



# Accounting for Australia's water

## What is water accounting?

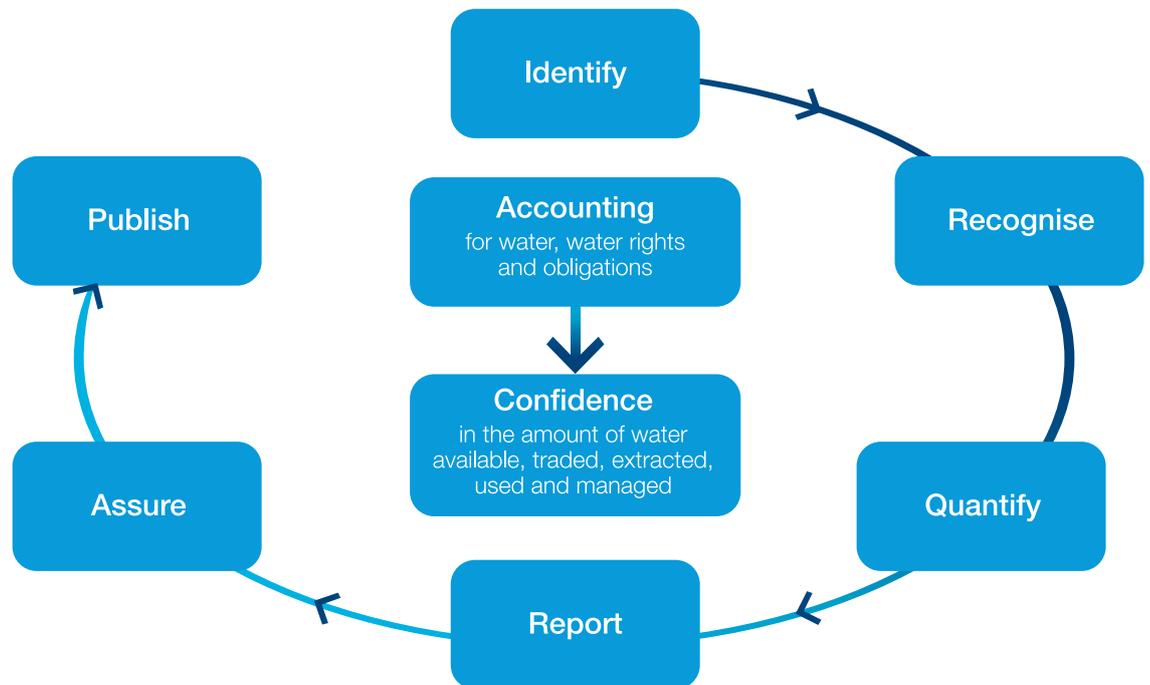
Water accounting is the systematic process of identifying, recognising, quantifying, reporting, assuring and publishing information about water, the rights or other claims to that water, and the obligations against that water.

Through the National Water Initiative (NWI), Australian, State and Territory governments have committed to achieving a national water accounting process to 'meet the information needs of different water systems in respect to planning, monitoring, trading, environmental management and on-farm management'.

The NWI (2004) aims '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.'

A national approach to water accounting encompasses:

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



**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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Water is fundamental to life. As competition for water increases, so too does the need to fully and consistently account for how this precious resource is shared between the economy, people and the environment.

## Why do we need water accounting?

Water availability is a major issue for Australia, particularly when considering our rainfall variability: seasonally, yearly and across the continent. Water accounting aims to improve public knowledge and understanding of how Australia's water resources meet economic, environmental and social needs.

To meet these needs, water rights are increasingly being traded between regions. In 2010–11, 1,204 gigalitres of water entitlements and 3,493 gigalitres of water allocations were traded throughout Australia. While there has been a fall in the trade of water entitlements over the recent period, water allocations have increased by 40 per cent compared to 2009–10 levels. Systems are currently in place to account for the volume and value of water being traded, but ad hoc and inconsistent development of those systems have the potential to lead to divergent understandings.

