

University of Wollongong

## Research Online

---

Faculty of Business - Accounting & Finance  
Working Papers

Faculty of Business and Law

---

2008

### **Australian Commonwealth public sector environmental reporting in a new public managerialism environment**

G. Bowrey

*University of Wollongong*, [gbowrey@uow.edu.au](mailto:gbowrey@uow.edu.au)

Follow this and additional works at: <https://ro.uow.edu.au/accfinwp>



Part of the [Business Commons](#)

---

#### **Recommended Citation**

Bowrey, G., Australian Commonwealth public sector environmental reporting in a new public managerialism environment, School of Accounting & Finance, University of Wollongong, Working Paper 3, 2008.

<https://ro.uow.edu.au/accfinwp/144>

Research Online is the open access institutional repository for the University of Wollongong. For further information contact the UOW Library: [research-pubs@uow.edu.au](mailto:research-pubs@uow.edu.au)

# **Australian Commonwealth public sector environmental reporting in a new public managerialism environment.**

Graham Bowrey – University of Wollongong

## **Abstract**

The environmental impact of organisations operations on the environment has come under significantly increased public awareness, over the past two decades. Even so, most organisations in Australia are not required by regulation to report on the impact of their organisations on the environment. Some organisations have been voluntarily providing reports to varying degrees on their environmental performance and management, however the only legislated environmental reporting requirement for private sector organisations in Australia is to report breaches of environmental laws and licences in their annual reports (Section 299(1) *Corporations Act 2001*). In the public sector the situation is slightly different. The *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act 1999), enacted in 1999, requires federal (Commonwealth) government organisations to include in their annual reports a section detailing the environmental performance of and environmental management in their organisation as well as the organisation's contribution to the nation's ecologically sustainable development. This paper argues that the adherence [and lack of] to the *Environment Protection and Biodiversity Conservation Act 1999* reporting requirements by Commonwealth organisations, including Commonwealth Agencies, Commonwealth Statutory Authorities and Commonwealth Companies, can be explained by the sector's recent reforms influenced by the pervasive new public managerialism (NPM) mentality within the sector. The paper will also introduce the new concept of NPM reporting paradox.

**Key words:** Public sector environmental reporting; New Public Managerialism; NPM Reporting Paradox; FMA Act 1997; CAC Act 1997; and EPBC Act 1999

# **Australian Commonwealth public sector environmental reporting in a new public managerialism environment.**

Graham Bowrey – University of Wollongong

## **Introduction**

Over the past two decades there has been a significant increase in public awareness of and focus on the environmental impact of organisations operations. Gaffikin suggests that one of the “biggest issues facing the world community” is the concern over the environment (2008, p. 204) while Cooper explains that environmental issues have come to the fore in academia on the assumption that “the very planet is under threat of imminent destruction” (1992, p. 17). This concern is supported by Gray and Bebbington who explain there is an environmental crisis which requires “a substantial response ... from organisations in general and businesses in particular” (2001, p. 9). However in spite of this level of concern and increased focus most organisations in Australia are not required by regulation to disclose the impact of their organisation on the environment nor the measures they are taking to contain or reduce their impact. There are a number of private sector organisations which have been voluntarily disclosing their environmental performance and management through various reports to varying degrees. The reasons why some organisations may voluntarily disclose include, as Gray and Bebbington outline, “to legitimise current activity ... to forestall legislation” (2001, p. 208) and to “forestall criticism” (2001, p. 234). However it is not a simple task (Gray and Bebbington 2001, p.209) to identify the specific reasons why some organisations will provide voluntary environmental performance and management disclosures [organisations are unlikely to admit that they disclose to forestall legislation]. Some of the voluntary reports are included in an organisation’s annual report and some voluntary reports are

stand-alone documents, sometimes labelled Corporate Sustainability Responsibility (CSR) reports. There has also been an increase in the use of specific reports and reporting methods such as triple bottom-line reports which incorporate the environmental, social and economic performance of the reporting organisation (Deegan, Cooper and Shelly 2005, p. 2). However as Gray and Bebbington explain "it is rare to find consistent, systematic reporting of much that could be construed as other than public relations 'puff'" (2001, p. 239). There is also a growing number of private sector organisations that outline quite explicitly, in their annual report, their environmental successes [it is voluntary after all]. However, according to Burritt and Welch, "there exists an unresolved debate about the merits of providing social and environmental disclosures in annual reports" (1997a, p. 3) due to a variety of different views ranging from those who see such disclosures as "an instrument of decision domination" to those who support these disclosures as they will "remove unjust social practices" (Burritt and Welch 1997a, p. 5). The only legislated environmental reporting requirement is for private sector organisations to report breaches of environmental laws and licences in their annual reports (Section 299(1) of the *Corporations Act 2001*).

In the public sector the focus on and reporting of environmental performance and management has increased in recent times due, as Burritt and Welch suggest, to a number of reasons including the Commonwealth's acceptance for the implementation of various international environmental treaties and the level of public concern about the impact of man on the environment (1997a , pp. 3-4). This increased focus has contributed to the development and implementation of more formal environmental performance and management disclosure requirements of Commonwealth public sector organisations.

In the early 1990's the three tiers of government' in Australia agreed to adopt a National Strategy for Ecologically Sustainable Development (NSED) which was

developed in consultation with various interest groups from industry, the community and government. The strategy was developed with the intention of “integrating environment and development considerations in decision making” (DEWHA 2007a) and reflected the increased recognition in society of the importance of containing, measuring and reporting on the environmental impact of organisations. The NSESD in turn contributed to the development and enactment of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act 1999) which has the objectives, to provide for the protection of the environment; promote ecologically sustainable development through the conservation and ecologically sustainable use of natural resources; and to promote the conservation of biodiversity (Section 3(1) *EPBC Act 1999*).

The focus of this paper is primarily on Section 516A [refer appendix 1] of the *EPBC Act 1999* which requires Commonwealth government organisations to include in their annual reports a “section detailing their environmental performance and the organisation’s contribution to ecologically sustainable development” (DEWHA 2007b, p.56). This will be reviewed in the context of the new public management environment which has influenced major public sector reforms in recent times.

The most significant specific research undertaken on environmental performance and management disclosures in the Australian Commonwealth public sector context, so far, has been the work of Burritt and Welch (1997a and 1997b). Their research was based on the examination of 60 Commonwealth public sector organisations over a ten year period [1984 – 1993] (Burritt and Welch 1997b, p. 542). Burritt and Welch grouped the 60 public sector organisations into two groups based upon the main source of their funds, either from budget appropriations [budget entities] or from market for commercial public sector purposes [non-budget entities] (Burritt and Welch 1997b, pp. 542 – 543). Since Burritt and Welch’s study there have been two pieces of legislation enacted which describes and prescribes the

financial reporting requirements and financial accountabilities of a Commonwealth government organisations. The following section discusses this legislation.

## **Financial Reporting Framework**

The financial reporting requirements and financial accountabilities of a Commonwealth government organisation [depending on the type of organisation] are outlined in one of two specific pieces of legislation. The first is the *Financial Management and Accountability Act 1997* which provides the “framework for the proper management of public money and public property by the Executive arm of the Commonwealth” (DOFD 2007). The second is the *Commonwealth Authorities and Corporations Act 1997* which “regulates certain aspects of the corporate governance, financial management and reporting of Commonwealth authorities, which are in addition to the requirements of their enabling legislation; and the corporate governance and reporting of Commonwealth companies which are in addition to the requirements of the *Corporations Act 2001*” (DOFD 2008). The following diagram shows the Commonwealth government organisations that operate under the *Financial Management and Accountability Act 1997* and the *Commonwealth Authorities and Companies Act 1997*.

### **Take in diagram 1**

The following two sections cover in more detail the *FMA Act 1997* and the *CAC Act 1997*.

## **Financial Management and Accountability Act 1997 (FMA Act)**

The *Financial Management and Accountability Act 1997 (FMA Act)* was developed to provide a framework for the proper management of public money and public property. The Commonwealth government organisations covered by this Act include Departments of State, such as the Department of Treasury; the Departments of the Parliament, such as Department of the House of Representatives; and prescribed Agencies, such as the Bureau of Meteorology, (Part 2, Section 5 *FMA Act 1997*). “The *FMA Act 1997* sets out the financial management, accountability [reporting] and audit obligations of agencies that are financially part of the Commonwealth, in particular: for managing public resources efficiently, effectively and ethically” (DOFD 2007).

