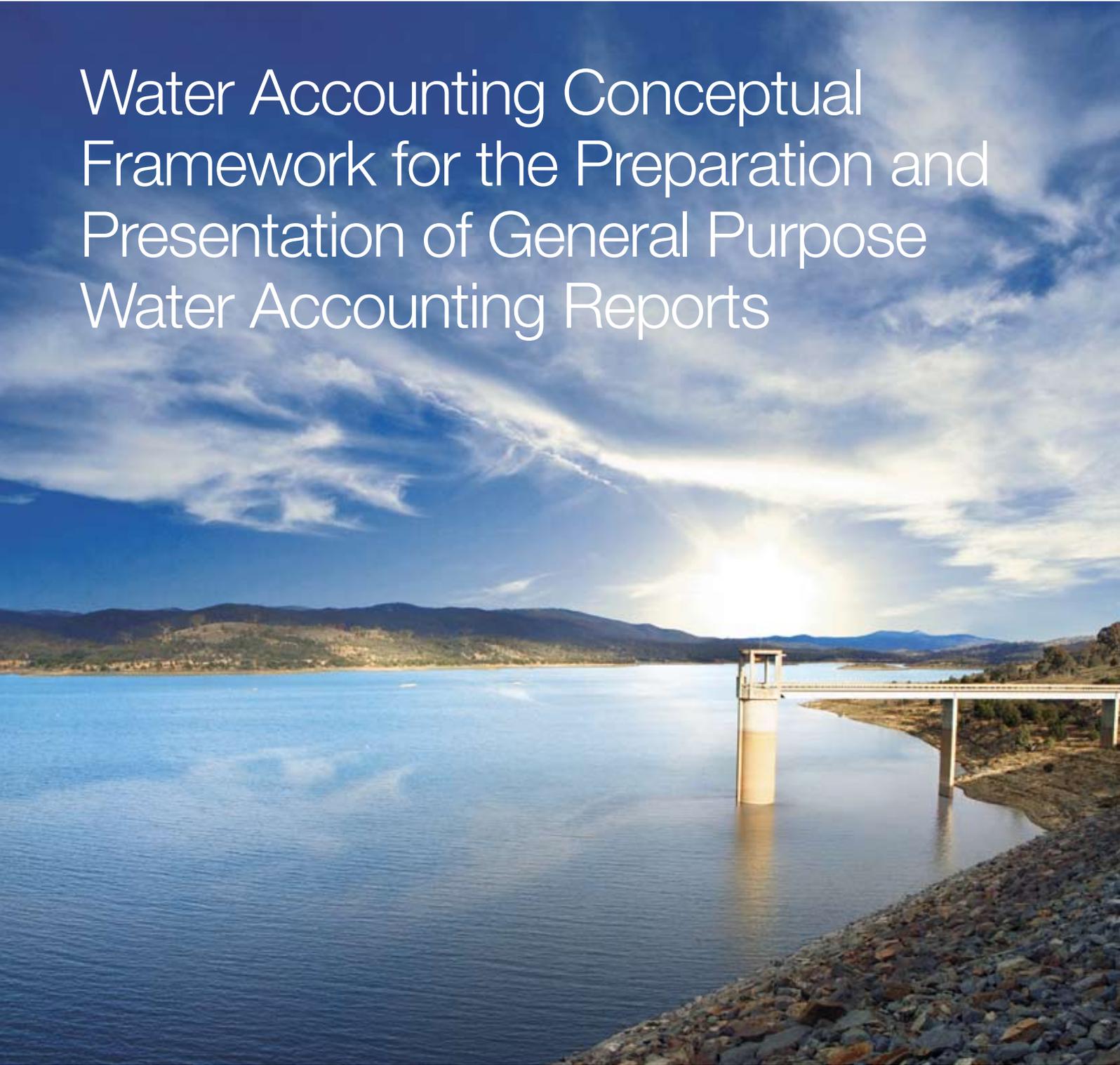
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Water Information

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Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports



Australian Government
Bureau of Meteorology

The Water Accounting Conceptual Framework is available online at: www.bom.gov.au/water/wasb

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This water accounting conceptual framework is based upon a draft water accounting concept framework prepared by Professor Keryn G. Chalmers, Professor Jayne M. Godfrey and Associate Professor Brad N. Potter as a research project funded by the National Water Commission.

