

**The influence of Power's Audit Society in environmental and sustainability
accounting**

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1. Introduction

The questions that Mike Power raised in his seminal contributions to accounting in the early nineties continue to be relevant for social, environmental and sustainability accounting scholarship. In addition to the *Audit Society* (Power, 1997a), Power published a set of three papers that critically informed (what was then framed as) social and environmental accounting (Power, 1991, 1992, 1997b). His contribution included mobilizing interest in environmental management techniques alongside more fundamental questions of how auditing permeated markets, organizations, and society. This work, in combination, addressed three themes that have been particularly influential in what has become ‘sustainability accounting’: the search for accounting expertise that can support the identification and treatment of environmental risks; the critique of sustainability reporting and assurance; and, despite all the odds, the potential of accounting in what has come to be described as the Anthropocene. We use these three themes to discuss Power’s influence in social, environmental and sustainability accounting. In the second section, we review how the problematization of accounting expertise has influenced the literature on environmental auditing and sustainability assurance. In the third section, we briefly review the abundant literature in social and environmental accounting that has mobilized the idea that auditing could be producing comfort and, therefore, inaction. Despite the need to recognize the potential disabling effect of auditing, in the fourth section we follow how the idea of the potential of accounting has motivated sustainability accounting research.

2. The relevance of accounting experts in environmental auditing and sustainability assurance

The central observation of Power (drawing on Beck and others) is that risks do not straightforwardly exist to be discovered, rather they come into being. In this sense, risks are not readily observable but require the mediation of science and expertise, rationalization and calculus to make them ‘real’ (Beck, 1998, 2009). Whether it is nuclear threats, climate change or financial market instability, science and expertise elaborate, abstract and mediate between the possible catastrophes that are rationalized and calculated, and how they are represented to managers, policy makers and the public as risks. In different words, risks exist in society because of experts who can call them into being through particular techniques and describe them using particular language.

The ‘audit explosion’, therefore, is related to the need for expert judgment about which ‘realities’ are to be selected for examination, a process that focuses on and thereby narrows attention to aspects that are ‘auditable’ (Power, 1991). By definition, this process excludes other aspects from view.

How ‘things’ are made auditable, however, depends crucially on what auditing expertise is accepted and seen to be legitimate as well as who undertakes the audit work (Power, 1997a). Power suggests three aspects that made auditing work: “selective testing by sampling, reliance on other specialists [and] focusing on systems processes rather than outcomes” (1997a, p. 88). Although in the *Audit Society* Power extended his ideas to different social fields in terms of how expertise can make ‘things’ auditable, for the purpose of this commentary it is interesting to note that a substantial part of his studies in the nineties focused on what was then framed as a contested domain, i.e., environmental audit (Power, 1991, 1992, 1997b). His initial interest in environmental audit had an influence in the social and environmental literature, an influence that increased with the advent of the sustainability assurance industry at the turn of the century. Sustainability assurance seeks to increase the confidence in information provided by corporations in ‘sustainability’ reports with both reporting and assurance becoming widely adopted by large corporate entities since the 1990s. Assurance of this form of reporting has been regulated in some jurisdictions (IFAC, 2021).

Sustainability assurance has been found to be a fragile and contested activity (O’Dwyer, 2011), not only because of its relative infancy, but also because of the inherent ambiguity of concepts such as assurance and sustainability (Channuntapipat, 2021). Inspired by Power’s ideas, O’Dwyer (2011) studied the development of sustainability assurance by interviewing assurance practitioners who were trying to reconcile their practice to the requirements of assurance as well as to the demands of their clients. In this case, assurance required the construction of sustainability as an ‘auditable’ object, with practitioners struggling to cope with the ambiguity of sustainability and the unsuitability of conventional audit techniques with respect to this new context. Concurring with Power (1997a), O’Dwyer found that sustainability auditability rests on internal control procedures (that cover a sub-set of organisational impacts) and the narrowing of scope to already monitored activities. This study also contrasted the practice of accounting and non-accounting assurers, with the latter showing more interest in assuring sustainability performance, who wished to engage more closely with

auditees, and who were more willing to provide advice (O'Dwyer, 2011). What assurance achieves and the subject of assurance, therefore, was different between the different professional groups, thereby constructing different judgements of sustainability performance and risk.

