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The local government accountants' perspective on sustainability

Accountants' perspective on sustainability

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Abstract

Purpose – This paper aims to focus on the local government accountants' perspective towards their current and potential role in the sustainability reporting process and to explore potential factors influencing the further development of their role.

Design/methodology/approach – A mail survey approach was adopted across local government organisations with a deeper analysis provided through semi-structured interviews.

Findings – Findings indicate that accountants are supportive of involvement in sustainability reporting, but their actual level differs significantly from the level of involvement they believe they should have, pointing to the existence of an execution gap. Potential factors are investigated, highlighting the limited integration of sustainability beyond the organisational level, the lack of understanding of sustainability by accountants and the current need for further up-skilling by accountants.

Research limitations/implications – The study enhances understanding of the accountant's perception towards sustainability reporting practices within the public sector, with particular focus on local government.

Originality/value – This is an exploratory study examining an area of accounting in local government in which there are few others. It seeks to contribute to the literature by exploring and examining the accountant's perception towards sustainable development and their current and future prospects in the reporting process in the local government sector in Australia.

Keywords Sustainability reporting, Public sector, Accountant, Local government

Paper type Research paper

1. Introduction

In recent years, the issue of sustainability has become increasingly important for organisations around the world (Adams and Narayanan, 2007, p. 70), with sustainability reporting having emerged as a key reporting mechanism of an organisation's accountabilities. Whilst there are various schools of thought on the role of sustainability reporting, it is generally accepted in the research literature that accounting is a key process in the advancement towards sustainable development (Guthrie *et al.*, 2010; Ball and Bebbington, 2008; Hubbard, 2009; Gray and Collison, 2002). Further, there is

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evidence that reporting on sustainability provides a mechanism for organisations to discharge their accountabilities to stakeholders, to communicate their goals and to establish what they are seeking to achieve (Ball and Bebbington, 2008; Bebbington *et al.*, 2008).

Attention to sustainability accounting and reporting has largely been focused at the private corporate sector, with indications that this form of reporting is now challenging business mainstream (Epstein, 2008). In comparison though, the public sector has lagged behind, with Ball (2005, p. 3) describing the up-take of sustainability reporting as “seemingly patchy”, whilst both Tort (2010) and Dickinson *et al.* (2005) describe it as an emerging field with approaches having been somewhat *ad hoc*. This difference has also extended to research efforts – with focus on the public sector’s sustainability accounting practices having been largely overlooked (Farneti *et al.*, 2011; Guthrie *et al.*, 2010; Ball and Grubnic, 2007; Farneti and Guthrie, 2009; Owen, 2008; Ball and Osborne, 2011; Ball and Bebbington, 2008).

What is clear though, is that a research focus on public sector organisational sustainability reporting efforts cannot be ignored. Although there may be lessons to be learnt from the private sector experience with regard to sustainability reporting, the social value and public policy basis of the public sector sets them apart from private sector organisations (Ball and Grubnic, 2007). Further, with continued criticism levied at the form of sustainability reporting that is undertaken within the corporate sector (Milne and Gray, 2007; Gray, 2010), there is potential value that can be gained by examining sustainability reporting from a public sector perspective. This study focuses specifically on the local government level within the public sector.

With the local government sector closest to the people and to the environment, it plays a vital role in educating, mobilizing and responding to the public in an effort to promote sustainable development (UNCED, 1992, Article 28). Thus, with social, ecological and economic issues intertwined in everyday local government activities, valuable insights can be gained into the workings of sustainability reporting at the local level. Following the call by Ball and Grubnic (2007, p. 257) to “make contributions of a fundamental nature, which help in understanding the nature of sustainable development accounting and accountability in PSOs (public sector organisations)”, this study aims to gain an understanding of sustainability reporting in the local government sector from the accountants’ perspective.

To date, only limited documentation (primarily from a private sector viewpoint) focusing on the involvement of accountants in sustainability reporting practices exist (Adams, 2002; Bebbington *et al.*, 1994; Gray *et al.*, 1995; Deegan *et al.*, 1995; Wilmshurst and Frost, 2001; Edwards *et al.*, 1999; Lodhia, 2003; Gray and Collison, 2002; Massa *et al.*, 2015). However, accounting forms a central role in mapping the future direction of organisations through its provision of information towards the alignment of organisational goals and strategies (Adams *et al.*, 2014), thus cannot be ignored.

In the recent United Nations (2012, p. 30) “Sustainable Development in the 21st Century” Project, better accounting practices were highlighted as critical in the quest to better inform and measure progress towards sustainability. With their technical expertise, key reporting competencies, and ability to analyse and translate data into accessible measurements, accountants are in a prime position to further the development of sustainability reporting (Ngwakwe, 2012; Burritt and Schaltegger, 2001). For the purposes of this study, sustainability reporting is defined in broad terms

as a form of accounting that helps local government and other stakeholders “to understand the extent to which communities are moving towards, or away from, sustainability” (Ball, 2002, p. 61; also applied in Bellringer *et al.*, 2011).

