

SUNRISE SECTOR

# Clean energy initiatives offer accountants a green field

For public practices, environmental accounting is not yet a mainstream issue. But as Australia moves towards legislating a carbon emissions trading system, it's time to consider the challenges and opportunities.

DEREK PARKER

The debate over the carbon tax has put the broader issue of the environment firmly on the agenda, but accounting which incorporates environmental issues is still at an early stage. The field, however, is set for growth, and presents opportunities that should not be missed.

"The anecdotal feeling is that awareness of environmental accounting, both among accounting public practices, and their clients, is pretty low," says John Purcell, CPA Australia's policy adviser on corporate regulation. "If the GST experience is any guide, most accountants in public practice are waiting to see the detail of the carbon tax legislation before they start thinking about how it will affect them and their clients. That's understandable, but it might not be the right business strategy."

While there has not been much research focused on the small business sector, what has been done tends to reinforce Purcell's views. For example, a survey of SMEs titled *Accounting for the Cost of Carbon* (by the National Centre for Sustainability at Swinburne University of Technology) found that less than one-third have quantified their annual production of greenhouse gases through a greenhouse gas emissions inventory, with those taking no action stating that their lack of knowledge was the primary reason for not measuring emissions.

To date, public and government reporting of emissions, like the carbon tax, has been focused on large companies, and many smaller companies

believe that the issue is of no real concern to them. But this is not really the case.

"Any small company that acts as a supplier to larger companies is going to find itself drawn into the reporting net, as large companies start to gather information so they can report on the carbon that flows through their supply chain," says Purcell. "The *National Greenhouse and Energy Reporting Act 2007* needs to be understood in this context. That can be a fairly complex business and



**John Purcell,** policy adviser on corporate regulation, CPA Australia

reporting process for suppliers, and they will be looking for guidance. That opens opportunities for accountants to build on their existing trust relationships and move into another field of advice.

"As a professional association, CPA Australia is actively promoting the development of tools for SMEs to analyse and report on their performance with supply chains. We are also seeing large companies, especially retailers, providing reporting templates to suppliers, and complying with that method of reporting is something that accountants can assist with, as well as providing assurance services."

Jude Lau\*, a partner with HLB Mann Judd, agrees the field has the potential to expand rapidly.

"For practices that want to develop a point of difference, environmental expertise is a good >

PHOTO GEOFFREY BOCCALATTE

#### ENERGY TRAINING FOR ACCOUNTANTS

CPA Australia and Macquarie University recently received a A\$241,139 grant from the NSW Government's Office of Environment and Heritage to collaboratively train accountants on energy efficiency. The project will focus on better management, measurement and reporting of energy use.

When fully developed, the training package will consist of three courses: training for practising accountants who have SME and personal clients; training for accountants in improving greenhouse gas measurement and reporting in large energy users; and developing dedicated sections on accounting and reporting for energy efficiency within undergraduate and postgraduate units at Macquarie University.

"We have been and will continue to be actively involved in this program," says John Purcell, "We think it can be a model for the future. Ultimately, we would like to incorporate it into CPA Professional Development courses, so every accountant has the information available to them."

way to go," Lau says. "The carbon tax system, when it is up and running, will certainly push general awareness along. But there are other aspects as well. For example, energy efficiency and resource use are the low-hanging fruits which businesses should address. The escalating cost of energy is here to stay and it feeds through to every aspect of business operations.

"Looking for ways to reduce these costs should be part of a holistic approach to business operations, which is exactly the sort of thing that accountants can provide to clients."

Energy efficiency can take a variety of forms, including investing in better equipment, moving some operations into off-peak times, and negotiating better deals with suppliers. All of the benefits go to the bottom line. Equally, carefully examining business operations can lead to better use of non-energy inputs and the extraction of value from so-called waste.

There are usually savings that can be found. According to the *Accounting for the Cost of Carbon* study, 70 per cent of the SMEs that sought to assess their carbon emissions identified broad cost savings as a result – even if finding savings was not the original purpose of the project.

#### Market forces

Reg Williams\*, managing partner of audit firm WPIAS, makes the point that changing public attitudes are going to make environmental accounting a growth field.

"There was a survey from Mission Australia a while ago, of young people, which showed environmental damage to be one of their top concerns," Williams says. "That generation is

**"Energy efficiency and resource use are the low-hanging fruits which businesses should address."**

Jude Lau, partner with HLB Mann Judd



going to be the driving force of the future. "There is a risk that for accountants that if they do not engage sufficiently with this subject then others will establish themselves in the domain. With many practices looking for new areas of work, it's a field that you need to get into now, while it is still classed as an emerging issue."

The growth of specialist environmental consultancies may present a danger to accountants in public practice, but also an opportunity. If accountants form partnerships and collaborative arrangements with environmental specialists, it could mean a potent combination of expertise.

There are already software tools for environmental reporting available, some for purchase and some free from environmental groups or firms. Knowing about these tools and how they can be applied to a particular business is an obvious way for accounting practices to demonstrate their expertise to clients.

On the theme of increasing the range of advisory services offered to clients, there is also the possibility of moving into carbon credit systems, especially for accountants in regional areas.