With respect to the theme of assurance, Power has influenced investigation as to how sustainability is made auditable, how sustainability performance has become a risk object and subject to management (Power, 2007). Moreover, and drawing from the sociology of experts, Power prompts us to think about how auditing practices differ and the impact of these differences on assurance legitimacy (O'Dwyer, 2011; O'Dwyer, Owen, & Unerman, 2011).

However, there is also a normative side to sustainability assurance that transcends organizations and that has received scant attention. In his theorization of risk management, Power (2007) argues that this activity erodes the borders between regulating and managing, with management standards conferring organizations with new instruments through which to govern society. At the same time, auditing has become a standard way of dealing with, and absorbing, assorted social problems (Power, 1997a). In a different formulation, it could be argued that auditing, risk management and other areas of expertise have the power to define risks (Beck, 2009), with management standards being legitimate instruments of this definitional and processing role. In the case of sustainability assurance, the literature has evidenced the fragility of this practice at the organizational or organizational field levels (O'Dwyer, 2011; O'Dwyer et al., 2011). Moreover, Beck (1998, 2009) continues to emphasise that the, frequent irreversible, nature of global risks is not exogenous but inherent to the understanding of risk. In this regard, the interplay between the organizational and the global knowledge of risk with respect to environmental effects and planetary limits is a relevant area of enquiry where risk management ideas can be mobilized (see Antonini, Beck, & Larrinaga, 2020 and Bebbington, Schneider, Stevenson, & Fox, 2020). This observation leads to the second theme in this commentary.

3. Environmental accounting as producing comfort and inaction

Ecological risks are pivotal examples in Beck's risk society because nuclear and chemical risks (Beck, 1998), as well as climate change (Beck, 2009) were invisible until

experts labelled and characterized them. Beck calls attention to these risks as they emerge from the overlap of politics and science, with the latter monopolising other forms of economic or ethical rationality.

As explored in section 2, Power (1997a, 2007) describes how things are auditable, but also the consequences of them becoming auditable. The risks that are managed or audited have a real substance, but it is “the institutional mechanisms for dealing with these dangers and classifying them as risks to be managed” (Power, 1997a, p. 139) that socially construct them. There is no risk without the inscription of those institutional mechanisms; and, at the same time, anything can be a risk with the proper inscription. This is what leads Power (1997a) to suggest that the “audit explosion suggests that audit is emerging as a powerful institution of risk processing” (p. 139).

A key implication of the *Audit Society* is implicit in the subtitle of the book (*Rituals of Verification*). That is, the problem of what Power calls the “industry of empty comfort certificates” (Power, 1997a, p. 123). Power sees in auditing one of those expert activities that can produce risk. Auditing can identify and describe something that was not previously conceived as a risk, transforming it by this very act into a risk. However, by the same token, auditing can produce a false sense of control, some comfort about financial and environmental risks, crowding out critical questions and, therefore, serving as a means of regulating (stabilising) activities and social structures.

As already discussed, in the nineties, Power paid attention to a burgeoning activity that did not have much to do with financial auditing: that is, environmental auditing. Indeed, and separate from financial accounting regulation, this activity flourished after the European Union gave it formal force in 1993 in the form of the European Eco-Management and Audit Scheme (EMAS – see, Power, 1997b). Power (1991) had already explored the emergence of an expertise around environmental auditing, noting the limitations of the accounting expertise to represent environmental risks.

Environmental audits (to use his terminology) were argued to have a problematic relationship with sustainability and we could extend this contention to environmental accounting more broadly, a point that has been made in the social, environmental and sustainability literature (Bebbington & Larrinaga, 2014; Gray, 2006).

