

Social, environmental and economic accountability

The need for accountability in public and corporate affairs is a widely accepted principle. Until recently, financial accountability has been the only form of accountability required of public and business behaviour. Thus for some time there have been requirements for public companies to prepare and publish audited financial accounts and government bodies have been required to prepare annual reports containing full financial statements.

In the last few decades there has been increasing recognition that accountability extends far beyond financial reporting and that monitoring and reporting should also be required of social and environmental performance and impacts. This is an international movement sponsored by bodies such as the United Nations Commission for Sustainable Development (UNCSD), the Organisation for Economic Co-operation and Development (OECD) and the European Union. The UNCSD and OECD have, for example, developed reporting frameworks for application worldwide. It is increasingly recognised that good information leads to greater capacity to deal with problems and greater opportunities for new and imaginative action.

This new form of reporting is known as comprehensive (used here) or sustainability or triple bottom line reporting.

Comprehensive reporting of national and regional trends

Regular, comprehensive and independent reporting of social, cultural, environmental and economic trends is of fundamental importance to the future of the nation. Without this reporting, key information is not known to Australian people and their governments and there is an inadequate basis for decision-making. Unbalanced reporting is almost as serious a problem as the absence of any reporting.

In Australia, the Australian Bureau of Statistics (ABS) has been a pioneer of comprehensive reporting through the development of its annual Measures of Australia's Progress (MAP) reports covering:

- Social indicators (individuals and communities): health; education and training; work; social cohesion; crime; democracy, governance and citizenship;
- The economy and economic resources: national income; financial hardship; national wealth; housing; productivity;
- The environment: the natural landscape (biodiversity, land degradation, water); the human environment; oceans and estuaries; international environmental concerns such as Australia's greenhouse gas emissions.

All Australian states and territories now have state of the environment reports. There have also been some good comprehensive reporting initiatives in the states and territories but there are significant reporting gaps and there is a lack of uniformity in the approaches that have been adopted. The MAP reports are summary statistical reports and need to be supported by more detailed reports at four or five year intervals which go beyond reporting the facts and offer explanations and comments on the conditions and trends reported. This is the pattern established for federal environmental reporting and should apply elsewhere.

Statutory independence for national and state reporting regimes

All Australian governments should appoint Commissioners who are given statutory responsibility for monitoring and reporting. This would have two significant benefits. First, the Commissioner would be independent with the right to report directly to parliament; a role similar to that of an auditor general or ombudsman. Second, a statutory position would allow a Commissioner greater scope to develop consistent frameworks for reporting.

Federally, the Australian Bureau of Statistics is a statutory body and so fulfils the requirement for statutory independence. The federal government body responsible for four-year state of the environment reports does not, however,

have statutory independence. In the states and territories there are Commissioners appointed by statute, notably the Commissioner for Environmental Sustainability in Victoria and the ACT Commissioner for the Environment, but this is not the norm and should be. There are no similar statutory bodies responsible for social reporting.

Comprehensive reporting of organisational performance

Government bodies

Since 2000, all Commonwealth agencies have been required to include reviews of their environmental performance in their annual reports. In 2002–03, the Commonwealth Auditor-General conducted a review of sustainability reporting in Commonwealth agencies and found that the level of compliance with this requirement was relatively low and that there was “considerable scope for improvement in relation to the quality of agencies’ annual reports”.

Some states and territories have made progress in promoting comprehensive organisational reporting. However, there are still significant gaps in reporting and few state and territory government departments currently prepare comprehensive reports on their operations. Comprehensive reporting is in fact more common among government business enterprises.

Business corporations – corporate social responsibility (CSR)

John Elkington, prominent researcher and writer on business trends, argues that the corporate world is facing a number of significant changes. Boards, he says, will increasingly focus on sustainability and the triple bottom line (financial, social and environmental performance). The table below illustrates these changes.

The shift towards better reporting has been influenced by the need for better internal information and for greater public transparency. If an organisation has little or no knowledge of the level of its toxic waste emissions or energy and material use, it will be in no position to deal with their reduction. Equally, corporations will not have the information to drive innovation and change that will give them competitive advantage.

Transparency is also a significant public issue. With communication innovations and increasing speed in communication and more aggressive investigation of corporate behaviour from non-government organisations and investigative journalists, it is becoming more difficult for businesses to conceal their behaviour from public scrutiny. Many corporate leaders have, as a consequence, concluded that full public disclosure is the safest and most effective response.

