



Australian Government
Bureau of Meteorology



Australian Government
Auditing and Assurance Standards Board

Standard on Assurance Engagements ASAE 3610 and Australian Water Accounting Standard AWAS 2

Assurance Engagements on General Purpose Water Accounting Reports

Issued jointly by the **Auditing and Assurance Standards Board** and the **Water Accounting Standards Board/the Bureau of Meteorology**

Obtaining Copies of this Standard on Assurance Engagements

This Standard is available at www.auasb.gov.au and www.bom.gov.au/water/standards/wasb

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PREFACE

Reasons for issuing ASAE 3610/Australian Water Accounting Standard AWAS 2

This Standard is issued jointly by the Auditing and Assurance Standards Board (AUASB) and the Water Accounting Standards Board (WASB)/the Bureau of Meteorology (the Bureau).

The AUASB is an independent, non-corporate Commonwealth entity of the Australian Government, established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 227B of the ASIC Act, the AUASB may formulate assurance standards for purposes other than the corporations legislation.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council, the AUASB is required to have regard to any programme initiated by the International Auditing and Assurance Standards Board (IAASB) for the revision and enhancement of International Standards on Auditing and to make appropriate consequential amendments to the Australian Auditing Standards.

The amendments arise from changes made by the IAASB to *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), ISQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, ISQM 2 *Engagement Quality Reviews* and ISA 220 (Revised) *Quality Management for an Audit of Financial Statements*.

The WASB is an independent advisory board of the Bureau. Under the *Commonwealth Water Act 2007*, the Bureau is responsible for issuing water accounting standards.

The Standard is published by:

- (a) the AUASB as Australian Standard on Assurance Engagements ASAE 3610; and
- (b) the Bureau as Australian Water Accounting Standard AWAS 2.

Main Features

This standard establishes requirements and provides application and other explanatory material regarding the assurance practitioner's responsibilities in an assurance engagement on a general purpose water accounting report, including both reasonable and limited assurance engagements.

This standard is intended to supersede ASAE 3610 *Assurance Engagements on General Purpose Water Accounting Reports* (issued February 2014).

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) formulates this Standard on Assurance Engagements ASAE 3610 *Assurance Engagements on General Purpose Water Accounting Reports* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*.

The Bureau of Meteorology through the Water Accounting Standards Board formulates this Australian Water Accounting Standard AWAS 2 pursuant to the *Commonwealth Water Act 2007*.

This Standard on Assurance Engagements is to be read in conjunction with ASA 101 *Preamble to AUASB Pronouncements*, which sets out how AUASB Standards are to be understood, interpreted and applied.

Dated: 6 September 2022

W R Edge
Chair – AUASB

Dated: 24 February 2014

Dr R Vertessy
Director of Meteorology and CEO

Conformity with International Standards on Assurance Engagements

This Standard on Assurance Engagements ASAE 3610/Australian Water Accounting Standard AWAS 2 *Assurance Engagements on General Purpose Water Accounting Reports* has been made for Australian public interest purposes.

There is no direct equivalent International Standard on Assurance Engagements (ISAE) issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

This Standard does, however, reflect significant aspects of other Australian ASAEs, which reproduce substantial parts of the corresponding ISAEs issued by the IAASB and published by IFAC, including ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

This Standard incorporates terminology and definitions used in Australia.

STANDARD ON ASSURANCE ENGAGEMENTS ASAE 3610 AUSTRALIAN WATER ACCOUNTING STANDARD AWAS 2

Assurance Engagements on General Purpose Water Accounting Reports

Application

1. This Standard applies to assurance engagements to report on a general purpose water accounting report, including both reasonable assurance and limited assurance engagements.

Operative Date

2. This Standard is operative for reporting periods commencing on or after 15 December 2022.

Introduction

3. Australian Water Accounting Standard 1 *Preparation and Presentation of General Purpose Water Accounting Reports* (AWAS 1) requires a general purpose water accounting report to be subjected to assurance to establish whether the report is presented fairly in accordance with that Standard.

Scope of this Standard on Assurance Engagements

4. AWAS 1 states that a general purpose water accounting report comprises the following components:
 - (a) Statement of water assets and water liabilities
 - (b) Statement of changes in water assets and water liabilities^{1, 2}
 - (c) Statement of water flows³
 - (d) Note disclosures
 - (e) Accountability statement
 - (f) Contextual statement
5. This Standard deals with assurance engagements to report on the water accounting statements, note disclosures and the accountability statement only. It does not cover the contextual statement, which is not subject to assurance. However, the assurance practitioner reads the contextual statement to identify material inconsistencies, if any, with the other components of the general purpose water accounting report.⁴ (Ref: Para. 91, A157-A163)
6. This Standard does not deal with, or provide specific guidance for, assurance engagements to report on the following:
 - (a) Water accounting reports prepared in accordance with special purpose water reporting frameworks.
 - (b) Single components of a general purpose water accounting report or specific elements, accounts or items of a component.
 - (c) Water-related information not included in paragraph 5 of this Standard.

¹ In some instances a statement of changes in water assets and water liabilities need not be presented in a general purpose water accounting report. See AWAS 1.

² In some instances the statement of changes in water assets and water liabilities may be combined with the statement of water flows. See AWAS 1.

³ In some instances a statement of water flows need not be presented in a general purpose water accounting report. See AWAS 1.

⁴ AWAS 1 describes the contextual statement and the information that may be included in a contextual statement.

This Standard may nonetheless provide guidance that may be useful in conducting such engagements. (Ref: Para. A1)

Attestation and Direct Engagements

7. The *Framework for Assurance Engagements* (Assurance Framework) and ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ASAE 3000) note that an assurance engagement may be either an attestation engagement or a direct engagement. This Standard deals only with attestation engagements.⁵

Procedures for Reasonable Assurance and Limited Assurance Engagements

8. ASAE 3000 notes that an assurance engagement may be either a reasonable assurance engagement or a limited assurance engagement.⁶ This Standard deals with both reasonable and limited assurance engagements. (See paragraph 15(c) of this Standard)
9. In both reasonable assurance and limited assurance engagements on a general purpose water accounting report, the assurance practitioner chooses a combination of assurance procedures, which can include: inspection, observation, confirmation, recalculation, re-performance, analytical procedures and enquiry. Determining the assurance procedures to be performed on a particular engagement is a matter of professional judgement. Because general purpose water accounting reports cover a wide range of water report entities, the nature, timing and extent of procedures are likely to vary considerably from engagement to engagement.
10. Unless otherwise stated, each requirement of this Standard applies to both reasonable and limited assurance engagements. Because the level of assurance obtained in a limited assurance engagement is lower than in a reasonable assurance engagement, the procedures the assurance practitioner performs in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement.⁷ Requirements that apply to only one or the other type of engagement have been presented in a columnar format with the letter “L” (limited assurance) or “R” (reasonable assurance) after the paragraph number. Although some procedures are required only for reasonable assurance engagements, they may nonetheless be appropriate in some limited assurance engagements (see also paragraph A82 of this Standard, which outlines the primary differences between the assurance practitioner’s further procedures for a reasonable assurance engagement and a limited assurance engagement on a general purpose water accounting report). (Ref: Para. A2, A82)

Relationship with ASAE 3000, Other Pronouncements and Other Requirements

11. The assurance practitioner is required to comply with ASAE 3000 and this Standard when performing an assurance engagement to report on a general purpose water accounting report. This Standard supplements, but does not replace, ASAE 3000 and expands on how ASAE 3000 is to be applied in an assurance engagement to report on a general purpose water accounting report. (Ref: Para. A14)
12. Compliance with ASAE 3000 requires, among other things, that the assurance practitioner comply with relevant ethical requirements⁸ related to assurance engagements, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding. It also requires the lead assurance practitioner to be a member of a firm that applies ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* (ASQM 1) or other professional requirements, or requirements in law or regulation, that are at least as demanding as ASQM 1.^{9,10} (Ref: Para. A3-A4)
13. Where the assurance engagement is subject to law or regulation, this Standard does not override that law or regulation. In the event that law or regulation differs from this Standard, an engagement conducted in accordance with that law or regulation will not automatically comply with this Standard. The assurance practitioner is entitled to represent compliance with

⁵ Assurance Framework, paragraph 4 and ASAE 3000, paragraph 12(a)(ii).

⁶ ASAE 3000, paragraph 12(a)(i).

⁷ ASAE 3000, paragraph 12(a)(i)b.

⁸ ASAE 3000, paragraphs 3(a), Aus 20.1 and 34 and ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

⁹ ASAE 3000, paragraphs 3(b) and 31(a).

¹⁰ The term “lead assurance practitioner” is referred to in ASQM 1 as “engagement partner”.

this Standard in addition to compliance with law or regulation only when all applicable requirements of this Standard have been met.

Objectives

14. The objectives of the assurance practitioner are:

- (a) To obtain either reasonable assurance or limited assurance, as appropriate, about whether the water accounting statements, note disclosures and accountability statement included in the general purpose water accounting report are free from material misstatement, whether due to fraud or error, thereby enabling the assurance practitioner to express a reasonable assurance or limited assurance conclusion;
- (b) To report, in accordance with the assurance practitioner's findings, about whether:
 - (i) In the case of a reasonable assurance engagement, the water accounting statements, note disclosures and accountability statement included in the general purpose water accounting report are presented fairly, in all material respects, in accordance with the requirements of AWAS 1; or
 - (ii) In the case of a limited assurance engagement, anything has come to the assurance practitioner's attention that causes the assurance practitioner to believe, on the basis of the procedures performed and evidence obtained, that the water accounting statements, note disclosures and accountability statement included in the general purpose water accounting report are not presented fairly, in all material respects, in accordance with the requirements of AWAS 1; and
- (c) To communicate as otherwise required by this Standard, in accordance with the assurance practitioner's findings.

Definitions

15. For the purposes of this Standard, the following terms have the meanings attributed below:¹¹

- (a) Applicable criteria – the specific criteria used by the responsible party in preparing and presenting the general purpose water accounting report.¹²
- (b) Assertions – representations by the responsible party, explicit or otherwise, that are embodied in the general purpose water accounting report, as used by the assurance practitioner to consider the different types of potential misstatements that may occur.
- (c) Assurance engagement – an engagement in which an assurance practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information (that is, the outcome of the measurement or evaluation of an underlying subject matter against criteria). Each assurance engagement is classified in two dimensions:
 - (i) Either a reasonable assurance engagement or a limited assurance engagement:
 - a. Reasonable assurance engagement – an assurance engagement in which the assurance practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the assurance practitioner's conclusion. The assurance practitioner's conclusion is expressed in a form that conveys the assurance practitioner's opinion on the outcome of the measurement or evaluation of the underlying subject matter against criteria.

¹¹ The definitions in ASAE 3000 also apply to this Standard.

¹² AWAS 1 and the *Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports* (WACF) provide criteria for the preparation and presentation of a general purpose water accounting report. See AWAS 1, paragraphs 2-3.

- b. Limited assurance engagement – an assurance engagement in which the assurance practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement as the basis for expressing a conclusion in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the assurance practitioner’s attention to cause the assurance practitioner to believe the subject matter information is materially misstated. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement but is planned to obtain a level of assurance that is, in the assurance practitioner’s professional judgement, meaningful. To be meaningful, the level of assurance obtained by the assurance practitioner is likely to enhance the intended users’ confidence about the subject matter information to a degree that is clearly more than inconsequential. (Ref: Para. A5-A8 and A82)
 - (ii) Either an attestation engagement or a direct engagement:
 - a. Attestation engagement – an assurance engagement in which a party other than the assurance practitioner measures or evaluates the underlying subject matter against the criteria. A party other than the assurance practitioner also often presents the resulting subject matter information in a report or statement. In some cases, however, the subject matter information may be presented by the assurance practitioner in the assurance report. In an attestation engagement, the assurance practitioner’s conclusion may be phrased in terms of:
 - (i) The underlying subject matter and the applicable criteria;
 - (ii) The subject matter information and the applicable criteria; or
 - (iii) A statement made by the appropriate party.
 - b. Direct engagement – an assurance engagement in which the assurance practitioner measures or evaluates the underlying subject matter against the applicable criteria and the assurance practitioner presents the resulting subject matter information as part of, or accompanying, the assurance report. In a direct engagement, the assurance practitioner’s conclusion addresses the reported outcome of the measurement or evaluation of the underlying subject matter against the criteria.
- (d) Assurance practitioner – the individual, firm or other organisation, whether in public practice, industry and commerce, or the public sector, conducting an assurance engagement. Where this Standard expressly intends that a requirement or responsibility be fulfilled by the lead assurance practitioner, the term “lead assurance practitioner” rather than “assurance practitioner” is used.
- (e) Assurance practitioner’s expert – an individual or organisation possessing expertise in a field other than assurance, whose work in that field is used by the assurance practitioner to assist the assurance practitioner in obtaining sufficient appropriate assurance evidence. An assurance practitioner’s expert may be either an assurance practitioner’s internal expert (who is a partner or staff, including temporary staff, of the assurance practitioner’s firm or a network firm), or an assurance practitioner’s external expert.
- (f) Assurance skills and techniques – those planning, evidence gathering, evidence evaluation, communication and reporting skills and techniques demonstrated by an assurance practitioner that are distinct from expertise in the underlying subject matter of any particular assurance engagement or its measurement or evaluation.
(Ref: Para. A9)

- (g) Australian Water Accounting Standards – water accounting standards issued by the Bureau of Meteorology in accordance with its functions under the *Commonwealth Water Act 2007*.
- (h) Comparative information – the volumes and disclosures included in the general purpose water accounting report in respect of one or more prior periods.
- (i) Control activities – the actions established by policies and procedures that help ensure that management directives to mitigate the risks to the achievement of objectives are carried out.
- (j) Control environment – the governance and management functions and the attitudes, awareness and actions of those charged with governance and management concerning internal control and its importance. The control environment is a component of internal control.
- (k) Criteria – the benchmarks used to quantify or evaluate the underlying subject matter. AWAS 1 provides criteria for the preparation and presentation of a general purpose water accounting report (see also paragraph 15(a)). (Ref: Para. A10)
- (l) Engagement risk – the risk that the assurance practitioner expresses an inappropriate conclusion when the general purpose water accounting report is materially misstated.
- (m) Engaging party – the party (or parties) engaging the assurance practitioner to perform the assurance engagement.
- (n) Engagement team – all assurance practitioners and staff performing the assurance engagement, and any other individuals who perform procedures on the engagement excluding an assurance practitioner’s external expert.
- (o) Firm – a sole assurance practitioner, partnership or corporation or other entity of individual assurance practitioners. “Firm” should be read as referring to its public sector equivalents where relevant.
- (p) Fraud – an intentional act by one or more individuals among those charged with governance, management, employees, or third parties, involving the use of deception to obtain unjust or illegal advantage.
- (q) Further procedures – procedures performed in response to assessed risks of material misstatement, including tests of controls (if any), tests of details and analytical procedures.
- (r) General purpose water accounting report – a water accounting report intended to meet the information needs common to users who are unable to command the preparation of water accounting reports tailored to satisfy their information needs. A general purpose water accounting report is prepared in accordance with Australian Water Accounting Standards. AWAS 1 states that a general purpose water accounting report comprises the water accounting statements, accompanying note disclosures, accountability statement and contextual statement. This Standard deals with assurance engagements to report on the water accounting statements, note disclosures and accountability statement only. It does not cover the contextual statement, which is not subject to assurance. Accordingly, where appropriate in this Standard, the term “general purpose water accounting report” is to be read as meaning those components that are covered by the assurance engagement.
- (s) Initial assurance engagement – an engagement in which either:
 - (i) the general purpose water accounting report has been prepared and assured for the first time;
 - (ii) the general purpose water accounting report for the prior period was not assured; or

- (iii) the general purpose water accounting report for the prior period was assured by a predecessor assurance practitioner.
- (t) Lead assurance practitioner – the person in the firm who is responsible for the assurance engagement and its performance, and for the assurance report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body. “Lead assurance practitioner” should be read as referring to its public sector equivalents where relevant.
- (u) Management – for the purposes of this Standard, management refers to those with executive responsibility for the preparation and presentation of the general purpose water accounting report, including water accounting and reporting, unless otherwise specified. In some instances, management includes some or all of those charged with governance, for example, executive members of a governance board, or an owner-manager.
- (v) Management’s expert – an individual or organisation possessing expertise in a field other than water accounting or assurance, whose work in that field is used by management or those charged with governance to assist them in preparing the general purpose water accounting report.
- (w) Materiality – information is material if its omission from, or misstatement in, a general purpose water accounting report has the potential to influence decisions of users of that report, or the discharge of accountability by management or those charged with governance.
- (x) Misstatement – a difference between the general purpose water accounting report and the appropriate measurement or evaluation of the underlying subject matter against the criteria. Misstatements can be intentional or unintentional, qualitative or quantitative, and include omissions.
- (y) Opening balances – account balances that exist at the beginning of the period. Opening balances are based upon the closing balances of the prior period and matters requiring disclosure that existed at the beginning of the period, such as contingencies and commitments.
- (z) Performance materiality – the amount or amounts set by the assurance practitioner at less than materiality for the general purpose water accounting report to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the general purpose water accounting report.
- (aa) Predecessor assurance practitioner – the assurance practitioner from a different firm who conducted the assurance engagement on the general purpose water accounting report in the prior period and who has been replaced by the assurance practitioner for the current period.
- (bb) Professional judgement – the application of relevant training, knowledge and experience, within the context provided by assurance and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the assurance engagement.
- (cc) Professional scepticism – an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement, and a critical assessment of evidence.
- (dd) Re-performance – the assurance practitioner’s independent execution of procedures or controls that were originally performed by the responsible party.
- (ee) Reporting period – the period for which a water accounting report is prepared.

- (ff) Responsible party – those charged with governance or management, as appropriate, responsible for the preparation and presentation of the general purpose water accounting report. (Ref: Para. A11-A13)
- (gg) Special purpose water accounting report – a water accounting report tailored to the information needs of a user able to command this information.
- (hh) Subject matter information – the information that results from applying the criteria to the underlying subject matter. The subject matter information in an engagement conducted under this Standard is the general purpose water accounting report.
- (ii) Those charged with governance – the person(s) or organisation(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of an entity and obligations related to the accountability of the entity. For the purposes of this Standard, those charged with governance refers to those with overall responsibility for, and obligations related to, the preparation and presentation of the general purpose water accounting report, including overseeing the water accounting and reporting process. For some entities, those charged with governance may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.
- (jj) Underlying subject matter – the subject matter that is measured or evaluated by applying criteria. In an engagement conducted under this Standard the underlying subject matter is the water assets, water liabilities, changes in water assets and water liabilities, and water flows of a water report entity.
- (kk) 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.
- (ll) Water accounting report – may be either a general purpose water accounting report or a special purpose water accounting report.
- (mm) Water accounting statements – comprise the statement of water assets and water liabilities, the statement of changes in water assets and water liabilities, and the statement of water flows.
- (nn) 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.
- (oo) Water entity – an entity that:
 - (i) Holds or transfers water, or
 - (ii) Holds or transfers rights or other direct or indirect claims to water, or
 - (iii) Has inflows and/or outflows of water.
- (pp) 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.
- (qq) 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.

Requirements

ASAE 3000

16. The assurance practitioner shall not represent compliance with this Standard unless the assurance practitioner has complied with the requirements of both this Standard and ASAE 3000. (Ref: Para. A3-A4, A14, A17, A25 and A164)

Acceptance and Continuance of the Engagement

Skills, Knowledge and Experience

17. The lead assurance practitioner shall:
- (a) Have competence in assurance skills and techniques developed through extensive training and practical application, and sufficient competence in the quantification and reporting of water assets, water liabilities and changes in water assets and water liabilities to accept responsibility for the assurance conclusion; and
 - (b) Be satisfied that those persons who are to perform the engagement collectively have the appropriate competence and capabilities, including having sufficient time to perform the engagement, including in the quantification and reporting of water assets, water liabilities and changes in water assets and water liabilities, and in assurance, to perform the assurance engagement in accordance with this Standard. (Ref: Para. A15-A16)

Preconditions for the Engagement

18. In order to establish whether the preconditions for the engagement are present, the assurance practitioner shall, at a minimum:
- (a) When determining the suitability of the applicable criteria, as required by ASAE 3000,¹³ determine whether the applicable criteria encompass: (Ref: Para. A19-A22)
 - (i) The appropriate identification of water assets and water liabilities to be accounted for; (Ref: Para. A20)
 - (ii) Acceptable quantification approaches; and (Ref: Para. A21)
 - (iii) Adequate disclosures such that intended users can understand the significant judgements made in preparing the general purpose water accounting report. (Ref: Para. A22)
 - (b) Obtain from the responsible party an agreement that they acknowledge and understand their responsibility for:
 - (i) Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of a general purpose water accounting report that is free from material misstatement, whether due to fraud or error;
 - (ii) Preparing and presenting the general purpose water accounting report in accordance with the applicable criteria; and
 - (iii) Referring to or describing in the general purpose water accounting report the applicable criteria and, when it is not readily apparent from the engagement circumstances, who developed the criteria. (Ref: Para. A23)
 - (iv) Providing the assurance practitioner with: (Ref: Para. A24)
 - a. Access to all information of which they are aware that is relevant to the preparation of the general purpose water accounting report such as records, documentation and other matters;

¹³ ASAE 3000, paragraph 24(b)(ii) and 41.

- b. Additional information that the assurance practitioner may request from them for the purpose of the engagement; and
 - c. Unrestricted access to persons from whom the assurance practitioner determines it necessary to obtain assurance evidence.
- 19. If the preconditions for an assurance engagement are not present, the assurance practitioner shall discuss the matter with the engaging party. If changes cannot be made to meet the preconditions, the assurance practitioner shall not accept the engagement as an assurance engagement unless required by law or regulation to do so. However, an engagement conducted under such circumstances does not comply with this Standard or ASAE 3000. Accordingly, the assurance practitioner shall not include any reference within the assurance report to the engagement having been conducted in accordance with this Standard or ASAE 3000.

Agreement on the Terms of the Engagement

- 20. The terms of the engagement required to be agreed by ASAE 3000¹⁴ shall include:
(Ref: Para. A25)
 - (a) The objective and scope of the engagement;
 - (b) The responsibilities of the assurance practitioner;
 - (c) The responsibilities of the responsible party, including those described in paragraph 18(b);
 - (d) Identification of the applicable criteria for the preparation of the general purpose water accounting report;
 - (e) Reference to the expected form and content of any reports to be issued by the assurance practitioner and a statement that there may be circumstances in which a report may differ from its expected form and content; and
 - (f) An acknowledgement that the responsible party agrees to provide written representations at the conclusion of the engagement.

Professional Scepticism, Professional Judgement and Assurance Skills and Techniques

- 21. ASAE 3000 requires the assurance practitioner to plan and perform the engagement with professional scepticism, recognising that circumstances may exist that cause the general purpose water accounting report to be materially misstated.¹⁵
- 22. ASAE 3000 requires the assurance practitioner to exercise professional judgement in planning and performing an assurance engagement on a general purpose water accounting report, including determining the nature, timing and extent of procedures.¹⁶
- 23. ASAE 3000 requires the assurance practitioner to apply assurance skills and techniques as part of an iterative, systematic engagement process.¹⁷

Planning

- 24. When planning the engagement as required by ASAE 3000,¹⁸ the assurance practitioner shall:
(Ref: Para. A26-A31)
 - (a) Identify the characteristics of the engagement that define its scope;
 - (b) Ascertain the reporting objectives of the engagement to plan the timing of the engagement and the nature of the communications required;

¹⁴ ASAE 3000, paragraph 27.

¹⁵ ASAE 3000, paragraph 37.

¹⁶ ASAE 3000, paragraph 38.

¹⁷ ASAE 3000, paragraph 39.

¹⁸ ASAE 3000, paragraph 40.

- (c) Consider the factors that, in the assurance practitioner's professional judgement, are significant in directing the engagement team's efforts;
- (d) Consider the results of engagement acceptance or continuance procedures (see paragraphs 17-20) and, where applicable, whether knowledge gained on other engagements performed by the lead assurance practitioner involving the water report entity is relevant;
- (e) Ascertain the nature, timing and extent of resources necessary to perform the engagement, including the involvement of experts and of other assurance practitioners (Ref: Para. A30-A31); and
- (f) Determine the impact of the internal audit function, if any, on the engagement.

Materiality in Planning and Performing the Engagement

Determining Materiality and Performance Materiality When Planning the Engagement

- 25. When establishing the overall engagement strategy, the assurance practitioner shall determine materiality for the general purpose water accounting report. (Ref: Para. A32-A40)
- 26. The assurance practitioner shall determine performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further procedures.