Power (1997a, 2007) theorizes the process by which environmental auditing can “capture, limit and distort the green discourse” (Power, 1991, p. 39) as informed by existing practices and languages that limit the prospects of innovation and by the

pragmatic requirements of what is feasible given current expertise (cf., Owen, Swift, Humphrey, & Bowerman, 2000): these ideas have been mobilized in sustainability assurance literature (see, O'Dwyer, 2011; O'Dwyer et al., 2011).

The production of 'comfort' is crucial to the evaluation the consequences of auditing and assurance. Power (2007) differentiates between a first class of risks which have a more immediate link with the underlying threats, (such as emissions and forced labour in the supply chain) and a second class of risks "more programmatic in nature, more fluid in form and significant as a class of potential boundary objects for communities of specialists, the public, political systems, and other centres of authority. Such risks objects also tend to be heavily mediatized" (p. 188). Critically, comfort is produced by the abstraction produced by focusing in the second class, rather than on the first class of risk. Organizations are managing their reputation, corporate social responsibility, or corruption risks, while those risks are increasingly distant from the substantive risks to which Beck (2009) refers (see, Larrinaga & Garcia-Torea, 2021). This disjuncture is starting to be addressed directly in the sustainability accounting literature.

The example of climate change and fossil fuel companies were analysed by Bebbington et al. (2020) who found that companies manage second-order risks in the form of publishing sustainability (or similar) reports and answering CDP questionnaires. However, these authors found that the large-scale sustainability issues that climate change represents for this sector (that is, that fossil fuels could be 'unburnable' in a carbon-free future if we are to avoid dangerous climate change) is not represented in the financial accounts, the notes to the accounts (where reserves data is presented) or in sustainability reporting itself. Thus, in this case first and second-order risks are disconnected.

Likewise, Antonini et al. (2020) investigated how labour practices in the supply chain (first-order risk) are represented in corporate reports and communications by a ready-made garment company. They focused on how the case company used reporting boundaries to construct what is inside and outside of its responsibility and found that risk was conceived in terms of risk matrices (second-order risk), which were mediated by experts. However, splitting first and second-order risks proved to be problematic given the nature of the industry, the legitimacy threats produced by labour related accidents in the industry and the multiplicity of actors involved. These disconnections lead to the perception that reporting is about words not deeds, when in fact this arises

from words displacing a focus on deeds (a point developed by Christensen, Floyd, Liu & Maffett, 2017). This does not have to be the case, and it is to the potential of accounting that we now turn our attention to.

4. Environmental accounting: Don't throw the baby out with the bathwater

In the previous sections we have explored how the work of Power and, especially, the *Audit Society* influenced sustainability accounting and assurance scholarship. Despite the clear contribution that Power has made in this area, we would argue that there is a realist angle that has been neglected in environmental accounting to date. In particular, we would argue that ecological risk cannot be reduced to a social construction (see Bebbington & Larrinaga, 2014). As Power (1997a) put it, “the dangers of pollution (...) are real and affect individuals in tangible ways” (p. 139). In different words, the social construction of ecological risk is an important consideration for understanding how those risks are managed, and whether risk management activities create comfort or action. However, this realist angle calls for action and suggest that action is more likely as ecological deterioration has accelerated and as the crossing of planetary boundaries is more evident. The Anthropocene is a socioeconomic and biophysical reality whose substance resists being considered only as a social construction, as a narrative (Bebbington & Larrinaga, 2014).

Realism is important in the face of the fantasy of control to which Power (2007) refers. As reflected in the title of his book (*Organized Uncertainty*), or maybe more clearly in Beck's (2009) notion of organized irresponsibility: control is growing more fictitious as the risks increase in size. Along the same lines, Latour (2015) talks about a bureaucracy producing ignorance. Indeed, the fantasy of control is generating increasing concern in the face of the Anthropocene, by which “we appear to have taken control over nature (...) [while] we also appear ill equipped (...) to govern the world under the influence of those changes” (Hamilton, Bonneuil, & Gemenne, 2015, p. 10).

