

4 November 2011

The Chairman
Auditing and Assurance Standards Board
PO Box 204
Collins Street West
Melbourne Victoria 8007



Via email: edcomments@auasb.gov.au

Re. Comment on Proposed Assurance Engagements on General Water Accounting Reports

Dear Sir/Madam,

The Minerals Council of Australia (MCA) welcomes the opportunity to provide feedback on the Proposed Assurance Engagements on General Water Accounting Reports.

The Minerals Council of Australia (MCA) represents over 85% of minerals production in Australia. The MCA's strategic objective is to advocate public policy and operational practice for a world class industry that is safe, profitable, innovative, environmentally responsible and attuned to community needs and expectations.

MCA members having a long-standing commitment to sustainable development and the effective management of Australia's water resources. The minerals industry has been a leader in the development of a sector specific water accounting methodology and has engaged heavily with the Bureau of Meteorology in the development of the national approach to water accounting standards.

On the proposed assurance engagement standards on general water accounting reports, the MCA provide the following feedback for consideration:

Options for Water Accounting Standards

The consultation paper describes proposed options for the development of water accounting assurance standards. These options include utilising ASAE3000 or developing assurance standards unique to water accounting.

The MCA considers the assurance standards for non-financial accounting (such as greenhouse gas or water) are currently not well developed. Accordingly, the MCA advocates using ASAE3000 in the first instance, with the development of additional specific guidance on applying this existing standard to water accounting (as specified in Alternative 3) through a subsequent process, engaging key stakeholders such as the MCA.

Assurance Auditors

The use of financial auditors in the assurance of non financial matters is problematic as financial auditors do not necessarily possess the required skill-set for the auditing of assurance of water accounts. While an accountant may possess the capacity to verify statements against established criteria, engineering and technical skills are required to understand water accounting matters at an operational level.

At this early stage of development, specific qualifications in water accounting assurance are not available and as such competency for assurance can only be principles based. Given this, the emphasis at this stage should be on identifying assurance providers who have the technical and engineering capability, rather than simply limiting service to the major financial accounting firms.

Given the early development of assurance standards and the lack of technical capacity, it is important to ensure that the assurance process is not overly prescriptive or the process may risk redundancy.

Required Level of Assurance

Required assurance should be restricted to the level of 'limited assurance' and not 'reasonable assurance'. It is important to note that in other areas of non-financial accounting such as Greenhouse Gas reporting, which has well established international and national standards, providing 'reasonable assurance' still presents a significant challenge, and can lead to very large time and cost imposts on operations.

In addition to the above challenges, it is important to note that a high level of uncertainty exists within water accounting and reporting as monitoring techniques continue to evolve. Accordingly, the requirement that a 'reasonable' level of assurance be provided for water accounting is unlikely to be achieved or provide value for money. Given this, the MCA considers that the requirement for a 'reasonable' level of assurance is not appropriate.

In summary, the MCA considers that as water accounting is an area where there are no well-established approaches to accounting and reporting, requiring a very high level of assurance and the application of overly prescriptive standards is not appropriate.

The MCA would welcome the opportunity to discuss these important issues further and looks forward to continuing engagement with the Auditing and Assurance Standards Board. Should you have any questions regarding this submission, please do not hesitate to contact me on 02 6233 0627.

Yours sincerely

Chris McCombe
Assistant Director – Environmental Policy