This study has two objectives. The first objective is to examine the perceived current and potential levels of involvement by accountants in sustainability reporting to determine if there is room for improvement in the level of their involvement. The second objective is to explore potential factors that may be contributing to limiting the involvement of accountants in sustainability reporting, specifically focused around the perceived level of understanding and importance that is placed on sustainability reporting and the current skill-sets of accountants. This paper will highlight the potential gap that exists between the role accountants believe they should be playing in the sustainability reporting process and the actual role they are playing now, but it will also seek to bring to light changes that are needed in an effort to raise the accountants' capacity in contributing to sustainability reporting. A mail survey approach [1] supplemented with open-ended interviews was adopted for this study with the results being of significance to the accounting profession, public policy makers and the broader community.

The study has been structured as follows: Sections 2 and 3 provide an insight into the sustainability reporting literature in the public sector and the accountant's involvement in sustainability, respectively. Section 4 discusses the research method applied, with Section 5 providing the results of the analysis and the main findings of the study. Section 6 summarises the discussion and provides conclusions, suggesting areas for future research.

2. The public sector and sustainability reporting

In recent years, there has been increased pressure on the public sector to improve their performance (Ball and Grubnic, 2007; Adams *et al.*, 2014). This can be readily seen through the accountability reforms that have been enacted across all levels of government over the past two decades, including, for example, the introduction of accrual-based reporting techniques, increased use of competitive tendering and contracting out, development of performance management techniques and decentralisation of budgetary processes (Guthrie *et al.*, 1999; Hood, 1995). Hood (1991, 1995) saw these changes as representing a shift in emphasis in the public sector to a higher focus on accountability driven by results. Accountability is a term that is often used in the context of the public sector, but is rarely defined. Gray *et al.* (1996, p. 38) highlighted this problem and sought to provide a definition: “the duty to provide an account (by no means necessarily a financial account) or reckoning of those actions for which one is held responsible”.

With the growing international concern of sustainability impacts and with the public sector accounting for approximately 40 per cent of all economic activity, with this comes significant operational impacts on the environment, society and the economy (Ball and Grubnic, 2007). Whilst there are numerous thoughts and approaches on how sustainable development can be achieved, one approach that has emerged as a potential means to progress this agenda has been the contribution of accounting through voluntary sustainability reporting techniques (Ball and Bebbington, 2008; Unerman, 2000; Unerman *et al.*, 2007). This form of reporting seeks to provide an account of an

organisation's sustainability responsibilities. Interestingly, Hood (1995, pp. 4-5) highlighted the role of accounting in discharging accountability within the public sector:

[Accounting was viewed as] a key element in the introduction of the new emphasis and new conception of accountability since it reflected high trust in the market and private business methods [...] and low trust in public servants and professionals [...] whose activities therefore need to be more closely costed and evaluated by accounting techniques.

With the public sector's interest focused on promoting the public good, social justice and providing for sustainable communities (Ball and Seal, 2005), the role that sustainability reporting could potentially lay in disclosing these accountabilities is enormous. In particular, the role of local government organisations is vital to the sustainability debate (Ball and Craig, 2010; Ball, 2004) because of the close proximity with the community that they serve. Local government organisations are responsible for and perform a wide range of roles and functions, for example the provision and maintenance of infrastructure services, the provision of recreational facilities, certain health and community services, planning and building services, cultural facilities and, in some cases, water and sewerage (ALGA, 2014).

However, whilst sustainability reporting in the corporate sector flourishes, research that has examined the current state of sustainability reporting in the public sector has pointed to low levels of disclosure (Adams *et al.*, 2014; Guthrie and Farneti, 2008; Lodhia *et al.*, 2012; Herbohn and Griffiths, 2008; Farneti and Siboni, 2011; Farneti and Guthrie, 2009; Guthrie *et al.*, 2013; Sciulli, 2009; Dickinson *et al.*, 2005 and Williams *et al.*, 2011). In focusing on why public sector organisations seek to report on sustainability, Farneti and Guthrie (2009) found that this form of reporting was motivated by a need to inform their internal stakeholders, a similar conclusion reached in Bellringer *et al.* (2011). Sciulli (2011) highlighted management of population growth, planning for land use and community engagement as important factors in helping to provide explanations towards sustainability disclosures in Australian local councils. Lodhia *et al.* (2012) found that legislative and internal policy requirements are driving reporting in the public sector, whilst Guthrie *et al.* (2010) and Ball and Osborne (2011) argued that public sector organisations are being encouraged to report as role models to provide guidance to private sector organisations with respect to accountability.

Guthrie *et al.* (2010) argued that sustainability is a master concept and should be central to the public services whereas Birney *et al.* (2010, p. 3) was somewhat more direct in stating that should the public sector fail to take up leadership of sustainable development, then future generations will not have the opportunity for a sustainable lifestyle. If this is the case, in an effort to discharge their accountabilities to the communities that they serve, the local government sector is potentially one of the major players in the effort towards sustainable development (Ball, 2004). If sustainability reporting has a role to play in the local government agenda assisting towards sustainable development, then the role of the accountant in participating in developing reporting frameworks and tools becomes apparent. With their key reporting, technical and analytical skill sets, the accountant could potentially play a valuable role towards the development and expansion of sustainability reporting.