### **Commonwealth Authorities and Companies Act 1997 (CAC Act)**

The *Commonwealth Authorities and Companies Act 1997 (CAC Act)* was developed to regulate the financial reporting and accountability of Commonwealth Statutory Authorities (CSAs) and Commonwealth Companies (CCs). CSAs are body corporates incorporated for a public purpose by an Act or by regulations under an Act (*CAC Act ss.7*) and hold money on their own account and are separate legal entities to the Commonwealth. CCs are *Corporations Act 2001* companies in which the Commonwealth has a controlling interest (ss.34). The creation of CSAs and CCs is based on various decisions made by government to operate government-controlled entities “outside a traditional departmental structure” (Uhrig 2003 p.16).

In addition to the legislative frameworks of the *FMA Act 1997* and *CAC Act 1997* Commonwealth government organisations may also be directed by various guidelines [expectations] issued by the central agencies Departments of Finance and Deregulation, Treasury, Prime Minister and Cabinet and the Australian National Audit Office. For example the *Australian Government Procurement Policy Framework*

outlines the "Government's expectations for all departments and agencies (agencies) subject to the *Financial Management and Accountability Act 1997* (FMA Act 1997) and their officials, when performing duties in relation to procurement" (DOFD 2005, p. 2).

### **New Public Managerialism**

The development and subsequent enactment of the FMA Act (1997) and CAC Act (1997) was part of a significant reform process the Australian public sector has undergone since the late 1980s. Jackson and Lapsley suggest the major implication of these reforms is an increased emphasis on management rather than on administration of services (2003, p. 359). The recent reforms in the Australian public sector could be seen as a response to a number of "social, economic and technological pressures" (Hoque and Moll 2001, p. 305) to improve the sector's effectiveness, efficiency, responsiveness and to become more accountable (Guthrie 1998, p. 6; Hoque and Moll 2001, p. 305). This complements Boxall's, the previous Secretary of the Commonwealth Department of Finance and Administration<sup>ii</sup>, explanation that the main objectives of many of the reforms is "the encouragement of a culture of performance and making the public sector more responsive to the needs of government" (1988, p. 18). These comments support the perception that before these reforms the public sector was inefficient, in comparison to the private sector, (Guthrie 1998, p. 2; Barton 2005, p. 138; Ball and Grubnic 2007, p. 248), unresponsive to the needs of the government and in turn unresponsive to the needs of the Australian public. Guthrie explains that "the official rhetoric underlying the change ... public administration has had a narrow performance focus" (1998, p. 3). In addition, Ball and Grubnic suggest these reforms are in response to "an entrenched public scepticism towards 'big government'" (2007, p. 248) while Hood (1995) outlines that some interpret the implementation of these reforms "as little

more than a means of slimming down big government, and saving on resources in the public sector" (p. 103).

The precursor to the development and implementation of some of these reforms was Buchanan<sup>iii</sup> who in 1977 provided "an influential academic contribution ... known as modern public choice theory ... to overcome the *assumed* [emphasis added] problems, inefficiencies and ineffectiveness of traditional forms of public sector structures" (Burritt and Welch 1997b, p. 537). Along with Buchanan's contribution, the drive behind these reforms was a move to a *new public managerialism* (hereafter NPM) within the public sector (Jackson and Lapsley, 2003, p. 360) where the focus is on business [private sector] values such as cost-effectiveness (Hood 1991, p. 15) and operational rationality (Skalen 2004, p. 251) whilst placing the sector on a more business-like footing, fostering a more competitive environment and shifting the culture to one of managing for results (Boxall 1998, p. 18; Skalen 2004, p. 251). This implies NPM may be associated with "the pursuit of frugality ... with an emphasis on cost cutting and doing more with less" (Hood 1991, pp. 15-16). Others have suggested the implementation of NPM ideology could be due to a range of social, economic and technological pressures forcing governments to become more effective, efficient and accountable for the use of publicly generated funds (Hoque and Moll 2001, p. 305).

One of the key outputs of the NPM reforms is the increased focus on the performance (Boxall, 1998) [financial and non-financial] and the transparency [disclosure] of public sector organisations' performance which could include the disclosure of their environmental performance and management in their Annual Reports. This link between NPM and environmental performance is supported by Burritt and Welch's suggestion that "some policies, such as the energy efficiency program and Ecologically Sustainable Development Working Groups, appear to have an internal focus on managerial efficiency [a key focus of NPM] combined with

environmental improvement” (1997a, p. 5). The following section discusses the purposes of Commonwealth government organisations’ annual reports and the guidance provided by key Commonwealth agencies.

## **Annual Reports**

In the Commonwealth public sector the purpose of an organisation’s annual report, which is not too different from the purpose of a private sector organisation’s annual report, is based around the notion of accountability. Barrett (2003), a past Commonwealth Auditor-General, explained that accountability in the public sector implies conformity with a system of administrative processes designed to provide authority for administrative actions and, at the same time, a framework for reporting and checking on actions taken. This is constant with Mulgan’s (1997, p. 27) explanation that accountability is a complex notion, which implies a relationship of authority based upon the idea that those who are accountable are in some sense subordinate to those to whom they must give account. The disclosure of financial performance and other relevant data in an organisation’s annual report contributes to the discharge of the Commonwealth public sector organisation’s accountability to government, parliament and society (Gibson and Guthrie 1996, p. 69). The other function of Commonwealth public sector annual reports is to inform stakeholders, especially Parliament, about the performance of the organisation in relation to services provided by Government organisations. *FMA Act 1997* bodies are required to follow the guidance of the Department of Prime Minister and Cabinet’s (PM&C) document *Requirements for Annual Reports: For Departments, Executive Agencies and FMA Act Bodies*. This document outlines the mandatory information, such as specific legislation requirements, these organisations need to include in their annual reports. For example this document states “the annual report *must* [emphasis added] include in an appendix(s) ... ecologically sustainable development and

environmental performance reporting (section 516A of *Environment Protection and Biodiversity Conservation Act 1999*)” (PM&C 2007, p. 15). Commonwealth Authorities and Commonwealth Companies, covered by the *CAC Act 1997*, are required, under section 9 of the *CAC Act 1997*, to prepare an annual report that is [as are *FMA Act* bodies’ annual reports] tabled in Parliament, and forwarded to the responsible Minister. However there is no specific guidance document, other than the *EPBC Act 1999*, issued by the government that explicitly indicates the public sector organisation must include in its annual report its environmental performance in line with section 516A of the *EPBC Act 1999*.

In 2006 two Finance Circulars were issued, by the then Department of Finance and Administration, outlining the requirement of Chief Executives of *FMA Act 1997* Bodies (FC 2006/08) and directors of *CAC Act 1997* organisations (FC 2006/11) to complete a certificate of compliance. The certificate of compliance, which is to be prepared separate from an organisation’s annual report, is to be sent to the organisation’s relevant Minister and a copy forwarded to the Minister for Finance and Administration (FC 2006a, p. 1; FC 2006b, p. 2) [The first Certificate will be required in respect of the 2006-07 financial year (FC 2006b, p. 2)]. The purpose of the certificate of compliance is to assist the Chief Executives or the directors, depending on the organisation, in complying with the reporting requirements on compliance and financial sustainability (FC 2006a; FC 2006b). Unfortunately the certificate of compliance does not require the Chief Executives or the directors to indicate explicitly whether or not their organisation has complied with the *EPBC Act 1999*. Rather its focus is on “the agency’s compliance with the Australian Government’s financial management framework” (FC 2008 p. 2). However section 8 of the Finance Circular states:

“The Certificate also requires Chief Executives to state whether the agency is operating within the agreed resources for the current financial year and has adopted appropriate management

strategies for all currently known risks [including environmental risks?] that may affect the financial sustainability of the agency' (FC 2008 , p. 2)

This section could be interpreted that environmental risks should also be taken in consideration when developing and implementing "appropriate management strategies" to reduce the likelihood of an event 'risk' which "may affect the financial stability" however without an explicit requirement it is unlikely public sector organisations will disclose such risks.