Revision as the Engagement Progresses

- 27. The assurance practitioner shall revise materiality for the general purpose water accounting report in the event of becoming aware of information during the engagement that would have caused the assurance practitioner to have determined a different amount initially.
(Ref: Para. A41)

Understanding the Water Report Entity and Its Circumstances and Identifying and Assessing Risks of Material Misstatement

Obtaining an Understanding of the Water Report Entity and Its Circumstances

- 28. The assurance practitioner shall obtain an understanding of the following: (Ref: Para. A42-A44)
 - (a) The nature of the water report entity, including the physical and administrative aspects of the entity and the water resources being reported.
 - (b) Industry, regulatory, and other externally-imposed requirements, if any, affecting the operations of the water report entity, including the applicable criteria.
 - (c) The water management objective and strategy, if any, and associated economic, regulatory, environmental, social, cultural, physical and reputational risks.
(Ref: Para. A45)
 - (d) The selection and application of reporting policies and quantification approaches, including the reasons for changes, if any, from the prior year.
 - (e) Whether the responsible party used a management's expert to assist them in preparing the general purpose water accounting report. (Ref: Para. A46)
 - (f) Whether there have been any significant events that have affected information included in the general purpose water accounting report. (Ref: Para. A47)
 - (g) The uncertainties associated with the elements reported in the general purpose water accounting report. (Ref: Para. A48-A53)
 - (h) Estimates, including related disclosures, included in the general purpose water accounting report.

- (i) The potential for double-counting of water assets and water liabilities in the general purpose water accounting report.
- (j) Whether there is an internal audit function and, if so, its activities and main findings with respect to water accounting and preparation of the general purpose water accounting report.
- (k) Other relevant internal review functions, their activities and main findings.
- (l) Relevant technical and peer reviews.

Procedures to Obtain an Understanding and to Identify and Assess Risks of Material Misstatement

29. The procedures to obtain an understanding of the water report entity and its circumstances and to identify and assess risks of material misstatement shall include the following:

(Ref: Para. A42-A44, A54)

- (a) Enquiries of those who, in the assurance practitioner's judgement, have information that is likely to assist in identifying and assessing risks of material misstatement due to fraud or error.
- (b) Analytical procedures. (Ref: Para. A55-A57)
- (c) Observation and inspection. (Ref: Para. A58-A60)

Obtaining an Understanding of Internal Control

Limited Assurance	Reasonable Assurance
30L. The assurance practitioner shall obtain an understanding, through enquiries, about the following components of the responsible party's internal control relevant to the quantification and reporting of water assets, water liabilities and changes in water assets and water liabilities as the basis for identifying and assessing risks of material misstatement: (Ref: Para. A42-A44, A61-A62) (a) The control environment; (b) The water information system, including the related business processes, and communication of water accounting and reporting roles and responsibilities and significant matters relating to water accounting and reporting; and (c) The results of the responsible party's risk assessment process.	30R. The assurance practitioner shall obtain an understanding of the following components of the responsible party's internal control relevant to the quantification and reporting of water assets, water liabilities and changes in water assets and water liabilities as the basis for identifying and assessing risks of material misstatement: (Ref: Para. A42-A44, A62) (a) The control environment; (b) The water information system, including the related business processes, and communication of water accounting and reporting roles and responsibilities and significant matters relating to water accounting and reporting; (c) The responsible party's risk assessment process, including the results of the process; (d) Control activities relevant to the engagement, being those the assurance practitioner judges it necessary to understand in order to assess the risks of material misstatement at the assertion level and design further procedures responsive to assessed risks. An assurance engagement does not

Limited Assurance	Reasonable Assurance
	require an understanding of all the control activities related to each significant water asset and water liability and disclosure in the general purpose water accounting report or to every assertion relevant to them; and (Ref: Para. A63-A64) (e) Monitoring of controls.
	31R. When obtaining the understanding required by paragraph 30R, the assurance practitioner shall evaluate the design of controls and determine whether they have been implemented, by performing procedures in addition to enquiry of persons responsible for the general purpose water accounting report. (Ref: Para. A42-A44)

Other Procedures to Obtain an Understanding and to Identify and Assess Risks of Material Misstatement

32. If the lead assurance practitioner has performed other assurance engagements relating to the water report entity, the lead assurance practitioner shall consider whether information obtained from those engagements is relevant to identifying and assessing risks of material misstatement. (Ref: Para. A65)
33. The assurance practitioner shall make enquiries of the responsible party and others involved in preparing the general purpose water accounting report, as appropriate, to determine whether they have knowledge of any actual, suspected or alleged fraud or non-compliance with law or regulation affecting the general purpose water accounting report. (Ref: Para. A76-A78)
34. The lead assurance practitioner and other key members of the engagement team, and any key assurance practitioner's external experts, shall discuss the susceptibility of the general purpose water accounting report to material misstatement whether due to fraud or error, and the application of the applicable criteria to the water report entity's facts and circumstances. The lead assurance practitioner shall determine which matters are to be communicated to members of the engagement team, and to any assurance practitioner's external experts not involved in the discussion.
35. The assurance practitioner shall evaluate whether the quantification approaches and reporting policies adopted by the responsible party, are appropriate for its operations, and are consistent with the applicable criteria, quantification approaches and reporting policies used in the relevant industry and in prior periods.

Performing Procedures at Other Locations

36. The assurance practitioner shall determine whether it is necessary in the circumstances of the engagement to perform procedures at other locations, other than where the general purpose water accounting report is prepared. (Ref: Para. A66-A69)

Internal Audit

37. Where there is an internal audit function that is relevant to the engagement, the assurance practitioner shall: (Ref: Para. A70)
 - (a) Determine whether, and to what extent, to use specific work of the internal audit function; and

- (b) If using the specific work of the internal audit function, determine whether that work is adequate for the purposes of the engagement.

Identifying and Assessing Risks of Material Misstatement

Limited Assurance	Reasonable Assurance
38L. The assurance practitioner shall identify and assess risks of material misstatement: (a) At the general purpose water accounting report level; and (Ref: Para. A71-A72) (b) For material types of water assets, water liabilities, changes in water assets and water liabilities and disclosures. (Ref: Para. A73) as the basis for designing and performing procedures whose nature, timing and extent: (c) Are responsive to assessed risks of material misstatement; and (d) Allow the assurance practitioner to obtain limited assurance about whether the general purpose water accounting report is presented fairly, in all material respects, in accordance with the applicable criteria.	38R. The assurance practitioner shall identify and assess risks of material misstatement: (a) At the general purpose water accounting report level; and (Ref: Para. A71-A72) (b) At the assertion level for material types of water assets, water liabilities, changes in water assets and water liabilities and disclosures; (Ref: Para. A73-A74) as the basis for designing and performing procedures whose nature, timing and extent: (Ref: Para. A75) (c) Are responsive to assessed risks of material misstatement; and (d) Allow the assurance practitioner to obtain reasonable assurance about whether the general purpose water accounting report is presented fairly, in all material respects, in accordance with the applicable criteria.

Causes of Risks of Material Misstatement

39. When performing the procedures required by paragraphs 38L or 38R, the assurance practitioner shall consider at least the following factors: (Ref: Para. A76-A81)
- (a) The likelihood of intentional misstatement in the general purpose water accounting report; (Ref: Para. A76-A78)
 - (b) The likelihood of non-compliance with the provisions of law or regulation generally recognised to have a direct effect on the content of the general purpose water accounting report; (Ref: Para. A79)
 - (c) The likelihood of omission, or misstatement, of potentially significant water assets, water liabilities or changes in water assets and water liabilities; (Ref: Para. A80(a))
 - (d) Significant regulatory changes; (Ref: Para. A80(b))
 - (e) The nature of operations; (Ref: Para. A80(c))
 - (f) The likelihood of double counting of water assets, water liabilities or changes in water assets and water liabilities; (Ref: Para. A80(e))
 - (g) The nature of quantification approaches; (Ref: Para. A80(f))
 - (h) The degree of subjectivity in the quantification of water assets, water liabilities and changes in water assets and water liabilities; (Ref: Para. A80(g))

- (i) Whether there are significant water assets or water liabilities that are outside the normal course of business of the water report entity, or that otherwise appear to be unusual; (Ref: Para. A80(g))
- (j) Whether any unaccounted-for difference¹⁹ is outside the normal operation of the water report entity, or that otherwise appears to be unusual; (Ref: Para. A80(h)) and
- (k) How significant estimates are made and the assumptions, concepts and data on which they are based. (Ref: Para. A80(j))

Overall Responses to Assessed Risks of Material Misstatement and Further Procedures

- 40. The assurance practitioner shall design and implement overall responses to address the assessed risks of material misstatement at the general purpose water accounting report level. (Ref: Para. A82-A85)
- 41. The assurance practitioner shall design and perform further procedures whose nature, timing and extent are responsive to the assessed risks of material misstatement, having regard to the level of assurance, reasonable or limited, as appropriate. (Ref: Para. A82)

Overall Responses and Further Procedures

Limited Assurance	Reasonable Assurance
42L. In designing and performing the further procedures in accordance with paragraph 41, the assurance practitioner shall: (Ref: Para. A82, A86) (a) Consider the reasons for the assessment given to the risks of material misstatement for material types of water assets, water liabilities, changes in water assets and water liabilities and disclosures; and (Ref: Para. A87)	42R. In designing and performing the further procedures in accordance with paragraph 41, the assurance practitioner shall: (Ref: Para. A82, A86) (a) Consider the reasons for the assessment given to the risks of material misstatement at the assertion level for material types of water assets, water liabilities, changes in water assets and water liabilities and disclosures, including: (Ref: Para. A87) (i) The likelihood of material misstatement due to the particular characteristics of the relevant type of water asset or water liability or disclosure (that is, the inherent risk); and (ii) Whether the assurance practitioner intends to rely on the operating effectiveness of controls in determining the nature, timing and extent of other procedures; and (Ref: Para. A89)
(b) Obtain more persuasive evidence the higher the assurance practitioner's assessment of risk. (Ref: Para. A88)	(b) Obtain more persuasive evidence the higher the assurance practitioner's assessment of risk. (Ref: Para. A88)
	<i>Tests of Controls</i> 43R. The assurance practitioner shall design and perform tests of controls to obtain

¹⁹ See AWAS 1, paragraphs 114 and 127, which discuss unaccounted-for differences and paragraph 133, which requires disclosure of any additional information not explicitly required by AWAS 1 that is relevant to an understanding of the water assets and water liabilities of the water report entity.

Limited Assurance	Reasonable Assurance
	sufficient appropriate evidence as to the operating effectiveness of relevant controls if: (a) The assurance practitioner intends to rely on the operating effectiveness of controls in determining the nature, timing and extent of other procedures; or (Ref: Para. A89) (b) Procedures other than tests of controls cannot alone provide sufficient appropriate evidence at the assertion level. (Ref: Para. A90) 44R. If deviations from controls upon which the assurance practitioner intends to rely are detected, the assurance practitioner shall make specific enquiries to understand these matters and their potential consequences, and shall determine whether: (a) The tests of controls that have been performed provide an appropriate basis for reliance on the controls; (b) Additional tests of controls are necessary; or (c) The potential risks of material misstatement need to be addressed using other procedures. <i>Procedures Other than Tests of Controls</i> 45R. Irrespective of the assessed risks of material misstatement, the assurance practitioner shall design and perform tests of details or analytical procedures in addition to tests of controls, if any, for each material type of water asset and water liability and disclosure. (Ref: Para. A86) <i>Confirmation Procedures</i> 46R. The assurance practitioner shall consider whether external confirmation procedures are to be performed. (Ref: Para. A91)

Analytical Procedures Performed in Response to Assessed Risks of Material Misstatement

Limited Assurance	Reasonable Assurance
47L. If designing and performing analytical procedures, the assurance practitioner shall: (Ref: Para. A82(c), A92-A94) (a) Determine the suitability of	47R. If designing and performing analytical procedures, the assurance practitioner shall: (Ref: Para. A82(c), A92-A94) (a) Determine the suitability of

Limited Assurance	Reasonable Assurance
particular analytical procedures, taking account of the assessed risks of material misstatement and tests of details, if any; (b) Evaluate the reliability of data from which the assurance practitioner's expectation of recognised volumes or note disclosures is developed, taking account of the source, comparability, and nature and relevance of information available, and controls over preparation; and (c) Develop an expectation with respect to recognised volumes or note disclosures.	particular analytical procedures for given assertions, taking account of the assessed risks of material misstatement and tests of details, if any, for these assertions; (b) Evaluate the reliability of data from which the assurance practitioner's expectation of recognised volumes or note disclosures is developed, taking account of the source, comparability, and nature and relevance of information available, and controls over preparation; and (c) Develop an expectation of recognised volumes or note disclosures which is sufficiently precise to identify possible material misstatements.
48L. If analytical procedures identify fluctuations or relationships that are inconsistent with other relevant information or that differ significantly from expected volumes or note disclosures, the assurance practitioner shall make enquiries of the responsible party about such differences. The assurance practitioner shall consider the responses to these enquiries to determine whether other procedures are necessary in the circumstances. (Ref: Para. A82(c))	48R. If analytical procedures identify fluctuations or relationships that are inconsistent with other relevant information or that differ significantly from expected volumes or note disclosures, the assurance practitioner shall investigate such differences by: (Ref: Para. A82(c)) (a) Enquiring of the responsible party and obtaining additional evidence relevant to the entity's responses; and (b) Performing other procedures as necessary in the circumstances.

Procedures Regarding Estimates

Limited Assurance	Reasonable Assurance
49L. Based on the assessed risks of material misstatement, the assurance practitioner shall: (Ref: Para. A95-A96) (a) Evaluate whether: (i) The responsible party has appropriately applied the requirements of the applicable criteria relevant to estimates; and (ii) The methods for making estimates are appropriate and have been applied consistently, and whether changes, if any, in reported estimates or in the method for making them from the prior period are appropriate	49R. Based on the assessed risks of material misstatement, the assurance practitioner shall evaluate whether: (Ref: Para. A95) (a) The responsible party has appropriately applied the requirements of the applicable criteria relevant to estimates; and (b) The methods for making estimates are appropriate and have been applied consistently, and whether changes, if any, in reported estimates or in the method for making those from the prior period are appropriate in the circumstances.

Limited Assurance	Reasonable Assurance
in the circumstances; and (b) Consider whether other procedures are necessary in the circumstances.	
	50R. In responding to an assessed risk of material misstatement, the assurance practitioner shall undertake one or more of the following, taking account of the nature of estimates: (Ref: Para. A95) (a) Test how the estimates were made and the data on which they are based. In doing so, the assurance practitioner shall evaluate whether: (i) The method of quantification used is appropriate in the circumstances; and (ii) The assumptions used are reasonable. (b) Test the operating effectiveness of the controls over how the estimates were made, together with other appropriate procedures. (c) Develop a point estimate or a range to evaluate the estimates. For this purpose: (i) If the assurance practitioner uses assumptions or methods that differ from those used in the preparation of the general purpose water accounting report, the assurance practitioner shall obtain an understanding of those assumptions or methods sufficient to establish that the assurance practitioner's point estimate or range takes into account relevant variables and to evaluate any significant differences between the estimates. (ii) If the assurance practitioner concludes that it is appropriate to use a range, the assurance practitioner shall narrow the range, based on evidence available, until all outcomes within the range are considered reasonable.

Procedures Related to the Future Prospects Note

51. The assurance practitioner shall obtain sufficient appropriate assurance evidence about whether the disclosures in the future prospects note in the general purpose water accounting report: (Ref: Para. A97-A101)
- (a) Are in accordance with the requirements of AWAS 1; and
 - (b) Are reasonable in the context of AWAS 1.

Procedures Related to Unaccounted-for Differences

52. The assurance practitioner shall obtain sufficient appropriate assurance evidence about whether the disclosures regarding unaccounted-for differences, if any, in the general purpose water accounting report: (Ref: Para. A102-A103)
- (a) Are in accordance with the requirements of AWAS 1; and
 - (b) Are reasonable in the context of AWAS 1.

Information Prepared Using the Work of a Management's Expert

53. If information to be used as assurance evidence has been prepared using the work of a management's expert, the assurance practitioner shall, to the extent necessary having regard to the significance of that expert's work for the purposes of the assurance engagement: (Ref: Para. A104-A105)
- (a) Evaluate the competence, capabilities and objectivity of that expert; (Ref: Para. A106)
 - (b) Obtain an understanding of the work of that expert; and (Ref: Para. A107)
 - (c) Evaluate the appropriateness of that expert's work as assurance evidence. (Ref: Para. A108)

Sampling

54. When sampling is used, the assurance practitioner shall, when designing the sample, consider the purpose of the procedure and the characteristics of the population from which the sample will be drawn. (Ref: Para. A82(b), A109)

Fraud, Law and Regulation

55. The assurance practitioner shall respond appropriately to fraud or suspected fraud and non-compliance or suspected non-compliance with law or regulation identified during the engagement. (Ref: Para. A110-A111)

Procedures Regarding the General Purpose Water Accounting Report Aggregation Process

Limited Assurance	Reasonable Assurance
56L. The assurance practitioner's procedures shall include the following procedures related to the general purpose water accounting report aggregation process: (Ref: Para. A112) (a) Obtaining evidence that the general purpose water accounting report agrees with, or reconciles to, the underlying records; and (b) Obtaining, through enquiry of the responsible party, an understanding	56R. The assurance practitioner's procedures shall include the following procedures related to the general purpose water accounting report aggregation process: (Ref: Para. A112) (a) Obtaining evidence that the general purpose water accounting report agrees with, or reconciles to, the underlying records; and (b) Examining material adjustments made during the course of preparing

Limited Assurance	Reasonable Assurance
of material adjustments made during the course of preparing the general purpose water accounting report and considering whether other procedures are necessary in the circumstances.	the general purpose water accounting report.

Additional Procedures

Limited Assurance	Reasonable Assurance
<i>Determining Whether Additional Procedures Are Necessary in a Limited Assurance Engagement</i> 57L. If the assurance practitioner becomes aware of a matter(s) that causes the assurance practitioner to believe the general purpose water accounting report may be materially misstated, the assurance practitioner shall design and perform additional procedures to obtain further evidence until the assurance practitioner is able to: (Ref: Para. A113-A114) (a) Conclude that the matter(s) is not likely to cause the general purpose water accounting report to be materially misstated; or (b) Determine that the matter(s) causes the general purpose water accounting report to be materially misstated. (Ref: Para. A115)	<i>Revision of Risk Assessment in a Reasonable Assurance Engagement</i> 57R. The assurance practitioner's assessment of the risks of material misstatement at the assertion level may change during the course of the engagement as additional evidence is obtained. In circumstances where the assurance practitioner obtains evidence which is inconsistent with the evidence on which the assurance practitioner originally based the assessment, the assurance practitioner shall revise the assessment and modify the planned procedures accordingly. (Ref: Para. A113)

Accumulation of Identified Misstatements

58. The assurance practitioner shall accumulate misstatements identified during the engagement, other than those that are clearly trivial. (Ref: Para. A116)

Consideration of Identified Misstatements as the Engagement Progresses

59. The assurance practitioner shall determine whether the overall engagement strategy and engagement plan need to be revised if:
- (a) The nature of identified misstatements and the circumstances of their occurrence indicate that other misstatements may exist that, when aggregated with misstatements accumulated during the engagement, could be material; or
- (b) The aggregate of misstatements accumulated during the engagement approaches materiality determined in accordance with paragraphs 25-27 of this Standard.
60. If, at the assurance practitioner's request, the responsible party has examined a type of water asset or water liability or disclosure and corrected misstatements that were detected, the assurance practitioner shall perform procedures with respect to the work performed by them to determine whether material misstatements remain.

Communication and Correction of Misstatements

61. The assurance practitioner shall communicate on a timely basis all misstatements accumulated during the engagement with the responsible party and shall request the responsible party to correct those misstatements.
62. If the responsible party refuses to correct some or all of the misstatements communicated by the assurance practitioner, the assurance practitioner shall obtain an understanding of their reasons for not making the corrections and shall take that understanding into account when forming the assurance practitioner's conclusion.

Evaluating the Effect of Uncorrected Misstatements

63. Prior to evaluating the effect of uncorrected misstatements, the assurance practitioner shall reassess materiality determined in accordance with paragraphs 25-27 of this Standard to confirm whether it remains appropriate in the context of the general purpose water accounting report.
64. The assurance practitioner shall determine whether uncorrected misstatements are material, individually or in the aggregate. In making this determination, the assurance practitioner shall consider the size and nature of the misstatements, and the particular circumstances of their occurrence. (See paragraph 99 of this Standard)

Initial Assurance Engagements

Opening Balances

65. The assurance practitioner shall read the most recent general purpose water accounting report, if any, and the predecessor assurance practitioner's report thereon, if any, for information relevant to opening balances, including disclosures.
66. The assurance practitioner shall obtain sufficient appropriate assurance evidence about whether the opening balances contain misstatements that materially affect the current period's general purpose water accounting report by: (Ref: Para. A117-A118)
 - (a) Determining whether the prior period's closing balances have been correctly brought forward to the current period or, when appropriate, have been restated;
 - (b) Determining whether the opening balances reflect the application of appropriate water accounting policies; and
 - (c) Performing one or more of the following:
 - (i) Where the prior period general purpose water accounting report was assured, reviewing the predecessor assurance practitioner's working papers to obtain evidence regarding the opening balances;
 - (ii) Evaluating whether assurance procedures performed in the current period provide evidence relevant to the opening balances; or
 - (iii) Performing specific assurance procedures to obtain evidence regarding the opening balances.
67. If the prior period general purpose water accounting report was assured by a predecessor assurance practitioner and there was a modification to the conclusion, the assurance practitioner shall evaluate the matter giving rise to the modification in assessing the risks of material misstatement in the current period general purpose water accounting report.

Effect on the Assurance Report

68. If the assurance practitioner is unable to obtain sufficient, appropriate evidence regarding opening balances, the assurance practitioner shall express a qualified conclusion or disclaim a conclusion on the general purpose water accounting report, as appropriate. (Ref: Para. A119-A120)

69. If the assurance practitioner concludes that:
- (a) The opening balances contain a misstatement that materially affects the current period general purpose water accounting report, and the effect of the misstatement is not appropriately accounted for or not adequately presented or disclosed; or
 - (b) The current period water accounting policies are not consistently applied in relation to opening balances in accordance with AWAS 1; or
 - (c) A change in water accounting policies is not appropriately accounted for or not adequately presented or disclosed in accordance with AWAS 1
- the assurance practitioner shall express a qualified conclusion or an adverse conclusion, as appropriate.
70. If the predecessor assurance practitioner's conclusion regarding the prior period general purpose water accounting report included a modification that remains relevant and material to the current general purpose water accounting report, the assurance practitioner shall modify the assurance practitioner's conclusion on the current period general purpose water accounting report.

Using the Work of Another Assurance Practitioner

71. When the assurance practitioner intends to use the work of another assurance practitioner, the assurance practitioner shall:
- (a) Communicate clearly with the other assurance practitioner about the scope and timing of the work and findings of the other assurance practitioner; and (Ref: Para. A121-A122)
 - (b) Evaluate the sufficiency and appropriateness of evidence obtained and the process for including related information in the general purpose water accounting report.
(Ref: Para. A123)

Using the Work of an Assurance Practitioner's Expert

Determining the Need for an Assurance Practitioner's Expert

72. If expertise in a field other than water accounting and assurance is necessary to obtain sufficient appropriate assurance evidence, the assurance practitioner shall determine whether to use the work of an assurance practitioner's expert. (Ref: Para. A124-A127)

The Competence, Capabilities and Objectivity of the Assurance Practitioner's Expert

73. The assurance practitioner shall evaluate whether the assurance practitioner's expert has the necessary competence, capabilities and objectivity for the assurance practitioner's purposes.
(Ref: Para. A128-A129)
74. The assurance practitioner shall obtain sufficient understanding of the field of expertise of the assurance practitioner's expert to enable the assurance practitioner to determine the nature, scope and objectives of that expert's work for the assurance practitioner's purposes.
(Ref: Para. A129(c))

Agreement with the Assurance Practitioner's Expert

75. The assurance practitioner shall agree, in writing, when appropriate, on the following matters, with the assurance practitioner's expert: (Ref: Para. A130-A137)
- (a) The nature, scope and objectives of that expert's work;
 - (b) The respective roles and responsibilities of the assurance practitioner and that expert;
 - (c) The nature, timing and extent of communication between the assurance practitioner and that expert, including the form of any report to be provided by that expert; and

- (d) The need for that expert to observe confidentiality requirements.

Evaluating the Adequacy of the Assurance Practitioner's Expert's Work

76. The assurance practitioner shall evaluate the adequacy of the assurance practitioner's expert's work for the assurance practitioner's purposes, including: (Ref: Para. A138-A143)
- (a) The relevance and reasonableness of that expert's findings or conclusions and their consistency with other assurance evidence;
 - (b) If that expert's work involves assumptions and methods, the relevance and reasonableness of those assumptions and methods in the circumstances; and
 - (c) If that expert's work involves the use of source data that is significant to that expert's work, the relevance, completeness and accuracy of that source data.
77. If the assurance practitioner determines that the work of the assurance practitioner's expert is not adequate for the assurance practitioner's purposes, the assurance practitioner shall: (Ref: Para. A144)
- (a) Agree with that expert on the nature and extent of further work to be performed by that expert; or
 - (b) Perform additional assurance procedures appropriate to the circumstances.

Reference to the Assurance Practitioner's Expert in the Assurance Practitioner's Report

78. The assurance practitioner shall not refer to the work of an assurance practitioner's expert in an assurance practitioner's report unless: (Ref: Para. A145-A146)
- (a) It is required by law or regulation to do so; or
 - (b) Such reference is relevant to an understanding of a modification to the assurance practitioner's conclusion.
79. If the assurance practitioner makes reference to the work of an assurance practitioner's expert in the assurance practitioner's report, the assurance practitioner shall indicate in that report that the reference does not reduce the assurance practitioner's responsibility for the assurance practitioner's conclusion.

