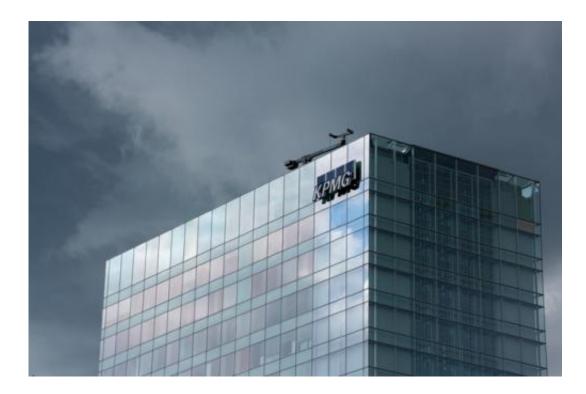


## Big accounting firms taking the lead on sustainable development

January 5 2015, by Carol A Adams



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 <u>Sustainable Development</u> <u>Goals</u>. 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 <u>aim</u> 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 <u>accounting</u> bodies including CPA Australia are contributing to these discussions through sustainability committees and in-house research.

<u>Chief Financial Officers (CFOs)</u> 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 <u>discussed</u> 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 <u>discussion</u>, 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 <u>report</u> 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 <u>released</u> its proposed <u>climate change</u> 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 <u>assurance of integrated</u> <u>reports</u>. Deloitte partner Helena Barton chairs the Stakeholder Council of the <u>Global Reporting Initiative</u> which sets globally recognised standards for sustainability accounting and reporting.

KPMG has produced biannual <u>reports</u> following global trends in sustainability accounting and reporting. They have also managed to <u>demonstrate</u> 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.

*This story is published courtesy of* <u>The Conversation</u> (*under Creative Commons-Attribution/No derivatives*).

Source: The Conversation

Citation: Big accounting firms taking the lead on sustainable development (2015, January 5) retrieved 25 April 2024 from https://phys.org/news/2015-01-big-accounting-firms-sustainable.html

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.