While Commonwealth public sector annual reports contribute to the discharge of their accountability to government, parliament and society Burritt and Welch explain that:

the giving of an account is not enough for an accountability relationship to exist; there is also to be a process for holding the accountor to account for actions taken and consequences incurred. Hence, enforcement mechanisms are crucial to accountability. Enforcement mechanisms are related to the power of the accountee" (1997b, p.533)

The following section will discuss the current government enforcement mechanism, the *Environment Protection and Biodiversity Conservation Act 1999*. This discussion will place particular focus on the required environmental performance and management information to be included in a Commonwealth government organisation's annual report as outlined in Section 516A of the Act.

### **Environment Protection and Biodiversity Conservation Act 1999**

In 1992 the Heads of Government endorsed the National Strategy for Ecologically Sustainable Development (NSES D) which had been developed over a period of 5 years (DEST 1996, p. 1). The NSES D included 5 key principles: integrating economic and environmental goals in policies and activities; ensuring that environment assets are properly valued; equity within and between generations; risk and irreversibility is dealt with cautiously; and recognising the global dimension. (DEWHA 2007a). The *Environment Protection and Biodiversity Conservation Act 1999* objectives which

include: to provide for the protection of the environment; promote ecologically sustainable development through the conservation and ecologically sustainable use of natural resources; and to promote the conservation of biodiversity (Section 3(1) EPBC Act 1999) reflects the NSESD's principles. The *Environment Protection and Biodiversity Conservation Act 1999* provides a "framework for a more effective national approach to environmental management, ensuring resources are focussed on delivering better environmental outcomes at all levels of government" (ParlInfo Web 1998).

Senator Robert Hill during the Second Reading of the bill described the proposed *Environment Protection and Biodiversity Conservation Act 1999* as

... perhaps the most important proposed legislation dealing with environmental issues that will have been presented to the Commonwealth Parliament. The bill represents the only comprehensive attempt in the history of our Federation to define the environmental responsibilities of the Commonwealth. It proposes the most fundamental reform of Commonwealth environmental law since the first environment statutes were enacted by this Parliament in the early 1970's (ParlInfo Web 1998).

The *EPBC Act 1999* is a broad reaching Act which requires Departments of State and any other Agency [*FMA Act 1997* bodies]; Commonwealth authorities; Commonwealth companies [*CAC Act 1997* organisations]; and any other Commonwealth agency required by law to provide an annual report to a responsible Minister (DEWHA, 2003, p. 1) to report under section 516A of the *EPBC Act 1999*. Section 516A (6) explains the type and nature of environmental performance and management information to be included in the annual reports of Commonwealth government organisations covered by the *EPBC Act 1999*. For example, the information presented in the annual report needs to include information on how the organisation's activities accorded with the principles of ESD; how the outcomes of the organisation contributes to the ESD; the effect of the activities on the environment; and measures the organisation is taking to minimise the impact of its

activities on the environment. The requirements outlined in Section 516 A (6) “ensure the Commonwealth government is publicly reporting information relevant to its environmental performance” (DEWHA, 2003, p. 1).

While these reporting requirements of Section 516A of the *EPBC Act 1999* are seen as a positive step forward there are concerns with these requirements guiding Commonwealth public sector organisations to measure their performance in a way which does not actually address the environmental impact issues of Commonwealth government organisations. Indeed the reporting requirements of Section 516A of the *EPBC Act 1999* could be seen as being significantly influenced by NPM and promoting a NPM ideology. The requirements could be viewed as being based on the management concept of efficiency rather than on the more complex concept of justice which would address concerns such as social justice, and the impact of economic activity (Gaffikin 2008, p. 210; Ball and Grubnic 2007, p. 257; Funnell and Cooper 1998, p. 85). As Burritt and Welch outline “as commercial motives [NPM] gain importance and attention” (2007a, p. 6) public sector managers may focus on those environmental performance measures which are easy to manage and disclose such as “such as recycling, energy efficiency and waste management [efficiency based measures] (Burritt and Welch 2007a, p. 6). Ball and Grubnic suggest that “departments are reporting on operational or housekeeping issues” (2007, p. 257) rather than on the environmental impact of government organisations’ outcomes [government policy]. The reporting requirements could be improved by reflecting that “the nature of the tasks performed, a social value base and a role in public policy, that sets the public sector apart from the private sector” (Ball and Grubnic, 2007, p. 249). However with the NPM focus, currently the driver of Commonwealth public sector management, and the fact these disclosures are easy to manage (Ball and Grubnic 2007, p. 258), it is unlikely the reporting requirements will move to a more ‘public sector’ focus.

The preceding sections of this paper have outlined various pieces of legislation and some of the non-legislated requirements of Commonwealth government organisations. The next section of the paper will outline the institutional pressures exerted on the Commonwealth public sector, as an institution, and on individual Commonwealth government organisations due to the NPM environment.

### **Institutional Pressures and New Public Management**

The adoption of private sector practices [NPM] by the public sector may be seen as a reaction to institutional pressures on public sector organisations to legitimise themselves within society and not as an attempt to improve efficiency, effectiveness and performance, which are the apparent objectives of NPM in the public sector (Hoque 2005, p. 370). As suggested by Funnell and Cooper “the arrival of the new public management has been possible ... because of the challenging strengths of the private sector” (1998, p. 84).

Hood suggested that NPM has been developed “couched in economic rationalism” (1995, p. 94) and the acceptance and implementation of NPM based reforms by public sector organisations could be considered as a rational response. The development of the National Strategy for Ecologically Sustainable Development and the subsequent enactment of the *Environment Protection and Biodiversity Conservation Act 1999* may also be considered to be rational responses of the Commonwealth public sector to societal expectations [become more efficient and effective by adopting a NPM mentality] of government environmental performance reporting and management. These rational responses are linked to the institutional pressures exerted on public sector organisations that result in these organisations changing and adopting various private sector processes, including reporting

practices. That is, the increased level of environmental reporting and management in the Commonwealth public sector may be explained by the process of institutionalisation “a political process and reflects the relative power of the organized interests and actors who mobilize them” (Colvaleski, Dirsmith and Michelman 1993, p. 66). DiMaggio and Powell (1983, p. 147) suggest that institutionalisation is a ‘rational’ response of an organisation which implies the move towards a NPM environment and the adoption of the corresponding reforms could be considered a ‘rational’ response of the public sector organisation.

There is an underlying notion that there is a social contract between society and the organisation (Deegan, 2006 p. 276; Deegan 2007, p. 133; Ball and Grubnic 2007, p. 257). The [NPM based] reforms and processes which public sector organisations undertake to gain legitimacy, which is a status organisations strive to achieve, maintain or mend, is defined as legitimation (O’Donovan 2002, p. 349). The institutional pressure applied by the development and enactment of the *EPBC Act 1999* and its reporting requirements of Section 516A could be seen as an attempt by the Government to ensure the activities of Commonwealth government organisations, are perceived externally as being legitimate (Dillard et al 2004, p. 508; Deegan, 2006 p. 275). This is consistent with Zucker’s (1987, p. 444) suggestion that “coercive pressure is central to state legitimation”. This suggestion is consistent with Boxall’s explanation that the main objectives of many of the reforms is the encouragement of a culture of performance and making the public sector more responsive to the needs of government (1998, p. 18). At the time Boxall made this comment he was the Secretary [equivalent of a private sector CEO] of the Department of Finance and Administration which is one of the three central Commonwealth agencies<sup>iv</sup>. The disclosure by Government organisations of their environmental performance and management in annual reports is an example of

these organisations reacting positively to their operating environment and in turn legitimises their actions and position in society (Guthrie & Parker 1989, p. 344). Scott (1987, p. 498) and Dillard *et al* (2004, p. 517) both explain that organisations [and institutions] will conform to institutional beliefs [rationality] such as increased environmental performance and management reporting, because they are rewarded for doing so through increased legitimacy. This supports the view that if increased formal reporting of Commonwealth government organisations is considered rational then compliance with *EPBC Act 1999* requirements should result in a greater level of legitimacy in society. This would also be consistent with Dowling and Pfeffer's (1975 p. 124) view that legitimacy can be assessed by an examination of the values and norms prevalent in a society.

