A case study of social responsibility accounting in local government reporting

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A CASE STUDY OF SOCIAL RESPONSIBILITY ACCOUNTING IN LOCAL GOVERNMENT REPORTING

A thesis submitted in partial fulfilment of the requirements for the award of the degree of Master of Commerce (Honours)

from

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Abstract:
This thesis works at two levels: Firstly, this thesis is concerned with a quest for accountability in Government reporting. The relationship between the providers of funds (Parliament) and users (Local Government) of public funds makes accountability particularly important in the public sector. It is argued that in addressing accountability, Local Government departments must also report on social responsibility issues. It is important to assess what, if anything, accounting standards are doing to assist government departments with social reporting matters. It is found that the newly issued AAS 29 requirements of government departments to comply with private sector accounting and reporting principles and standards may be inappropriate due to the concept of "efficiency" and "effectiveness" being interpreted differently from the public sector. With regard to social reporting matters, AAS 29 has failed to take into account the moral nature of accountability. It does not indicate the specific nature of the reporting requirements, thus its impact on these issues is unknown. Secondly, this is a case study of corporate social disclosure of the Wollongong City Council. Disclosure of social responsibility is examined through the medium of its annual reports, over an eight year period. This thesis uses an interpretation of particular social disclosures which attempts to explain whether the two theoretical perspectives concerning corporate social disclosures, the Legitimacy theory and the Political Economy of Accounting theory, provide satisfactory rationales for social and environmental reporting in this case. The study found that the Legitimacy theory is inadequate as the sole rationale for social disclosure in this case. The Political Economy of Accounting theory, however, appears to offer a more promising explanation. The Political Economy of Accounting theory better explains the selective social disclosures and non-disclosures of social information by highlighting power inequities exercised by and on the Wollongong City Council. It is therefore suggested that legislation is needed to guide what and how SRA information should be reported and thus make Local
Government departments be more accountable in this regard. In this way Government departments can act as a role model for the private sector. AAS 29, however, does not seem to achieve this important purpose and has failed to act as a signal to government departments and the private sector in regard to social reporting concerns.
**Introduction:**

In Australia, at present, there are no guidelines issued by the accounting profession as to what should be disclosed in social reports. Disclosure occurs entirely on a voluntary basis and companies have absolute discretion on what they report. There is no regulation either from the government, the stock exchange or the accounting profession in respect to corporate social reporting. Therefore, the contents of the annual report can be argued to represent what the management choose to communicate to its wider community. While most research in Social Responsibility Accounting (SRA) has centered on private sector companies and the role of accountants for the disclosure of social responsibility information, very little has been done in Local Government reporting. This paper suggests that accountants can explore the issues of Social Responsibility Accounting by examining the annual report of a Local Government Department, using a case study.

The Wollongong City Council was chosen for the following reasons: firstly, as a Local Government, it would be an appropriate model for discussing government accounting and the newly issued *AAS 29*. Secondly, there has been a call for more *accountability* in government reporting. This paper takes the approach that government organisations should lead as a role model for private enterprise in social reporting matters. The third reason is because it is often argued that annual reports of public bodies should contain a statement of quantifiable objectives (often non-financial) against which performance may be measured. It is through this requirement for efficiency/effectiveness reporting that the unique aspects of government may be accounted for, rather than through the distortion of financial statements (Macmillan, 1982). Consequently, an objective of financial statements for government reporting should provide information useful for evaluating the effectiveness of management of resources in achieving the organisation's goals. However, this paper argues that the accountability framework is even more superior to decision usefulness in government reporting because of the relationships between the providers of
funds and the users of such grants of public money. Finally, the reason for choosing the City of Wollongong for discussing social reporting is because of its idealic location and its industrial activities provide a unique opportunity to explore how the features are reflected in its annual reports.

The paper is organised as follows: the first section reviews the relevant research in SRA. The second section discusses SRA issues in relation to Local Government reporting. The discussion will be extended to cover the newly issued Australian Accounting Standards AAS 29 "Financial Reporting by Government Departments". The next section looks at the subject of accountability in Local Government reporting which determines the information required in the annual reports and thus determines to what extent AAS 29 should be used by Government organisations, particularly how SRA can fit in. The third section presents the two theoretical perspectives concerning corporate social reporting: the Legitimacy theory and the Political Economy of Accounting theory. Next, the research methodology and method used in this thesis are presented. Subsequent sections examine the annual reports of the Wollongong City Council in relation to its social reporting; the interpretation of both the annual reports and the media reports are therefore given. The following section provides a brief discussion on the relevance of the two theoretical perspectives presented earlier in the thesis. The aim is to see how adequate these theories are in explaining the voluntary corporate social reporting of this case study. This thesis will show that the annual reports are not passive describers of an "objective reality", but play a part in forming the world-view or social ideology that does more than legitimise corporate action, but reasserts the power of particular interest groups.

Relevant Accounting Research on Social Responsibility Accounting (SRA)

SRA and early surveys:

The following research shows a diversity of SRA findings, some of it appears to be contradicted.
Trotman (1979), in a survey of the annual reports of the 100 largest Australian listed companies, found that 60% of these companies made some social responsibility disclosures in 1977 as compared with only 48% in 1972 and 26% in 1967. A survey carried out in the United States by Ernst and Ernst (1978) shows that disclosures of social responsibility information in annual reports for the Fortune 500 largest companies is increasing. Similarly, in Europe, a study by Diekes & Coppock (1978) suggested that many large and medium sized European companies have been experimenting intensively with corporate social reporting over the last few years. In France, a law passed in 1977 requires all firms with more than 750 employees to publish a social report. The report must include 94 indicators, many of which relate to work environment issues. In Britain, also, there have been discussions on increased social responsibility disclosure. The Pearce Report represents a milestone in Britain's environmental policy, not only for its detailed recapitulation of the social accounting debate over the 20 years, but for raising questions about the role of accountants in the new green order of corporate responsibility.

Recently, Coopers & Lybrand (Kestigan, 1991) surveyed the top 1000 Australian companies to determine their level of environmental management and commitment. They found that only 36% of all respondents (352 in total) had a formal corporate environmental policy in place. Mr. Medley, head of Coopers & Lybrand's Environmental Management Services said:

in Europe, Companies have treated the environmental issue far more pro-actively than in Australia, because the Government has said they must take steps to clean up or face tougher legislation...Having said that Australia has lagged behind many other countries, there is a growing awareness here that we must become pro-active and look not only to solve past environmental concerns, but integrate environmental programs into the overall activity of the company for today and into practice (Kestigan, 1991, p.22).
**SRA and definitions:**

Social responsibility information is broadly defined in this paper as activities which may:

- not have purely financial implications;
- be community service obligations required of local government;
- be required of government entities and would normally be imposed on or required of a purely commercial entity in a similar enterprise;
- be perceived social objectives incorporated in the organisation's corporate plan;
- have been adopted voluntarily by an organisation; or
- be other activities which are considered by government entities as social responsibilities (Weller & Lewis, 1989).

For the purpose of this thesis, corporate social information includes environmental information, and all other non-financial information; employee-related information such as training, health and safety information; community services and organisational services. This allows a comparison to be made on the amount of environmental information disclosed and the amount of other types of social information. Social responsibility accounting, corporate social disclosure and social reporting will be used interchangeably.

**SRA and reasons for disclosures**

Trotman & Bradley (1981) reported on the results of an Australian survey and found that there has been a "substantial increase" in social reporting. Their study, however, showed that not all companies disclose social responsibility information and those that do vary greatly with respect to quantity and quality of the information provided. In addition, they also provided some fundamental reasons why companies provide social responsibility information, eg. social responsibility reporting may contribute to "public image" and this may lead to greater product acceptance, more identification and avoidance of
confrontations such as strikes and boycotts. A positive relationship has also been found to exist between profit and social responsibility. Similarly, Van Den Berg stated that:

*corporate social accounting, at its fundamental level, is no more than an internal information system designed to allow the comprehensive and timely assessment of all those corporate resources excluded from conventional information system (1976, p.51).*

It is also argued that the objectives of corporate social accounting is to give management a more complete knowledge of those factors which will increase the quality of corporate resources (ie. improve asset values), give a better understanding of the effects of their decisions on operations (effectiveness) and provide a more comprehensive view of the situation within the organisation. Similarly, a lack of attention, paid to environmental factors, during the planning of new facilities could lead to subsequent complaints, investigations, payment of compensation or, at worst, factory closure. Van Den Berg (1976) also believed that just as public investment decisions can no longer be made without consideration of environmental and social effects, it is becoming much more difficult to make commercial investment decisions without comparable analysis.

Moreover, Kestigan (1991) argued that concerns of public image, high cost of affirmative environmental action, rising insurance premiums and increased community awareness of the environment have added to business and industry's greening, with the result that "going green" is no longer viewed as just a fad or an unnecessary cost factor, but as an integral component of the everyday operation of all business. Therefore, in an attempt to create a positive "public image", private enterprise should acknowledge in their annual report, that they have a responsibility to society. Additionally, the influence of the community on operations, whether through, for instance, higher rates or poorer local services, can affect corporate operations and performance in any number of different
ways. A survey of top executives (Trotman, 1979) revealed that executives of private enterprise expected that, corporate social environment, company reputation and goodwill would be enhanced by SRA and that the social and economic system would be strengthened. In relation to survival, Trotman (1979,) quoted from the President of Royal Dutch who said:

no business can or should survive if it fails to operate profitably, but equally no business can survive if its manners and purpose of profit-making are considered inconsistent with the needs and standards of the societies within it works. They should be judged not simply by the physical contribution they make through the efficient supply of goods and services, but also against the moral and social requirements of the communities they serve (1979, p.27).

SRA and types of disclosures

Pang (1982) looked at the types of disclosures being made in social reports and what kind of companies are making them. She found that the most common subjects were employee matters and the environment. The most popular area of disclosure by Australian companies is in relation to human resources. The other two areas often reported upon are community involvement and the environment. Generally, larger companies tend to provide separate disclosures of their social activities, whereas the smaller companies tend to disclose such activities together with other matters in the annual report.

Furthermore, Trotman and Bradley (1981) investigated some of the characteristics of companies that may be associated with their disclosure of social responsibility information. Their study has demonstrated that companies which provide social responsibility information are on average, larger in size, have a higher risk and place a strong emphasis on long term decisions compared with companies which do not disclose this information.
SRA and measurements

The most frequent area of controversy in social accounting literature has been the question of measurement. The call for some form of measurement has been quite widespread. Social accounting has been called upon to provide measures of social costs and benefits of corporate activities so that the readers can evaluate the business's performance on social issues. This alleged need to reflect corporate quantitative and qualitative contributions to society has led to calls for new management tools of social performance measurements as well as consistency with standards (Parker, 1986). In addition, there is also a call for social accounting to take the form of financial performance measures integrated into the existing corporate accounting system. Others have called for both financial and non-financial measures of social activities (Dilley and Weygandt, 1973; Ramathan, 1976; Stanleigh, 1993). In response to such calls, attempts at developing social measures have been undertaken by Churchill and Cooper (in Parker, 1986, p. 78). These attempts have been considerably limited in their scope or subject matter.

SRA and later developments

Maunders & Burrit (1991) give an insight into the "deep green" challenge to our conventional ways of thinking and doing in accounting and demonstrate with an Australian case study, how even the best that the "light greens" can offer is obviously not good enough. At a deeper level, they argued that the use of accounting information both is consistent with and serves to confirm the role of neo-classical economic theory as an ideological framework for analysis in planning, decision making and performance evaluation. Therefore, there is a need to consider the implications for accounting of an ecological critique of the framework itself. Maunders & Burrit (1991) also provided the possible consequences for accounting of adopting a "deep green" perspective. They also argued that there are important direct and indirect links between accounting information and ecological effects. A direct link can be traced through identification of some of the
conventional problems of accounting. An indirect link can be traced through economics. The debate within academic and professional accounting circles regarding the relevance of social accounting procedures has been around for many years. During the 1960s and 1970s, many traditionalists argued that an accountant's job began and ended with balance sheets and profit and loss statements. This belief was endorsed by many economic experts who said that corporations owed society no social responsibility for their actions. The corporate sector's primary purpose was simply to maximise profits. Parker (1986) said some observers took this view even further, claiming that corporations historically provided society with the product it wanted, and that pollution, safety and other social problems were part of the price:

> if society wanted these problems corrected, it had to be prepared to pay the monetary price, because that price might be too high for many corporations and their stockholders to bear (Parker, 1986, p.68).

The traditionalists did not have the argument all their own way. Parker noted that as far back as the 1960s some members of the profession were calling for education and minority rights. A decade later, this viewpoint had developed enough momentum to lead to the declaration that:

> formerly free goods were no longer free. Clean air and water incurred heavy costs of regulation, pollution control and purification...Business was seen as owing society a responsibility for its use of and impact upon such formerly free goods (Parker, 1986, p.69).

The continuing transition of social accounting from theory into practice probably constitutes one of the strongest arguments for the profession to introduce social
accounting standards. Parker (1986) noted a range of weaknesses in the quality of corporate social performance disclosure and consequently called for the introduction of social accounting standards, which he argued may constitute a timely response to this situation and may encourage both corporations and researchers to move beyond their "marking time" phase of practical development, and that it may encourage a uniform upgrading of disclosure standards. However, Puxty (1986) in response to Parker's arguments for the introduction of social accounting standards, states that the case for social accounting standards is critically assessed and is not at all self-evident on the basis of defined social welfare criteria; no adequate case exists that can justify social accounting standards.

Are Social Accounting issues relevant to Local Government?