## Who benefits from water accounting?

Water accounting assists informed decision-making about the allocation of resources.

In the way general purpose financial reports assist financial and business decision-making, general purpose water accounting reports, prepared in accordance with the *Australian Water Accounting Standard 1 (AWAS 1)*, will assist users making and evaluating decisions about the allocation of resources.

The reports will usually be prepared by water managers and will address the general information needs of water users, water market investors, traders and brokers, environmental organisations, auditors, financiers, local governments, researchers, planners and policy formulators, who cannot normally gain this information directly from the organisations that hold it.

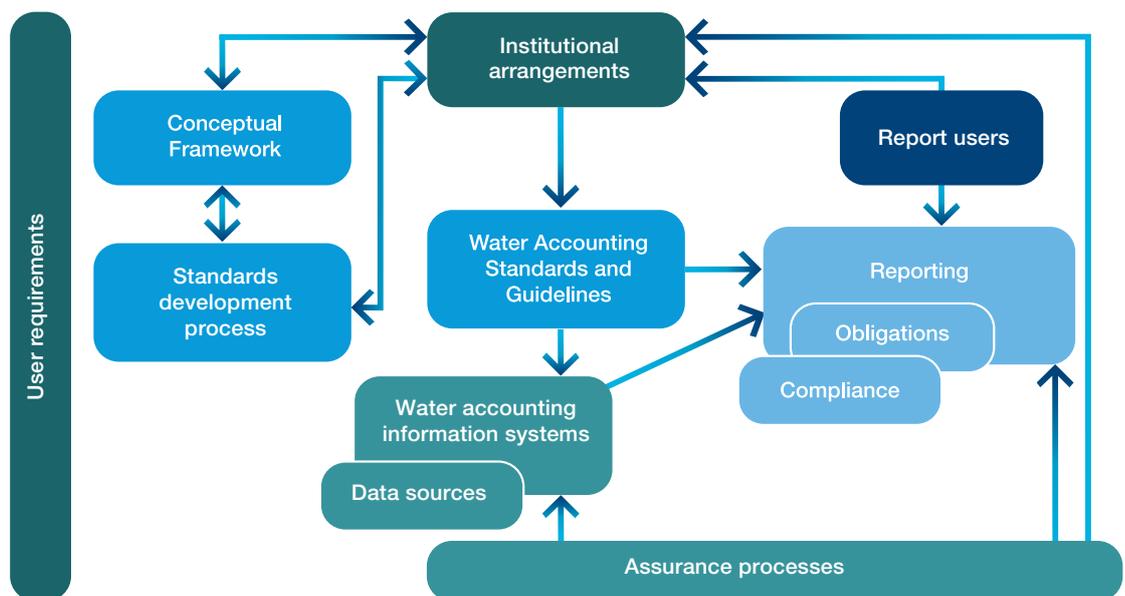


Figure 2. Key elements of a national approach to water accounting.



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General purpose water accounting reports are designed to:

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

Benefits to preparers include:

- the opportunity to demonstrate stewardship of a public good
- meeting several reporting obligations in a single report
- potential to share reliable, assured information on water resources with stakeholders.

Benefits to users include:

- access to information important to core business such as water rights, other claims to water, and obligations against that water
- enhanced relevance and comparability of information, through use of a standard
- reliability of information underpinned by an assurance process.

## Developing the foundations of water accounting

The National Water Accounting Development project, which ran from 2007 to 2010, established the foundations of a national approach to water accounting. The project was funded by the Raising National Water Standards program administered by the National Water Commission. Key activities of this project included:

- a user requirements study
- development of 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 were involved in the project through a Jurisdictional Reference Panel and through hosting pilot projects to test water accounting concepts and standards through demonstration water accounts.

Under the Commonwealth *Water Act 2007*, the Bureau of Meteorology (the Bureau) has two 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.

The Water Accounting Standards Board (WASB) is an independent expert advisory board to the Bureau, overseeing and coordinating all Australian Water Accounting Standards development activities. It also provides advice to the National Water Account Committee for water accounting standards matters relevant to the National Water Account.