As corporations become increasingly aware of the need for greater attention to social and environmental issues and the monitoring of their organisational responses to them they also begin to see many new opportunities. A typical sequence of steps and the benefits associated with each step is described below:

- Compliance with government regulation reducing problems with regulators and helping to anticipate and prepare for further regulation;
- Risk assessment and the reduction of insurance, business and public image risks associated with poor levels of environmental and social performance;
- Green and social consumerism, responding positively to the increasing consumer demand for clean, green and ethically manufactured products and services;
- Life cycle product planning, finding imaginative ways of

BUSINESS CATEGORY	OLD APPROACH		NEW APPROACH
Corporate goal	Financial bottom line	→	Triple bottom line
Nature of capital	Physical and financial	→	Economic, human, social and natural
Assets	Tangible, owned	→	Intangible, borrowed
Management approach	Downsizing	→	Innovation
Governance	Exclusive	→	Inclusive
Corporate responsibility	Shareholders	→	Stakeholders

responding to the requirements that are increasingly being set for life cycle environmental performance that lead to new business opportunities;

- Cost savings such as reductions in energy and material use and opportunities for recycling and transforming waste to new products;
- Responding to the growing recognition that social and intellectual capital in business entities is often as important (and in some instances more important) than financial and physical capital;
- The satisfaction of the social expectations of staff and greater ability to attract the most talented young graduates; and
- Business opportunity, the competitive advantage firms see in industry leadership in environmental and social performance.

Regular and comprehensive business reporting is still far from the norm. A review carried out by the Centre for Ethical Australian Research in 2004 found that while the number of reports is increasing, the proportion of large Australian companies with reports remains very low. Only 29 per cent of the companies covered by the review produced sustainability reports. The report also found that foreign owned companies were more likely to produce a report than Australian companies.

Comprehensive reporting by universities, non-profit and other organizations

Very few universities have established comprehensive reporting systems. Among those universities that have introduced full sustainability reporting there is considerable variability in the frameworks adopted. Comprehensive reporting within the not-for-profit sector also appears to be very limited.

Triple and quadruple bottom line reporting and the Global Reporting Initiative (GRI)

The concept of triple bottom line business reporting was developed as an extension of business reporting practices, traditionally focused on financial reporting only. Triple bottom line reporting asks corporations to report on environmental, social and economic impacts and trends. Quadruple bottom line reporting extends this concept further by including reporting on cultural impacts.

The Global Reporting Initiative (GRI) has developed international standards for triple bottom line reporting. These standards are applicable to business entities, government departments, universities and similar bodies. The GRI reporting frameworks are the most widely adopted around the world.

External auditing

Once it becomes commonplace and eventually mandatory for organisations to produce comprehensive reports, auditing will be needed to ensure that reports are accurate and comply with statutory requirements. This is simply an extension of current auditing requirements. Increasingly organisations with an eye to the future will start to do this of their own accord because of the benefits they perceive in being industry or sector leaders.

Political Accountability

Political accountability is another vitally important aspect of public accountability. By political accountability is meant the responsibility of governments and all their agencies to account for their actions to their citizens. Under Democracy Watch on the Australian Collaboration's web site there is a full discussion of political accountability. It is not therefore further discussed here. See also the essay "*Democracy under Siege*" under Essays, Books and Reports.

Useful sources

Australian Bureau of Statistics <http://www.abs.gov.au>
The Australian Bureau of Statistics (ABS) home page lists the main statistical products of the ABS. The site also provides direct access to the Measures of Australia's Progress (MAP) program.

Elkington J. (1997). *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*, Oxford: Capstone Publishing. See also other writings by John Elkington, a leading thinker on business reporting.

Global Reporting Initiative <<http://globalreporting.org>>
The GRI, an initiative of the United Nations Environment Programme and the Coalition for Environmentally Responsible Economies, has developed rigorous standards for organisational reporting. Its frameworks are the most widely used worldwide.

T H E A U S T R A L I A N C O L L A B O R A T I O N

Macintosh A., & Wilkinson D. (2006). *Which Direction? A Review of Monitoring and Reporting in Australia*, Melbourne: Australian Collaboration.

This report is a comprehensive review of monitoring and reporting in Australia. It discusses principles for comprehensive reporting, the state of play in governments, business and other organisations in Australia, and makes recommendations for improving monitoring and reporting.

Yencken D. & Henry N., (2008) *Democracy Under Siege*, Australian Collaboration, Melbourne. [See Australian Collaboration, Books and Reports](#)

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