When reviewing the three different Commonwealth government organisation types [FMA Act bodies, Commonwealth Authorities and Commonwealth Companies] it would be reasonable to assume all three would experience significant coercive institutional pressures from differing sources to adopt the various NPM based reforms.

The following section discusses the sample selection of the study and the qualitative data collected.

## **QUALITATIVE DATA**

### **Sample selection**

There are 89 entities under the *CAC Act 1997* which include 26 Commonwealth Companies and 63 Commonwealth Authorities. Of the 26 Commonwealth Companies four are classified as material entities as they comprise 99% of revenues, expenses, assets and liabilities of the Commonwealth companies. These four Commonwealth companies have been included in this study.

There are 24 of the Commonwealth Authorities classified as material entities. From these 24 material Commonwealth Authorities 14 (58%) have been included in this study. Ten were excluded either because it was not possible to obtain sufficient complete data for this study or the nature of the organisation was significantly unique that inclusion would not add to the study, for example the Australian Reinsurance Pool Corporation and the Coal Mining Industry (Long Service Leave Funding) Corporation.

Under the *FMA Act 1997* there are 99 agencies (DOFD 2008b), including 58 Statutory Agencies<sup>v</sup> and 4 Executive Agencies<sup>vi</sup>. 18 of these Statutory and Executive Agencies are defined as material entities and from this group 8 (44%) were included in this study. It was not possible to obtain sufficient complete data for the period 2002 to 2007 for ten material Statutory and Executive Agencies so they were also excluded from this study.

The Annual Reports for the period 2002-03 to 2006-07 for each of the 26 selected Commonwealth government organisations were reviewed and information on the level and detail of their compliance with *EPBC Act 1999* was collected (refer appendix 2). The results from this initial study are presented in the next section.

## **Results**

The level of environmental performance and management reporting of the 26 government organisations was assessed based on four distinct qualitative measures. The organisations that complied with *EPBC Act 1999* Section 516 and provided specific details of their environmental performance and management, in line with section 516A, in their annual report were assessed as **Detailed**. The organisations which discussed their environmental performance and management in some detail and complied with the *EPBC Act 1999* Section 516 but without specific details were assessed as **Broad**. The final two levels were **Min** for very basic reference to the

environment and **Nil** for no reference. Details of the environmental performance and management of selected Commonwealth public sector organisations, in line with Section 516A, is outlined in Appendix 2.

### **FMA Agencies**

The *FMA Act 1997* organisations in the study showed a very high level of compliance with section 516A of the *EPBC Act 1999*. This result is consistent with Burritt and Welch's findings "the volume of budget entity [organisations<sup>vii</sup>] environmental disclosures is greater than for non-budget entities" (1997b, XXXX). The annual reports of the majority of these eight *FMA Act 1997* statutory and executive agencies in the study provided specific details of their environmental performance and management in line with the requirements of section 516A. For example in the Bureau of Meteorology's 2006/07 Annual Report each of the sub sections of Section 516A (6) are specifically addressed. The following is an extract from the Bureau of Meteorology's 2006/07 Annual Report

#### **2. How the outcomes (if any) specified for the agency in an Appropriations Act relating to the period contribute to Ecologically Sustainable Development (ESD).**

The role of the Australian Bureau of Meteorology is to achieve the major outcome of Australia benefiting from meteorological and related science and services. While not explicitly contributing to ecologically sustainable development, the quality information and knowledge provided in the Bureau's outputs contribute to ecologically sustainable development decision making processes across the Australian community, covering diverse areas such as marine, agriculture, water, climate and aviation. (BoM, 2007, p. 228)

Another of the organisations in this group, Medicare Australia, had a compliance rating of **Min** in 2002-03, however over the rest of the study period the organisation's compliance with section 516A of the *EPBC Act 1999* increased to a rating of **Detailed** in 2006-07. Another of the organisations in this group, the Australian Electoral Commission's (AEC), level of compliance, for the full period of the study, has been rated as **Broad**, however it is important to realise the AEC has

complied with section 516A of the *EPBC Act 1999*. Rather than addressing specifically the reporting requirements of section 516A of the *EPBC Act 1999* the AEC includes in its annual reports a section titled "Compliance Index" (AEC 2007, p. 228) where information can be located on the organisation's compliance with various legislative requirements.

### **Commonwealth Authorities**

The level of compliance of the 14 Commonwealth Authorities with section 516A of the *EPBC Act 1999* was not as consistent as the eight *FMA Act 1997* organisations.

The CSIRO's<sup>viii</sup>, Australian Post's, ANSTO<sup>ix</sup> and National Museum's annual reports from 2002-03 were very explicit and detailed the organisation's environmental performance and management. For example National Museum's 2006-07 Annual Report presented in table form (refer Appendix 3) the organisation's performance against each of the sub sections of Section 516A (6). The CSIRO's 2006-07 Annual Report, pages 123 to 125, includes graphs which explicitly showed the organisation's performance on a number of key environmental indicators including electricity consumption, water consumption, waste management and greenhouse gas emissions. This is type of reporting is consistent with Burritt and Welch's prediction that public sector managers will focus on disclosing physical efficiency based measures as they are easy to manage and disclose (Burritt and Welch 2007a, p. 6). Similar to the Australian Electoral Commission the CSIRO also includes a "Compliance index – statutory reporting requirements" (CSIRO 2007, p. 227) which explicitly outlines where in the annual report information can be located on the organisation's compliance its statutory reporting requirements including section 516A of *the EPBC Act 1999*.

The level of compliance with *EPBC Act 1999* of a number of other Commonwealth Authorities was significantly different to that of the CSIRO and National Museum. For example during the period 2002 – 2007 Tourism Australia did not refer to *EPBC Act 1999* in any of their annual reports. Tourism Australia's main comments under the section *Ecologically sustainable development & environmental performance* in the organisation's annual reports were based around the development of "sustainable tourism industry in Australia" (Tourism Australia Annual Report 2006-07, p. 24) rather than addressing the reporting requirements of Section 516A of the *EPBC Act 1999*. This low level of compliance is confusing as Tourism Australia states that

Tourism Australia was also one of 11 agencies represented on a whole of government Sustainability Working Group, which has been piloted by the Department of the Environment and Water Resources, to continuously improve corporate environmental performance (Tourism Australia Annual Report 2006-07, p. 24).

yet they don't actually disclose any of their corporate environmental performance in their annual reports. Similarly the Defence Housing Authority provided only the following reference to environmentally sustainable development in their 2002-03 and 2003-04 annual reports:

*Environmentally sustainable development*

DHA [Defence Housing Authority] is conscious of its responsibilities to the environment when undertaking developments and housing construction. All new DHA houses have a four star energy rating. (DHA 2003, p. 73; DHA 2004, p. 44)

This response is very limited and does little to inform users of the organisation's annual reports about the environmental performance and management of the organisation.

A different approach by a Commonwealth Authority, to say something without really saying anything, was that of Comcare, who's mission is defined as "To work in partnership with our customers to reduce the human and financial costs of workplace injuries and disease in the jurisdiction" (Comcare, 2005, p. 2). Comcare seems to

have missed the point of the *EPBC Act 1999* as their response to the Section 516 A of the *EPBC Act 1999* in their annual reports for the period 2002 -2007 was

*No*[emphasis added] Comcare activities have been identified as having an environmental impact as described under s.516A of the *EPBC Act 1999* (Comcare 2003, p. 187)

This response indicates that there is a perception that the Act allows broad levels of interpretation, however, section 516 (6) of the Act explicitly states

*Content of report*

(6) A report ... relating to a body or person (the **reporter**) for a period must: ... (c) *document the effect of the reporter's activities on the environment* [emphasis added] (*EPBC Act 1999*, section 516A)

The use of electricity, water and other basic consumables in Comcare's operations would fall under this section of the Act. It appears Comcare, along with others, has misinterpreted these requirements.

