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4 November 2011

Ms Merran Kelsall  
Chairman, Auditing and Assurance Standards Board  
PO Box 204  
Collins Street West  
MELBOURNE VIC 8007

Dear Ms Kelsall

Thank you for your email of 6 September 2011 regarding Assurance Engagements on General Purpose Water Accounting Reports. I appreciate the opportunity for the Department for Water to comment on your Consultation Paper.

Your teleconferenced national briefing on this topic proved useful and was attended by our Chief Information Officer, Karin Geraghty and members of our Information Unit.

Our response has been prepared after discussion with a range of people in the Department. We look forward to further involvement in conjunction with our ongoing work on the National Water Account project.

If you have any questions, please do not hesitate to contact Ms Catherine Cox on (08) 8463 3263.

Yours sincerely

Tim Goodes  
**DEPUTY CHIEF EXECUTIVE**

Attach

1. DFW Response: 'DFW Feedback - Consultation Paper: Assurance Engagements on General Purpose Water Account Reports'

CC: Mr Michael R L Smith, Chairman, Water Accounting Standards Board.

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# DFW FEEDBACK

Updated

28/10/2011 9:16:00 AM

## CONSULTATION PAPER: ASSURANCE ENGAGEMENTS ON GENERAL PURPOSE WATER ACCOUNT REPORTS

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DEPARTMENT OF  
WATER



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# 1. DOCUMENT DETAILS

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## 1.1 DOCUMENT REVISION HISTORY

Version	Date	Comment	Author
0.1	12/10/2011	Responses to questions	Mark Agnew
0.4	14/10/2011	Reviewed by contributors	Mark Agnew
1.0	28/10/2011	Consolidation of reviewer responses	Mark Agnew

## 1.2 APPROVALS

Date	Role	Name
28/10/2011	Chief Information Officer	Karin Geraghty

## 1.3 ABBREVIATIONS

Abbreviation	Name
ASR	Aquifer Storage and Recovery
AWAS	Australian Water Accounting Standard
AUASB	Auditing and Assurance Standards Board
BoM	Bureau of Meteorology
DFW	Department for Water
EDAWAS1	Exposure Draft of the Australian Water Accounting Standard 1
GPWAR	General Purpose Water Accounting Report
MDBA	Murray Darling Basin Authority
NRM	Natural Resources Management
NWA	National Water Account
PAWAS	Preliminary Australian Water Accounting Standard
WASB	Water Accounting Standards Board

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## 2. INTRODUCTION

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### 2.1 PURPOSE

To provide a response on the consultation paper produced by the Auditing and Assurance Standards Board (AUASB) and the Water Accounting Standards Board (WASB) investigating issues related to the development of an assurance engagement standard applicable to a general purpose water account (GPWAR).

### 2.2 BACKGROUND

The National Water Account team in DFW has participated in the following:

- Preparation of the Pilot National Water Account 2009;
- Preparation of the National Water Account 2010;
- Reviews of the Preliminary Australian Water Accounting Standard (PAWAS); and
- Reviews of the Exposure Draft of the Australian Water Accounting Standard 1 (EDAWAS1).
- Providing input for the development of the Water for Environmental Benefit section within the implementation guide associated with the Australian Water Accounting Standard.
- Responding to a questionnaire that will inform a Cost Benefit Analysis addressing the effect of adopting of the General Purpose Water Accounting Report.

### 2.3 BACKGROUND TO ASSURANCE ENGAGEMENTS

The Exposure Draft of the Australian Water Accounting Standard 1 includes a section which is called an 'Assurance Statement'. This Assurance Statement is produced through a stipulated audit or review process known as an 'Assurance Engagement'. The Assurance Engagement process will comply with the Assurance Engagement standard including the independent of the assurance practitioner. It is broadly equivalent to an auditor's endorsement of a company's financial accounts.

### 2.4 PROCESS

The Information Unit requested responses from numerous people within DFW. Responses received have been consolidated into a single response.

## 2.5 SCOPE

The contents of this document represent preliminary views from DFW. Within the Department a range of views exist and it is not yet possible to determine a position, given the ongoing maturity process of the Standards.

DFW welcomes further consultation on this topic.

