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The institutional change in the role of the public sector accountant in facilitating accountability: A longitudinal study of Australian local councils

ABSTRACT

Purpose: With an increased focus on the need for higher levels of accountability and transparency in the public sector, this study provides insights into non-financial reporting (NFR) practices as a mechanism in facilitating accountability. This study investigates the changing role of the public sector accountant in this process, specifically focusing on the Australian local government sector.

Design/methodology: The authors utilised a mail survey across two time periods, 2009 and 2017 to analyse the role of accountants in NFR practices. Institutional theory provides a theoretical framing for the study.

Findings: The findings reveal an increase in the use of accountants across time in the preparation of voluntary information, being used in a variety of roles due to their financial abilities and analytical skills. The results also indicate a shift has occurred with more emphasis being placed on cross-departmental approaches to NFP incorporating the accountant. These results suggest a greater recognition of the role of accountants in NFR and a dilution of accountant's boundaries in relation to their existing traditional focus.

Research Implications: This study contributes to the academic NFR literature by providing evidence of an institutional shift that is occurring with the accountant's role widening to a broader context beyond their traditional roles.

Practical Implications: This longitudinal study provides practical evidence to management of the potential offered by accountants as the public sector seeks to achieve higher levels of accountability and transparency. Policy implications also arise in relation to the need for development of quality assurance guidelines and further education and training as the public sector embarks on the journey of NFR.

Originality/value: This study is the first to our knowledge that has explored the evolution of NFR over a period of time through its focus on the role of accountants.

Keywords

Public sector, Non-financial reporting, Accountability, Local government, Accountant.

1. Introduction

In the current climate characterised by economic uncertainty and greater transparency demands, organisations are under increasing pressure to report on social, environmental and governance issues (Kolk and van Tulder, 2010). Public sector entities are even more compelled to do so with challenges of limited resources, expectations from a wide stakeholder base, increasing complexity of activities undertaken and the need to plan not only for the present but for future generations (Ball et al., 2014; Birney et al., 2010).

Resulting from these increasing pressures, a variety of voluntary reporting approaches have arisen as potential tools leading to higher levels of transparency and accountability. These tools are referred to collectively as non-financial reporting (NFR) for the purposes of this research, following the approach taken by Stolowy and Paugam (2018). Although NFR practices have been widely adopted by the private sector, in comparison, progress within the public sector is sporadic and viewed as an emerging field (Barut et al., 2016; Ball et al., 2014; Ball, 2005). Slowly this is changing though and evidence suggests growing interest and engagement by public agencies (Lodhia and Jacobs, 2013; Kaur and Lodhia, 2018). As approximately one third of global gross domestic product (GDP) is produced by the public sector, the sector is a key contributor to the long-term sustainability of the planet and critical to the success of current and future generations (CIPFA, 2016). In light of the need for accountability, transparency and creating value for money, the public sector has begun to engage with NFR to communicate and discharge its accountabilities.

Over time this form of disclosure has taken a number of different forms such as social accounting, social and environmental reporting, corporate social responsibility, and sustainability reporting. Sustainability reporting was considered at one point, one of, if not the most important advance in organisational reporting in recent decades (Ball, 2005a). However, with criticisms around this type of reporting continuing to evolve (Milne et al., 2008; Milne et al., 2009), a new form of NFR, integrated reporting, has emerged and is considered to provide a more holistic approach to a business's performance through integration of organisational social, environmental, financial and governance information (Kilic and Kuzey, 2018; Stubbs and Higgins, 2014; de Villiers et al., 2014).

With NFR on the increase in the public sector, and considered by some as important if not possibly superseding financial reporting in the future, this paper focuses on undertaking a review of the accountants' role in these reporting practices across time. As gatekeepers of

information (Schaltegger and Zvezdoz, 2015; Zvezdoz, 2011) accountants have the potential to play an important role in providing a mechanism for holding organisations to account through their knowledge, skills and experience (Tilt, 2009). With accountants known for their traditional focus on rules and institutionalised practices, Brown (2009) noted the need for accountants to embrace a broader accounting scope, extending beyond the narrow boundaries of mandatory reporting. More recently, the International Federation of Accountants (IFAC) have highlighted that the accountancy profession and accountants have a critical role in addressing the United Nations' sustainable development goals (IFAC, 2015,2017).

However, limited research has focused on the role of accountants in NFR in the public sector (Schaltegger and Zvezdov, 2015; Zvezdov et al., 2010). With prior research predominantly indicating an institutionalised traditional focus (Ball, 2005; Ball, 2002), this study provides an important and timely contribution, responding to the call by de Villiers et al. (2014) for research to understand the role of the accountant within the voluntary reporting sphere. This paper focuses on the public sector accountant having particular emphasis on the Australian local government sector, being viewed as one of the major players in the effort towards sustainable development (Birney et al. 2010). In Australia, the local government sector is significant employing approximately 200,000 people, with total annual expenditure in excess of $35 billion and net assets in the order of $426 billion (ALGA, 2019). It has strong established links to the community and thereby is in a prime position to offer social, environmental and community services capable of addressing different dimensions of the sustainable development agenda (Ball and Craig, 2010).