### **Commonwealth Companies**

Of the three Commonwealth government organisational groups the Commonwealth companies group had by far the lowest level of compliance with *EPBC Act 1999*. These Commonwealth government organisations, as discussed earlier in this paper are *Corporations Act 2001* companies in which the Commonwealth has a controlling interest (ss.34).and also the closest in nature and function to private sector organisations. This group would make up the non-budget entities of the Burritt and Welch (1997a and 1997b) studies as their "funding is predominantly obtained from ... market sources (1997a p. 2). One of the more notable points from this study is that while two of the companies, ASC<sup>x</sup> Pty Ltd and Australian Rail Track Corporation, have marginally improved the reporting in their annual reports of their environmental performance and management over the period of 2002 – 2007 while Medibank Private Ltd has actually decreased its level of reporting. Another interesting point to note is in relation to Film Finance Corporation Australia Ltd's level of compliance with section 516A of the *EPBS Act 1999*. The

company's comment on their environmental performance and management reporting in all five annual reports was "the company's operations are not subject to any *significant* [emphasis added] environmental regulations under either commonwealth or state legislation" (FFC 2007, p, 47). This response is very similar to Comcare's reporting and further supports the myth that compliance to the *EPBC Act 1999* is open to interpretation. The poor level of compliance in this group supports the notion of NPM reporting paradox which is discussed in the following section.

## **DISCUSSION**

In 2003 the Australian National Audit Office (ANAO) published a performance audit report on *Annual Reporting on Ecologically Sustainable Development*. This performance audit was conducted on "45 Commonwealth departments, agencies and other bodies" (ANAO 2003, p. 15). Also reviewed in this performance audit were the annual reports of 20 agencies for the 200-01 and 2001-02 financial years. One of the key findings of this performance audit was

"... there is considerable scope for improvement in relation to the quality of agencies' annual reports; especially in relation to compliance with the EPBC Act and articulating agencies' contribution to broader ESD outcomes [section 516A]" (ANAO 2003, p. 15).

In relation to the specific reporting requirements of section 516A (6) of the EPBC Act 1999 the ANAO found there were breaches of all five requirements of the Act. Indeed "fifty per cent of agencies reviewed did not comply with section 516A (6) (c), which requires agencies to document the effect of their activities on the environment" (ANAO 2003, p. 24). This study has shown a number of Commonwealth organisations, for example Comcare, Tourism Australia and Film Finance Corporation Australia Ltd, are still not complying with sections of the *EPBC Act 1999*. Given the increased public awareness of the environmental impact of organisations operations on the environment and the *EPBC Act 1999* it is difficult to identify specifically the reason for this lack of compliance. One possible reason is the

misconception that key sections of the Act, for example section 516A (6) (C) is open to broad interpretation. This supports the notion of NPM reporting paradox. This paradox is the expected increased level of performance reporting associated with NPM is not actually achieved by those public sector organisations which are closest in nature , CAC Act Companies, to private sector organisations. That is the adoption of NPM by the Commonwealth public sector due to the perceived need to encourage a “culture of performance and making the public sector more responsive to the needs of government’ (Boxall 1998, p. 18), however those public sector organisations which are considered to operate with similar objectives of private sector organisations have the lowest level of environmental performance and management reporting.

Another of the findings of the 2003 ANAO performance audit is that there was a widely held view in non-environmental agencies that ecological sustainable development is not considered relevant (ANAO 2003, p. 16). The study on which this paper is based indicates this view appears to still be the case in some of the *CAC Act 1997* organisations, particularly Medibank Private and Film Finance Australia. The level of reporting compliance of the Commonwealth Companies in the study appears to be in conflict with Scott’s suggestion that organisations [and institutions] will conform NPM based to institutional beliefs, such as increased environmental performance and management reporting, because they are rewarded for doing so through increased legitimacy (1987, p. 498). The results of the Commonwealth Companies in this study indicates these organisations, due to their ability to make and keep and profit, may regard the social costs of their environmental performance and management as “competitively sensitive and will be less willing to disclose (Burritt and Welch, 1997a, p. 5).

The main conclusion be drawn from the review of these organisations’ environmental performance and management reporting is that compliance with the

reporting requirements of the *EPBC Act 1999* for Commonwealth government organisations is improving, particularly for *FMA Act 1997* bodies and Commonwealth Authorities. This could be an indication that these organisations are experiencing and responding to the NPM based institutional pressures in relation to ESD performance reporting and management as well as increasing their legitimacy. Another conclusion drawn from this review is that the poor level of EPBC Act reporting compliance, in relation to Section 516A requirements, of the Commonwealth Companies may be a reflection of their belief that society does not as yet consider environmental reporting in annual reports to an as important avenue to gain organisational legitimacy as the avenue provided by the pursuit of financial objectives.

## **CONCLUSION**

The development in the early 1990's of a National Strategy for Ecologically Sustainable Development and the subsequent enactment of the *EPBC Act 1999* has led to a general increase, and improvement, of the environmental performance and management reporting in the annual reports of Commonwealth government organisations. This study reviewed the level of compliance with Section 516A of the *EPBC Act 1999* of 26 material Commonwealth government organisations over the period 2002 – 2007. While the results are somewhat mixed it appears the Commonwealth public service and individual Commonwealth government organisations have started to place increased importance in considering and acknowledging their impact on the environment. This increased level of performance could be attributed to the influence and adoption of NPM within the Commonwealth public sector.

Future studies in this area could review in more detail the level of compliance with all material entities, rather than just a small sample, with section 516A of the

*EPBC Act 1999*. This would allow more meaningful conclusions to be drawn and more accurate analysis to be completed on the level of compliance with section 516A of the *EPBC Act 1999* of 26 material Commonwealth government organisations. It would also be worthwhile analysing the impact of 'new managerialism' in the public sector which has resulted in an increased focus on performance and responsibilities in the sector (Jackson and Lapsley, 2003, p. 360) in response to the perceived need of the public sector to improve its efficiency, effectiveness and accountability (Guthrie 1998, p. 2; Barton 2005, p. 138). Future research could be conducted on the level of Commonwealth public sector organisational performance on four methods<sup>xi</sup> identified by Burritt and Welch (1997b, p. 535) which organisations may utilise to protect themselves from disclosure of poor environmental performance. Finally, another worthwhile study for the future would be conducting a content analysis and discourse analysis of the sections in the annual reports which address section 516A of the *EPBC Act 1999*. This sort of study would examine the variance individual agencies have in responses to institutional pressures as well as help identify the primary sources from who legitimacy is sought.

A more detailed study on the notion of NPM reporting a paradox, would possibly provide support to the anecdotal suggestions that the adoption of NPM and its associated legitimisation processes has not actually achieved the stated objectives associated with the recent public sector reforms.

