

Sustainability reporting and the role of accountants' competence among companies listed on the Nairobi securities exchange in Kenya

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Abstract

The low level of sustainability reporting among developing countries has been an issue of concern to companies as they strive to ensure transparency and accountability. The purpose of the study was to evaluate the role of accountants' competence on the level of Sustainability reporting among companies listed in Nairobi Securities Exchange in Kenya. The study adopted a cross sectional survey design. Document analysis and structured questionnaires were used to collect the required data. The descriptive findings revealed that the accountants' skills, knowledge, experience was low with regard to reporting on the companies social activities. The regression analysis results revealed that accountants' competence has a positive and significant influence on the level of sustainability reporting. The study recommends that the accountants should be trained on the modalities of Sustainability accounting, Universities and learning institutions should give particular emphasis on teaching sustainability reporting while the academic sector should ensure a closer exchange between the accounting profession and the industry players through organizing seminars and training programs on sustainability reporting.

Keywords: sustainability, social accounting, legitimacy, competence

1. Introduction

1.1 Background of the Study

Accountability and transparency has been considered key components in achieving the economic goals of the Kenya's Vision 2030. One of the strategies of encouraging transparency and accountability as stated in the Republic of Kenya (2012) sessional paper no. 10 is to encourage public access to information and data so as to ensure transparent, accountable, ethical and result oriented public institutions. Transparency and disclosure of information is crucial in companies listed in Nairobi Securities Exchange because it is considered as a means through which stakeholders are able to interact with the company.

The current wave of negotiations with regard to environmental changes, the business environment has not been exempted. As sustainability takes effect it is expected to have a direct impact on the value of businesses. KPMG (2011) ^[14] has painted a grim picture on the impact of sustainability to businesses. The resources are expected to become scarcer and more costly, the infrastructure and the natural systems are constantly becoming under strain due to the changes in the environment, the population, the economic growth as well as the dwindling physical assets and changes in the supply chain (Rizk, Dixon & Woodhead, 2008) ^[27]. This has been due to the negative impacts of unpredictable environmental changes. The net impact of all these forces will be very adverse operating environments for the business community. The shareholders will thus demand for more integrated information of the impact of these forces on their business so as to make informed decisions on how to address and assess their impact. This will require a more integrated financial statement which is

tailored to the specific needs of the shareholders and most importantly the sustainability information.

The role of preparing financial reports falls under the responsibility of the accountants within the organization. The accountancy profession given its public interest role is expected to greatly contribute to the creation of a sustainable environment in the world today. The concept of sustainability involves operating in a way that takes full account of an organization's impacts on the planet, its people and its future. Sustainability presents some key challenges and opportunities for the accountants. The profession need to recognize that sustainability affects and its affected by many areas of the business not only the financial aspect which include corporate governance, management, marketing, information systems among others. This requires that the accountants acquire more competences in addition to those traditionally acquired relating to finance and assurances. To enhance the credibility of the profession and the quality and credibility of financial information its necessary that the profession takes an active role in ensuring that sustainability information is prepared in a more reliable manner (Fortin & Carron, 2014) ^[12].

In Kenya the practice of Sustainability reporting is a new concept with very low levels of sustainability reporting. In most developing countries the level of CSR reporting is low and unsatisfactory mostly characterized by general descriptions of the CSR activities (Rizk et al, 2008) ^[27]. This is an indicator that much needs to be done to improve on the reporting aspect of CSR activities so as to avail the information needed by the stakeholders. These reports are characterized by lack of completeness in terms of quantity as well as the quality which makes them unreliable for users. Lack of knowledge on how to collect

CSR activities' information, summarize and report it in a manner understandable by the users, lack of training and knowledge of the global reporting initiatives(GRI) can be a great contributor to the poor quality of sustainability reports (Herbohn & Griffiths, 2008) ^[15].

The Accountants are expected to abide by the principle of competence and due care at all times when performing their jobs. Cockerill and Hunt (1995) ^[6] defined competence as a combination of knowledge, skills, attitudes and experiences necessary to perform a particular job. Jasper and Semeijn (2001) ^[16] concurred with this definition when they defined the concept of competence as integrated knowledge, skills and attitudes that can be used to perform a job successfully. The accountants have a significant role to play in ensuring the reliability and quality of financial and non-financial information. In addition they have a significant role to play in helping the organization meet the challenges faced by the corporation of integrating sustainability issues in the normal day to day operations. This requires them to have multi-dimensional skills in all areas of the business to be able to generate the required information as they are now expected to work in multiple stakeholder environments which may require more than financial skills. The financial reports can be said to be reliable if people have confidence on the competence of those concerned with their preparations. Reliability of financial reports is an important qualitative characteristic of the financial reports because those reports are relied upon by the diverse stakeholders to act as a basis for making key investment decisions. The quality of financial information is measured its objectivity, accuracy and completeness. One of the major obstacles to sustainability reporting among companies is the lack of training, education and experience of the accounting personnel in the public sector (KPMG, 2011) ^[18]. Hence the purpose of this study which sought to identify the role of accountants' competence in CSR reporting among listed companies in Kenya.

