



Call for Action

Need to Increase Education in Sustainability for Accountants and Management!

Call for Action

Professional organisations from all disciplines are generally committed to the importance of sustainable development. The accountancy profession, given its public interest role, can contribute to the creation of a sustainable environment in the world of today. Consequently, sustainability is on the agenda of FEE (Fédération des Experts comptables Européens – Federation of European Accountants), representing the accountancy profession in Europe which is composed of qualified accountants in practice as well as qualified accountants in business.

Accountants within and outside organisations should recognise how to translate and apply this general concept of sustainability at the level of strategy formulation, process improvement and performance measurement. Key areas to be considered, all of which are impacted by the concept in a practical manner, include: corporate policies, impacts of voluntary codes, corporate governance, management, accountability and reporting, the need for stakeholder engagement, supply chain pressure, rating and benchmarking, and the influence of regulatory measures including eco-taxes, subsidies and tradable permits.

Performance of accountants is a function of both ability and motivation. Education aims directly at changing both the abilities and motivations of individuals in, or training for, the profession. This applies to continuing professional education as well as qualifying levels, whilst recognising the significant differences in accounting education systems among individual countries.

The sustainability aspects need specific competencies in addition to those traditionally acquired by accountants and auditors. Accountants and auditors deal with sustainability in different roles including accountants in business, internal auditors, public auditors and external auditors. To enhance the credibility of the profession and the quality and credibility of financial information, it is necessary that the profession takes an active role to ensure that sustainability information is prepared in a reliable manner. In addition the profession needs to recognise the wider impact of sustainability which touches on many areas of its competence not only financial reporting and assurance, but also corporate governance, management accounting, systems and controls. The accountant has to operate in a multistakeholder environment and cooperate with other relevant professions. However, the majority of accountants have not been trained in sustainability issues and therefore need further development on such issues.

On 29 May 2008, FEE organised a Roundtable on Education in Sustainability with a wide range of participants from within and outside the profession in order to promote the importance of education in sustainability and to stimulate the debate on competences needed. The debate resulted in various calls for action, the main ones are reproduced below and reference should also be made to the Appendix: A Summary Note on the Roundtable.

Calls for Action

1. The general accountant should have an understanding of sustainability issues and the implications for the financial statements and the related audit.
2. Sustainability needs to be better integrated in the training curriculum of the accountant:
 - a) In its Education Standards, IFAC should include a requirement on environmental and social knowledge integration in the various functions.
 - b) The upcoming review of the Common Content Project could be used and play a catalyst function in further inclusion of sustainability aspects and in setting examples for other curriculae.
 - c) Desirable learning outcomes and needs of accountant employing organisations in relation to sustainability education expectations should be examined.

FEE intends to contribute to the further integration of sustainability into the curriculae, by providing input and suggestions.

3. Permanent or continuous education need to integrate sustainability aspects, since qualified accountants – including accountants in business – need to be aware of the sustainability considerations including in particular climate change, trading schemes and carbon emissions, and implications for financial reporting, risk assessments, ethics, governance and transparency. Accountants need to monitor and keep up to date with relevant regulatory changes that can impact on them.
4. FEE Member Bodies, being the national professional accountancy institutes, have a role in promoting inclusion of sustainability in the curriculum of the accountant and in continuous education.
5. Accountants – both auditors and accountants working in business or otherwise – have a role to play in increasing awareness of sustainability issues within businesses of all sizes, particularly within SMEs.



About FEE

FEE (Fédération des Experts comptables Européens – Federation of European Accountants) represents 43 professional institutes of accountants and auditors from 32 European countries, including all 27 EU Member States.

In representing the profession, FEE recognises the public interest. FEE has a combined membership of more than 500.000 professional accountants working in different capacities in public practice, business, government and education, who all contribute to a more efficient, transparent, and sustainable European economy. To learn more about FEE and about the accountancy profession in Europe, read the FEE 2007 Annual Review, downloadable from our website (www.fee.be).