The aim of this study is to investigate whether there is a change in the role of accountants in NFR in Australian local councils. As highlighted here, there have been numerous developments in NFR over time which could assist this sector in their guest for improved accountability and governance. At the same time, it has been argued that accountants have the potential to be at the forefront of these developments and could play a critical role in enabling NFR in organisations.

It is therefore of academic and practical interest to explore whether local government accountants are involved in enhancing the accountability and governance of a sector which has a goal of serving the public interest as opposed to enhancing profits for shareholders, the primary goal of most corporations. This understanding would highlight whether accountants have transitioned beyond their traditional roles and have adopted to the changing nature of reporting, which emphasises the need for non-financial information in enhancing accountability and

transparency in organisations.

This study addresses its central aim through a longitudinal study into the role of accountants in Australian local councils. We focus on two different time periods (2009, 2017) in order to ascertain whether the evolution in NFR over time as suggested by the literature is matched by the use of accountants in this process. This study uses institutional theory to observe whether the changes in the external environment which have transformed reporting practices in organisations lead to a change in the traditional roles of accountants.

The specific research question addressed in this paper is as follows: "To what extent has there been an institutional change in the role of the accountant in NFR over time?" We focus on the roles of accountants in NFR and the associated changes, as well as the contribution of the finance department to the council's NFR.

This study makes several contributions. It extends the literature by contributing towards an understanding of the function of accountants in NFR across time, through an institutional theoretical lens. At a practical level, this longitudinal study offers an understanding of the increasing potential offered by accountants in NFR in a sector that requires an increasing levels of accountability and transparency. The study provides insights into the further development of this form of reporting at a public sector level and will assist in quality assurance strategy and policy development by public administrators as the sector becomes more engaged in this area of reporting.

The remainder of the paper is structured as follows: Section 2 provides the background to this study and Section 3 describes the role of the accountant in the NFR space. Section 4 explains the theoretical perspective of the paper then the research method is provided in Section 5. Section 6 discusses the main findings of the study, Section 7 provides the discussion and Section 8 concludes the paper.

2. Background to this study

In the wake of traditional financial accounting frameworks struggling to respond to complex business issues (Adams and Simnett, 2011; Farneti and Guthrie, 2009; Guthrie and Farneti, 2008), and with sustainable business practices critical to modern organisations, NFR has arisen as a potential means to progress accountability and the wider social and environmental agenda (Adams et al., 2014; Greco et al., 2012). This has included specific reporting mechanisms such as social and environmental reporting, sustainability reporting and more recently, integrated reporting (IR). IR is seen by advocates as having clear advantage over other forms of voluntary reporting due to its focus on integrated thinking, gaining prominence through the adoption of the International Integrated Reporting Framework <IRF> in 2013, leading to a rapid increase in public policy and organisational practices (de Villiers et al., 2014; de Villiers et al., 2017). While the private sector have taken up the broad NFR agenda, to the point this form of disclosure is now challenging mainstream reporting (Epstein, 2008), the public sector has lagged behind, having been described as an emerging field (Tort et al., 2010) or 'seemingly patchy', as described by Ball (2005, p.3).

However, there is growing pressure to ensure the public sector is held to account for their social and environmental impacts (Lodhia and Jacobs, 2013; Williams, 2015) with the need for increased understanding of the sectors role in promoting social justice, ecological protection and providing for sustainable communities. The sector itself has been under intense reform since the 1990's in the pursuit of efficiency, savings, and accountability (Ryan et al., 2002) through mechanisms such as new public management (NPM), accrual accounting, performance management and reporting practices. Compounding these initiatives have been issues of social responsibility, equity, domestic entitlements and pressure for social change (Arnaboldi et al., 2015). With general agreement that the public sector is held to a higher account towards accountability and transparency of public resources (Ryan et al., 2002; Garcia-Sanchez et al., 2013), NFR has arisen as a possible solution for the public sector (Ball et al., 2014). Birney et al. (2010) went further in arguing the public sector is critical to the delivery

of sustainable development. The local government sector has been emphasized in this debate with some noting the need for sustainable development to commence at this level of government if real change is to be achieved (Ball, 2002). This was highlighted by the United Nations Conference on Environment and Development (UNCED):

> Local authorities construct, operate and maintain economic, social and environmental infrastructure, oversee planning processes, establish local environmental policies and regulations, and assist in implementing national and subnational environmental policies. As the level of governance closest to the people, they play a vital role in educating, mobilizing and responding to the public to promote sustainable development. (1992, Agenda 28.1)