1.2 Statement of the Research Problem

Sustainability reporting is a key concern in the current business environment. The practice of Sustainability reporting has been widely adopted by many developed countries as a good practice of encouraging accountability and transparency. According to KPMG (2011) ^[18] survey on G250 companies 71% of European countries reported on CSR activities with American companies at 69%. A number of important markets in developing and emerging economies still show low levels of CSR reporting with only 20% of Indian companies adopting the practice 37% in Taiwan.

The preparation of sustainability reports has been considered a complex and difficult task for the accountants, since sustainability cannot be measured directly as other financial aspects of the business. This complexity has contributed to the low levels of sustainability reporting among many organizations. The current state of financial reporting provides only partial information which may be limited to assess the overall performance of an organization. Research shows that 25% of the entity market value can be attributed to

accounting book value, while the remaining 75% of the market value drivers are not communicated through the existing GAAP model (IMA, 2014). This calls for a more integrated form of a report which provides a full disclosure which minimizes the externalization of costs to the detriment of the organization and the society at large. Due to the complexity associated with sustainability reporting accountants are expected to increase their knowledge of the regulations, current developments and the frameworks related to preparations and assurance of sustainability reports. Despite of the fact that sustainability reporting is done on voluntary basis by many developing economies like Kenya, the advent of globalization and its impact on the globe has seen many of these countries adopt the practice through benchmarking from developed countries. This has brought in more demand for the new knowledge to the accountants requiring them to accustom themselves with the techniques and practices associated with CSRR. The current study sought to assess the current state of accountants' competence and its influence on the level of sustainability reporting among companies listed in Nairobi Securities Exchange in Kenya.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of this study was to evaluate the role of accountants' competence on the level of Sustainability reporting of companies listed in Nairobi Securities Exchange in Kenya.

1.3.2 Specific Objectives

1. To examine the level of Accountants' skill on Sustainability reporting of companies listed in Nairobi Securities Exchange in Kenya.
2. To evaluate the level of Accountants' knowledge on Sustainability reporting of companies listed in Nairobi Securities Exchange in Kenya.
3. To establish the level of Accountants' experience on level of Sustainability reporting of companies listed in Nairobi Securities Exchange in Kenya.
4. To explore the effect of accountants' competence on the level of Sustainability reporting among Companies listed in Nairobi Securities Exchange in Kenya.

1.4 Significance of the study

This study was aimed at evaluating the role of accountants' competence on CSR reporting of companies listed in Nairobi Securities Exchange in Kenya. It is expected to contribute greatly in the field of Sustainability; specifically it contributes greatly to the growing body of literature focusing on CSR reporting in developing countries. Due to the minimal research on CSR reporting in Kenya (Mwasa, Sira & Maina, 2014) ^[22] the study fills the gap in literature by providing a comprehensive insight into the extent of CSR reporting as well as the role of accounting competence in CSRR. The findings of the study are of key concern to the accounting regulators in the country such as ICPAK in their efforts towards ensuring transparency and accountability in reporting by companies in Kenya. The findings of the

study will greatly increase knowledge of CSR reporting in Kenya that is of key concern to the managers who have not yet adopted the practice and even those who are seeking to become more competitive in their operations. The recommendations provide insight to the Chief Executive Officers in their key role of ensuring accountability and transparency through integrated reporting. The recommendations provide a thoughtful insight to the academicians in identifying limitations in the accounting curriculum so as to take the necessary steps towards improving the graduate accountants' ability to handle the challenges facing the accounting profession.

2. Literature Review

2.1 Introduction

This chapter reviewed the literature related to the role of accountants on Sustainability reporting among previous studies. The reviewed literature provided a basis for an appropriate theoretical review of existing literature.

2.2 Theoretical Framework

2.2.1 Legitimacy theory

Legitimacy is the status or condition which exists when an entity's value system is congruent with that of the society of which the entity is a part. Legitimacy theory as developed by Dowling and Pfeffer (1975) ^[10] tries to explain why organization carry out some practices beyond what is expected of them by the regulators. It is based on the notion that the business firms' are part of the society in which they operate hence there exists a social contract between the business firms' and the society. This theory suggests that reporting is used as a communication mechanism to inform or manipulate the perceptions of a firms' actions. Legitimacy is expected to be provided by the society to the organizations operating within the society only if the organizations activities are in line with the interests and expectations of the society. This theory proposes a relationship between corporate disclosure and community expectation in that organization voluntary disclose social and environmental information with the aim of satisfying the expectations of stakeholders. Due to information asymmetry, the stakeholders expect the companies to disclose full information pertaining to their operations so as to enable the stakeholders' make informed decisions. Legitimacy theory can be used to explain the current trends towards CSR reporting. It is based on the concept of social contract which exists between the information developers and the information users. Based on the existence of such a contract the companies will try to satisfy the information needs of the stakeholder in exchange of gaining the social contract or license to operate within the society. Several studies have been carried out using legitimacy theory to explain why organizations go beyond the legal disclosure requirement (Cormier & Gordon, 2001^[7]; Cho & Patten, 2007 ^[5]; Owen, 2008 ^[23]; Tilling & Tilt, 2010) ^[30]. The argument is that companies seek to legitimize their existence to society by voluntary being involved in corporate social activities and disclosing that information in their annual reports to justify that they have the interest of the society at heart when carrying out their activities.

