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**Jackie Ohlin - Submission to NSW PAC on Sustainability Reporting in NSW Public Sector**

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**Subject:** Submission to NSW PAC on Sustainability Reporting in NSW Public Sector

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Jackie

Here it is finally, sorry its a bit late. Has taken me a week to try and get a signature. Its all done now.

I will send a hard copy in the mail.

Kind Regards

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4 November 2004

Mr Matt Brown  
Chairman  
Public Accounts Committee  
New South Wales Parliament  
Macquarie Street  
Sydney NSW 2000

Dear Mr Brown

### **Inquiry into Sustainability Reporting in the New South Wales Public Sector**

CPA Australia welcomes the opportunity to provide input into the Public Accounts Committee's inquiry into Sustainability Reporting in the NSW Public Sector. We believe that this is timely and an issue which is, and has been, for some time a priority on the agendas of all governments in Australia.

CPA Australia is one of the world's largest accounting bodies, representing 103,000 finance, accounting and business professionals in Australia, Asia and Europe with over 10,500 of these professionals working in the public sector. Whilst the private sector has taken the lead so far in social and environmental reporting, with such a large public sector membership, CPA Australia believes that there is an important role for government to use sustainability reports to inform the community on its stewardship.

In developing the attached submission, we have consulted with areas of expertise within CPA Australia including; the Public Sector Centre of Excellence, the Business and Management Centre of Excellence, the Public Sector Accounting Standards Group and others in the public sector who are prominent in this area.

We are interested in making this submission available for viewing by our public sector membership through our electronic newsletter and therefore request your consideration that the document be made public.

We trust that our submission will be useful and provide some valuable insight to the Public Accounts Committee's deliberations on this very important issue. Should you require any additional information please contact Anna D'Alessandro, Policy Adviser – Public Sector on Tel: (03) 9606 9734 or email: [anna.dalessandro@cpaaustralia.com.au](mailto:anna.dalessandro@cpaaustralia.com.au).

Yours sincerely



Jim Mitchell FCPA  
**NSW President**

cc: Greg Larsen  
Anna D'Alessandro  
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**CPA AUSTRALIA**

**Submission to the NSW  
Public Accounts Committee**

**“Inquiry into Sustainability Reporting in the NSW  
Public Sector”**

**4 November 2004**

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## 1.0 BACKGROUND

Sustainability, or at the very least, environmental reporting has been a priority on government's agenda for sometime now, however despite this interest this type of reporting is still in its infancy in government and very much evolving. Whilst the private sector has taken the lead so far in social and environmental reporting, there is an important role for government. The highly visible activities of government organisations make them uniquely placed to be the standard-bearers of legitimate organisational practices and structures. The Federal Minister for the Environment pointed out that most of the economic measures, such as Balance of Payments or GDP, fail to take account of the use and state of our natural capital base. The community is now expecting governments to deliver a healthy natural environment and it requires transparent reporting to enable a sound assessment of whether this is being achieved.

Sustainability reporting in the public sector should be considered on two fronts – as a jurisdiction (a government as custodians for natural, built and social capital on behalf of community) and as an organisation (the government body use of resources, generation of wastes and management of staff). This fundamentally separates the public sector from the private sector. While the credibility and usability of sustainability reports may enhance reputation, the private sector can use sustainability reports to influence market, while the public sector as arguably a perpetual entity, can use sustainability reports to report to the community on its stewardship.

Sustainability involves an examination of entities across three pillars of governance social, environmental and economic and in the government sector is used interchangeably with the term Triple Bottom Line reporting (TBL). Interest in sustainability/TBL reporting has risen in prominence even more so recently due to a number of factors; growing interest from the International Federation of Accountants (IFAC) on sustainability and enterprise governance; large government departments such as Family and Community Services (FaCS) producing its first TBL Report in 2002-03; Department of Environment and Heritage's recent investigation into Corporate Sustainability (The Mays Report); and Canada issuing its annual 'Sustainability Report' with some of the specific issues encompassing, how will changes in sustainability affect health, economic situation and enjoyment of life; what are sustainable levels of consumption and pollution; and what kind of legacy is being created for future Canadian generations.