Appendix

FEE Roundtable on Education in Sustainability

Summary Note - 29 May 2008

The FEE Roundtable was held with the following participants:

Guest Speakers:

Jacques Potdevin	FEE President
Richard Howitt	MEP

Participants:

Dr. Nancy Kamp-Roelands	Chair Roundtable, Chair FEE Sustainability Working Party, Netherlands
Prof. Wim Moleveld	Chairman FEE Education Subgroup, Netherlands
Roger Adams	Chairman GRI Technical Advisory Committee, Member of FEE Sustainability Policy Group, UK
Dr. Martin Bennett	Reader in Accounting and Finance, University of Gloucestershire Business School, UK; Member of the EMAN (Environmental Management Accounting Network) Committee
Robin Edme	President, Eurosif, France
Dr. Alan Knight	Head of Standards, AccountAbility, UK
Jacques Koenen	Acting Director, Education for Register Accountant, University of Maastricht
Pierre Mazeau	Secretary of the social responsibility network of the EDF group, France
Simon Pickard	Executive Director of EABIS (European Academy of Business in Society), Brussels
Tobias Viere	Researcher (Environmental and Sustainability Accounting) Centre for Sustainability Management Leuphana University of Lüneburg, Germany

Introduction

The FEE President opened the Roundtable by welcoming the participants. His special thanks went to Mr. Richard Howitt, Member of the European Parliament (MEP) for opening the debate. He introduced the objective of the Roundtable as follows: *to promote the importance of education in sustainability and to stimulate the debate on the competences needed within the profession to respond to the sustainability challenge. It covered both continuous education and education to become an accountant.*

In his opening speech, Richard Howitt, welcomed the FEE initiative to stimulate the discussion around the education of accountants in sustainability. He considered it essential to embed sustainability and wider human rights aspects and implications within the training of accountants since sustainability reporting is quite different from financial reporting and to consider the UN Global Compact Principles for Responsible Management Education. He also saw a role for the profession in contributing to the development of international standards recognizing that standards are as strong as the people that have to use them. Furthermore he highlighted the importance of dialogue with stakeholders to build trust to be able to concretise sustainability in companies, in order to affect corporate behaviour. The expectations and trust in the accountant go beyond financial importance.

Subsequently, discussion was opened around the following questions:

- What are the areas in which the accountancy profession can make an important contribution?
- What are the skills and knowledge required to make this contribution?
- Where is the European profession now?
- Where does it want to be?
- How will it get there - what are the challenges and opportunities?

The results of the Roundtable have been reviewed and discussed with Dominique Ledouble, Chairman of the Common Content Project and a few further considerations have been added as a result of these discussions.

The main suggestions of the Roundtable are the following:

Contribution of the accountancy profession to sustainability

- The accountancy profession has traditionally a role to play in ensuring reliability and quality of internal and external information that can be linked to the reliability of the management systems and the internal controls. However, with business starting to appreciate the importance of sustainability, and in particular of climate change, trading schemes and carbon emissions, the profession has an increasing role to enhance awareness of the management related to the legitimacy of sustainability.