This theory is based on the principle of social contract which explains the expectations that the society has, about how the organizations are expected to operate (Deegan, 2002) ^[9]. It is based on the assumption that businesses exist for the benefit of the general community not necessarily for the benefit of the shareholders, and thus they should behave in line with the expectations of the general community in order to avoid being considered illegitimate. Due to the increase demand for information, accountability and transparency any organization which does not provide information to stakeholders is considered to act against the expectations of the stakeholders hence the community should disregard their products, or investing in them. This has prompted companies to be proactive in their Sustainability reporting in order to seek legitimacy from the community.

2.2.2 Stakeholder theory

The stakeholder theory is related to the legitimacy theory in that both focus on the expectation of stakeholders as the basis for organization's behavior. While legitimacy theory focuses on the society as a whole, the stakeholder theory focuses on individual stakeholders expectations from the organization by considering the different stakeholders within the society and identifying how they can be managed to meet specific group's expectations. A stakeholder is defined as any group or individual who is affected and can affect the achievement of the organization's objectives. Based on the ethical perspective of stakeholder theory, each of these groups has different interests which conflict with those of others and so it is the responsibility of the entities to manage the business in such a way that balances the interests of all these stakeholder groups (Deegan, 2002) ^[9]. Accounting is concerned with managing the relationship between the business entities and the different stakeholder groups through provision of information concerning what the entity is doing to safeguard their interest. With regard to CSR each of these stakeholders requires knowing how the organization is meeting their Sustainability expectation which is achieved through CSR reporting. Among the diverse stakeholders the government is seen to have greater power to influence organizations to act in a particular manner, this will make the companies to report more in order to meet the expectations of the most powerful stakeholders. Thus this theory was used explain whether the companies prepare CSR reports due to pressure from these stakeholders or to achieve the expectations of the different stakeholders.

2.3 Empirical Review

2.3.1 Sustainability Reporting

Sustainability reporting is the Practice of disclosing to stakeholders the economic, social, environmental initiatives taken by a company as an indication of its commitment to sustainable development (KPMG, 2011) ^[18]. Several terms have been used by researchers to refer to the concept of Sustainability disclosure these include Social accounting and accountability, corporate citizenship reporting, social responsibility reporting, social and sustainability performance measurement, and

sustainability reporting. The term Sustainability reporting was appropriate for the current study as it describes the measurement and reporting of an organization's social, environmental, and economic impacts, as well as society's impacts on that organization (KPMG, 2011) ^[18]. Several studies have been carried out with regard to Sustainability reporting. Prior studies on the issue of CSR reporting focuses on developed countries (Bouten, Everaert & Roberts, 2012 ^[2]; Reverte, 2009 ^[26]; Parsa & Kouhy, 2008 ^[24]; Branco & Rodrigues, 2008 ^[3]; Ghazali, 2007) ^[13]. Most of the studies which have been done in Kenya focused on CSR practices (Muthuri & Gilbert, 2011 ^[21]; Wafula, 2012) ^[30].

In most developed countries there is a well laid down framework to be followed when preparing CSR reports (KPMG, 2011) ^[18]. In developing countries CSR reporting is done on voluntary basis with no framework to guide the preparers of the reports (Dawkins & Ngunjiri, 2008) ^[8]. Therefore on this basis, the study considered any CSR report whether prepared as a separate report or inclusion into the annual report as an indicator of CSR reporting. To measure the extent of the disclosure, five disclosure items were used as indicators of CSR reporting. These are in line with the disclosure themes identified by GRI (2006) ^[14] and used by Ponnu and Okoth (2009) ^[25] which include Environmental, Employee welfare, community involvement, Product safety and corporate governance and which are advocated for by the GRI requirements as the appropriate measures of CSR reporting.