The traditional roles of private enterprise's focus on profit, and for government to focus on public policy are becoming increasingly blurred as environmental threats mount. Ramathan (1976) disagrees with the traditional view that a firm's only social responsibility is to maximise its profits, arguing that in maximising its profits, a firm is presumed to maximise its contribution to society. Under this notion, the profits of a firm would provide the all-inclusive criteria for evaluating its social performance, which include the following: employment opportunities among different social groups, and the quality of environment. These have led to sharp criticisms of the use of profit as an all inclusive criteria of corporate social performance. Furthermore, Guthrie & Parker (1986) argue that business operates in society via a social contract where it agrees to perform various socially desired actions in return for approval of its objectives, other rewards and its ultimate survival. It therefore needs to disclose enough social information for society to assess whether it is a good corporate citizen. In legitimising its actions via disclosure, the corporation hopes ultimately to justify its continued existence. Social responsibility disclosures may then be conceived as reacting to the environment where they are
employed to legitimate corporate actions (Lehman, 1992). As the Government sets legislation for business organisations to meet their obligations to social and environmental matters, it is expected that local government particularly should lead, as a role model for other private sectors to follow, in social reporting matters by complying with its own regulations and by providing adequate environmental information to the community.

Furthermore, an appropriate concern for social responsibility disclosure on the part of Local Government is a sign of good management and therefore consistent with, and necessary for a good use of public funds; since public funds are allocated to Local Government by Parliament in its role as the elected representative of beneficiaries such as taxpayers, consumers and business, in return for providing services to the public. Government grants also represent a significant proportion of Council's income. Accordingly the public has a right to information which will assist in ensuring that Local Government are accountable and responsible.

**Is AAS 29 relevant to social reporting?**

*AAS 29* reflects the view that Government departments should be accountable for all the resources they control, the liabilities they incur and the efficiency and effectiveness with which they use resources, as well as for compliance with spending mandates. *AAS 29* also contains requirements which requires or encourages the disclosure of a number of items which are not required to be disclosed in other applicable Australian Accounting Standards. For example, it requires the disclosure of other information necessary for assessments of performance, including program-based information, information about administered items and information about the department's objectives. It also recommends the reporting of relevant performance indicators.
The concept of *accountability*, reflected in *AAS 29* can be summarised as one where departments should be accountable not only for expenditure of funds but also for the efficient management of resources under their control and the achievement of their operating objectives. Micallef (1994) notes that *AAS 29* in requiring that government departments prepare general purpose financial reports that disclose the resources they control, the obligations they incur, the financial characteristics of their operations during the period and their major sources and uses of cash, will increase the relevance of general purpose financial reports for economic decision making, and will improve significantly the quality of general purpose financial reporting by government departments in Australia.

In addition, Micallef (1994) also suggests that *AAS 29* offers the opportunity for a harmonised, Australia-wide approach. Harmonisation will also ensure that the standard of accountability of departments will not vary across jurisdictions, and that the information provided to parliaments, and other users, for economic decision making is of uniform quality.

Clause 11 of *AAS 29* states that:

*the general purpose financial report of a government department shall be prepared in accordance with all statements of Accounting Concepts and Australian Accounting Standards, other than Australian Accounting Standard AAS 16 “financial Reporting by Segments” and AAS 22 “Related Party Disclosures”. To the extent that the requirements of this Standards differ from the requirements of other applicable Standards, the requirements of this Standards shall be applied.*
The implication appears to be that government departments are now held accountable in the same manner as private sectors. McCrae & Aiken (forthcoming) have argued that AAS 29 requirements of government departments to comply with private sector accounting and reporting principles and standards, may be inappropriate. Similarly, the concepts of "efficiency", "effectiveness", and "profitability" in the private sector are not necessarily translatable to the public sector. They are socially constructed artifacts or symbols which then take on a generally agreed meaning within the specific cultural and social environment which spawns them. On this premise, the concepts, terms and principles inherent in commercial accounting practices are context bound to a private sector environment and may not be applied to the public sector. Under such displacement, they can no longer have generally agreed contextual content (McCrae & Aiken, forthcoming). Thus AAS 29 may decrease the value of social and political objectives regarding equity within the public sector and equality of service provision within the wider community.

Furthermore, the notion of accountability in the private sector does not take into account some of the unique aspects of government department's accountability. A government department's accountability concerns a large number of organisations, rather than simply investors and managers as in the private sector. Similarly, the traditional notions of accountability: parliamentary, ministerial and even electoral, are more obviously distinctions between the public sector and the private sector. It has been argued that the public sector has no obvious bottom line by which its performance can be neatly assessed, even if many of the processes for managing people are similar. The question is to what degree can private sector notions of accountability be adapted to public sector use, and thus take account of the complexities of public management? It is a matter of how AAS 29 may be used to supplement each other without inconsistency.
Therefore, AAS 29 in requiring government departments to comply with private sector accounting and reporting principles and standards may not satisfy accountability obligations. With regard to social reporting matters, AAS 29 does not indicate what should be in the reporting requirement and its impact on the environment is unknown, thus it is silent on this issue.

Lehman (1992) has explored the moral nature of accountability in environmental reporting in corporate annual reports and has established two arguments. The first was that environmental accounting is not a call for more information and more regulation but that information is available and accessible. The inclusion of environmental data in annual reports will establish and articulate an accountability relationship between providers and users of annual reports. The second argument was that accounting information is a part of a public account given by a firm to others in justifying its behaviour which establishes that accounting is a moral discourse. I have used this justification to back up the call for accountants to put social and environmental matters on their agenda and thus AAS 29, in this regard has failed to bring into account the moral nature of accountability which sought to expand the role of accounting to encompass the evaluation and explanation of accounting data. Lehman (1992) also suggests that failure to account for different views and life-plans in society will mean that the affected individual's life goals are unattainable, stigmatised, marginalised, humiliated, undermining their self-respect.

Another criticism of AAS 29 put forward by this paper is its claim to serve as a signal to government department's management, that government and the community expect departments to be accountable for their performance in using resources efficiently and effectively. However, how can it be a signal, when it does not provide any guidelines as to the role of social and environmental information? Gray (1992, p.402) suggests the following roles:
Consequently, *AAS 29*, on the one hand calls for government departments to be accountable for using economic resources efficiently and effectively when, on the other side, it excludes such important guidelines. This paper argues that whether or not *AAS 29* will increase the relevance of social reporting depends largely on the part of individual department's management and whether or not they are committed to confront their environmental responsibility.

**The Role of the Annual Report in Social Reporting**

In this study, the annual report is a statement by the local government about itself. This viewpoint is supported by Cooper & Sherer (1984) who noted that an annual report is an opportunity to promote a company's image and it is considered to be the company's primary public relations document. The annual report can be viewed generally as a form of advertising and specifically as an image-making exercise, also known as prestige advertising.

In addition, Dommermuth (in Greenwell, 1988, p.5) stated that corporate image attempts to build or reinforce a positive opinion about the entire company. Thus it is the company as a whole that is being promoted and not just one or several products or services. It is also suggested that the annual report is aimed at promoting customer goodwill, investor confidence, employee enthusiasm or general public acceptance. This promotion involves the company in a process which seeks to change or modify basic and general attitudes existing among audience members. However, some hold the view that advertising reflects rather than creates social values. On the other hand, the media is argued to "construct
negotiated representations of reality which are likely to be read as credible and not met with hostility" (Greenwell, 1988, p.5).

A case study of social responsibility at BHP Steel is presented by Guthrie & Parker (1989) which suggests that corporate reporting is "embedded in the shaping of social, past, present and future". Similarly, accountability is viewed as a

social phenomenon which involves the explaining, or justifying of what has been done, what is currently done and what is planned in social relationships involving restructuring in resources allocation, the location and exercise of control, and the determination of access, eligibility and priority (1989, p.348).

Tinker & Neimark (1987) studied the role of annual reports in gender and class contradictions at General Motors and found that annual reports are used as "ideological instruments" for promoting policies, beliefs, and practices that "perpetuate the inequality of women and other disadvantaged groups" (p.73). This thesis regards an annual report as an important accountability document, although it may not be the only accountability mechanism for government organisations. Their accountability can be recorded through other public documents, such as press releases, newspaper, television and radio advertising and Council brochures. However the annual report is particularly important as it is the most convenient way of obtaining information for those members of the public who may be interested in a particular organisation. This paper also believes that competitive sources for disclosing social information exists and that an organisation chooses a particular medium of information disclosure most appropriate for its objectives. The Wollongong City Council's annual reports supply the researcher information on SRA reporting over an eight year period. This information will then be contrasted with the
media reports to reveal any contradictions and conflicts arising from the same issues related to SRA reporting. Therefore, the focus on the Wollongong City Council and its annual reports allow the researcher to examine the role of the Local Government "informational services" in social reporting matters. Specifically, the annual reports will be used as a useful data source in this thesis to explore how ideological justifications for particular social actions are constructed by the Wollongong City Council. To this end, the annual reports may have contributed to a general "world view" that aids social appropriation and domination.

As Tinker & Neimark noted:

> as accountants, we are especially interested in the part played by annual reports and financial analysis in this socialisation process. While we do not intend to suggest that accountants are the eminence grise that reshapes society, we do suggest that they have been accessories to appropriation more than is generally recognised (1987, p.76).

**Accountability in Government reporting**

It is often argued that since Local Government uses large amounts of public resources they should be accountable for the use of those resources. Generally, accountability has three main aspects: financial accountability; accountability for efficiency and accountability for effectiveness. Financial accountability requires adherence to financial policies and the achievement of financial targets. Efficiency is commonly measured in terms of the ratio of outputs to inputs. Effectiveness is measured in terms of the relationships between achievements (output) and objectives (Jackson, 1983).

Weller & Lewis (1989) have argued that the traditional role of accountability has been inadequate for measuring the efficiency of government and have failed to hold it
accountable for expenditure. This failure, according to Weller & Lewis (1989), has coincided with other trends. Government was seen as too complex and there was a call for smaller government and greater use of market forces. In addition, the fiscal crisis has put pressure on government to reduce the size of the public sector and to use the available resources more efficiently. Therefore, where government services could no longer be expanded, traditional tools of accountability were seen to be inadequate. It is also not easy to defend the traditional notions of accountability on the grounds of their effectiveness. Parliament is regarded as inadequate since public servants are neither accountable nor forced to be efficient (Weller & Lewis, 1989). In terms of day-to-day management, these criticisms have some force. It is argued that ministerial responsibility requires that ministers answer to parliament for the actions of their officials and, where problems have occurred, promise to take appropriate actions to fix them. However, ministers are concerned primarily with those issues which have become politically sensitive and important. Accountability is therefore, determined by parliamentary pressures, not the need for better government, unless of course better management practices are forced onto the political agenda.

Furthermore, parliamentary accountability is organised primarily around the official responsibility of parliament to appropriate money. Parliamentary supply bills, and the parliament accounting system indicated how much was being spent by the government on administration, funding, travel and other categories. Davis et al (1989) noted that in the mid 1970s, it was almost impossible to demonstrate what amount was being spent by the government on which program, it was certainly impossible to decide how effective that expenditure had been. Alternative suggestions have often been made, arguing that individuals in the public service should be to some extent at least held accountable for the expenditure of their funds. Uhr (1989) suggests that the main challenge for government organisations is to ensure that effectiveness issues are addressed. His view is that reform
of the realm of efficiency will depend crucially on the development, and use of, performance information and evaluations about the effects and impact of government services: "Evaluation has proven the most difficult component to systematise precisely because it links organisational effectiveness and political accountability" (Uhr, 1989, p.160). Uhr has called this situation an "accountability trap", describing it

*like a little sidelong funnel with a narrow gauge opening at one end (the bureaucracy) and a substantially larger one at the other end (parliament). The narrow gauge perfectly suits narrowly technical types of bureaucratic evaluation of performance. These narrow types pass through but make little impression at the big end, where they fill to compete successfully for attention. For their part, the road gauge, more openly political evaluations conducted by parliament simply fail to gain access through the bureaucratic aperture. They get blocked out* (Uhr, 1989, p.161).

It would indeed be regrettable should the cause of better policy and program evaluation flounder through a misinterpretation of accountability. As Uhr (1989) argues that the process of governance is a process of give and take, in which different institutional perspective's are reconciled. The constitutional forum for that reconciliation is parliament, in which both ministry and senior officials are called upon to justify their carriage of executive power.

Providing information in annual reports is only the basic level of justification, increasingly accountability is becoming part of the wider deliberate process in which local government forms its minds on policy and administration, informed by officials of "what works". The accountability process thus provides officials with not only technical opportunities to supply information but also political opportunities to inform parliament about policy implementation. Accountability in government reporting is frequently known as
"bureaucratic accountability" which represented as being satisfied by "adequate reporting of results achieved" (Uhr, 1989, p.162), by publishing information on results, and by generating improved information bases or evidence of effectiveness. But many believe that effectiveness is inherently controversial: it is more than a matter of data capture, just as the discharge of accountability is more than a matter of data handover. Precisely because evaluation of effectiveness involves arguments about social justice, fulfilling accountability involves more than the passive submission to either government or parliament, or the honest transmission of accounting information.

It was noted by Shand (1985) that interested members of the public, in relying on Parliament as their trustee to oversee government annual reports, are let down by the lack of proper Parliamentary review. Few Parliaments hold government organisations accountable in a systematic way, through the scrutiny of information presented in their annual reports. In addition, there is no real mechanism available to the ordinary Member of Parliament to call these organisations to account, through an effective Parliamentary Committee. The parliament has also been called to increase its right and ability to oversee in a meaningful way how public funds are being spent. The Public Accounts Committee recently recommended that parliament reform the Audit office to make it a "parliamentary watchdog rather than an executive agency" (Uhr, 1989, p.160).