## References

- Australian Electoral Commission (AEC) 2007, Australian Electoral Commission Annual Report 2006-07 [Internet document] [created 2007, cited 18 February 2008], available from [http://www.aec.gov.au/pdf/publications/annual\\_report/2007/AEC0607annualreport.pdf](http://www.aec.gov.au/pdf/publications/annual_report/2007/AEC0607annualreport.pdf)
- Australian National Audit Office (ANAO) 2003, The Auditor - General Audit Report No.41 2002-03 Performance Audit: Annual Reporting on Ecologically Sustainable Development [Internet document] [created May 2003, cited 28 January 2008], available from [http://www.anao.gov.au/uploads/documents/2002-03\\_Audit\\_Report\\_41.pdf](http://www.anao.gov.au/uploads/documents/2002-03_Audit_Report_41.pdf)
- Ball, A, and Grubnic, S, (2007) Sustainability Accounting in the Public Sector. In J. Unerman, J. Bebbington and B. O'Dwyer (eds) Sustainability Accounting and Accountability. London: Routledge, pp. 243 - 265.
- Barrett, P.J. 2003, 'Government sector accountability - the impact of service charters in the Australian public sector', Queensland Commonwealth Regional Heads Forum, 15th Annual Government Business Conference, May.
- Barton, A., 2005, Professional Accounting Standards and the Public Sector – a Mismatch, *Abacus*, 41(2), pp. 138 – 158
- Bowrey, G.D. (2008) Keeping up appearances: The quest for governance legitimacy, *Accounting, Accountability and Performance*, (Forthcoming)
- Boxall, P., 1998, The revolution in government accounting, *Australian CPA*, Vol. 68, No. 3, pp. 18 – 20
- Bureau of Meteorology (BoM) 2007, Bureau of Meteorology Annual Report 2006-07 [Internet document] [created 2007, cited 28 January 2008], available from <http://www.bom.gov.au/inside/eiab/reports/ar06-07/PDF/Annual-Report-2006-07.pdf>
- Burritt, R.L. and Welch, S., (1997a) Australian Commonwealth Entities: An Analysis of Their Environmental Disclosures. *Abacus*, 33 (1), pp. 1 - 19.
- Burritt, R.L. and Welch, S., (1997b) Accountability for environmental performance of the Australian Commonwealth public sector. *Accounting, Auditing and Accountability*, 10, pp. 532-561.
- Colvaleski, M.A., Dirsmith, M.W., and Michelman, J.E, 1993, An institutional theory perspective on the DRG framework, case-mix accounting systems and health-care organizations, *Accounting, Organizations and Society*, Vol. 18, No. 1, pp. 65 – 80
- Comcare (2003), Comcare Annual Report 2002 -2003 [Internet document] [created 2003, cited 2 April 2008] available from [http://www.comcare.gov.au/\\_\\_data/assets/pdf\\_file/0004/1021/Comcare\\_AR-2002-03.pdf](http://www.comcare.gov.au/__data/assets/pdf_file/0004/1021/Comcare_AR-2002-03.pdf)
- Comcare (2005), The Comcare Plan [Internet document] [created 2005, cited 2 April 2008] available from [http://www.comcare.gov.au/\\_\\_data/assets/pdf\\_file/0013/15610/Comcare\\_Plan.pdf](http://www.comcare.gov.au/__data/assets/pdf_file/0013/15610/Comcare_Plan.pdf)
- Commonwealth Authorities and Corporations Act 1997 (CAC Act) [Internet document] [created 1 July 2007, cited 28 January 2008], available from [http://www.frli.gov.au/ComLaw/Legislation/ActCompilation1.nsf/0/A4AB680989CEAEC4CA257302001854FB/\\$file/CwlthAuthCompanies1997\\_WD02.doc](http://www.frli.gov.au/ComLaw/Legislation/ActCompilation1.nsf/0/A4AB680989CEAEC4CA257302001854FB/$file/CwlthAuthCompanies1997_WD02.doc)
- Cooper, C., (1992) The Non and Nom of Accounting for (M)other Nature. *Accounting, Auditing and Accountability*, 5, pp. 16-39.
- Corporations Act 2001. [Internet document] [created 18 December 2006, cited 20 January 2008], available from [http://www.comlaw.gov.au/ComLaw/Legislation/ActCompilation1.nsf/0/F00C3CEA9D2C32E6CA25724900014544/\\$file/Corps2001Vol01\\_1282\\_WD02.pdf](http://www.comlaw.gov.au/ComLaw/Legislation/ActCompilation1.nsf/0/F00C3CEA9D2C32E6CA25724900014544/$file/Corps2001Vol01_1282_WD02.pdf)
- Deegan, C., 2006 *Financial Accounting Theory*, Edition 2, McGraw-Hill Irwin
- Deegan, C, (2007) Insights from legitimacy theory. In J. Unerman, J. Bebbington and B. O'Dwyer (eds) *Sustainability Accounting and Accountability*. London: Routledge, pp. 127 - 149.

- Deegan, C., Cooper, B.J., and Shelly, M., (2005) An investigation of TBL report assurance statements: Australian evidence, *Australian Accounting Review*, Vol. 16, No. 2, pp. 2 – 19
- Defence Housing Authority (DHA) 2003, Defence Housing Authority Annual Report 2002-03 [Internet document] [created 2003, cited 28 January 2008], available from [http://www.dha.gov.au/\\_\\_data/assets/pdf\\_file/3795/2002-2003-annual-report.pdf](http://www.dha.gov.au/__data/assets/pdf_file/3795/2002-2003-annual-report.pdf)
- Defence Housing Authority (DHA) 2004, Defence Housing Authority Annual Report 2003-04 [Internet document] [created 2004, cited 28 January 2008], available from [http://www.dha.gov.au/\\_\\_data/assets/pdf\\_file/3822/2003-2004-annual-report.pdf](http://www.dha.gov.au/__data/assets/pdf_file/3822/2003-2004-annual-report.pdf)
- Department of the Environment, Sport and Territories (DEST) 1996, Summary report on the implementation of the National Strategy for Ecologically Sustainable Development 1993 – 1995, Prepared by the Intergovernmental Committee for Ecologically Sustainable Development (Australia).
- Department of the Environment, Water, Heritage and the Arts (DEWHA) 2007a An Overview of the National Strategy for Ecologically Sustainable Development [Internet document] [cited 28 January 2008], available from <http://www.environment.gov.au/esd/national/nsesd/overview/index.html>
- Department of the Environment, Water, Heritage and the Arts (DEWHA) 2007b Department of the Environment and Water Resources Annual Report 2006–07 [Internet document] [created 2007, cited 28 January 2008], available from <http://www.environment.gov.au/about/publications/annual-report/06-07/pubs/vol2-environmental-protection.pdf>
- Department of Finance and Deregulation (DOFD), 2005, Commonwealth Procurement Guidelines: [Internet document] [created January 2005, cited 28 January 2008], available from [http://www.finance.gov.au/procurement/docs/CPGs\\_-\\_January\\_20051.pdf](http://www.finance.gov.au/procurement/docs/CPGs_-_January_20051.pdf)
- Department of Finance and Deregulation (DOFD), 2007, FMA Legislation: [Internet document] [created 17 December 2007, cited 28 January 2008], available from [http://www.finance.gov.au/finframework/fma\\_legislation.html](http://www.finance.gov.au/finframework/fma_legislation.html)
- Department of Finance and Deregulation (DOFD), 2008a, CAC Legislation: Commonwealth Authorities and Companies Act 1997 [Internet document] [created 23 January 2008, cited 28 January 2008], available from [http://www.finance.gov.au/finframework/cac\\_bodies.html](http://www.finance.gov.au/finframework/cac_bodies.html)
- Department of Finance and Administration (DOFD), 2008b Chart of 99 bodies under the Commonwealth Authorities and Companies Act 1997# (CAC Act) [Internet document] [created 29 January 2008, cited 30 January 2008], available from <http://www.finance.gov.au/finframework/docs/FMACACFlipchart.pdf>
- Department of Prime Minister and Cabinet (PM&C) 2007, Requirements for Annual Reports: For Departments, Executive Agencies and FMA Act Bodies, [Internet document] [created 13 June 2007, cited 30 January 2008], available from [http://www.dpmc.gov.au/guidelines/docs/annual\\_report\\_requirements.rtf](http://www.dpmc.gov.au/guidelines/docs/annual_report_requirements.rtf)
- Dillard, J.F., Rigsby, J.T. and Goodman, C., 2004, The making and remaking of organization context: duality and the institutionalization process, *Accounting, Auditing and Accountability Journal*, Vol. 17, No. 4, pp. 506 – 542
- DiMaggio, P.J. and Powell, W.W., 1983. The iron cage revisited: institutional isomorphism in organizational fields, *American Sociological Review*, Vol. 48, pp. 147-160
- Dowling, J. and Pfeffer, J., 1975, Organizational legitimacy: Social Values and Organizational Behaviour, *Pacific Sociological Review*, Vol. 18, No. 1, pp. 122 – 136
- Environment Protection and Biodiversity Conservation Act 1999 Volume 1 (EPBC Act 1999A) [Internet document] [created 19 February 2007, cited 28 January 2008], available from [http://www.frli.gov.au/ComLaw/Legislation/ActCompilation1.nsf/0/E2EBBBF34F3F8F08CA25728F001C683D/\\$file/EnvProtBioDivCons99Vol1WD02.doc](http://www.frli.gov.au/ComLaw/Legislation/ActCompilation1.nsf/0/E2EBBBF34F3F8F08CA25728F001C683D/$file/EnvProtBioDivCons99Vol1WD02.doc)