3. The accountant's involvement in sustainability

There have been a number of studies that have examined the role of the accountant in sustainability reporting from a private sector perspective (Adams, 2002; Bebbington

et al., 1994; Gray *et al.*, 1995; Deegan *et al.*, 1995; Wilmshurst and Frost, 2001; Edwards *et al.*, 1999; Lodhia, 2003; Gray and Collison, 2002). Findings have generally indicated that accountants are often neglected to be included in organisational environmental accounting practices. However, in recent years, there has been growing interest in the accountant's involvement, with studies such as the ICAEW (2004) and Zvezdov *et al.* (2010) indicating their involvement in sustainability activities is slowly increasing. This increase was considered by Zvezdov *et al.* (2010) to be a function of an increased integration of sustainability activities into the core activities of organisations. Further, with increased engagement in sustainability matters, this has led to an evolving of activities with some organisations seeking to take advantage of the accountants' expertise in tackling sustainability challenges as part of their normal business practices.

Focusing on the role of the accountant in sustainability reporting from a public sector perspective, studies include Ball (2002) who conducted research into a UK county council examining sustainability accounting using case-study approach. The council's accountants were broadly supportive of sustainability reporting but believed that this type of reporting should not involve them and should be kept separate from financial accounting. In a case study examining two contrasting UK local government authorities from a social accounting perspective, Ball and Seal (2005, p. 469) concluded that the accountant's involvement is being constrained in terms of the way they think of their functional roles and existing routines. In terms of utilising accountants to mobilise the social accounting agenda, it was considered "we find it difficult to conceive of accountants going much further with social accounting".

Telford (2005) in analysing the results of a UK national survey examining environmental management in local authorities found that accountants were often not involved in their organisational environmental reporting. Telford considered that accountants were not yet as involved as they should be, but considered it important that they become more involved in future. Other studies, including that of Farneti and Guthrie (2009), found that the environmental units most frequently prepared the sustainability reports with not one of the seven public sector organisations they interviewed indicating that the accounting department was involved in matters associated with sustainability reporting.

From reviewing the prior literature in this area, it appears that whilst there is a growing interest in accountants being involved in sustainability from a public sector perspective, their involvement is limited. However, Guthrie *et al.* (2010) argued the need for inclusion of accounting and accountability if sustainability is to be advanced within the public services, highlighting the potential role that the accountant could play in sustainability reporting. This is confirmed by professional reports, such as the IFAC (2006) and ICAEW (2004) that have highlighted the need for accountants to look beyond the bottom line. To extend the literature, this study seeks to provide a wider understanding of the local government accountant's role in sustainability reporting by focusing on their potential levels and current levels of involvement in sustainability reporting. Thus, the following research question is developed:

- RQ1. Are there differences between the accountants' actual level and their perceived level of involvement in sustainability reporting processes in local government authorities?

With accounting seen as a key mechanism in mapping the future direction of organisations towards sustainable development, accountants have a role to play in the advancement of sustainability reporting. However, with research indicating low levels of sustainability reporting in the public sector, this highlights that there may be particular factors holding back the further involvement of accountants. Previous research that has focussed on what is currently restricting this form of reporting has highlighted issues surrounding lack of understanding of what sustainability actually is and lack of leadership. These include [Bellringer *et al.* \(2011\)](#) who in specifically focusing on the New Zealand local government sector noted the absence of a common, accepted conceptualization of what constituted sustainability activities and reporting, finding that this has led to a lack of uniformity and clarity of what sustainability reporting is. This was also emphasised by [Guthrie and Farneti \(2008\)](#) who determined there was little agreement in their study of seven public sector entities as to what sustainability meant. Other factors that have been determined in restricting sustainability reporting include lack of organisational leadership to drive reporting ([Farneti and Guthrie, 2009](#); [Adams and McNicholas, 2007](#); [Greco *et al.*, 2012](#); [Guthrie and Farneti, 2008](#)) and the lack of a long-term vision hindering the sustainability process ([Ball and Seal, 2005](#)).

In focusing on issues holding back sustainability accounting, [Burritt *et al.* \(2009\)](#) discussed the current lack of specialized skills, knowledge and experience on sustainability in the public sector. [Adams and McNicholas \(2007\)](#) concurred with this in finding that the lack of knowledge and experience of managers was a key impediment to the development of sustainability reporting in a government-owned statutory authority. [Ngwakwe \(2012, p. 36\)](#) in a review of the role of sustainability accounting within the corporate environment considered “accounting can no longer afford to remain discrete and still meet growing sustainability demands”. It was argued that the accountant needs to have specialized training if they are going to be effective contributors in the sustainability area, otherwise they run the risk of undermining professional autonomy. This included specialised training to effectively measure, evaluate, record, interpret and report organisational sustainability information.