## 2.0 DEFINITION OF SUSTAINABILITY

Much debate has been had across all sectors of the community regarding the definition of what exactly is 'sustainability' and how it is to be defined and therefore reported. The perspective taken by some is that it is the impact of actions, positive, negative and cumulative encompassing sustaining development, community and society, business and production and agriculture, currently and in the future. In order to ensure that sustainability reporting provides consistent, meaningful and useable information for decision-makers this issue of definition and scope needs to be explored further and clarified. At times this encompasses all aspects of the TBL and even governance (that is, the Quadruple Bottom Line) but is often executed as meaning environmental sustainability. Emerging areas have an integrated approach to measurement rather than the three TBL silos. Economic sustainability extends beyond financial reporting to assessing the impacts on the economy, at the micro and macro levels.

In preparing a TBL report, the use of the term sustainability is sometimes avoided. There are so many uses of the word 'sustainability' which leaves the use of the term open to misinterpretation.

In view of the issues surrounding the policy ambit of public sector agencies and multiple interpretations of sustainability, it appears likely that TBL reporting by public sector agencies should continue to be confined to operational issues, with higher order 'sustainability' reporting done at the whole-of-government level complied by a relevant agency where directed by governments.

### **3.0 ACCOUNTABILITY OF GOVERNMENT AND SUSTAINABILITY REPORTING**

Government agencies occupy a special position in the environmental disclosure debate. There are three major reasons for this:

- Government agencies, including Government Business Enterprises (GBEs) (or their equivalents), are now full and competitive participants in the economic market place, where they compete for funds and high quality employees in order to provide services that are increasingly offered on a cost recovery or profit-making basis. Changes in public sector management aimed at achieving greater efficiency, effectiveness and value for money have resulted in government entities that are operating on a similar basis to private sector organisations.
- In spite of its increasingly competitive position, government maintains a special role in the community as a protector and regulator. In particular the public looks to government to protect the natural environment that is perceived to be at risk from commercial operations.
- Public sector management reforms have increased both autonomy and the devolution of authority in government organisations, which in turn has led to demands for greater accountability. One of the major methods of discharging accountability is through full and transparent reporting.

Traditionally, private sector organisations have been reluctant to disclose information on environmental effects for fear of providing sensitive data to competitors in the market. Government Business Enterprises and privatised entities have tended to provide more information, possibly as a means of legitimising their profit-making operations, or in an effort to reduce political costs. More recently, the opposite is becoming the case.

As government agencies move towards a user pays or cost recovery basis, the public expects that the traditional extent and quality of services, which include environmental protection, will be at least maintained, and that social responsibility will inform the government's economic activities. Good sustainability reporting can help provide assurance of this. The consumers of government services are numerous and politically important, and have no choice of service provider. For this reason, they require the higher level of accountability that can be provided through sustainability reporting.

Private companies such as WMC are becoming the organisations to which people look for examples of excellence in environmental reporting, whereas historically the TBL performance of mining companies was not necessarily regarded as the standard to be emulated. It is important, therefore, that government take the lead in TBL reporting, so that the benchmarks that are developed are not seen as advantaging particular industries or organisations above others.

#### 4.0 THE GLOBAL REPORTING INITIATIVE (GRI)

The Global Reporting Initiative (GRI) is often cited as a the non-mandatory framework which is the basis behind successful corporate sustainability reports. The GRI framework promotes high quality reporting of social, environmental and economic performance by all types of organisations. The GRI seeks to promote consistency and comparability of sustainability reporting by defining a minimum set of non-financial indicators and policy areas to be addressed in a TBL type report. Indicators of progress are expressed in a mixture of quantitative metrics or even qualitative terms.

What does this initiative offer? Its more than just a one size fits all. The GRI provides:

- A comprehensive introduction and approach to sustainability reporting;
- Sector specific guidelines for both private and public entities;
- Protocols for specific performance indicators;
- A basis for credibility of reporting that is needed by exporters and companies with overseas shareholders; and
- An opportunity to report corporate performance in the context of important national and regional issues.