"I have some clients who have moved out of farming but still hold parcels of land," says Malcolm Borgeaud\*, managing director of the Carbon Credit Corporation. "They are very interested in utilising that asset for carbon credit purposes, and they want to be into the field as early as possible. There is currently legislation before parliament, the Carbon Credits (Carbon Farming Initiative) Bill 2011, which hopefully will pass before the end of the year. That is designed to provide a framework for a whole range of abatement possibilities, and that will be particularly valuable for rural communities."

The market is increasingly "clicking into environmental issues", Lau says. "Clients are starting to look to their business advisers for more options, and we have to be able to provide them with authoritative guidance." Noting current Australian standards on diesel emissions are based on decade-old, possibly irrelevant data from Greece, Lau argues: "We should also be more active in using our expertise to look at emissions factors and possible standards. Accountants, with our business analysis tools and perhaps in conjunction with universities, should be looking at contributing to the standards design process in a very positive way".

## Setting an example

One way that public practices can use environmental issues to differentiate themselves is leading by example, according to Purcell. While some larger practices have improved their energy efficiency and resource use, many smaller practices still have a long way to go.

“It’s a matter of practising what you preach,” Purcell says. “And it’s also good for your business, both in cost savings – energy use is a big expense for accountants, for instance – and recruitment. If you want to attract younger people into your firm, you have to show them that you are socially ethical and environmentally responsible.”

“In the same way, CPA Australia is trying to set an example. We recently released our third sustainability report, and we have been very active in contributing to government policymaking. We have made substantial contributions to the draft carbon pollution reduction scheme legislation, the national carbon offset standard, and proposed amendments to the *National Greenhouse and Energy Reporting Act 2007*.

“We have produced an important paper, *Applying Sustainability Reporting to Decision Making: Product Focus and Life Cycle Assessment*. It focuses attention on new methodologies which have been developed to assist organisations to identify a broader scope of non-financial dimensions associated with their commercial or operating activities.”

At the undergraduate level, there are already courses on environmental accounting. If the experience of other disciplines such as engineering is a guide, these courses are likely to gain in popularity and eventually become part of the compulsory curriculum. Likewise, the field of environmental accounting, currently emerging, will eventually move into the mainstream of accounting practice.

For practices that want to expand their expertise and client offerings, the time to start moving into the field is now. ■

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**\*Jude Lau, Reg Williams and Malcolm Borgeaud feature in podcast interviews on the CPA Australia website. Go to [cpaaustralia.com.au/environmentalaccounting](http://cpaaustralia.com.au/environmentalaccounting). Each podcast is worth 0.5 PD hours.**

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## CLICKS AND MORTAR

# Beyond the practice plateau

Accountants may stress the importance of business planning to their clients, but how many realise the benefits themselves?

DEREK PARKER

For a long time, accounting practices have been seen as solid, steady businesses; playing an essential business role in local communities and projecting an image of staid competence. The work might be hard and the hours long, but a reasonable level of income and annual growth was assured, with clients brought in by the sign on the door and the logo on the window. But fundamental changes are under way, and responding to them is going to take effort and innovation. Practices no longer build themselves: business development has to become a considered, planned process.

One of the key drivers is the changing nature of compliance work, long the core business of many practices. Successive waves of reform, from the CGT to the GST, created demand for accounting services as clients looked for advice and lodgement help. But tax reform has receded from the agenda of governments, and new technologies have made tax compliance simpler and more direct. It raises the key issue of the role that compliance work will play over the next decade and beyond.

“There’s no question that this is going to be a much harder business to survive in,” says practitioner Peter Knights, of Knights Accounting. “There is always going to be compliance work that has to be done – the tendency of the Australian Taxation Office to make policy by press release guarantees that, for example – but increasingly clients just don’t see the value in having their accountant do basic tasks. They want their accountant to present more options, to do more for their business, to actively improve the bottom line. That means that accountants have to develop their own businesses so they can provide those services.”

Rory Condon, principal of diversified accounting firm CondonTreasure, agrees that compliance work is no longer sufficient to sustain a practice in the long term. “Compliance has become a set of tasks that can be done by administrative people in a practice, with oversight



Ray Condon  
Director of Provincial Accounting  
Wodan

from a partner or another senior person,” Condon says. “In fact, clients have themselves become better record-keepers. You don’t get people coming in with a shoebox of bits of anything anymore.”

“But from a practice development perspective compliance work can be an important avenue into higher-value services. Doing a client’s tax can be a means of identifying tax efficiencies and examining their accounts can reveal ways to help them reduce their borrowing costs. They want to eventually get to the position where client turns to the accountant whenever they’re considering a financial decision.”

Of course, getting from here to there is easier to say than do, especially when many practitioners feel that they are constantly under pressure from day-to-day work. A valuable investment can be to set aside some time, so the partner can get away from the practice to think and about where they want to go, what they do, how they want to develop their business, and they want their business to interact with the private lives. While a short retreat might mean a loss of a few days of income, it can represent a good investment of time, as well as an opportunity to re-charge the batteries.

Equally, another good investment is to start to talk with clients about general issues. >