The Chairman of the Public Accounts Committee recently described the carriage of elementary public accountability by many Commonwealth departments as "a joke" and "a farce". The Chairman also stated that public accountability is non-negotiable; to talk proudly about the new accountability when departments can not even comply with the annual reporting provisions of the Public service Act, is to make the whole exercise of public
accountability a joke....it is a farce, it is non-existent (Uhr, 1989, p.160).

There is no doubt that Local Government will generally be called upon to become more accountable and responsive to community needs and expectations. During 1993 the NSW Government introduced new legislation to make Local Government more accountable. The underlying principle which guides this change is the recognition that performance and forward planning for local government is no longer an option, it is mandatory:

the new Local Government Act is aimed at making local government more accountable and more transparent, as well as allowing councils the flexibility to provide the range of services demanded by the community" (Annual report, 1993, p.4).

The Wollongong City Council has claimed that few local authorities have been as quick, indeed eager, as it has been to embrace the challenge to perform in "anticipation of legislative change, a number of initiatives were implemented, including the development of strategic and corporate plans" and it has been recognised as "a pre-eminent authority within the local government industry" (Annual report, 1993, p.1).

The General manager of the Wollongong City Council, Mr.R.Oxley, stated that in being more accountable to the community

Council officers will need to work in close harmony with elected representatives and community groups, in order to achieve community expectations and objectives at a price the community can afford to pay. This will be accomplished through a motivated and committed workforce- one that is well trained and skilled to serve the community of Wollongong (Annual report, 1990, p.7).
The relationship between the providers (Parliament) and users (local Government) of public funds makes accountability particularly important in the public sector. Previous studies (Harte & Owen, 1991; Tinker et al, 1991) have argued the superiority of an accountability framework over a decision usefulness one in accounting particularly, because it recognises the social nature of the relationship between the parties. It is conceivably even more important in local government reporting because greater power is balanced by greater accountability. Also, in the general absence of a profit motive to drive management action, accountability may assume a greater role in guiding management (Harte & Owen, 1991). The importance of accountability in a conceptual framework for government accounting is recognised by the GASB (1987, p20-21):

> accountability is the cornerstone of all financial reporting in government...Governmental accountability is based on the belief that the citizenry has "a right to know", a right to receive openly declared facts that may lead to public debate by the citizens and their elected representatives. Financial reporting plays a major role in fulfilling government's duty to be publicly accountable in a democratic society.

Concern with accountability and constitutional constraints on executive power stems from a view that accounting is social, not merely a technical, activity. Fundamental to any conceptual framework built around such objectives, are deeper assumptions about the nature of society and corresponding notions of government (Harte & Owen, 1991).

In respect of the users of financial reports and the purpose of financial reporting by Local governments in Australia, Greenall et al (1988) argued that the Council operates to achieve social as well as financial objectives. Consequently, in assessing performance it is likely that users will require financial reports to be supplemented by non-financial
information about the service accomplishments of the Council. Similarly, SAC 1 and ED 42A establish that the objective of "general purpose financial reports" is to disclose information useful for making and evaluating economic decisions and for accountability purposes. However, the present financial reporting by local governments in Australia have been criticised as a limited use of decision-making-purpose and reflects a narrow view of accountability.

So far, I have argued that although there have been calls for more accountability of government departments, there is no explicit legislation for SRA. The next step then, is to try to explain why there is voluntary disclosure of social matters in annual reports.

Legitimacy Theory and Political Economy of Accounting Theory

There are two theoretical perspectives concerning corporate disclosures that have been examined by several researchers ((Tinker, 1980; Cooper & Sherer, (1984); Richardson, (1987); Guthrie & Parker, (1989); Lehman, (1992); Boland, 1993)). These two theories are the Legitimacy theory and the Political Economy of Accounting theory. This thesis is more interested in looking at how these two theoretical perspectives may help SRA in this case study rather than developing the theories themselves. The following section provides a brief discussion on the background of these two theories and later, seeks the meanings that they give to SRA issues.

Legitimacy theory

Recent attempts to recognise the role of accounting in organisations and society have suggested that accounting may be examined as a "legitimating institution" ((Cooper, (1980); Guthrie & Parker, (1989); Richardson, (1987)). It is suggested by Cooper (1980, p.164) that "accounting may be viewed as a means of sustaining and legitimising the current social, economic and political arrangements". Accounting is often viewed as a
form of "ideology" (Cooper, 1980), and that accounting serves a "constitutional" role in organisation (Tinker, 1980; Richardson, 1987). These studies aim at directing the ability of accounting, as a set of beliefs and techniques, to link actions and values, i.e. to make those actions legitimate. These studies are implicit in their suggestions that accountants are the medium through which the legitimising role of accounting knowledge is enacted.

Richardson noted that:

the process of legitimating, in general terms, may be seen as an attempt to establish a semiotic relation between action and values.


Furthermore, the process of legitimation also concerns the moral evaluation of action. As Richardson (1987) argues that the legitimation of action is necessary for that action to occur where, a person is seen to have a choice in the actions he or she may take. The resource requirements or consequences of action for others are non-trivial, other actor’s participation cannot be coerced, and their consent is necessary for the actor to undertake his or her planned action or avoid penalties for past actions. These conditions, argued by Richardson (1987), would seem to be met with the relationship between managers and subordinates, and between organisations and the institutional environment. The legitimation requires the acceptance of an actor’s claim that his or her action is congruent with the values of those with whom he or she must interact. Therefore, accounting may be seen as a legitimising institution to the extent that it mediates the mapping between action and values.

In particular, Richardson noted that

accounting fills this role by structuring relations among actors and acting as the medium through which organisational control is exercised, serving as a sanctioning basis for action, and/or, defining
The Legitimacy theory adopted in this thesis is that corporate disclosure is reactive to environmental factors such as economic, social and political, and that disclosures legitimise actions. This theory is based upon the notion that business operates in society via social contract where it agrees to perform various socially desired actions in return for approval of its objectives, other rewards and which ultimately guarantee its survival. It therefore needs to disclose enough social information for society to assess whether it is a good corporate citizen. In legitimising its action via disclosure, the corporation hopes ultimately to justify its continued existence. It is more likely, that the exploration of accounting as a legitimating institution will rely on interpretative analysis. The values which accounting maps into social actions, and the means by which this is accomplished, will be identified by gaining evidence from the examination of the Wollongong City Council’s annual reports and the media report.

Whilst Legitimacy theory may be reactive to economic, social and political factors, it does not address issues of power.

**Political Economy of Accounting**

Cooper & Sherer (1984) noting the ideological nature of the present-day accounting, suggest that accountants be concerned with the distributive effects of their reports. They advocate a political economy approach, and argue that "*the study of accounting should recognise power and conflict in society, and consequently showed focus on the effects of accounting reports on the distribution of income, wealth and power in society*" (p.218). Cooper & Sherer’s preferred option was to recognise the social environment with its
political economic structures and their inherent conflicts. In their view, studies adopting this approach

would attempt to describe and interpret the behaviour of accounting and accountants in the contexts of the institutions, social and political structures and cultural values of the society in which they are located (1984, p.221).

Cooper & Sherer (1984), in identifying imperatives of a political economic accounting approach, have exhorted researchers to be “normative, be descriptive and be critical”. To describe accounting in action was the second prescription and the exhortation to be critical was based on the premise that “problems in accounting are potentially reflections of problems in and of society” (p222). In summary, Cooper & Sherer stated that:

a political economy accounting approach attempts to explicate and interpret the role of accounting reports in the distribution of income, wealth and power in society. Failure to consider this context has led to an emphasis on designing reports that are in the interests of shareholders and not necessarily in the interests of other groups in society (1984, p.222).

Proponents include Cooper & Sherer (1984); Tinker & Neimark (1987); Tinker et al (1991). These authors portray corporate reporting as involving the use of social actors of accounting information and corporate annual reports to mediate, suppress, mystify and transform social conflict.

Political economy attributes the division of income to the distribution of power in society and the social-political and institutional structure that “mirrors” that distribution of power. According to Tinker (1980, p.148) the marginalist explanation concentrates on what are called “the forces of production”. In economic analysis, these are brought together in a production function analysis. They include the technological aspects of the
input and output quantities and their transformation coefficient. In contrast, the political economy relies on the social relations of production: "an analysis of the division of power between interest groups in society and the institutional process through which interests may be advanced". Tinker (1980) therefore, noted that political economy, as a field of study, recognised two dimensions of capital: instruments of production and interpersonal relationships in social organisation. This was posited as a radical departure from the traditional concept of capital adopted by accountants.

Similarly, we take for granted that accounting is based on the notion of market transactions which are regarded as "objective" and "free from bias". Cooper (1980) argues that the correspondence between investor and societal welfare is problematic unless we are willing to

\[
\text{assume the social optimality of existing distribution of resources in society, equilibria in all markets in the economy, exogenous independent and equally important preferences for all people, and simultaneously deny the problem of social choice and theory of second best (p.165).}
\]

Cooper (1980, p.164) notes that accounting theories represent "ideology" in a manner somewhat akin to a "market for excuses". Rather than providing a valid economic rationale for action, accounting information is used as a means to support those groups who are currently powerful in society. Cooper (1980) also suggests that by failing to provide a framework for considering the justice of this system of economic organisation, accounting faces the danger of being a mere tool of these powerful groups.
The Political Economy of Accounting theory adopted in this thesis is that corporate disclosure is proactive where the information provided is from a managerial perception and designed to set and shape the agenda, mediate, mystify and shape the world.

**Methodological approach:**

Davies (1990, p13) suggests that every research action has to consider three interconnecting attributes: epistemology, ontology and methodology. The theory of knowledge (epistemology) adopted in this thesis is that knowledge about the Wollongong City Council is subjective and relative. This means that the interpretation of the Wollongong City Council’s annual reports is a subjective act and that the nature of subjectivity relative to the researcher, and the sensemaking, in examining the annual reports has to be considered. The theory of reality (ontology) adopted in here is that reality is socially constructed. Chua (1986) suggests that social reality is

*emergent, subjectively created, and objectified through human interaction. All actions have meaning and intention that are retrospectively endowed and that are grounded in social and historical practices* (1986, p614).

It is argued that the annual reports are used by the Wollongong City Council as instruments for constructing social responsible image as well as for promoting policies, beliefs and attitudes. It is also agreed with Davies’s suggestion that the theory of ontology “implies a structuration rather than just a phenomenological view of the social construction” (1990, p13). Finally, the theory of method/action (methodology) adopted is that of engaging in the interpretive readings of the Wollongong City Council’s annual reports and the media reports. It is anticipated that by looking at different types of reports, the thesis will provide a better understanding of how SRA issues are being reported and portrayed by this particular organisation. The explanation framework
therefore falls into the non-mainstream approach and is informed by interpretive theory as used by Chua (1986). She has criticised mainstream accounting as being largely neglected that

*organisations are no longer assumed to be collectivities wherein conflicts are successfully mediated through contracting arrangements and the markets. Instead they are seen as possible repositories of deep conflict which reflect wider, societal contradictions and crises* (1986, p.612).

These developments may offer new insights into the power effects of accounting societies. In addition, Chua (1986) argues that mainstream accounting assumptions have ignored new questions being raised in other disciplines, imposed even more restrictions on what is counted as genuine knowledge, and obscured different and rich research insights. Chua (1986) then offered two alternative perspective world-views: the interpretive and the critical. By interpretive approach Chua means the Schutzian variant of hermeneutic tradition, which uses the central metaphor of "the text" to help develop our understanding of the interpretive act. By critical approach Chua means the Frankfurt school of Marxism and primarily the work of Habermas on which the Political Economy of Accounting theory relies. Habermas (in Chua 1986) points out that theory does not provide the grounds, conditions, or justifications for day-to-day political decisions. Critical researchers differ as to the precise role envisaged for the theorist in initiating social change. The interpretive approach, on the other hand, argued by Chua (1986) that it reveals to people what they and others are doing, when they act and speak as they do, and is consistent with the use of Legitimacy theory.

The interpretive approach is valuable for this thesis for the following reasons: first, the interpretive approach indicated by Chua that accounting information may be attributed with diverse meanings: *"such diversity is intrinsic to an emergent social and accounting*
reality that is constantly being redefined" (Chua, 1986, p.617). These meanings are constituted by "changing social, political and historical contexts" (Chua, 1986, p.617). Furthermore, the interpretive approach argues that accounting numbers are inadequate representations of things and events as experienced by human beings. Although, this thesis uses the numbers to count the total pages used by the Wollongong City Council to make social and environmental information disclosure in the annual reports, the thesis does not intend to use these numbers alone for the analysis as they do not give the full meanings of events that have happened. Second, the interpretive approach suggests that "accounting meanings not only constituted by complex interpretive processes and structures, but also constituted an objectified social reality" (Chua, 1986, p.617). In this study, it is argued that the accounting information may be used to "actively mobilises bias, to define the parameters permissible in organisational debates, and to legitimise particular sectional interests" (Chua, 1986, p.617). Finally, the interpretive perspective questions the traditional view of accounting information as a means of achieving pre-given goals, as Chua (1986, p.618) noted: "accounting information may be used to accord rationality after the event". This means that accounting information may be used to rationalise action and to impose a goal as though it always existed. Adopting this perspective to this current case study research, it is suggested that the Wollongong City Council may initiate objectives for SRA issued, but later may confront with possible conflicting objectives such that the results cannot be said to be intended by any particular party. Thus, although accounting may by purposive, whether it is intentionally purposive is a matter of detailed investigation into the particular organisation.