Written Representations

80. The assurance practitioner shall request written representations from the responsible party: (Ref: Para. A147)
- (a) That they have fulfilled their responsibility for the preparation of the general purpose water accounting report, including comparative information where appropriate, in accordance with the applicable criteria, as set out in the terms of the engagement;
 - (b) That they have provided the assurance practitioner with all relevant information and access as agreed in the terms of the engagement and reflected all relevant matters in the general purpose water accounting report;
 - (c) Whether they believe the effects of uncorrected misstatements are immaterial, individually and in the aggregate, to the general purpose water accounting report. A summary of such items shall be included in or attached to the written representation;
 - (d) Whether they believe that significant assumptions used in making estimates are reasonable;
 - (e) That they have communicated to the assurance practitioner all deficiencies in internal control relevant to the engagement that are not clearly trivial of which they are aware; and

- (f) Whether they have disclosed to the assurance practitioner their knowledge of actual, suspected or alleged fraud or non-compliance with law or regulation where the fraud or non-compliance could have a material effect on the general purpose water accounting report.
81. The date of the written representations shall be as near as practicable to, but not after, the date of the assurance report.
82. The assurance practitioner shall disclaim a conclusion on the general purpose water accounting report or withdraw from the engagement, where withdrawal is possible under applicable law or regulation, if:
- (a) The assurance practitioner concludes that there is sufficient doubt about the integrity of the person(s) providing the written representations required by paragraphs 80(a)-80(b) that written representations are not reliable; or
 - (b) The responsible party does not provide the written representations required by paragraphs 80(a)-80(b).

Subsequent Events

83. The assurance practitioner shall: (Ref: Para. A148)
- (a) Consider whether events occurring between the date of the general purpose water accounting report and the date of the assurance report require adjustment of, or disclosure in, the general purpose water accounting report, and evaluate the sufficiency and appropriateness of evidence obtained about whether such events are appropriately reflected in that general purpose water accounting report in accordance with the applicable criteria; and
 - (b) Respond appropriately to facts that become known to the assurance practitioner after the date of the assurance report, that, had they been known to the assurance practitioner at that date, may have caused the assurance practitioner to amend the assurance report.

Comparative Information

84. The assurance practitioner shall determine whether the general purpose water accounting report includes the comparative information required by AWAS 1 and whether such information is appropriately classified. For this purpose, the assurance practitioner shall evaluate whether: (Ref: Para. A149-A156)
- (a) The comparative information agrees with the amounts and other disclosures presented in the prior period or, when appropriate, has been restated; and (Ref: Para. A149)
 - (b) The water accounting policies reflected in the comparative information are consistent with those applied in the current period or, if there have been changes in water accounting policies, whether those changes have been properly accounted for and adequately presented and disclosed.
85. If the assurance practitioner becomes aware of a possible material misstatement in the comparative information while performing the current period assurance engagement, the assurance practitioner shall discuss the matter with those person(s) with appropriate responsibilities for, and knowledge of the matters concerned and perform procedures appropriate in the circumstances. (Ref: Para. A150-A152)

Assurance Reporting and Comparative Information

86. The assurance practitioner's conclusion shall not refer to the comparative information except in the circumstances described in paragraphs 87, 88 and 90.
87. If the assurance practitioner's report on the prior period included a qualified opinion, a disclaimer of opinion, or an adverse opinion and the matter which gave rise to the

modification is unresolved, the assurance practitioner shall modify the conclusion on the current period's general purpose water accounting report. In the Basis for Modification paragraph in the assurance practitioner's report, the assurance practitioner shall either:
(Ref: Para. A153-A154)

- (a) Refer to both the current period's figures and the corresponding figures in the description of the matter giving rise to the modification when the effects of the matter on the current period's figures are material; or
- (b) In other cases, explain that the assurance conclusion has been modified because of the effects or possible effects of the unresolved matter on the comparability of the current period's figures and the corresponding figures.

88. If the assurance practitioner obtains evidence that: (Ref: Para. A155)

- (a) a material misstatement exists in the prior period general purpose water accounting report on which an unmodified assurance conclusion has been previously issued; and
- (b) the comparative figures have not been properly restated or appropriate disclosures have not been made,

the assurance practitioner shall express a qualified conclusion or an adverse conclusion in the assurance report on the current period general purpose water accounting report, modified with respect to the comparative information.

Prior Period General Purpose Water Accounting Report Assured by a Predecessor Assurance Practitioner

89. If the general purpose water accounting report of the prior period was assured by a predecessor assurance practitioner, and the assurance practitioner is not prohibited by law or regulation from referring to the predecessor assurance practitioner's report on the comparative information and decides to do so, the assurance practitioner shall state in an Other Matter paragraph in the assurance report: (Ref: Para. A156)

- (a) That the general purpose water accounting report of the prior period was conducted by the predecessor assurance practitioner;
- (b) The type of conclusion expressed by the predecessor assurance practitioner and, if the conclusion was modified, the reasons therefore; and
- (c) The date of that report.

Prior Period General Purpose Water Accounting Report Not Assured

90. If the prior period general purpose water accounting report was not assured, the assurance practitioner shall state in an Other Matter paragraph in the assurance report that the comparative information is not assured. Such a statement does not, however, relieve the assurance practitioner of the requirement to obtain sufficient appropriate evidence that the opening balances do not contain misstatements that materially affect the current period's general purpose water accounting report.

Other Information

91. The assurance practitioner shall read other information included in documents containing the general purpose water accounting report and the assurance report thereon to identify material inconsistencies, if any, with the general purpose water accounting report or the assurance report and, if on reading that other information, the assurance practitioner: (Ref: Para. A157-A163)

- (a) Identifies a material inconsistency between that other information and the general purpose water accounting report or the assurance report; or

- (b) Becomes aware of a material misstatement of fact in that other information that is unrelated to matters appearing in the general purpose water accounting report or the assurance report;

the assurance practitioner shall discuss the matter with the responsible party and take further action as appropriate.

Documentation

- 92. In documenting the nature, timing and extent of procedures performed, the assurance practitioner shall record: (Ref: Para. A164)
 - (a) The identifying characteristics of the specific items or matters tested;
 - (b) Who performed the engagement work and the date such work was completed; and
 - (c) Who reviewed the engagement work performed and the date and extent of such review.
- 93. The assurance practitioner shall document discussions of significant matters with the responsible party and others, including the nature of the significant matters discussed, and when and with whom the discussions took place. (Ref: Para. A164)

Quality Management

- 94. The assurance practitioner shall include in the engagement documentation:
 - (a) Issues identified with respect to compliance with relevant ethical requirements and how they were resolved;
 - (b) Conclusions on compliance with independence requirements that apply to the engagement, and any relevant discussions with the assurance practitioner's firm that support these conclusions;
 - (c) Conclusions reached regarding the acceptance and continuance of client relationships and assurance engagements; and
 - (d) The nature and scope of, and conclusions resulting from, consultations undertaken during the course of the engagement.

Matters Arising after the Date of the Assurance Report

- 95. If, in exceptional circumstances, the assurance practitioner performs new or additional procedures or draws new conclusions after the date of the assurance report, the assurance practitioner shall document: (Ref: Para. A165)
 - (a) The circumstances encountered;
 - (b) The new or additional procedures performed, evidence obtained, and conclusions reached, and their effect on the assurance report; and
 - (c) When and by whom the resulting changes to engagement documentation were made and reviewed.

Assembly of the Final Engagement File

- 96. The assurance practitioner shall assemble the engagement documentation in an engagement file and complete the administrative process of assembling the final engagement file on a timely basis after the date of the assurance report. After the assembly of the final engagement file has been completed, the assurance practitioner shall not delete or discard engagement documentation of any nature before the end of its retention period. (Ref: Para. A166)
- 97. In circumstances other than those envisaged in paragraph 95 where the assurance practitioner finds it necessary to modify existing engagement documentation or add new engagement

documentation after the assembly of the final engagement file has been completed, the assurance practitioner shall, regardless of the nature of the modifications or additions, document:

- (a) The specific reasons for making them; and
- (b) When and by whom they were made and reviewed.

Engagement Quality Review

98. For those engagements for which an engagement quality review is required in accordance with ASQM 1 or the firm's policies or procedures, the lead assurance practitioner shall discuss significant matters and significant judgements arising during the engagement with the engagement quality reviewer, and not date the assurance report until completion of that review.²⁰ (Ref: Para. A167)

Forming the Assurance Conclusion

99. The assurance practitioner shall form a conclusion about whether the assurance practitioner has obtained reasonable or limited assurance, as appropriate, about the water accounting statements, note disclosures and accountability statement included in the general purpose water accounting report. That conclusion shall take into account the requirements of paragraphs 64 and 100-102 of this Standard.

Limited Assurance	Reasonable Assurance
100L. The assurance practitioner shall evaluate whether anything has come to the assurance practitioner's attention that causes the assurance practitioner to believe that the water accounting statements, note disclosures and accountability statement included in the general purpose water accounting report are not presented fairly, in all material respects, in accordance with the applicable criteria.	100R. The assurance practitioner shall evaluate whether the water accounting statements, note disclosures and accountability statement included in the general purpose water accounting report are presented fairly, in all material respects, in accordance with the applicable criteria.

101. This evaluation shall include consideration of the qualitative aspects of the quantification approaches and reporting practices, including indicators of possible bias in judgements and decisions in the making of estimates and in preparing the general purpose water accounting report,²¹ and whether, in view of the applicable criteria:
- (a) The quantification approaches and reporting policies selected and applied are consistent with the applicable criteria and are appropriate;

²⁰ See ASQM 2, *Engagement Quality Reviews*.

²¹ Indicators of possible bias do not themselves constitute misstatements for the purposes of drawing conclusions on the reasonableness of individual estimates.

- (b) Estimates made in preparing the report are reasonable;
 - (c) The information presented is relevant, reliable, complete, comparable and understandable;
 - (d) There is adequate disclosure of the applicable criteria, and other matters, including uncertainties, such that intended users can understand the significant judgements made in its preparation; and (Ref: Para. A22, A168-A170)
 - (e) The terminology used in the general purpose water accounting report is appropriate.
102. The evaluation required by paragraph 100L-100R shall also include consideration of:
- (a) The overall presentation, structure and content of the general purpose water accounting report; and
 - (b) When appropriate in the context of the criteria, the wording of the assurance conclusion, or other engagement circumstances, whether the general purpose water accounting report represents the underlying water assets and water liabilities, changes in water assets and water liabilities and water flows in a manner that achieves fair presentation.

Assurance Report Content

103. The assurance report shall include, at a minimum, the following basic elements:
(Ref: Para. A171)
- (a) A title that clearly indicates the report is an independent assurance report.
 - (b) An addressee.
 - (c) An identification or description of the level of assurance, either reasonable or limited, obtained by the assurance practitioner.
 - (d) Identification of the general purpose water accounting report, including the period(s) it covers, and, if any information in that report is not covered by the assurance practitioner's conclusion, clear identification of the information subject to assurance as well as the excluded information, together with a statement that the assurance practitioner has not performed any assurance procedures with respect to the excluded information and, therefore that no conclusion on it is expressed. (Ref: Para. A172)
 - (e) Identification of the responsible party and their responsibilities. (Ref: Para. A11-A13)
 - (f) A statement that the quantification of water assets, water liabilities and changes in water assets and water liabilities is subject to inherent uncertainty. (Ref: Para. A48-A52)
 - (g) Identification of the applicable criteria, and;
 - (i) Identification of how those criteria can be accessed;
 - (ii) If those criteria are available only to specific intended users, or are relevant only to a specific purpose, a statement alerting readers to this fact and that, as a result, the general purpose water accounting report may not be suitable for another purpose. The statement shall also restrict the use of the assurance report to those intended users or that purpose; and (Ref: Para. A173-A174)
 - (iii) If established criteria need to be supplemented by additional note disclosures for those criteria to be suitable, identification of the relevant note(s).
 - (h) A statement that the firm of which the assurance practitioner is a member applies ASQM 1, or other professional requirements, or requirements in law or regulation, that are at least as demanding as ASQM 1. If the assurance practitioner is not a professional accountant, the statement shall identify the professional requirements, or requirements in law or regulation, applied that are at least as demanding as ASQM 1.

- (i) A statement that the assurance practitioner complies with relevant ethical requirements related to assurance engagements, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding.²²
- (j) A description of the assurance practitioner's responsibility, including:
 - (i) A statement that the engagement was performed in accordance with *ASAE 3610 Assurance Engagements on General Purpose Water Accounting Reports* or *AWAS 2 Assurance Engagements on General Purpose Water Accounting Reports*, as applicable.
 - (ii) An informative summary of the work performed as a basis for the assurance practitioner's conclusion. In the case of a limited assurance engagement, an appreciation of the nature, timing and extent of procedures performed is essential to understanding the practitioner's conclusion. In a limited assurance engagement, the summary of the work performed shall state that:
(Ref: Para. A7 and A175-A177)
 - ◆ The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement; and
 - ◆ Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.
- (k) The assurance practitioner's conclusion: (Ref: Para. A178-A191)
 - (i) In a reasonable assurance engagement, the conclusion shall be expressed in a positive form: or
 - (ii) In a limited assurance engagement, the conclusion shall be expressed in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the assurance practitioner's attention to cause the assurance practitioner to believe that the general purpose water accounting report is not prepared, in all material respects, in accordance with the applicable criteria.
 - (iii) When the assurance practitioner expresses a modified conclusion, the assurance report shall contain:
 - a. A section that provides a description of the matter(s) giving rise to the modification; and
 - b. A section that contains the assurance practitioner's modified conclusion.
- (l) The assurance practitioner's signature. (Ref: Para. A192)
- (m) The date of the assurance report. The assurance report shall be dated no earlier than the date on which the assurance practitioner has obtained the evidence on which the assurance practitioner's conclusion is based, including evidence that those with the recognised authority have asserted that they have taken responsibility for the general purpose water accounting report.
- (n) The location where the assurance practitioner practices.

Emphasis of Matter Paragraphs and Other Matter Paragraphs

104. If the assurance practitioner considers it necessary to: (Ref: Para. A193-A198)

²² Relevant ethical requirements are contained in ASA 102.

- (a) Draw intended users' attention to a matter presented or disclosed in the general purpose water accounting report that, in the assurance practitioner's judgement, is of such importance that it is fundamental to intended users' understanding of the general purpose water accounting report (an Emphasis of Matter paragraph); or
- (b) Communicate a matter other than those that are presented or disclosed in the general purpose water accounting report that, in the assurance practitioner's judgement, is relevant to intended users' understanding of the engagement, the assurance practitioner's responsibilities or the assurance report (an Other Matter paragraph),

the assurance practitioner shall do so in a paragraph in the assurance report, with an appropriate heading, that clearly indicates the assurance practitioner's conclusion is not modified in respect of the matter.

Other Communication Requirements

105. The assurance practitioner shall communicate to those charged with governance the following matters that come to the assurance practitioner's attention during the course of the engagement, and shall determine whether there is a responsibility to report them to another party(or parties):
- (a) Deficiencies in internal control that, in the assurance practitioner's professional judgement, are of sufficient importance to merit attention;
 - (b) Identified or suspected fraud; and
 - (c) Matters involving non-compliance with law or regulation, other than when the matters are clearly trivial. (Ref: Para. A79)

* * *

Application and Other Explanatory Material

Introduction

Assurance Engagements Covering Information in Addition to the General Purpose Water Accounting Report (Ref: Para. 6)

- A1. In some cases, the assurance practitioner may perform an assurance engagement on a report that includes information on water assets and water liabilities, but that information does not comprise a general purpose water accounting report as described in paragraph 15(r) of this Standard. In such cases, this Standard may provide guidance for such an engagement.

Procedures for Reasonable Assurance and Limited Assurance Engagements (Ref: Para. 8-10, A82)

- A2. Some procedures that are required only for reasonable assurance engagements may nonetheless be appropriate in some limited assurance engagements. For example, although obtaining an understanding of control activities is not required for limited assurance engagements, in some cases, such as when information is recorded, processed, or reported only in electronic form, the assurance practitioner may nonetheless decide that testing controls, and therefore obtaining an understanding of relevant control activities, is necessary for a limited assurance engagement.

Independence (Ref: Para. 11-12, 16)

- A3. Relevant ethical requirements related to assurance engagements²³ set out Independence Standards required to be complied with in relation to these engagements. Compliance with the relevant ethical requirements may potentially be threatened by a broad range of circumstances. Many threats fall into the following categories:
- (a) Self-interest, for example, undue dependence on total fees from the engaging party or the water report entity.
 - (b) Self-review, for example, performing another service for the engaging party or the water report entity that directly affects the general purpose water accounting report.
 - (c) Advocacy, for example, acting as an advocate on behalf of the engaging party with respect to the interpretation of the applicable criteria.
 - (d) Familiarity, for example, a member of the engagement team having a long association, or close or immediate family relationship, with an employee of the engaging party who is in a position to exert direct and significant influence over the preparation of the general purpose water accounting report.
 - (e) Intimidation, for example, being pressured to reduce inappropriately the extent of work performed in order to lower fees, or being threatened with withdrawal of the assurance practitioner's registration by a registering authority that is associated with the engaging party's industry group.
- A4. In cases when identified threats are not at an acceptable level, relevant ethical requirements require that the threats be addressed by eliminating the circumstances that create the threats, applying safeguards to reduce threats to an acceptable level, or withdrawing from the engagement, where withdrawal is possible under applicable law or regulation.

Definitions

Limited Assurance - A level of assurance that is meaningful (Ref: Para. 15(c)(i)b.)

- A5. The level of assurance the assurance practitioner plans to obtain is not ordinarily susceptible to quantification, and whether it is meaningful is a matter of professional judgement for the assurance practitioner to determine in the circumstances of the engagement. In a limited assurance engagement, the assurance practitioner performs procedures that are limited

²³ Relevant ethical requirements are defined in ASA 102.

compared with those necessary in a reasonable assurance engagement but are, nonetheless, planned to obtain a level of assurance that is meaningful. To be meaningful the level of assurance obtained by the assurance practitioner is likely to enhance the intended users' confidence about the subject matter information to a degree that is clearly more than inconsequential.

- A6. Across the range of all limited assurance engagements, what is meaningful assurance can vary from just above assurance that is likely to enhance the intended users' confidence about the subject matter information to a degree that is clearly more than inconsequential to just below reasonable assurance. What is meaningful in a particular engagement represents a judgement within that range that depends on the engagement circumstances, including the information needs of intended users as a group, the criteria, and the underlying subject matter of the engagement.
- A7. Because the level of assurance obtained by the assurance practitioner in limited assurance engagements varies, the assurance practitioner's report contains an informative summary of the procedures performed, recognising that an appreciation of the nature, timing, and extent of procedures performed is essential to understanding the assurance practitioner's conclusion (see paragraphs 103(j)(ii) and A175-A177).
- A8. Some of the factors that may be relevant in determining what constitutes meaningful assurance in a specific engagement include, for example:
- (a) The characteristics of the underlying subject matter and the criteria.
 - (b) Instructions or other indications from the engaging party about the nature of the assurance the engaging party is seeking the assurance practitioner to obtain. For example, the terms of the engagement may stipulate particular procedures that the engaging party considers necessary or particular aspects of the subject matter information on which the engaging party would like the assurance practitioner to focus procedures. However, the assurance practitioner may consider that other procedures are required to obtain sufficient appropriate evidence to obtain meaningful assurance.
 - (c) Generally accepted practice, if it exists, with respect to assurance engagements for the particular subject matter information, or similar or related subject matter information.
 - (d) The information needs of intended users as a group. Generally, the greater the consequence to intended users of receiving an inappropriate conclusion when the subject matter is materially misstated, the greater the assurance that would be needed in order to be meaningful to them. For example, in some cases, the consequence to intended users of receiving an inappropriate conclusion may be so great that a reasonable assurance engagement is needed for the assurance practitioner to obtain assurance that is meaningful in the circumstances.
 - (e) The expectation by intended users that the assurance practitioner will form the limited assurance conclusion on the subject matter information within a short timeframe and at a low cost.

Assurance skills and techniques (Ref: Para. 15(f))

- A9. Assurance skills and techniques include;
- (a) Application of professional scepticism and professional judgement;
 - (b) Planning and performing an assurance engagement, including obtaining and evaluating evidence;
 - (c) Understanding information systems and the role and limitations of internal control;
 - (d) Linking the consideration of materiality and engagement risks to the nature, timing and extent of procedures;
 - (e) Applying procedures as appropriate to the engagement (which may include enquiry, inspection, re-calculation, re-performance, observation, confirmation, and analytical procedures); and

- (f) Systematic documentation practices and assurance report-writing skills.

Criteria (Ref: Para. 15(k))

- A10. Suitable criteria are required for reasonably consistent measurement or evaluation of an underlying subject matter within the context of professional judgement. Without the frame of reference provided by suitable criteria, any conclusion is open to individual interpretation and misunderstanding. The suitability of criteria is context-sensitive, that is, it is determined in the context of the engagement circumstances. Even for the same underlying subject matter there can be different criteria, which will yield a different measurement or evaluation. The suitability of criteria is not affected by the level of assurance, that is, if criteria are unsuitable for a reasonable assurance engagement, they are also unsuitable for a limited assurance engagement, and vice versa. Suitable criteria include, when relevant, criteria for presentation and disclosure.

Responsible party (Ref: Para. 15(ff))

- A11. The responsible party is defined in relation to the preparation and presentation of the general purpose water accounting report.
- A12. In many situations, the responsible party will be accountable for both:
- (a) Preparation and presentation of the general purpose water accounting report in accordance with AWAS 1; and
 - (b) Managing the water assets and water liabilities of the water report entity.
- A13. However, in some situations, the responsible party may not be accountable for managing the water assets and water liabilities of the water report entity. For example, the responsible party may be required to prepare a general purpose water accounting report for a river system comprising several rivers and wetlands that are managed by other parties. The responsible party may require information to be provided by the parties that manage the water assets and water liabilities within the river system to assist the responsible party in preparing the general purpose water accounting report. The responsible party may seek representations from the other parties regarding the information provided.

ASAE 3000 (Ref: Para. 11, 16)

- A14. ASAE 3000 includes requirements that apply to assurance engagements (other than audits or reviews of historical financial information), including engagements in accordance with this Standard. In some cases, this Standard may include additional requirements or application material in relation to those topics.

Acceptance and Continuance of the Engagement

Skills, Knowledge and Experience (Ref: Para. 17)

- A15. Competencies may include:
- (a) Knowledge and understanding of general purpose water accounting, including, for example:
 - (i) Identifying those aspects of the criteria that call for significant or sensitive estimates to be made, or for the application of considerable judgement; and
 - (ii) Methods used for determining which water assets, water liabilities and changes in water assets and water liabilities are to be included in the general purpose water accounting report.
 - (b) Understanding who the intended users of the information in the general purpose water accounting report are, and how they are likely to use that information.
(See paragraph A37 of this Standard)

- (c) Understanding water resource management instruments, such as water sharing plans, when relevant.
 - (d) Knowledge of applicable law or regulation, if any, that affect how the water assets, water liabilities and changes in water assets and water liabilities of the water report entity should be reported.
 - (e) Quantification and measurement methodologies for water assets, water liabilities and changes in water assets and water liabilities, including the associated scientific and estimation uncertainties, and alternative methodologies available.
- A16. The complexity of assurance engagements with respect to a general purpose water accounting report varies. In some cases, the engagement may be relatively straightforward, for instance, an assurance engagement involving a water report entity restricted to only water rights (i.e. no physical flows of water). In this case, the engagement may focus largely on the systems used to record and process any changes to the water rights portfolio (i.e. water made available from annual allocations or used, as measured by meters and shown in water consumption figures identified on invoices). When, however, the engagement is relatively complex, it is likely to require specialist competence in the quantification and reporting of water assets, water liabilities and changes in water assets and water liabilities, for instance, an assurance engagement involving a water report entity which has surface water and groundwater resources, as well as rights to water from outside the water report entity, with multiple organisations responsible for the management of water resources. Particular areas of expertise that may be relevant in such cases include:
- (a) Information systems expertise. For example, understanding how water information is generated, including how data is initiated, recorded, processed, corrected as necessary, collated and reported in a general purpose water accounting report.
 - (b) Scientific and engineering expertise. For example:
 - (i) Mapping the flow of water in and out of a water report entity.
 - (ii) Identifying the effect of uncertainty on the general purpose water accounting report.
 - (iii) Knowledge of the quality control policies and procedures implemented by the responsible party and, where applicable, the party responsible for managing the water assets and water liabilities of the water report entity.
 - (iv) Experience with specific types of water entities and related systems for measuring and reporting water assets, water liabilities and changes in water assets and water liabilities.
 - (v) The operation of physical meters and other quantification approaches, including modelling and estimation, and the selection of appropriate flow rate factors.

