

Project Plan

Project ID: 2010
Project Approved: 22 February 2010
Plan Approved: Nov 2010 (AUASB)
Dec 2010 (WASB)
Plan Amended: February 2011

Project Title: Development of an Assurance Standard for General Purpose Water Accounting Reports (GPWAR)

Prepared by: Standard Development Team (AUASB / WASB)

Primary Project Objective: To develop and issue a new assurance standard for GPWAR in connection with the Exposure Draft of Australian Water Accounting Standard 1: *Preparation and Presentation of General Purpose Water Accounting Reports* (ED AWAS 1)

AUASB Corporate Objective(s): FRC Strategic Direction to the AUASB
...
(e) *The AUASB should continue to develop auditing and assurance standards other than for historical financial information as well as developing and issuing other guidance on auditing and assurance matters [...].*

Corporate Plan: July 09 to June 2012 — Strategy S2

Priority: Medium

WASB WASB is an advisory Board to the Bureau of Meteorology.

Under the *Commonwealth Water Act* (2007), the Director of Meteorology has the power to issue water information standards, including water accounting standards.

Priority: High

Introduction

The AUASB and WASB have agreed to jointly develop a standard for engagements to provide assurance on a GPWAR.

Project Objectives

This project aims to develop and issue an assurance standard for GPWAR.

This is in response to a formal request by the AUASB to partner WASB in the development of the standard.

The need for an assurance standard is the next phase in the development of standards for GPWAR and follows the release of the:

- (a) *Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports (WACF)*¹ (Download [WACF](#)); and
- (b) Exposure Draft of Australian Water Accounting Standard 1: *Preparation and Presentation of General Purpose Water Accounting Reports (ED AWAS 1)*² (Download [ED AWAS 1](#)).

This new assurance standard will provide requirements and guidance to practitioners for the provision of assurance services relating to GPWAR.

Background

A. The development of water accounting

Initial mandate

In 2004, the Council of Australian Governments (COAG) established an intergovernmental agreement on the National Water Initiative (NWI). The Council agreed that Australia needed consistent water resource accounting so that information could be standardised, compared, reconciled and aggregated.

Stock take report

In 2006, the firm of Sinclair Knight Mertz (SKM) produced a stock take report describing existing water accounting capabilities and requirements for future development. (Download [Stocktake and Analysis of Australia's Water Accounting Practice](#))

The stock take report stated that water accounting was being developed in an ad hoc fashion across the nation. Accounting largely focused on the needs of water managers and their direct customers, rather than external users of water information. The stock take report recommended establishing water accounting as a discipline, similar to financial accounting, to serve external users' needs as well as the management requirements of water businesses.

¹ Issued by the Water Accounting Standards Board, 2009.

² Issued by the Water Accounting Standards Board, October 2010.

Water Accounting Development Committee

Following the stock take report's recommendations, the Natural Resource Management Ministerial Council (NRMMC) established the Water Accounting Development Committee (WADC). The WADC was mandated to develop water accounting standards through the National Water Accounting Development project (NWADp).

User information requirements study

In 2007, the WADC completed a user information requirements study (UIR), and interviewed a wide range of potential water accounting information users. This study found that some financial accounting principles and analogies could be adapted for water accounting.

Project transferred to the Bureau

The *Commonwealth Water Act 2007* reaffirmed the national importance of water information and identified new functions for the Bureau of Meteorology in water accounting.

In October 2008, the COAG Working Group on Climate Change and Water endorsed the reconstitution of the WADC as the WASB.

The WASB came into existence on 20 April 2009 as an independent advisory Board to the Bureau of Meteorology. The WASB now oversees and coordinates water accounting standards development.

In November 2008, responsibility for the NWADp was transferred to the Bureau of Meteorology. The Bureau's water accounting functions now include:

1. Compiling and maintaining water accounts for Australia, including a set of water accounts to be known as the National Water Account (NWA)
2. Issuing national water information standards.

B. Water Accounting Conceptual Framework

The goals of water accounting are to assist in meeting the information needs of users in making water related decisions, and to instil 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. The theoretical foundation of water accounting is contained in the WACF.

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 GPWAR where the AWAS are not sufficient for their requirements.

The WACF was used to develop the Preliminary Australian Water Accounting Standard (PAWAS) which underwent practical testing through the Methods for the Pilot National Water Account and through an extension Pilot Program which produced a number of demonstration GPWAR.

The WACF comprises a Preface and 8 Statements of Water Accounting Concepts (SWACs). It has been written in consultation with water industry experts, financial accountants, and financial accounting standard setters.

C. ED AWAS 1

ED AWAS 1 prescribes the basis for preparing and presenting a GPWAR. It sets out requirements for the recognition, quantification, presentation and disclosure of items in a GPWAR.

The document also includes three appendices: a list of defined terms; implementation guidance; and a basis for conclusions outlining the discussion and assumptions that informed its development.