Suggested Reference

Water Accounting Standards Board, *Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports*, Commonwealth of Australia, Canberra, 2009

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Preamble for the Water Accounting Conceptual Framework

The Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports (WACF) comprises a *Preface* and eight *Statements of Water Accounting Concepts* (SWAC). The primary purpose of the WACF is to guide the development of Australian Water Accounting Standards (AWAS) to ensure they remain cohesive and integrated. However, preparers can draw on the WACF for principle based guidance in assisting the preparation and presentation of General Purpose Water Accounting Reports (GPWAR) where AWAS is not sufficient for their requirements.

The WACF has been published for public comment. The Water Accounting Standards Board (WASB) invites feedback on the practical application of the existing WACF document. This feedback will be taken into account when the WACF is formally reviewed following the publication of the first National Water Account (NWA) at the end of 2010. Please provide any feedback on the WACF to: wasbofeedback@bom.gov.au

Comments will be put on public record unless the respondent requests confidentiality. However, such requests will not normally be granted unless supported by good reason, such as commercial confidence.

For more information visit our website at: www.bom.gov.au/water/wasb

PREFACE

PURPOSE

1. The Council of Australian Governments' National Water Initiative (NWI, 2006, para.80) requires the development of water resource accounting 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.'*
2. Consistent with the NWI, the purpose of this Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports (WACF) is to underpin the development of water accounting as a robust discipline. More specifically, this conceptual framework underpins the development of Australian Water Accounting Standards (AWAS), which guide the preparation of General Purpose Water Accounting Reports (GPWAR). These reports are designed to inform users about how water resources have been sourced, managed, shared and utilised during the reporting period and to enhance public and investor confidence in the amount of water available, allocated, traded, extracted for consumptive use and recovered and managed for environmental and other public benefit outcomes.
3. 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, GPWAR provide information that is relevant, reliable, comparable and understandable. While general purpose financial reports provide financial information for economic decision making, GPWAR provide information useful to users for making and evaluating decisions about the allocation of resources.
4. This preface identifies some users of GPWAR, the common information needs of such users and the broad types of information, consistent with those needs, that GPWAR should provide.
5. The purposes of the WACF are to:
 - a) assist water accounting standard setters to develop future AWAS consistent with the framework and to review existing AWAS
 - b) assist water accounting standard setters to promote the comparability and harmonisation of current or potential national and international water accounting regulations, and standards and procedures, relating to the preparation and presentation of GPWAR
 - c) assist preparers of GPWAR to apply AWAS and to deal with topics that have yet to form the subject of an AWAS
 - d) assist assurers to form an opinion as to whether GPWAR conform with AWAS
 - e) assist users of GPWAR to interpret the information contained in GPWAR prepared in conformity with AWAS
 - f) provide those who are interested in the work of the water accounting standard setters with information about the concepts underpinning the formulation of AWAS.

SCOPE

6. This WACF sets out the concepts that underlie the preparation and presentation of GPWAR for users unable to command the production of special purpose water accounting reports tailored to meet their particular water information needs. Among other things, the WACF defines and explains the concept of a water reporting entity for which GPWAR shall be prepared and sets out the objective of GPWAR. This objective has implications for the type of information to be included in GPWAR and for the manner in which such information is to be communicated to users. This WACF also provides guidance regarding the qualities that information should possess to meet the objective of the GPWAR and the nature and quantification of the elements of such reports. These and other matters are the subject of Statements of Water Accounting Concepts (SWAC) and of AWAS.
7. The WACF comprises the following SWAC:
 - SWAC1 Definition of the Water Reporting Entity
 - SWAC2 Objective of GPWAR
 - SWAC3 Qualitative Characteristics of GPWAR
 - SWAC4 Definition of Elements of GPWAR
 - SWAC5 Recognition of the Elements of GPWAR
 - SWAC6 Quantification of Attributes of Elements of GPWAR
 - SWAC7 Compliance Disclosures in GPWAR
 - SWAC8 Assurance of GPWAR.
8. The WACF is not an AWAS and hence does not define standards for any particular recognition, quantification or disclosure issue. Nothing in this overrides any specific AWAS.
9. The WACF is concerned with GPWAR. Such reports are directed toward the common information needs of a wide range of users. The frequency of water accounting report preparation and presentation is determined by the information needs of users and existing laws, regulations and reporting practices. Many users are likely to rely on GPWAR and such reports should, therefore, be prepared and presented with their needs in mind.
10. The nature of GPWAR is likely to vary across different types of water reporting entities. For many water reporting entities, however, GPWAR include:
 - a) a Statement of Water Assets and Water Liabilities
 - b) a Statement of Changes in Water Assets and Water Liabilities
 - c) a Statement of Physical Water Flows
 - d) a Contextual Statement
 - e) an Accountability Statement
 - f) an Assurance Statement.
11. GPWAR may also include other reports or notes that serve the needs of users who do not have the ability to command the preparation of special purpose water accounting reports. Additional schedules and supplementary information may deal, for example, with information about water quality, geographical segment information and disclosures about different aspects of the water market.