Through their strong linkages to the communities they serve, local governments are in a position to respond to their accountabilities through NFR practices. Research into NFR in the public sector historically has received limited attention but there are signs this is changing (Kaur and Lodhia, 2018; Guthrie et al., 2010; Farneti and Guthrie, 2009; Guthrie and Farneti, 2008). However, results have predominantly indicated low levels of disclosure (Adams et al., 2014) with studies including, for example, Lodhia et al. (2012) who examined environmental reporting practices in Australian Commonwealth departments, finding little evidence of wide-spread adoption of environmental disclosures. Similarly, Guthrie and Farneti (2008), who analysed seven best practice sustainability reporters in the Australian public sector, found fragmented and diverse reporting practices.

At a local government level, NFR disclosure studies have indicated the lack of use of international guidelines (i.e. GRI), leading to claims of cherry-picking and lack of comparability in disclosures (Sciulli, 2011; Williams et al., 2011; Guthrie and Farneti, 2008). However, different results were found by Goswami and Lodhia (2014) who in studying the sustainability disclosure patterns of four South Australian local councils, found consistent disclosure patterns of sustainability performance indicators, arguing that these councils mimicked the disclosure practices of peer councils. A number of studies have analysed social disclosures in the Italian local government context, such as Farneti et al. (2019) noting social reports are still very much in their infancy while Greco et al. (2012) in an international comparison study, found notions of public sector accountability and transparency through sustainability disclosures amongst a group of local councils in Italy and Australia.

3. The public sector accountant

If NFR has a role to play in assisting the public sector in discharging their responsibilities, as argued in this paper, then the accountant through their reporting and technical expertise are in a prime position to assist in the development of the voluntary reporting agenda. Whereas the role and involvement of the accountant has been examined extensively in conventional accounting literature, limited attention has been paid to the accountant's role in NFR (Schaltegger and Zvezdov, 2015; Zvezdov et al., 2010; Wilmshurst and Frost, 2001). But as management are increasingly expected to make informed decisions that consider the wider social, environmental and ethical dimensions of business, they must have access to accurate, timely and relevant information. With accountants' skills, knowledge and expertise, they are well placed to provide this information (Lewis, 2000). As noted by Gray et al. (1993) accountants have a major role to play through 'their traditional roles of recording and reporting financial details and through their roles as business managers' (p.3). The United Nations (2012) project, 'Back to our common future' confirmed this in asserting better accounting practices are critical for measuring and reporting progress towards sustainable development.

The literature highlights a growing interest in the role of the accountant in the corporate sustainability agenda and explores the drivers why accountants should be involved in this form of reporting. This includes for example, to provide mechanisms for holding corporations to account (Tilt, 2009), to safeguarding corporate legitimacy (Schaltegger and Zvezdov, 2015) and to provide better quality information and higher levels of transparency (Gray et al., 1996). The accounting profession have also acknowledged the potential role accountants can play within the broader context of voluntary reporting and accounting (e.g. IFAC, 2015, 2017; ICAEW 2004). For example, accountants can facilitate an understanding of how to sustain and how to create value through their information collection, analysis and decision-support activities (IFAC, 2015).

From a corporate perspective, early studies that have examined the role of the accountant in NFR have generally indicated accountants' involvement is minimal (for example, Gray et al, 1995; Deegan et al., 1995; Wilmshurst and Frost, 2001). Other more recent studies have indicated growing interest in the role of accountants, for example, Schaltegger and Zvezdov (2015), who found that accountants are being used in sustainability accounting practices to assist in defining information properties and presenting information to management alongside lesser roles in deciding what information is to be collected and actual collection of

data. Other studies have examined the role of accountants in supporting adaptation to climate change, particularly in risk assessment, valuation and disclosure (Linnenluecke et al., 2015).

From a public sector perspective, studies that have examined the role of the accountant in NFR practices are limited. This includes Telford (2005) in analysing the results of a UK national survey, found that accountants are often not involved in their organisation's environmental reporting, but regarded it as critical if further progress is to be made in facilitating accountability through NFR. While Ball (2002) found that council accountants are broadly supportive of NFR but believed they should not be involved in this form of reporting and thus, tended to ignore it.

The accountant's role in NFR was considered by Ball (2005) and found that sustainability accounting had first to fit within the financial accounting framework to be considered a part of the accountant's role. Adams (2015) concurred with this viewpoint in questioning whether accountants have been a stumbling block to the broader social and environmental agenda (see also van Bommel, 2014; Higgins et al., 2014; Larrinaga-Gonzalez and Bebbington, 2001). By their focus on short-term financial gains and cost cutting, accountants have often been viewed as a constraint in the NFR process without understanding their moral obligation to this form of reporting (Zvezdov, 2011). However, in a more recent study, Williams (2015), found that local government accountants are generally supportive of being involved in NFR processes but there is a need to integrate sustainable development into accounting processes to help bring about this necessary change.