With accounting seen as a key mechanism in mapping the future direction of organisations towards sustainable development, accountants have a role to play in the advancement of sustainability reporting. In seeking to understand what is restricting the accountant’s current involvement in sustainability reporting within the public sector, two further research questions are developed in this study. These questions extend the literature, as they focus specifically on what factors are restricting the accountant’s involvement in the sustainability reporting process. The research questions to be examined are:

RQ2. Is sustainability important to local government accountants?

RQ3. What skill-sets need to be further developed in local government accountants to widen their role in sustainability reporting?

4. Research method

Previous research in this area of accounting has traditionally concentrated on content analysis techniques ([Guthrie and Abeysekara, 2006](#); [Milne and Adler, 1999](#); [Owen, 2008](#)) and literature/theoretical historical commentaries ([Parker, 2005, 2011](#)). This study

utilised a different approach through mail survey and interview approach. In doing so, it allowed for a broad analysis across a wide geographical area through mail survey technique followed by semi-structured interviews allowing deeper analysis and exploration of issues raised from the mail survey. Owen (2008) argued that in a public sector context, there is a need for researchers to connect with the experiences of social movements on the inside of organisations, whilst Ball *et al.* (2012) argued for more “engaged research” by accounting academics in the public sector. In utilising a mixed-method approach, a method advocated by a number of researchers (De Silva, 2011; Johnson *et al.*, 2007), it allowed for a deeper understanding and exploration of the accountant’s perceptive towards sustainability reporting.

The mail survey instrument was forwarded in January 2012 to the Director of Financial Services (or similar) of local government organisations in four states being New South Wales, Queensland, Tasmania and Victoria. This approach was similar to the study of Pini and Haslam McKenzie (2006, p. 31) who, in focusing on environmental sustainability management across four States of Australia, reasoned that past local government literature has typically focused on single states (Kupke, 1996), and to provide for comparative analysis, several states needed to be investigated. This provided for a sample size of 313 local authorities, representing approximately 60 per cent of all local government organisations in Australia (ALGA, 2014).

The survey document consisted of 26 questions which included multiple-choice response questions, yes/no response questions, Likert scale response questions and open-ended questions. Likert scale response questions were based on a five-point scale and, depending on the question, were used to determine importance levels (ranging from very unimportant, 1 to very important, 5), level of integration (not at all integrated, 1 to very integrated, 5) and involvement levels (not involved, 1 to very involved, 5).

A two-stage pilot-testing phase was conducted prior to the survey instrument being sent out with no major changes made. The survey was sent by SurveyMonkey to local government authorities with two subsequent re-sendings with a space of approximately three weeks between each. To ensure a frame of reference for respondents, the survey document provided for a definition of sustainable development. Whilst one of the most widely accepted definitions today for sustainable development is the Brundtland definition [2], this generalised definition has often been criticised as bringing a level of confusion (Aras and Crowther, 2009) and vagueness (Holden and Linnerud, 2007; Byrch *et al.*, 2007; Hilden and Rosenstrom, 2008) to the debate. A number of researchers have considered that the term needs refinement, with Roosa (2008) arguing that whilst sustainability is a global ideal, to think global is irrational, rather the way to affect change is to think and act locally. As such, for the purposes of this study, sustainable development was defined at the local authority level by reference to the community and the activities undertaken within a community:

Activities undertaken at the local community level which seek to maintain, integrate and improve environmental protection, social equity and economic/financial growth within the community (adapted from Pearce and Warford, 1993).

Participants were offered a summary of the results when completed and the option of participating further in the study through the interview process, by emailing the researcher independently. As surveys were returned completed, the data were recorded and then analysed via SPSS software using descriptive statistics and paired-sample

t-testing. From the survey process, four respondents, each in the role of Finance Manager in their respective authority, indicated that they were willing to be involved in the interview stage of the study. Semi-structured interviews were conducted in July 2012 with two interviewees situated in Victoria, one in Tasmania and one in Queensland. Interviews were conducted face-to-face at each respective premise with the exception of one, being conducted by telephone.

Interviews varied in length between 45 and 90 minutes in length, with all being digitally recorded and then transcribed by an independent person. The transcripts were checked against the recording and forwarded to the interviewees to ensure that they agreed that the transcripts were a true and accurate record. Using a similar process by Schmidt (2004), transcripts then analysed with a catalogue of major themes identified from which the interview transcripts were subsequently coded.

5. Results

The survey document was sent out to a total of 313 potential respondent organisations. In total, 19 surveys were returned due to incorrect email addresses, providing a net sample of 294, with 93 surveys completed and returned. One survey was removed due to incomplete data providing an overall response rate of 33.58 per cent. Most surveys were completed by senior officers, with 74.20 per cent completed by the Finance Manager level or higher and 24.80 per cent completed by accountants/finance officers.

With the survey targeting the Director of Financial Services, testing was conducted to determine whether the responses from this group were significantly different from other respondent groups. Using two-sample *t*-tests, no significant differences were found for questions relating to the importance of sustainable development, integration of sustainable development and the involvement of accountants in the sustainability reporting process indicating there were no significant differences in responses between the respondent groups. Further testing was conducted to test for reliability and non-response bias with results indicating consistency, thereby highlighting the quality of the data collected.