12. While the WACF is developed to underpin GPWAR and not special purpose water accounting reports, this does not preclude the use of the WACF in the preparation of special purpose water accounting reports. Some users may require, and have the power to obtain, information in addition to that contained in GPWAR. Such information would be contained in special purpose water accounting reports that have a format and content tailored to the report users' requirements. These special purpose water accounting reports are outside the scope of the WACF.
13. Special purpose water accounting reports are water accounting reports tailored to meet specific information needs of a user able to command this information and may include, for example, reports of water balances and water trade or water allocation projections that are prepared by a water authority for a bank or other lender that is assessing the authority's viability for funding of infrastructure. Another example of special purpose water accounting reports would be reports of water usage, water quality and water-related environmental impact prepared by a privately-owned mining company for the purpose of a divestiture or sale of a mine to a private investor.

Purpose of General Purpose Water Accounting Reports

14. GPWAR are not an end in themselves, but are a means of communicating relevant and reliable water information about a water reporting entity to users. The objective of GPWAR specified in the WACF, derives from the information needs of those identified as the users of GPWAR. Those needs depend, in turn, on the functions and responsibilities relating to water reporting entities and the decisions users make based on these functions and responsibilities.
15. The functions and responsibilities of the management or governing body of water reporting entities vary considerably and cover matters such as the management and control of water resources via water policy; water sharing plans or access licensing regimes; the investment in and management of infrastructure to store water and physically regulate the operation of river systems; the management of infrastructure and the delivery of urban water supply and reticulated sewerage services or rural water supply and irrigation drainage services; the economic or environmental oversight or regulation of urban water utilities or rural water service providers; and the holding of water entitlements and the management of water-dependent business enterprises. The management or governing body of a water reporting entity will often be both a provider of information to users via GPWAR and a user of information via the GPWAR of other water reporting entities. The management or governing bodies of water reporting entities influence members of the communities they serve through many means, such as by providing access to water resources, protecting the quality of water resources, delivering water or levying fees for services provided.
16. Members of communities make resource allocation decisions in respect of the information reported about water reporting entities - that is, they make reasoned choices among alternative uses of scarce resources. For example, governments and parliaments decide whether to impose restrictions on the use of water or whether to fund particular environmental or water-related programs; environmentalists decide whether to lobby for or against particular policies or projects that affect the demand or supply of water resources for particular purposes; investors decide whether to invest in water businesses, projects and products; creditors decide whether to provide resources to a water-dependent business or water management authority; individuals, businesses or other groups decide whether to donate financial or water resources to an environmental site or other public benefit outcome; employees decide whether to provide their labour services to a particular water-dependent or other water-related entity; and ratepayers and community lobby groups decide whether they should support the particular programs run by the management

or governing body of a water reporting entity. In addition, owners of water-dependent businesses and holders of water entitlements (such as irrigators) make decisions about whether to plant crops, buy or sell claims or rights to water, and utilise or store water based on information provided about water reporting entities.