At a departmental level, other researchers have found a general lack of involvement by the finance department in NFR processes (Farneti and Guthrie, 2009), with the environmental/sustainability department being the most heavily involved (Domingues et al., 2017). However, Schaltegger and Wagner (2006) argued there is a risk of compartmentalizing the NFR process if one department is exclusively responsible. This was noted by Guthrie et al. (2017) who in a recent study of five Italian public sector organisations that had adopted integrated reporting, found the use of cross-functional teams a key mechanism to success noting the need for involvement across different organisational areas, including the finance department. Further, IFAC (2015) in observing the importance of systems thinking in NFR, documented the need of the finance function role in financial performance management.

Explanations in the literature for the low level of involvement have included lack of compatibility between the accountants' traditional skillset and the environmental agenda

(Wilmshurst and Frost 2001), lack of education and training (Schaltegger and Zvezdov, 2015; Burritt et al., 2009; Schaltegger and Burritt, 2000) whilst Deegan et al. (1995) argued that it is more to do with the accountants attitude rather than a lack of training. However, with their skills, knowledge and experience, accountants could potentially play an important role in developing NFR processes in the public sector.

4. Theoretical Perspective

This study employs institutional theory to explore the changing role of accountants in reporting non-financial information in councils. The focus of this study is on change over time using an institutional lens perspective. This perspective is considered appropriate as institutional theory describes how institutionalised practices change in response to external stimuli and how new practices form as a result. The increase in NFR over time, especially with the development of new reporting mechanisms such as integrated reporting, has impacted the traditional roles of accountants and it is of interest to explore whether there has been an institutional change in the role of the accountant.

Institutional theory posits that an institution is:

> more or less taken-for-granted repetitive social behaviour that is underpinned by normative systems and cognitive understandings that give meaning to social exchange and thus enable self-reproducing social order (Greenwood et al., 2008, 4).

Repetitive practices and behaviour become an authoritative guideline for the institution (Greenwood et al., 2008), being so dominant that they almost take a rule like status, and do not require monitoring or enforcement, as these practices are efficiently carried from one generation to another (DiMaggio and Powell, 1983; Meyer and Rowan, 1977).

Institutionalised practices, when transmitted from one generation to another, create a boundary within the occupation to ensure that they remain within the set parameters. Any deviation from the institutionalised behaviour tends to initiate a need for examination (Battilana, Leca, and Boxenbaun, 2009; Garud, Hardy, and Maguire, 2007). Although institutional studies focus on taken for granted repetitive behaviour, the literature suggests that institutions are not constant (Gomez-Gutierrez and Cormier, 2018; Liu, 2016; Fogarty, 2015). Over a period of time, institutionalised practices can be created, maintained or disrupted (Lawrence and Suddaby, 2006) due to institutional pressure, namely, coercive pressure, mimetic pressure or normative pressure (Bhimani et al., 2016; DiMaggio and Powell, 1983).

However, there could be a gap that exists in the actual practice versus the appearance of such practice as presented by the field known as decoupling. In order to conform to external pressure, institutionalised practices might decouple, to rationalise their behaviour to expected standards (Mburyani and Wall, 2018).

Any changes to a profession reverberates through a field, becoming a part of the identity of the profession (Suddaby and Viale, 2011). For example, Greenwood and Suddaby (2006) conducted a study to identify institutional changes in the field of accounting, finding that accounting firms in the 1980s and 1990s extended their scope of work from core accounting duties to include other legal and management consulting services. Consequently, most accounting firms now provide legal and management consulting services as a result of past institutional initiatives. Similarly, in a review of the literature over the last twenty-five years, Deegan (2017) noted that many researchers have urged accountants to look beyond the conventional financial reporting duties encouraging accountants to view their profession from a social and moral obligation point, and not merely perform routine institutionalised roles.

From an institutional perspective, there are limited studies providing evidence that the accounting profession is widening and departing from their traditional institutionalised roles. Kipping and Kirkpatrick (2013) in focusing on changes to services offered by professional service firms found that due to external economic pressures, key actors including professional accountants, engineers and lawyers, undertook steps to change their institutional identities broadening their roles and offerings. In another study, Goertzki et al. (2013) employed the institutional literature in examining changes in the management accountants' role in a German organisation whereas Burns and Baldvinsdottir (2005) examined how professionals who are embedded in their institutionalised roles are capable of conceptualising new roles and transforming existing practices.

