



Australian Government
**Australian Accounting
Standards Board**

AASB 13-14 July 2011
Agenda paper 3.5 - tabled

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30 June 2011

Mr Michael RL Smith
Chairman
Water Accounting Standards Board
c/o Bureau of Meteorology
Australian Government
Canberra
Via email

Dear Mr Smith

Exposure Draft of Australian Water Accounting Standard: Preparation and Presentation of General Purpose Water Accounting Reports

The AASB is pleased to comment on the proposed Australian Water Accounting Standard: *Preparation and Presentation of General Purpose Water Accounting Reports*. The AASB understands that the proposed Standard is intended to improve the consistency and comparability of information about the water resources of individual Water Report Entities, which could also assist in the preparation of (annual) Australian National Water Accounts.

Bearing in mind that the AASB's expertise is in financial reporting rather than in water (resource) reporting, the AASB commends the Water Accounting Standards Board (WASB) for its work in developing AWAS 1, which appears to be comprehensive and well supported by both Implementation Guidance and the Associated Model Reports.

The AASB notes that the proposed Standard addresses accounting for the volumes of water assets and liabilities, rather than their financial impacts. Despite this, it and the underlying Water Accounting Conceptual Framework have drawn heavily on the AASB's Conceptual Framework and Accounting Standards developed for financial reporting, which are in turn drawn by the AASB from the International Accounting Standards Board's (IASB's) pronouncements.

In this context, the AASB has not addressed the specific questions. Instead, based on the AASB's experience as a Standard setter, it suggests the WASB considers the following matters, to help ensure AWAS 1, and any future Water Accounting Standards, continue to meet the needs of users in a way that has regard to implementation issues faced by preparers of Water Accounting Reports:

- (a) Since ED AWAS 1 was developed, there have been, and there will continue to be, amendments to Accounting Standards and the Accounting Conceptual Framework from which the ED was drawn. The AASB suggests that WASB considers developing a process for monitoring amendments to accounting pronouncements, to be aware of any developments that might be relevant to the WASB's Conceptual Framework and Water Accounting Standards. The AASB has a process in place to monitor the work of the IASB;

- (b) The IASB (and the AASB) has an established process for undertaking post-implementation reviews of Standards. The AASB suggests that WASB considers the need for, and process of performing, post implementation reviews of Water Accounting Standards;
- (c) The IASB (and the AASB) has an established process for considering the need for issuing official interpretations of Standards. The AASB suggests that WASB considers whether there will be a need for an Interpretations process in relation to Water Accounting Standards; and
- (d) The Board notes that the set of statements as proposed in the ED includes three statements, namely the Contextual Statement, the Accountability Statement and the Assurance Statement, that contain requirements that in the context of financial reporting are not usually imposed by Accounting Standards but are normally the province of other regulators. There might initially be uncertainties amongst some affected parties as to how some requirements of the Contextual and Accountability Statements might be assured. The Board understands that the WASB is consulting with the Australian Auditing and Assurance Standards Board (AUASB) about these matters and encourages this process to ensure that appropriate guidance is available to assist affected parties.

Other comments that we hope you will find helpful are addressed in the Appendix to this letter. If you have any further questions, please do not hesitate to contact Peter Batten (pbatten@aaab.gov.au)

Yours sincerely,



Kevin M. Stevenson
Chairman and CEO

Other Comments

(a) Presentation and structure of the Standard

AWAS 1 applies to accounting for and reporting about physical quantities or volumes of water resources, not their financial values. However, this is not immediately obvious to the reader of the [proposed] Standard. It is only in paragraph 43 that it is specified that the unit of measure is volume, namely litres. The AASB suggests that it be made clear early in the Standard, possibly in paragraph 5, *Objective*, that the reports and the requirements in the Standard apply to accounting for physical quantities or volumes of water (resources), not their financial values. Consistent with this, the AASB suggests that consideration be given to the titles of the Statements. Some readers might be confused because one of the statements is titled “Statement of Physical Water Flows” which implies that the other statements may not relate to physical flows. The AASB suggests that this statement simply be titled “Statement of Water (Resource) Flows”.

Many readers would not be as familiar with water (resource) assets as they are with assets that are addressed in financial reporting Standards. Paragraph 4 within Scope states that the focus of water accounting is on water that is fit for purpose relative to the nature or objectives of the water report entity. The AASB suggests that the definition of a water asset, and also water liability are referenced from this statement. The AASB also suggests that the definitions of water asset and liability follow quite closely, possibly after Components, paragraph 7.

(b) Disclosure of differences

Paragraph 108 requires unexplained changes in water assets or water liabilities to be presented as an unaccounted-for difference in the Statement of Changes in Water Assets and Water Liabilities, and this requirement is illustrated in the Implementation Guidance on pages IG 32 and IG 33. The AASB suggests the WASB considers including a requirement that any such disclosure be supported by a note explaining this disclosure, including the possible/likely reasons and whether such differences are expected to continue.

(c) Materiality of post balance date events

Although materiality, paragraphs 15 to 19, would apply to the entire report, it might be helpful to refer to materiality when discussing the disclosures about Non-adjusting events after the end of the reporting period, paragraphs 132 to 135.

(d) Consistency, comparability and consolidation

Consistent with the AASB’s approach to financial reporting, the AASB supports the application by all water report entities of the same recognition and measurement requirements. This will aid consistency and comparability between water report entities. It will also assist the consolidation of data from water report entities into larger groupings. It was partly for this reason that the AASB retained the same measurement and recognition requirements for all financial reporting entities even when it was prepared to give smaller entities relief from some of the disclosure requirements.

(e) Contingent water assets and liabilities and constructive obligations

The definitions of these terms in AWAS 1 draw heavily on definitions in existing AASB 137/IAS 37 *Provisions, Contingent Assets and Contingent Liabilities*. For your information the IASB is considering making substantial changes to these definitions in a proposed revision to IAS 37, which would have a consequential effect on AASB 137. If and when this will occur is currently unknown.

The AASB also notes that paragraph 149 appears to require only disclosure about future water commitments that are expected to be settled within twelve months. The AASB would expect that if the future commitments that will not be settled within twelve months are material or ongoing, further disclosure would be required.

(f) Model Reports

The model reports and examples are helpful in assisting readers to comply with the requirements, but, based on its own experience with financial reporting, the AASB suggests that the WASB ensure that the example disclosures only illustrate requirements where the principles required are clearly established. If this is not the case there is a risk that the example becomes the de facto Standard.

(g) Minor comments regarding Model Report for Wallaroo:

- The Description of Approach 2 in Note 3a (page 37), “This data has been quantified using established practice in the State of Minton”, seems somewhat meaningless to an unfamiliar reader.
- Note 5: illustrates Future Prospects. The AASB suggests that the WASB consider including a requirement in the AWAS 1 that, if sufficiently material, this information be referred to in, or referenced from, the Contextual Statement.