

**PROPOSED DRAFT**

**WATER ACCOUNTING STANDARD**

# **1. Introduction**

1.1 This Standard prescribes the basis for preparing and presenting general purpose water accounting reports. It sets out requirements for the recognition, quantification, presentation and disclosure of items in a general purpose water accounting report to ensure comparability with:

- a) the general purpose water accounting reports of the water report entity over time; and
- b) the general purpose water accounting reports of other water report entities.

# **2. Objective**

**2.1 A general purpose water accounting report shall provide information useful to users of that report for making and evaluating decisions about the allocation of resources.**

**2.2 Decisions about the allocation of resources may include, for example, decisions about the management or trade of water and water rights or obligations over time, or the provision of water-related services. They may also include decisions about whether to provide funding to the management of a water report entity, or whether there is a need to build additional infrastructure to store the water of a water report entity. In many instances, general purpose water accounting reports will assist users in assessment of the accountability of management, and thereby are likely to inform users regarding decision-making.**

# **3. Scope**

**3.1 This Standard shall be applied in preparing and presenting general purpose water accounting reports for a water report entity.**

**3.2 Water that is in the terrestrial phase of the water cycle is within the scope of this Standard. Water in the marine or atmospheric phases of the water cycle is not within the scope of this Standard. The focus of water accounting is on water that is fit for purpose relative to the nature or objectives of the water report entity.**

**3.3 Water possesses more than one attribute that can be quantified; for example, volume, salinity and monetary value. The requirements in this Standard focus on volume as the quantification attribute.**

# **4. Definitions**

The following terms are being used in this standard with the meaning specified.

**4.1 Allocation:** The specific volume of water allocated to water access entitlements in a given season, given accounting period.

**4.2 change in net water assets:** Increases or decreases in net water assets for the water report entity from one reporting date to the next.

**4.3 change in water assets :** Increases or decreases in the water report entity's water assets from one reporting date to the next.

**4.4 change in water liabilities:** Increases or decreases in the water report entity's water liabilities from one reporting date to the next.

**4.5 change in water storage:** Increases or decreases in water storage for a water report entity from one reporting date to the next.

**4.6 contingent water asset:** A possible water asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the management of the water report entity.

**4.7 contingent water liability:** A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the management of the water report entity.

**4.8 Environmental/social/cultural benefit:** Environmental and other public benefit outcomes are defined as part of the water planning process, are specified in water plans and may include a number of aspects, including:- environmental outcomes: maintaining ecosystem function, biodiversity, water quality, river health targets,-other public benefits: mitigating pollution, public health, cultural values, recreation, fisheries, tourism and navigation values.

**4.9 groundwater:** Subsurface water in soils and geological formations that are fully saturated.

**4.10 group water accounting report:** The water accounting report of a group water report entity presented as a single water entity.

**4.11 group water report entity:** A water report entity comprising individual water entities and for which a group water accounting report is required to be prepared.

**4.12 net water assets:** The excess of the water assets of the water report entity after deducting all of its water liabilities.

**4.13 unused allocation:** Water allocated in a reporting period in accordance with a water resource management plan and is yet to be accessed, taken or delivered at the reporting

date.

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

**4.15 water asset:** Water, or the rights or other claims to water, which the water report entity holds or transfers, and from which the water report entity, or stakeholders of the water report entity, derive future benefits.

**4.16 water entity: An entity that:**

- a) holds or transfers water; or
- b) holds or transfers rights or other direct or indirect claims to water; or
- c) has inflows and/or outflows of water.

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

**4.18 water report entity:** 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 will be useful to them for making and evaluating decisions about the allocation of resources.

**4.19 water storage:** The total water in water assets.

## **Elements**

The elements of a general purpose water accounting report are:

- a) water assets;
- b) water liabilities;
- c) net water assets;
- d) changes in water assets; and
- e) changes in water liabilities

## **5 Components**

a general purpose water accounting report comprises:

## **5.1 Contextual Statement**

The Contextual Statement shall provide information that assists users of general purpose water accounting reports to understand the physical and administrative aspects of the water report entity. It shall contain contextual information about the water assets and water liabilities of the water report entity, including any conditions, or variations in conditions, that have an impact on the management of those water assets and water liabilities.

Contextual information about the water assets and water liabilities of the water report entity may, for example, include details of the geographical location of the water and actual storage volumes in comparison to total possible storage volumes.

i) Conditions that have an impact on the management of water assets and water liabilities may, for example, include:

a) the climatic conditions experienced before and during the reporting period;

b) significant conditions included in, or changes to, arrangements relevant to the water report entity, such as water sharing plans; and

d) policies and practices for managing water assets and water liabilities that have been adopted by the management of the water report entity.

ii) Depending on the nature of the water report entity, information may inter-alia need to be disclosed in the Contextual Statement would relate to:

a) water sharing and extraction limitations;

b) water utility service and operations;

c) trading of water rights and other claims to water;

d) environmental water stewardship;

e) water planning and strategic initiatives; and

f) future outlook for the water report entity.

