CONTRIBUTION OF THE ACCOUNTANT FOR ECONOMY DEVELOPMENT THROUGH ENVIRONMENTAL ANALYSIS, REPORTING AND COMMUNICATION SERVICES

Extended abstract

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Background

There are many evidences that the current environmental and economic problems are linked, and that they rise from the limits in the current patterns of development. Therefore it becomes necessary an integrated management approach, as stated also in the Rio + 20 United Nations Conference in 2012.

At the EU level, the need of an integration and update of the GDP concept is already emerged, in order to include also qualitative variables such as quality of life, externalities of the current economic system, and the objective limits imposed from a context of finite resources in opposition to an ideal of continuous growth.

To this regard, the EU Regulation 691 / 2011 requires to reorganize and transmit data relating to air pollution, green taxes, accounts of goods / waste flows, defining in this way a common framework for the collection, compilation, transmission and evaluation of European environmental economic accounts, making them satellite accounts of the European System of Accounts (ESA) which is the main tool behind the Union's economic statistics as well as many other economic indicators, including GDP, and this would supplement existing indicators with data that incorporate environmental and social aspects for a more coherent and comprehensive assessment.

The recent 09/04/2013 recommendation of the EU suggests methods to determine the environmental footprint of organizations (OEF) and the environmental footprint of products (PEF) by measuring performance over of the life cycle (van Wensen et al., 2011). This is to decouple economic growth from resource use and environmental impacts, and overcome fragmentation in the different methods of measuring and communicating environmental performance.

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At the Italian national level, during the recent 11th National Conference of Statistics organized in Rome in February 2013, the National Statistics Institute has taken the concept of "equitable and sustainable well - being" - (BES) as a reference model for the development of the period 2013 - 2020. This comes, along with the European programming, to redefine the concept of growth by focusing on the concept of well - being or quality of life, based on criteria of sustainability, understood as the vulnerability of the country or individual or company with respect to levels of well - being achieved, and criteria of equity, to highlight the correlation between inequality and risk factors. Links between BES and GRI indicators were then proposed to tie the macro and micro scales of the reporting system.

At the microeconomic level, a recent survey carried out by United Nations Global Compact has shown that international companies are already aware of the environmental and climate problems, and are planning for the coming decade a strong integration of sustainability issues to internal elements of business, even with provision of specific investments and developing new solutions to production and consumption characterized by respect for the environment variable, defined as "green economy".
**Objectives**

Integrated reporting makes it possible to view and manage elements that, despite being external to the firm, contribute to create value for it. This comes from the availability, accessibility, and quality of various resources used (or "capitals"), such as the financial capital (i.e. funds), industrial capital (i.e. fixed assets), human capital (e.g., the ability of employees), intellectual capital (e.g. intangible assets), natural capital (e.g. environmental goods) and finally the social capital (e.g. relations with stakeholders). For optimal operation of a business each of these "capitals" will have to find adequate consideration individually and in relation to possible conflicts with other types of capital. The convergence of consensus in favor of "integrated reporting" makes clear that the involvement of accountants is necessary. Their involvement has been already formalized in the Italian regulatory framework for the services of sustainability reporting.

To this end, we realize conferences from several years, in collaboration with the Ordine Dottori Commercialisti of Bologna and with the participation of local authorities and other professional bodies, to promote the launch of sustainability and integrated reporting practices since the aspects / impacts of energy management of enterprises, in view of the substantial connections that occur with environmental, social, and economic aspects: the accountants may collect data relating to the energy and environmental performance of enterprise customers, use them to check the consistency of the costs in relation to the types of consumption and make appropriate assessments on the occasion of the financial statements, and put the local authorities aware of reference, so that they can use for their own planning and monitoring processes. The launch and development of this initiative may be of interest to individuals of various types, and in particular for those most directly involved:

- local authorities can be facilitated in enhancing the local production, create the conditions for the growth of wealth, welfare and employment, to recognize and limit discharges of "externalities," and in making planning processes and energy monitoring, with particular reference the constraints requested by the EU with the 20-20-20 directive;