17. Allocation of scarce resources will be enhanced if those who make resource allocation decisions such as the groups identified above, have the appropriate information on which to base their decisions. GPWAR aim to provide a key component of this information.
18. GPWAR can also enable the management and governing bodies of water reporting entities to demonstrate the discharge of accountability. The management and governing bodies are accountable for planning and conducting operations in ways that effectively utilise available resources sustainably and equitably. In a broader sense, because of the influence water reporting entities exert in relation to economic, environmental and social dimensions of communities, the management or governing bodies are accountable to the public at large. While the accountability of management and governing bodies of water reporting entities can be complex and depend on many factors, GPWAR provide information useful for assessing whether this responsibility has been discharged appropriately. For example, governments and parliaments assess the accountability of water managers for the management of water resources under their control – be it for economic, environmental or social (including health-related and water supply security for critical human needs) purposes. Other bases on which the accountability of managements and governing bodies may be understood include comparisons against targets, plans and policies that are either internal or external (such as operational plans, water sharing plans and jurisdictional legislation). It is understood that the accountability of these governing bodies will be detailed and discharged through the information captured in GPWAR—most notably in the Accountability Statement and the Assurance Statement.

Users and their Information Needs

19. The users of GPWAR fall into a broad range of categories. These include:
 - water users – environmental, agricultural, urban, industrial and commercial
 - investors in water dependent enterprises and related parties such as lenders, creditors, suppliers, insurers and water traders and water brokers
 - government representatives and their advisors, including water related economic, environmental and social policy makers
 - water industry regulators
 - water managers including environmental water managers and water service providers, who may be interested in not just the water entities they manage but water entities they depend on or compare to
 - groups and associations with water related interests
 - water industry consultants
 - academics
 - interested citizens.
20. Users use GPWAR in order to satisfy some of their different needs for information. The users information needs can vary enormously based on particular circumstances and the type of decisions or assessments being contemplated or undertaken. The range of information needs is likely to encompass subjects and matters such as:

- the availability, commitment and quality of water resources and associated trends
 - whether management objectives for water resource management are being met and, if not, why not
 - the development and review of water resource policy
 - the comparison (both over time for a particular water reporting entity and between similar water reporting entities) of annual water allocations, extractions, returns and of particular in-situ water levels and flows
 - the extent of water entitlement and annual water allocation trading and associated trends.
21. Another category of users of GPWAR comprises the preparers of the reports and those who contribute to the preparation. This category is likely to include managers, officers, or contractors of organisations with responsibilities for managing water resources, such as water agencies, water storage and river managers, or water utilities. Report preparers and contributors are likely to be interested in previous reports which they have prepared or helped to prepare in order to source comparative information or to show trends which are to be disclosed. They are also likely to be interested in reports of other water reporting entities in order to compare and refine report presentation and style.

APPLICATION

22. The concepts in this WACF underpin general purpose water reporting. The WACF is used as a foundation for the drafting of AWAS and can guide GPWAR preparers where an AWAS does not exist.
23. The WACF applies to the GPWAR of all water reporting entities operating in the public or the private sectors, in the for-profit and not-for-profit sector, in any industry, and operating in any state, territory, or combination of states or territories
24. Situations may arise where there is a conflict between the WACF and an AWAS. In the event of a conflict, the requirements of the AWAS prevail over those of the WACF. However, because water accounting standards are guided by the WACF, the number of cases of conflict between the WACF and the AWAS will be minimised.
25. The WACF applies to GPWAR issued after 11 May 2009.
26. The WACF will be revised as required.

CITATION

27. The WACF for the Preparation and Presentation of Water Accounting Reports is cited in AWAS as the Water Accounting Conceptual Framework, or WACF.

Comparison with International Pronouncements

28. The WACF draws upon, where useful:
- a) the Framework for the Preparation and Presentation of Financial Statements issued by the Australian Accounting Standards Board (AASB)
 - b) the Framework for the Preparation and Presentation of Financial Statements issued by the International Accounting Standards Board (IASB)
 - c) principles enunciated in other fields including natural resource management and corporate social responsibility reporting.

GLOSSARY OF TERMS

For the purposes of this Water Accounting Conceptual Framework, the glossary of terms includes:

Accountability includes, but is not limited to, responsibilities under legislation, regulations or operational plans. It also means the responsibility to provide information to enable users to make informed judgements about the management of water resources.