In this study institutional theory is employed to examine the variance of professional practices from their taken for granted roles, indicating a shift in institutionalised practices. When professionals face pressure or challenges, they are likely to undertake actions to bring about a change in their institutionalised practice. However, it is not an institutional change if professionals are merely decoupling from their internal behaviour to their external image. Nevertheless, the departure from taken for granted practices suggest that the profession is plausibly at the brink of an impending institutional change. Consequently, this study explores the change in the role of accountants in NFR over a period of time, seeking to establish whether

this is an institutional change or merely decoupling without any concrete change to core activities, roles and responsibilities of accountants in councils.

5. Research Method

To investigate the role of accountants in the NFR process across time, this study utilised the mail survey approach. As a method, surveys serve as a powerful tool that can be utilised to measure perceptions, beliefs and attitudes (Spekle and Widener, 2018) and are able to provide large sample evidence covering a wide geographical area (Hair et al., 2003). With the dominant method in NFR research being content analysis (Guthrie and Abeysekera, 2006), the method used in this study sought to connect directly with the actors within local councils, thus seeking to provide a deeper understanding of the accountant's role.

Following ethics approval, a mailing list of local councils in Australia was obtained from the Australian Local Government Association (ALGA). The survey instrument was then forwarded to chief financial officers (CFO's) of local councils in Australia across two specific time periods, 2009 and 2017 (hereafter called Survey 1 and Survey 2, respectively). This longitudinal examination is compatible with the study's theoretical framing, enabling exploration of institutional change over a period of time. Prior research has indicated that the CFO position has oversight within the organisation for both internal decision-making processes and external reporting requirements (Pilcher and Dean, 2009) thus, a whole-of-organisation approach was focused on, in providing insights of NFR within local councils.

The two years selected were considered key times in the on-going development of NFR (specifically in the areas of sustainability reporting and integrated reporting). The Global Financial Crisis (GFC) highlighted the need for improvements to corporate reporting and therefore the first year post-GFC was selected for assessing changes to NFR and whether reporting on sustainability was prominent. The year 2017 was chosen as an appropriate time period for integrated reporting to have been developed and recognised as a successor to sustainability reporting, based on the increasing literature and practical guidance in relation to this form of reporting post GFC.

To ensure consistency, uniform administration processes were followed in gathering data across the two time periods, including the adoption of equivalent pilot testing processes, with a response rate of 20% for Survey 1 and 30.67% for Survey 2 achieved with limited changes resulting from the pilot process. Survey questions incorporated multiple choice, yes/no

response, five-point Likert scale and open-ended questions to allow for further clarification[1]. The survey documents were mailed out in March 2009 and March 2017 respectively, to all councils in Australia, with two subsequent re-mailings undertaken within approximately three weeks of each other. The survey document included a covering letter explaining the purpose of the mail survey, providing definitions of key terminology as a frame of reference for participants, and as an incentive to increase participation all local councils were offered a copy of the summary of results via a separate notification process to ensure confidentiality.

A total of 95 useable responses were received for Survey 1 and 129 for Survey 2 (Table 1), with response rates consistent with prior studies in the local government area (Domingues, 2017; Williams, 2015; Williams et al., 2011). Non-response bias testing was also conducted adopting the methodology developed by Oppenheim (1966), with no statistical differences found. The raw data was collated in an excel document and analysed via the statistical package SPSS, utilising descriptive and t-test analyses.

[Insert Table 1 here]

6. Results

From a state perspective, the highest response rates for both surveys were from New South Wales (35.8%, 24.8%) and Victoria (21.1%, 17.1%) (Table 2). However, when these response rates were compared to the number of potential respondents in each State/territory, different response percentages were identified. For both surveys, Victoria had the highest proportion of respondents but at different levels (26.67%, 40.54%). For Survey 1 responses, the second highest response rate was from Tasmanian councils (22.67%), whilst for Survey 2 the second highest response was from South Australian councils (35.48%), followed by Tasmanian councils (28.57%). In comparison, Survey 2 responses were more concentrated across just two states, Victoria and South Australia (with a total of 76.02% of total responses) in comparison to a more even spread across states for Survey 1. Additional analysis was undertaken to examine for any influence that the higher percentages of Victorian and South Australian responses may have had on the results. This analysis is presented in the *Additional Analysis* section.

To provide further context, respondents were also asked to indicate their organisations classification according to the Australian Classification of Local Government (ACLG), split into urban and rural categories. Survey responses were found to be evenly distributed, with

46.8% received from urban and 53.2% from rural local councils (Survey 1) with 51% received from urban, and 49% received from rural local councils (Survey 2).