- companies can gradually closer and better manage the increasing number of environmental requirements, initiate cost reduction, improve the supply of information to their stakeholders. So finding new and different competitive opportunities, improving their image, diversifying production according to the new characteristics of market demand (green economy), and equipping themselves to better manage the process of internationalization, given the already developed attention to sustainability and integrated reporting in many parts of the world. Through the intermediation of accountants then one should be able to involve SMEs, constituting almost all of the Italian entrepreneurial system, which usually do not have the economic and organizational resources to independently initiating such processes;

- accountants, preferably in collaboration with professionals from other disciplines, can play an important role in fostering the initiatives outlined above with the offer of innovative services, including interdisciplinary in nature, such as connector and interface between institutions and local authorities on one side and civil society, business and territory on the other side, to facilitate a two-way flow of information.

To this purpose, accountants have to acquire basic tools and basic knowledge of energy audits for production units. The energy management of a production unit is based on examining of energy flows and consumptions. Industrial audits are essentials tools for the correct management of energy and environment especially in the very high consumption sectors (Segreto et al., 2013). The energy audits allow to optimize the plants and their management and to keep under control consumptions and costs. The basic instrument for energy management is the energy accounting, which is integrated with the industry accounting, and it is based on the availability of information on energy consumption (thermal and electrical) and production.

A working group of ENEA (Italian National Agency for New Technologies, Energy and Sustainable Economic Development), in collaboration with the Association of Certified Accountants, has developed a web application that allows doing an industrial pre - audit defining the class of consumption.

The aim of the collaboration is developing a useful free web tool for fiscal experts that help them in energy accounting. Figs 1 and 2 show two sample pages of such tool. A form is presented to the user to enter the relevant data about the production unit and then send them to the server for data collection and analysis.

The server keeps a set of reference data, taken from the EU Best Available Techniques Reference Documents (IPPC Bureau, 2013), and compares them with the user entries. At the end of the process, the user gets a quick answer about compliance and performance of his production unit.

**Methods**

The information tool that can improve the current model of economic development, taking into consideration the factors outlined above, is the "sustainability accounting and reporting". This procedure (Schaltegger et al., 2006) is, unfortunately, a practice that still lacks an unique definition for businesses, but it is already a subject of the Recommendation 2001/453/CE, of numerous scientific contributions, and it has been transposed into Italian regulations for medium and large enterprises as a result of DL 32/2007, requiring directors and managers to assess whether it is necessary to include in the financial statements information on environment and employment (as a result of the provisions at European level by the EU Directive 2003/51/CE).
Contribution of the accountant for economy development through environmental analysis, reporting, and communication services

Sustainability reports will then be integrated into traditional financial reports to overcome the current limitations and produce a tool ("integrated reporting") with better features and information management (Herzig and Schaltegger, 2006). The translation of environmental and social impacts of economic activities in terms of financial and accounting aspects makes possible to better manage these impacts, and to see the effects on the overall economic and financial situation of the company, highlighting risks and intangible assets in particular, the latter resulting from elements such as reputation and brand value, which currently represents a large percentage of the market value of a company in many cases.

To reduce the gap between the debate, now rich, and corporate practice, still poor, the Environmental Commission of Ordine Dottori Commercialisti (Certified Accountants Association) of Bologna has recently signed agreements with some local authorities in the region, and in particular with the Municipality of Bologna (with which the Accountants Association of Bologna has recently signed the Protocol on the Implementation of the “PAES” - Action Plan for Sustainable Energy), and the Italian National Agency for New Technologies, Energy and Economic Development (ENEA, which has developed specific software for environmental and energy data collection) to encourage the adoption of integrated reporting tools.

Fig. 1. Sample page (data entry) of the web tool for energy pre-audits

Fig. 2. Sample page (compliance check) of the web tool for energy pre-audits
Concluding remarks

The collaboration between accountants and energy management experts can ensure the starting of sustainability accounting and integrated reporting, even with simplified modalities easy to use by SMEs. It will allow even further collaborations with other environmental technicians and local authorities, to provide to businesses and to the general economic system the needed information to manage the challenges of competitiveness and adaptation linked to the increasing constraints in order to the growing relevance of environmental issues.

Keywords: energy management, information management, integrated reporting, sustainability, sustainability accounting and reporting.

References