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## 3. RESPONSES TO THE QUESTIONNAIRE

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### 3.1 QUESTION 1

**“Which of the three alternatives do you prefer for a standard on assurance engagements on General Purpose Water Accounting Reports (GPWAR)? Please provide reasons to support your view”**

- a) Use existing AUASB standards
- b) Develop a new standalone standard
- c) Develop a new standard with references to the AUASB standard.

#### Response

Alternative 3 is considered to be robust: “Develop a new standard that refers to existing AUASB standard”, and allows the Assurance engagement standard to address specific water accounting issues with a solid foundation of a well recognised standard. However, it is considered important to conform as closely as possible with AUASB standards to minimise cost.

### 3.2 QUESTION 2

**“Do you agree that the qualifications’ requirements in the proposed assurance standard should be principles-based and not prescriptive? Please provide reasons for your view”**

#### Response

A principles based approach to qualifications and competencies for assurance practitioners is preferred over a prescriptive approach, such as requiring specific qualifications or registration on a list of practitioners. Water resource management requires a wide range of disciplines. A prescriptive approach would narrow the range of disciplines able to provide assurance on a GPWAR and increase the risk of some important disciplines being overlooked. Allowing for a wide range of disciplines will increase the ability of local assurance practitioners to participate.



### 3.3 QUESTION 3

**"If you answered 'yes' to Question 2, are the suggested qualifications' requirements and guidance in paragraphs 23-24 appropriate?"**

#### Response

Yes the list in paragraphs 23-24 is appropriate. The list of guidance material (per paragraph 24 of the Consultation Paper) could be added to over time to enhance competency levels as the profession (both preparers and those providing assurance) becomes more sophisticated.

### 3.4 QUESTION 4

**"Are there any other qualifications' requirements and guidance that should be included in the assurance standard?"**

#### Response

No, not at this stage. This should not preclude additional requirements and guidance being included in the future.

### 3.5 QUESTION 5

**"Do you think that the standard should be available for application by anyone with appropriate skills and who can meet appropriate ethical and quality control requirements, or do you believe it should be restricted to only those persons with particular accreditation from certain bodies?"**

#### Response

Application should be by those with particular accreditation from relevant bodies. This would help ensure this new reporting format (and assurance thereof) is managed by industry-relevant practitioners. Practitioners with an inadequate set of skills could be attracted to this area of work because of the scarcity of experts and good earning potential, but who may not provide good value for the industry. Lack of accreditation will undermine confidence in the credibility of any assessment.

### 3.6 QUESTION 6

“Please provide details of regulators that may be appropriate to set accreditation requirements for assurance practitioners performing engagements on GPWAR.”

#### Response

Possible organisations that may set accreditation requirements could include the following-

- CPA Australia
- Institute of Chartered Accountants (Aust)
- Australian Securities and Investments Commission (ASIC)
- Bureau of Meteorology (BOM).

### 3.7 QUESTION 7

“Do you agree that the proposed assurance standard should include a requirement relating to compliance with relevant ethical principles, including independence?”

#### Response

Yes, compliance with relevant ethical principles will improve the strength of the assurance process.

### 3.8 QUESTION 8

“Would a requirement such as that in paragraph 38, with additional guidance such as that in paragraph 39, cover assurance practitioners from a range of backgrounds?”

#### Response

Yes. It’s important to keep the ‘main’ requirement as clear and simple as possible per paragraph 38 (‘the assurance practitioner shall comply with relevant ethical requirements, including those pertaining to independence’), and back it up with more detailed references per paragraph 39. Thus, the documents in paragraph 39 wouldn’t need to be rewritten for practitioners from different backgrounds. But this may need to be reconsidered when the process becomes more mature.

### 3.9 QUESTION 9

**“Do you believe that appropriate safeguards relating to threats to independence can be put in place to ensure the integrity of the assurance process? If so, please list some of those safeguards?”**

#### Response

Yes – appropriate safeguards could be put in place, but at this stage no examples have been provided in this response. It is strongly suggested that an adaptive approach is used, where the safeguards are trialled, monitored and reassessed.