2.3.2 Accountants' Competence and CSR reporting

The accountants are expected to abide by the principle of competence and due care at all times when performing their jobs. Competence is a combination of knowledge, skills, attitudes and experiences necessary to perform a particular job. Jasper and Semeijn (2001) ^[16] concurred with this definition when they defined the concept of competence as integrated knowledge, skills and attitudes that can be used to perform a job successfully. The accountants have a significant role to play in ensuring the reliability and quality of financial and non-financial information. In addition accountants have a significant role to play in helping the organization meet the challenges faced by the corporation of integrating sustainability issues in the normal day to day operations. This requires them to have multi-dimensional skills in all areas of the business to be able to generate the required information as they are now expected to work in multiple stakeholder environments which may require more than financial skills. The financial reports can be said to be reliable if people have confidence in the competence of those concerned with their preparations. Reliability of financial reports is an important qualitative characteristic of the financial reports because those reports are relied upon by the diverse stakeholders to act as a basis for making key investment decisions. Miller and Bahnson (2002) ^[19] concluded that the quality of financial information is measured its objectivity, accuracy and completeness.

The professional accountants plays an important role in the society, the investors, creditors, employees, the

government and the general public rely for sound financial accounting and reporting. It is the responsibility of the accountants to ensure that their employers receive competent professional services based on current developments in practice, legislation and techniques. The CCGK (2010) developed a blue print to guide the accountants on matters pertaining to CSR reporting though it is adopted on voluntary basis. On this basis the profession expects that the accountants are well qualified and have the skills necessary to prepare the CSR reports for their companies. Miller and Bahnson (2002) ^[19] identified that disclosure transparency are important elements of high quality financial reporting.

2.4. Summary of Literature and Research Gaps

The quality of CSR reporting in Kenya was found to be weak and unreliable in both quantity and quality of the CSR reports among companies listed in Nairobi Securities Exchange in Kenya, the weaknesses included lack of completeness where the companies disclosed only good news; they lacked consistency and did not follow any prescribed format which made the overall credibility and reliability of the reports into question. One aspect which could be used to explain this could be the lack of knowledge on how to collect CSR activities' information, summarize and report it in a manner understandable by the users. This can only happen when the companies spent resources in training and educating their accountants so that they possess clear understanding of the GRI principles and reporting guidelines (Herbohn & Griffiths, 2008) ^[15]. On the other hand very little literature is available on the contribution of the competence of the accountants on CSR reporting. KPMG (2011) ^[18] identified that preparation of non-monetary accounting report is a complex activities hence the need to have accountants be provided with the required skills to manage the responsibility of CSR reporting.

3. Research Methodology

3.1 Introduction

This chapter describes the specific strategies that were used in data collection, processing and its analysis in order to answer the research questions under study. It focused on the research design, study population, samples and sampling techniques, data collection, analysis and presentation as detailed in the following sub sections.

3.2 Research Design

A research design is a conceptual structure within which the research is conducted (Kothari, 2007) ^[17]. It is a general outline for the exploration that directs the researcher on the different stages of undertaking the study. The research design provides guidance to the techniques to be used in determining the population, sample size, data collection as well as its analysis (Kothari, 2007) ^[17]. The current study was aimed at establishing the role of Accountants' competence on the level of Sustainability reporting of companies listed in Nairobi Securities Exchange in Kenya. This was achieved by use of descriptive and cross sectional survey design which involved the collection of data in one particular year, analysis and interpreting the results with the aim of

answering questions concerning the current state of the subjects under study (Mugenda & Mugenda, 2003) [20]. Descriptive studies are concerned with finding out ‘whether’, and they aim at addressing the concerns of a particular population in a specific time or over a period of time. Surveys are most used methods in business research since they provide an accurate and valid representation of the variables under study (Rouf, 2011) [28]. Quantitative research is a systematic investigation of quantitative properties of data to provide meaningful insight into the quantitative characteristics of the data and any statistical association between the variables of study (Rouf, 2011) [28]. Qualitative research on the contrary involves analysis of non-quantitative data to describe the reality of the phenomenon as experienced by the respondents (Mugenda & Mugenda, 2003) [20]. Descriptive survey design was thus suitable for this study which used qualitative approach to describe the current state of CSR reporting among the sampled companies, while assessing the effects of Accountants’ competence on the level of CSRR.

3.3 Target Population

Target population is the specific population about which information is desired. A population is a well-defined or set of people, services, elements, events and group of things or households that are being investigated.

Mugenda and Mugenda, (2003) [20] asserts that the target population should have some observable characteristics, to which the researcher intends to generalize the results of the study. The target population for the current study consisted of four respondents from each of the 60 companies listed in Nairobi Securities Exchange (NSE, 2013) giving a total of 240 respondents. The justification for choosing companies listed in Nairobi Securities Exchange was necessitated by the requirement that they are required by law to publish their audited annual reports four months after their year-end thus the audited information is expected to be more accurate, complete and reliable to be used in this study (Rouf, 2011) [28].

3.4 Sampling Frame

Sampling is the process of selecting some elements from the population to be used in the study with the aim of generalizing the results to the population as a whole. A sample is a subset of the population which is the full set of the elements, while a sampling frame is a list of the number of elements that are in the population (Kothari, 2007) [17]. The sampling frame for the current study was 240 respondents selected from the 60 companies listed in Nairobi Securities Exchange by the end of the financial year 2013/2014 since the companies have different year ends (NSE, 2013).