## **5.2 an Accountability Statement**

The Accountability Statement shall provide information that assists users of a general purpose water accounting report to assess whether the report has been prepared in accordance with Water Accounting Standards.

In the event that the general purpose water accounting report has not been prepared in accordance with Water Accounting Standards, the following information shall be disclosed in the Accountability Statement:

a) the nature of the non-compliance;

b) the reason(s) for non-compliance; and

### **5.3. Statement of Water Assets and Water Liabilities**

The Statement of Water Assets and Water Liabilities shall provide information that assists users of a general purpose water accounting report to understand the nature and volumes of the water assets and water liabilities of a water report entity.

Information to be presented

The Statement of Water Assets and Water Liabilities shall contain line items that present the following volumes as at the reporting date:

- a) water assets;
- b) water liabilities; and
- c) net water assets.

### **5.4. Statement of Changes in Water Assets and Water Liabilities**

i). The Statement of Changes in Water Assets and Water Liabilities shall contain information that assists users of a general purpose water accounting report to understand changes in the volumes and nature of the water report entity's net water assets during the reporting period.

ii). The Statement of Changes in Water Assets and Water Liabilities provides information on transactions, transformations and events that give rise to changes in water assets or changes in water liabilities, irrespective of whether those transactions, transformations or events represent water flows. For example, unused allocation represents volumes of water that a water report entity is obliged to make available to be taken and delivered at the reporting date as a consequence of an allocation determination and announcement before the end of the reporting period under a water sharing plan.

The unused allocation is recognised as a water liability at the reporting date. The balance of the unused allocation liability changes from one reporting period to the next as a result of the following events:

- a) it is increased as a result of allocation determinations made during a reporting period;
- b) it is decreased as a result of the physical outflow of water to settle allocations; and
- c) other events such as evaporation adjustments applied to unused allocation in accordance with a water sharing plan.

**Information to be presented**

**The Statement of Changes in Water Assets and Water Liabilities shall contain line items that present the following volumes for the reporting period:**

- a) water asset increases;**

- b) water asset decreases;**
- c) water liability increases;**
- d) water liability decreases; and**
- e) change in net water assets.**

## **5.5 a Statement of Water Flows**

The Statement of Water Flows shall contain information that assists users of a general purpose water accounting report to understand the nature and volumes of water flows experienced by the water report entity during the reporting period.

The Statement of Water Flows provides information on transactions, transformations and events that give rise to water flows during the reporting period. For example, in the case of water liabilities arising from unused allocation, the Statement of Water Flows:

- a) includes the effects of decreases in water liabilities resulting from outflows of water to settle announced allocations; and
- b) excludes the effects of allocation determinations made during the reporting period that remain undelivered at the reporting date. This is because they have not given rise to a water flow during the reporting period.

### **Information to be presented**

**i). The Statement of Water Flows shall include line items that present the following volumes for the reporting period:**

- a) water inflows;**
- b) water outflows;**
- c) change in water storage;**
- d) opening water storage; and**
- e) closing water storage.**

ii). When there is an unexplained change in the volume of water assets during the reporting period, this volume is presented in the Statement of Water Flows as an unaccounted-for difference.

## **5.6 note disclosures**

i) A Statement of Changes in Water Assets and Water Liabilities need not be presented for a water report entity if that entity has only flows of water and there are no changes in any of its water assets or water liabilities arising from accruals. In such circumstances, the fact that the Statement of Changes in Water Assets and Water Liabilities has not been presented because the water report entity has no changes in any of its water assets and water liabilities arising from accruals shall be disclosed.

ii). A Statement of Water Flows need not be presented for a water report entity if that entity has no flows of water and the changes in its water assets or water liabilities arise only from accruals. In such circumstances, the fact that the Statement of Water Flows has not been presented because the water report entity has no flows of water shall be disclosed.

iii). The Statement of Changes in Water Assets and Water Liabilities and the Statement of Water Flows may be combined and presented as a single statement if doing so improves the understandability of the general purpose water accounting report without undermining the fair presentation of that report.

## **6. presentation**

**i) General purpose water accounting reports shall present fairly the water assets and water liabilities, the changes in water assets and changes in water liabilities, and the water flows of a water report entity. Fair presentation requires the faithful representation of the effects of transactions, transformations and events in accordance with the definitions and recognition criteria for water assets, water liabilities, changes in water assets and changes in water liabilities set out in this Standard. The application of this Standard results in a general purpose water accounting report that achieves a fair presentation.**

**ii).Information provided in a general purpose water accounting report is a faithful representation of the effects of transactions, transformations and events when it is complete, neutral and free from material error.**

**iii).Information in general purpose water accounting reports is complete if it includes all information that is necessary for faithful representation of the transactions, transformations and events that it purports to represent. Information that is incomplete, omitted or is false and misleading is not useful for decision-making.**

**iv).Information in general purpose water accounting reports is neutral if it is free from bias. Information in general purpose water accounting reports is not neutral if its selection, disclosure or presentation is intended to influence the decision-making or judgment of users of those reports to achieve a particular result or outcome.**

**v).Information is material if its omission from, or misstatement in, a general purpose water accounting report could influence the decisions of users of that report**

### **6.1 Accrual basis of water accounting**

With the exception of water flow information, general purpose water accounting reports shall be prepared using the accrual basis of water accounting.