### 3.10 QUESTION 10

**“Please provide details of codes of ethics or conduct, or other professional requirements, or laws and regulations, covering other professional groups that may be involved in assurance engagements on GPWAR, which contain similar ethical requirements to those contained in the *Code of Ethics for Professional Accountants*”**

#### Response

Respondents were not aware of any codes of ethics or conduct that would be relevant to this paper.

### 3.11 QUESTION 11

**“Should assurance be provided on the GPWAR as a whole, taking into account each component of the GPWAR: the Contextual Statement, water accounting statements, note disclosures and the Accountability Statement?”**

#### Response

Yes, the components of a GPWAR are typically difficult to isolate in such a way that assurance could be applied separately on each component. The context section is an integral component of the GPWAR. Commentary on a GPWAR could be offered in documents associated with the GPWAR but presented as a separate document. The supporting text components such as the Contextual Statement and the Notes add to the credibility of the whole report.

### 3.12 QUESTION 12

“Should assurance be provided on the Contextual Statement in a GPWAR?”

#### Response

See Q11 above. The content of the context section within a GPWAR shows substantial background information not clearly reflected in the rest of the report but is generally of great use and of great importance to the users. It quite frequently contains information including numerical data which is not reflected in the remainder of the report. Therefore it would be preferable to audit it separately, not merely by considering its support or otherwise of the remainder of the report.

### 3.13 QUESTION 13

“Do you consider that assurance can be provided on each of the three aspects covered in the Accountability Statement? Please provide reasons to support your views.”

#### Response

**1<sup>st</sup> aspect:** Assurance as to whether or not the GPWAR has been prepared and presented in accordance with AWAS 1:

Ability to do this will be restricted by the availability of people with the required skills: a combination of hydrological knowledge and knowledge of the standards will be required.

**2<sup>nd</sup> aspect:** Assurance as to whether or not there has been compliance with externally-imposed requirements relevant to managing the water assets and water liabilities:

Ability to do this will depend in part on knowledge of the externally imposed requirements on any given system. In some cases these requirements are obscure or are expressed in ways which makes it difficult to determine whether they have been complied with. An example is where management rules have been expressed according to general principles rather than measurable quantities. The assurance will also need to consider the caveats and goodwill associated with externally imposed requirements particularly if the compliance is essential or voluntary.

**3<sup>rd</sup> aspect:** Assurance as to whether or not best practices have been applied in managing the water assets and water liabilities.

Assurance on the 3<sup>rd</sup> aspect is impractical. “Best-practices” change over time and may be varied, even from season to season. Thus, what might be perceived and documented as best-practice may change over time or may be unsuitable in particular regions, so to tie this aspect into the reporting processes may be impractical. Most reporting entities will usually claim to be following best-practice, but in reality it is not something that can necessarily or conclusively be audited against. It would also be restricted by the availability of suitably qualified practitioners, as people with sufficient knowledge may be hard to source. In addition it is likely that people with sufficient knowledge will not be seen to be sufficiently independent (see Q2 and 29).

### 3.14 QUESTION 14

“Would the assurance practitioner need to perform any specific or additional procedures in relation to the unaccounted-for difference?”

#### Response

Yes, the explanation of what the unaccounted-for difference is attributed to needs to be credible and not present a material misstatement. The lack of an unaccounted-for difference, in some situations, can indicate a material misstatement in other items due to the methods used. The unaccounted-for difference or lack of an unaccounted-for difference needs to consider the cumulative impact of all methods and bias. To know the reason for the unaccounted-for-difference is vitally important to the process of actually being able to improve the data set, thereby ideally reducing unaccounted for differences in future reports.

The assurance process must also recognise that there may be uncertainty in the defining of causation and the cumulative impact. The practitioner would need to test the likely reasonableness/occurrence of the elements set out at paragraph 57 i.e. error terms that are implicit in the use of hydrologic modelling; the absence of items required for a hydrologic water balance; a lack of information required to represent items with representational faithfulness; errors in recording transactions.)