[Insert Table 2 Here]

Use of Accountants

For Survey 1, 50.5% (n_1 = 48) of respondents indicated that accountants are involved in the preparation of voluntary information, indicating an even distribution of respondents use/non-use. In comparison, the Survey 2 results indicated a large increase in the use of accountants in voluntary information preparation (n_2 = 88; 81.5%) (Table 3). When frequencies of use were broken down by urban/rural classifications, 58.3% (n_1 = 28) of rural local councils involved accountants in NFR preparation for Survey 1. In comparison a lower percentage of urban local councils used accountants (n_1 = 27; 45.7%). However, this difference was not found in Survey 2, with 63.6% (n_2 = 42) of rural respondents involved accountants in NFR preparation, in comparison to 73% (n_2 = 46) of urban respondents, consequently indicating an increase in the number of councils involving accountants from 2009 to 2017. These results indicate there has been a shift in the use of accountants over time with both urban and rural local councils increasingly using accountants in NFR preparation. From an institutional lens, the results highlight a shift in the way accountants define their roles, suggesting the boundaries around accountants' roles are broadening to include other NFR roles beyond the traditional financial role, with an increase in the number of accountants being used in NFR.

[Insert Table 3 Here]

Local councils that involved accountants in voluntary report preparation were asked to indicate the reason why (five-point scaled response from "1" very unimportant to "5" very important, Table 4) with potential reasons developed from a review of the literature. Respondents across both time periods indicated the main reasons were the accountants: *ability in assessing financial viability* ($\bar{x}_1$ = 4.21; $\bar{x}_2$ = 4.23) and *ability to manage the budgetary process* ($\bar{x}_1$ = 4.10; $\bar{x}_2$ = 4.36) with the mean score increasing for both responses from 2009 to 2017. Only one reason increased significantly across time, being *accountants have the necessary analytical skills* (t = 2.093, $p < 0.05$), the mean score increasing from $\bar{x}_1$ = 3.82 to $\bar{x}_2$ = 4.14. These results suggest that accountants are beginning to be recognised and used for their expertise and skills in reporting, signifying how accountants are moving away from their

taken-for-granted institutionalised traditional roles and defining their roles in a new light by being more involved in NFR.

[Insert Table 4 Here]

The role of accountants in the NFR process was then examined, with analysis of the responses presented in Table 5 below. Respondents were asked to indicate the level of the accountant's involvement (five-point scale ranging from "1" not involved to "5" very involved) in relation to eight different roles, derived from the literature.

[Insert Table 5 Here]

Respondents across both time periods indicated accountants were most involved in the following areas: *provision of financial information* ($\bar{x}_1$= 4.3; $\bar{x}_2$ = 4.4), *providing assistance in financial costings* ($\bar{x}_1$= 4.2; ; $\bar{x}_2$ = 4.36) and *providing an advisory role* ($\bar{x}_1$= 4; $\bar{x}_2$ = 3.92). The least indicated roles for Survey 1 were that of *key-decision maker* ($\bar{x}_1$= 3.42) and being *part of the reporting team* ($\bar{x}_1$= 3.22). For Survey 2, although also indicating that the key-decision maker role remained a lower priority (decreasing from $\bar{x}_1$= 3.42 to $\bar{x}_2$ = 3.22), the results highlighted a change has occurred with the accountants role now having increased involvement in the reporting team (providing a mean increase from $\bar{x}_1$= 3.22 to $\bar{x}_2$ = 3.98), representing a significant increase (t = 3.589, p < 0.005). These results suggest a greater recognition of accountants in reporting non-financial information and shows the dilution of accountants' boundaries relating to their existing traditional roles. This indicates there has been some change in the way accountants are viewed in local councils in Australia – from their traditional role as financial accountants to being more involved in different aspects of NFR. There is therefore clear evidence to suggest that there is an institutional change in the role of accountants in NFR in Australian local councils. This is further explored through an examination of the role of the finance department in NFR in local councils.

Departments utilised in Preparation of the Voluntary Information

With limited prior literature investigating where departmental responsibility falls for the preparation of voluntary information, respondents were asked to indicate the department responsible for preparation of their council's NFR information. The most utilised single department across both surveys was the *corporate planning department* closely followed by

the *environmental department* but in both cases, use of these departments decreased across time (Table 6, Column A). It is possible though that other departments also provided input into the process of preparation. The results indicate this through 36 councils (37.9%) in Survey 1 using reporting teams increasing to 60 councils (46.5%) in Survey 2, signifying the use of reporting teams is becoming common practice in the NFR preparation process. These results indicate a shift in report preparation over time by a single department to an emphasis on team preparation, concurring with the recent study of Guthrie et al. (2017).

[Insert Table 6 here]

Analysis was then undertaken to determine which departments were included in the reporting teams (Table 6, Column B). For Survey 1, 20 respondents indicated two departments were involved, nine indicated there were three departments involved and one indicated that there were four departments involved, providing a total of 71 responses. Comparing this to Survey 2, there appears to be an increase in complexity of reporting teams across time with 22 local councils indicating there were two departments involved, 21 indicated three departments with 17 indicating four or more departments involved.