The Case Study Research Methods

One method for conducting the interpretive research is to carry out a case study in the real life situation. As stated earlier, while most research in SRA has centered on private sector
companies and the role of accountants for the disclosure of environmental information, very little has been done in Local Government reporting. This paper suggests that one way accountants can explore the issues of SRA is by taking a closer look at the annual reports of a Local Government Department. Therefore, a case study is best suited for exploring such issues. Proponents of the case study approach include Neimark (1983); Kaplan (1984); Smith et al (1989); Tinker et al (1991). The case study research offered by Kaplan (1984) and Smith et al (1989) is so general. This particular research thesis intends to give interpretive meanings to SRA issues being disclosed in the Wollongong City Councils annual reports, and then contrast these information disclosures with the media reports. It is anticipated that such an interpretive action will allow the researcher to understand the role that has been played by the annual report in the social information disclosures. The following section provides a brief discussion of the advantages and disadvantages associated with case studies.

Kaplan (1984) calls for more case research in accounting and concerns that accounting research has tended to focus narrowly upon technical features of accounting systems to the neglect of their social and organisational features, constructions, applications, and consequences. Kaplan (1984) also proposes that case studies are the suitable means of capturing the complex organisational settings in which accounting operates. The purpose of case research, therefore, is to reveal how the accounting techniques fail in their purpose so that such defects may be made good. Kaplan (1984, p.1) appears to be convinced that "case studies can communicate the deep, rich slices of organisational life in which management functions". Furthermore, the "use of multiple data sources" and "detailed descriptions" in the context of specific management systems" are said to permit "a variety of factors" to be embraced within a case study.
In addition, Guthrie & Parker (1989) also provide several basic general qualities associated with case studies. These include that first, a case study is holistic, attempting to catch as many variables as possible (ie, observations; interviews, descriptions, logistical, financial and market data) and often includes description of history and context. It tries to portray the interplay of different features and forces as they bear on the topic of interest, and it tends to help draw boundaries and contexts about certain processes. Second, it is inductive in nature and qualitative in approach. Usually, a case study uses prose and literature technique to describe, elect images, and analyse situations rather than to summarise and manipulate qualitative data. It documents events, quotations and so on. The method is particularistic. It portrays events in one particular situation as it exists in reality. It can be longitudinal usually with a view of social reality as dynamic. It tells a story which covers a time period and highlights interaction. Therefore, the case research method focuses on the process or object in their entirety rather than on parts abstracted from their context (Guthrie & Parker, 1989).

There are many criticisms of case study research, mainly stemming from mainstream methodologies. For example, Hagg & Hedlund (in Guthrie & Parker 1989) raise several issues concerning the qualities of using a case study research. First, because there is only one case study some would argue that the absence of multiple observation constraints the external validity of the exercise, and hence the results of the case research cannot be applied to theory building. Second, the method of generating information in a case study makes it difficult to have confidence in the results (ie., less vigour and precision). Yin argued in favour for the mainstream approach, whist Smith et al. noted:

the unique strength of case studies is not their supposedly descriptive, anecdotal quality, but rather the fact that they allow the investigator to deal with a full variety of evidence, artifacts, interviews and observations (in Smith et al, 1988, p.107)
Smith et al (1988) note that much of the criticism of casework stem from an illusion in the apparent objectivity of survey and experimentation. Smith et al (1988) suggest that single case study, if carefully defined and designed, resemble the closure apparent in experiments. Replication, made possible by detailed case method and multiple case studies, can offer a means of generalising of equal value to survey work. Smith et al (1988) however, acknowledge that careful description of the specific of contexts and units of analysis to enable the reader to separate the particular from the general in each case study, thereby permitting a clear differentiation between what is generalisation and what is not.

Because of the diversity of the evidence and scale of material, case studies are arguably both complex and prone to many problems. Yin (in Smith et al, 1988) has identified three main problems with, and hence prejudices against, case studies. First, case studies can be inconclusive and equivocal in their results. Second, they may be "sloppy" and provide little basis for "scientific" generalisation. Third, they have a tendency to become "massive unreadable documents" full of narrative detail but lacking in theoretical direction.

These above criticisms are rejected in this thesis for the following reasons. This study is not intend to generalise its findings with other case studies, since every organisation is unique in terms of its own structure, culture, people and type of business activity. It is not the intention either to offer a unitary explanation for all social disclosure changes over the eight year period. It does, however, suggest an agenda for further research in corporate social and environmental reporting. As theoretical backgrounds to explain SRA issues, the study considers two theoretical perspectives concerning corporate social disclosures: the Legitimacy theory and the Political Economy of Accounting theory. These two theories are offered by interpretive approach and critical approach, respectively. These methodologies enabled the researcher to look for a new way in searching for
meanings, and explanations to enhance our understanding. Therefore, Yin's arguments that a case study lacks theoretical directions is rejected.

This study, chooses a particular type of case study that is appropriate for its research purpose. It does not intend to follow case study approach as offered by Kaplan (1984). The aim of this method adopted is to engage in the readings of the annual reports only. The researcher was not involved actively with the day-to-day operation of the Wollongong City Council, and did not make interviews or observations. Its main data sources are from the Wollongong City Council's annual reports and the media reports. It elects a particular type of SRA information that is relevant for its discussion, it documents events, quotations from the annual reports and the media reports in order to contrast and to compare these two types of information. In summary, it tries to bring in the topic of SRA issues that have an interest in both the organisation and the community.

Defending case studies on their utility as a method, ultimately rests on their value for getting at data and the "how" and "why" questions that may compliment or add to other techniques. As a longitudinal case study, this research has also involved the application of historical method. Historical facts of the Wollongong City Council are identified, interpreted and examined for interconnections in order to confirm or deny the theories under review. It is also the intention of this paper to be self-reflective in asking the questions of “how” and “why” social responsibility accounting has been dealt with in local government reporting. In addition, it can be asserted that having a case study of a particular organisation will make it possible to highlight complex issues of Social Reporting Accounting and also to reveal, with evidence, how Local Government reporting deals with such issues.
**About the Wollongong City Council:**

Wollongong City Council was formed in 1947 with the incorporation of the City of Wollongong. Since then it has grown to become one of the largest and most progressive local government bodies in Australia. The size and scope of its operations are equal to that of any large organisation. The adoption of corporate management principles enables the Council to face the challenge of providing quality services under tight financial constraints. "The role of the Council is to administer the affairs of the city by regulating the infrastructure and by responding to the needs of the local community" (Annual report, 1990, p.1)

In 1991, the Council serviced an area of 713.93 square kilometres, incorporating 174,600 residents. Of these, 119,800 are eligible voters. Its annual budget was $118.8 million as compared with $102.4 million in 1990 (Annual report, 1990 & 1991). The organisation implements its service responsibilities through an elected body of 15 alderpersons, including the Lord Major and 1001 staff. Its powers are principally defined under the Local Government Act. Education has also played an important role in the City's development. The University of Wollongong is one of the fastest growing universities in Australia and has earned a world-wide reputation as a centre of excellence (Annual report, 1992).

The City is proud of its rich and diverse heritage. Over 65 nationalities are represented within its boundaries, on the other hand, there is also a strong sense of community identity, brought largely about by an extensive network of local media outlets (Annual report, 1993). The City of Wollongong is located 80kms south of Sydney and is Australia's seventh largest city. It occupies a narrow coastal strip bordered by the Royal National Park in the North, Windang bridge to the South, the Pacific ocean to the East and the Illawarra escarpment to the West. The City is renown for its magnificent natural
environment ranging from untouched rainforests for breathtaking rocky sea cliffs and sandy beaches (Annual report, 1991, p.3). Wollongong is also widely acknowledged as a leading industrial centre, while BHP steel and other manufacturing industries are an essential element of the local economy, the City has recognised the need to diversify its economic base. Tourism, in particular, has grown to become the third largest industry in the region (Annual report, 1991, p.3).

Therefore, given the City's magnificent natural resources and its leading role as an industrial centre, it will be interesting to see how these two possibly conflicting aspects are addressed in the Council's annual reports for 1989-1993.

The Data Collection Techniques

The Wollongong City Council’s annual reports were collected from 1986-1993 and were examined fully. This particular period is chosen because of the availability of information. The research also considers a variety of reports such as the brochures, magazines, speeches by the Wollongong Council’s officers, Wollongong Council’s press releases, paid newspapers and free publicity by mass media in the region. The aim is to look for a mixed sources of information to indicate the possible reporting of the same SRA issues but from different point of view. The intention is then to contrast with the image being portrayed by the Wollongong City Council. Social information disclosures serves many purposes and, whereas annual reports are used at focusing management attention and building up a record of analysis and comparison, mass media reports vehicles, because of their larger reach and frequency. Hence this information is relevant because it can reveal any matter that has not been fully disclosed or not reported in the annual reports.

The content analysis procedures were used to examine written material in the Wollongong City Council reports. Content analysis is a technique used to gather data that can be either
quantifiable or non-quantifiable in nature (Guthrie & Parker, 1989). Content analysis allows the codification of social information in a systematic manner. The codification of eight years of social information reporting by the Wollongong City Council makes up the data base upon which the discussions in this thesis rely. Several features make content analysis suitable for this study (Guthrie & Parker, 1989; Trotman, 1979; Zeghal & Ahmed, 1991), which includes codification of categories for data analysis and reporting. Three main themes were selected to represent corporate social reporting and they are:

- Environment (eg. recycling activities; pollution)
- Organisational services (eg. Human resources; training)
- Community services (eg. community groups, social activities).

The majority of the studies dealing with the disclosure of social performance in annual reports have used the presence and absence of information regarding a subject area as the unit of analysis (Guthrie & Mathews, 1985). However, this does not indicate how much emphasis is given to a particular subject area. Cowen, Ferreri & Parker (1987) argue that a discussion based solely on the total number of corporate social responsibility disclosures may be misleading. This problem becomes particularly acute when one is concerned with only one organisation, as was the case with this research. One solution to the problem was provided by Zeghal & Ahmed (1991) who used words as the unit of analysis and Trotman (1979) who used pages as the unit of analysis. This study has followed Trotman's research and therefore as a measure of the amount of social disclosures made by the Wollongong City Council, the number of pages devoted to this area was counted. For each report examined, corporate social reporting was measured to fit into an A4 page. The amount of corporate social reporting included photographs and graphic presentation. The measurement was rounded to the nearest quarter page amount. Because of this method of page measurement adopted, the amount of corporate social disclosure is not intended to be exact but to provide an indication of the trend within reasonable bounds.
This study also attempts to compare with the results of earlier studies (Guthrie & Parker’s study of BHP steel, 1989), and to provide a means of evaluating the applicability of two theories, ie. the Legitimating theory and the Political Economy of Accounting theory.

The Initial Analysis of Annual Reports

The description of categories of social issues is presented in Table 1. Table 2 presents the number of pages and the percentages of total pages used to disclose social information. In order to increase reliability and to control year-to-year fluctuations of social information disclosure, the annual reports were collected for eight years: 1986-1993. Table 3 indicates the frequency of monetary and non-monetary measures mentioned in the annual reports, based on the total of pages presented in Table 2.

From 1989-1992, the Council disclosed its social activities using non-monetary measures. In 1993, however, the presentation of quantified information has increased steadily (see Table 3) Photographs, charts and graphical presentation were used in the Council's reports to illustrate particular projects that were undertaken during the year. The Council devoted a separate section of their annual reports to social responsibility matters. Table 1 indicates the description of categories of social information disclosed in the Council's reports.

Table 2 then shows the number of pages and the percentage of total pages used to disclose social information. Table 1, based on the number of pages, shows that Environmental matters were found to be the most frequent disclosure, although it may not be the most important disclosure category in the Council’s annual reports, followed by Organisational and Community Services. These three main areas have been selected for interpretation. This is done by counting the number of pages and the percentages of total pages used to disclose social information (See Table 2). Examples of actual disclosures are provided in Appendix 1.
### Table 1: Description of Categories

#### Environment
1. Protection of natural resources
2. Environmental planning
3. Public awareness of catchment management issues
4. Pollution abatement
5. Recycling activities
6. Other disclosures related to environment

#### Organisational Services
1. Management information system
2. Human resources
3. Financial management
4. Marketing
5. Information technology
6. Administration & Legal
7. Operational services
8. Engineering support

#### Community Development & Services:
1. Children's services
2. Youth services
3. Aged and disabled
4. Ethnic affairs
5. Community development

#### Health and Safety:
1. Health issues
2. Emergency services

#### Recreation
1. Aquatic services
2. Health and fitness
3. Leisure centres

#### Waste Management
1. Collection - waste collection service
2. Disposal - waste disposal management

#### Library and Community Information
1. Library usage
2. Community information directory

#### Other Social Responsibility Disclosure
1. Other disclosures
<table>
<thead>
<tr>
<th></th>
<th>Environmental Services</th>
<th>Organisational Services</th>
<th>Community Services</th>
<th>Total (1+2+3)</th>
<th>Total pages of the reports</th>
<th>Average/Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>10</td>
<td>30%</td>
</tr>
<tr>
<td>1987</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>12</td>
<td>33.3%</td>
</tr>
<tr>
<td>1988</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>15</td>
<td>26.67%</td>
</tr>
<tr>
<td>1989</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>10</td>
<td>26</td>
<td>38.46%</td>
</tr>
<tr>
<td>1990</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>13</td>
<td>32</td>
<td>40.63%</td>
</tr>
<tr>
<td>1991</td>
<td>4</td>
<td>9</td>
<td>4</td>
<td>17</td>
<td>52</td>
<td>32.70%</td>
</tr>
<tr>
<td>1992</td>
<td>4</td>
<td>8</td>
<td>4</td>
<td>16</td>
<td>52</td>
<td>30.77%</td>
</tr>
<tr>
<td>1993</td>
<td>4</td>
<td>12</td>
<td>4</td>
<td>20</td>
<td>72</td>
<td>27.78%</td>
</tr>
</tbody>
</table>

(5) Percentages of the total pages used by the Council to make social information disclosure in annual reports. This included graphical presentation, pictures and charts.
Table 2 establishes that there has been an increase in the total number of pages of social disclosures from 1986-1993. In 1986, the total amount of social responsibility disclosure was 3 pages. In 1989, this increased by 7 pages and in 1993 had increased by a further 3 pages. Similarly, the average amount of social responsibility disclosure was 30% pages in 1986. In 1987 this increased to 33.3% pages and in 1990 had increased further to 40.63% pages, and so on. It should be noted that the page averages are not directly comparable, due to the different classifications, made by Council, as to what is included under the environmental heading, organisational and community services from one year to another: eg., in 1990, the Environmental section included Planning, Environmental Enhancement, Illawarra Heritage and Environmental activities; whereas in 1991, the major headings under the Environmental section included Health, Natural Environment and Emergency Services. In addition, graphical presentations and words used are also varied, thus there could have been a different interpretation from the part of this study regarding what should be classified under the environmental heading. The following information was taken from annual reports as being the most important events occurring during a particular year, under each of the three main headings of the environment, the organisational services and the community services.