### 3.15 QUESTION 15

**“Are there any other items or elements within the components of a GPWAR that present complexities in terms of assurance?”**

#### Response

The following elements present complexities

- 1) Uncertainty in the methods of calculation due to definitions of items which are not yet stable.
- 2) The definition of the report entity itself especially in relation to geographical boundaries and to definitions of which aspects of water it includes. For example the physical extent of aquifers that meets the definition of ‘Water’ as stated in ED AWAS1 (water expected to deliver future benefits).
- 3) The misalignment between the definition of water assets for the purpose of reporting and the definition of water assets in legislation. For example South Australia prescribes Groundwater Wells not the groundwater resource. To facilitate the production of a water account groundwater is treated as if the groundwater it is prescribed.
- 4) The unaccounted-for-differences should form part of ED AWAS1’s explicit reporting requirements. This would clearly lead to a level of complexity in terms of assurance; however without these differences being clearly documented the assurance statement could never be complete. The GPWAR should not shy away from potentially being issued with a qualification for a material misstatement because of the unaccounted-for-difference. This goes to the heart of the usefulness of the reports. We know this is a new field of reporting, it is not an easy commodity to measure, so the industry needs to keep working together to find better ways of filling in ‘data-gaps’ that lead to unaccounted for differences being reported in the first place.

### 3.16 QUESTION 16

**“Should the proposed assurance standard allow for both reasonable and limited assurance?”**

#### Response

Yes, limited assurance may encourage water accounts to be produced on report entities with large inherent uncertainties in water information. The routine production of GPWAR will enhance reporting processes. There would be no benefit in completing a rigorous reasonable level of assurance when a limited level of assurance would expose the same material misstatements contained within the report.

For report entities with a high level of dispute around the water resources or a high level of interest in the content of the GPWAR the Engagement Standard should stipulate reasonable assurance. Limited assurance on such a report entity is inappropriate and will likely fail to meet the users’ requirements by watering-down the effectiveness of the GPWAR.

### 3.17 QUESTION 17

**“If you consider that limited assurance should be covered in the proposed standard for assurance engagements on GPWAR, please identify the circumstances in which limited assurance might be appropriate.”**

#### Response

Limited assurance would be appropriate in report entities where there are large inherent uncertainties in water information, low level of dispute on water and low level of public interest. The lower cost of limited assurance would lower the barriers that initially prevent a GPWAR being produced and prepare the reporting organisation for producing a reasonable level of assurance GPWAR when disputes on water escalate. Limited assurance processes appear to support and enhance the internal review or audit program.

As stated in Q16 limited assurance is not suitable for report entities with a high level of dispute around the water resources or a high level of interest in the content of the GPWAR.

### 3.18 QUESTION 18

**“Do you agree that single-layered assurance reports are preferable for GPWAR? Please provide reasons to support your view”**

#### Response

Yes, single layered assurance reports are preferable for a GPWAR. As stated in question 11, commonly the various sections of a GWAR are dependent on each other. Allowing different levels of assurance could cause confusion and undermine the credibility of the process.

In addition, as stated in the Consultation paper, reasons per 71(a), 71(b). If we are using GPFS and Accounting Standards as our basis for GPWAR, there is little value in trying to over-complicate the audit process with multi-layered assurances. Also, the cost of a multi-layered assurance would possibly far exceed the cost of providing a single layered assurance.

### 3.19 QUESTION 19

**“Do you agree that the proposed standard for assurance engagements on GPWAR should include requirements and guidance relating to the content of the assurance report to promote consistency in assurance reporting?”**

#### Response

Yes, guidance material is very useful. Guidance material within the standard will promote consistency and clarity of what should be included in an assurance report. The consistent content of the assurance report may identify common deficiencies and help clarify future investments in water information collection and the underlying science.

Each of the examples listed at paragraph 74(a) – (f) would be very useful inclusions in the proposed Assurance Standard. Consistency in the quality/standard of assurance is as important as the quality of the GPWAR.

### 3.20 QUESTION 20

**“Do you consider that illustrative assurance reports would be helpful and should be included in the proposed assurance standard?”**

#### Response

Yes - they would be helpful and should be included, especially in the short term. Anything that adds to an improved product is worth utilising. In the long term illustrative assurance reports may not be as useful. When assurance reports are mature assurance practitioners can refer to existing assurance reports on water accounts as examples. To keep the assurance standard concise any illustrative assurance reports should only be placed in the appendix and restricted to the significantly different outcomes.