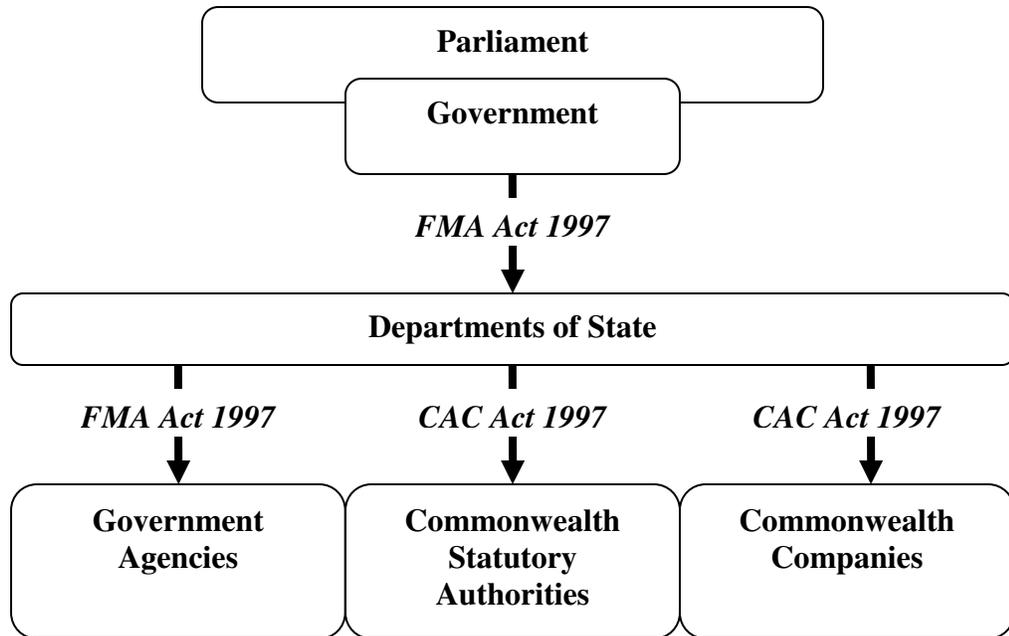
- Environment Protection and Biodiversity Conservation Act 1999 Volume 2 (EPBC Act 1999B) [Internet document] [created 19 February 2007, cited 28 January 2008], available from [http://www.frli.gov.au/ComLaw/Legislation/ActCompilation1.nsf/0/B4DB2FA1CE67945BCA257305000E49E/\\$file/EnvProtBioDivCons99Vol2WD02.pdf](http://www.frli.gov.au/ComLaw/Legislation/ActCompilation1.nsf/0/B4DB2FA1CE67945BCA257305000E49E/$file/EnvProtBioDivCons99Vol2WD02.pdf)
- Film Finance Corporation Australia Ltd (FFC) 2007, Film Finance Corporation Australia Annual Report 2006-07 [Internet document] [created 2007, cited 28 January 2008], available from <http://www.ffc.gov.au/annual/FFCaRep07.pdf>
- Finance Circular (FC) 2006/08 2006a, Certificate of Compliance – FMA Act Agencies [Internet document] [created October 2006, cited 17 February 2008], available from [http://www.finance.gov.au/finframework/docs/fc\\_2006.08.rtf](http://www.finance.gov.au/finframework/docs/fc_2006.08.rtf)
- Finance Circular (FC) 2006/11 2006b, Certificate of Compliance – CAC Act Bodies [Internet document] [created December 2006, cited 17 February 2008], available from [http://www.finance.gov.au/finframework/docs/FC\\_2006.11.pdf](http://www.finance.gov.au/finframework/docs/FC_2006.11.pdf)
- Finance Circular (FC) 2008/04 2008, Certificate of Compliance – FMA Act Agencies [Internet document] [created May 2008, cited 11 September 2008], available from [http://www.finance.gov.au/publications/finance-circulars/2008/docs/FC\\_2008\\_04.rtf](http://www.finance.gov.au/publications/finance-circulars/2008/docs/FC_2008_04.rtf)
- Financial Management and Accountability Act 1997 (FMA Act) [Internet document] [created 1 January 2008, cited 28 January 2008], available from [http://www.comlaw.gov.au/ComLaw/Legislation/ActCompilation1.nsf/0/6B6FB2539373A5B0CA2573B70077E3CB/\\$file/FinanMgmtAccount1997WD02.doc](http://www.comlaw.gov.au/ComLaw/Legislation/ActCompilation1.nsf/0/6B6FB2539373A5B0CA2573B70077E3CB/$file/FinanMgmtAccount1997WD02.doc)
- Funnell, W, and Cooper, K., 1998 *Public Sector Accounting and Accountability in Australia*, University of New South Wales Press Ltd
- Gaffikin, M.J.R., 2008 *Accounting Theory: research, regulation and accounting practice*, Frenchs Forest, NSW, Pearson Education
- Gibson, R. and Guthrie, J., 1996 "The greening of public sector annual reports towards a benchmark", in *Public Sector Centre of Excellence. Readings in Accounting Developments in the Public Sector 1994-95*. Australian Society of Certified Practising Accountants, Canberra, pp. 68 – 79.
- Gray, R. and Bebbington, J, (2001) *Accounting for the environment*. London: Paul Chapman/Association of Chartered Certified Accountants, London.
- Guthrie, J., 1998 Application of accrual accounting in the Australian Public Sector – Rhetoric or Reality?, *Financial Accountability and Management*, 14(1), pp. 1 – 19
- Hood, C., 1991 A Public Management for all Seasons?, *Public Administration*, 69(1), pp. 3 – 19
- Hood, C., 1995 The "new Public Management" in the 1980s: Variations on a theme, *Accounting, Organisations and Society*, 29(2/3), pp. 93 – 109
- Hoque, Z. (2005) "Securing institutional legitimacy or organizational effectiveness? A case examining the impact of public sector reform initiatives in an Australian local authority", *International Journal of Public Sector Management*, Vol. 18, No. 4, pp. 367-383
- Hoque, Z. and Moll. J., 2001 Public Sector Reform: Implications for accounting, accountability and performance of state-owned entities – an Australian perspective, *The International Journal of Public Sector Management*, .14(4), pp 304 - 326
- Jackson, A. and Lapsley, I., 2003, "The diffusion of accounting practices in the new 'managerial' public sector, *International Journal of Public Sector Management*, 16(5), pp. 359–372.
- Mulgan, R., 1997, The Process of Public Accountability, *Australian Journal of Public Administration*, Vol 56, No.1, pages 25 -36
- Meyer, J.W. and B. Rowan (1977) "Institutionalized Organisations: Formal Structure as Myth and Ceremony", *The American Journal of Sociology*, Vol. 83, No. 2, pp. 340 – 363
- National Museum Australia (NMA) 2007, National Museum Australia Annual Report 2006-07 [Internet document] [created 2007, cited 17 February 2008], available from

- [http://www.nma.gov.au/shared/libraries/attachments/annual\\_report\\_2006\\_2007/annual\\_report\\_2006\\_2007\\_parts\\_3\\_to\\_5/files/21134NMA\\_Annual\\_Report\\_06-07\\_parts\\_3\\_4\\_5\\_electronic\\_optimised.pdf](http://www.nma.gov.au/shared/libraries/attachments/annual_report_2006_2007/annual_report_2006_2007_parts_3_to_5/files/21134NMA_Annual_Report_06-07_parts_3_4_5_electronic_optimised.pdf)
- Oliver, C., 1991, Strategic Responses to Institutional Processes, *The Academy of Management Review*, Vol. 16, No. 1, pp. 145 – 179
- O'Donovan, G. (2002) Environmental disclosures in the annual report: Extending the applicability and predictive power of legitimacy theory. *Accounting, Auditing and Accountability Journal*, 15, 344-371.
- ParlInfo Web 1998, Environment Protection and Biodiversity Conservation Act 1998 Second Reading [Internet document] [created 2 July 1998, cited 18 February 2008], available from [http://parlinfoweb.aph.gov.au/piweb/view\\_document.aspx?ID=2102741&TABLE=HANSARDS](http://parlinfoweb.aph.gov.au/piweb/view_document.aspx?ID=2102741&TABLE=HANSARDS)
- Pollitt, C., 2001 Public Management, Convergence: The useful myth?, *Public Administration*, Vol. 79, No. 4, pp. 933 – 947
- Skalen, P., (2004) New public management reform and the construction of organisational identities, *The International Journal of Public Sector Management*, 17(3). 3, pp. 251 – 263
- Scott, W.R., 1987. The Adolescence of Institutional Theory, *Administrative Science Quarterly*, Vol. 32, No. 4, pp. 493 - 511
- Tourism Australia 2007, Tourism Australia Annual Report 2006-07 [Internet document] [created 2007, cited 28 January 2008], available from <http://www.tourism.australia.com/content/About%20Us/TA%20Annual%20Report%202006-07.pdf>
- Uhrig, J., 2003, *Review of the Corporate Governance of Statutory Authorities and Office Holders*, Commonwealth of Australia, Canberra
- Zucker, L.G., 1987. Institutional Theories of Organization, *Annual Review of Sociology*, Vol. 13, No.13, pp. 443 - 464

**Diagrams**

Diagram 1

**Legislation outlining Commonwealth Public Sector financial accountability and reporting requirements**



(Bowrey 2007, p. 35)

## Appendix 1

### 516A Annual reports to deal with environmental matters

#### *Agency annual reports*

- (1) The Head of an Agency (as defined in the *Public Service Act 1999*) must ensure that an annual report under that Act on the Agency's activities complies with subsection (6).