A suite of model reports has been compiled to accompany ED AWAS 1, demonstrating the presentation and disclosure requirements of the standard. These model reports present four fictitious water report entities:

- (a) Wallaroo Water System—a water supply system
- (b) Energetico—a major water user
- (c) Terra Firma—an urban supply system
- (d) Minton Environmental Water Holder—an environmental water rights holder.

Status of Water Accounting, including Assurance

Water accounting using the standards developed by WASB (for BoM) is currently voluntary, however, it is possible that it may become mandatory in the longer term.

Stakeholders

- 1. Assurance practitioners involved in assurance engagements related to water accounting
- 2. ICAA, CPA Australia and NIA (collectively referred to as the Professional Accounting Bodies)
- 3. AASB, APESB
- 4. Bureau of Meteorology, National Water Commission, Department of Sustainability, Environment, Water, Population and Communities, Murray Darling Basin Authority (Collectively referred to as the Commonwealth Water agencies)
- 5. Public and private water resource managers
- 6. Major water users

Benefits of the Project

- 1. Public Interest Rationale:
 - (a) Users of GPWAR will have confidence that approved standards exist to govern the performance of assurance engagements on GPWAR; and

- (b) Where an assurance practitioner issues an unqualified opinion on a GPWAR, users of the report will have confidence that it has been prepared in accordance with approved water accounting standards and the WACF.
2. Professional Standards Rationale:
 - (a) The development of an assurance standard will address the needs of assurance practitioners who are involved in assurance engagements for GPWAR.
 3. Relevant Expertise Rationale:
 - (a) The AUASB brings expertise in the development of auditing and assurance standards, consistent with globally recognised standards, while the WASB brings technical expertise in relation to the water industry and familiarity with ED AWAS 1.

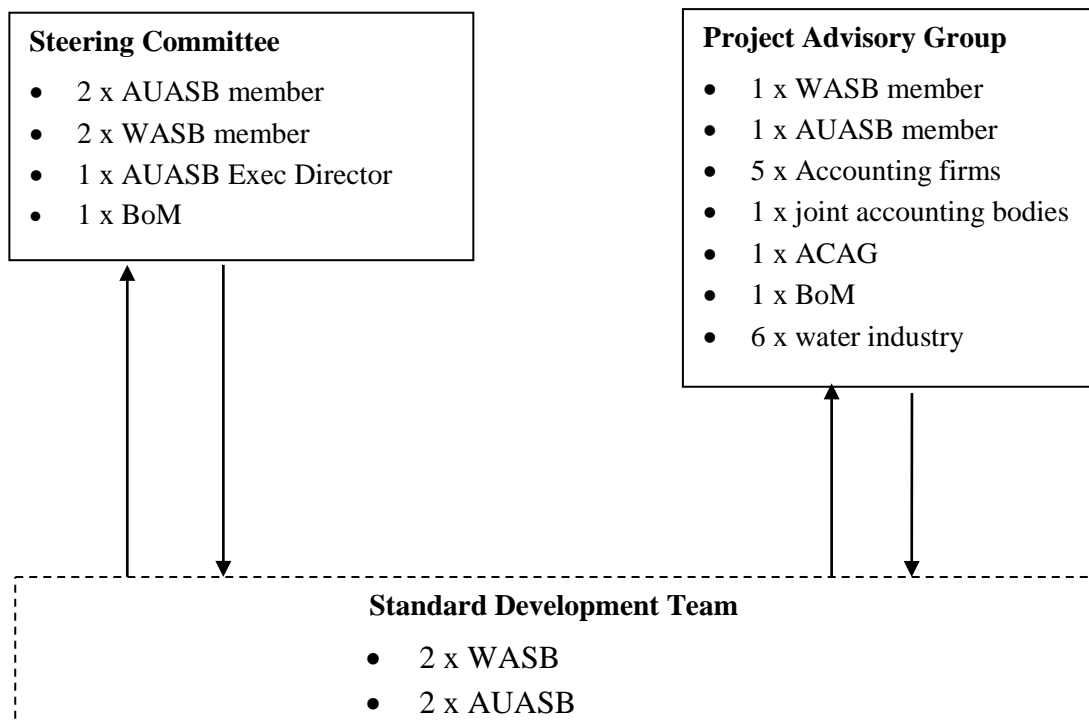
Resourcing Requirements

It is proposed that the development of the assurance standard for GPWAR be overseen by two groups:

- Steering Committee; and
- Project Advisory Group (PAG).

These groups will be supported by the Standard Development Team.

It is proposed that Steering Committee and PAG will have the following memberships:



While AUASB and WASB (BoM) will have authority to approve the assurance standard, the formation of the Steering Committee is considered crucial to progress the development of the standard in a timely manner.