### 3.21 QUESTION 21

**“Should the proposed assurance standard include requirements and guidance on the different types of assurance conclusions that may be included in an assurance report on a GPWAR?”**

#### Response

Yes, the requirements and guidance on the different types of assurance conclusions would be helpful. Any effort to promote clarity of the exact wording of possible conclusions and their meaning is welcomed.

It is important to the provider of the assurance report, to the entity being audited, and to users/readers of the GPWAR that useful information is provided within the body of the assurance standard to assist in a better end-product in terms of both the GPWAR and the assurance itself.

### 3.22 QUESTION 22

**“Are the types of assurance conclusions discussed in this consultation paper relevant to assurance engagements on GPWAR?”**

#### Response

Yes. Discussion and examples given in the Consultation Paper, paragraph 76-88 are both useful and relevant. Inclusion of these examples would assist in a high quality assurance report being provided.



### 3.23 QUESTION 23

**“Should the proposed assurance standard include requirements and guidance on Emphasis of Matter and Other Matter paragraphs in the assurance report?”**

#### Response

Yes it would be useful to the user’s understanding for the assurance report to emphasise particular matters within the GPWAR, as per reasoning provided at Q21.

### 3.24 QUESTION 24

**“Please provide examples of matters that may be included in an Emphasis of Matter paragraph in an assurance report on a GPWAR.”**

#### Response

##### Examples:

1. Definition of the groundwater asset – readers’ attention may be drawn specifically to a definition which may not be intuitively obvious.
2. The impact of terms with large uncertainty on other items e.g. unaccounted for water in a water distribution system could be attributed to metering errors or leakage.
3. Various issues which have been raised in the Context Statement.
4. Issues with unaccounted-for differences.

### 3.25 QUESTION 25

**“Please provide examples of matters that may be included in an Other Matter paragraph in an assurance report on a GPWAR.”**

#### Response

Unable to provide specific examples at this time.

### 3.26 QUESTION 26

**“Do you agree that it is appropriate to use a principles-based approach, rather than prescribing a numeric level for materiality in the proposed standard for assurance engagements on GPWAR?”**

#### Response

Yes, what represents materiality differs based on the needs of users and the nature of the item. For example it would be unreasonable to achieve the same level of precision and accuracy in groundwater surface water interactions as metered surface water extractions even though the magnitude of the groundwater surface water interactions is likely to be larger than the metered surface water extractions. A principles-based approach to materiality is expected to dynamically address changes in the users’ requirements, the maturity of the GPWAR and underlying consensus in the science/methods used.

A principles-based approach to materiality is fine; however at the end of the day, “numbers rule”, so in assessing “materiality” the provider of the assurance and the preparer of the GPWAR will both need to reference back to a benchmark. In the longer term the establishment of benchmark figures can indicate an appropriate numeric level for like terms. This would help with keeping GPWAR consistent with GPFs.

### 3.27 QUESTION 27

**“Are there any specific considerations necessary in the application of ‘traditional’ assurance procedures to assurance engagements on GPWAR?”**

#### Response

Yes, the assurance provider of GPWARs should continue to consider the “traditional assurance” procedures set out at paragraph 105. Whilst GPWAR change the “product” being reported on, the methodology of providing the assurance need not change. At the end of the day, ‘auditors’ will still be the ones providing assurances on GPWAR.

### 3.28 QUESTION 28

**“Are there any other procedures that have not been identified that you consider would be applicable to assurance engagements on GPWAR?”**

#### Response

Not at this point in time. The issues discussed at paragraphs 107-109 give sufficient guidance to allow the assurance provider to satisfy themselves about the quality of the GPWAR. They overcome the limitations set out in paragraph 106.

### 3.29 QUESTION 29

**“Should the proposed assurance standard include requirements and guidance relating to using the work of assurance practitioners’ experts?”**

#### Response

Yes, it would be reasonable for the assurance practitioner to be responsible for implications arising from the use of internal or external assurance practitioner’s experts including ethical requirements and competencies specific to the field of expertise. The assurance standard should require the disclosure of the nature of compliance or non compliance with the ethical requirements and competencies resulting from the use of an assurance practitioner’s experts. This additional information adds to the value of the report - as per reasoning mentioned in other parts of this questionnaire (Q21).

