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## Sustainability reporting by Australian public sector organisations: Why they report

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### ABSTRACT

Recent research on social and environmental (SE) reporting has focused on corporations, rather than public sector agencies. Also, there has been little interest in ascertaining the views of preparers of accounts regarding SE reporting. This study analysed *why* a group of "better practice" organisations reported on SE matters. The researchers conducted semi-structured interviews with key preparers in the various organisations and found that their reporting was informed by the latest GRI and aimed at mostly internal stakeholders. The annual report was only one of the media used for disclosure and adoption was driven by a key individual in the organisation.

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### 1. Introduction

Internationally, there is growing concern about the social and environmental impact of organisational activities. However, traditional financial accounting and reporting do not adequately provide for the measurement of social and environmental impact and, consequently, there is a need for broader reporting in organisations (Yongvanich & Guthrie, 2006). Recent years have witnessed a substantial increase in reporting on social and environmental issues by major corporations (Gray, 2006).

The term "social and environmental reporting" is becoming less frequently used, with organisations more likely to adopt the ambiguous term "sustainability reporting" (SR) (Adams & Larrinaga-González, 2007). But there is no consensus on what SR means, nor a common shared framework to adopt. Most prior research into SR has examined disclosures in corporate annual reports (Parker, 2005), but there has been relatively little research into reporting by public sector agencies of these matters. Despite its relevance for the public sector, sustainability accounting and accountability has yet to receive research attention (Ball & Grubnic, 2007). Also, until recently, there has been little interest in examining the views of preparers<sup>1</sup> of accounts in regard to SR (Unerman & Guthrie, 2007).

A related study to the current research, by Guthrie and Farneti (2008), inquired into *what* was disclosed in relation to SR by a similar group of public sector organisations. That study found that the public sector agencies report aspects of 'sustainability' and their reports have been informed by the Global Reporting Initiatives (GRI) Guidelines. However, it was also found that the application of the GRI was fragmentary and organisations chose only some of the GRI indicators to disclose.

Rather than consider *what* organisations report, this paper addresses the gap in the literature as to *why* organisations report (Adams & McPhail, 2004). This paper's aim is to explore the preparers' motivation for the voluntary reporting of sus-

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<sup>1</sup> By "preparers", we mean those people involved in the processes and practices of reporting within organizations.

tainability information (SI). The paper reports the results of an interview-based empirical investigation into the motivations of those preparing voluntary sustainability information in both annual report and stand-alone sustainability reports. It also considers their attitudes towards the provision, role, and processes associated with providing that type of information. The purpose of this analysis was to focus upon the factors driving SR practices within the Australian public sector organisations studied.

The paper has been structured as follows. Section 2 identifies several contextual factors that have brought the topic of SR into prominence and briefly undertakes a literature review. Section 3 presents the research method used in the study. Section 4 reports on the results of the analysis developed, as well as the main findings concerning the group of the organisations analysed. Section 5 provides conclusions and suggests possible future research issues.

## 2. Literature review

The purpose of this section is twofold. First, it identifies several contextual factors that have brought the topic of SR into prominence and, second, it briefly undertakes a literature review of related research literature.

First, there is no agreed upon specific definition for “sustainability”. According to the OECD (2001, pp. 5 and 8), sustainability means “linking the economic, social and environmental objectives of societies in a balanced way” and taking a long-term perspective “about the consequences of today’s activities . . . meeting the challenge of sustainable development . . . requires that the process through which decisions are reached is informed by the full range of possible consequences, and is accountable to the public”.

Organisations’ concern with sustainable development has led to interest in how organisations act and report (GRI, 2006). The lack of sustainability accountability means that there has been confusion as to the appropriate methods for social and environmental accounting and reporting (Gray, 2006). Ricceri (2008) discusses the failure of organisations to meet the needs of stakeholders, who are no longer restricted to “traditional” stakeholders, such as customers and shareholders, but can include workers, environmentalists, and other stakeholder groups.

Gray and Milne (2002) consider the central underlying issue for SR is how an organisation contributes, or aims to contribute in the future, to the improvement or deterioration of economic, environmental, and social conditions, developments, and trends at the local, regional, or global level. Limiting reporting to trends in individual organisational performance (or the efficiency of the organisation) fails to address the main issue. Sustainability reports should, therefore, seek to present performance in relation to broader concepts. For Gray and Milne (2002), this would involve discussing the performance of the organisation in the context of the limits and demands placed on environmental or social resources at the sector, local, regional, or global level. This is a particularly important contribution for public sector agencies.

For example, recent research by Tregidga and Milne (2006, p. 219) illustrates how Watercare has developed its report from environmental reports, during the 1990s, to sustainable development reports, for this decade, “the organisation has (re)constructed itself from one that sustainably manages resources to one that practices sustainability development”.

The GRI has developed specific reporting guidelines for the public sector. The GRI Sector Supplement for Public Agencies<sup>2</sup> (GRI, 2005, p. 8) states the following reasons for SR by public agencies. These are:

Promote transparency and accountability; Reinforce organisational commitments and demonstrate progress; Serve as a role model for private sector; Improve their internal governance; Highlight the significance of its role as a consumer and employer in various economies; Meet disclosure expectations and make information available to facilitate dialogue and effective engagement with stakeholders.

This is more about what SR could be, than what it is, and there is little research to provide evidence of current public sector SR practices (Guthrie & Farneti, 2008).

Despite the difficulties in transferring information tailored to the private sector to the public sector, the need for public agency reporting is clear:

as significant employers, providers of services, and consumers of resources, public agencies also have a major impact on national and global progress towards sustainable development . . . [and] are expected to lead by example in reporting publicly and transparently on their activities to promote sustainability (GRI, 2005, pp. 7 and 8).

Also, the public sector is not driven purely by economic returns; it depends, amongst other things, on the delivery of public policy. Public policies have to be driven on the basis of social value: “what is needed, therefore, is a distinctive agenda for sustainability accounting and accountability in the public sector” meaning “giving substance to the idea of living sustainably on the planet” (Ball & Grubnic, 2007, p. 244).

The second purpose of this section is to undertake a brief review of related research literature. We know that the traditional financial accounting and reporting framework provides an insufficient account of an organisation’s social and environmental activities (Gray, Bebbington, & Walters, 1993). In the past two decades, research studies have identified disclosure practices

<sup>2</sup> The Centre for Public Agency Sustainability Reporting™ is a collaboration of: the Global Reporting Initiative, ICLEI: Local Governments for Sustainability, the City of Melbourne and the State of Victoria. See: [www.publicagencyreporting.org](http://www.publicagencyreporting.org), accessed on 19th October 2007.

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