Preconditions for Accepting the Engagement

Determining the Appropriateness of the Subject Matter (Ref: Para. 16)

- A17. ASAE 3000 requires the assurance practitioner to determine whether the underlying subject matter is appropriate.²⁴ In the case of a general purpose water accounting report, the water report entity's water assets, water liabilities and changes in water assets and water liabilities are the underlying subject matter of the engagement. That underlying subject matter will be appropriate if, amongst other things, the water report entity's water assets, water liabilities and changes in water assets and water liabilities are capable of consistent quantification using suitable criteria.²⁵

²⁴ ASAE 3000, paragraph 24(b)(i).

²⁵ ASAE 3000, paragraph 24(b)(ii).

A18. Water volumes may be quantified by:

- (a) Measurement (or monitoring) of water volumes and flow rates using metering, continuous water movement monitoring or periodic sampling;
- (b) Measuring a surrogate activity, such as water consumption;
- (c) Calculating water assets, water liabilities and changes in water assets and water liabilities using models and incorporating, for example, water report entity-specific flow factors, or average flow factors for a region, industry or process; or
- (d) Estimating volumes based on other available information and expected volumes.

Determining the Suitability of the Criteria (Ref: Para. 18(a))

A19. Suitable criteria exhibit the following characteristics: relevance, completeness, reliability, neutrality, and understandability.²⁶

Water Assets and Water Liabilities to be Accounted For (Ref: Para. 18(a)(i))

A20. Determining the water assets and water liabilities to be included in a general purpose water accounting report will depend on various factors, including:

- (a) The nature of the water report entity, which may range from smaller, less complex entities to larger entities encompassing many water entities across jurisdictional borders.
- (b) Whether one party is accountable both for preparing and presenting the general purpose water accounting report and for managing the water assets and water liabilities being accounted for. Where the responsible party is accountable for preparing and presenting the general purpose water accounting report, but not accountable for managing some or all of the water assets and water liabilities being accounted for, it relies on the party (or parties) accountable for managing the water assets and water liabilities to provide information on water assets and water liabilities to be included in the general purpose water accounting report.
- (c) The types of water assets and water liabilities included within the water report entity.

Acceptable Quantification Approaches (Ref: Para. 18(a)(ii))

A21. AWAS 1 provides for the use of different quantification approaches for the various items presented in the water accounting statements, supported by note disclosures regarding the choice of approaches and whether they are in accordance with relevant quantification standards or established practices, the levels of accuracy or precision achieved by the quantification approaches and the sensitivities associated with the key assumptions used in the quantification approaches.²⁷

Adequate Disclosures (Ref: Para. 18(a)(iii), 101(d))

A22. Disclosure in the general purpose water accounting report of such matters as the following may be necessary in addition to the disclosures required explicitly by AWAS 1 for intended users to understand the significant judgements made in preparing the general purpose water accounting report:

- (a) The method used to determine which water assets and water liabilities have been included in the general purpose water accounting report.
- (b) Any significant interpretations made in applying the applicable criteria including data sources and, when choices between different approaches are allowed, or specifically developed approaches are used, disclosure of the method used and the rationale for doing so.

²⁶ ASAE 3000, paragraphs A45-A50.

²⁷ AWAS 1, paragraphs 147-149.

- (c) How the responsible party determines whether previously reported water assets and water liabilities should be restated.
- (d) The categorisation of water assets and water liabilities in the general purpose water accounting report.
- (e) A statement regarding the uncertainties relevant to the quantification of the water assets, water liabilities and changes in water assets and water liabilities, including:
 - (i) their causes;
 - (ii) how they have been addressed; and
 - (iii) their effects on the general purpose water accounting report.
- (f) A statement regarding uncertainties relevant to the future prospects note in the general purpose water accounting report.
- (g) Information about unaccounted-for differences, if any, including the likely reasons for unaccounted-for differences, whether they are considered to be acceptable, the pattern of unaccounted-for differences over time and whether they are expected to continue in future reporting periods.
- (h) Changes, if any, in the matters mentioned in this paragraph or in other matters that materially affect the comparability of the general purpose water accounting report with a prior period(s).
- (i) Water assets and water liabilities relevant to the water report entity that have been excluded from the general purpose water accounting report, if any, and the reasons for their exclusion.

Who Developed the Criteria (Ref: Para. 18(b)(iii))

- A23. Where AWAS 1 is not used as the basis for preparing the general purpose water accounting report, or where AWAS 1 is supplemented by other criteria, it may not be clear who developed the criteria unless it is stated in the explanatory notes to the general purpose water accounting report.

The Responsible Party's Records (Ref: Para. 18(b)(iv))

- A24. As noted in paragraph A62(b), for some engagements concerns about the condition and reliability of the responsible party's records may cause the assurance practitioner to conclude that it is unlikely that sufficient appropriate evidence will be available to support an unmodified conclusion on the general purpose water accounting report. This may occur when the responsible party has little experience with the preparation of general purpose water accounting reports.

Agreement on the Terms of the Engagement (Ref: Para. 16, 20)

- A25. ASAE 3000 requires that the assurance practitioner not agree to a change in the terms of the engagement where there is no reasonable justification for doing so.²⁸ A request to change the scope of the engagement may not have a reasonable justification when, for example, the request is made to exclude certain water assets and water liabilities from the scope of the engagement because of the likelihood that the assurance practitioner's conclusion would be modified.

Planning (Ref: Para. 24)

- A26. When establishing the overall engagement strategy, it may be relevant to consider the emphasis given to different aspects of the design and implementation of the water information system. For example, in some cases the responsible party may have been particularly conscious of the need for adequate internal control to ensure the reliability of reported

²⁸ ASAE 3000, paragraph 29.

information, while in other cases the responsible party may have focused more on accurately determining the scientific, operational or technical characteristics of the information to be gathered.

- A27. Smaller engagements or more straightforward engagements (see paragraph A16) may be conducted by a very small engagement team. With a smaller team, coordination of, and communication between, team members is easier. Establishing the overall engagement strategy for a smaller engagement, or for a more straightforward engagement, need not be a complex or time-consuming exercise. For example, a brief memorandum, based on discussions with the responsible party, may serve as the documented engagement strategy if it covers the matters noted in paragraph 24.
- A28. The assurance practitioner may decide to discuss elements of planning with the responsible party when determining the scope of the engagement or to facilitate the conduct of the engagement (for example, to coordinate some of the planned procedures with the work of the entity's personnel). Although these discussions often occur, the overall engagement strategy and the engagement plan remain the assurance practitioner's responsibility. When discussing matters included in the overall engagement strategy or engagement plan, care is required in order not to compromise the effectiveness of the engagement. For example, discussing the nature and timing of detailed procedures with the responsible party may compromise the effectiveness of the engagement by making the procedures too predictable.
- A29. The performance of an assurance engagement is an iterative process. As the assurance practitioner performs planned procedures, the evidence obtained may cause the assurance practitioner to modify the nature, timing or extent of other planned procedures. In some cases, information may come to the assurance practitioner's attention that differs significantly from that expected at an earlier stage of the engagement. For example, systematic errors discovered when performing procedures in one location may indicate that it is necessary to visit additional locations.

Planning to Use an Assurance Practitioner's Expert or Another Assurance Practitioner (Ref: Para. 24(e))

- A30. The engagement may be performed by a multi-disciplinary team that includes one or more experts, particularly on relatively complex engagements when specialist competence in the quantification and reporting of water assets, water liabilities and changes in water assets and water liabilities is likely to be required (see paragraph A16).
- A31. The work of another assurance practitioner may be used in relation to, for example, a location other than where the general purpose water accounting report is prepared. Relevant considerations when the engagement team plans to request another assurance practitioner to perform work on information to be included in the general purpose water accounting report may include:
- (a) Whether the other assurance practitioner understands and complies with the ethical requirements that are relevant to the engagement and, in particular, is independent.
 - (b) The other assurance practitioner's professional competence.
 - (c) The extent of the engagement team's involvement in the work of the other assurance practitioner.
 - (d) Whether the other assurance practitioner operates in a regulatory environment that actively oversees that assurance practitioner.

Materiality in Planning and Performing the Engagement

Determining Materiality When Planning the Engagement (Ref: Para. 25-26)

- A32. The criteria, such as those outlined in AWAS 1, may discuss the concept of materiality in the context of the preparation and presentation of the general purpose water accounting report. Although criteria may discuss materiality in different terms, the concept of materiality generally includes that:

- (a) Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence relevant decisions of users taken on the basis of the general purpose water accounting report;
 - (b) Judgements about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and
 - (c) Judgements about matters that are material to intended users of the general purpose water accounting report are based on a consideration of the common information needs of intended users as a group. Unless the engagement has been designed to meet the particular information needs of specific users, the possible effect of misstatements on specific users, whose information needs may vary widely, is not ordinarily considered.
- A33. The discussion in AWAS 1, together with the characteristics described in paragraph A32, provide a frame of reference to the assurance practitioner in determining materiality for the engagement.
- A34. Materiality relates to the water assets and water liabilities covered by the assurance practitioner's conclusion. Therefore, materiality is set in relation to the water accounting statements, note disclosures and the accountability statement and not the contextual statement.
- A35. The assurance practitioner's determination of materiality is a matter of professional judgement, and is affected by the assurance practitioner's perception of the common information needs of intended users as a group.
- A36. In this context, it is reasonable for the assurance practitioner to assume that intended users:
- (a) Have a reasonable knowledge of water accounting and reporting, and a willingness to study the information in the general purpose water accounting report with reasonable diligence;
 - (b) Understand that the general purpose water accounting report is prepared and assured to levels of materiality, and have an understanding of any materiality concepts included in the applicable criteria;
 - (c) Understand that the quantification of water assets, water liabilities and changes in water assets and water liabilities involves uncertainties (see paragraphs A48-A53); and
 - (d) Make reasonable decisions on the basis of the information in the general purpose water accounting report.
- A37. Intended users and their information needs may include, for example:²⁹
- (a) State and Territory government agencies, whose information needs may relate to policy development.
 - (b) Urban and rural water utilities, whose information needs may relate to the stewardship over, and delivery of, water resources.
 - (c) Major water users, whose information needs may relate to the efficient and effective use of water resources.
 - (d) Water rights and entitlements holders, whose information needs may relate to decisions to trade negotiable instruments (such as water access entitlements, permits, credits or allowances) created by the scheme.
 - (e) Those responsible for managing water assets and water liabilities, whose information needs may relate to strategic and operational decision-making, such as choosing between alternative technologies and investment and divestment decisions, perhaps in anticipation of a regulatory disclosure regime.

²⁹ The *Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports* contains further information about the users of general purpose water accounting reports.

- (f) The responsible party, for fulfilling its accountability in relation to preparation and presentation of the general purpose water accounting report.
- (g) Regulators and policy makers. Their information needs may relate to monitoring the disclosure regime with a view to introducing a regulation, or a broad range of government policy decisions related to water use, usually based on aggregated information.

The assurance practitioner may not be able to identify all those who will read the assurance report, particularly where there are a large number of people who have access to it. In such cases, particularly where possible users are likely to have a broad range of interests with respect to water assets, water liabilities and changes in water assets and water liabilities, intended users may be limited to major stakeholders with significant and common interests. Intended users may be identified in different ways, for example, by agreement between the assurance practitioner and the engaging party, or by law or regulation.

A38. While judgements about materiality are made in light of surrounding circumstances, and are affected by both quantitative and qualitative factors, it should be noted, that decisions regarding materiality are not affected by the level of assurance, that is, materiality for a reasonable assurance engagement is the same as for a limited assurance engagement.

A39. Quantitative factors may involve:

- (a) Applying a percentage to a chosen benchmark as a starting point in determining materiality. Factors that may affect the identification of an appropriate benchmark and percentage include:
 - (i) The elements of the general purpose water accounting report (for example, surface water assets, groundwater assets, claims to water, water liabilities, net water assets, changes in water assets and water liabilities). A benchmark that may be appropriate, depending on the circumstances, is total water assets.
 - (ii) How the general purpose water accounting report presents relevant information, for example, whether it includes a comparison of water assets, water liabilities and changes in water assets and water liabilities with a prior period(s), in which case determining materiality in relation to the comparative information may be a relevant consideration.
 - (iii) The relative variability of the benchmark. For example, if water assets, water liabilities and changes in water assets and water liabilities vary significantly from period to period, it may be appropriate to set materiality relative to the lower end of the fluctuation range even if the current period is higher.
- (b) The volume of a particular type of water asset or water liability or the nature of a particular disclosure. In some cases, there may be particular types of water assets and water liabilities or disclosures for which misstatements of lesser or greater amounts than materiality for the general purpose water accounting report as a whole is appropriate. For example, the assurance practitioner may consider it appropriate to set a lower or greater materiality for a particular type of water asset, such as dead water storage, or for water assets from a particular source, such as water from unlicensed storages for a water supply authority.
- (c) The requirements of the applicable criteria, such as AWAS 1.

A40. Qualitative factors may include:

- (a) The types of water assets and water liabilities involved.
- (b) The context in which the information in the general purpose water accounting report will be used (for example, for submission to a regulator or policy maker, or for inclusion in a widely distributed sustainability report); and the types of decisions that intended users are likely to make.

- (c) Whether there are one or more types of water assets, water liabilities, changes in water assets and water liabilities or disclosures on which the attention of the intended users tends to be focused, for example, for certain water report entities, the way in which the water assets are utilised to provide water for environmental benefit may be particularly important.
- (d) The nature of the water report entity.
- (e) The industry and the economic and regulatory environment in which the water report entity operates.

Revision as the Engagement Progresses (Ref: Para. 27)

- A41. Materiality may need to be revised as a result of a change in circumstances during the engagement (for example, unusually dry or wet climatic conditions that significantly impact water assets or water liabilities, disruption to operations resulting from damage to critical infrastructure or disposal of a major part of the business of the water report entity), new information, or a change in the assurance practitioner's understanding of the water report entity and its operations as a result of performing procedures. For example, it may become apparent during the engagement that actual water assets and water liabilities are likely to be substantially different from those used initially to determine materiality. If during the engagement the assurance practitioner concludes that a lower materiality for the general purpose water accounting report (and, if applicable, materiality level or levels for particular types of water assets or water liabilities or disclosures) than that initially determined is appropriate, it may be necessary to revise performance materiality, and the nature, timing and extent of the further procedures.

Understanding the Water Report Entity and Its Circumstances and Identifying and Assessing Risks of Material Misstatement (Ref: Para. 28-29)

- A42. The assurance practitioner uses professional judgement to determine the extent of the understanding and the nature, timing and extent of procedures to identify and assess risks of material misstatement that are required to obtain reasonable or limited assurance, as appropriate. The assurance practitioner's primary consideration is whether the understanding that has been obtained and the identification and assessment of risks are sufficient to meet the relevant objectives stated in this Standard.
- A43. The depth of the understanding that is required by the assurance practitioner is less than that possessed by the responsible party, and both the depth of the understanding and the nature, timing and extent of procedures to identify and assess risks of material misstatement are less for a limited assurance engagement than for a reasonable assurance engagement.
- A44. Obtaining an understanding and identifying and assessing risks of material misstatement is an iterative process. Procedures to obtain an understanding of the water report entity and its circumstances and to identify and assess risks of material misstatement by themselves do not provide sufficient appropriate evidence on which to base the assurance conclusion.

Obtaining an Understanding of the Water Report Entity and Its Circumstances

Water Management Objectives and Strategies (Ref: Para. 28(c))

- A45. Consideration of the water management strategy, if any, and associated economic, regulatory, physical and reputational risks, may assist the assurance practitioner to identify risks of material misstatement.

Use of a Management's Expert by the Responsible Party (Ref: Para. 28(e))

- A46. When the responsible party uses a management's expert because expertise in a field other than water accounting is needed to prepare the general purpose water accounting report, the risks of material misstatement may increase because this may indicate some complexity, or because the responsible party may not possess knowledge of the field of expertise. Alternatively, provided the responsible party implements relevant controls around using the work of a management's expert, the risks of material misstatement may decrease.

Significant Events (Ref: Para. 28(f))

- A47. Significant events that impact the information included in the general purpose water accounting report may include unexpected events such as damage to critical infrastructure or unseasonal flooding, or planned events, for example, as part of a maintenance schedule.

Uncertainty (Ref: Para: 28(g), 103(f))

- A48. The quantification process for water assets and water liabilities can rarely be 100% accurate due to:
- (a) *Scientific uncertainty*: This arises because of incomplete scientific knowledge about the measurement of water volumes. For example, the quantification rate of the movement of water through a system, via modelling, is subject to uncertainty due to incomplete scientific knowledge of the process. The degree to which scientific uncertainty affects the quantification of reported water assets, water liabilities and changes in water assets and water liabilities is beyond the control of the responsible party or those providing information to the responsible party. However, the potential for scientific uncertainty to result in unreasonable variations in reported water assets, water liabilities and changes in water assets and water liabilities can be negated by the use of criteria that stipulate particular scientific assumptions to be used in preparing the general purpose water accounting report, or particular factors that embody those assumptions; and
 - (b) *Estimation (or measurement) uncertainty*: This results from the measurement and calculation processes used to quantify water assets, water liabilities and changes in water assets and water liabilities within the bounds of existing scientific knowledge or the practicality of how many measurement points can be afforded. Estimation uncertainty may relate to the data on which an estimate is based (for example, it may relate to uncertainty inherent in measurement instruments used), or the method, including where applicable the model, used in making the estimate (sometimes known as parameter and model uncertainty, respectively). The degree of estimation uncertainty is often controllable by the responsible party or those providing information to the responsible party. Reducing the degree of estimation uncertainty may involve greater cost.
- A49. The fact that quantifying water assets, water liabilities and changes in water assets and water liabilities is subject to uncertainty does not mean that water assets and water liabilities are inappropriate as a subject matter. As long as the assumptions and models are reasonable in the circumstances and adequately disclosed, the general purpose water accounting report will ordinarily be capable of being subjected to an assurance engagement.
- A50. A discussion in the notes to the general purpose water accounting report of the nature, causes, and effects of the uncertainties that affect the general purpose water accounting report alerts intended users to the uncertainties associated with the quantification of water assets, water liabilities and changes in water assets and water liabilities. This may be particularly important where the general purpose water accounting report may be available to a broad range of users.
- A51. Certain disclosures in a general purpose water accounting report may be subject to greater uncertainty, such as future prospects of the water report entity, contingent water assets, contingent water liabilities and unaccounted-for differences. Accordingly, the future prospects note should contain sufficient information to enable users to understand how the responsible party determined both the water expected to be available and water liabilities and future water commitments expected to be settled within twelve months of the reporting date, and the level of uncertainty associated with these disclosures. Similarly, where there is an unaccounted-for difference, a note disclosure should provide information relevant to users in understanding this disclosure, for example, the possible causes of the unexplained difference, whether it is acceptable in the context of the water report entity, the pattern of unaccounted-for differences over time and whether they are expected to continue in future reporting periods.
- A52. Because uncertainty is a significant characteristic of all general purpose water accounting reports, paragraph 103(f) requires it to be mentioned in the assurance report regardless of

what, if any, disclosures are included in the explanatory notes to the general purpose water accounting report.

- A53. In some cases, however, the assurance practitioner may decide that it is inappropriate to undertake an assurance engagement if the impact of uncertainty on information in the general purpose water accounting report is very high. This may be the case when, for example, a significant proportion of the reported water assets, water liabilities and changes in water assets and water liabilities are from sources that are not monitored and estimation methods are not sufficiently sophisticated. It should be noted that decisions whether to undertake an assurance engagement in such circumstances are not affected by the level of assurance, that is, if it is not appropriate for a reasonable assurance engagement, it is also not appropriate for a limited assurance engagement, and vice versa.

Procedures to Obtain an Understanding and to Identify and Assess Risks of Material Misstatement
(Ref: Para. 29)

- A54. Although the assurance practitioner is required to perform all the procedures in paragraph 29 in the course of obtaining the required understanding of the water report entity, the assurance practitioner is not required to perform all of them for each aspect of that understanding.

Analytical Procedures (Ref: Para. 29(b))

- A55. Analytical procedures performed to obtain an understanding of the water report entity and its circumstances and to identify and assess risks of material misstatement may identify aspects of the water report entity of which the assurance practitioner was unaware and may assist in assessing the risks of material misstatement in order to provide a basis for designing and implementing responses to the assessed risks. Analytical procedures may include, for example, comparing water assets and water liabilities of a water report entity from one period to the next, or with a similar water report entity.
- A56. Analytical procedures may help identify the existence of unusual events and amounts, ratios, and trends that might indicate matters that have implications for the engagement. Unusual or unexpected relationships that are identified may assist the assurance practitioner in identifying risks of material misstatement.
- A57. However, when such analytical procedures use data aggregated at a high level (which may be the situation with analytical procedures performed to obtain an understanding of the water report entity and its circumstances and to identify and assess risks of material misstatement), the results of those analytical procedures only provide a broad initial indication about whether a material misstatement may exist. Accordingly, in such cases, consideration of other evidence that has been gathered when identifying the risks of material misstatement together with the results of such analytical procedures may assist the assurance practitioner in understanding and evaluating the results of the analytical procedures.

Observation and Inspection (Ref: Para. 29(c))

- A58. Observation consists of looking at a process or procedure, or control activities, being performed by others. Observation provides evidence about the performance of a process or procedure, or control activity, but is limited to the point in time at which the observation takes place, and by the fact that the act of being observed may affect how the process or procedure, or control activity, is performed.
- A59. Inspection involves:
- (a) Examining records or documents, whether internal or external, in paper form, electronic form, or other media, for example calibration records of a monitoring device. Inspection of records and documents provides evidence of varying degrees of reliability, depending on their nature and source and, in the case of internal records and documents, on the effectiveness of the controls over their production; or
 - (b) A physical examination of, for example, a calibrating device.

- A60. Observation and inspection may support enquiries of the responsible party and others, and may also provide information about the water report entity and its circumstances. Examples of such procedures include observation or inspection of the following:
- (a) The water report entity's operations. Observing processes and equipment, including monitoring equipment.
 - (b) Documents (such as legislation or water resource management instruments), records (such as calibration records and results from metering equipment), and manuals detailing information collection procedures and internal controls.
 - (c) Reports prepared for the responsible party, such as internal or external reports with respect to the water information management systems or water accounting and reporting systems.
 - (d) Reports prepared by the responsible party, such as quarterly management reports or minutes of board of directors' meetings.

Obtaining an Understanding of Internal Control (Ref: Para. 30L-31R)

- A61. In a limited assurance engagement, the assurance practitioner is not required to obtain an understanding of all of the components of internal control relevant to water accounting and reporting as is required in a reasonable assurance engagement. In addition, the assurance practitioner is not required to evaluate the design of controls and determine whether they have been implemented. Therefore, in a limited assurance engagement, while it may often be appropriate to enquire of the responsible party about control activities and monitoring of controls relevant to water accounting and reporting, it will often not be necessary to obtain a detailed understanding of these components of internal control.
- A62. The assurance practitioner's understanding of relevant components of internal control may raise doubts about whether sufficient appropriate evidence is available for the assurance practitioner to complete the engagement. For example (see also paragraphs A63-A64, A84-A85, A89):
- (a) Concerns about the integrity of those preparing the general purpose water accounting report may be so serious as to cause the assurance practitioner to conclude that the risk of misrepresentation in the general purpose water accounting report is such that an engagement cannot be conducted.
 - (b) Concerns about the condition and reliability of the responsible party's records may cause the assurance practitioner to conclude that it is unlikely that sufficient appropriate evidence will be available to support an unmodified conclusion on the general purpose water accounting report.

Control Activities Relevant to the Engagement (Ref: Para. 30R(d))

- A63. The assurance practitioner's judgement about whether particular control activities are relevant to the engagement may be affected by the level of sophistication, documentation and formality of the water information system, including the related business processes, relevant to water accounting and reporting. As water accounting and reporting evolves, it can be expected that so too will the level of sophistication, documentation and formality of water information systems and related control activities.
- A64. In the case of very small entities or immature water information systems, particular control activities are likely to be more rudimentary, less well-documented, and may only exist informally. When this is the case, it is less likely the assurance practitioner will judge it necessary to understand particular control activities in order to assess the risks of material misstatement and design further procedures responsive to assessed risks. In other instances, the water information system and control activities may be required to be formally designed and documented. Even in some of these cases, however, not all relevant data flows and associated controls may be documented. For example, it may be more likely that control activities with respect to source data collection from continuous monitoring are sophisticated,

well-documented, and more formal than control activities with respect to subsequent data processing and reporting (see also paragraphs A62, A84-A85, A89).

Other Procedures to Obtain an Understanding and to Identify and Assess the Risks of Material Misstatement

Other Engagements Performed (Ref: Para. 32)

- A65. Information obtained from other engagements performed relating to the water report entity may relate to, for example, aspects of the water report entity's control environment.