**Interpretation**

**Environmental activity disclosures**

In 1990, as the overall state winner for 1989, the City had the honour of hosting the 1990 *Keep Australia Beautiful Council Award* for its environmental activities. Council's annual "Rise and Shine" campaign was conducted over a thirteen week period and was highly successful attracting extensive media coverage and widespread community participation.

*The Rise and Shine campaign is about individuals and groups of people reviewing their daily habits and their impact on our water*
quality, quality of our waterways and the visual aspects of our built environment (Annual report, 1990, p.18).

But it is questionable as to what benefits the "Rise and Shine" campaign will bring to the City. The Council has stated that the "Rise and Shine" campaign is a community involvement program which best fits with the environmental catch-cry "Think Global-Act Local". It asserts that individual members of the community, by being involved on their own or as part of a group, can make a difference to the environment in their part of the city. In any event the Rise and Shine campaign has seen an increase in the level of civic pride local people have in Wollongong. In 1993, The Wollongong City Council has won the award for "Keep Australia Beautiful". Wollongong City Council beat more than 90 other NSW councils to win the metropolitan environment award. Wollongong City Council Lord Mayor Campbell said the wards reflected council's wish to work with the community and to improve the environment:

there is no doubt that Wollongong is leading the way in improving its environment... Wollongong continues to suffer from the perception that the city is not a very attractive environment. Awards of this nature help us to fight against any myth...I think it is fair to say that we pursue the environmental achievement rather than trying to win wards. However, if we receive an award for the work we do, we look at it as a bonus (Illawarra Mercury, Dec. 5, 1993, p.7).

But a resident, Mr. Spence, finds it:

ironic that Wollongong has been named as the clean and green capital of NSW ahead of more than 90 other NSW councils....If the Keep Australia Beautiful committee were to walk around here, they would surely change their mind....Wollongong City Council must get its act together and program regular litter collection for its high-profile areas and beautiful beaches. To date Council's litter collection policy for these areas is one of token gesture...If
Wollongong is to make it as a bone fide tourist destination this problem must be addressed. The lord major and other council officials should discard their practice of tunnel vision and have a good look around (Illawarra Mercury, Dec. 10, 1993, p24).

To contrast the above statement, another resident, Mr. Stuart, has responded that:

the award does reflect city council's hard work. My congratulations to the staff of the Wollongong who have been working so very hard to improve the environment that we all live in, and make such a significant contribution, giving of their own time free of charge to improve the environment. I believe that Council and all these groups have been recognised for their work on the Keep Australia Beautiful Award (Illawarra Mercury, Dec. 14, 1993, p20).

The above statements suggest that there are different points of views regarding the environmental activity disclosures. The Wollongong City Council reported this information in the form of "good news" when, on the other side, the media reported the same information but in the form of "bad news". It is suggested that the annual reports are not passive describers of an objective reality but motivated by corporate needs for legitimacy. The use of pictures in the Wollongong City Council's annual report can be seen as promoting the general public’s acceptance of the Council's activities in social and environmental matters. Overall, the pictures were used by the Council in an attempt to build or reinforce a positive opinion about the Council's commitment in achieving a better environment. The Wollongong City Council's 1993 Annual Report features an environmental theme where many "green" pictures were portrayed, such as pictures of the Botanic Gardens, Community tree and landscape projects.
Recycling activity disclosures

Recycling activities were escalated in 1990. "It is now widely acknowledged that Wollongong City Council operates one of the most advanced services operating anywhere in NSW" (Annual report, 1990, p.18). To contrast this statement, I found that a reader, Mrs. J.Bishop, has written to the Editor of the Illawarra Mercury, saying that recycling activities in Shellharbour are inadequate for a booming area with smart new homes, and asking

why are they (the Shellharbour Council) so far behind Wollongong Council regarding recycling. Come on Shellharbour we're not the poor relation any more. Someone burnt off the writing which says "clear", "brown", or "green" on those recycling bins for glass at Shellharbour Square. That was ages ago....I've lived in this area over 40 years. I get disgusted the Council doesn't worry about cleaning up....Everybody is too busy with this "power" struggle over the marina we have to have, to worry too much about other areas (Illawarra Mercury, Sept. 28, 1994, p.20).

The above statement does suggest that Wollongong Council is possibly one of the "most advanced services operating anywhere in NSW" regarding its recycling activities (Annual reports, 1990, p.18). To this extent, the annual report is seen as an opportunity for promoting the Wollongong City Council's image in recycling activities.

Organisational service disclosures

During 1990, to coincide with World Quality Day, the City launched the Council's Quality Improvement Program. The program aims to improve the way in which the Council provides its works and services. This will be achieved through the adoption of Total
Quality Management which aims to achieve an incremental improvement in services to the customer.

The Quality Improvement Program will require major cultural change. It will bring an awareness to all Council employees that quality service is paramount to Council's ultimate success. Through this program, and by the establishment of a network, it is intended to promote Wollongong as a Quality City and a leader in this field (Annual report, 1990, p.7).

It has been reported that this program had encouraged employees to focus on continually improving the areas in which they work. The bottom line is the provision of quality services that meet customer requirements (Annual report, 1993, p.13). In 1993, the Council devoted a total of 3 pages to human resource disclosures. It is part of a pattern of high level disclosures with a generally increasing trend between 1986 and 1993 ((Human resource disclosures has 1/4 page in 1986; 1/4 page in 1987; 2/4 pages in 1988; 3/4 pages in 1989; 1 page in 1990; 2 in 1991; 21/2 in 1992 and 3 pages in 1993).

The Council asserts that its manpower resources are its greatest asset. One of the objectives highlighted in the human resource section is to:

provide an extensive training and development program to ensure that all employees have the necessary skills to perform their duties (and) to identify future staffing resources of Council and the needs of managers in relation to staff information and employment details (Annual report, 1993, p.15-17).

This thesis also considers the issue of Equal Employment Opportunity (EEO), where it is found that first, the EEO policy has not been in place in 1986, and from 1987-1990, the issue was not brought into the annual reports. It is only recently that, in 1991, the EEO
policy was being planned and conducted. It is suggested that this policy is not a voluntary action from the part of the management of the Wollongong City Council, but it appears to respond to a requirement of the recently introduced Local Government Act. As such, it is explained that the Wollongong City Council needs legislation to increase EEO awareness. The section on "Organisational Services" in the 1993 annual report states that:

*(t)he issue of EEO received attention in 1993. Following the restructure of the EEO Advising Committee, progress was made in the area of policy development, and the programming of tasks aimed at producing a workplace that is equitable and free from discrimination. The committee meets monthly to discuss initiatives and to plan for the future put into the drafting of the EEO plan, which is a requirement of the Local Government Act*" (Annual report, 1993, p.14).

Second, from 1986-1990, it is found that very few pictures of the women employed by the Wollongong City Council and being portrayed in the annual reports. However, from 1991-1993, the annual reports reinforced the new view with a series of photographs of women, seating in front of a computer in the secretarial services section; discussing policies with male co-workers in the policy development section; planting trees at the community park in the landscaping section. Many of the senior positions have not been occupied by women. Looking at the Wollongong City Council's Management Structure from 1986-1992, which consists of five directors; the General manager and Town Clerk, the Director Community Services, the Director Development & Environment, the Director Works & Technical Services and the Director Corporate Services, are all male. No women are presented in the Management Structure positions. In 1993, of the 15 persons occupied the Executive management post, only one is a woman. This particular image shows that the Wollongong City Council, on one hand, claims to be a workplace that is
"equitable and free from discrimination", where, on the other side, did little to challenge these highly paid jobs lists that emerged at its local level.

**Community service disclosures**

One of the goals of the Council regarding Community services is "to promote the social well being of the community through the development of a range of services, facilities and programs" (Annual report, 1993, p.46). There has been a significant increase in library usage, particularly information services (Annual report, 1990, p.13). The City has one of the largest and most successful Heritage Week programs in NSW (Annual report, 1990, p.17). There was an official opening of the Wollongong Youth Centre and the scheduling of a wide range of activities for the city's youth in 1993 (Annual report, 1993, p.47). The Council also aims to "develop and maintain a strong cultural identity in the city and to ensure the cultural interests and needs of the community are met" (1993, p.46). Council has spent $200,000 to create new gallery spaces and it now claims to be the largest regional art museum in Australia.

In 1990, the Wollongong City Council provided a $320,000 grants towards the Illawarra Performing Arts Centre (Annual report, 1990, p.12). Another significant event in the community service disclosures occurred in 1991, where a project of $537,000 is jointly funded by the Wollongong City Council and the NSW Office Youth Affairs, to establish a Youth Centre in Wollongong. These examples show that the Wollongong City Council disclosed details of its contribution to the community and gave monetary amounts spent on a particular program. The annual report is therefore used in this way as "ideological instrument" to give a positive image about the Wollongong City Council as an organisation being a "community focused authority of excellence" (Annual reports, 1993, p.9). Overall, the community service disclosures have been consistent from 1986-1993, but at a relatively low level. In 1986, the total pages of community service disclosures
was 1, in 1987 this had increased to 2 pages, and from 1989-1993, had increased by a further 2 pages. In general, the Wollongong City Council supported a wide range of positive community support programs in the region. In addition, an access Committee has been formed by Council to ensure that Wollongong becomes an "accessible community for all residents, including those with a disability" (Annual report, 1991, p.38).

However, the issue as to whether the Wollongong City Council is an "accessible" community is questionable. As criticisms arose from the community regarding the public facilities being promoted by Australian Standards to make it "accessible" for those with a disability, for example, drive-in postal services for disable persons. Another issue that needs to be addressed is whether the informational services are "accessible" for all residents? Or is there a strict access to certain information and limited access to confidential meetings?

<table>
<thead>
<tr>
<th>Table 3: Monetary and non-monetary measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monetary measures</td>
</tr>
<tr>
<td>Non-monetary measures</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

The frequency of monetary and non-monetary measures of SRA mentioned in the reports, based on the total number of pages presented in table 2.

Table 3 shows that there has also been an increase in the amount of quantified information in the Council's reports. However, from 1986 to 1990, there was no quantified
information, the report merely describes the type of project that was undertaken during the year.

As can be seen from the table, from 1991 to 1993 the frequency of quantified information has been increased from 1 in 1991 to 5 in 1993. An example of the type of monetary information presented in the report can be seen in Table 4.

<table>
<thead>
<tr>
<th>Table 4: Environment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Program Budget</strong></td>
</tr>
<tr>
<td>Expenditure</td>
</tr>
<tr>
<td>Income</td>
</tr>
<tr>
<td><strong>Net Cost</strong></td>
</tr>
</tbody>
</table>

Source: Annual report, 1993, p.43.

It should be noted that the Wollongong City Council has absolute discretion on what it reports. Even where there is more detailed disclosure on environmental issues, it may be seen as partial and selected to reflect well on the Council concerned. This study also looks at various local newspapers to see what the Council avoids mentioning or bringing to the attention of the community. A Wollongong independent councillor, Ms. P. Frank, believes that there are issues that are not ever being disclosed in Council any more because "the party keeps them under wraps in confidential meetings", and she has been "absolutely horrified" by what she's has been reading about some of the goings on in the Council: for example, a suggestion to move the Mall to improve traffic flow and the talk of paying the Lord mayor $100,000 was, according to her, "illogical extravagance" (Illawarra Mercury, Oct. 5, 1994, p.4).
Furthermore, the Council has not taken into consideration the issue of creating a safe environment both for students and residents of Northfields Ave in making a decision on road safety matters. This is despite the fact that people have raised their concerns to the Council several times before, on issues such as providing a safe pedestrian crossing and other traffic calming measures. Mr. P.Knox, The president of Wollongong University's Student Representative Council, said that:

> there is an increasing possibility that pedestrians could be killed trying to cross Northfields Ave, the volume of traffic has increased along with the student population, and there are a number of disable people who find its impossible to cross that road. (Illawarra Mercury, June 30, 1994, p.16).

Mr. Knox claims the Council has not considered any alternatives for this matter and the situation can only worsen unless a responsible decision can be made by the Wollongong Council. Mr. Barraclough, a local resident claims that "democracy is dead in Wollongong City Council" because the electorate is being ignored by a section of Council which is prepared to "sacrifice full representation for political expediency". Mr. Barraclough went on to say:

> have we all been brainwashed for so many years that we have forgotten the basic principles of the democratic process?...we need councillors who are dedicated to Wollongong (not some petty factional group) and who will represent the total community (Illawarra Mercury, Sept. 26, 1994, p.26).