Accrual basis of water accounting means recording and reporting the effects of transactions, transformations and other events when the decision 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 water accounting ensures that transactions, transformations and other events are recorded in and reported in the reporting periods to which they relate.

Assurance means to provide independent attestation that the reports have been prepared in accordance with approved water accounting standards and other approved pronouncements governing the content of the reports and are consistent with the concepts in the WACF. Assurance reduces the risk that the information provided is incorrect.

Claims to water means a right to water or an interest or claim associated with a right to water.

Compliance means adherence to relevant externally-imposed requirements, or with broader notions of best practice relevant to water reporting entities, such as statutory requirements, regulations, rules, ordinances, or directives, in respect of which non-compliance may have, or may have had, an economic, environmental or social effect.

Group water accounting report is the water accounting report of a *group water reporting entity* presented as a single water entity.

General Purpose Water Accounting Report means a water accounting report intended to meet information needs common to users who are unable to command the preparation of water accounting reports tailored to satisfy their information needs. A general purpose water accounting report is prepared in accordance with AWAS and comprises a Contextual Statement, an Accountability Statement, *water accounting statements*, an Assurance Statement and accompanying note disclosures.

Groundwater is subsurface water in soils and geological formations that are fully saturated.

Groundwater assets are *water assets* that relate to groundwater but exclude soil moisture and water held in works underground.

Groundwater inflows are increases in the *groundwater assets* of a *water reporting entity*.

Groundwater outflows are decreases in the *groundwater assets* of a *water reporting entity*.

Group water reporting entity is a *water reporting entity* comprising individual *water entities* and for which a *group water accounting report* is required to be prepared under a regulation, statute or directive.

Legal obligation is an obligation that derives from:

- a) a contract
- b) legislation
- c) other operation of law.

Net water assets is the excess of the *water assets* of the *water reporting entity* after deducting all its *water liabilities*.

Rights to water include a broad array of rights, with associated obligations, to access and use water or to have access to water infrastructure and may arise from common or statute law; such rights include but are not limited to: riparian rights to water in a stream; water access licence or entitlements; annual water allocations; the right to a water supply service that may be subject to restrictions; shares in water distribution infrastructure capacity; the right to trade water entitlement or annual water allocation; the right to use water on a site subject to specified conditions.

Special purpose water accounting report is a *water accounting report* tailored to meet the information needs of a user able to command this information.

Surface water is water that flows over or is stored on the surface of the earth.

Surface water assets are *water assets* that relate to surface water including *water storage* – stored or in transit – in catchments, regulated rivers and utility networks and soil moisture. Water storage in utility networks includes all water in works such as pipes regardless of whether these works are above or below the surface of the earth.

Surface water inflows are increases in the *surface water assets* of a *water reporting entity*.

Surface water outflows are decreases in the *surface water assets* of a *water reporting entity*.

Water is the liquid that descends from clouds as rain and forms streams, lakes, groundwater aquifers and seas. Water is a chemical compound comprising of two atoms of hydrogen and one atom of oxygen. Water may exist in solid, liquid or gaseous form.

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

“**Water accounting report** may be either a *General Purpose Water Accounting Report* or a *special purpose water accounting report*.

Water accounting statements comprise the Statement of Water Assets and Water Liabilities, the Statement of Changes in Water Assets and Water Liabilities, and the Statement of Physical Flows.

Water assets are *water*, or the rights or other claims to *water*, which the *water reporting entity* either holds, or for which the water reporting entity has management responsibilities, and from which an individual or organisation that is a *water reporting entity*, or a group of stakeholders of a physical water entity, derives future benefits.

Water entity is a physical entity, an organisation or individual, which:

- a) holds or transfers water
- b) holds or transfers rights or other direct or indirect claims to water
- c) has inflows and/or outflows of water
- d) has responsibilities relating to the management of water.

Water liability is a present obligation of the *water reporting entity*, the discharge of which is expected to result in a decrease in the *water reporting entity's water assets* or an increase in another *water liability*.

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* (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.

Water storage is *surface water* or *groundwater* that is stored.

For more information

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