When these responses were extrapolated out by department, it was found that for Survey 1 the *environmental department* was most involved in the preparation of information with 42 respondents (32.3%: Table 6, Column C) utilising this department either in isolation or in combination with a team. The *corporate planning department* was utilised next (33 respondents, 25.4%) while the *finance department* was considered the third most utilised (32 respondents, 24.6%). These results are consistent with the findings from Farneti and Guthrie (2009) and Dickinson et al. (2005) who both found that environmental departments most frequently prepared the authorities' sustainability reports. However, in examining Survey 2 results, a different picture emerges that suggests a change over time has occurred. The *corporate planning department* was most utilised (24.6%), followed by the *finance department* (22.1%), with the *environmental department* usage decreasing to third most utilised (18.8%).

Analysis was also conducted to determine which departments used accountants in the preparation of voluntary information. In Survey 1, the *finance department* used accountants the most with 68.8% using accountants either to prepare or to assist as part of a reporting team, indicating they are considered relevant to be involved in such teams. The *corporate planning department* also recorded similar levels of usage (63.6%) while the *environmental department*

recorded usage levels of 45.2%. This highlights that for Survey 1 results, while the environmental department respondents were most involved in the preparation of voluntary reports, less than half of the respondents were utilising accountants in the reporting process. Comparing the results to Survey 2, all departments increased in usage of accountants either to prepare or assist as part of a reporting team. This ranged from 91.8% usage by the *finance department* to 69.6% by the *corporate planning department*, being the most involved department in the preparation of voluntary information for Survey 2 results. This further indicates a change has occurred in usage of accountants across time and provides subtle evidence that accountants are moving away from their taken-for-granted institutionalised roles. It further highlights that accountants are becoming more receptive to applying their skills in other contexts by disassociating themselves with rule driven roles. There is also recognition of the role of the finance department by other departments in the local councils, leading to a multi-disciplinary approach to NFR.

Additional Analysis

As responses to both Survey 1 and Survey 2 were anonymous, matched analyses could not be performed, therefore additional independent samples analyses were undertaken to examine for differences in responses between the two survey respondent groups. Analyses were undertaken to assess if the large cohort of Victorian and South Australian local councils were driving the results. Additionally, further analysis was undertaken comparing the responses of urban and rural councils for both surveys.

The analysis of responses of all councils except for Victoria and South Australia, suggests that the local councils from these two states were not influencing the results. All *t* tests of differences (see Tables 4 and 5) between the responses for survey 1 and survey 2, were conducted on the reduced sample with Victoria and South Australian councils' responses removed. The results for all tests were equivalent for all items except for one item, accountants are used in NFR due to having the necessary analytical skills, which was found to be non-significant for the reduced sample compared to being significantly different for the full sample ($t = 0.105$, $p > 0.05$ compared to $t = 2.093$, $p < 0.05$). The comparisons of responses between urban and rural local councils were also no different from the responses from the full sample with no significant differences between responses on the two surveys, suggesting that the location of the local council has not influenced the results.

7. Discussion

With increasing demands to demonstrate transparency and accountability in the public sector, NFR offers a potential mechanism to facilitate this. This study contributes to the literature by seeking to answer the research question: To what extent has there been an institutional change in the role of the accountant in NFR over time? The results reveal that accountants are involved in the reporting process in local government with increased usage in traditional finance type roles noting a changing emphasis on the usage of accountants for their analytical skills (mean score, 3.82 to 4.14). While this may be the case, if accountants are to play a vital role in the development of NFR, local authorities need to take a broader view of the accountant's role. Results point to the fact that this is starting to happen through inclusion of the accountant as part of the reporting team significantly increasing over time (t = 3.589, p<0.005), highlighting an institutional shift in the image of accountants from the narrow financial reporting perspective only.

In focusing on the departments that are involved in the preparation of the local council's voluntary information, Survey 1 results were consistent with previous research (Farneti and Guthrie, 2009; Dickinson et al., 2005) concurring with Edwards et al. (1999) who considered that as accountants delay, other professionals are stepping up to the challenges of modern reporting. But results from Survey 2 indicate a change has occurred with more emphasis on cross-departmental involvement providing evidence of an increase in complexity to reporting teams with usage of the accountant as members of these teams increasing over time. This concurs with the findings of Guthrie et al. (2017), indicating an institutional shift where accountants are moving away from the siloed approach, and are dissolving institutional boundaries and applying their existing skills and expertise in a broader context.

The findings from this study suggest that the accounting discipline have recognised the importance of being involved in the reporting of non-financial information with accountants willing to change their overall perception to NFR through their involved in these practices. They are diluting boundaries between traditional financial reporting and NFR practices by actively participating in reporting groups that are responsible for this form of reporting. This study also identified that accountants are redefining themselves in a new light by highlighting their expertise and skills in analysing data instead of merely being experts in analysing financial information. This new definition indicates accountants' predisposition in changing their institutionalised roles by extending the boundaries of their profession. The challenge however remains changing the profession's overall perception to be considered relevant and

applicable to the area of NFR. For accountants to be more involved in NFR, it is

essential for those outside the profession to envision accountants as being relevant to broader roles than merely considered as financial reporting experts. There is evidence in this study to suggest that this may be the case, as other departments were involved with the finance department in addressing NFR.