Performing Procedures at Other Locations (Ref: Para. 36)

- A66. Performing observation and inspection, as well as other procedures, at locations other than where the general purpose water accounting report is prepared (often referred to as a "site visit") may be important in building on the understanding of the responsible party and the water report entity that the assurance practitioner develops. Because the assurance practitioner's understanding of the responsible party and the water report entity and identification and assessment of risks of material misstatement can be expected to be more comprehensive for a reasonable assurance engagement than for a limited assurance engagement, the number of locations at which procedures are performed in the case of a reasonable assurance engagement will ordinarily be greater than in the case of a limited assurance engagement.
- A67. Performing procedures at other locations (or having another assurance practitioner perform such procedures on behalf of the assurance practitioner) may be done as part of planning, when performing procedures to identify and assess risks of material misstatement, or when responding to assessed risks of material misstatement. Performing procedures at significant locations is often particularly important for an engagement being undertaken for the first time when considering the completeness of water assets, water liabilities and changes in water assets and water liabilities included in the general purpose water accounting report, and when establishing whether the data collection and processing systems, and estimation techniques, are appropriate relative to the subject matter and related uncertainties.
- A68. As noted in paragraph A66, performing procedures at other locations may be important in building on the understanding of the responsible party and the water report entity that the assurance practitioner develops by performing procedures at the location where the general purpose water accounting report is prepared. For many reasonable assurance engagements, the assurance practitioner will also judge it necessary to perform procedures at each significant location to respond to assessed risks of material misstatement. For a limited assurance engagement, a meaningful level of assurance may not be able to be obtained without the assurance practitioner having performed procedures at a selection of significant locations. Where the responsible party or the water report entity has significant locations and the assurance practitioner determines that effective and efficient procedures cannot be performed at those locations by the assurance practitioner (or another assurance practitioner on their behalf), alternative procedures may include one or more of the following:
- (a) Reviewing source documents, water flow diagrams and other hydrological modelling systems.
 - (b) Analysing questionnaire responses from the locations.
 - (c) Inspecting satellite imagery of the locations.
- A69. To obtain adequate coverage of total water assets and water liabilities, particularly in a reasonable assurance engagement, the assurance practitioner may decide that it is appropriate to perform procedures at or for a selection of locations that are not significant locations. Factors that may be relevant to such a decision include:
- (a) The nature of water assets, water liabilities and changes in water assets and water liabilities at different locations. For example, it is more likely that an assurance practitioner may choose to visit a location with a major offtake (for example, for

irrigation or urban water supply) than a location with a streamflow gauging station that is used for flow measurement.

- (b) The number, ease of access to and size of locations, and their contribution to overall water assets, water liabilities and changes in water assets and water liabilities.
- (c) Whether different processes, or processes using different technologies are used at the locations. Where this is the case, it may be appropriate to perform procedures at or for a selection of locations using different processes or technologies.
- (d) The methods used at different locations to gather information about water assets, water liabilities and changes in water assets and water liabilities.
- (e) The experience of relevant staff associated with different locations.
- (f) Varying the selection of locations over time.

Internal Audit (Ref: Para. 37)

A70. The internal audit function is likely to be relevant to the engagement if the nature of the internal audit function's responsibilities and activities are related to water accounting and reporting and the assurance practitioner expects to use the work of the internal audit function to modify the nature or timing, or reduce the extent, of procedures to be performed.

Identifying and Assessing Risks of Material Misstatement

Risks of Material Misstatement at the General Purpose Water Accounting Report Level

(Ref: Para. 38L(a)–38R(a))

- A71. Risks of material misstatement at the general purpose water accounting report level refer to risks that relate pervasively to the general purpose water accounting report as a whole. Risks of this nature are not necessarily risks identifiable with a specific type of water asset or water liability or disclosure level. Rather, they represent circumstances that may increase the risks of material misstatement more generally, for example, through management override of internal control. Risks of material misstatement at the general purpose water accounting report level may be especially relevant to the assurance practitioner's consideration of the risks of material misstatement arising from fraud.
- A72. Risks at the general purpose water accounting report level may derive in particular from a deficient control environment. For example, deficiencies such as management's lack of competence may have a pervasive effect on the general purpose water accounting report and may require an overall response by the assurance practitioner. Other risks of material misstatement at the general purpose water accounting report level may include, for example:
- (a) Inadequate, poorly controlled or poorly documented mechanisms for collecting data, quantifying water assets, water liabilities and changes in water assets and water liabilities and preparing general purpose water accounting reports.
 - (b) Lack of staff competence in collecting data, quantifying water assets, water liabilities and changes in water assets and water liabilities and preparing general purpose water accounting reports.
 - (c) Lack of management involvement in quantifying water assets, water liabilities and changes in water assets and water liabilities and preparing general purpose water accounting reports.
 - (d) Failure to identify accurately all water assets, water liabilities and changes in water assets and water liabilities.
 - (e) Risk of fraud, for example, in connection with water rights trading markets.
 - (f) Presenting information covering prior periods that is not prepared on a consistent basis, for example, because of changes in measurement methodologies.

- (g) Misleading presentation of information in the general purpose water accounting report, for example, unduly highlighting particularly favourable data or trends.
- (h) Inconsistent quantification approaches and reporting policies, including different methods for determining which water assets and water liabilities are included in the general purpose water accounting report.
- (i) Errors in unit conversion when consolidating information from locations.
- (j) Inadequate disclosure of scientific uncertainties and key assumptions in relation to estimates.

The Use of Assertions (Ref: Para. 38L(b) and 38R(b))

- A73. Assertions are used by the assurance practitioner in a reasonable assurance engagement, and may be used in a limited assurance engagement, to consider the different types of potential misstatements that may occur.
- A74. In representing that the general purpose water accounting report is in accordance with the applicable criteria, the responsible party implicitly or explicitly makes assertions regarding the recognition, quantification, presentation and disclosure of water assets, water liabilities, changes in water assets and water liabilities, water flows and related note disclosures. Assertions fall into the following categories and may take the following forms:
- (a) Assertions about the changes in water assets and water liabilities, and water flows, for the period subject to assurance:
 - (i) Occurrence—changes in water assets and water liabilities, and water flows, that have been recorded have occurred and pertain to the water report entity.
 - (ii) Completeness—all changes in water assets and water liabilities, and water flows, that should have been recorded have been recorded.
 - (iii) Accuracy—volumes and other information relating to recorded changes in water assets and water liabilities, and water flows, have been recorded appropriately.
 - (iv) Cut-off—changes in water assets and water liabilities, and water flows, have been recorded in the correct reporting period.
 - (v) Classification—changes in water assets and water liabilities, and water flows, have been recorded as the proper type.
 - (b) Assertions about balances at the period end:
 - (i) Existence—water assets, water liabilities and net water assets exist.
 - (ii) Completeness—all water assets, water liabilities and net water assets that should have been recorded have been recorded.
 - (iii) Quantification and allocation—water assets, water liabilities and net water assets are included in the general purpose water accounting report at appropriate volumes and any resulting quantification or allocation adjustments are appropriately recorded.
 - (c) Assertions about presentation and disclosure:
 - (i) Occurrence and responsibility—disclosed water assets, water liabilities, changes in water assets, changes in water liabilities and water flows have occurred and pertain to the water report entity.
 - (ii) Completeness—all disclosures that should have been included in the general purpose water accounting report have been included.

- (iii) Classification and understandability—information about water assets, water liabilities, changes in water assets, changes in water liabilities and water flows is appropriately presented and described, and disclosures are clearly expressed.
- (iv) Accuracy and quantification—quantification approaches and related information are appropriately disclosed.
- (v) Consistency—quantification policies are consistent with those applied in the prior period, or changes are justified and have been properly applied and adequately disclosed; and comparative information, if any, is as reported in the prior period or has been appropriately restated.

Reliance on Internal Control (Ref: Para. 38R)

A75. If the assurance practitioner's assessment of risks of material misstatement at the assertion level includes an expectation that the controls are operating effectively (that is, the assurance practitioner intends to rely on the operating effectiveness of controls in determining the nature, timing and extent of other procedures), the assurance practitioner is required by paragraph 43R to design and perform tests of the operating effectiveness of those controls.

Causes of Risks of Material Misstatement (Ref: Para. 39)

Fraud (Ref: Para. 33, 39(a))

- A76. Misstatements in the general purpose water accounting report can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the general purpose water accounting report is intentional or unintentional.
- A77. Incentives for intentional misstatement of the general purpose water accounting report may arise if, for example, those who are directly involved with, or have the opportunity to influence, the water accounting and reporting process have a significant portion of their compensation contingent upon achieving aggressive water management targets. Other incentives to either under or overstate water assets and water liabilities may result from the water management strategy, if any, and associated economic, regulatory, physical and reputational risks.
- A78. Although fraud is a broad legal concept, for the purposes of this Standard, the assurance practitioner is concerned with fraud that causes a material misstatement in the general purpose water accounting report. Although the assurance practitioner may suspect or, in rare cases, identify the occurrence of fraud, the assurance practitioner does not make legal determinations of whether fraud has actually occurred.

Non-Compliance with Law and Regulation (Ref: Para. 39(b), 105(c))

- A79. This Standard distinguishes the assurance practitioner's responsibilities in relation to compliance with two different categories of laws and regulations as follows:
- (a) The provisions of law and regulation generally recognised to have a direct effect on the determination of material amounts and disclosures in the general purpose water accounting report in that they determine the reported volumes and disclosures in the general purpose water accounting report. Paragraph 39(b) requires the assurance practitioner to consider the likelihood of material misstatement due to non-compliance with the provisions of such law or regulation when performing the procedures required by paragraphs 38L or 38R ; and
 - (b) Other law or regulation that do not have a direct effect on the determination of the volumes and disclosures in the general purpose water accounting report, but compliance with which may be fundamental to the operating aspects of the water report entity, the ability to continue the business associated with the water report entity or for material penalties to be avoided (for example, compliance with the terms of a water resource management instrument, or compliance with other environmental

regulations). Planning and performing an engagement with professional scepticism, as required by paragraph 21 of this Standard, is important in the context of remaining alert to the possibility that procedures applied for the purpose of forming a conclusion on the general purpose water accounting report may bring instances of identified or suspected non-compliance with such law or regulation to the assurance practitioner's attention.

Other Causes of Risks of Material Misstatement (Ref: Para. 39)

A80. Examples of factors referred to in paragraph 39(c)-39(k) include:

- (a) Omission of one or more water assets, water liabilities or changes in water assets and water liabilities water flows is more likely for water sources that are less obvious and may be overlooked, such as flows returned to a stream from irrigation.
- (b) Significant regulatory changes may include, for example, amendments to the rules for carrying over water allocation or making inter-valley transfers or significant changes to the attributes of water rights or water liabilities.
- (c) The nature of the water report entity's operations may be complex (for example, operations may involve multiple and disparate locations and processes). In such cases, the opportunity for meaningful analytical procedures may be significantly reduced.
- (d) Changes in operations (for example, introduction of new water management processes) may also introduce risks of material misstatement (for example, through unfamiliarity with quantification or reporting procedures).
- (e) Double counting or omission of water assets, water liabilities or changes in water assets and water liabilities may occur due to inadequate alignment of procedures between multiple locations.
- (f) Selection of an inappropriate quantification method (for example, modelling or estimation when using a more accurate direct measurement method is available and would be more appropriate). Selecting an appropriate quantification method is particularly important when the method has been changed. This is because intended users are often interested in trends over time, or relative to a base year. Some criteria may require that quantification approaches are only changed when a more accurate method is to be used. Other factors related to the nature of quantification approaches include:
 - (i) Incorrect application of a quantification method, such as using streamflow gauging stations whose rating curves are not based on sufficient gaugings and therefore contain a high proportion of extrapolations, or reservoir capacity gauges in catchments that have been subjected to change, for example construction of weirs, dams, diversion works or clearing (for example forestry urbanisation, bushfires) that may not be appropriate due to the changed upstream conditions.
 - (ii) Complexity in quantification approaches, which will likely involve higher risk of material misstatement, for example: extensive or complex mathematical manipulation of source data (such as the use of complex mathematical models).
 - (iii) Changes in quantification approaches or input variables (for example, if the quantification method used for evaporation is based on a number of variables, including the level of solar radiation, and the level of the solar radiation changes during the period).
- (g) Significant non-routine water assets, water liabilities or changes in water assets and water liabilities or judgemental matters are a source of greater risk of material misstatement relative to routine, non-complex water assets, water liabilities and changes in water assets and water liabilities that are subject to systematic quantification and reporting. Non-routine water assets, water liabilities or changes in

water assets and water liabilities are those that are unusual, in size or nature, and that therefore occur infrequently (for example, one-off events such as a unseasonal flooding). Judgemental matters may include the development of subjective estimates. Risks of material misstatement may be greater because of matters such as:

- (i) Greater management intervention to specify the quantification approaches or reporting treatment.
- (ii) Greater manual intervention for data collection and processing.
- (iii) Complex calculations or quantification approaches and reporting principles.
- (iv) The nature of non-routine water assets, water liabilities and changes in water assets and water liabilities, which may make it difficult for the responsible party to implement effective controls over the risks.
- (v) Quantification approaches and reporting principles for estimates may be subject to differing interpretation.
- (vi) Required judgements may be subjective or complex.
- (h) In the absence of any evidence of potential causes for change to unaccounted-for differences, an unusually large deviation in an unaccounted-for difference may be an indicator that the systems and processes in place for water accounting and reporting are either not operating effectively or not fit for purpose.
- (i) Where the source data used in quantification is not maintained by the responsible party, or where quantification approaches commonly in use are imprecise or lead to large variations in reported water assets and water liabilities.
- (j) Matters that the assurance practitioner may consider in obtaining an understanding of how the responsible party makes significant estimates and the data on which they are based include, for example:
 - (i) An understanding of the data on which estimates are based;
 - (ii) The method, including where applicable the model, used in making estimates;
 - (iii) Relevant aspects of the control environment and water information system;
 - (iv) Whether the responsible party has used a management's expert;
 - (v) The assumptions underlying estimates;
 - (vi) Whether there has been or ought to have been a change from the prior period in the methods for making estimates and, if so, why; and
 - (vii) Whether and, if so, how the responsible party has assessed the effect of estimation uncertainty on the general purpose water accounting report, including:
 - Whether and, if so, how the responsible party has considered alternative assumptions or outcomes by, for example, performing a sensitivity analysis to determine the effect of changes in the assumptions on an estimate;
 - How the responsible party determines the estimate when analysis indicates a number of outcome scenarios; and
 - Whether the responsible party monitors the outcome of estimates made in the prior period, and whether it has appropriately responded to the outcome of that monitoring procedure.

A81. Examples of other factors that may lead to risks of material misstatement include:

- (a) Human error in the quantification of water assets, water liabilities and changes in water assets and water liabilities, which may be more likely to occur if personnel are unfamiliar with, or not well-trained regarding, water quantification processes or data recording.
- (b) Undue reliance on a poorly designed water information system, which may have few effective controls, for example, the use of spreadsheets without adequate controls.
- (c) Manual adjustment of otherwise automatically recorded data, for example, manual input may be required if a flow meter is not working.
- (d) Significant external developments such as heightened public scrutiny of a particular water report entity.

Overall Responses to Assessed Risks of Material Misstatement and Further Procedures

Limited and Reasonable Assurance Engagements (Ref: Para. 8-10, 15(c)(i), 40-46R, 47L-48R, 54, A2)

A82. Because the level of assurance obtained in a limited assurance engagement is lower than in a reasonable assurance engagement, the procedures the assurance practitioner performs in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. The primary differences between the assurance practitioner's overall responses to address the assessed risks of material misstatement and further procedures for a reasonable assurance engagement and a limited assurance engagement on a general purpose water accounting report include:

- (a) The emphasis placed on the nature of various procedures as a source of evidence will likely differ, depending on the engagement circumstances. For example:
 - (i) The assurance practitioner may judge it to be appropriate in the circumstances of a particular limited assurance engagement to place relatively greater emphasis on enquiries and analytical procedures, and relatively less emphasis, if any, on testing of controls and obtaining evidence from external sources than may be the case for a reasonable assurance engagement.
 - (ii) Where continuous measuring equipment is used to quantify water flows, the assurance practitioner may decide in a limited assurance engagement to respond to an assessed risk of material misstatement by enquiring about the frequency with which the equipment is calibrated. In the same circumstances for a reasonable assurance engagement, the assurance practitioner may decide to examine the records of the equipment's calibration or independently test its calibration.
 - (iii) Where the volume of a storage is quantified, the assurance practitioner may decide in a reasonable assurance engagement to independently analyse the characteristics of the model used to determine the volume of the water asset, but in a limited assurance engagement the assurance practitioner may decide that reviewing the responsible party's records of volume of the water asset over a given period of time is an adequate response to an assessed risk of material misstatement.
- (b) In a limited assurance engagement the further procedures performed are ordinarily less than in a reasonable assurance engagement. This may involve:
 - (i) Selecting fewer items for examination;
 - (ii) Performing fewer procedures (for example, performing only analytical procedures in circumstances when, in a reasonable assurance engagement, both analytical procedures and other procedures would be performed); or
 - (iii) Performing procedures at fewer locations.

- (c) In a reasonable assurance engagement, analytical procedures performed in response to assessed risks of material misstatement involve developing expectations regarding recognised volumes or note disclosures that are sufficiently precise to identify material misstatements. In a limited assurance engagement, analytical procedures may be designed to support expectations regarding the direction of trends, relationships and ratios rather than to identify misstatements with the level of precision expected in a reasonable assurance engagement.³⁰

Further, when significant fluctuations, relationships or differences are identified, appropriate evidence in a limited assurance engagement may be obtained by making enquiries of management and those charged with governance and considering responses received in the light of known engagement circumstances, without obtaining additional evidence as is required by paragraph 48R in the case of a reasonable assurance engagement.

In addition, when undertaking analytical procedures in a limited assurance engagement the assurance practitioner may, for example:

- (i) Use data that is more highly aggregated, for example, data at a regional level rather than at one location, or monthly data rather than weekly data.
- (ii) Use data that has not been subjected to separate procedures to test its reliability to the same extent as it would be for a reasonable assurance engagement.

Overall Responses to Assessed Risks of Material Misstatement (Ref: Para. 40)

- A83. Overall responses to address the assessed risks of material misstatement at the general purpose water accounting report level may include:
- (a) Emphasising to the assurance personnel the need to maintain professional scepticism.
 - (b) Assigning more experienced staff or those with special skills or using experts.
 - (c) Providing more supervision.
 - (d) Incorporating additional elements of unpredictability in the selection of further procedures to be performed.
 - (e) Making general changes to the nature, timing, or extent of procedures, for example: performing procedures at the period end instead of at an interim date; or modifying the nature of procedures to obtain more persuasive evidence.
- A84. The assessment of the risks of material misstatement at the general purpose water accounting report level, and thereby the assurance practitioner's overall responses, is affected by the assurance practitioner's understanding of the control environment. An effective control environment may allow the assurance practitioner to have more confidence in internal control and the reliability of evidence generated internally by the responsible party and thus, for example, allow the assurance practitioner to conduct some procedures at an interim date rather than at the period end. Deficiencies in the control environment, however, have the opposite effect. For example, the assurance practitioner may respond to an ineffective control environment by:
- (a) Conducting more procedures as of the period end rather than at an interim date.
 - (b) Obtaining more extensive evidence from procedures other than tests of controls.
 - (c) Increasing sample sizes and the extent of procedures, such as the number of locations at which procedures are performed.

³⁰ This may not always be the case; for example, in some circumstances the assurance practitioner may develop a precise expectation based on fixed physical relationships even in a limited assurance engagement.

A85. Such considerations, therefore, have a significant bearing on the assurance practitioner's general approach, for example, the relative emphasis on tests of controls versus other procedures (see also paragraphs A62-A64 and A89).

Examples of Further Procedures (Ref: Para. 42L-42R, 45R)

A86. Further procedures may include, for example:

- (a) Testing the operating effectiveness of controls over the collection and recording of flow data, such as review of the meta data associated with the gauging site to determine if there have been changes to monitoring practices, instrumentation catchment conditions or data management procedures.
- (b) Review of rating curves or capacity tables and whether they have been derived in accordance with best practice.
- (c) Performing quality assessment tests on data including comparison of annual maximum flows with nearby stations, plotting of time series flow data with concurrent rainfall data to assess for missing data; undertaking single or double mass curve analysis to identify changes or inconsistencies in flow records.
- (d) Comparison of observed water balance assessments with modelled assessments.
- (e) Observing the taking of gaugings or the procedures for the maintenance of gauging stations.
- (f) Analysing the soundness and appropriateness of unique measurement or quantification techniques, particularly complex approaches that may involve, for example, curve derivation or extrapolation.
- (g) Reviewing quality assurance or quality controlling procedures and the assigning of quality codes.
- (h) Reviewing the accuracy of data management procedures to ensure that recorded data are being accurately, archived in a timely manner and at an appropriate time step.

Factors that May Influence Assessed Risks of Material Misstatement (Ref: Para. 42L(a)-42R(a))

A87. Factors that may influence the assessed risks of material misstatement include:

- (a) Inherent limitations on the capabilities of measurement instruments and the frequency of their calibration.
- (b) The number, nature, geographical spread, and ownership characteristics of locations from which data is collected.
- (c) The nature of the sources of water assets, water liabilities and changes in water assets and water liabilities included in the general purpose water accounting report.
- (d) The complexity of approaches for quantifying water assets, water liabilities and changes in water assets and water liabilities.
- (e) The risk of unidentified water assets, water liabilities and changes in water assets and water liabilities.
- (f) The extent to which the volumes of water assets, water liabilities and changes in water assets and water liabilities correlate with readily available input data.
- (g) Whether personnel who perform data collection are trained in relevant methods, and the frequency of turnover of such personnel.
- (h) The nature and level of automation used in data capture and manipulation.

- (i) The quality control policies and procedures implemented at various locations, whether internal or external.
- (j) The complexity of criteria and of quantification and reporting policies.

Persuasiveness of Evidence (Ref: Para. 42L(b)–42R(b))

A88. To obtain more persuasive evidence because of a higher assessment of risk of material misstatement, the assurance practitioner may increase the quantity of the evidence, or obtain evidence that is more relevant or reliable, for example, by obtaining corroborating evidence from a number of independent sources.

Tests of Controls

Operating Effectiveness of Controls (Ref: Para. 42R(a)(ii), 43R(a))

A89. In the case of very small water report entities or immature water information systems, there may not be many control activities that could be identified by the assurance practitioner, or the extent to which their existence or operation have been documented may be limited. In such cases, it may be more efficient for the assurance practitioner to perform further procedures that are primarily other than tests of controls. In some rare cases, however, the absence of control activities or of other components of control may make it impossible to obtain sufficient appropriate evidence (see also paragraphs A62-A64 and A84-A85).

Risks for Which Tests of Controls Are Necessary to Provide Sufficient Appropriate Evidence
(Ref: Para. 43R(b))

- A90. The quantification of water assets, water liabilities and changes in water assets and water liabilities may include processes that are highly automated with little or no manual intervention, for example, where relevant information is recorded, processed, or reported only in electronic form such as in a continuous monitoring system, or when the processing of flow data is integrated with an information technology-based operational or water reporting system. In such cases:
- (a) Evidence may be available only in electronic form, and its sufficiency and appropriateness dependent on the effectiveness of controls over its accuracy and completeness.
 - (b) The potential for improper initiation or alteration of information to occur and not be detected may be greater if appropriate controls are not operating effectively.

Confirmation Procedures (Ref: Para. 46R)

- A91. External confirmation procedures may provide relevant evidence about such information as:
- (a) Data that is collected in a manner that is consistent with the relevant Australian standards.³¹
 - (b) The terms of agreements, contracts, or transactions.
 - (c) Information about whether other parties are, or are not, including particular water assets, water liabilities and changes in water assets and water liabilities, when considering the potential for double counting or omission of water assets, water liabilities and changes to water assets and water liabilities in the aggregation of information provided for the preparation of the general purpose water accounting report.
 - (d) The results of testing of the consistency of data collected by comparison with that from similar organisations.

³¹ For example, Australian Standard AS3778.2.2-2001 “Measurement of water flow in open channels – Establishment and operation of a gauging station” and AS 3778.7-2008 “Measurement of water flow in open channels – Determination of volume of water and water levels in lakes and reservoirs”.

Analytical Procedures Performed in Response to Assessed Risks of Material Misstatement

(Ref: Para. 47L-48R)

- A92. In many cases, the fixed nature of physical relationships between particular water assets and water liabilities and other measurable phenomena allows for the design of powerful analytical procedures (for example, the relationship between water demand and usage in light of climate change indicators such as El Nino or La Nina).
- A93. Other analytical procedures may involve comparisons of information about the water report entity's water assets and water liabilities with external data such as industry averages; or the analysis of trends during the period to identify anomalies for further investigation, and trends across periods for consistency with other circumstances such as the inclusion or exclusion of locations.
- A94. Analytical procedures may be particularly effective when disaggregated data is readily available, or when the assurance practitioner has reason to consider the data to be used is reliable, such as when it is extracted from a well-controlled source.

Procedures Regarding Estimates (Ref: Para. 49L-50R)

- A95. In some cases, it may be appropriate for the assurance practitioner to evaluate how the responsible party has considered alternative assumptions or outcomes, and why it has rejected them.
- A96. In some limited assurance engagements, it may be appropriate for the assurance practitioner to undertake one or more of the procedures identified in paragraph 50R.