In focusing on the respondents' academic and professional qualifications (Table I), approximately 83 per cent indicated that they held a bachelor degree or higher, with 65 per cent of respondents being a current member of at least one of the three professional accounting bodies within Australia (Certified Practising Accountants [CPA], Institute of Chartered Accountants, Australia [ICAA] and Institute of Public Accountants [IPA]). A further 10 per cent indicated that they were a member of other professional bodies such as Chartered Institute of Management Accountants, their respective states' Local Government Finance Professionals Association and/or the Local Governments Managers Australia Association. Of the respondents, the highest number of responses were received from New South Wales (40.9 per cent), followed by Victoria (30.1 per cent), Queensland (17.4 per cent) and Tasmania (10.8 per cent). However, in comparing the number of respondents to total number of local government authorities in each state, the greatest proportion of respondents were from Tasmania (40 per cent) and Victoria (39.4 per cent), followed by New South Wales (27.8 per cent) and Queensland (26.7 per cent). With the survey originating in Tasmania, this could possibly explain Tasmania's higher response rates.

Descriptive information	Frequency	(%)	Accountants' perspective on sustainability	
<i>Job title</i>				
Finance officer	5	5.4	275	
Accountant	18	19.4		
Finance manager	50	53.8		
Director	12	12.9		
CEO	7	7.5		
<i>Education level</i>				
School education	2	2.2		
Certificate	2	2.2		
Diploma/advanced diploma	11	11.8		
Bachelor degree	46	49.5		
Postgraduate	31	33.3		
<i>State</i>				
New South Wales	38	40.9		Table I. Profile of the mail survey respondents
Queensland	16	17.4		
Tasmania	10	10.8		
Victoria	28	30.1		

5.1 The accountants' involvement in sustainability reporting

Survey respondents were initially asked to indicate if they considered that accountants should be involved in the sustainability reporting process, with 91 per cent agreeing they should be. Analysis was then conducted into the different roles that accountants should be involved in from a sustainability perspective (Table II).

Role of accountant	Section A Level of involvement accountants should have		Section B Actual level of involvement of accountant		Section C Difference		Significance
	Mean	SD	Mean	SD	<i>t</i> value	df	
Sustainability reporting team leader	3.37	0.858	2.57	1.172	5.255	64	0.000
Communication role	3.60	0.766	2.85	1.064	5.241	64	0.000
Key decision-maker role	3.68	0.731	2.89	1.091	5.623	64	0.000
Preparer of sustainability report	3.75	0.848	2.85	1.253	6.333	64	0.000
Policy development role	3.89	0.616	2.86	1.130	7.090	64	0.000
Advisory role	3.97	0.585	3.37	1.112	4.393	64	0.000
Monitoring/assurance role	3.97	0.749	3.17	1.039	5.903	64	0.000
Part of sustainability reporting team	4.09	0.701	2.89	1.312	6.939	64	0.000
Book-keeping role	4.25	0.771	3.78	1.082	3.457	64	0.001
Providing assistance in financial costings	4.66	0.509	4.06	0.788	6.311	64	0.000
Provider of financial information	4.66	0.509	4.25	0.751	5.083	64	0.000

Table II.
Level of involvement of accountant in sustainability reporting

Respondents considered that accountants should be actively involved in a number of specific areas with most involved roles found to be the provider of financial costings, provider of financial information (mean of 4.66, using a Likert scale on a five-point basis), being part of the sustainability reporting team (4.09) to providing a bookkeeping role (4.25). To gauge these results against what level of involvement accountants *actually* have, respondents were asked to indicate the level of involvement that accountants are having in each of these roles (Table IIb). Results highlight that the most involved roles are provider of financial information (4.25), provider of financial costings (4.06) and a bookkeeping role (3.78). In comparing actual involvement and the level of involvement that accountants perceived they should have, actual level of involvement results provided a lower mean for all roles. Major differences highlighted were being part of the sustainability reporting team (1.20), policy development role (1.03), preparer of the sustainability report (0.90), monitoring/assurance role (0.80) and the key decision maker role (0.79), with all results significant at the 0.001 level (Table IIc).

These findings highlight the existence of an execution gap (CIMA, 2011; Bennett *et al.*, 2013) between the role that accountants believe they should play in the sustainability reporting process and the role that they are having now. In elaborating on these findings, interviewees emphasised the current need for accountants to be more involved in sustainability, commencing from the initial inception of sustainability reporting into the organisation. The reasoning behind this approach was expanded upon:

If we aren't involved in it [sustainability reporting], then we won't have a say and we won't have any influence. Eventually, this form of reporting will be forced upon us. So, you're better off to be involved up front where you've had some influence over how it is developed and the mechanisms around it, what standards are in place, rather than the reporting being imposed on you. That's for me one of the important reasons to be involved in sustainable reporting (LA1 – Manager, Finance and Customer Service).