#### *Annual reports of Commonwealth authorities*

- (3) The directors of a Commonwealth authority (as defined in the *Commonwealth Authorities and Companies Act 1997*) must ensure that an annual report relating to the authority prepared under that Act complies with subsection (6).

#### *Annual reports of Commonwealth companies*

- (4) A Commonwealth company (as defined in the *Commonwealth Authorities and Companies Act 1997*) that is a Commonwealth agency must ensure that the documents given to the responsible Minister (as defined in that Act) under section 36 of that Act include a report complying with subsection (6).

#### *Annual reports of other Commonwealth agencies*

- (5) A Commonwealth agency that is:
  - (a) established by or under a law of the Commonwealth; and
  - (b) required by law to give the Minister responsible for it an annual report; and
  - (c) not described in subsection (3) or (4);must ensure that the annual report complies with subsection (6).

#### *Content of report*

- (6) A report described in subsection (1), (3), (4) or (5) relating to a body or person (the **reporter**) for a period must:
  - (a) include a report on how the activities of, and the administration (if any) of legislation by, the reporter during the period accorded with the principles of ecologically sustainable development; and
  - (b) identify how the outcomes (if any) specified for the reporter in an Appropriations Act relating to the period contribute to ecologically sustainable development; and
  - (c) document the effect of the reporter's activities on the environment; and
  - (d) identify any measures the reporter is taking to minimise the impact of activities by the reporter on the environment; and
  - (e) identify the mechanisms (if any) for reviewing and increasing the effectiveness of those measures.

- (7) In subsection (6):

#### **activities** includes:

- (a) developing and implementing policies, plans, programs and legislation; and
- (b) the operations of a department, authority, company or agency referred to in this section.

## Appendix 2

Organisation	2002-03	2003-04	2004-05	2005-06	2006-07
<b>CAC Act Commonwealth Authorities</b>					
National Museum	Detailed	Detailed	Detailed	Detailed	Detailed
Defence Housing Authority	Min	Min	Min	Broad	Broad
Tourism Aust	Min	Min	Min	Min	Min
CSIRO	Detailed	Detailed	Detailed	Detailed	Detailed
Aust Post	Detailed	Detailed	Detailed	Detailed	Detailed
ABC	Broad	Broad	Broad	Broad	Broad
SBS	Broad	Broad	Broad	Broad	Broad
Comcare	Min	Min	Min	Nil	Nil
National Gallery	Min	Min	Min	Broad	Broad
National Library	Min	Min	Broad	Broad	Broad
Indigenous Business Aust	Nil	Nil	Nil	Min	Min
Australian Hearing Services	Min	Min	Min	Min	Detailed
ANSTO		Detailed	Detailed	Detailed	Detailed
Reserve Bank	Min	Min	Min	Min	Min
<b>CAC Act Companies</b>					
Film Finance Corp	Nil	Nil	Nil	Nil	Nil
Aust Rail Track Corp	Nil	Min	Min	Min	Broad
ASC Pty	Min	Min	Min	Min	Broad
Medibank Private	Min	Min	Nil	Nil	Nil
<b>FMA Act Bodies</b>					
Australian Electoral Commission	Broad	Broad	Broad	Broad	Broad
Australian Customs	Detailed	Detailed	Detailed	Detailed	Detailed
Centrelink	Detailed	Detailed	Detailed	Detailed	Detailed
BoM	Detailed	Detailed	Detailed	Detailed	Detailed
Family court of Aust	Broad	Broad	Broad	Broad	Broad
National Capital Authority	Detailed	Detailed	Detailed	Detailed	Detailed
Medicare Aust	Min	Broad	Broad	Broad	Broad
Australian Research Council	Detailed	Detailed	Detailed	Detailed	Detailed

## Appendix 3

### Extract from National Museum of Australia Annual Report 2006 – 07

#### Environmental performance and ecologically sustainable development

During 2006–07, the Museum continued its commitment to the conservation of natural resources through improved energy management and the implementation of a number of other initiatives aimed at minimising the impact on the environment from its operations. Under the Environment Protection and Biodiversity Conservation Act 1999, all Commonwealth agencies are required to report on their environmental performance and contribution to ecologically sustainable development. The table below details the Museum’s key activities during 2006–07.

<p>Paragraph 516A(6)(a)</p>	<p>How the activities of the organisation accord with the principles of Ecologically Sustainable Development (ESD)</p>	<p>The Museum has in place an Environmental Management System (EMS) that meets or exceeds the requirements of ISO14001 to assist all staff to undertake their work in a manner that minimises the risk to the environment.</p> <p>A key element of the EMS is the Environmental Management Policy, which highlights the Museum’s commitment to operate within the principles of ESD wherever possible.</p> <p>The promotion of ecologically sustainable development is woven through the content of the Museum’s permanent and temporary exhibitions, as well as its programs designed for students, its public programs, and its administrative and decision-making processes.</p> <p>Examples include the Old New Land gallery, which emphasises the interrelationship between humans and the environment, particularly in ‘Australians Living Inland’, which explores the relationship of three communities, Kalgoorlie, Wagga Wagga and Alice Springs, to their environment and water sustainability.</p> <p>The Museum continues to contribute both funding and expertise, wherever possible, to the protection and improvement of the Canberra environment via its partnerships with The Australian National University, Australian National Botanic Gardens, CSIRO Black Mountain, Environment ACT, Lower Sullivans Creek Catchment Group and the National Capital Authority.</p> <p>An example of this is the Museum’s ongoing contribution of resources to the Lower Sullivans Creek Catchment ecological survey, a nationally significant project that aims to develop a biodiversity management plan for the Lower Sullivans Creek Catchment area.</p>
-----------------------------	--	---

(NMA 2007, p. 194)

---

<sup>i</sup> The three tiers of government –include Local Government, State Government and Commonwealth Federal Government.

<sup>ii</sup> The name of this Department changed in 2007 to Department of Finance and Deregulation.

<sup>iii</sup> Buchanan, J.M., 1977 *Freedom in Constitutional Contract: Perspectives of a Political Economist*, Texas A & M University Press, College Station, TX.

<sup>iv</sup> The other two Central agencies are Department of Prime Minister and Cabinet and Department of Treasury.

<sup>v</sup> Prescribed under the *Public Service Act 1999 (PS Act)*

<sup>vi</sup> Prescribed under the *Public Service Act 1999 (PS Act)*

<sup>vii</sup> The classification is based on whether funding is predominantly obtained through the budget appropriation mechanism [budget entities] or through market sources [non-budget entities] (Burritt and Welch 1997a; p. 2)

<sup>viii</sup> Commonwealth Scientific Industrial Research Organisation

<sup>ix</sup> Australian Nuclear Science and Technology Organisation

<sup>x</sup> Formerly known as Australian Submarine Corporation.

<sup>xi</sup> 1) Educate stakeholders on the organisation's intentions to improve performance; 2) change stakeholders' perceptions; 3) direct attention away from issues of concern; and 4) change expectations about the organisation's performance (Burritt and Welch 1997b, p. 535).