- The accountancy profession is active in different areas reaching from accountants that work in auditing firms, accountants that work as internal auditors in business to accountants that work in the public sector, accountants that work in business and other accountants such as academics. All these accountants need to be aware of sustainability and the implications in the various areas of their activities.
- All the activities of an organisation (marketing, procurement, production, human resources, etc.) are affected by sustainability considerations. Accountants can have a role in changing the mind set and contribute with technical and strategic expertise to have sustainability integrated throughout the organisation, so that good management implies good sustainability management.
- Since investors appraise more and more sustainability reports, it was judged important to link CSR data such as KPIs (key performance indicators) with the financial performance of the organisation. Accountants can help with the identification of KPIs for sustainability reporting and create the link with the overall performance of the organisation. Cooperation between the accounting department and the CSR department in an organisation is to be welcomed and stimulated.
- The profession has a role in raising awareness of policy makers and society at large about the limitations of decisions based on economic grounds and to suggest how externalities can be internalised. However, for the time being, it should focus on the issues of climate change, measurement, providing assurance, communication and reporting with the aim to change the values and culture of organisations.
- The accountancy profession should also contribute to the use of a common language or standards to measure and report on sustainability matters.
- The next generation of accountants needs to know about full cost accounting principles and integration of externalities in to accounting systems and financial statements, in order to prepare the profession for future developments.
- Accountants have a role in connecting CSR reporting with financial reporting and addressing elements that are different such as the concept of materiality, stakeholders' engagement, compliance with rules, standards and systems, etc.
- Accountants should accept the challenges of mixing the rigid financial reporting culture with the sustainability culture.
- Accountants should act in the public interest. It is not only about technical knowledge and skills, but also about education in shared values and ethics to perform this essential function in society, to contribute to accountability and transparency at large.
- The audience mentioned as an example the initiative of an accountancy institute in influencing the way CSR was looked at. They hold a two day free course to help to conduct business in a responsible way.

- Therefore, education in sustainability should start with the preparers of the information: management. Accountants have a secondary role. It was however also argued that the value of management education in sustainability can be enhanced.

Accountants and knowledge of sustainability issues

- The accountancy profession should have an understanding of issues related to sustainability and in particular of climate change, trading schemes and carbon emissions;
- It is all about knowledge of the principles of accountability and transparency that underline sustainability reporting and its standards and guidelines on reporting and assurance as well as the importance of stakeholder engagement, both regarding environmental and social issues and awareness of risks in society. Therefore we are discussing how to raise awareness in general in the profession but also more specifically how to pay attention to sustainability in the curriculum of an accountant. The accountancy profession can contribute to accountability and transparency processes; add reliability and relevance to information systems and internal controls and enhance the credibility of information by internal and external assurance provision.
- Awareness of the necessity to enter into a dialogue with organisations to help them move towards the ESG “Environmental, Social and Governance” domain. CSR should be embedded into the management process.
- There is an expectation that the accountancy profession will assist organisations in enhancing the reliability of their non-financial data and information collection and management.
- Sustainability should be integrated in all parts of the curriculum and not be a separate subject, in basic as well as continuous education. It is about making sure that the accountant understands the issue. It is not to become a specialist. A parallel was drawn with, at the time, introducing IT into the curriculum, being an evolutionary process. However a ticking the box approach should be avoided and concrete topics would need to be included in the curriculum.
- The profession should also have knowledge regarding the European Emission Trading Scheme reporting, the implications for the financial statements and the related assurance and audit.
- With the Modernisation Directive that requires Directors to report on their Key Performance Indicators (KPI) including social and environmental impacts, stakeholder engagement and materiality in relation to sustainability issues are increasingly important. With sustainability becoming more integrated in financial statements, as well as in the director’s report in annual reporting, financial audit teams will need to be able to work in multi-disciplinary teams.

- Internal control related to non-financial information, including CSR is also important since the attention is growing. Although it is similar to internal control related to financial information, it requires re-design of information systems. The accountant has a role in assessing the relevance and reliability of information systems. These issues should be part of the curriculum of the accountant.
- There is a need to identify what the general accountant should be aware of and what the specialist in sustainability reporting and assurance should know. The curriculum for specialist should be separate from the core education.
- The risk approach being part of the accountant's training needs to integrate sustainability issues through risk assessment.
- It was observed that the role of internal audit must be reconsidered since the function acts as a bridge between internal management systems and external reporting and assurance processes.
- It was suggested that the curriculum of the education of accountants should integrate sustainability issues in the various functions:
 - a) design and implementation of information systems
 - b) internal controls and risk analysis
 - c) reporting
 - d) assurance function.