Procedures Related to the Future Prospects Note (Ref: Para. 51)

- A97. AWAS 1 requires information to be disclosed in the notes in the general purpose water accounting report that assists users of the report to understand the future prospects of the water report entity.
- A98. Disclosures about the future prospects of the water report entity include estimates of expected inflows, under various climatic conditions, and expected settlements of water liabilities and future water commitments. Estimation involves judgement based on information available when the general purpose water accounting report is prepared. Many estimates also include assumptions about matters that are uncertain at the time of estimation. The assurance practitioner is not responsible for predicting future conditions or events that, if known at the time of the assurance engagement, might have significantly affected the actions of the entity or the assumptions made in preparing the general purpose water accounting report.
- A99. The assurance practitioner's procedures in relation to estimates are described at paragraphs 49L-50R.
- A100. In considering the reasonableness of assumptions, the assurance practitioner may enquire of, and discuss with, management the following:
 - (a) The nature of the assumptions, including which assumptions are likely to be significant assumptions.
 - (b) How management assesses whether the assumptions are relevant and complete.
 - (c) Where applicable, how management determines that the assumptions used are internally consistent.
 - (d) Whether the assumptions relate to matters that are within the control of management, or to matters that are outside its control.
 - (e) The nature and extent of documentation, if any, supporting the assumptions.
- A101. Even where the disclosures about the future prospects of the water report entity are in accordance with AWAS 1, if they involve significant risk, the assurance practitioner may

conclude that the disclosures are inadequate in the light of the circumstances and facts involved. For example, the assurance practitioner may consider it appropriate to encourage the responsible party to provide additional disclosures regarding the estimation uncertainty in the future prospects note.

Procedures Related to Unaccounted-for Differences (Ref: Para. 52)

A102. AWAS 1 requires information to be disclosed in the notes to the general purpose water accounting report that is relevant to an understanding of the water assets and water liabilities of the water report entity and the management of those water assets and water liabilities, even where it is not explicitly required in AWAS 1.

A103. In considering the reasonableness of an unaccounted-for difference in the general purpose water accounting report, if any, the assurance practitioner may enquire of, and discuss with, management the following:

- (a) The possible causes of the unaccounted-for difference, including the actions taken by management to identify and fully understand all the causes of the unaccounted-for difference.
- (b) Whether the possible causes of the unaccounted-for difference relate to matters that are within the control of management, or to matters that are outside its control.
- (c) Whether management considers the unaccounted-for difference to be as expected or whether it may be indicative of a deficiency in the systems and processes for water accounting and reporting.
- (d) The pattern of unaccounted-for differences over time.
- (e) Whether the unaccounted-for difference is expected to continue in future reporting periods.
- (f) The nature and extent of documentation and other evidence, if any, supporting the disclosures regarding the unaccounted-for difference.

Information Prepared Using the Work of a Management's Expert (Ref: Para. 53)

A104. The responsible party may use the work of a management's expert to assist them in preparing the general purpose water accounting report. For example, expertise may be required to estimate or calculate the volumes of certain water assets, water liabilities or changes to water assets and water liabilities. Where the assurance practitioner intends to use information prepared by a management's expert as assurance evidence, the assurance practitioner may need to perform further procedures to establish the reliability of that information for such purposes.

A105. The nature, timing and extent of further procedures relating to information prepared using the work of a management's expert may be affected by such matters as:

- (a) The nature and complexity of the matter to which the information relates.
- (b) The risks of material misstatement in the matter.
- (c) The availability of alternative sources of assurance evidence.
- (d) The extent to which the responsible party exercises control or influences the work of the management's expert.
- (e) The nature and extent of any controls implemented by the responsible party around using the management expert's work.

A106. Competence relates to the nature and level of expertise of the management's expert. Capability relates to the ability of the management's expert to exercise competence in the circumstances. Objectivity relates to the possible effects of bias, conflict of interest or the influence others may have on the professional or business judgement of the management's

expert. The competence, capabilities and objectivity of a management's expert, and any controls over using that expert's work, are important factors in relation to the reliability of information produced by a management's expert.

A107. In obtaining an understanding of the work of the management's expert, the assurance practitioner may consider:

- (a) The relevant field of expertise and any areas of speciality within that field that are relevant to the assurance engagement.
- (b) Whether any professional or other standards, and regulatory or legal requirements, apply.
- (c) What assumptions and methods are used by the management's expert, and whether they are generally accepted within that expert's field and appropriate for water accounting purposes.
- (d) The nature of internal and external data or information the management's expert uses.

A108. Considerations when evaluating the appropriateness of the management's expert's work as assurance evidence may include:

- (a) The relevance and reasonableness of that expert's findings or conclusions, their consistency with other assurance evidence, and whether they have been appropriately reflected in the general purpose water accounting report.
- (b) If the work involves use of significant assumptions and methods, the relevance and reasonableness of those assumptions and methods.
- (c) If the work involves significant use of source data, the relevance, completeness and accuracy of that source data.

Sampling (Ref: Para. 54)

A109. Sampling involves:

- (a) Determining a sample size sufficient to reduce sampling risk to an acceptably low level. Because the acceptable level of assurance engagement risk is lower for a reasonable assurance engagement than for a limited assurance engagement, so too may be the level of sampling risk that is acceptable in the case of tests of details. Therefore, when sampling is used for tests of details in a reasonable assurance engagement, the sample size may be larger than when used in similar circumstances in a limited assurance engagement.
- (b) Selecting items for the sample in such a way that each sampling unit in the population has a chance of selection, and performing procedures, appropriate to the purpose, on each item selected. If the assurance practitioner is unable to apply the designed procedures, or suitable alternative procedures, to a selected item, that item is treated as a deviation from the prescribed control, in the case of tests of controls, or a misstatement, in the case of tests of details.
- (c) Investigating the nature and cause of deviations or misstatements identified, and evaluating their possible effect on the purpose of the procedure and on other areas of the engagement.
- (d) Evaluating:
 - (i) The results of the sample, including, for tests of details, projecting misstatements found in the sample to the population; and
 - (ii) Whether the use of sampling has provided an appropriate basis for conclusions about the population that has been tested.

Fraud, Law and Regulation (Ref: Para. 55)

A110. In responding to fraud or suspected fraud identified during the engagement, it may be appropriate for the assurance practitioner to, for example:

- (a) Discuss the matter with the responsible party.
- (b) Request the responsible party to consult with an appropriately qualified third party, such as the its legal counsel or a regulator.
- (c) Consider the implications of the matter in relation to other aspects of the engagement, including the assurance practitioner's risk assessment and the reliability of written representations from the responsible party.
- (d) Obtain legal advice about the consequences of different courses of action.
- (e) Communicate with third parties (for example, a regulator).
- (f) Withhold the assurance report.
- (g) Withdraw from the engagement.

A111. The actions noted in paragraph A110 may be appropriate in responding to non-compliance or suspected non-compliance with law and regulation identified during the engagement. It may also be appropriate to describe the matter in an Other Matter paragraph in the assurance report in accordance with paragraph 104 of this Standard, unless the assurance practitioner:

- (a) Concludes that the non-compliance has a material effect on the general purpose water accounting report and has not been adequately reflected in the general purpose water accounting report; or
- (b) Is precluded by the responsible party from obtaining sufficient appropriate evidence to evaluate whether non-compliance that may be material to the general purpose water accounting report has, or is likely to have, occurred, in which case paragraph 66 of ASAE 3000 applies.

Procedures Regarding the General Purpose Water Accounting Report Aggregation Process

(Ref: Para. 56L-56R)

A112. As noted in paragraph A63, as water accounting and reporting evolves, it can be expected that so too will the level of sophistication, documentation and formality of related water information systems. In immature water information systems, the aggregation process may be very informal. In more sophisticated systems, the aggregation process may be more systematic and formally documented. The nature, and also the extent, of the assurance practitioner's procedures with respect to adjustments and obtaining evidence that the general purpose water accounting report agrees with, or reconciles to, the underlying records depends on the nature and complexity of the water accounting and reporting process and the related risks of material misstatement.

Additional Procedures (Ref: Para. 57L-57R)

A113. An assurance engagement is an iterative process, and information may come to the assurance practitioner's attention that differs significantly from that on which the determination of planned procedures was based. As the assurance practitioner performs planned procedures, the evidence obtained may cause the assurance practitioner to perform additional procedures. Such procedures may include asking the responsible party to examine the matter(s) identified by the assurance practitioner, and to make adjustments to the general purpose water accounting report if appropriate.

Determining Whether Additional Procedures Are Necessary in a Limited Assurance Engagement
(Ref: Para. 57L)

- A114. The assurance practitioner may become aware of a matter(s) that causes the assurance practitioner to believe the general purpose water accounting report may be materially misstated. For example, when performing site visits, the assurance practitioner may identify water assets or water liabilities which do not appear to be included in the general purpose water accounting report. In such cases the assurance practitioner makes further enquiries as to whether the water assets or water liabilities have been incorporated into the general purpose water accounting report. The extent of additional procedures performed, in accordance with paragraph 57L will be a matter of professional judgement. The greater the likelihood of material misstatement the more persuasive the evidence the assurance practitioner obtains.
- A115. If, in the case of a limited assurance engagement, a matter(s) comes to the assurance practitioner's attention that causes the assurance practitioner to believe the general purpose water accounting report may be materially misstated, the assurance practitioner is required by paragraph 57L to design and perform additional procedures. If having done so, however, the assurance practitioner is not able to obtain sufficient appropriate evidence to either conclude that the matter(s) is not likely to cause the general purpose water accounting report to be materially misstated or determine that it does cause the general purpose water accounting report to be materially misstated, a scope limitation exists.

Accumulation of Identified Misstatements (Ref: Para. 58)

- A116. The assurance practitioner may designate an amount below which misstatements would be clearly trivial and would not need to be accumulated because the assurance practitioner expects that the accumulation of such amounts clearly would not have a material effect on the general purpose water accounting report. "Clearly trivial" is not another expression for "not material". Matters that are clearly trivial will be of a wholly different (smaller) order of magnitude than materiality determined in accordance with this Standard, and will be matters that are clearly inconsequential, whether taken individually or in the aggregate and whether judged by any criteria of size, nature or circumstances. When there is any uncertainty about whether one or more items are clearly trivial, the matter is considered not to be clearly trivial.

Initial Assurance Engagements

Opening Balances (Ref: Para. 65-67)

- A117. The nature and extent of assurance procedures necessary to obtain sufficient appropriate assurance evidence regarding opening balances depend on such matters as:
- (a) The water accounting policies followed by the responsible party.
 - (b) The nature of the account balances, and disclosures and the risks of material misstatement in the current period's general purpose water accounting report.
 - (c) The significance of the opening balances relative to the current period's general purpose water accounting report.
 - (d) Whether the prior period general purpose water accounting report was assured and, if so, whether the predecessor assurance practitioner's opinion was modified.
- A118. Where the prior year general purpose water accounting report was assured by a predecessor assurance practitioner, a review of the predecessor assurance practitioner's working papers may provide sufficient, appropriate assurance evidence. This will be influenced by the professional competence and independence of the predecessor assurance practitioner.

Effect on the Assurance Report (Ref: Para.68-70)

- A119. Paragraph 103(k) establishes requirements and paragraphs A180-A191 provide guidance on circumstances that may result in a modification to the assurance practitioner's conclusion on the general purpose water accounting report, the type of opinion appropriate in the

circumstances, and the content of the assurance practitioner's report when the conclusion is modified.

A120. In some situations, a modification to the predecessor assurance practitioner's conclusion may not be relevant and material to the conclusion on the current period general purpose water accounting report. This may be the case where, for example, there was a scope limitation in the prior period, but the matter giving rise to the scope limitation has been resolved in the current period.

Using the Work of Another Assurance Practitioner

Communication to Another Assurance Practitioner (Ref: Para. 71(a))

A121. Relevant matters that the engagement team may communicate to another assurance practitioner in respect of the work to be performed, the use to be made of that work, and the form and content of the other assurance practitioner's communication with the engagement team may include:

- (a) A request that the other assurance practitioner, knowing the context in which the engagement team will use the work of the other assurance practitioner, confirms that the other assurance practitioner will cooperate with the engagement team.
- (b) Performance materiality for the work of the other assurance practitioner, which may be lower than performance materiality for the general purpose water accounting report (and, if applicable, the materiality level or levels for particular types of water assets, water liabilities, changes to water assets and water liabilities or disclosures) and the threshold above which misstatements cannot be regarded as clearly trivial to the general purpose water accounting report.
- (c) Identified risks of material misstatement of the general purpose water accounting report that are relevant to the work of the other assurance practitioner; and a request that the other assurance practitioner communicate on a timely basis any other risks identified during the engagement that may be material to the general purpose water accounting report, and the other assurance practitioner's responses to such risks.

Communication from Another Assurance Practitioner (Ref: Para. 71(a))

A122. Relevant matters that the engagement team may request another assurance practitioner to communicate include:

- (a) Whether the other assurance practitioner has complied with ethical requirements that are relevant to the group engagement, including independence and professional competence.
- (b) Whether the other assurance practitioner has complied with the group engagement team's requirements.
- (c) Information on instances of non-compliance with law or regulation that could give rise to a material misstatement of the general purpose water accounting report.
- (d) A list of uncorrected misstatements identified by the other assurance practitioner during the engagement that are not clearly trivial.
- (e) Indicators of possible bias in the preparation of relevant information.
- (f) Description of any identified significant deficiencies in internal control identified by the other assurance practitioner during the engagement.
- (g) Other significant matters that the other assurance practitioner has communicated or expects to communicate to the responsible party, including fraud or suspected fraud.
- (h) Any other matters that may be relevant to the general purpose water accounting report, or that the other assurance practitioner wishes to draw to the attention of the

engagement team, including exceptions noted in any written representations that the other assurance practitioner requested from the responsible party.

- (i) The other assurance practitioner's overall findings, conclusion or opinion.

Evidence (Ref: Para. 71(b))

A123. Relevant considerations when obtaining evidence regarding the work of another assurance practitioner may include:

- (a) Discussions with the other assurance practitioner regarding business activities relevant to that other assurance practitioner's work that are significant to the general purpose water accounting report.
- (b) Discussions with the other assurance practitioner regarding the susceptibility of relevant information to material misstatement.
- (c) Reviewing the other assurance practitioner's documentation of identified risks of material misstatement, responses to those risks, and conclusions. Such documentation may take the form of a memorandum that reflects the other assurance practitioner's conclusion with regard to the identified risks.

Using the Work of an Assurance Practitioner's Expert

Determining the Need for an Assurance Practitioner's Expert (Ref: Para. 72)

A124. Expertise in a field other than water accounting or assurance may include expertise in relation to such matters as the:

- (a) Estimation of groundwater volumes.
- (b) Estimation of water consumption by flood plains and wetlands.
- (c) Review of decisions regarding changes to rating tables for flow gauges.
- (d) Choice of quantification approaches for particular water assets, water liabilities or changes to water assets and water liabilities.

A125. An assurance practitioner's expert may be needed to assist the assurance practitioner in one or more of the following areas of the assurance engagement:

- (a) Obtaining an understanding of the water report entity and its circumstances, including internal control relevant to preparing the general purpose water accounting report;
- (b) Identifying and assessing the risks of material misstatement;
- (c) Determining and implementing overall responses and further procedures relating to assessed risks of material misstatement;
- (d) Evaluating the sufficiency and appropriateness of assurance evidence in forming a conclusion on the general purpose water accounting report.

A126. The assurance practitioner's determination of whether to use the work of an assurance practitioner's expert, and if so, when and to what extent, assists the assurance practitioner in meeting the requirements under paragraphs 17(b) and 24(e) of this Standard to ensure the engagement team has appropriate skills, knowledge and experience and to plan the resources necessary to perform the assurance engagement.

A127. Considerations when deciding whether to use an assurance practitioner's expert may include:

- (a) Whether management has used a management's expert in preparing the general purpose water accounting report;
- (b) The nature and significance of the matter, including its complexity;

- (c) The risks of material misstatement in the matter; and
- (d) The expected nature of procedures to respond to identified risks, including the assurance practitioner's knowledge of and experience with the work of experts in relation to such matters; and the availability of alternative sources of assurance evidence.

The Competence, Capabilities and Objectivity of the Assurance Practitioner's Expert (Ref: Para. 73-74)

A128. Competence relates to the nature and level of expertise of the assurance practitioner's expert. Capability relates to the ability of the assurance practitioner's expert to exercise that competence in the circumstances of the engagement. Objectivity relates to the possible effects that bias, conflict of interest, or the influence of others may have on the professional or business judgement of the assurance practitioner's expert.

A129. In evaluating the competence, capability and objectivity of an assurance practitioner's expert, the assurance practitioner may consider:

- (a) Whether that expert's work is subject to technical performance standards or other professional or industry requirements, for example, ethical standards, professional development or other membership requirements of a professional body or industry association, accreditation standards of a licensing body, or requirements imposed by law or regulation;
- (b) The qualifications of that expert;
- (c) Whether that expert's field of expertise has areas of speciality within it that are relevant to the assurance engagement;
- (d) What assumptions and methods, including models, where applicable, are used by the assurance practitioner's expert, and whether they are generally accepted within that expert's field and appropriate for water accounting and reporting purposes; and
- (e) The nature of internal and external data or information that expert uses.

Agreement with the Assurance Practitioner's Expert (Ref: Para. 75)

A130. The following factors may suggest the need for a more detailed agreement between the assurance practitioner and the assurance practitioner's expert than would otherwise be the case, or for the agreement to be set out in writing:

- (a) The assurance practitioner's expert will have access to sensitive or confidential information.
- (b) The respective roles or responsibilities of the assurance practitioner and the assurance practitioner's expert are different from those normally expected.
- (c) Multi-jurisdictional legal or regulatory requirements apply.
- (d) The matter to which the assurance practitioner's expert's work relates is highly complex.
- (e) The assurance practitioner has not previously used work performed by that expert.
- (f) The greater the extent of the assurance practitioner's expert's work, and its significance in the context of the assurance engagement.

A131. The agreement between the assurance practitioner and an assurance practitioner's external expert is often in the form of an engagement letter.

A132. When there is no written agreement between the assurance practitioner and the assurance practitioner's expert, evidence of the agreement may be included in, for example:

- (a) Planning memoranda, or related working papers.

- (b) The policies and procedures of the assurance practitioner's firm.

Nature, Scope and Objectives of Work (Ref: Para. 75(a))

A133. It may often be relevant when agreeing on the nature, scope and objectives of the assurance practitioner's expert's work to include discussion of any relevant technical performance standards or other professional or industry requirements that the expert will follow.

Respective Roles and Responsibilities (Ref: Para. 75(b))

A134. Agreement on the respective roles and responsibilities of the assurance practitioner and the assurance practitioner's expert may include:

- (a) Whether the assurance practitioner or the assurance practitioner's expert will perform detailed testing of source data.
- (b) Consent for the assurance practitioner to discuss the assurance practitioner's expert's findings or conclusions with the responsible party and others, and to include details of that expert's findings or conclusions in the basis for a modified opinion in the assurance practitioner's report, if necessary (see paragraph A146).
- (c) Any agreement to inform the assurance practitioner's expert of the assurance practitioner's conclusions concerning that expert's work.

Working Papers

A135. Agreement on the respective roles and responsibilities of the assurance practitioner and the assurance practitioner's expert may also include agreement about access to, and retention of, each other's working papers.

Communication (Ref: Para. 75(c))

A136. Effective two-way communication facilitates the proper integration of the nature, timing and extent of the assurance practitioner's expert's procedures with other work on the assurance engagement, and appropriate modification of the assurance practitioner's expert's objectives during the course of the engagement. For example, when the work of the assurance practitioner's expert relates to the assurance practitioner's conclusions regarding a significant risk, both a formal written report at the conclusion of that expert's work, and oral reports as the work progresses, may be appropriate. Identification of specific team members who will liaise with the assurance practitioner's expert, and procedures for communication between that expert and the responsible party, assists timely and effective communication, particularly on larger engagements.

Confidentiality (Ref: Para. 75(d))

A137. It is necessary for the confidentiality provisions of relevant ethical requirements that apply to the assurance practitioner also to apply to the assurance practitioner's expert. Additional requirements may be imposed by law or regulation. The responsible party may also have requested that specific confidentiality provisions be agreed with the assurance practitioner's expert.

Evaluating the Adequacy of the Assurance Practitioner's Expert's Work (Ref: Para. 76)

A138. Specific procedures to evaluate the adequacy of the assurance practitioner's expert's work for the assurance practitioner's purposes may include:

- (a) Enquiries of the assurance practitioner's expert.
- (b) Reviewing the assurance practitioner's expert's working papers and reports.
- (c) Corroborative procedures, such as:
 - (i) Observing the assurance practitioner's expert's work;

- (ii) Examining published data, such as statistical reports from reputable, authoritative sources;
- (iii) Confirming relevant matters with third parties;
- (iv) Performing detailed analytical procedures; and
- (v) Re-performing calculations.
- (d) Discussion with another expert with relevant expertise when, for example, the findings or conclusions of the assurance practitioner's expert are not consistent with other assurance evidence.
- (e) Discussing the assurance practitioner's expert's report with the responsible party.

A139. Relevant factors when evaluating the relevance and reasonableness of the findings or conclusions of the assurance practitioner's expert, whether in a report or other form, may include whether they are:

- (a) Presented in a manner that is consistent with any standards of the assurance practitioner's expert's profession or industry;
- (b) Clearly expressed, including reference to the objectives agreed with the assurance practitioner, the scope of the work performed and standards applied;
- (c) Based on an appropriate period and take into account events after the reporting date, where relevant;
- (d) Subject to any reservation, limitation or restriction on use, and if so, whether this has implications for the assurance practitioner; and
- (e) Based on appropriate consideration of errors or deviations encountered by the assurance practitioner's expert.

Assumptions and Methods

A140. When the assurance practitioner's expert's work is to evaluate underlying assumptions and methods, including models where applicable, used by the responsible party in developing an estimate, the assurance practitioner's procedures are likely to be primarily directed to evaluating whether the assurance practitioner's expert has adequately reviewed those assumptions and methods. In other circumstances, the assurance practitioner's procedures may be primarily directed to evaluating the assumptions and methods, including models where appropriate, used by the assurance practitioners' expert.

A141. When an assurance practitioner's expert's work involves the use of significant assumptions and methods, factors relevant to the assurance practitioner's evaluation of those assumptions and methods include whether they are:

- (a) Generally accepted within the assurance practitioner's expert's field;
- (b) Consistent with the requirements of AWAS 1;
- (c) Dependent on the use of specialised models; and
- (d) Consistent with those of the responsible party, and if not, the reason for, and effects of, the differences.

Source Data Used by the Assurance Practitioner's Expert

A142. When an assurance practitioner's expert's work involves the use of source data that is significant to that expert's work, procedures such as the following may be used to test that data:

- (a) Verifying the origin of the data, including obtaining an understanding of, and where applicable testing, the internal controls over the data and, where relevant, its transmission to the expert.
- (b) Reviewing the data for completeness and internal consistency.

A143. In many cases, the assurance practitioner may test source data. However, in other cases, when the nature of the source data used by an assurance practitioner's expert is highly technical in relation to the expert's field, that expert may test the source data. If the assurance practitioner's expert has tested the source data, enquiry of that expert by the assurance practitioner, or supervision or review of that expert's tests may be an appropriate way for the assurance practitioner to evaluate that data's relevance, completeness, and accuracy.

Inadequate Work (Ref: Para. 77)

A144. If the assurance practitioner concludes that the work of the assurance practitioner's expert is not adequate for the assurance practitioner's purposes and the assurance practitioner cannot resolve the matter through the additional assurance procedures required by paragraph 77, which may involve further work being performed by both the expert and the assurance practitioner, or include employing or engaging another expert, it may be necessary to express a modified conclusion in the assurance practitioner's report because the assurance practitioner has not obtained sufficient appropriate assurance evidence.

Reference to the Assurance Practitioner's Expert in the Assurance Practitioner's Report

(Ref: Para. 78-79)

A145. The assurance practitioner has sole responsibility for the assurance conclusion expressed, and that responsibility is not reduced by the assurance practitioner's expert.

A146. Where reference is made to the assurance practitioner's expert in an assurance practitioner's report containing a modified conclusion, the assurance practitioner may need the permission of the assurance practitioner's expert before making such a reference.

Written Representations (Ref: Para. 80)

A147. In addition to the written representations required by paragraph 80, the assurance practitioner may consider it necessary to request other written representations. While, the person(s) from whom the assurance practitioner requests written representations will ordinarily be a member of senior management or those charged with governance, management and governance structures may vary between entities. Accordingly, it is not possible for this Standard to specify for all engagements the appropriate person(s) from whom to request written representations. Identifying the appropriate management personnel or those charged with governance from whom to request written representations may require the exercise of professional judgement.

Subsequent Events (Ref: Para. 83)

A148. Subsequent events may include, for example, the publication of revised streamflow data by a body such as a government agency, changes to relevant legislation or regulations, improved scientific knowledge, significant structural changes in the water report entity, the availability of more accurate quantification approaches, or the discovery of a significant error.

Comparative Information (Ref: Para. 84-90)

Restatements (Ref: Para. 84(a))

A149. The water assets, water liabilities and changes to water assets and water liabilities reported in a prior period may need to be restated in accordance with the applicable criteria because of, for example, improved scientific knowledge, significant structural changes in the water report entity, the availability of more accurate quantification approaches, or the discovery of a significant error.