What's more, the GRI guidelines are founded on principles similar to those of financial reporting, which makes the transition from conventional reporting a much simpler process. The guidelines can also be implemented incrementally over a number of years, easing the uptake of new reporting processes. The GRI focuses on disclosure, that is, how an organisation discharges its accountability to its stakeholders for disclosing non-financial performance in areas of economic, social and environmental impact and risk. It promotes; sustainability reporting, use of a common reporting framework and achievement of high reporting standards. It also seeks to elevate sustainability reporting to the same levels of credibility, comparability, rigour and verifiability expected of financial reporting.

More than 400 organisations currently use the guidelines. In the past year the GRI has launched sector supplements which tailor the reporting guidelines to the needs of specific sectors. The public sector supplement was released in September 2004.

The New Zealand Ministry for the Environment is noted on the GRI website as the first government worldwide to have used the GRI reporting guidelines in its 2003 Triple Bottom Line Report. New Zealand local government is required to report on sustainable development under the Local Government Act 2002. The Ministry for the Environment commented that the GRI, which had been through a long and rigorous international peer review process, remained a useful starting point for any guidance on additional reporting of social or environmental information in the public sector. The GRI highlights a lack of consistent and comparable reporting of social and environmental information at the entity level. Various other New Zealand organisations have since partially adopted the principles and content guidelines of the GRI including; Watercare Services, Landcare Research, Meridian Energy and The Warehouse.

The guidelines expect reporting entities to identify sustainability issues that are most relevant to their organisation. GRI sector supplements assist by recommending indicators of performance but reporters are expected to have dialogue with stakeholders to identify key issues. The guidelines also recommend the use of external verification, of which different types are available. The GRI is also responding positively to feedback that stronger links should be made between reporting and issues of local or regional concern.

## 5.0 REPORTING FRAMEWORK – SEEA2003

In all circumstances, there has been limited success in urging government to adopt a range of reporting principles such as 'System of Integrating Economic and Environment Accounting' (SEEA2003) to publicly disclose government expenditures on a range of environmental and economic units as well as the consumption of natural resources and wastes created in the State's economic production.

Arguably, the sustainability of a government entity – given its jurisdictional and organisational responsibilities – should be judged not only by a narrative reporting on activities and indicators against goals, not only by reporting on environmental, social or infrastructure expenses, but also by independent assessment (ie audit) of the progress of that government in terms of stewardship in its management of the natural and built assets on behalf of the community.

Unfortunately, significant corporate and collective agency effort is expended in collecting data, storing and analysing that data, yet reporting in an uncoordinated and untargeted fashion. The ultimate test should be to establish 'a value of investment' of a government or local government actions in conserving natural resources, generating wastes, changing behaviours, renewing infrastructure and preserving economic populations. That investment may be measured as a 'ratio' of dollars spent or revenues generated, set against the change in condition of the natural or built environment under that government's jurisdiction. For example, the success in investment of forestry harvesting operations may be judged by the extent of sediment discharged into waterways and the ultimate economic cost of filtering that water for urban domestic supplies.

Similarly, the approach taken by one local government (Eurobodalla Shire Council) in preparing its Integrated Water Catchment Management Strategy examined against a host of environmental and social outcomes, the ranked benefit or risk of a range of investment options proposed to deliver water sustainability to the community.

While noble in intent, it may be argued the establishment of Catchment Management Authorities and Natural Resource Commissions are disempowered by apparent lack of coordinated access to critical spatial and scientific data sets organised around catchments or bioregions. Should that be turned around, protocols could be established for those authorities to report as an aggregation of local governments or representative of a bioregion to State government on the change of the natural environment as a result of public sector and private sector investment in maintaining, renewing or wasting natural resources.

Uncertainty and wasted resources accompany many organisational choices in developing condition and performance indicators. By definition, sustainability deals with the long haul. Which indicators chosen today by a few key players in an organisation or community will still be relevant in future decades?

A small group has been formed amongst local government and universities called Towards Accountable and Sustainable Communities (TASC) to promote and develop public sector intelligence on sustainability reporting and accounting. The key idea of TASC is for organisations to accept and apply the international family of statistical classifications as their standard source for sustainability measures now and into the future. The family covers demographics, economics, education, environment, geography, health, labour, social welfare and tourism – the stuff of sustainability.