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 be the time at which water is physically transacted, transformed or subject to an event. The accrual basis of water accounting ensures that transactions, transformations and events are recorded in the

Statement of Water Assets and Water Liabilities and the Statement of Changes in Water Assets and Water Liabilities in the reporting periods to which they relate.

## **6.2 Frequency of reporting**

General purpose water accounting reports shall be prepared for a water report entity on annual basis.

## **6.3 Comparative information**

Comparative information for the immediately preceding reporting period shall be provided in general purpose water accounting reports to enable users to compare the nature and volumes of water assets and water liabilities of a water report entity, and changes in those water assets and water liabilities, over time.

## **6.4 Consistency of presentation**

The presentation and classification of items within general purpose water accounting reports shall be retained from one reporting period to the next, unless a change results in the general purpose water accounting report providing more useful information to users of that report.

# **7. Quantification**

Except when this Standard permits or requires otherwise, an element recognised in a general purpose water accounting report shall be presented using:

a) volume as the quantification attribute; and

b) litres as the unit of account.

i). Elements of general purpose water accounting reports often possess more than one attribute that can be quantified. Quantifiable attributes of water assets, water liabilities, net water assets and changes in balances of water assets and water liabilities include, for example, volume, salinity and monetary value.

ii). An attribute of an element may be quantified using different units of account. For example, the volume of water assets may be quantified in litres, cubic metres or gallons. A water quality attribute such as the salinity of water assets may be expressed in units of account such as milligrams of dissolved solid per litre or microSiemens per centimetre ( $\mu\text{S}/\text{cm}$ ) at 25 °C.

iii). This Standard requires an element recognised in a general purpose water accounting report to be presented using volume as the quantification attribute and litres as the unit of account. Information about other attributes of an element should also be disclosed when it is relevant to an understanding of the general purpose water accounting report.

# **8. Disclosures**

The following information shall be disclosed in the statement:

**a) a statement that, except for water flow information, the general purpose water accounting report has been prepared using the accrual basis of water accounting;**

**b) a summary of the significant water accounting policies used in the preparation of the general purpose water accounting report**

**8.1 Any change in the water accounting principles and methods applied for the measurement and assignment of the water related cost during the period covered by the cost statement which has a material effect on the cost of service cost centre shall be disclosed. Where the effect of such change is not ascertainable wholly or partly the fact shall be disclosed.**

## **9 Assurance of water accounting reports**

9.1. A general purpose water accounting report shall be subjected to assurance to establish whether the report is presented fairly in accordance with this Standard.

9.2. The assurance of a general purpose water accounting report shall be performed by an appropriately qualified assurance practitioner who is independent from:

a) the management of the water report entity; and

b) the preparer of the general purpose water accounting report.

9.3. A statement whether the general purpose water accounting report is presented fairly in accordance with this Standard shall be provided by the assurance practitioner in an assurance report accompanying the general purpose water accounting report.

9.4. Assurance refers to the attestation of whether the general purpose water accounting report is presented fairly in accordance with the requirements of this Standard. The assurance function is important to enhancing users' confidence in the veracity of the information being presented.

Statement of Water Assets and Water Liabilities

as on -----

	Notes	Balance Sheet as on 20X2	Balance sheet as on 20X1
WATER ASSETS			
WATER LIABILITIES			
NET WATER ASSETS			
Opening net water assets			
Add/Less: Change in net water Assets			
Closing Net Water Assets			

Statement of Changes in Water Assets and Water Liabilities

as on -----

	Notes	Balance Sheet as on 20X2	Balance sheet as on 20X1
i) WATER ASSETS INCREASES			
ii) WATER LIABILITIES DECREASES			
iii) WATER ASSET DECREASES			
iv) WATER LIABILITIES INCREASES			
v) UNACCOUNTED FOR DIFFERENCE			
CHANGE IN NET WATER ASSETS			

Statement of Physical Water Flows  
as on -----

Notes

Balance Sheet  
as on 20X2

Balance sheet  
as on 20X1

i) WATER INFLOWS

ii) WATER OUTFLOWS

iii) UNACCOUNTED FOR DIFFERENCE

CHANGE IN NET WATER STORAGE

Opening water storage

Add/Less: Change in net water storage

Closing Net Water storage