The Steering Committee will report to the respective boards and will guide the development of the proposed standard, including its content and presentation. The Steering Committee may receive input from the PAG and will have discretion regarding acceptance of any advice provided by the PAG.

It is proposed that the Steering Committee will meet monthly to agree sections of the standard developed by the Standard Development Team.

The PAG will be limited to providing advice, mainly technical advice relating to water and assurance issues; and will meet at least three times to provide advice in relation to the development of the consultation paper and the exposure draft. The PAG will not have editorial rights in relation to project deliverables, including the proposed consultation paper and the exposure draft.

The Standard Development Team will comprise two staff members from each of WASB and AUASB.

Proposed Project Timetable

Key Milestones	Target Due date	
	AUASB	WASB
Project plan for assurance standard approved	29 Nov 10	7 Dec 10
Project plan for assurance walk-through of NWA 2010 approved	N/A	Dec 10
Creation of Steering Committee and PAG	Jan 11	
Assurance walk-through of the NWA 2010	Feb-May 11	
Develop consultation paper	Feb-May 11	
Consultation paper approved	14 Jun 11	14 Jun 11
Issue papers	Apr-Sep 11	
Develop exposure draft (ED)	Jul-Nov 11	
Board meeting	25 Jul 11	TBD
Board meeting	12 Sep 11	TBD
Consultation with OBPR regarding regulatory impact requirements	Oct 11-ongoing	
Final ED approved	28 Nov 11	TBD
Release ED for public comment	30 Nov 11	
Exposure period	Dec 11–Feb 12	
First draft of assurance standard	Apr– Jun 12	
Further consultation with OBPR / Regulatory Impact Assessment	Apr– Jun 12	
Boards consider first draft of assurance standard	Jun 12	TBD
Second draft of assurance standard	Jul-Sep 12	
Boards consider second draft of assurance standard	Sep 12	TBD
Final assurance standard approved	Nov 12	TBD

Project Deliverables

1. Project plan
2. Report on the assurance walk-through of the National Water Account 2010 (see Attachment 1)
3. Consultation paper for public comment
4. Exposure draft of proposed assurance standard for GPWAR
5. Assurance standard for GPWAR

Matters to be Formally Resolved

The following matters have been discussed by AUASB and BoM (WASB) staff, but are yet to be formally agreed by the respective Boards:

1. *Numbering of the new assurance standard.* WASB have published information on their website referring to the standard as AWAS 2, the next standard is a series of Australian Water Accounting Standards. From the AUASB's perspective, the standard would sit within the 3000 series as a Standard on Assurance Engagements (ASAE).
2. *Co-badging of the new assurance standard.* A precedent exists for the co-badging of the new assurance standard for GPWAR, i.e. the old standard AUS 524 *The Auditor's Use of the Work of the Actuary and the Actuary's Use of the Work of the Auditor in Connection with the Preparation and Audit of a Financial Report*, which was developed jointly by the AUASB and The Institute of Actuaries of Australia.

Attachments

Attachment 1 Assurance Walk-Through of the National Water Account 2010

Assurance Walk-Through of National Water Account 2010

In order to inform the methodology and proposed level of assurance for the National Water Account 2011 (NWA 2011), the Bureau of Meteorology has decided to run an assurance 'walk-through' of two of the sub-accounts in the NWA 2010.

Background

The Bureau of Meteorology has a statutory responsibility to produce a National Water Account (NWA) annually. Consistent with the Bureau's other role in standard development; it has elected to produce the NWA in accordance with the AWAS.

Ahead of the production of the NWA 2010, the Bureau elected to produce a Pilot NWA in 2009 to test methodologies (including the Preliminary Australian Water Accounting Standard). The Pilot NWA tested the production of 5 out the 7 components in a GPWAR on 6 different sub-accounts.³ The two components not included in the test were the:

- Accountability Statement; and
- Assurance Statement.

The former will be included in the NWA sub-accounts in NWA 2010, and it is hoped that an Assurance Statement can be included in NWA 2011 guided by the Exposure Draft of Australian Water Accounting Standard 2: *Assurance of General Purpose Water Accounting Reports* [or, for AUASB purposes, ASAE 3xxx].

Scope of the 'Walk-Through'

WASB agreed to the idea that the team that undertook this 'walk-through' would be the following:

- WASB staff member;
- AUASB staff member;
- BoM staff member on the NWA; and
- An assurance practitioner.

It was considered that given the AUASB and WASB staff members would be leading the drafting of AWAS 2, it would be very useful for them to participate in the team conducting the test of the practicality of undertaking an assurance engagement on the production of a GPWAR. Further, it was considered that it was important to include someone on the ground who is involved in the production of the GPWAR (NWA staff member) and someone who performs assurance on a regular basis.

³ Sub-accounts included in the NWA 2009 included Murray-Darling Basin, Onkaparinga, Murrumbidgee and Namoi-Peel catchments, and South East Queensland and Melbourne Regions.