In 2003, the UN, the World Bank, the OECD, the IMF and the European Commission endorsed the System for Integrated Environmental and Economic Accounting (SEEA2003) – a common framework for measuring the contribution of the environment to the economy and the impact of the economy on the environment.

## 6.0 REPORTING IN NSW PUBLIC SECTOR

### 6.1 NSW Local Government

Under NSW local government legislation, councils are required to:

- “Properly manage, develop, protect, restore, enhance and conserve the environment of the area for which it is responsible, in a manner that is consistent with and promotes the principles of ecologically sustainable development”. (Council’s Charter s.8 *Local Government Act*); and
- Produce State of the Environment (SoE) Reports, Management Plans and Annual Reports all of which reflect the ESD principles (s402 *Local Government Act*).

While the production of these Management Plans and Reports are mandatory, they are not subject to any practised penalty by the Department of Local Government other than a listing of councils who have complied with that range of Statutory Tasks (which includes those reports).

NSW local government has been required to produce significant reports such as the SoE Reports and Social Plan which, by their objectives, are designed to report on the condition, pressure and appropriate responses for a local government to address environmental infrastructure and community issues. There has long been an argument that the considered preparation and interpretation of those comprehensive mandatory reports every three years (SoE Reports, Condition of Public Works Report and Social Plan), is capable of providing a platform for planning for sustainability in each local government jurisdiction.

The Public Accounts Committee is also directed towards the efforts of the Australian Capital Region Office of the Commissioner of the Environment and the 17 surrounding local governments who prepare 4-yearly comprehensive SoE Reports for the regions and the 17 local government constituents. That report embraces the suite of Australia and New Zealand Environment and Conservation Council (ANZECC) indicators required to meet Territory reporting requirements, with regard to the capacity of local government to collect a suite of other ANZECC indicators that add value to interpreting the success of otherwise of those councils managing their natural and built environments.

Perhaps this is where the irony lies. While NSW local government is compelled to report on the environment, built and social capital of its jurisdiction – as a sustainability report – the same may not be said of the state government.

The NSW public sector has an opportunity to report as a government (jurisdiction), as well as the sustainability of operations and practices of each of its agencies. Ideally those reports should not only be a narrative/scientific assessment of the condition and pressure on the three capital stocks, but also the assignment and success of responses by government to those issues. That should be supported by a set of accounts that are capable of interpretation of the ‘value of investment’ of those responses. It is understood the former NSW Environment Protection Authority (EPA) prepared the state government SoE Report, coordinating state agency research and activities as a ‘whole-of-government’ report. That approach has recently been disbanded with the restructure of the EPA.

## 6.2 NSW State Government

There have been several (largely unsuccessful) attempts through the EPA to harness all of the relevant agency spatial and indicator reporting into a congruous data set. It is understood the EPA also participated with the ANZECC determination of sustainability indicators for reporting by government.

Ideally, by considering local government as an 'agency' of state government, there should have been an agreed delineation of the suite of indicators for collection and reporting by local government that are capable of aggregation or distillation by state government in its sustainability reporting.

## 7.0 INITIATIVES IN THE VICTORIAN PUBLIC SECTOR

### 7.1 The Victorian Commissioner for Environmental Sustainability

In 2003, the Brack's Government established the Office of the Commissioner for Environmental Sustainability. The Commissioner will help Victoria become more sustainable by:

- Encouraging the adoption of environmentally sustainable practices by state and local government;
- Enhancing knowledge and understanding of the condition of Victoria's environment and issues relating to ecologically sustainable development; and
- Encouraging decision-making that is geared towards ecologically sustainable development.

The Commissioner reports to the Minister for Environment, who is required to present all reports prepared by the Commissioner to Cabinet for noting prior to lodging them with Parliament within 10 sitting days.

The Commissioner has a number of powers, functions and responsibilities as defined in its Act, one of which is the preparation of an SoE report, at least once every five years. In Victoria, this report will be a broad brush assessment of government and non-government activities relating to environmental objectives. The first step in preparing this report is developing an overall framework and evaluation measures. Government departments, agencies, data collecting bodies and the community will all be closely involved in this process to piece together a comprehensive picture of our environment.