These comments suggest that there are a number of issues that are not being disclosed in Council reports. Overall, this analysis of the Wollongong Council annual reports shows that the Council rarely revealed "bad news" concerning its environmental performance. They all present positive images of the Council's commitment to environmental issues.
This may suggest that reporting consists only of information that the Council is willing to disclose. This thesis has found similar outcomes with a study of BHP annual reports by Guthrie & Parker (1986) which claims that there has been a "waxing and waning of social disclosures over the century of BHP reporting" and that BHP management has engaged in selective social disclosure policies which took on the form of either suppression of information or simply a failure to report on some significant social impact areas of company operations. BHP being a worldwide corporation has made significant contributions to the region, employs thousands of people in Australia and particularly in the city of Wollongong and makes substantial donations to various organisations and sponsoring local activities (BHP, 1994).

It is expected that, there may be a reluctance on the part of the Wollongong City Council's management to report any "bad news" related to BHP's environmental performance. In this regard, the issue that needs to be considered is whether the Wollongong City Council is a powerful organisation. If the Wollongong City Council relies on government legislation to make BHP more answerable in regard to its social and environmental performance, its own lack of power is highlighted. However, it can be argued that inappropriate government legislation over BHP can be counter-productive, and that too much regulation can hinder BHP's ability to compete internationally against lower cost producers. The information, therefore, may be suppressed or minimised and some major social and environmentally impacting events may not be disclosed.

Social disclosures in annual reports are often used to shape the agenda for discussion or debate, mediate, suppress or confuse social events and conflicts (Guthrie & Parker, 1986). This may be seen as a natural consequence of the voluntary nature of green reporting and the fact that environmental information is rarely audited. Hart & Owen (1991) argue that the general absence of bad news concerning environmental performance is the clearest
indication that much thought needs to be given to the development of green reporting and its regulation, so as to provide accurate and useful information.

Statement of Corporate Objectives

The Council includes a statement of corporate objectives dealing with environmental and social matters:

- a clean, safe environment including waste disposal and collection protection for residents, property and the environment from natural hazards. Effective city infrastructure including roads, drains, bridges, footpaths, cycleways, pedestrian precincts and community buildings (Annual report, 1991, p10).

In general, this is a statement of quantified and precise indicators of targets, rather than a statement of philosophy on green issues. Frequently, environmental issues were seen to be linked to the Council's role. For example, the Council's mission statement is

- to enhance our community's lifestyle and environment through effective leadership, community involvement and commitment to service (Annual report, 1993, p5).

The Council also includes its strategic plan and corporate plan of how it intends achieving the objectives specified:

- Council officers will need to work in close harmony with elected representatives and community groups, in order to achieve community expectations and objectives at a price the community can afford to pay. This will be accomplished through a motivated and committed workforce- one that is well trained and skilled to serve the community of Wollongong (Annual report, 1990, p.7).
In the General Manager's report, the objectives are set out to include priorities, performance, productivity and people. The priorities are slightly different from one year to another, but they always included the following sentence:

> To ensure that community needs and expectations are met in a cost effective and efficient manner (Annual reports: 1989, p.3; 1990, p.6; 1991, p.8; 1992, p.7; 1993, p.4).

Similarly, the Council's role is to serve the community as it often claims that:

> the Council is very aware of the need to provide the community with quality service at the lowest possible cost. To this end, Council staff are constantly reviewing services and proposing changes to those which do not meet community needs and expectations...we will continue to develop and refine our role in city management, and to coordinate the efforts of the organisations and other levels of government. This we pledge to do in order to achieve the best possible lifestyle for the residents of the city of Wollongong (Annual report, 1992, p.6).

The Council also provides services to the public at large, and is thus anxious to appear socially responsible by disclosing community affairs. The Council also states that one of their highest priorities is

> the enhancement of our splendid environment through landscape improvements, cleaning and greening activities; and the implementation and enforcement of pollution and development controls (Annual report, 1991, p.7).

The report goes on to present a list of the needs and expectations of the community which are included in Table 5. However, one question still needs to be asked: what criteria are used by the Council to determine community needs and expectations? From the 1986-1992 annual report, it was found that there was no criteria defined either in monetary or
non-monetary terms. Thus the issue of whether the Council is meeting community needs and expectations was unclear. However, in 1993, the report does indicate that the Council is becoming more responsive to the concerns and expectations of the local community by establishing "Neighbourhood Committees" to encourage community input into the decision making process of the Council. This is effected by a meeting of Committees on a monthly basis to consider issues referred by the Council, as well as raising matters they would like the Council to consider:

one aspect of the new era in local government is Council's insistence upon consulting residents over development proposals. One of the hallmarks of the consultative process has been the establishment of ten neighbourhood committees. Through these committees, residents are able to contribute their views on a range of issues. This mechanism provides essential information on community opinion (Annual report, 1993, p.1).

<table>
<thead>
<tr>
<th>Table 5: Community needs and expectations defined by the Council:</th>
</tr>
</thead>
<tbody>
<tr>
<td>-Effective and efficient democratic government, involving public participation in the decision making process</td>
</tr>
<tr>
<td>-Effective and efficient management and utilisation of financial resources to fund programs</td>
</tr>
<tr>
<td>-Social well-being for the community</td>
</tr>
<tr>
<td>-Conservation and enhancement of the City's natural environment</td>
</tr>
<tr>
<td>-Planned and regulated land use and development</td>
</tr>
<tr>
<td>-Pleasant and attractive public places</td>
</tr>
<tr>
<td>-Public library services</td>
</tr>
<tr>
<td>-Public recreation facilities</td>
</tr>
<tr>
<td>-Fostering of special events of local interest</td>
</tr>
</tbody>
</table>

Another issue that needs to be looked at is whether the Council has an environmental policy. The annual reports indicate, in general, that the Council has a corporate plan which highlights the work programs and initiatives set for a particular year:
It is assumed that the environmental policy is included in this Corporate plan. However, the annual reports seem to be silent on one key issue which relates to the empowering of individuals and units, with the responsibility to control and coordinate the organisation's environmental activities and to identify who is responsible for environmental matters and how long they spend on such activities. Polonsky (1994) noted that companies must have structures in place which ensure that environmental policy is effectively implemented. Without a Board member being responsible for environmental matters, it may be difficult to ensure that the environment is integrated into the overall corporate planning process.

**Legitimacy Theory Relevance**

Legitimacy theory is largely reactive in that it suggests that organisations aim to produce congruence between the social values inherent (or implied) in their activities and societal norms. This apparent legitimacy then justifies the organisation’s continued existence in society (Guthrie & Parker, 1989; Lehman, 1992). Corporate social disclosures may then be conceived as reactive to the environment where they are employed to legitimise corporate actions. From table 2, which presents the percentages of total pages used by the City Council to make social information disclosure in annual reports, it is observed that the environmental, the organisational, and the community services were the predominant categories of disclosure. It is also observed thorough the annual reports from 1986-1993, the Wollongong City Council was not prepared to disclose any “bad news” information related to the environmental performance in the region. For example, it did not report any information related to the highly dangerous levels of lead poisoning from BHP’s activities. In spite of several media reports that the Illawarra population,
especially children who were born in the region, suffered abnormally high levels of fibrosis of the lungs and lead poisoning, no such social information disclosure appeared in the Wollongong City Council annual reports (Guthrie & Parker, 1989).

The Human resource disclosures section by the Wollongong City Council has been increased from 1990-1993. This high disclosure period does coincide with significant events in Wollongong. The Wollongong City Council was affected by several strikes by its employees, demanding better working conditions and salary increased. The Wollongong City Council refused to bargain with unions on such matters as payments, wanting to deal directly with the individual workers. An exception to the observed relationship between human resource problems and disclosures is apparent when, in 1992, no significant industrial or labour related disputes or problems were documented for that particular year. Further exceptions also appear in another sense. However, if the Wollongong City Council made Human resource disclosures reactively in its annual reports, it may be considered as a matter of management choice. Major industrial unrest also affected the City Council during 1993, several strikes occurred over the Wollongong City Council’s job cuts and its decision in limiting its staff from 1205 in 1990 to 935 in 1993 (Annual report, 1993, p.6). These periods of significant industrial relations problems did not appear to be related to the high human resource disclosures by the City Council.

With regard to EEO issues, it is suggested earlier, that the Wollongong City Council does not disclose this policy voluntarily, but from pressure of the recently introduced Local Government Act. As such, this evidence provides somewhat inconclusive support for Legitimacy theory rationale for human resource disclosures. A study by Guthrie & Parker (1989) has also obtained similar outcomes. In their analysis of BHP’s corporate social disclosure, the evidence for a Legitimacy theory rationale for BHP human resource disclosure was found somewhat contradictory. Some periods of major industrial relations
difficulties were reflected in increased human resource disclosures by BHP while others were not. In addition, more recent times have seen higher levels of disclosure unrelated to any major industrial relations difficulties. As in the case of BHP, whether the Wollongong City Council made human resource disclosures reactively appears to have been a matter of management choice.

The evidence examined in this study has failed to consistently confirm the Legitimacy theory as a valid rationale that would explain the Wollongong City Council’s corporate social disclosure over the period from 1986-1993. In general, little correspondence was found between the Wollongong City Council’s corporate social disclosure and key socio-economic events affecting the Wollongong City Council during its operating history. Indeed numbers of significant events were not reported and at other times reporting occurred when no extraordinary socio-economic events appear to have occurred. Disclosures observed did not on the whole appear to be made as consistent reaction to economic, social or political factors or events. Indeed the Wollongong City Council’s tendency towards uninformative reporting at some times is inconsistent with a Legitimacy theory rationale of management reporting information in an attempt to legitimise its actions in the perceptions of employees, government and the public. Next, the Political Economy of Accounting offers an alternative explanation on corporate social disclosures and non-disclosures.

**Political Economy of Accounting Relevance:**

Political Economy Accounting Theory is largely proactive in that it conceives corporate disclosures as management’s attempt to portray the world according to its own perception and to thereby influence the perception of others. In doing this, management seeks to establish its prerogative and maintain the primacy of its private interest, in the event of conflicts (Guthrie & Parker, 1989). It was found that the Political Economy of
Accounting Theory is more adequate for explaining social disclosures, by observing any tendency of the City Council management to suppress or fail to disclose information about events or activities of significant social impact in its annual reports. Evidence of non-disclosure has already been considered in the course of earlier analysis of Legitimacy theory. From the period studied, management was not prepared to disclose any bad news information related to the environmental impact in the region. Again, this may be due to major contributors, such as BHP steel & mining, which have large sums to fund local activities and expended its public relation budget to promote their company's image. It is expected that, there may be a reluctance on the part of the Wollongong City Council's management to report any bad news related to BHP's environmental performance. This interpretation recognises the potential (if not actual) power differentials between the Wollongong City Council and BHP. It could be argued that BHP can exercise power directly or indirectly over the Wollongong City Council due to its importance in the region. When the Wollongong City Council chooses not to disclose negative information about BHP, it can be argued that BHP has notionally asserted it power over the council. In this sense, this non-disclosure is best explained by the Political Economy of Accounting theory. The power of BHP may be an issue of conflict for the council. At the same time, it can be argued that the Wollongong City Council itself is powerful in that it has the ultimate discretion of what to disclose. It may not be coercion by BHP that the council chooses to selectively disclose, but a pragmatic decision on the council's part.

In addition, it is found that there are a number of issues that have not been reported in the Wollongong City Council's annual report. Many important issues have been "kept under wraps in confidential meetings" (The Illawarra Mercury, Oct. 5, 1994, p.4). Examination of the City Council social disclosures also revealed a predisposition towards selective disclosure policies. Information was suppressed or minimised and some major social events simply passed by unremarked. Again, the Political Economy of Accounting theory
can best explain this, as the selective disclosure reflected a choice not to reveal contentious issues to the community.

The evidence examined in this study provides strong support for the relevance of Political Economy of Accounting Theory for corporate social disclosures. It is suggested that the management of the Wollongong City Council has engaged in selective social disclosures, admitting the possibility of management choosing to disclose or not to disclose social information according to their own corporate purposes and the environmental circumstances of the time. Hence management are not just legitimating their actions but accommodating powerful elements in the community. To this extent, the annual report becomes a crucial vehicle for corporate social reporting, over which management has total power and control.

This thesis has found similar outcomes with the case study of social responsibility information at BHP by Guthrie & Parker (1989, p.349) which claims that there has been a "waxing and waning of social disclosure over the century of BHP reporting", and that BHP management did engage in selective social disclosure policies which took on the form of either suppression of information or simply a failure to report on some significant social impacts of company operations. The relationship between social information and disclosure is recognised in working both ways, as Guthrie & Parker (1989) note that

"non-disclosure can still represent a proactive management stance with respect to social reporting since it may be the outcome of a strategic management decision to suppress information regarding some event or situation. Both disclosure and non-disclosure may be employed by management to transmit its perception of, and thereby shape reality whether it be past, present or future" (p.351).
Conclusion:
The discussion in this study has failed to consistently confirm Legitimacy theory as a sole rationale for social disclosure of the Wollongong City Council’s annual reports. Legitimacy theory suggests a deterministic one-way reaction where disclosures respond to socio-economic events. The Political Economy of Accounting theory goes further than explaining the legitimation of what is or is not disclosed and admits the possibility of management choosing to disclose or suppress social information according to their own corporate purposes and the environmental circumstances of the time. Political Economy of Accounting theory thus acknowledges power differentials. It recognises the power that may be directly or indirectly exercised over the Wollongong City Council. It also highlights the power that the Wollongong City Council has in its discretion to selectively disclose and hence reinforcing the powerful stakeholders in the community.