Table 1: Sampling frame

	Number of companies	Study population
Agriculture	7	28
Commercial & Services	9	36
Telecommunication and Technology	2	8
Automobiles and Accessories	4	16
Banking	10	40
Insurance	6	24
Investment	4	16
Construction and Allied	5	20
Manufacturing and Allied	9	36
Energy and petroleum	4	16
Total population	60	240

(Source: Adapted From NSE Website)

3.5 Sample and sampling technique

A sample is a smaller and more accessible sub set of the population that adequately represents the overall group, thus enabling one to give an accurate picture of the population as a whole with respect to the particular aspects of interests of the study. For a sample to be representative it should have comparative association with the size of the population from which it was drawn. The population in this study was 240 respondents from the 60 firms listed in NSE. In a study with a small population (Kothari, 2007) [17] asserts that a maximum of 384 elements of the population can be used in the sample determination. Based on the adjusted n; the sample size amounted to 148 respondents which were approximately 61.67 % of the target population. It was calculated as follows,

$$N_{ad} = \frac{nN}{N+n}$$

Where

$$= \frac{384 \times 240}{384 + 240}$$

$$= 148$$

The study employed multi-stage sampling technique comprised of stratified sampling and simple random sampling to select the sample from the population. Stratified sampling is used when the population is organized into distinctive categories each with specific characteristics (Kothari, 2007) [17]. Simple random sampling involves selecting samples randomly from the population with no specified formula. The population of the study was already grouped into ten categories, in the first stage stratified sampling was used to select the required sample of 37 companies, each sub sample was obtained in proportion to their sizes in the population based on the proportion of sample into the total population which is $37/60 = 61.67\%$. Stratified sampling

was adopted because the population was stratified into ten categories NSE (2013) hence considered most efficient, optimal with no difference within the stratum variances (Kothari, 2007) [17]. In the second stage, simple random sampling was used in selecting the companies from each stratum to be included in the study. To reduce bias in the random selection each company was allocated a serial number, and the numbers were picked randomly from each category to ensure representativeness (Kothari,

2007) [17]. From the 37 companies four respondents were purposively selected for the study. The four respondents were the company CEO, the Accountant, the Assistant Accountant and the chief internal auditor. Purposive sampling is used where the required information can only be obtained from specific members of the population, thus the sample size of 148 respondents which represented 61.7% of the target population.

Table 3.2: Sample distribution

Sector	Study population	Sample	Stratum %age
Agriculture	28	16	10.8
Commercial & Services	36	24	16.2
Telecommunication and Technology	8	4	2.8
Automobiles and Accessories	16	8	5.4
Banking	40	24	16.2
Insurance	24	16	10.8
Investment	16	8	5.4
Construction and Allied	20	12	8.1
Manufacturing and Allied	36	24	16.2
Energy and petroleum	16	12	8.1
Total population	240	148	100%

3.6 Data collection Instruments

In line with previous studies this study employed multiple data collection methods. Primary data was collected document analysis and a self-administered structured questionnaire. Document analysis of the 2013/2014 annual reports from the company’s websites was used to collect data pertaining to the extent of CSR reporting among the sampled companies. This method was considered suitable for collecting data in its natural form which reduces personal bias of the respondents. Each report was carefully analyzed to identify any form of CSR reporting according to the 25 disclosure items provided by GRI (2006) [14] which was used in the determination of the disclosure index for the purpose of data analysis. In addition a structured questionnaire was administered to collect data on the determinants of CSR reporting from the 148 respondents. Self-administered questionnaires with both closed and open ended questions were used to collect information on variables that cannot be observed from the annual reports (Kothari, 2007) [17]. Secondary data was collected from reviewing prior literature on CSR reporting from online journals and from identified text books.

3.7. Data collection procedure

Data was collected from annual reports of the sampled companies’ websites for the sampled companies. The study adopted the use of un-weighted disclosure index which was constructed based on 25 disclosure items as advocated for by GRI (2006) [14]. A scoring index was developed to assess the extent of CSR information reported on the annual reports as adopted by Rouf (2011) [28]. If a company disclosed an item of CSR information it received a score of 1; otherwise it received a score of 0. The self-administered questionnaires were hand delivered in quadruplets (in fours) to each of the sampled companies’ with clear instructions that they were intended to be filled by CEO, Accountant, Assistant

Accountant and the internal Auditor with an arrangement to collect them later. Out of the sample size of 148 respondents, 112 questionnaires were successfully filled and collected which formed a response rate of 75.7 % which was considered appropriate for the study.