Another key role of the Commissioner will be a strategic audit/evaluation of government Environmental Management Systems (EMSs), as part of his evaluation of the state government's efforts to improve the environment. The Commissioner will submit an Environmental Management Systems Report to the Minister by 31 January each year (except in 2004). The report will consider the progress in relation to the targets set by government and provide benchmarking of progress in relation to world's 'best practice'. In the interests of accountability and transparency, the Commissioner must submit an annual report detailing his progress over the previous financial year. The report must be submitted to the Minister by 31 October each year.

The strategic audit will address issues such as government procurement, in particular motor vehicles and most importantly attitudes to sustainability ethics in government. Detailed environmental audits of EMSs of government departments and agencies will be undertaken by an independent (third) party, and then the audited EMS reports be provided to the Commissioner, who would focus on providing strategic, cross-government reporting on progress. In his report the Commissioner will focus on environmental issues but taking the other two pillars (social and economic) into account. He will be taking a no trade-off stance that is, he will not be accepting gains on the environmental front at the expense of social or economic issues.

An EMS can offer substantial financial savings upon initial implementation however, this needs to be followed by a next stage of transformation by an organisation.

This next stage involves addressing more fundamental issues rather than just reducing waste for example, it will involve scrutinising the nature of materials used in government purchasing including the government's motor vehicle fleet. The point must be made that it may seem a rather painless process to change government policy such as the types of motor vehicles purchased but this becomes much more complex issue when these policies were established by government to protect the local motor vehicle industry. In reality the least cost option is usually chosen.

The Commissioner will also be evaluating public education programs that promote ecologically sustainable practices.

The Australian Capital Territory (ACT) is the only other jurisdiction to establish an independent Commissioner. The Commissioner is appointed by the Minister for five years and has the functions of investigating complaints, conducting investigations as directed by the Minister and conducting investigations of his/her own motion.

## 7.2 Reporting in the Victorian State Government

In September 2002, Cabinet endorsed a submission for all Victorian government departments and three environmental agencies to report office-based environmental impacts in their annual reports, commencing 2003-04. Annual reporting requirements for environmental performance criteria include; energy use, waste production, paper use, water consumption, transportation and green purchasing. The government departments and three environmental agencies have all implemented EMSs to capture the data for the purposes of annual reporting. A number of progress reports have been made to Cabinet and its sub-Committee on implementation of EMSs. In January 2005, the Commissioner for Environmental Sustainability will report to the Minister for Environment on progress of entities EMSs.

An Issues Paper was published by the Public Accounts and Estimates Committee (PAEC) in 1998. Its aim was to promote discussion on ways in which the Victorian community could be informed about the activities of government agencies that impact the environment. The Issues Paper was followed by an *Interim Report of the Inquiry into Environmental Accounting and Reporting*, PAEC, (1999).

The focus of this inquiry was on the dual issues of SoE reporting and environmental reporting by the public and private sectors. The PAEC inquiries revealed that there was potential for environmental accounting and reporting to deliver enormous benefits to the government, business and the community in positioning Victoria as a 'clean and green' State.

SoE reporting is the public disclosure of comprehensive information about the environment, aggregated to a national, state or regional level. Broadly, SoE reporting provides information on environmental conditions and trends.

SoE reporting has been established as an important methodology for understanding and evaluating the ecosystem change and human interaction with ecosystem. The primary audience for SoE reports tends to be the community. SoE reporting is one of the most powerful tools for informing the public about the environment. It provides the government and public with a measure of the effectiveness of environmental policies and highlights where changes may be needed on policy direction.

In New South Wales, SoE reporting by local government is compulsory. Councils, councillors and employees must have regard to ecologically sustainable development principles in carrying out all their responsibilities. Councils' annual management plans must take account of their SoE reports when preparing environmental protection activities. Councils must produce a comprehensive SoE Report at the end of the financial year after each election of councillors. The report must cover eight areas including, land, air, water, biodiversity, waste, noise, Aboriginal heritage and non-Aboriginal heritage.