From an institutional lens, the study has found that as a result of the external changes in the reporting environment leading to an increasing emphasis on NFR, there is indeed an institutional change in the role of accountants The increasing involvement of accountants in NFR as highlighted by Survey 2 shows that there is systematic and concrete changes in their roles and responsibilities as opposed to a simple decoupling. The recognition of accountants' expertise in NFR over time by other departments gives credence to the observation that this institutional change is indeed part of an organisational response to the external stimuli and a need for improving accountability over non-financial issues.

8. Conclusion

This study aimed to explore whether there was a change in the role of accountants in NFR in Australian local councils. Our findings highlight that over time, there is indeed a change in the role of accountants in response to the external environment and a transition beyond their traditional roles. Accountants are increasingly involved in cross functional teams to address NFR in their councils. This study makes important contributions to theory, practice and policy. The application of institutional theory through this study adds to the limited literature on how accountants are being utilised in NFR and provides evidence that their roles are extending the boundaries beyond the traditional perspective. These findings concur and provide additional evidence beyond the study of Kipping and Kirkpatrick (2013), who found key professions are taking steps to broaden their roles and change their institutional identities. Accountants are no longer perceived from their traditional focus on rules and institutionalised practices. The change in the external environment leading to an increasing recognition of NFR has been matched by their involvement in council practices, thereby leading to institutional change in their roles. This study extends the emerging literature on the role of accountants in NFR. The longitudinal approach provided the mechanism to fully explore the institutional change in the role of accountants over two points in time. This is to the best of our knowledge the only study on NFR in the public sector that has gone beyond cross sectional data.

Unlike other public sector studies that have focused on the role of the accountant in NFR practices (Adams, 2015; Telford, 2005; Ball, 2002, 2005), the current study highlights that over time, there is increasing involvement of accountants in NFR. Thus, developments in

NFR such as sustainability and integrated reporting are not merely “a trend of the times” but represent institutional change in organisations. The exploration of whether this change extends to an improvement in the sustainability governance and performance of councils is an important area for future research as prior literature on sustainability reporting in councils has provided

mixed evidence on the extent of reporting (and associated accountability) of social and environmental issues in the public sector.

The findings make a practical contribution by providing evidence to local government management of the potential offered by accountants as the sector seeks to achieve higher levels of accountability and transparency through NFR practices. The accountant have skills and expertise beyond their traditional skill set that could be utilised by management and this is increasingly being seen through their involvement in reporting teams. The public sector has increasing pressure to ensure accountability over its sustainability performance and as suggested in this study, accountants can play a critical role in this process and should therefore be part of the multidisciplinary approach towards NFR. The implications of this study's findings are that a silo-based approach to non-financial issues in organisations is no longer relevant. There is a need to utilise the skillset of accountants and getting their buy-in as a first step towards the progress to a sustainable performance in organisations. A cooperative and communicative approach towards NFR is desirable with involvement from every organisational member.

Policy implications arise in relation to the potential development of quality assurance guidelines in the public sector that could involve positioning accountants to apply their skills in NFR. However, to ensure the involvement of accountants in NFR, this requires educational and training upskilling so that expertise can be developed in non-financial matters. This is an issue that has been raised previously (Schaltegger and Zvezdov, 2015; Burritt et al., 2009; Schaltegger and Burritt, 2000) but it is yet to be addressed systematically including specific type of training required for accountants. More specific guidelines for NFR including regulation, could also provide an impetus for councils and other public sector entities to breakdown existing silos and comprehensively address non- financial issues.

Due to the explorative and quantitative nature of this study, future research could be utilised to provide additional understanding of why there is divergence amongst local councils in terms of the role accountants can and should play in this reporting process. This could potentially incorporate semi-structured interviews with CFO's but also other relevant actors to foster a greater recognition of the role that accountants can play in this process and development of appropriate policies and processes to make this happen. As an extension of this research, focus could also be placed on the specific types of NFR accountants are concentrating on.

Further studies of the accountant's role in NFR in sectors beyond the local

government sector such as other public sector entities or even companies are required. Given the evidence of the increasing use of accountants in NFR in local councils, their involvement in assurance of sustainability performance is also an area that could be investigated further. It would also be of interest to explore the organisational internal change mechanisms (such as the increasing involvement of accountants in NFR) and the resulting impact on the sustainability performance.

NOTES

[1] Detailed information regarding the survey instruments is available from the corresponding author upon request.

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