Our point here is that the Anthropocene and planetary boundaries are notions that resist a purely narrative conceptualization. It is true that those notions are powerful and mobilizing signifiers; but there is an inescapable objectivity in the Earth (Latour, 2018; Rockström et al., 2009; Steffen et al., 2018). The crucial question is whether sustainability accounting has any role to play in governing Anthropocene conditions and what is the nature of its performativity. We have argued elsewhere that transformations are needed in accounting to illuminate the first-order risks arising from

the Anthropocene (Bebbington & Larrinaga, 2014; Bebbington, Österblom, et al., 2020). Again, Power (1992) already highlighted a possible role for accounting, noting that despite all its limitations, “accounting is an efficient social technology in terms of its sheer geographical reach” (p. 497) and that it is one thing to seek to limit the scope of accounting and something very different to completely abandon it.

Accounting technologies and practices are constitutive of socio-economic activities, mobilizing specific rationalities and making some ideals operational in programmes of government (Miller & Power, 2013). Those ideas have permeated sustainability accounting research, suggesting that accounting technologies and practices are performative. It is true that they have been criticized for producing ignorance about first-order risks, but this observation has also prompted scholars to explore how sustainability can be mobilized in organizations and countries “into operational and visible performances” (Miller & Power, 2013, p. 583) that involve accounting technologies. Accounting is thus a “productive force” that “recursively and repeatedly constitute economic spaces and entities, mediate ideas and instruments, link together different arenas and actors, provide the dominant narratives of performance evaluation” (p. 587). Accounting thereby produces economic facts, drawing the boundaries between what is subject to risk management and what remains invisible: the ecological threats are not risks.

The prospects of mobilizing the productive force of accounting for a sustainable future are not clear. Unerman, Bebbington, and O’Dwyer (2018) have described the difficulties to address sustainability through accounting for externalities.

Commensuration problems and lack of intersubjective consensus are burdening the possibility “to convey meaningful information about the financial impacts of many externalities” (p. 515). Those ideas in sustainability reporting have also called attention to the need to further explore accounting technologies themselves for imagining new accounts, rather than limiting the analyses to the behaviours of accounting practitioners and accounting practices. As Beck (2009) put it, the “nothing-but-society sociology is blind and makes us blind to the environmental, technological, materialized challenges of the second modernity” (p. 27). In that regard, Bebbington et al. (2020) have suggested that accounting should target new objects to constitute a relevant socio-ecological domain. They explored the case of seafood production and noted that the current focus of accounting research in listed companies might not be productive, with significant

seafood production carried out by companies that do not fall into this category. Moreover, it has been suggested that the accounting entity is problematic in a sustainability context (Gray, 2010) and that accounting research should pay more attention to how ecological risks are mediated across different accounting objects: for example, between a fishing vessel and a seafood processing company or between the supply chain and the fashion clothing store.

5. Concluding comments

To bring our reflection to a close, two points are relevant. First, Power's work has been critical in bringing to the attention of accounting scholars that accounting techniques are performative: that is, they have effects in society and within organisations. This core contribution is especially cognate with Beck's reflections on risk and the 'risk society'. Both these scholars' insights have become critical as the salience of environmental risks have increasingly been identified in policy and practice. These observations were also prescient. For example, while we have become familiar with the language of climate change and its Conference of Parties (COP), it is worth recalling that the first COP took place from 28 March to 7 April 1995. What is now familiar, has only recently become so.

The second point we would make relates to how, despite the risk/audit society thesis, there has more recently (drawing on Latour and others) been a recovery of the materiality of environmental impacts and how a reflexive accounting can navigate to what we have distinguished as first and second-order risks. Our contention (especially in Bebbington & Larrinaga, 2014 and Bebbington et al., 2020) is that our current situation is somewhat different than the 1990s, and new understandings of the role of accounting in the Anthropocene will need to be imagined.

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