## 8.0 ACCOUNTING FOR SUSTAINABILITY

### 8.1 General Issues

Currently, there is no accounting standard on sustainability or TBL reporting. In any development of sustainability reporting standards or concepts some issues that would need to be addressed would encompass:

- A clear statement of the objectives of sustainability reporting. The issue of outlining its objectives is not confined to what it means in the public sector context it also relates to whether it should be a reporting framework alone or move beyond that to be an incentive mechanism to promote proper use of State resources within a framework of economic, social and environmental performance indicators.
- What information should be incorporated (assuming that the information is readily available and verifiable) and measurement. The adoption of AIFRS Accounting Standards will require some entities to collect and report additional information. Enhancing reporting to encompass TBL will increase the breadth and quantity of information to be maintained by entities. In addition, much of the information may be in narrative form and require subjective interpretations to be made. This leading to the question of how 'well this data may be auditable?'
- Materiality. The term 'materiality' is defined under Australian Accounting Standard AAS5 as:

*Materiality means, in relation to information, that information which if omitted, misstated or not disclosed has the potential to adversely affect decisions about the allocation of scarce resources made by users of the financial report or the discharge of accountability by the management or governing body of the entity.*

Materiality is considered when assessing areas of risk and the impact of errors and/or irregularities. In terms of financial information assessment of materiality is relatively straight forward. However, extending the concept of materiality to non-financial information may in practice be more complex.

It may be argued that current Accounting Standards (for example, AAS27 "Financial Reporting by Local Governments") can accommodate financial and non-financial information, then it may be possible to equate a qualitative or quantitative stock-take of a capital (natural, built, social) stock, to a financial measure expressed as dollars expended or generated, or as a ratio expressed as a change in condition (value) of that stock.

In noting international efforts to attempt to value those stocks, it may also be argued that, in a similar way to governments currently valuing their built infrastructure either as an insurable or historical cost, the advent of asset accounting has established an opportunity to value environmental assets based on their condition and expressed as a cost of replacement. This in turn may be expressed as an off-balance sheet value, offset by provisions to replace or maintain that asset. While politically sensitive, there may be an opportunity to disclose that provision publicly, against which budget allocations are assigned to reduce that provision be expenses or capital investment to protect or maintain those environmental assets such as say, the Murray-Darling through the salinity and water sharing programs.

## 8.2 Specific Public Sector Issues

In the development of any public sector sustainability regime in Australia, there will be some added complexities for reporting by government departments, namely the existence of:

- Government outcomes for agencies operating in an outcome/output management framework. Some jurisdictions operate on a outcome/output management framework whereby departments deliver outputs designed to achieve desired government outcomes. The latter is frequently defined as 'desired or intended impacts/effects on the community'. It could be argued that some of these community impacts outlined as outcomes may overlap with TBL reporting.
- The division of controlled and administered transactions. As Pat Barrett, Auditor-General of Australia, commented in his recent presentation, departmental reporting is complicated by virtue that departments have two 'streams' of activities and information i.e. 'controlled' (departmental/output related) and 'administered'. Pat Barrett argues that at present, TBL reports only cover an agency's departmental activities however, should administered activities be covered by TBL it could draw the audit into analysing the appropriateness of the government/Ministerial decision-making which is generally outside the scope of the audit mandate.

There are quite clearly a large number of issues to be addressed before a relatively uniform approach can be developed for sustainability reporting in the public sector. However, what is necessary in the short term is:

- some agreement across jurisdictions of its scope and objectives; and
- agreement on what information is practical to report.

In the longer term for sustainability and TBL reporting to be comparable across jurisdictions a reporting framework/ standard will need to be developed and agreed.

### 8.3 Measurement

The essence of reporting to enable evaluation and comparison of performance is to develop measurable benchmarks. Information provided by organisations such as the Australian Bureau of Statistics (ABS) is in a quantified format, and may give the impression that, with sufficient effort, all the components of the environment can be measured and contained within current reporting frameworks.

The difficulty is, however, that only a small minority of the elements affecting the environment are accurately measurable, and this is likely to remain the case for the near future. One of the major difficulties is that organisations must firstly identify what it is they are to measure, and this is by no means a simple procedure.

