INTERNATIONAL DEVELOPMENTS IN ENVIRONMENTAL ACCOUNTING: WHAT IMPACT WILL THEY HAVE ON THE FIJI INSTITUTE OF ACCOUNTANTS?

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Research into environmental accounting has attained colossal heights in just over a decade, progressing from its initial days of cajolery in the early 1990s to a more realistic agenda for business change in the new millennium (see Gray, 2001 or Gray and Bebbington, 2001, for example). Developments in practice have operated in parallel with the tremendous growth in research, with various initiatives and proposals being put forward by accountancy bodies and related international organizations. Environmental accounting now plays a vital role in daily commercial undertakings, attempting to ensure that development is not at odds with environmental protection.

In Fiji, developments in environmental accounting are at a very premature stage, as evident from the work of Lodhia (1998, 1999, 2000, 2002). These studies have reiterated the finding of Nandan (1992) which states that accountants in Fiji are reluctant to extend their role beyond that of a technocrat and thereby, are hesitant to react to social issues. Lodhia (1999) reveals that the use of environmental accounting by the sole public company in Fiji that does disclose environmental information in its corporate annual report seems to be public relations exercise driven rather than an attempt to extend accountability to numerous stakeholders. His (2000) study suggests that public companies in Fiji have a minimal level of disclosure of social and environmental information in their corporate annual reports. Reporting on the result of interviews with Fiji accountants (an expansion of his earlier study in 1998 that looked at only two practitioners), Lodhia (2002) highlights the lack of involvement of corporate accountants in the environmental strategies of their respective organizations and the non-preparedness of chartered accountants to provide environmentally related services to their clients.

Having stated that environmental accounting is at an infancy stage in Fiji, the next section elucidates developments in environmental accounting at the international level which have arisen due to the extensive research on environmental accounting. These developments constitute mandatory environmental accounting as well as issuance of prominent guidelines on environmental accounting, suggesting that the environmental agenda is now part of the business spectre. This is followed by explanations as to why the Fiji Institute of Accountants (FIA) has remained silent on such issues, followed by discussion of possible alternatives that could be available to the FIA in the penultimate section. Finally, a brief summary is provided.

International Developments in Environmental Accounting

Mandatory environmental accounting has emerged in European nations such as

Denmark (Rikhardsson, 1999), Holland, Norway, Sweden (see for example, KPMG, 1999, ACCA, 2001) and Spain (Larrinaga-Gonzalez et al, 2001). In the US, companies are compelled to report on the release of toxic chemicals to the environment under the Toxic Release Inventory (TRI) requirements (see for example, KPMG, 1999, ACCA, 2001). Australia has followed a similar approach through the National Pollutant Inventory requirement (KPMG, 1999). In addition, under section 299(1) f of the corporations law, companies are required to disclose their environmental performance in the corporate annual report (Frost, 2001). Environmental reporting is also mandatory in Korea (Gray, 2001) and New Zealand (ACCA, 2001). Further, regulatory authorities in Canada and the European Union require certain environmental information to be lodged with them (KPMG, 1999).

Similarly, the European Commission's (EC) recent recommendation on environmental accounting (see for example, Burritt and Lodhia, 2002) and the Global Reporting Initiative (GRI) of the Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environmental Program (UNEP) (see for example, GRI, 2000) do indicate potential developments in guidelines for environmental accounting. The GRI is an international multi- stakeholder effort by the Coalition for Environmentally Responsible Economies (CERES) and the UNEP towards developing globally applicable guidelines for reporting on the economic, social and environmental performance of corporations, governments and non-governmental organizations, commonly referred to as Triple Bottom Line Reporting. On the other hand, the EC recommendation on recognition, measurement and disclosure of environmental issues in the annual accounts and annual reports of companies in the European Union is an initial attempt towards incorporating environmental issues into financial reports and accounts and while it is presently restricted to countries in the European Union, it may be adapted on an international basis (Burritt and Lodhia, 2001).

Why has the FIA not responded?

The accounting profession in Fiji has a tendency to adapt practices of developed nations, and use their expertise to frame the local practice. This is reflective of a large number of local accounting standards that bear close resemblance to the standards of other countries. As Nandan (1992) highlights:

> *The accounting profession in Fiji mostly relies on their overseas counterparts (e.g. the use of international standards) where issues are widely publicized and debated*

This is largely due to the lack of resources and expertise in Fiji coupled with a need to compete globally to attract multinational investment in the country. Therefore, the necessity for harmonizing international accounting standards arises, leading to an adoption of similar standards within the local context.

It is likely that a revolution in environmental accounting will need to occur in other countries before it is adopted locally. Hence, local practitioners are expected to oppose mandatory standards on environmental accounting if there are no international standards on environmental accounting but their views are likely to change should a standard on environmental accounting be issued internationally. The astounding progress in environmental accounting over the last decade does indicate that a standard

could soon be issued by the international accounting standards committee.

Local accountants prefer to follow, rather than to lead. Experimental attempts in accounting, despite their potential, are not adopted. The creativity of the local accountancy profession is limited to a "waiting game", whereby similar practices are adapted should these have proved successful elsewhere. Views of interviewees in earlier research (Lodhia, 1998, 2002) confirmed that environmental accounting in Fiji would only eventuate should there be international progress in environmental accounting. Fiji accountants seem to believe that the role of the FIA is restricted to that of followers, rather than developers of best international accounting practices. Thus, it is hoped that the international developments in environmental accounting mentioned earlier will give Fiji's accountancy profession an imperative to consider environmental accounting as part of the accounting process.

What should the FIA do?

What the international developments in environmental accounting mean for members of the FIA is that following considerable evidence from academic research, the global accounting profession has now recognised the importance of environmental accounting. In Fiji, similar responses are needed through an increase in awareness of environmental accounting. Waiting for the international accounting standard on environmental accounting to eventuate would be fatal; this would leave accountants ill-prepared to handle a totally new phenomenon. The FIA has a vital role to play in this regard.

Members of the FIA find themselves in a difficult position. They may end up dealing with a specific standard addressing environmental issues without being knowledgeable in environmental matters. To engage members in the process, the FIA should encourage useful research in this area, something that would be difficult given the fact that the only two active researchers on social and environmental accounting in Fiji have left the country. Hence, academia through the University of the South Pacific will need to play a vital role in environmental accounting education and research.

Accounting practitioners need to be encouraged to develop an integrated (for internal and external use) set of environmental accounting and reporting information about the accounting entity. A professional requirement for the study of environmental accounting and reporting, as done in the Philippines, could also be imposed by the FIA. Expertise from other accountancy institutes, especially those in Australia (both CPA Australia and the Institute of Chartered Accountants in Australia are extensively involved in environmental accounting developments) and New Zealand could be used to frame a local environmental accounting practice.

Conclusion

This paper has highlighted the international progress in environmental accounting, postulating that the practice in Fiji has lagged behind considerably. The environment is no less important than profitability and the FIA needs to encourage members to engage in mechanisms that would assist in protecting the fragility of the environment that we in the South Pacific live in. While acknowledging the difficult task on hand, a more proactive role from the FIA is envisaged. Assistance from the government and academia (including former

Fiji academics) is also expected for such a proposal to be anything more than a utopian fantasy.

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