Detailed topics could include:

- Company and business strategy,
 - Embedding in corporate governance;
 - Stakeholders engagement, understanding and awareness;
 - Accounting for emission rights/trading schemes (IASB will re address IFRIC 3) and financial reporting implications;
 - Integration in intangible assets;
 - Internal controls in relation to non-financial information;
 - Risk approach integrating sustainability issues;
 - Selection and measurement of KPIs;
 - Knowledge about accounting for externalities (“full cost accounting principles”);
 - Sources and techniques of assurance.
- Learning on the job and web-based learning have also a strong added value and could be included during the training period of the accountants. An example of e-learning was provided: for bank clients, one university developed a course of five hours on “Why sustainability matters to the banking business?”

Key calls:

- The general accountant should have an understanding of sustainability issues and the implications for the financial statements and the related audit.
- In its Education Standards under “Organisational and education” IFAC should include a requirement on environmental and social knowledge integration in the various functions. In case this would meet reluctance, the European profession should call for integration in the curriculum of the accountant. One suggestion made was to integrate sustainability in more detail and at an enhanced level in the specific service knowledge common content and requiring a more demanding knowledge level on the specific topics in the Common Content Project in the specific services rather than the current rather general requirements referring to non-financial information and ecological aspects. The ACCA curriculum can fulfill an example role in this respect.

The upcoming review of the Common Content Project could be used and play a catalyst function in this respect setting examples for other curriculae. FEE’s Sustainability Working Party and Education Subgroup can work together in providing input to both IFAC, Common Content Project and other projects concerning the curriculum of the accountant.

- Also existing accountants – including accountants in business- need to be aware of the sustainability considerations, including in particular climate change, trading schemes and carbon emissions, and implications for financial reporting and risk assessments. It is important that in the permanent or continuous education sufficient courses are offered integrating and addressing the sustainability aspects.
- The topics to be included in the curriculum could start with identifying the desirable learning outcomes.
- FEE could play a role in raising awareness on sustainability issues. FEE Member Bodies have a task in promoting inclusion of sustainability in the curriculum of the accountant and in continuous education.

The Chair closed the roundtable by thanking the participants for addressing the issue of sustainability in education and reinforced FEE wish to play a prominent role in the area of the education of accountants in sustainability.



FEE ROUNDTABLE ON SUSTAINABILITY EDUCATION

29 MAY 2008

QUESTIONS ADDRESSED

A. What are the areas in which the accountancy profession can make an important contribution?

A.1. What do you see as the main developments in sustainability of the last years?
What trends do you see?

A.2. Which activities inside your organization (marketing, accounting, production...) will in your opinion be affected by sustainability in the near future and what will be the impact?
Why should accountants have to understand the principles of sustainability?

A.3. What do you see as areas where the accountancy profession can make a contribution?
What would you see as its role?

A.4. Given the deficiencies of accounting information, in that many financial figures used in decision making ignore serious negative externalities, does the profession have an obligation (1) to help raise awareness of policy makers and society at large about the limitations of decisions based on "economic" grounds - and (2) to suggest how these externalities could be internalised?

A.5. Our profession has people in practice (audit firms), general auditors and sustainability experts but also people in business, government etc. Do you see different roles for different members of the profession?

B. What are the skills and knowledge required to make this contribution?

B.1. What are competencies needed to provide advice on integrating sustainability in corporate governance, internal control?

B.2. What are competencies needed to provide advice on integrating sustainability in management accounting and reporting?

B.3. What are competencies needed in relation to provide assurance in relation to sustainability management and reporting?



B.1. What is the knowledge necessary in financial audit teams now sustainability becomes more integrated in financial statements, as well as in the director's report in annual reporting?

B.2. How can we educate a financial trained specialist to measure intangible or qualitative aspects of sustainability?

B.6. What should be the content of the minimum syllabus on education for sustainability for those aspiring to become independent public accountants?

B. How will it get there - what are the challenges and opportunities?

C.1. Timing: Curriculum of accountants is already very full. Do sustainability aspects have to be included in the current curriculum or be presented as separate specialist postgraduate education?