### 3.30 QUESTION 30

**“Are there any special considerations that are required when the assurance practitioner uses the work of an assurance practitioner’s expert in an assurance engagement of GPWAR?”**

#### Response

In areas with a low level of water information it may be difficult to obtain assurance practitioner’s experts that meet the ethical requirements and competencies. In situations where the expert(s) do not meet the ethical requirements and competencies it may be necessary for the assurance report to disclose that an appropriate candidate was selected and disclose the nature of compliance or non compliance with the ethical requirements and competencies. It is suggested that there should be specific guidance on how to disclose the compliance with ethical requirements and competencies when multiple experts are involved.

However ultimately responsibility for the assurance rests with the assurance provider (as it does with the preparation of GPFS resting with management, even with outsourced preparation or with independent input for things such as valuations of non-current assets).

### 3.31 QUESTION 31

**“Should the proposed assurance standard include requirements and guidance relating to using the work of management’s experts?”**

#### Response

The use of work of management’s experts should be treated similarly to assurance practitioner’s experts. The assurance standard should give guidance on all aspects of work that the assurance practitioner may be able to rely upon.

### 3.32 QUESTION 32

**“Are there any special considerations that are required when the assurance practitioner uses the work of a management’s expert in an assurance engagement on GPWAR?”**

#### Response

The use of work of management’s experts should be treated similarly to assurance practitioner’s experts. The assurance practitioner needs to ensure that they are satisfied that the management’s expert is indeed an “expert” in the field that the report has been prepared for.

### 3.33 QUESTION 33

**“Are you aware of any internal audit functions that perform work related to the water accounting function of a management group likely to be a GPWAR preparer and, if so, should the assurance standard provide for the use of the work of internal audit by the assurance practitioner?”**

#### Response

Not aware of any such functions. However as the GPWAR is only in its infancy, it is extremely unlikely that any organisation would be utilising internal audit resources for this function/output. However, over time, with the development of, and improving maturity of GPWAR, it is more likely that organisation’s internal audit programs would be used for GPWAR purposes. When this occurs, that work should be relied upon subject to review by the assurance practitioner.

### 3.34 QUESTION 34

**“Are you aware of any QA/QC, or peer review, functions undertaken that are related to the water accounting function of a management group likely to be a GPWAR preparer?”**

#### Response

Not aware of any such cases. However, as outlined in response to Q33, due to infancy in this field, over time it is likely to become more common practice in the industry for such QA/QC, peer review to be more common-place. Where there is a need for scientific rigour peer review may be useful to certify products as technically correct.

### 3.35 QUESTION 35

**“What impact, if any, will the existence of QA/QC, or peer review, functions have on assurance engagements on GPWAR?”**

#### Response

The existence of such practices/reviews would help add to the overall level of confidence the assurance provider could have with the reporting entity preparing the GPWAR.

### 3.36 QUESTION 36

**“Are you aware of any group water report entities involving more than one component entity or of a water report entity involving a number of components of a water system? If so, please provide details.”**

#### Response

Yes, there are a number of situations where both relationships between organisations and the nature of management responsibility are either unclear or complex. The National Water Account Adelaide sub- account involves numerous management groups.

The South Australian legislation indicates that the relevant minister is responsible for the management of the water resources, and that the state government departments are only responsible due to delegation by the relevant minister. Private business and local councils act independently of the state government but comply with State legislation. Their role is in many respects integral to the management of water and as a custodian of water information.

An example is Aquifer Storage and Recovery (ASR) schemes which may be managed by local councils, private businesses and some Government Departments. Collecting and reconciling information is complex.

### 3.37 QUESTION 37

**“Should the proposed standard for assurance engagements on GPWAR provide requirements and guidance for group assurance practitioners when using the work of component assurance practitioners?”**

#### Response

Yes, guidance will help. Reasoning behind this decision is similar to that at Q33. As a new and emerging reporting field, and assurance field, any assistance and guidance for the assurance provider must be of benefit to the provider.