In considering why there is an execution gap, interviewees felt that a contributing factor has been a historical separation within public sector organisations between issues of sustainability and the accountant's role. However, it was felt that this is where there may be opportunity for integration of sustainability and accounting into the future, as follows:

Sustainability within councils has been a relatively new phenomenon, and it has tended to stand aside from the organisation rather than being integrated within it. As a consequence, the reporting that goes with it tends to take place within the sustainability part of the organisation. I think there is certainly room moving forward, in fact I imagine in the long term there will be a requirement for accountants to report on the environmental impact of their organisation (LA3 – Manager, Finance).

With results indicating accountants are not being utilised as much as they feel they currently could be, exploration is now conducted into possible factors that may be limiting accountants from expanding their role in sustainability reporting.

5.2 *The importance of sustainable development and sustainability reporting*

Analysis was undertaken to determine the level of perceived importance that is being placed on sustainable development and sustainability reporting at the local government level and by accountants themselves. If accountants do not consider sustainability as

important, this may explain why there is an execution gap occurring presently. Respondents were asked to indicate the importance of sustainable development from three different viewpoints – initially from a broad over-arching perspective of their local authority, then from an individual perspective – from both a professional and a personal basis. By asking respondents to provide three different perspectives, it would highlight if there are differences in how sustainable development was perceived by the organisation or by the individual. Results indicated (Table III, Panel A) that respondents considered their local authority regarded sustainable development as more important (mean result of 3.52) than themselves professionally (3.26) or personally (3.34).

To help achieve an understanding of the practical implications of these initial results, respondents were then asked to indicate how integrated they felt sustainable development was in the activities of their local authority, in their professional role and at a personal level (Table III, Panel A). Higher levels of integration were found to occur in the everyday activities at the local level (3.01), with least integration in the respondent's professional role or on a personal level (2.73). To test for significance, paired-sample *t*-testing was conducted between the importance and level of integration of sustainable development, with all results significant at the 0.001 level (Table III, Panel A). This indicates that whilst local authorities appear to regard sustainable development as most important, the perceived integration of sustainable development into local authority activities was significantly different. Similar significant results were found at an individual level, both at the professional and personal level.

Respondents were then asked to consider the level of importance placed on sustainable development from an accounting process role, thus focusing on the level of incorporation of sustainable development activities at the accounting level of the organisation. Results indicated incorporation of these activities is not as highly regarded from the local authority perspective (Table III, Panel B) in comparison to the respondents personally (3.22 to 3.27). Paired-sample *t*-testing was conducted testing for

Level	Importance of sustainable development		Integration of sustainable development		Paired-sample <i>t</i> -testing Significance (2-tailed)	
	Mean	SD	Mean	SD	<i>t</i> -test	
<i>Panel A</i>						
At a local authority level	3.52	1.689	3.01	1.431	4.570	0.000
At a professional level	3.26	1.611	2.73	1.393	4.692	0.000
At a personal level	3.34	1.648	2.73	1.418	5.241	0.000
	Incorporation of sustainable development into accounting processes		Incorporation of sustainability reporting into accounting processes			
	Mean	SD	Mean	SD	<i>t</i> -test	
<i>Panel B</i>						
At a local authority level	3.22	1.576	3.23	1.550	-0.199	0.843
At a personal level	3.27	1.571	3.27	1.550	0.000	1.000

Table III. Importance and incorporation of sustainable development/reporting

significance between the importance of sustainable development and its integration into the accounting processes of the organisation, indicating a significant difference at the local authority level ($t = 2.699, p < 0.05$) but not at the personal level ($t = 0.630, p > 0.05$). These results indicate that whilst sustainable development may be considered to be important at the local level, it is perceived to be significantly less important by the local authority that it be incorporated into the accounting processes of the organisation.

Respondents were then asked to consider how important it was that sustainability reporting be incorporated into the accounting processes of their organisation (Table III, Panel B). This issue was perceived to be slightly more important by the respondents personally than from the local authority viewpoint (3.27 to 3.23). To test for differences between importance of sustainable development and sustainability reporting, paired-sample *t*-testing was conducted but determined not significant at the local authority ($t = -199, p > 0.05$) and personal level ($t = 0.000, p > 0.05$).

To gain a deeper understanding of these issues, interviewees were asked to consider the concepts of sustainable development and sustainability reporting. Whilst it was felt that sustainable development was perceived to be of most importance at the council level, issues were raised as to whether this is actually occurring:

Council would argue that they hold sustainable development out as very important but when push comes to shove, I'm not really sure that they do [...] as their actions probably speak a little differently (LA1 – Manager, Finance and Customer Service).

This was further emphasised by interviewees who noted the lack of emphasis on integrating sustainable development and sustainability reporting into the everyday processes of the organisation. Rather, the focus is on developing an overall image of sustainable development at the organisational level, but beyond that there was little interest:

They're (council) not that interested in the numbers, let alone sustainability numbers. They want the stories and the good community things (LA4 – Manager, Finance).

Interviewees sought to provide explanations of why there appeared to be little focus on sustainability beyond the authority's basic mandate, with the main explanation being the length of local government terms:

Council really don't think about such things. They care about their four year term, what's in it for them and what they can do that leaves a legacy for them. If they're forward thinking, they'll think about a legacy for themselves but if they're not, they're really just worried about their four year term (LA1 – Manager, Finance and Customer Service).