Performing Procedures on Comparative Information (Ref: Para. 84-85)

- A150. The assurance engagement does not include assurance on comparative information, unless the terms of the assurance engagement specify otherwise. The requirements in paragraphs 84-85 to perform procedures with respect to comparative information are to satisfy the assurance practitioner's ethical obligations to not knowingly be associated with materially false or misleading information.
- A151. In a limited assurance engagement, if the assurance practitioner becomes aware that there may be a material misstatement in the comparative information presented, the procedures to be performed are to be in accordance with the requirements of paragraph 57L.
- A152. In a reasonable assurance engagement, if the assurance practitioner becomes aware that there may be a material misstatement in the comparative information presented, the procedures to be performed are to be sufficient to determine whether a material misstatement exists. If the assurance practitioner assured the prior period general purpose water accounting report, the procedures in paragraph 83 need to be considered.

Modification in Assurance Practitioner's Report on the Prior Period Unresolved (Ref: Para. 87)

- A153. When the assurance practitioner's report on the prior period, as previously issued, included a qualified conclusion, a disclaimer of conclusion, or an adverse conclusion and the matter which gave rise to the modified conclusion is resolved and properly accounted for or disclosed in the general purpose water accounting report in accordance with the applicable criteria, the assurance practitioner's conclusion on the current period need not refer to the previous modification.
- A154. When the assurance practitioner's conclusion on the prior period, as previously expressed, was modified, the unresolved matter that gave rise to the modification may not be relevant to the current period figures. Nevertheless, a qualified conclusion, a disclaimer of conclusion, or an adverse conclusion (as applicable) may be required on the current period's general purpose water accounting report because of the effects or possible effects of the unresolved matter on the comparability of the current and corresponding figures.

Misstatement in Prior Period General Purpose Water Accounting Report (Ref: Para. 88)

- A155. When a prior period general purpose water accounting report that is misstated has not been amended and an assurance practitioner's report has not been reissued, but the corresponding figures have been properly restated or appropriate disclosures have been made in the current period general purpose water accounting report, the assurance practitioner's report may include an Emphasis of Matter paragraph describing the circumstances and referring to, where relevant, disclosures that fully describe the matter that can be found in the general purpose water accounting report.

Prior Period General Purpose Water Accounting Report Assured by a Predecessor Assurance Practitioner (Ref: Para. 89)

- A156. When the prior period general purpose water accounting report was assured by a predecessor assurance practitioner, and the assurance conclusion was unmodified, the assurance practitioner would not ordinarily include a reference to that predecessor assurance practitioner's conclusion in the assurance practitioner's report. If the predecessor assurance practitioner's report was modified, the assurance practitioner considers the appropriateness of including a reference to that predecessor assurance practitioner's conclusion in the assurance practitioner's report.

Other Information (Ref: Para. 91)

- A157. A general purpose water accounting report may be published with other information that is not covered by the assurance practitioner's conclusion, for example, the contextual statement or a sustainability report. The assurance practitioner reads the other information to identify material inconsistencies between the other information and the general purpose water accounting report or material misstatements of fact.

A158. An agreement with the responsible party about when the contextual statement and other information, if any, will be available may be helpful, as this enables the assurance practitioner to read the contextual statement and other information and resolve possible issues on a timely basis.

A159. Factors that could undermine the credibility of the general purpose water accounting report include material inconsistencies between the other information and the general purpose water accounting report or material misstatements of fact in the other information.

Material Inconsistencies

A160. If, on reading other information, the assurance practitioner identifies a material inconsistency between the other information and the general purpose water accounting report, further actions may include:

- (a) Determining whether the general purpose water accounting report or the other information need to be revised and asking the responsible party to make the necessary revision;
- (b) If the responsible party refuses to make the revision, the assurance practitioner may modify the assurance report, for example, by including in the assurance report an Other Matter(s) paragraph describing the material inconsistency;
- (c) Withholding the assurance report; or
- (d) Withdrawing from the engagement, where withdrawal is possible.

Material Misstatements of Fact

A161. If, on reading other information, the assurance practitioner becomes aware of an apparent material misstatement of fact, the assurance practitioner may discuss the matter with the responsible party. When discussing an apparent material misstatement of fact with the responsible party, the assurance practitioner may not be able to evaluate the validity of some disclosures in the other information and the responsible party's responses to the assurance practitioner's enquiries, and may conclude that valid differences of judgement or opinion exist.

A162. If following such discussions, the assurance practitioner still considers that there is an apparent material misstatement of fact, the assurance practitioner may request the responsible party to consult with a third party, such as legal counsel, to assist in resolving the apparent material misstatement of fact. The assurance practitioner can then consider the advice received.

A163. When the assurance practitioner concludes that there is a material misstatement of fact that the responsible party refuses to correct, appropriate further actions by the assurance practitioner may include:

- (a) Obtaining legal advice about the consequences of different courses of action;
- (b) Communicating with third parties, for example, a regulator; or
- (c) Including an Other Matter(s) paragraph in the assurance report, describing the material misstatement of fact in the other information.

Documentation

Documentation of the Procedures Performed and Evidence Obtained (Ref: Para. 16, 92-93)

A164. ASAE 3000 requires the assurance practitioner to prepare on a timely basis engagement documentation that provides a record of the basis of the assurance report.³² The following are examples of matters that may be appropriate to include in the engagement documentation:

³² ASAE 3000, paragraph 79.

- (a) Fraud: The risks of material misstatement and the nature, timing and extent of procedures with respect to fraud; and communications about fraud made to the responsible party, regulators and others.
- (b) Law or Regulation: Identified or suspected non-compliance with law or regulation and the results of discussion with the responsible party and other relevant parties.
- (c) Planning: The overall engagement strategy, the engagement plan, and any significant changes made during the engagement and the reasons for such changes.
- (d) Materiality: The following amounts and the factors considered in their determination: materiality for the general purpose water accounting report; if applicable, the materiality level or levels for particular types of water assets, water liabilities, changes to water assets and water liabilities or disclosures; performance materiality; and any revision of materiality as the engagement progresses.
- (e) Risks of Material Misstatement: The discussion required by paragraph 34, and the significant decisions reached, key elements of the understanding obtained regarding each of the aspects of the water report entity and its circumstances specified in paragraph 28, and the risks of material misstatement for which in the assurance practitioner's professional judgement further procedures were required.
- (f) Further Procedures: The nature, timing and extent of the further procedures performed, the linkage of those further procedures with the risks of material misstatement, and the results of the procedures.
- (g) Evaluation of Misstatements: The amount below which misstatements would be regarded as clearly trivial, misstatements accumulated during the engagement and whether they have been corrected, and the assurance practitioner's conclusion as to whether uncorrected misstatements are material, individually or in the aggregate, and the basis for that conclusion.

Matters Arising after the Date of the Assurance Report (Ref: Para. 95)

A165. Examples of exceptional circumstances include facts which become known to the assurance practitioner after the date of the assurance report but which existed at that date and which, if known at that date, might have caused the general purpose water accounting report to be amended or the assurance practitioner to modify the conclusion in the assurance report, for example, the discovery of a significant uncorrected error. The resulting changes to the engagement documentation are reviewed in accordance with the firm's policies or procedures with respect to the nature, timing and extent of the review of engagement team members' work as required by ASQM 1,³³ with the lead assurance practitioner taking final responsibility for the changes.

Assembly of the Final Engagement File (Ref: Para. 96)

A166. ASQM 1 (or other professional requirements, or requirements in law or regulation that are at least as demanding as ASQM 1) requires firms to establish a quality objective that addresses the assembly of engagement documentation on a timely basis after the date of the engagement report.³⁴ An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the assurance report.³⁵

³³ ASQM 1, paragraphs 31(b).

³⁴ ASQM 1, paragraph 31(f).

³⁵ ASQM 1, paragraph A83.

Forming the Assurance Conclusion

Description of the Applicable Criteria (Ref: Para. 101(d), 103(g))

- A167. The preparation of the general purpose water accounting report by the responsible party requires the inclusion of an adequate description of the applicable criteria in the explanatory notes to the general purpose water accounting report. That description informs intended users of the framework on which the general purpose water accounting report is based, and is particularly important when there may be significant differences between various criteria regarding how particular matters are treated in a general purpose water accounting report, for example: whether groundwater assets are included and, if so; how they have been quantified, what they represent and the basis for inclusion of the selected groundwater assets.
- A168. A description that the general purpose water accounting report is prepared in accordance with particular criteria is appropriate only if the general purpose water accounting report complies with all the requirements of those criteria that are effective during the period covered by the general purpose water accounting report.
- A169. A description of the applicable criteria that contains imprecise qualifying or limiting language (for example, “the general purpose water accounting report is in substantial compliance with the requirements of XYZ”) is not an adequate description as it may mislead users of the general purpose water accounting report.

Assurance Report Content

Illustrative Assurance Reports (Ref: Para. 103)

- A170. The Appendix to this Standard contains illustrations of assurance reports on general purpose water accounting reports incorporating the elements set forth in paragraph 103.

Information Not Covered by the Assurance Practitioner’s Conclusion (Ref: Para. 103(d))

- A171. To avoid misunderstanding and undue reliance on information that has not been subject to assurance, where the general purpose water accounting report includes information, such as comparatives, that is not covered by the assurance practitioner’s conclusion, that information is ordinarily identified as such in the general purpose water accounting report and in the assurance practitioner’s assurance report.

Use of the Assurance Report (Ref: Para. 103(g)(ii))

- A172. As well as identifying the addressee of the assurance report, the assurance practitioner may consider it appropriate to include wording in the body of the assurance report that specifies the purpose for which, or the intended users for whom, the report was prepared. For example, when the general purpose water accounting report will be lodged on the public record, it may be appropriate for the explanatory notes to the general purpose water accounting report, and the assurance report, to include a statement that the report is intended for users who have a reasonable knowledge of water accounting and reporting, and who have studied the information in the general purpose water accounting report with reasonable diligence and understand that the general purpose water accounting report is prepared and assured to appropriate levels of materiality.
- A173. In addition, the assurance practitioner may consider it appropriate to include wording that specifically restricts distribution of the assurance report other than to intended users, its use by others, or its use for other purposes.

Summary of the Assurance Practitioner’s Procedures (Ref: Para. 103(j)(ii) and A7)

- A174. The assurance report in a reasonable assurance engagement often follows a standard wording and only briefly describes procedures performed. This is because, in a reasonable assurance engagement, describing in any level of detail the specific procedures performed would not

assist users to understand that, in all cases where an unmodified report is issued, sufficient appropriate evidence has been obtained to enable the assurance practitioner to express an opinion.

A175. In a limited assurance engagement, an appreciation of the nature, timing and extent of procedures performed is essential for the intended users to understand the conclusion expressed in a limited assurance report. The description of the assurance practitioner's procedures in a limited assurance engagement is therefore ordinarily more detailed than in a reasonable assurance engagement. It also may be appropriate to include a description of procedures that were not performed that would ordinarily be performed in a reasonable assurance engagement. However, a complete identification of all such procedures may not be possible because the assurance practitioner's required understanding and assessment of risks of material misstatement are less than in a reasonable assurance engagement.

Factors to consider in determining the level of detail to be provided include:

- (a) Circumstances specific to the responsible party (for example, the differing nature of the water report entity's activities compared to those typical in the sector).
- (b) Specific engagement circumstances affecting the nature and extent of the procedures performed.
- (c) The intended users' expectations of the level of detail to be provided in the report, based on market practice, or applicable law or regulation.

A176. In describing the procedures performed in the limited assurance report it is important that they are written in an objective way but are not summarised to the extent that they are ambiguous, nor written in a way that is overstated or embellished or that implies that reasonable assurance has been obtained. In most cases the description of the procedures will not detail the entire work plan.

The Assurance Practitioner's Conclusion (Ref: Para. 103(k))

A177. The assurance practitioner's conclusion may be unmodified or modified.

A178. The assurance practitioner expresses an unmodified conclusion when the assurance practitioner concludes:

- (a) In the case of a reasonable assurance engagement, that the general purpose water accounting report is presented fairly in all material respects in accordance with AWAS 1. This conclusion is likely to be expressed in the form of an opinion, for example:

In our opinion, the water accounting statements, note disclosures and accountability statement included in the general purpose water accounting report for [ABC Water Report Entity] for the period ended 30 June 20X1 are presented fairly, in all material respects, in accordance with AWAS 1 [and the Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports].

- (b) In the case of a limited assurance engagement, that based on the procedures performed, nothing has come to the attention of the assurance practitioner that causes the assurance practitioner to believe that the general purpose water accounting report is not presented fairly, in all material respects, in accordance with AWAS 1, for example:

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the water accounting statements, note disclosures and accountability statement included in the general purpose water accounting report for [ABC Water Report Entity] for the period ended 30 June 20X1 are not presented fairly, in all material respects, in accordance with AWAS 1 [and the Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports].

A179. The assurance practitioner modifies the conclusion when the following circumstances exist and, in the assurance practitioner's professional judgement, the effect of the matter is or may be material:

- (a) The assurance practitioner concludes, based on the evidence obtained, that the general purpose water accounting report as a whole is not presented fairly in accordance with AWAS 1, that is, the general purpose water accounting is not free from material misstatement; or
- (b) The assurance practitioner is unable to obtain sufficient appropriate evidence to conclude that the general purpose water accounting report as a whole is free from material misstatement. In this case, a scope limitation exists and the assurance practitioner must express a qualified conclusion, disclaim a conclusion, or withdraw from the engagement, where withdrawal is possible under applicable law or regulation.

A180. There are three types of modified assurance conclusions:

- (a) a qualified conclusion;
- (b) an adverse conclusion; and
- (c) a disclaimer of conclusion.

A181. The decision regarding which type of modified conclusion is appropriate depends upon:

- (a) The nature of the matter giving rise to the modification, that is, whether the general purpose water accounting report is materially misstated, or in the case of a scope limitation, may be materially misstated; and
- (b) The assurance practitioner's judgement about the pervasiveness of the effects or possible effects of the matter on the general purpose water accounting report.

Qualified conclusion

A182. A qualified conclusion is expressed when:

- (a) The assurance practitioner, having obtained sufficient appropriate evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the general purpose water accounting report; or
- (b) The assurance practitioner is unable to obtain sufficient appropriate evidence on which to base the conclusion, but the assurance practitioner concludes that the possible effects on the general purpose water accounting report of undetected misstatements, if any, could be material but not pervasive.

A183. An example of the wording for a qualified conclusion due to a material misstatement in a general purpose water accounting report in a reasonable assurance engagement is:

In our opinion, except for the effects of the matter(s) described in the Basis for Qualified Opinion paragraph, the water accounting statements, note disclosures and accountability statement included in the general purpose water accounting report for [ABC Water Report Entity] for the period ended 30 June 20X1 are presented fairly, in all material respects, in accordance with AWAS 1 [and the Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports].

A184. An example of the wording for a qualified conclusion due to a material misstatement in a general purpose water accounting report in a limited assurance engagement is:

Based on the procedures we have performed and the evidence we have obtained, except for the effects of the matter(s) described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the water

accounting statements, note disclosures and accountability statement included in the general purpose water accounting report for [ABC Water Report Entity] for the period ended 30 June 20X1 are not presented fairly, in all material respects, in accordance with AWAS 1 [and the Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports].

Adverse conclusion

A185. An adverse conclusion is expressed when the assurance practitioner, having obtained sufficient appropriate evidence, concludes that the misstatements, individually or in the aggregate, are both material and pervasive to the general purpose water accounting report.

A186. An example of the wording for an adverse conclusion due to a material misstatement in a general purpose water accounting report in a reasonable assurance engagement is:

In our opinion, because of the significance of the matter(s) discussed in the Basis for Adverse Opinion paragraph, the water accounting statements, note disclosures and accountability statement included in the general purpose water accounting report for [ABC Water Report Entity] for the period ended 30 June 20X1 are not presented fairly, in all material respects, in accordance with AWAS 1 [and the Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports].

A187. An example of the wording for an adverse conclusion due to a material misstatement in a general purpose water accounting report in a limited assurance engagement is:

Because of the significance of the matter(s) described in the Basis for Adverse Conclusion paragraph, the water accounting statements, note disclosures and accountability statement included in the general purpose water accounting report for [ABC Water Report Entity] for the period ended 30 June 20X1 are not presented fairly, in all material respects, in accordance with AWAS 1 [and the Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports].

Disclaimer of conclusion

A188. The assurance practitioner disclaims a conclusion when the assurance practitioner is unable to obtain sufficient appropriate evidence on which to base the conclusion, and the assurance practitioner concludes that the possible effects on the general purpose water accounting report of undetected misstatements, if any, could be both material and pervasive.

A189. An example of the wording for a disclaimer of conclusion due to the assurance practitioner's inability to obtain sufficient appropriate evidence in a reasonable assurance engagement is:

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate evidence to provide a basis for an opinion. Accordingly, we do not express an opinion on the general purpose water accounting report for [ABC Water Report Entity] for the period ended 30 June 20X1.

A190. An example of the wording for a disclaimer of conclusion due to the assurance practitioner's inability to obtain sufficient appropriate evidence in a limited assurance engagement is:

Because of the significance of the matter described in the Basis for Disclaimer of Conclusion paragraph, we have not been able to obtain sufficient appropriate evidence to provide a basis for an assurance conclusion. Accordingly, we do not express a conclusion on the general purpose water accounting report for [ABC Water Report Entity] for the period ended 30 June 20X1.

The Assurance Practitioner's Signature (Ref: Para. 103(l))

A191. The assurance practitioner's signature is in the name of the assurance practitioner's firm or the personal name of the assurance practitioner, or both, as appropriate.

Emphasis of Matter Paragraphs and Other Matter Paragraphs (Ref: Para. 104)

- A192. An Emphasis of Matter paragraph may be appropriate when, for example, different criteria have been used or the criteria have been revised, updated or interpreted differently than in prior periods and this has had a fundamental effect on reported water assets, water liabilities or changes to water assets and water liabilities, or a system breakdown for part of the period being accounted for means that extrapolation was used to estimate water assets, water liabilities or changes to water assets and water liabilities for that time and this has been stated in the general purpose water accounting report.
- A193. An Other Matter paragraph may be appropriate when, for example, the scope of the engagement has changed significantly from the prior period and this has not been stated in the general purpose water accounting report.
- A194. The content of an Emphasis of Matter paragraph includes a clear reference to the matter being emphasised and to where relevant disclosures that fully describe the matter can be found in the general purpose water accounting report. It also indicates that the assurance practitioner's conclusion is not modified in respect of the matter emphasised (see also paragraph A163).
- A195. The content of an Other Matter paragraph reflects clearly that such other matter is not required to be presented and disclosed in the general purpose water accounting report. Paragraph 104 limits the use of an Other Matter paragraph to matters relevant to users' understanding of the engagement, the assurance practitioner's responsibilities or the assurance report, that the assurance practitioner considers it necessary to communicate in the assurance report.
- A196. Including the assurance practitioner's recommendations on matters such as improvements to the responsible party's water information system in the assurance report may imply that those matters have not been appropriately dealt with in preparing the general purpose water accounting report. Such recommendations may be communicated, for example, in a management letter or in discussion with the responsible party. Considerations relevant to deciding whether to include recommendations in the assurance report include whether their nature is relevant to the information needs of intended users, and whether they are worded appropriately to ensure they will not be misunderstood as a qualification of the assurance practitioner's conclusion on the general purpose water accounting report.
- A197. An Other Matter paragraph does not include information that the assurance practitioner is prohibited from providing by law, regulation or other professional standards, for example, ethical standards relating to confidentiality of information. An Other Matter paragraph also does not include information that is required to be provided by the responsible party.

Appendix

(Ref: Para. A171)

Illustrations of an Assurance Practitioner's Report on a General Purpose Water Accounting Report

- Illustration 1: An assurance practitioner's report containing an unmodified opinion—reasonable assurance engagement.
- Illustration 2: An assurance practitioner's report containing an unmodified opinion, an Emphasis of Matter paragraph and an Other Matter paragraph—reasonable assurance engagement.
- Illustration 3: An assurance practitioner's report containing a qualified opinion due to a material misstatement in the general purpose water accounting report—reasonable assurance engagement.
- Illustration 4: An assurance practitioner's report containing an adverse opinion due to a material misstatement in the general purpose water accounting report—reasonable assurance engagement.
- Illustration 5: An assurance practitioner's report containing a disclaimer of opinion due to the assurance practitioner's inability to obtain sufficient appropriate assurance evidence—reasonable assurance engagement.
- Illustration 6: An assurance practitioner's report containing an unmodified conclusion—limited assurance engagement.

Illustration 1:

Circumstances include the following:

- **Reasonable assurance engagement.**
- **The general purpose water accounting report is prepared in accordance with AWAS 1.**
- **Unmodified opinion.**
- **The contextual statement is not subject to assurance.**

The following illustrative report is for guidance only and is not intended to be exhaustive or applicable to all situations.

INDEPENDENT ASSURANCE PRACTITIONER'S REPORT

[Appropriate Addressee]

We have conducted a reasonable assurance engagement on the accompanying general purpose water accounting report for [ABC Water Report Entity], comprising the statement of water assets and water liabilities as at 30 June 20X1, and statement of changes in water assets and water liabilities^{36, 37} and statement of water flows³⁸ for the year then ended, notes comprising a summary of significant water accounting policies and other explanatory information, and the accountability statement.

[Director's/Management's] Responsibility for the General Purpose Water Accounting Report

The [directors/management of XYZ] are responsible for the preparation and presentation of the general purpose water accounting report for [ABC Water Report Entity] in accordance with Australian Water Accounting Standard 1 [and the *Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports*].³⁹ This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of a general purpose water accounting report that is free from material misstatement, whether due to fraud or error.

[As discussed in Note {xx} to the water accounting statements, various quantification approaches have been used to quantify items in the water accounting statements. Certain quantification approaches are subject to inherent uncertainty due to incomplete scientific knowledge used to determine {insert description}.]⁴⁰

Assurance Practitioner's Independence and Quality Management

We have complied with the independence and relevant ethical requirements,[#] which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

[Name of assurance practitioner's firm] applies Auditing Standard ASQM 1[†], which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

³⁶ In some instances, a statement of changes in water assets and water liabilities need not be presented in a general purpose water accounting report. Where this is the case, omit reference to the statement of changes in water assets and water liabilities.

³⁷ In some instances, the statement of changes in water assets and water liabilities may be combined with the statement of water flows. Where this is the case, insert the description of the combined statement.

³⁸ In some instances, a statement of water flows need not be presented in a general purpose water accounting report. Where this is the case, omit reference to the statement of water flows.

³⁹ AWAS 1 provides that, in the absence of explicit guidance in AWAS 1, the *Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports* shall be applied in preparing and presenting the general purpose water accounting report.

⁴⁰ Include this sentence only where there is a discussion of the inherent uncertainty in the notes to the water accounting statements.

[#] See ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

[†] See ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*.

Assurance Practitioner's Responsibility

Our responsibility is to express an opinion on the general purpose water accounting report based on the evidence we have obtained. Our reasonable assurance engagement did not cover the contextual statement for [ABC Water Report Entity] and we did not perform any assurance procedures with respect to the contextual statement.

We conducted our reasonable assurance engagement in accordance with ASAE 3610/AWAS 2 *Assurance Engagements on General Purpose Water Accounting Reports*. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance about whether the general purpose water accounting report is free from material misstatement.

A reasonable assurance engagement in accordance with ASAE 3610/AWAS 2 involves:

- Performing procedures to obtain sufficient, appropriate assurance evidence about the water assets and water liabilities, changes in water assets and water liabilities, water flows and related disclosures in the general purpose water accounting report. The nature, timing and extent of procedures selected depend on the assurance practitioner's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error, in the general purpose water accounting report. In making those risk assessments, we considered internal control relevant to [XYZ]'s preparation and presentation of the general purpose water accounting report in order to design assurance procedures that are appropriate in the circumstances; and
- Evaluating the:
 - appropriateness of the quantification approaches and water accounting policies used
 - reasonableness of estimates made; and
 - overall presentation of the general purpose water accounting report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the statement of water assets and water liabilities, statement of changes in water assets and water liabilities, statement of water flows, note disclosures and accountability statement included in the general purpose water accounting report for [ABC Water Report Entity] for the year ended 30 June 20X1 are presented fairly, in all material respects, in accordance with Australian Water Accounting Standard 1 [and the *Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports*].

[Assurance practitioner's signature]⁴¹

[Date of the assurance practitioner's report]⁴²

[Assurance practitioner's address]

⁴¹ The assurance practitioner's report needs to be signed in the name of the assurance practitioner's firm, or the personal name of the assurance practitioner, or both, as appropriate.

⁴² The date of the assurance practitioner's report is the date the assurance practitioner signs the report.

Illustration 2:

Circumstances include the following:

- **Reasonable assurance engagement.**
- **The general purpose water accounting report is prepared in accordance with AWAS 1.**
- **Unmodified opinion.**
- **Emphasis of Matter paragraph.**
- **Other Matter paragraph.**
- **The contextual statement is not subject to assurance.**

The following illustrative report is for guidance only and is not intended to be exhaustive or applicable to all situations.

INDEPENDENT ASSURANCE PRACTITIONER’S REPORT

[Appropriate Addressee]

Report on the General Purpose Water Accounting Report⁴³

We have conducted a reasonable assurance engagement on the accompanying general purpose water accounting report for [ABC Water Report Entity], comprising the statement of water assets and water liabilities as at 30 June 20X1, and statement of changes in water assets and water liabilities^{44, 45} and statement of water flows⁴⁶ for the year then ended, notes comprising a summary of significant water accounting policies and other explanatory information, and the accountability statement.

