

## One Direction, Many Roads

A HEALTHY debate is currently underway in regard to the degree of involvement accountants should have in reporting and auditing economic, social and environmental information. Many in the government, business community and the general public are indicating a desire for more robust guidance.

I strongly believe it is critical that we, as Chartered Accountants, are pro-active and take greater responsibility for this task. In doing so, it must be carried out in a manner that will continue to keep the reputation of the profession beyond reproach.

Accountants are in an excellent position to develop, determine and measure the key indicators for economic, social and environmental performance. We understand the nature of business and are expert at benchmarking one year's performance against another.

Auditors also have the necessary experience, skills, standards and the trust of the New Zealand public to verify information. Those interested in innovative approaches may like to obtain a copy of *People, planet and profits — The Shell Report 2001*, and review the "Verifiers' Report", which was completed by KPMG (The Hague) and PricewaterhouseCoopers (London). The "Verifiers' Report" explains the basis of the opinion, and in particular, what information was verified, the degree to which it was verified (by marking the information with differential symbols) and how the verification work was performed.

The biggest risk to Chartered Accountants as a profession is that we fail to maintain the trust of our stakeholders. Our Code of Ethics [3.1] reflects this risk when it states:

*A distinguishing mark of a profession is acceptance of its responsibility to the public. The accountancy profession's public consists of clients, government, employers, investors, the business and financial community, and others who rely on the objectivity and integrity of Chartered Accountants to maintain the orderly functioning of commerce. This reliance imposes a public interest responsibility on Chartered Accountants. The public interest is defined as the collective well-being of the community of people and institutions the profession serves.*

Recently, at a seminar on the Enron failure, (sponsored by the Institute and the Institute of Directors), Professor Ian Ball stated, "Enron reminded us why we are here". Professor Stephen Zeff also alerted listeners to the fact that issues surrounding Enron were multi-dimensional, but that Andersen, the external auditor, had been the public focus of the blame. I consider this was because, as auditors, they promised stakeholders trust, but only delivered uncertainty.

In regard to the development of Triple Bottom Line (TBL) and Sustainable Development (SD) reports, there are three key risks for the profession:

- (1) We over-promise but under-deliver. Consequently we must ensure we are honest about what we can provide.
- (2) We fail to apply rigour to what we do deliver. Whatever the nature or type of information we provide, we must continue to meet the high standards of practice required under our Statement of Concepts. It is not appropriate or acceptable to relax the level of rigour simply because non-financial information is considered more subjective than financial information.

As professionals, we should continue to exercise our judgement when applying the Statement of Concepts. In particular we must consider: (i) whether the benefits derived from the information exceed the costs of providing it, (ii) what statement, fact or item is material, and (iii) the extent that preparers of information exercise prudence when dealing with uncertainties.

As accountants, we need to explore new tools to report and verify uncertain non-financial information. I imagine these new tools will develop in line with investors' and other stakeholders' needs, in the same way that provisions, contingent liabilities and reporting opinions like "true and fair view" were developed for financial information over time.

Continued

### Contents

42	Terrisite news
44	PCB report
45	PCB developments
46	Online Members Handbook
47	BNZ news
48	Insurance Policy Development Standard
50	Ministry of Economic Development
52	Tim Greig
53	ACG update



Already in New Zealand and Australia we have a number of public investors and managers of sustainable, ethical and socially responsible investment funds evaluating the New Zealand market to determine appropriate investments.

It is therefore essential that we understand that the provision and verification of non-financial information may determine trading and investment decisions. Therefore it is imperative that we must apply the same degree of prudence and level of rigour to non-financial information as we do to financial information.

Interestingly, one such investor, the AMP Henderson Global Investors Socially Responsible Investment (SRI) team, was considered to be one of the three best SRI teams in the world by MISTRA, the Stockholm-based Foundation for Strategic Environmental Research.

The MISTRA report defined six best-practice characteristics for SRIs, one of which was a TBL approach where environmental, social and financial performance was evaluated.

(3) We delay or decide not to deliver guidance. This may lead to a variety of service providers entering the market and/or a wide range of approaches to reporting and verifying information in the market. I consider that if we do not provide adequate guidance, one such long-term outcome could be a highly prescriptive regulatory approach.

Whatever the final outcome, I consider that without guidance, those entities wishing to prepare TBL and SD reports in the short- to medium-term will become increasingly confused by the range of views, opinions, initiatives and standards.

Many providers and verifiers of economic, social and environmental information are currently operating in the New Zealand market. It is therefore no longer a matter of creating a "new" service, but rather positioning Chartered Accountants as the "best providers" of the service.

We, as a profession, must re-establish our position in the market; develop broad concepts; and issue general guidelines for establishing performance measures and presenting verification reports in regard to TBL and SD reports. I consider the reporting process must remain voluntary, exploratory and driven by a desire to add value to stakeholders.

It is my view that this process must be carefully managed so that we minimise the risks mentioned above and maximise the opportunities for firms, shareholders, clients and users of information.

The desire for business to report on economic, social and environmental information is nothing new.

Most annual reports contain this type of information. What is new is that there is considerable momentum to report this information in a relevant, understandable, reliable and comparable manner. Our role is simply to guide this process.

## General Practical Experience Update

By Dora Yip, Admissions Adviser

THE Institute has recently clarified information requirements for the Certificate of General Practical Experience. All Provisional members who want to have their first year of practical accounting experience assessed for PCE I enrolment purposes, must submit a Certificate of General Practical Experience to the Institute.

### What's new?

1. The clarified Certificate focuses on obtaining sufficient information to assess the currency of a candidate's accounting experience, the appropriateness of that experience and the level of skill development.
2. To ensure appropriateness of experience, the clarified Certificate requires all signatories to verify that the applicant has gained general practical experience from one or more of the core accounting areas.
3. To ensure currency, general practical experience must meet the following requirements:
  - Be gained with a maximum of three employers
  - Be completed within a 48-month period
  - Constitute a minimum period of six weeks (full-time equivalent) with each employer
  - Be gained within the last 10 years (from the date of submission of the Certificate).
4. To determine skill development, the clarified Certificate requires all signatories to verify an applicant's ability in the five skill areas (technical skills, analytical ability, personal skills, business judgement and interpersonal skills), by requiring them to support their comments with relevant work-related examples.

### Where can I find it?

The new Certificate of General Practical Experience can be downloaded from the Institute's Web site [www.icanz.co.nz](http://www.icanz.co.nz) under Membership/Application Forms. Alternatively, you can contact Registry Services, tel: (04) 460-0606 or e-mail: [registry@icanz.co.nz](mailto:registry@icanz.co.nz) for a copy of the form to be sent out to you.

### Important dates 2002

All Provisional members wishing to enrol for the PCE I programme in October 2002 must submit their Certificate(s) of General Practical Experience to the Institute by 19 August 2002. Certificates received after that date may not be considered in time for the October session.

If you have not yet applied for Provisional membership with the Institute, you may submit your application along with your Certificate of General Practical Experience. For more