It seems to be evident that council talk about sustainable development but they are only looking to their four year term. The thinking is very much linked to a term. (LA2 – Manager, Financial Services 2).

These results highlight the current thinking of councils, being more focussed on the short-term with a lack of long-term focus. In focusing on the survey result findings that accountants appear not to consider sustainable development as important in comparison to the local authority level, interviewees sought to explain this:

You will probably find that accountants are not as passionate [about sustainability] as some of the other people here at this council. But it's not to say we do n't care about sustainability, but possibly the pendulum for us hasn't swung as far as it has for others. As a consequence, we

tend to be a little bit more conservative in our thinking and more focused on financial sustainability, rather than other aspects of sustainability (LA3 – Manager, Finance).

This perception that accountants do not view sustainable development as important was explained by interviewees from the perspective of the difficulty they have in understanding what is sustainable development and how it can be applied to their profession:

Certainly for myself and maybe for some of my colleagues, it's trying to understand what is meant by sustainable development. I don't understand enough about how accounting skills could be applied to environmental sustainability (LA2 – Manager, Financial Services).

This suggests that whilst accountants acknowledge that there is a gap currently existing between their actual and potential involvement in the sustainability realm, accountants appear to not clearly understand what sustainability is and how they can apply it. Similar results to this were found by [Bellringer *et al.* \(2011\)](#) in seeking to explain the lack of sustainability reporting in local authorities in New Zealand. In their study, it was found that sustainability report preparers did not appear to fully understand what activities constituted sustainability reporting and the value of sustainability reports.

5.3 Sustainability reporting skills and training development in local government accountants

The second factor that was explored to explain what may be limiting accountants from being more involved in sustainability reporting was their current skill-set. If accountants do not have the appropriate skills required, perhaps that may explain why there is an execution gap at play. In focusing on the extension of the accountant's involvement into sustainability, 95.5 per cent of survey respondents considered that accountants require further up-skilling, and in particular analytical (4.28), strategic planning (4.22), and reporting expertise skills that are centred on sustainability (4.26, [Table IV](#)). These skills highlight that whilst traditional accounting skill sets are still considered important such as analytical, budgetary and reporting expertise skills, other skill sets are also gaining importance in focusing on the long-term view of sustainability such as strategic planning, and planning and development skills.

Interviewees also concurred with the mail survey findings. As one interviewee stated "what you've got to try and work out is how you get these different types of skills in an accountant, that is, an accountant with a bend" (LA1 – Manager, Finance and Customer Service). These results also concur with previous research conducted by [Adams and McNicholas \(2007\)](#) and [Burritt *et al.* \(2009\)](#) who argued that the lack of experience,

Skill sets	Mean	SD
Strategic planning skills	4.22	0.715
Planning and development skills	3.85	0.799
Analytical skills	4.28	0.739
Risk assessment skills	4.12	0.761
Reporting expertise skills	4.26	0.728
Budgetary skills	4.20	0.853
Communication skills	3.98	0.785
Educational qualifications	3.52	0.698

Table IV. Skill sets required to be further developed in accountants

knowledge and training is acting as key obstacles to the further development of sustainability accounting and reporting.

Interviewees though also raised a wider point, that is accountants are being held back by the perception of what is involved in the accountant's role. It was considered that as sustainability currently fits outside the traditional role of the accountant, this can lead to restrictions being placed around the accountant's involvement, thereby ensuring that they do not obtain the necessary skills to be involved. As was pointed out, this perception is not just from the internal/external community but also the accountant's themselves:

I think tradition holds us back because sustainability reporting is not something we're traditionally seen as doing. I think that's probably one of the bigger issues why we're not participating, being tradition from our own perspective and from what the community or our internal community sees as our role. Because I know if I try to push the boundaries in my organisation, there's resistance that comes back because "that's not your role, and what are you doing being involved in that" (LA1 – Manager, Finance and Customer Service).

Other interviewees raised concerns around the current lack of clarity as to what sustainability is and the need for accountants to be up-skilled in this initially. If accountants are to be up-skilled, they need to develop a clear understanding of what sustainability is so that they can start to see how they could be utilised in helping to develop methods and approaches to sustainability:

At the moment I think it's fair to say that it's not entirely clearly defined as to what we need to report on or how we need to understand sustainability reporting. In order to be able to design training around sustainability reporting, you need to understand what you're trying to be trained for (LA3 – Manager, Finance).

As much as I think it's the right thing to do, sustainability is not seen as something that relates to finance. The problem is management don't have a measure, they're measuring fluffy. There's no measure for fluffy, yet so, they think they can't measure it. So, other areas in the organisation other than finance are used to develop core sustainability reporting. But accountants should be involved – there are ways we could capture the data so that we've got a measure (LA1 – Manager, Finance and Customer Service).

In focusing on the need for additional training requirements, some interviewees highlighted the importance of external bodies, such as the CPA or ICAA as an integral component of providing additional training. Whilst another interviewee considered the role of universities as education providers as a key component in any further training:

I think universities have a big role to play in pushing the change. I think they've really got to step up and deliver. I think there's value in a commerce degree having accounting with triple bottom line topics (LA1 – Manager, Finance and Customer Service).