## 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 framework defines and explains the concept of a water reporting entity for which a general purpose water accounting report shall be prepared and sets out objectives. It 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 was released for public comment in 2009 and is currently being reviewed following the finalisation of the AWAS 1.

The document can be [downloaded](#) and feedback emailed to [wasbofeedback@bom.gov.au](mailto:wasbofeedback@bom.gov.au)





# Accounting for Australia's water

## Australian Water Accounting Standard 1

The Exposure Draft of Australian Water Accounting Standard 1 was open for public comment from 31 October 2010 to 30 June 2011. AWAS 1 was developed based on the comments received, with guidance from the principles in the WACF.

It was released by the Bureau in October 2012 and outlines the:

- definitions of water accounting elements (water assets, water liabilities, changes in water assets, changes in water liabilities and net water assets)
- recognition criteria for those elements
- quantification attributes and units for those elements
- disclosure requirements.

The primary objective of AWAS 1 is to improve decision-making and stakeholder confidence in the allocation of resources. For this to occur, it must have a practical application, and it has therefore been important to assess the costs and benefits to preparers and users.

The Bureau conducted an effects analysis as part of an evolving process to understand these impacts. The nature and extent of some effects are unlikely to be known until after the adoption phase. Research will be considered as part of a post-implementation review. This document can now be downloaded.

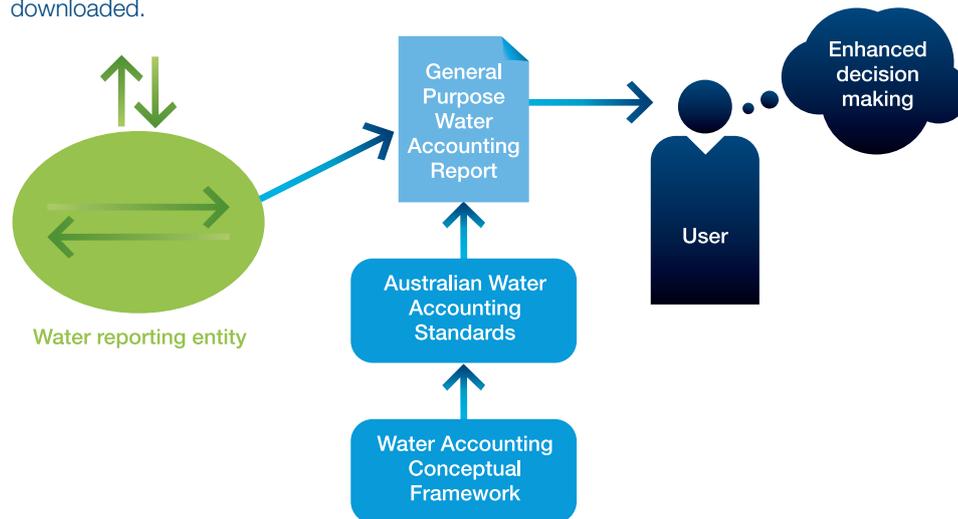
## Assurance standard

General purpose water accounting reports are required to be audited. The WASB and the Auditing and Assurance Standards Board (AUASB) have been working jointly to develop an assurance standard for water accounting.

The Exposure Draft of the proposed standard on assurance engagements *ASAE 3XXX / AWAS 2 Assurance Engagements on General Purpose Water Accounting Reports* was released in December 2012. Preceding this, feedback had been received from a range of stakeholders on the consultation on assurance engagements in 2011.

The proposed standard is available for public comment. The WASB and AUASB invites feedback on any aspect of the proposed standard by 15 March 2013 to: [wasbofeedback@bom.gov.au](mailto:wasbofeedback@bom.gov.au) or [edcomments@auasb.gov.au](mailto:edcomments@auasb.gov.au).

For more information on the development of this standard please refer to [Information Sheet 14](#).



**Figure 3. Delivery of a general purpose water accounting report to a user.**

### For further information

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