3.8 Pilot Test Study

A pilot study is a pre-test carried out before the engagement of the main study to test whether the instrument is capable of collecting the required data. Rouf, 2011) [28] suggested that a pretest of 10% of the sample size can be used for a pilot study and conclusively assess the validity of the instrument. To test for validity of the questionnaire, a pre-test was done on four companies which were not part of the sampled companies. This represented approximately 10% of the sample size which was considered appropriate and representative (Mugenda & Mugenda, 2003) [20]. The four companies were randomly selected and the questionnaires administered. The results identified some deficiencies in the formulation of the questions as the responded felt that the information required was very confidential in nature. This led to the restructuring of the questions to seek the respondents’ perceptions rather than direct information which were then compared with the information extracted from the annual reports and conclusions reached. This study used Cronbach’s Alpha (α) which is an instrument among others to determine the coefficient of reliability of the data collection instrument using SPSS (20) software. The Cronbach’s alpha ranges from 0 to 1 whereby the closer to 1 the coefficient the more reliable the instrument is in measuring the intended parameters. The alpha for this study was based on the assumption that a cut-off point of 0.7 and above was considered a strong measure of reliability as advocated by Kothari (2007) [17]. Based on this assumption, the reliability coefficient of the current study was 0.86 which was considered appropriate. To test for validity, the document review guide was given

to an expert in research to ensure that it was well constructed to be able to collect the desired information.

3.9 Data Processing, Analysis and Presentation

3.9.1 Data processing

Data processing is a process of putting information into a computer system to make it ready for the analysis process. The data from the companies' annual reports as well as from questionnaires was cleaned, edited and coded appropriately. The purpose of this was to ensure that the data was appropriate for analysis. The data was tabulated and analyzed using descriptive and inferential statistics with the help of statistical package for social sciences (SPSS version 20) which is a tool among others for data analysis.

3.9.2 Data Analysis

Qualitative research is one in which the inquirer often makes knowledge claims based primarily on constructivist perspectives (Kothari, 2007) [17]. The qualitative data pertaining to the extent of CSR reporting was collected from analyzing the annual reports of the sampled companies. Content analysis is a widely used method of analyzing qualitative data (Dawking & Ngunjiri, 2008) [8]. The annual reports were analyzed for details relating to the twenty five disclosure items as adopted by Rouf (2011) [28] based on five disclosure themes which included the environment, employee welfare, community involvement, product safety and corporate governance as depicted on the Table 3.3.

Table 3.3: CSR reporting index items

Disclosure Category	Disclosure item
Environment	a. Air pollution/emission b. Solid waste disposal c. Environment policies d. Water discharge and sanitation e. Energy conservation
Employee welfare	a. Training and development b. Health and safety c. Recreation clubs d. Staff welfare e. Employment of special groups
Community involvement	a. Donation to charities b. Social welfare c. Community seminars/conferences d. Sponsorship to health e. Sponsorship to education
Product Safety	a. Safety of company products b. Legal penalties on company products c. Research projects on improving quality d. Awards due to company products e. Company products called back from market
Corporate Governance	a. Availability of governance report b. Compliance with regulations c. Ethical issues of directors d. Audit report on corporate governance e. Participation of directors in CSR activities

(Adapted from GRI reporting guidelines, 2006)

The qualitative data from the questionnaires were summarized and analyzed in descriptively. A mean score for each particular company's responses was obtained from the collected data obtained from the questionnaires which acted as the basis for analysis. Descriptive statistics such as mean scores, standard deviation and frequency distribution were used to explore the descriptive features of the extent of Sustainability reporting among the sampled companies. The quantitative data was analyzed by use of inferential statistics; specifically a regression analysis was used to identify the association between the accountants' competence and the level of CSR reporting among the sampled companies. Linear regression is used to predict the relationship between one independent variable and one dependent variable Rouf (2011) [28]. The following linear regression model was used to identify the association between the company's determinants and extent of Sustainability reporting and to test the hypotheses.

$$CSRDI(x) = \beta_0 + \beta_1 X_1 + e$$

Where;

- CSRDI= Sustainability disclosure index
- β_0 = Intercept
- β = regression coefficients
- X_1 - accountants' competence
- e = error term

The decision to reject or accept the null hypotheses was based on the significance of the size of regression coefficients (t- statistic). If the null hypothesis $H_0: \beta_i = 0$ ($i= 1, 2, 3, 4$) was rejected then X_1 was taken to be significant predictor of Y in the presence of the rest. However for each variable ($x_1 \dots x_y$) the hypothesis $H_0: V_{x_1y} = 0$ was used to test the relationship between X_i and y . The magnitude of the relationship was determined by the strength of the P- value ($p < 0.05$). The direction was determined by the sign on the coefficient. The findings were presented in form of Tables and figures.