The discussion illustrates the potential for annual reports to act as tools for corporate management to tell their own story or refrain from doing so. Therefore, the financial and non-financial content may be management’s own construction of reality, with social disclosures providing an expanded dimension. This interpretation of the Wollongong City Council’s annual reports, shows that the task of management is not concerned merely with “resources” and “things”, but also concerned with the mediating, suppressing, mystifying and transforming social conflict. Tinker & Neimark (1987) also argue that to dismiss a firm’s annual reports as mere public relations documents would be to underestimate the political power of these documents, in both an actual as well as potential sense. Furthermore, to devalue, as unimportant the annual reports that we produce, is to down play our own personal responsibility in “constructing, teaching, researching, auditing, and ratifying these annual reports” (Tinker & Neimark, 1987, p.86). Equally important is the potential for annual reports and the political opportunities that they afford to further
the accountability of large corporations. In this case the annual reports serve as ideological instruments in manipulating the social information disclosures. To this end, the annual report becomes a crucial vehicle for corporate social reporting, over which management has total and final control.

Legitimacy theory and Political Economy of Accounting theory can help to explain what is and what is not disclosed voluntarily. However to disclose information which is not in the Local Government's interest may require external coercion. It is concluded that legislation is needed to make Local Government Department become more accountable in corporate social reporting issues. The evidence provided in this study reveals that the Wollongong City Council decides what is to be disclosed to suit its particular purposes at the time. It is also found that the Wollongong City Council management has failed to disclose information about events or activities of significant social impact in its annual reports. Legislation can be directed by government (state or federal) or the Australian Accounting Standards could be bold and be proactive and decisive. AAS 29 has missed the opportunity to be explicit in incorporating more of society and community view of accountability. AAS 29 needs to address SRA information disclosures in its standard settings, to make these disclosures become imperatives. It also needs stronger and clearer directions on SRA reporting. In this way, the Local Government will be compelled to comply with the standards. In turn the Local Government can act as a role model for private sectors and can be seen as a leader. AAS 29 may also assist local government reporting in improving reporting and enhancing credibility via the introduction of specific, auditable information. AAS 29 can promote public accountability by ways of introducing a form of compliance with external standards reporting. The need for such an enhancement of credibility is suggested by earlier research indicating that social information provided within annual reports tend not to be directly related to quality of actual performance and can indeed be positively misleading. The continued demand for
different sizes and economic power. Such further research would be worthwhile for studying the status of social accounting and reporting in local government.
corporate social information by investors, creditors, employees, community and other corporate constituencies warrants further attention to disclosure of social information with the accounting framework.

Social accounting at the Wollongong City Council should be established at both the corporate and local levels. Examples of necessary reporting at both levels included the following: at the local level, reports should be developed that would provide information to the public about hazardous chemicals being manufactured or utilised at local plants, or about the effects on a community of a plant relocation or acquisition. These examples of necessary reporting at the local level have been neglected in the Wollongong City Council’s annual reports due to conflicts of interests arising from both the Wollongong City Council and substantial contributors to the region, in particular, BHP steel.

It is expected that there may be a reluctance on the part of the Wollongong City Council’s management to disclose, to the community, information related to pollution or chemical effects being brought to the region. At the corporate level, reports could be developed disclosing information on the Wollongong City Council's involvement, compliance with environmental regulations, corporate contribution, and so forth. The majority of this information is already compiled by the Wollongong City Council. The incremental costs of further disclosure would be low if a consistent framework for such reports were accepted.

Further the applicability or relevance of this study’s findings could be explored by case studies of major local government in other states, to explain whether these conclusions can be extrapolated across government agencies, possibly moderated by cultural variables. In addition, case studies could be extended to include local government bodies of
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Community Services

The library has a 50% (88,000) of Wollongong's residents are registered borrowers and make regular use of the library's facilities for homework, study, self-improvement, information and relaxation. A major achievement has been the 30% increase in the use of the library for information purposes. Staff assisted with over 130,000 reference enquiries in 1990. Book loans for the year exceeded 1.3 million.

Other highlights included the expansion of the library and information service to business and industry and the promotion of International Literacy Year. This was accomplished through a series of displays and activities held at the central and district libraries, including the introduction of regular storytimes for deaf.

The Wollongong City Council's 1990 budget for the libraries was close to one million dollars with Council providing a $320,000 grant towards expenses. The balance of income was earned by the centre through its own activities.

During 1990, the third year of its operation, the centre hosted a wide range of local, national, and international attractions. Additionally, as part of the development role of the centre, direct computer access at the reference desk to the Community Information database in 1990 has improved the level of public access to this essential information service.

Upgraded cataloguing procedures have also enabled the public to enjoy faster access to new acquisitions.

In recent years, escalating book prices have had a serious effect on the development of the library's collections. This situation is presently being reviewed in light of public demand so that the best possible use can be made of the limited book vote.

The decision to relocate the Wollongong City Gallery to the former Council Administration Building was a significant achievement in 1990 with renovations now in progress. The gallery is expected to move into its new premises by mid 1991.

The diverse exhibition program mounted during the year received widespread recognition. The program included important exhibitions of contemporary art, as well as sculpture, paintings, ceramics and photography. Each exhibition was accompanied by a catalogue, produced and printed entirely in-house.

Other achievements were the introduction of a new series of

showcase regional talent, and preparation work on an 1991 forum on the topic of regionalism. Well-known artists Lesley Goldacre, Alan Pederson and Desky Masunari also participated with outstanding exhibitions throughout the year. The gallery's public lecture program attracted such eminent speakers as Robert Lavor, Robin Williams, and The Hon Barry Jones, who presented the fourth Bob Sredersas Lecture.

The Wollongong City Gallery Foundation obtained tax deductability early in the year for its fund raising efforts. The first Annual General Meeting was held on

28 October 1990 to appoint office-bearers. The Gallery Director, Barbara Tuckerman, resigned with effect on 11 January 1991, after almost ten years of distinguished service.

Opposite: A young library user enjoying the wide range of material available for loan.

Above: Bob Port, Director of the Illawarra Performing Arts Centre.

Council's library service, one of the largest and most effective within New South Wales, contains an extensive collection of reference and lending materials to meet the needs of the city's residents.

Apart from a wide range of books, videos and sound recordings in English, the collection includes material in many other languages including Spanish, Greek, Italian, Croatian, Macedonian, Chinese, Vietnamese, Turkish, German and French.

Other services consist of a local studies collection on the development of Wollongong, a community information service, an information service for business and industry, and a recorded music library. The library also runs a bookmobile and provides special services to meet the library needs of housebound people and residents of nursing homes and retirement villages.

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The Illawarra Performing Arts Centre is Wollongong City Council's showcase for the performing arts. Although firm ties with Council exist, the centre operates independently, managed by a Board of Directors drawn from Council and the community.

The centre's own company, The Guild Theatre mounted and presented five productions during 1990, including the "Sound of Music" which broke all previously established box office records.

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To set the direction for the Strategic Plan, aldermen and senior staff participated in two planning workshop weekends. A discussion paper was released in November 1991, followed by an extensive period of public consultation. Widespread community input was achieved through surveys, shopping centre displays, community workshops and discussion groups.

The final document is due for release in April 1992 and will provide a blueprint for the city's development and growth over the next twenty years.

The Quality Improvement Program, initiated in 1990, has begun in significance. Almost one in every three members of staff have participated in awareness seminars. Twelve teams are currently in operation, applying the principles of Total Quality Management (TQM) to their work processes.

The principles of TQM, customer focus, continuous improvement, participation by all, and use of data and measures, have now become a focus as organisational culture is gradually being changed. TQM is a management philosophy that is a journey. Nevertheless, signs are emerging, even at this early stage, that Council's Quality Improvement Program will bring about positive results.

The Local Government elections were held in September 1991, resulting in the election of ten new aldermen to Wollongong City Council. David Campbell was re-elected as Lord Mayor, replacing Frank Arkell who had held the position for seventeen years. His departure has been instigating the election of new members. Aldermen Arkell, who had held the position for seventeen years. His departure has been instigating the election of new members.

May I take this opportunity to wish the new Council every success and to acknowledge and thank my management team and all staff for their commitment and support during 1991. As the economy goes through a severe recessionary period, additional pressure will be imposed upon Council to meet community expectations. This community needs will be met through a motivated and committed workforce, one that is well trained and skilled to serve the City of Wollongong.

Rod Oder
General Manager and Town Clerk

The Wollongong Strategic Plan will set the future direction of the city for the next twenty years.
The preparation of the strategic plan represents an innovative step for social and community development. These include city management, economic development, physical development, environmental management, and a broad range of issues. These include city management, economic development, physical development, environmental management, and social and community development.

Vision Statement
The vision statement outlines the aspirations of all who work within Council and serves as a guide and inspiration to all those who contribute to its development. Council's vision is to be a community focused local authority of excellence. It is important to note that whilst all those working in the organisation are encouraged to strive for excellence, sight must never be lost of who Council is here to serve.

Strategic Plan
Council's strategic plan sets the directions for Wollongong over the next twenty years. The plan was prepared following extensive community consultation and incorporates the goals of Council and the community on a broad range of issues. These include city management, economic development, physical development, environmental management, and social and community development.

The preparation of the strategic plan represents an innovative step for local government. The plan was prepared following extensive community consultation and incorporates the goals of Council and the community on a broad range of issues. These include city management, economic development, physical development, environmental management, and social and community development.

Corporate Plan
The development of a five-year corporate plan has improved the forward planning and management process within Wollongong City Council. Twelve major programs were identified within the plan which cover the entire spectrum of Council's operations.

These are Democratic Government, Organisational Services, Commercial Development, City Development, Infrastructure, Waste Management, Health and Safety, Environment, Community Services, Cultural Services, Recreation, and Library and Community Information. The plan contains details of specific activities to be undertaken within each of these programs over the next five years. These directions have been determined by Council to best satisfy the needs and interests of the local community within its limited resources.

The corporate plan has provided a clearer focus for management and staff as Council continues with its drive for excellence and efficiency in the delivery of services to the community. Formulated on a rolling format, the plan allows for review and refinement on an annual basis. This took place in late 1993 and the updated version will be available for public comment and input early in 1994.

Corporate Goals
Executive management has formulated a number of corporate goals which set the framework for the organisation to operate within over the next five years. Council's goals are to:

1. Develop an organisation that fosters fairness and equity, high productivity and continual improvement within its workforce;
2. Promote and implement the principles of Total Quality Management as part of the organisational culture;
3. Ensure value for money through the efficient and effective delivery of services;
4. Increase the accessibility, responsiveness and accountability of all services;
5. Promote Council as being a professional, committed and dedicated organisation in fulfilling the needs of its community;
6. Develop better communication and consultation strategies to ensure a meaningful working relationship with all stakeholders;
7. Promote the coordination of regional initiatives and directions.

Management Structure
Wollongong City Council’s management structure is made up of the Executive Management group, consisting of the General Manager and two Assistant General Managers. The group is responsible for policy, strategy development and overall management.

Council also has twelve divisional managers responsible for the operation of their respective areas. The new Local Government Act carries an emphasis on performance-based employment for senior staff within Council. The management structure will continue to be reviewed with this objective in mind.
Equal Employment Opportunity (EEO)
The issue of Equal Employment Opportunity received attention in 1993. Following the restructure of the EEO Advisory Committee, progress was made in the area of policy development, and the programming of tasks aimed at producing a workplace that is equitable and free from discrimination. The committee meets monthly to discuss initiatives and to plan for the future development of the program within Council.

Significant effort has been put into the drafting of the EEO Management Plan, which is a requirement of the recently introduced Local Government Act. This plan will take effect from July 1994 and will be the working document by which EEO principles will be incorporated into all areas of management practice.

Another initiative during 1993 with EEO implications was the staff survey conducted in December. This survey aimed to assess the extent to which Council staff are aware of EEO and whether or not they have experienced discrimination during their period of employment. The results of this survey will be available in 1994.

Appointment by Merit
The organisation now has a consistent approach to the recruitment, appointment and promotions of all employees. This is the result of ongoing consultation in anticipation of the recently enacted Local Government reforms. All recruitment, appointments and promotions of staff will now be based on merit and, as such, are in accordance with the principles of Equal Employment Opportunity. This approach ensures the most effective utilisation of skills available to Council.

Safety Manual
A comprehensive occupational health and safety manual has been developed which details the procedures to be followed to ensure a safe working environment. The document has been compiled with due regard to the physical nature of a large proportion of Council's work. The manual was produced following consultation with all levels of the organisation and its implementation should result in increased safety in the workplace.

Training and Development
Council recognizes that its manpower resource is its greatest asset. A comprehensive training and development program has been implemented to ensure that all employees have the necessary skills and knowledge to perform their duties. Emphasis is now placed on competency based systems with competency standards for positions developed in line with national standards. In keeping with this move, training courses have been designed to increase competency levels within the workplace. Training styles are being continually improved and varied to make the courses more effective.

Health Promotion Program
A health promotion program was implemented in 1993 that is closely linked with the community health awareness calendar. The program emphasizes the importance of exercise and encourages staff to participate in a range of activities that will improve their general health. This includes membership of an in-house gymnasium. Considerable effort is expended on this program as Council recognizes the benefits of a healthy workforce in regard to productivity and efficiency. Staff also had the opportunity of undergoing free heart health assessments as part of a program run in conjunction with the University of Wollongong. The project ensured that staff were conversant with heart health and the avoidance of heart disease in the future. Furthermore, the staff newsletter is used to promote healthy lifestyles and living employees up to date with current health issues.