### 3.38 QUESTION 38

**“What should be the assurance practitioner’s responsibilities regarding information included in the Future Prospects note in a GPWAR?”**

#### Response

In addition to auditing the content and derivation of the Future Prospects note responsibilities would include passing judgement on the various assumptions and calculations included in the “Future Prospects” note by the preparers of the GPWAR. These assumptions might include consideration of the likelihood of scenarios selected to determine the Future Prospects.

### 3.39 QUESTION 39

**“Does the information in the Future Prospects note in a GPWAR present any challenges for assurance practitioners? If so, please provide details.”**

#### Response

Yes, very much so. It would not be an easy note to audit and to test. Assumptions are likely to be very “tricky” and difficult to assess. However as the industry, and associated reporting, evolves over time, we would expect to see patterns developing that may make it easier to test assumptions. Over time it is likely that all relevant assumptions would become more ‘precise’ leading to an improvement in the quality of the GPWAR.

### 3.40 QUESTION 40

**“Should the proposed assurance standard for GPWAR include requirements regarding subsequent events?”**

#### Response

Yes, consistent with the Subsequent Events note in GPFS.

### 3.41 QUESTION 41

**“Please provide examples of adjusting events after the reporting period, as defined in ED AWAS 1, together with any assurance implications arising from them.”**

#### Response

Example 1 – Regarding assumptions for Future Prospects. A decision may be announced by a major water user, e.g. a mining company, that it will expand (or commence) a business in a prescribed water area, impacting materially on the future water demand as documented in a GPWAR.

Example 2 – Future Prospects may be impacted by severe climatic conditions such as a prolonged heatwave, impacting water supply/usage (i.e. evaporation).

### 3.42 QUESTION 42

**“Are there any circumstances that would warrant the provision of assurance less frequently than the frequency of the preparation of the GPWAR?”**

#### Response

Any effort to reduce cost should be encouraged. Assurance which occurs at intervals greater than a year would be useful if it could reduce the cost without reducing the ability for users to understand the report and without the need for a more complex set of adjustments when adjusting events occur. Cost and a lack of resources skilled in GPWAR would possibly be the most likely drivers for less frequent reporting. Although the water account statements are expected to vary the associated methods and notes commonly will only show minor differences between sequential reporting periods and the benefits arising from individually assured reports are greatly reduced.

### 3.43 QUESTION 43

**“What are the implications for the usefulness of an assurance report where a limited assurance engagement is undertaken in one period, followed by reasonable assurance in the next period, if the assurance conclusion must be modified as a result?”**

#### Response

This scenario is less preferable to completing assurance less frequently than the frequency of the preparation of the GPWAR. As stated in the text, costs of reporting may actually increase, as more work would be required in the intervening years to fill in gaps in knowledge and data, which in hindsight may have been better and easier to have been collected a year or two earlier.

If it is decided that assurance cannot be offered less frequently than the frequency of the preparation of the GPWAR offering limited assurance in one period and reasonable assurance in the next period would reduce the lag time before a report is publicly available. This is based on the assumption that limited assurance is quicker to complete. Excessive lag times would reduce the usefulness of the GPWAR. It is expected that limited assurance would be less costly and of a suitable rigour in many situations. Regardless of whether a reasonable level of assurance or a limited level of assurance is completed, as methods and the underlying understanding of the water resources and their management evolves there will never be the complete elimination of prior period errors. There is no need to retract the prior assurance conclusions as the statements will remain true based on the evidence at the time.

### 3.44 OTHER COMMENTS

**“Other comments not covered in the questions above”**

#### Response

It would be useful to investigate the cost or value of investment in an assurance engagement standard. The level of assurance engagement should be appropriate to the report entity and the perceived value of an assured report for the users. It would be seen as wasteful for a costly assurance process to be completed on a GPWAR when some deficiencies in the water account reports themselves may be obvious; for example if error margins in some quantities are large it could be argued that effort would be better spent in refining those items.

This is a new reporting framework. Plenty of patience will need to be exercised by all players i.e. reporters preparing GPWAR, and auditors providing assurances on those reports. The long term benefits to the industry, and indeed, Australia should not be under-estimated. Clearly water is becoming a rare resource in Australia, and so understanding more, and reporting more thoroughly, about stocks, balances, flows, and likely future usage, must surely be of benefit to all i.e. to governments, (including regulators) and users.