Big accounting firms taking the lead on sustainable development

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The future of company reporting is largely being shaped by the big four accounting firms. Credit: Alf Storm/Flickr, CC BY-NC-SA

Accountants around the world are currently considering how the organisations they work for can meet the UN's Sustainable Development Goals. As experts in measurement and data controls, analysis, reporting and monitoring, it makes sense for them to take the lead.

The goals and targets integrate economic, social and environmental aspects with the aim of achieving sustainable development in all its dimensions.

Governments will be responsible for achievement of the goals and a key tool will be legislation and soft regulation requiring measurement and accountability by private and public sector organisations.

"It is in the name of Net Profit, Budget Surplus and Gross National Product that the natural environment in which we all co-exist is being destroyed. Those who speak this language have more social power to influence thinking and actions than they perhaps realise, or utilise." Hines, 1991

Action underway

Professional accounting bodies including CPA Australia are contributing to these discussions through sustainability committees and in-house research.

Chief Financial Officers (CFOs) are complying with stock exchange listing requirements and legislation concerning disclosure of social and environmental risks and impacts.

The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR), has also discussed the future of the corporate reporting model in meeting the Sustainable Development Goals, along with the failings of current accounting and reporting practises.

The issue of stranded assets, has also attracted ongoing discussion, with the Association of Chartered Certified Accountants concluding the risk of a "carbon bubble" due to excess fossil fuel reserves, and hence their over-valuation, is "substantial".

The ACCA research suggests investors need better information and accountants greater awareness of the impact of climate change on asset valuation. The report argues the impairment approach to asset valuation is not being applied and:

"The assessment of impairment needs to be based on prudential analysis of factors such as national and global policies and technology trends. At present, this is not the case."

Even the Technical Director of the International Accounting Standards Board (IASB), Peter Clark, has spoken of the limitations of current financial reporting practice, arguing that it should not be the sole influence of some decisions.

The Climate Disclosure Standards Board (led by accountant Lois Guthrie) has this month released its proposed climate change reporting requirements for adoption by stock exchanges around the world.

Accounting firms take the lead

The big four accounting/consulting firms are conducting the research others in the industry are looking to.

PWC is arguing for new approaches to the assurance of integrated reports. Deloitte partner Helena Barton chairs the Stakeholder Council of the Global Reporting Initiative which sets globally recognised standards for sustainability accounting and reporting.

KPMG has produced biannual reports following global trends in sustainability accounting and reporting. They have also managed to demonstrate the folly of not valuing externalities, arguing that "the disconnect between corporate and societel value is disappearing" and proposing an innovative approach to assessing a company's "true earnings".

What are accounting academics contributing?

A growing number of accounting academics have been researching social and environmental, or "sustainability" accounting and reporting for over three decades and PhD students are attracted to it in (relatively) high numbers.

But consultants rather than universities are driving thought leadership influencing practice. Why is this? Perhaps accounting academe is more conservative than the accounting profession?

University (accounting) academics have, after all, been proactive in supporting rankings of academic journals which privilege research that supports the status quo in society rather than encouraging innovation. But government policy in assessing university research is also a critical factor in discouraging knowledge transfer. Most academic research in accounting is read only by other academics who must read it and reference it to get published themselves. Informing practice and policy is not a goal of such research.

Only a handful of accounting academics are contributing to consultation papers put out by bodies supported by the accounting profession such as the International Integrated Reporting Council and the Climate Disclosure Standards Board. But professional accounting bodies, accounting/consulting firms and accounting practitioners are engaging.

Very few accounting academics are publishing their findings through channels which will influence practice and policy such as professional and business journals. Business schools risk becoming irrelevant in these global and pressing debates which are changing accounting and reporting practice.

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