3.10 Measurement and Definition of variables

3.10.1. Sustainability reporting

The extent of reporting represented the dependent variable, to determine the extent of reporting, a CSRR index was calculated for each sampled company based on five (5) disclosure categories each with five disclosure items as modified from the study of Rouf (2011) [28]. The un-weighted disclosure index (CSRDI) was calculated by taking the total number of items of disclosure by a particular company as divided by the total number of items expected to be disclosed, as used by Kamal and Youssef (2013) [16] and Rouf (2011) [28]. The higher the disclosure index the higher the extent of CSR reporting

$$\text{CSRDI index} = \frac{\text{Number of disclosed items}}{\text{Total disclosure items}}$$

3.10.2: Accountants' Competence

Competence has been defined as the integrated knowledge, skills and attitudes that can be used at work to perform a job successfully (Jasper & Semeijn, 2001) [16]. The quality of the financial report is to a great extent determined by the quality of those concerned with the preparation of the financial reports. In this study competence of the professional accountants was measured by the accountants' skills, knowledge and experience in CSR reporting. A five point likert scale was used to determine the perceived level of accountants' competence with the decision being based on the higher the scale the more competent are the accountants' to carry out the responsibility of CSR reporting.

Table 3.4: Operationalization of the Study Variables

Dependent Variable	CSR reporting (Reporting index)
	▪ Environment
	▪ Employee welfare
	▪ Community involvement
	▪ Product safety
	▪ Corporate governance
Independent Variables	▪ Accountants' Competence
	▪ Skills
	▪ Skills
	▪ Experience

4. Research Findings and Discussion

4.1. Introduction

The purpose of the study was to explore the role of accountants' competence on Sustainability reporting of companies listed in Nairobi securities exchange in Kenya. This chapter presents the data analysis results and discussion of key research findings which were discussed in line with the research variables and the specific objectives. The analysis included descriptive results on Sustainability reporting as per the respective themes as well as on the accountants' competence. Correlation and regression analysis findings were used test the hypotheses and answer the research questions so as to achieve the research objectives.

4.1.1 Pilot study results

To test for validity of the questionnaire, a pre-test was done on four companies which were not part of the

sampled companies. This represented approximately 10% of the sample size which was considered appropriate and representative (Mugenda & Mugenda, 2003) [20]. The four companies were randomly selected and the questionnaires administered. The results identified some deficiencies in the formulation of the questions as the responded felt that the information required was very confidential in nature.

Table 4.1 Reliability statistics

Variable	Cronbach's Alpha	N of Items
Accountants' competence	.968	11

4.1.2 Response Rate

The analysis was based on the 112 questionnaires out of the sample size of 148 respondents' which were successfully filled and collected giving a response rate of 75.7 % which was considered appropriate for the study. This conclusion was supported by Bryman and Bell (2011) [4] threshold which contends that a response rate of 50% is rated as adequate, 60% as good while a response rate of 70% and above is considered excellent. Therefore in line with this assertion 75.7% response rate was considered appropriate to provide the required level of analysis.

4.1.3 Company Industry category

The findings on the company categorization reveal that the highest number of companies in one industry category was 16.2% which included the banking industry and the commercial and allied sector. The manufacturing and allied sector had a representation of 13.5%. The energy and petroleum had similar level of representation with the insurance and agricultural sector at 10.8%. The construction sector had 8.1% representation in the sample while the automobile and accessories tied with the investment sector with 5.4%. Only one company was sampled from the telecommunication and technology sector which represented 2.7% as illustrated on Table 4.4

Table 4.2: Companies' industry category

Industry category	Frequency	%
Agriculture	4	10.8
automobiles and accessories	2	5.4
Banking	6	16.2
commercial and services	6	16.2
construction and allied sector	3	8.1
energy and petroleum	4	10.8
Insurance	4	10.8
Investment	2	5.4
manufacturing and allied	5	13.5
telecommunication and technology	1	2.7
Total	37	100.0

4.2 Descriptive Study Findings

4.2.1 Extent of CSR reporting

The extent of CSR reporting was considered as the dependent variable for the study. It was measured by a disclosure index which was calculated based on un-weighted disclosure index obtained by summing up the total of the disclosed items divided by the total disclosure items in disclosure theme as adopted from the Global

reporting initiative index (GRI, 2006) [14]. To obtain details of the extent of CSR reporting the results were analyzed in terms of extent of reporting by the companies as per the reporting themes. The descriptive findings reveal that generally the concept of reporting on non-financial aspects of the business had a mean of 51.54 and a standard deviation of 20.64 which indicates an average level of reporting. The high level of dispersion between the companies on the extent of CSR reporting as signaled by the standard deviation imply that there exists significant differences on the level of CSR reporting by the sampled companies. The findings are in line with KPMG (2011) [18] and Mwasu et al (2014) [22] who revealed that the concept of CSR reporting is gaining prominence in many countries as many nations move towards integrated reporting to curb the malpractices evidenced in financial reporting. Table 4.3 shows the results of the general extent of CSR reporting among the companies.