Highlights
- Drafting of an Equal Employment Opportunity management plan and the formulation of policies aimed at ensuring the workplace is free from discrimination.
- Development of a comprehensive occupational health and safety manual.
- Undertaking of a child and dependent care survey to assess the impact that caring for children and other dependents has on employment.
- Implementation of a health promotion program for Council employees.
- Continuation with the extensive training and development program to ensure all employees have the necessary skills and knowledge to perform their duties.
The activities of the Human Resources Division are focused on maximising the potential of all employees within the organisation and ensuring that the work environment is one that is safe, healthy and free from all forms of discrimination. During 1990 the division restructured its own operations to ensure that the range and nature of the services provided are geared to meet the increasing demands of management and staff.

Training and Development
Training and development programs continue to play a prominent role. Courses conducted in 1990 ranged from heavy plant operation to interpersonal communications, negotiation skills and workplace reform. The total hours utilised for training was 8,630 hours, representing a significant increase on 1989.

The training and development program provides sponsorship for employees to undertake external studies at recognised institutions. A high priority is also given to safety training with a number of courses being conducted to improve safety standards in the workplace.

Risk Management
In October 1990, Council was successful in its application for renewal of its Workers' Compensation Self Insurance Licence. Since 1983, Council has enjoyed significant financial savings through self management of risk for Workers' Compensation.

Lost Time injuries showed a marked decline from 1989 figures, with 115 claims for lost time being received during 1990.

Employee Assistance Program
The Employee Assistance Program, an arm of Council's occupational risk management strategy, operated successfully throughout 1990. The program was established in 1983 to offer confidential counselling at all levels for a wide range of personal problems.

A total of 75 staff sought assistance from the internal program counsellor in 1990 for a variety of marital, financial, health and work related problems. These problems, if unresolved, could have had a detrimental effect upon work performance.

In spite of the economic downturn, the Property Division has met its responsibility of expanding Council's income base in 1990. This was achieved through the successful marketing of Council's industrial and residential development sites, caravan parks, crematorium and cemeteries.

Industrial Development
Stage Three of Unanderra Industrial Estate is nearing completion. Sales were constant throughout the year with a total of 27 lots sold for a total of $3.7 million. The establishment of new industries within the estate has also created employment opportunities in the region.

Residential Development
Pioneer Beach Estate is a unique residential subdivision located on the coastline immediately south of Woonona. Apart from the distinctive Federation theme, other innovations include narrow road pavements, street paving and extensive landscaping. 28 fully serviced allotments, totalling $4.3 million, sold by December 1990.

The various subdivision works for Stage Three are progressing according to schedule. The anticipated release date for this stage will be mid 1991, with final plans being available in the near future.

Council's other residential development is Flagstaff Ridge Estate, located at Berkeley. This is a more modest subdivision containing

Highlights

- Increased commitment to staff training and development.
- Renewal of Council's Workers' Compensation Self Insurance Licence.
- Highly successful marketing of Pioneer Beach Estate.
- Over $1.5 million in revenue from Council's caravan parks.
- Installation of a new word processing network.
- Launch of News and Views, internal staff newsletter.
- Commissioning of a survey to determine community attitudes to Council's services.
- Receipt of FACTS award for mail advertising campaign.
ENVIRONMENT

Community Education Program
Raising community awareness and support for environmental management and protection is an ongoing process. Council officers have made themselves available throughout the year to service a range of forums including Neighbourhood Committees, schools, special interest groups and public meetings.

Reducing Pollution Levels
Efforts to minimise pollution levels within the city resulted in close cooperation with the Environment Protection Authority and the implementation of several new initiatives. These incorporated negotiating with local industry to heighten environmental awareness and to improve pollution control measures. Support was also given to community meetings at Port Kembla, Terrin and Corrimal aimed at minimising pollution in these suburbs. Other programs included participation in the annual sampling project, the Metropolitan Air Quality Summit, and the Environment Protection Authority’s community consultation forums.

In conjunction with the Department of Health, action was taken to assist residents within the Port Kembla industrial area to resolve the issue of high metal content in roof dust. Council officers also co-ordinated a number of meetings to bring industry and community representatives together to seek solutions to other pollution problems in this suburb.

Waste Minimisation Strategies
The concept of waste minimisation has been heavily promoted in many regional schools and throughout the community as a method of resource conservation. As a result, Council has experienced an increase in the sale of compact bins and recycling crates, and the successful promotion of worm factories. Assistance was also given to the Illawarra Region of Councils for the introduction of an annual recycling and waste minimisation award. Further initiatives include the provision of recycling bags to the Dapto, Corrimal and Towarrannah areas; the launch of a can and milk carton recycling program; and meetings with hotel managers to encourage the use of battery recycling.

Environmental Auditing of Industrial Premises
Available resources did not enable the environmental auditing of industrial premises to proceed beyond the investigation of complaints. This is an area of concern as the work to date clearly demonstrates the potential for industry to pollute waterways. The State Government has approached the State Government to allow local government bodies to charge an inspection fee for this task.

Investigation of Contaminated Sites
The identification of all contaminated sites within the city has commenced with the listing of sites which are, or were previously used, as service stations. This was undertaken through the utilisation of an Honours Degree student from the University of Wollongong. The investigation will continue with the assistance of further students in 1994.

Environmental Management
Environmental Management Section
A new section has been established to oversee the implementation and development of a wide cross-section of environmental strategies for the local region. This includes the appointment of an Environmental Programs Coordinator. His role is primarily aimed at building on the successes already achieved with the community revegetation program and the green corridor committees.

Tree Planting and Preservation
Revegetation has proceeded within the city on a grand scale. It is estimated that up to 100,000 trees were planted in 1993 through landscape projects, community revegetation programs, and the Local Capital Works program. In addition to these initiatives, a survey of street trees was conducted on behalf of Illawarra Electricity. The aim was to identify conflicts between trees and power lines. The report recommends appropriate strategies for managing street trees, with an emphasis towards a consultative approach. Council, as a member of the Local Government Tree Resources Association, has focused on tree management strategies towards education in the selection of urban trees. This has been achieved by implementing such tree management standards as the Australian Standards for Tree Planting. A Greening Australia kit will be launched in the near future which will provide further education to community groups in the area of urban tree management.

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Environmental Planning
Conserving the Illawarra Escarpment
Environmental planning in 1993 centred on the protection of the Illawarra escarpment. Council, in association with the Illawarra Escarpment Working Party has identified the most sensitive prime escarpment land for inclusion in a 7(a) environmental protection zone. This zone has now been gazetted. Through this process known as fair trading, landowners are able to gain some additional development entitlements on less sensitive areas in exchange for the transfer of prime escarpment land to the National Parks and Wildlife Service. Some 700 hectares of core escarpment land is in the process of negotiation under the fair trading guidelines. The process of identifying prime sensitive escarpment land and developing fair trading guidelines has not been easy. The fair trading policy has been developed with considerable input and debate with both landowners and conservation groups.

Rural Residential Policy
A Rural Residential Policy is being developed for urban capable land between the escarpment fringe, particularly in the area of West Dapto. The aim is to allow very low density development under strict environmental guidelines as a buffer between future urban development and the escarpment proper.

West Dapto Development Area
West Dapto is the only site remaining for large scale urban expansion within the city. The area has a capacity for some 50,000 people. The Development Control Plan prepared for the site includes the provision of east/west green corridors along watercourses, the retention of significant stands of native vegetation, and the implementation of a central pedestrian and cycling system to minimise car usage. Water quality control ponds are to be installed before subdivision work commences to ensure that the waters of Lake Illawarra are protected. In a first for the region, water quality will be monitored both before and after construction to ensure that the controls are working.
Food Safety and Hygiene

Council's health surveys are regularly engaged in monitoring and improving public health standards. Measures are taken to eliminate or minimise conditions that are likely to adversely affect the health and wellbeing of the community.

Regular inspections of food manufacturing and selling outlets ensure that these conform to strict hygiene standards. In 1991, a total of 393 food shops were inspected with 562 receiving the highest rating. Only five shops were deemed unsatisfactory and a program has since been implemented to improve the standard of these premises.

Legislation has been introduced to allow Councils to charge an inspection fee. This will help meet costs in providing the inspection service.

Immunisation Services

Immunisation clinics are conducted free of charge at busy health and community centres throughout the city. During 1991, 4924 treatments were administered for poliomyelitis, whooping cough, diphtheria, tetanus, measles, mumps and rubella.

Testing of Cooling Towers

Council regulations stipulate the licensing and regular servicing of cooling towers. As a consequence, 358 cooling towers were licensed during 1991. Random testing of these to ascertain Legionella levels returned negative results.

Council's new system of requiring either an additional tower clean during the summer months or a Legionella test, resulted in three positive returns. All cases required an immediate tower shut down and disinfection by cleaning contractors.

The NSW Public Health Department reported no case of Legionnaire's Disease in the Illawarra region in 1991.

Nuisance Investigation Procedures

The number of excessive noise complaints received by Council in 1991 was lower than previous years. Nevertheless, more than 1,200 complaints were investigated during this period. Complaints have been encouraged to contact the Community Justice Centre, prior to Council becoming involved. This is due to the high success rate achieved through mediation.

Recycling

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License of Emergency Systems in Buildings

The maintenance of fire safety emergency systems in buildings is outlined in Ordinances 70 of the Local Government Act, 1919. Although the owner of the building has the responsibility of maintaining the fire safety systems, Council has a responsibility to ensure that annual compliance certificates are issued.

In 1991, a more effective system for policing the ordinance was developed and implemented. This followed discussions with Council's solicitor, the Local Government Association and the fire protection industry. Notices have since been issued to building owners outlining requirements, with inspections being scheduled for the 150 buildings involved.

Scheduling of Complaints

Council is also promoting the introduction of paper and cardboard recycling in offices. Consequently, discussions are taking place with many large organisations and businesses within the area. Council's own office recycling program scheduled to commence in 1992.

Pollution Abatement

Effort was made in 1991 to raise public awareness of pollution issues. Links have been developed with key people, groups and organisations in an effort to reduce pollution within the region.

Council officers have also been involved in working parties aimed at improving specific environmental areas. One such project is the Port Kembla Harbour Water Quality Program.

Other initiatives include the development of codes to control potential pollution problems. Two examples are the Termite Code and the Noise Assessment Code.

The Termite Code encourages alternative designs in buildings to control termite attack without the use of organochlorines. The code was acknowledged by the Keep Australia Beautiful Council as the best environmental policy initiative by any Council during 1991.

Council also actively participated in the Sydney Air Pollution Summit and the Wollongong Air Pollution Summit during the year.

Environmental Improvement

Council's highly successful 'Rise and Shine' campaign entered its sixth year of operation in 1991. As in previous years, extensive media coverage of the scheduled activities ensured widespread community participation.

An amount of $5,000 was received from BHP for sponsorship of the Schools Environment Improvement Program. A total of 18 local schools participated in this activity in 1991.

A major new environmental program was trialed at Stanwell Park Primary School. The program met with outstanding success and has since received an award from the Federal Minister for the Environment.

Clearing of Private Land

A drive was undertaken during the year to remove excessive vegetation from land which harbours vermin or constitutes a fire hazard. A total of 123 notices were served requiring owners to clear their properties.

An inter-departmental committee was also formed to develop guidelines and procedures for excessively vegetated land in environment protection zones.

In addition to these activities, Council organised the Wollongong component of Clean-up Australia Day, an environmental workshop for schools, a project for the enhancement of Bellambi Lagoon area, and a display on World Environment Day.

Council also coordinated the hand-over of a shade house at Holy Spirit College, Bellambi to launch the Greening Australia Program in Wollongong.
The development of out of school agreements relating to areas of the inability of the State and Council to provide services has been delayed due to the inability of the State and Council to provide services. Funding responsibility.

Out of School Hours Services

The development of out of school hours services has been delayed due to the inability of the State and Federal Governments to endorse agreements relating to areas of funding responsibility.

It is anticipated that both bodies will reach an agreement on policy and funding early in 1992. They will then be in a position to make recommendations on the five submissions forwarded from the Wollongong area.

**Funding for Additional Facilities**

An offer for funding for two new long day care centres has been received by Council. It was agreed that these centres be located on suitable sites in the Wollongong and Koonara areas. Council is presently considering the most appropriate methods for the design, construction and ongoing management of these services.

The site was selected after consultations were held with local skateboarding riders. This cooperation is continuing into the planning stages of the project.

**Out of School Hours Services**

Additional improvements were also made to the kitchen and service areas.

**Community Services**

When completed, the centre will offer a range of facilities to meet the needs of young people. These include a multipurpose entertainment area, office space, a separate tenancy, kitchen, and music, art and craft rooms.

The project will cost $157,000 and is jointly funded by Council and the NSW Office of Youth Affairs. The transition process is already underway, with the opening of an exterior mural that will ultimately cover the entire building.

**Aged and Disabled**

The project is now taking shape with the painting of an exterior mural. It is anticipated that the Woollongong facility will be partly funded by the Taxation Department. Consequently, 20 of the available spaces will cater for the needs of employees from the Taxation Office.

A special needs room, funded through the Illawarra Area Assistance Scheme, was constructed at the Bellambi Point Pre-School during 1990. The extension enables staff to work more effectively with children with physical and developmental disabilities.

**Vacation Child Care Program**

A centre by Council of the various Vacation Child Care Centres has shown that all programs and services are meeting community requirements and are operating successfully.

The project will cost $157,000 and is jointly funded by Council and the NSW Office of Youth Affairs. The transition process is already underway, with the opening of an exterior mural that will ultimately cover the entire building.

Negotiations are continuing for the development of a management structure and a user policy to ensure maximum benefit from this facility.

**Berkeley Youth Work Program**

A part-time youth worker has been employed at Berkeley Neighbourhood Centre for nine hours per week. The project, which is part of the Neighbourhood Youth Work Program, ensures a decentralised approach to the provision of programs and facilities for young people.

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