An interesting view was raised by a further local authority who considered whichever type of organisation leads with training for accountants, it will ultimately influence where the responsibility of sustainability sits long-term:

Based on the current thinking within the organisation, if sustainability reporting was introduced, it would fit within the sustainability department. But it ultimately would depend on who was driving it. If it was, for example, to be driven out of CPA Australia, where it fitted within our organisation would change as it then would become an accounting issue (LA4 – Manager, Finance).

This highlights an opportunity for the accounting profession to take the lead on sustainability reporting within the public sector perspective. But in doing so, the profession needs to ensure its members have an initial understanding of the purpose and value of sustainability reporting.

6. Discussion and conclusion

With the increased pressure on the public sector in recent years to improve their performance, higher emphasis has been placed on the need for accountability. Sustainability reporting has emerged as a key reporting mechanism in helping organisations to discharge these accountabilities. Whilst the local government sector is considered a potential main player in the effort towards sustainable development (Ball, 2004), the up-take of sustainability reporting in this field has been described as an emerging field (Tort, 2010; Dickinson *et al.*, 2005). With their high-level analytical skills, technical expertise and reporting competencies, accountants are in a prime position to help the further development of this form of reporting. However, prior research indicates that accountants have minimal involvement in the sustainability reporting process; therefore, this study has sought to extend the literature and explore the accountant's viewpoint.

In focusing on the role of the public sector accountant in sustainability reporting, positive results were found in that there is a high level of support for their involvement in this area. However, significant differences were found between the accountant's current involvement across 11 different roles and the perceived level of involvement which they feel they should have, highlighting the existence of an execution gap. Interviewees discussed the need for the accountant to be more involved, because *eventually this form of reporting will be forced upon us* and if they are not involved, then they will not be able to influence how reporting is developed.

In seeking to provide an explanatory factor for this gap, further analysis was undertaken focusing on the importance that is placed on sustainable development and sustainability reporting. Results indicate that sustainable development was perceived to be of most importance at the organisational level when compared to the accountant's professional or personal focus. However, significant differences were found at the organisational level when compared to integration of sustainable development ($t = 4.570, p < 0.001$) and incorporation into the accounting processes ($t = 2.699, p < 0.05$). The interview results concurred with these results in highlighting that local authorities hold out sustainable development as being important, but their actions do not necessarily match this statement, with it being highlighted there was less interest and focus on sustainability beyond the organisational level of the local authority. If there is not acceptance and action by leadership at the organisational level towards the integration of sustainable development activities and sustainability reporting process, this will certainly hinder further inclusion of accountants in the reporting process. These results have implications for future policy development – if sustainable development is not infiltrated beyond the organisational level in local authorities, this will help to strengthen the arguments for mandated sustainability reporting requirements within the public sector.

A second explanatory factor was explored in seeking to provide explanation for the current execution gap, being the skill-sets of accountants. Both mail survey respondents (95.5 per cent) and interviewees considered that accountants require further up-skilling

in their core skill areas (such as analytical, budgetary and reporting), including development of skills that are more focussed on the long-term view of sustainability such as strategic planning and planning and development skills. Perhaps more importantly though, what was brought out was the need for a basic understanding of what sustainable development is and how it relates and impacts on the accountant's role. Without this initial understanding, any up-skilling runs the risk of falling on deaf ears – accountants need to have an initial appreciation of what sustainability is, beyond just financial sustainability and the role that they could play in the process prior to a focus on widening accountant's skill-sets.

As to who could provide this up-skilling to accountants, the role of universities as education providers was highlighted as a key component in the training process. It is pivotal that accountants are up-skilled and equipped in sustainability, not only professionally but also academically to ensure their wider involvement. Accountants need to consider the bigger picture inclusive of the social and environmental sphere and to move away from the traditional economic focus that currently dominates accounting practice and education. Otherwise, there is the risk of being pushed out by non-accounting-based professionals, as the need for sustainability reporting expands over time.

Serious thought also needs to be given to the development of specialized accountants (Ngwakwe, 2012), who would be trained and equipped to measure, evaluate, record, interpret and report organisational sustainability information. The current approach by both the profession and the university environment so far has not yet achieved a clear focus other than that of "dabbling around the edges". As such, a more direct approach is needed in developing accountants that are specialized in sustainability. If this was achieved, this would assist in providing higher level accounting practices that could be utilised to measure and inform progress towards sustainability.

This study is not without its limitations. Whilst this study is focussed on the accountant's perception as to their level of involvement in sustainability reporting, further research is required to explore more fully their role. From such an understanding, we may then be better positioned to consider if there is a place for them in the future development of sustainability reporting at the public sector level and how their skills can be better utilised to help guide and direct organisations in moving towards a more sustainable future.

Notes

1. For a copy of the mail survey document, please contact the author.
2. Development which meets the needs of the present without compromising the ability of future generations to meet their own needs (WCED, 1987, p. 8).

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sustainability

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