[Directors’/Management’s] Responsibility for the General Purpose Water Accounting Report

The [directors/management of XYZ] are responsible for the preparation and presentation of the general purpose water accounting report for [ABC Water Report Entity] in accordance with Australian Water Accounting Standard 1 [and the *Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports*].⁴⁷ This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of a general purpose water accounting report that is free from material misstatement, whether due to fraud or error.

[As discussed in Note {xx} to the water accounting statements, various quantification approaches have been used to quantify items in the water accounting statements. Certain quantification approaches are subject to inherent uncertainty due to incomplete scientific knowledge used to determine {insert description}].⁴⁸

⁴³ Include this heading only when there is more than one heading in the assurance practitioner’s report.

⁴⁴ In some instances, a statement of changes in water assets and water liabilities need not be presented in a general purpose water accounting report. Where this is the case, omit reference to the statement of changes in water assets and water liabilities.

⁴⁵ In some instances, the statement of changes in water assets and water liabilities may be combined with the statement of water flows. Where this is the case, insert the description of the combined statement.

⁴⁶ In some instances, a statement of water flows need not be presented in a general purpose water accounting report. Where this is the case, omit reference to the statement of water flows.

⁴⁷ AWAS 1 provides that, in the absence of explicit guidance in AWAS 1, the *Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports* shall be applied in preparing and presenting the general purpose water accounting report.

⁴⁸ Include this sentence only where there is a discussion of the inherent uncertainty in the notes to the water accounting statements.

Assurance Practitioner's Independence and Quality Management

We have complied with the independence and relevant ethical requirements,[#] which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

[Name of assurance practitioner's firm] applies Auditing Standard ASQM 1[†], which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Assurance Practitioner's Responsibility

Our responsibility is to express an opinion on the general purpose water accounting report based on the evidence we have obtained. Our reasonable assurance engagement did not cover the contextual statement for [ABC Water Report Entity] and we did not perform any assurance procedures with respect to the contextual statement.

We conducted our reasonable assurance engagement in accordance with ASAE 3610/AWAS 2 *Assurance Engagements on General Purpose Water Accounting Reports*. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance about whether the general purpose water accounting report is free from material misstatement.

A reasonable assurance engagement in accordance with ASAE 3610/AWAS 2 involves:

- Performing procedures to obtain sufficient, appropriate assurance evidence about the water assets and water liabilities, changes in water assets and water liabilities, water flows and related disclosures in the general purpose water accounting report. The nature, timing and extent of procedures selected depend on the assurance practitioner's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error, in the general purpose water accounting report. In making those risk assessments, we considered internal control relevant to [XYZ]'s preparation and presentation of the general purpose water accounting report in order to design assurance procedures that are appropriate in the circumstances; and
- Evaluating the:
 - appropriateness of the quantification approaches and water accounting policies used
 - reasonableness of estimates made; and
 - overall presentation of the general purpose water accounting report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the statement of water assets and water liabilities, statement of changes in water assets and water liabilities, statement of water flows, note disclosures and accountability statement included in the general purpose water accounting report for [ABC Water Report Entity] for the year ended 30 June 20X1 are presented fairly, in all material respects, in accordance with Australian Water Accounting Standard 1 [and the *Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports*].

Emphasis of Matter

Example 1 - We draw attention to note X to the water accounting statements which describes possible restrictions that may be placed on water rights held by [ABC Water Report Entity]. Our opinion is not modified in respect of this matter.

[#] See ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

[†] See ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*.

Example 2 – We draw attention to note X to the water accounting statements which describes possible changes to the [regulations regarding water quality] which may impact the volume of water that [ABC Water Report Entity] can supply to consumers. Our opinion is not modified in respect of this matter.

Example 3 – We draw attention to note X to the water accounting statements which describes the impacts of the damage to the dam wall at Lake Beauview as a result of the flood in February 20X1. This event had a significant impact on the total water assets of [ABC Water Report Entity] as at 30 June 20X1. Our opinion is not modified in respect of this matter.

Example 4 – We draw attention to note X to the water accounting statements which provides information about the (general examples below):

- unaccounted-for difference disclosed in the statement of changes in water assets and water liabilities;
- significant judgements and/or estimates made by XYZ in estimating (evaporation/groundwater/other item);
- uncertainty related to the inclusion of (name of water entity) as part of the water report entity;

Our opinion is not modified in respect of this matter.

Other Matter

Example 1 - XYZ has prepared a separate water accounting report for [ABC Water Report Entity] for the year ended 30 June 20X1 in accordance with the National Performance Report requirements of the National Water Commission on which we issued a separate assurance report.

Example 2 –The general purpose water accounting report for [ABC Water Report Entity] for the year ended 30 June 20X0 was assured by another assurance practitioner who expressed an unmodified opinion on that report on 30 September 20X0.

Example 3 – The general purpose water accounting report for [ABC Water Report Entity] has been prepared solely for use by XYZ. Accordingly, this assurance report is prepared solely for use by XYZ and its distribution is restricted to XYZ.

[Assurance practitioner's signature]⁴⁹

[Date of the assurance practitioner's report]⁵⁰

[Assurance practitioner's address]

⁴⁹ The assurance practitioner's report needs to be signed in the name of the assurance practitioner's firm, or the personal name of the assurance practitioner, or both, as appropriate.

⁵⁰ The date of the assurance practitioner's report is the date the assurance practitioner signs the report.

Illustration 3:

Circumstances include the following:

- **Reasonable assurance engagement.**
- **The general purpose water accounting report is prepared in accordance with AWAS 1.**
- **Modified opinion:**
 - **Qualified opinion.**
 - **Material misstatement in the general purpose water accounting report.**
- **The contextual statement is not subject to assurance.**

The following illustrative report is for guidance only and is not intended to be exhaustive or applicable to all situations.

INDEPENDENT ASSURANCE PRACTITIONER’S REPORT

[Appropriate Addressee]

We have conducted a reasonable assurance engagement on the accompanying general purpose water accounting report for [ABC Water Report Entity], comprising the statement of water assets and water liabilities as at 30 June 20X1, and statement of changes in water assets and water liabilities^{51, 52} and statement of water flows⁵³ for the year then ended, notes comprising a summary of significant water accounting policies and other explanatory information, and the accountability statement.

[Directors’/Management’s] Responsibility for the General Purpose Water Accounting Report

The [directors/management of XYZ] are responsible for the preparation and presentation of the general purpose water accounting report for [ABC Water Report Entity] in accordance with Australian Water Accounting Standard 1 [and the *Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports*].⁵⁴ This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of a general purpose water accounting report that is free from material misstatement, whether due to fraud or error.

[As discussed in Note {xx} to the water accounting statements, various quantification approaches have been used to quantify items in the water accounting statements. Certain quantification approaches are subject to inherent uncertainty due to incomplete scientific knowledge used to determine {insert description}].⁵⁵

Assurance Practitioner’s Independence and Quality Management

We have complied with the independence and relevant ethical requirements,[#] which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

⁵¹ In some instances, a statement of changes in water assets and water liabilities need not be presented in a general purpose water accounting report. Where this is the case, omit reference to the statement of changes in water assets and water liabilities.

⁵² In some instances, the statement of changes in water assets and water liabilities may be combined with the statement of water flows. Where this is the case, insert the description of the combined statement.

⁵³ In some instances, a statement of water flows need not be presented in a general purpose water accounting report. Where this is the case, omit reference to the statement of water flows.

⁵⁴ AWAS 1 provides that, in the absence of explicit guidance in AWAS 1, the *Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports* shall be applied in preparing and presenting the general purpose water accounting report.

⁵⁵ Include this sentence only where there is a discussion of the inherent uncertainty in the notes to the water accounting statements.

[#] See ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

[Name of assurance practitioner's firm] applies Auditing Standard ASQM 1[†], which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Assurance Practitioner's Responsibility

Our responsibility is to express an opinion on the general purpose water accounting report based on the evidence we have obtained. Our reasonable assurance engagement did not cover the contextual statement for [ABC Water Report Entity] and we did not perform any assurance procedures with respect to the contextual statement.

We conducted our reasonable assurance engagement in accordance with ASAE 3610/AWAS 2 *Assurance Engagements on General Purpose Water Accounting Reports*. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance about whether the general purpose water accounting report is free from material misstatement.

A reasonable assurance engagement in accordance with ASAE 3610/AWAS 2 involves:

- Performing procedures to obtain sufficient, appropriate assurance evidence about the water assets and water liabilities, changes in water assets and water liabilities, water flows and related disclosures in the general purpose water accounting report. The nature, timing and extent of procedures selected depend on the assurance practitioner's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error, in the general purpose water accounting report. In making those risk assessments, we considered internal control relevant to [XYZ]'s preparation and presentation of the general purpose water accounting report in order to design assurance procedures that are appropriate in the circumstances; and
- Evaluating the:
 - appropriateness of the quantification approaches and water accounting policies used
 - reasonableness of estimates made; and
 - overall presentation of the general purpose water accounting report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis for Qualified Opinion

Example 1 – The comparative period information for [the line items] in the water accounting statements in the general purpose water accounting report for [ABC Water Report Entity] have been restated as a result of a change in quantification approach. Evidence obtained as part of the assurance engagement indicated the quantification approach applied during the current reporting period is a refinement of the approach applied in the prior reporting period and information recognised in the prior period was based on the best information available at that time. As Australian Water Accounting Standard 1 states improvements in quantification approaches are not considered a prior period error, the volumes recognised in the comparative period should not have been restated. XYZ's records indicate that [the line items] should have been recognised as xxx ML and xxx ML respectively.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the statement of water assets and water liabilities, statement of changes in water assets and water liabilities, statement of water flows, note disclosures and accountability statement included in the general purpose water accounting report for [ABC Water Report Entity] for the year ended 30 June 20X1 are presented fairly, in all material respects, in accordance with Australian Water Accounting Standard 1 [and the *Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports*].

[†] See ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*.

[Assurance practitioner's signature]⁵⁶

[Date of the assurance practitioner's report]⁵⁷

[Assurance practitioner's address]

⁵⁶ The assurance practitioner's report needs to be signed in the name of the assurance practitioner's firm, or the personal name of the assurance practitioner, or both, as appropriate.

⁵⁷ The date of the assurance practitioner's report is the date the assurance practitioner signs the report.

Illustration 4:

Circumstances include the following:

- **Reasonable assurance engagement.**
- **The general purpose water accounting report is prepared in accordance with AWAS 1.**
- **Modified opinion:**
 - **Adverse opinion.**
 - **Material misstatement in the general purpose water accounting report.**
- **The contextual statement is not subject to assurance.**

The following illustrative report is for guidance only and is not intended to be exhaustive or applicable to all situations.

INDEPENDENT ASSURANCE PRACTITIONER’S REPORT

[Appropriate Addressee]

We have conducted a reasonable assurance engagement on the accompanying general purpose water accounting report for [ABC Water Report Entity], comprising the statement of water assets and water liabilities as at 30 June 20X1, and statement of changes in water assets and water liabilities^{58, 59} and statement of water flows⁶⁰ for the year then ended, notes comprising a summary of significant water accounting policies and other explanatory information, and the accountability statement.

[Directors’/Management’s] Responsibility for the General Purpose Water Accounting Report

The [directors/management of XYZ] is responsible for the preparation and presentation of the general purpose water accounting report for [ABC Water Report Entity] in accordance with Australian Water Accounting Standard 1 [and the *Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports*].⁶¹ This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of a general purpose water accounting report that is free from material misstatement, whether due to fraud or error.

[As discussed in Note {xx} to the water accounting statements, various quantification approaches have been used to quantify items in the water accounting statements. Certain quantification approaches are subject to inherent uncertainty due to incomplete scientific knowledge used to determine {insert description}].⁶²

Assurance Practitioner’s Independence and Quality Management

We have complied with the independence and relevant ethical requirements,[#] which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

⁵⁸ In some instances, a statement of changes in water assets and water liabilities need not be presented in a general purpose water accounting report. Where this is the case, omit reference to the statement of changes in water assets and water liabilities.

⁵⁹ In some instances, the statement of changes in water assets and water liabilities may be combined with the statement of water flows. Where this is the case, insert the description of the combined statement.

⁶⁰ In some instances, a statement of water flows need not be presented in a general purpose water accounting report. Where this is the case, omit reference to the statement of water flows.

⁶¹ AWAS 1 provides that, in the absence of explicit guidance in AWAS 1, the *Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports* shall be applied in preparing and presenting the general purpose water accounting report.

⁶² Include this sentence only where there is a discussion of the inherent uncertainty in the notes to the water accounting statements.

[#] See ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

[Name of assurance practitioner's firm] applies Auditing Standard ASQM 1[†], which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Assurance Practitioner's Responsibility

Our responsibility is to express an opinion on the general purpose water accounting report based on the evidence we have obtained. Our reasonable assurance engagement did not cover the contextual statement for [ABC Water Report Entity] and we did not perform any assurance procedures with respect to the contextual statement.

We conducted our reasonable assurance engagement in accordance with ASAE 3610/AWAS 2 *Assurance Engagements on General Purpose Water Accounting Reports*. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance about whether the general purpose water accounting report is free from material misstatement.

A reasonable assurance engagement in accordance with ASAE 3610/AWAS 2 involves:

- Performing procedures to obtain sufficient, appropriate assurance evidence about the water assets and water liabilities, changes in water assets and water liabilities, water flows and related disclosures in the general purpose water accounting report. The nature, timing and extent of procedures selected depend on the assurance practitioner's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error, in the general purpose water accounting report. In making those risk assessments, we considered internal control relevant to [XYZ]'s preparation and presentation of the general purpose water accounting report in order to design assurance procedures that are appropriate in the circumstances; and
- Evaluating the:
 - appropriateness of the quantification approaches and water accounting policies used
 - reasonableness of estimates made; and
 - overall presentation of the general purpose water accounting report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis for Adverse Opinion

Example 1 – XYZ has failed to disclose [ABC Water Report Entity's] non-compliance with its licence agreement with Reed Water Corporation. As part of this licence, [ABC Water Report Entity] must release 850 ML of water annually into the Carrara Creek. [ABC Water Report Entity] did not make the required releases in line with this agreement and failed to inform Reed Water Corporation, thereby avoiding a financial penalty estimated to be \$xxx. In addition, evidence obtained during our reasonable assurance engagement suggests that the ecosystem associated with Carrara Creek has been adversely impacted as a result of the limited water flows into the creek.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the general purpose water accounting report for [ABC Water Report Entity] as at 30 June 20X1 is not presented fairly, in all material respects, in accordance with Australian Water Accounting Standard 1 [and the *Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports*].

[†] See ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*.

[Assurance practitioner's signature]⁶³

[Date of the assurance practitioner's report]⁶⁴

[Assurance practitioner's address]

⁶³ The assurance practitioner's report needs to be signed in the name of the assurance practitioner's firm, or the personal name of the assurance practitioner, or both, as appropriate.

⁶⁴ The date of the assurance practitioner's report is the date the assurance practitioner signs the report.

Illustration 5:

Circumstances include the following:

- **Reasonable assurance engagement.**
- **The general purpose water accounting report is prepared in accordance with AWAS 1.**
- **Modified opinion:**
 - **Disclaimer of opinion.**
 - **Inability to obtain sufficient appropriate evidence.**
- **The contextual statement is not subject to assurance.**

The following illustrative report is for guidance only and is not intended to be exhaustive or applicable to all situations.

INDEPENDENT ASSURANCE PRACTITIONER'S REPORT

[Appropriate Addressee]

We have conducted a reasonable assurance engagement on the accompanying general purpose water accounting report for [ABC Water Report Entity], comprising the statement of water assets and water liabilities as at 30 June 20X1, and statement of changes in water assets and water liabilities^{65, 66} and statement of water flows⁶⁷ for the year then ended, notes comprising a summary of significant water accounting policies and other explanatory information, and the accountability statement.

[Directors' /Management's] Responsibility for the General Purpose Water Accounting Report

The [directors/management of XYZ] are responsible for the preparation and presentation of the general purpose water accounting report for [ABC Water Report Entity] in accordance with Australian Water Accounting Standard 1 [and the *Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports*].⁶⁸ This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of a general purpose water accounting report that is free from material misstatement, whether due to fraud or error.

[As discussed in Note {xx} to the water accounting statements, various quantification approaches have been used to quantify items in the water accounting statements. Certain quantification approaches are subject to inherent uncertainty due to incomplete scientific knowledge used to determine {insert description}].⁶⁹

Assurance Practitioner's Independence and Quality Management

We have complied with the independence and relevant ethical requirements,[#] which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

⁶⁵ In some instances, a statement of changes in water assets and water liabilities need not be presented in a general purpose water accounting report. Where this is the case, omit reference to the statement of changes in water assets and water liabilities.

⁶⁶ In some instances, the statement of changes in water assets and water liabilities may be combined with the statement of water flows. Where this is the case, insert the description of the combined statement.

⁶⁷ In some instances, a statement of water flows need not be presented in a general purpose water accounting report. Where this is the case, omit reference to the statement of water flows.

⁶⁸ AWAS 1 provides that, in the absence of explicit guidance in AWAS 1, the *Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports* shall be applied in preparing and presenting the general purpose water accounting report.

⁶⁹ Include this sentence only where there is a discussion of the inherent uncertainty in the notes to the water accounting statements.

[#] See ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

[Name of assurance practitioner's firm] applies Auditing Standard ASQM 1[†], which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Assurance Practitioner's Responsibility

Our responsibility is to express an opinion on the general purpose water accounting report based on the evidence we have obtained. Our reasonable assurance engagement did not cover the contextual statement for [ABC Water Report Entity] and we did not perform any assurance procedures with respect to the contextual statement.

We conducted our reasonable assurance engagement in accordance with ASAE 3610/AWAS 2 *Assurance Engagements on General Purpose Water Accounting Reports*. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance about whether the general purpose water accounting report is free from material misstatement.

A reasonable assurance engagement in accordance with ASAE 3610/AWAS 2 involves:

- Performing procedures to obtain sufficient, appropriate assurance evidence about the water assets and water liabilities, changes in water assets and water liabilities, water flows and related disclosures in the general purpose water accounting report. The nature, timing and extent of procedures selected depend on the assurance practitioner's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error, in the general purpose water accounting report. In making those risk assessments, we considered internal control relevant to [XYZ]'s preparation and presentation of the general purpose water accounting report in order to design assurance procedures that are appropriate in the circumstances; and
- Evaluating the:
 - appropriateness of the quantification approaches and water accounting policies used
 - reasonableness of estimates made; and
 - overall presentation of the general purpose water accounting report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis for Disclaimer of Opinion

Example 1 – The models used by XYZ in the data collection process for the purposes of preparing the general purpose water accounting report for [ABC Water Report Entity] offset items that should be disclosed individually in the report, such as precipitation and evaporation. XYZ has not retained records of original data, nor were they able to reproduce the data. We were not allowed access to [ABC Water Report Entity], its staff or its records. As a result we were unable to determine whether or not the volumes recognised for [the line items] were materially misstated.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate evidence to provide a basis for an opinion. Accordingly, we do not express an opinion on the general purpose water accounting report for [ABC Water Report Entity] for the period ended 30 June 20X1.

[†] See ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*.

[Assurance practitioner's signature]⁷⁰

[Date of the assurance practitioner's report]⁷¹

[Assurance practitioner's address]

⁷⁰ The assurance practitioner's report needs to be signed in the name of the assurance practitioner's firm, or the personal name of the assurance practitioner, or both, as appropriate.

⁷¹ The date of the assurance practitioner's report is the date the assurance practitioner signs the report.

Illustration 6:

Circumstances include the following:

- **Limited assurance engagement.**
- **The general purpose water accounting report is prepared in accordance with AWAS 1.**
- **Unmodified limited assurance conclusion.**
- **The contextual statement is not subject to assurance.**

The following illustrative report is for guidance only and is not intended to be exhaustive or applicable to all situations.

INDEPENDENT ASSURANCE PRACTITIONER'S REPORT

[Appropriate Addressee]

We have conducted a limited assurance engagement on the accompanying general purpose water accounting report for [ABC Water Report Entity], comprising the statement of water assets and water liabilities as at 30 June 20X1, and statement of changes in water assets and water liabilities^{72, 73} and statement of water flows⁷⁴ for the year then ended, notes comprising a summary of significant water accounting policies and other explanatory information, and the accountability statement.

[Directors'/Management's] Responsibility for the General Purpose Water Accounting Report

The [directors/management of XYZ] are responsible for the preparation and presentation of the general purpose water accounting report for [ABC Water Report Entity] in accordance with Australian Water Accounting Standard 1 [and the *Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports*].⁷⁵ This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of a general purpose water accounting report that is free from material misstatement, whether due to fraud or error.

[As discussed in Note {xx} to the water accounting statements, various quantification approaches have been used to quantify items in the water accounting statements. Certain quantification approaches are subject to inherent uncertainty due to incomplete scientific knowledge used to determine {insert description}].⁷⁶

Assurance Practitioner's Independence and Quality Management

We have complied with the independence and relevant ethical requirements,[#] which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

[Name of assurance practitioner's firm] applies Auditing Standard ASQM 1[†], which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

⁷² In some instances, a statement of changes in water assets and water liabilities need not be presented in a general purpose water accounting report. Where this is the case, omit reference to the statement of changes in water assets and water liabilities.

⁷³ In some instances, a statement of changes in water assets and water liabilities may be combined with the statement of water flows. Where this is the case, insert the description of the combined statement.

⁷⁴ In some instances, a statement of water flows need not be presented in a general purpose water accounting report. Where this is the case, omit reference to the statement of water flows.

⁷⁵ AWAS 1 provides that, in the absence of explicit guidance in AWAS 1, the *Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports* shall be applied in preparing and presenting the general purpose water accounting report.

⁷⁶ Include this sentence only where there is a discussion of the inherent uncertainty in the notes to the water accounting statements.

[#] See ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

[†] See ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*.

Assurance Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the general purpose water accounting report based on the procedures we have performed and the evidence we have obtained. Our engagement did not cover the contextual statement and we did not perform any assurance procedures with respect to the contextual statement.

We conducted our limited assurance engagement in accordance with ASAE 3610/AWAS 2 *Assurance Engagements on General Purpose Water Accounting Reports*. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the general purpose water accounting report is free from material misstatement.

A limited assurance engagement in accordance with ASAE 3610/AWAS 2 involves:

- Assessing the risks of material misstatement of the general purpose water accounting report whether due to fraud or error;
- Responding to the assessed risks as necessary in the circumstances; and
- Evaluating the overall presentation of the general purpose water accounting report.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included enquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification approaches and accounting policies used, and agreeing or reconciling with underlying records.

[The assurance practitioner may insert a summary of the nature and extent of procedures performed that, in the assurance practitioner's judgement, provides additional information that may be relevant to the users' understanding of the basis for the assurance practitioner's conclusion.⁷⁷ The following section is provided as guidance, and the example procedures are not an exhaustive list of either the type, or extent, of the procedures which may be important for the users' understanding of the work done.]⁷⁸

Given the circumstances of the engagement, in performing the procedures listed above we:

- Through enquiries, obtained an understanding of XYZ's control environment and water information systems relevant to the quantification, accounting and reporting of water assets and water liabilities, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness.
- Evaluated whether XYZ's methods for developing estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate XYZ's estimates.
- Undertook site visits [at three sites] to assess the completeness of the sources of information, data collection methods, source data and relevant assumptions applicable to the sites. The sites selected for testing were chosen taking into consideration their water assets and water liabilities in relation to total water assets and water liabilities, the nature of their water assets and water liabilities, and sites selected in prior periods. Our procedures [did/did not] include testing water information systems to collect and aggregate facility data, or the controls at these sites.]⁷⁹

⁷⁷ The procedures are to be summarised but not to the extent that they are ambiguous, nor described in a way that is overstated or embellished or that implies that reasonable assurance has been obtained. It is important that the description of the procedures does not give the impression that an agreed-upon procedures engagement has been undertaken, and in most cases will not detail the entire work plan.

⁷⁸ Delete this explanatory paragraph in the final assurance practitioner's report.

⁷⁹ This section should be deleted if the practitioner concludes that the expanded information on the procedures performed is not needed in the circumstances of the engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the general purpose water accounting report for [ABC Water Report Entity] is presented fairly, in all material respects, in accordance with Australian Water Accounting Standard 1 [and the *Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports*].

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the statement of water assets and water liabilities, statement of changes in water assets and water liabilities, statement of water flows, note disclosures and accountability statement included in the general purpose water accounting report for [ABC Water Report Entity] for the year ended 30 June 20X1 are not presented fairly, in all material respects, in accordance with Australian Water Accounting Standard 1 [and the *Water Accounting Conceptual Framework for the Preparation and Presentation of General Purpose Water Accounting Reports*].

[Assurance practitioner's signature]⁸⁰

[Date of the assurance practitioner's report]⁸¹

[Assurance practitioner's address]

⁸⁰ The assurance practitioner's report needs to be signed in the name of the assurance practitioner's firm, or the personal name of the assurance practitioner, or both, as appropriate.

⁸¹ The date of the assurance practitioner's report is the date the assurance practitioner signs the report.