The idea of the TBL suggests that there may be three columns of figures, all with a total at the bottom, which will enable financial results of surplus/deficit to be adjusted for environmental or social dimensions. At present, as we do not have methods of valuing social and environmental effects on the same basis (dollar values) as economic effects. Methods continue to be developed that enable economic values to be placed on some social and environmental costs and resources but many of them will never be able to be measured reliably in financial terms.

## 9.0 AUDITING AND VERIFICATION OF INFORMATION

Once an environmental report is complete, independent attestation is recommended. This will assist in overcoming any perceptions that the information provided is subjective or open to manipulation.

There is no specific Australian environmental accounting standard. However, AGS 1036 *The Consideration of Environmental Matters in the Audit of a Financial Report* does provide some guidance. A key element of this statement is the judgement of the auditor 'as to whether environmental matters give rise to a risk of misstatement in the financial report'. Assurance Standard AA1000 issued by the UK organisation AccountAbility, (Institute for social and ethical accountability) complements the GRI Sustainability Reporting Guidelines by guiding those who provide assurance on sustainability reports.

Even though the information is reported in a section of the annual report, that does not have to be independently audited, there are two issues at stake. One is the external credibility issue and the other is an enhanced internal concern about the accuracy of the information.

External verification by independent specialists can be very costly. On the other hand, stakeholders such as the community, employees and experts in the field can become involved in process of development and checking of the company's environmental report, acting as verifiers of the process as much as the product.

Western Mining Corporation (WMC) has adopted this procedure for its environmental report, in addition to using external specialist verifiers.

Various levels of verification exist in company environmental reports ranging from checking company minutes of meetings only, to verification against environmental licences and industry codes, and comparison of statements in the report against visits to selected sites and discussions with local employees and data collection methods.

Three levels of verification of company environmental reports have been suggested in the Victorian Public Accounts and Estimates Committee's (PAEC) *'Follow-Up Inquiry into Environmental Accounting and Reporting'* (June 2000).

- **The numbers.** Data collected are compared to key performance indicators on the same scale. This assumes that key indicators do reflect significant environmental performance, that the data can be accurately collected and are representative of events;
- **Quantitative data on key environmental performance indicators.** These usually require external specialists to verify their accuracy, and;
- **Verifying performance.** Is the document an accurate representation of the company's environmental performance? Is there any information not in the document that should be?

At Business Leaders Forum on Sustainable Development in February 2002, the Premier of Victoria recognised the important role of auditing of environmental information. When the Premier announced that government departments and agencies would be required to report on their environmental performance, he also stated that they would be required to have their environment reports audited.

## 10.0 CONCLUSION

In Australia in 2002-03, the proportion of spending on environment protection activities was in the order of \$12 billion. The 650 or so local governments were responsible for over one-third of this spending, with this purpose also being significant in the local government industry's functions. Consequently, better transparency and accountability at the grassroots should bring significant rewards to innovative councils and their communities.

It needs to be recognised that as a government, there is a responsibility to report publicly on its success in managing the jurisdiction's natural and built capital, as well as reporting on the organisation's performance in terms of consumption of resources, creation of waste, management of operational infrastructure and employee resources.

It is well established that efficiency savings in operating expenses can be demonstrated by TBL work. Short term savings are modest but measurable even in the early stage. The environmental efficiencies, such as those resulting in a reduction of greenhouse gas emissions from operations, will benefit society over the long term. Similar savings could be gained through investing in EMSs. The TBL approach, however, helps to ensure that environmental management initiatives do not have a negative impact on the society or the economy of an agency's operations.

## 11.0 WEBSITES

[www.esc.nsw.gov.au/mplan/documents/PolicyFramework/DecisionMaking/IWCMTBL.pdf](http://www.esc.nsw.gov.au/mplan/documents/PolicyFramework/DecisionMaking/IWCMTBL.pdf)

[www.esc.nsw.gov.au/mplan/documents.asp?docID=48](http://www.esc.nsw.gov.au/mplan/documents.asp?docID=48)

[www.esc.nsw.gov.au/publications/annualreport/soer/soersupplementary/soe2002/soedoc.pdf](http://www.esc.nsw.gov.au/publications/annualreport/soer/soersupplementary/soe2002/soedoc.pdf)

<http://unstats.un.org/unsd/class/family/default.htm>