Table 4.3: Extent of CSR reporting index

Extent of reporting	Statistics
Mean	51.55
Std. Deviation	20.64

4.2.2. Descriptive findings on Accountants’ competence

Competence refers to the integrated knowledge, skills and attitudes that can be used to performance a job successfully (Jasper & Semeijn, 2001) [16]. The Accountants’ competence was measured in terms of the skills, knowledge and experience of the accountants. In general the results reveal that based on a scale of five, the level of competence was low (mean, 3.15) with standard deviations of less than one implying that the level of competence for accountants on CSR reporting was not significantly different from one company to another.

4.2.2.1 Accountants’ skills

To determine the skills of the accountants the level and quality of training was considered key measures. The results reveal that the companies had low levels CSR training (mean, 2.89) for their accountants which is essential in improving the quality of CSR reports. The academic programs which are expected to play a critical role in equipping the trainee accountants with the required knowledge similarly revealed the level of CSR reporting was also below expectations (mean, 2.81). The accountancy profession is also expected to support the practicing accountants with practical knowledge on how to handle and incorporate current developments in the profession to the existing knowledge base. The study provides evidence that the accountancy profession provided provide clear guidelines to be followed by the accountants (mean, 2.79) as well as the training materials being easy to understand (mean, 3.75) but more needs to be done to improve the quantity and the quality of CSR reporting. Due to the diversity of the CSR reporting there is need for the accountants to be trained in this new area of their operation since the education system has not included it on their curriculum on a more extensive way. Among the challenges, majority of the respondents cited difficulties in reporting non-monetized CSR transactions (28%), while 23% expressed concern of the complexity associated with determining the content of the CSR reports. These results support the conclusions of Telford (2005) [29] that accountants were not being used in sustainability reporting with only 32% of the respondents indicating that the finance department is involved in CSR reporting because they lacked the necessary skills, while Farneti and Guthrie (2009) [11] found out that the environmental departments were the ones being involved in sustainability reporting instead of the accounting department due to the skill gaps among the accountants.

Table 4.4: Descriptive statistics; Accountants’ skills

Descriptive Statistics		
	Mean	Std. Deviation
The company has organized CSR reporting training more than once for the accountants	2.89	.82
As an accountant you have been trained to prepare CSR report in a learning institution	2.81	.56
The CSR trainers provide clear guidelines to be followed by the accountants while preparing the CSR report	2.79	.73
The CSR training materials are easy to understand by the trainees	3.75	.78

4.2.2.2 Accountants’ knowledge

In addition to having the skills required in CSR reporting accumulated knowledge is also required so as to be able to do the work efficiently and effectively. To determine the level of accountants’ knowledge on CSR reporting the respondents were asked whether they had the analytical skills needed for CSR reporting. The results reveal that on average the accountants have high level (mean, 3.78) of analytical skills needed for CSR reporting. With regard to the level of expertise, the accountants have slightly above average (mean, 2.88) level of expertise which is needed to prepare the CSR reports without difficulties. The quality of the report also determines whether the accountants have the knowledge of preparing such reports. The results show a low level of the report being

able to meet the expectations of the recipients (mean, 2.70). The worst result was the ability of the accountants to understand the GRI requirements (mean, 1.70) which was used as a benchmark for CSR reporting among companies. The issues of CSR need to be measured, reported and assured, and these responsibilities fall under the domain of the accountants. Sustainability activities differ in terms of content, purpose and target groups, most of the activities may not have monetary implications such as when the employees of the company spent their time in cleaning the streets, caring for street children among others. The accountants require analytical skills to be able to analyze the effects of those activities and be able to report them whether quantitatively or qualitatively. The results reveal that though the

accountants have high level of analytical skills which is required even in their normal day to day activities, they lacked the expertise needed in preparing CSR reports hence making the reports not to meet the expectations of the users. Similar results were identified by Miller and

Bahnsen (2002) [19] with regard to analytical skills (85.7%), but differ with regard to the expertise and since in the current study the level of expertise with regard to CSR reporting is not very high.

Table: 4.5. Descriptive statistics; Accountants’ knowledge

Descriptive Statistics		
	Mean	Std. Deviation
The Accountants possess the analytical skills needed for CSR reporting	3.77	.82
As an accountant you have the expertise needed to prepare CSR report without difficulties	2.88	.80
The CSR reports prepared by accountants meet the expectations of the recipients	2.70	.71

4.2.2.3. Accountants’ experience

The GRI (2006) [14] requirements advocates for an all-round level of reporting focusing not only on economic matters but on the triple bottom line (social, environmental and economic) reporting. In most developed countries who have adopted the GRI they use it as a guideline for CSR reporting. The findings of this study reveal that one of the hindrances to CSR reporting is lack of guidance and reporting standards, hence this could be advocated so as to eliminate the obstacle to CSR reporting among companies in Kenya. The experience of the accountants in handling CSR information is paramount for them to be able to prepare reports which show the true and fair view of the CSR affairs. The results in Table 4.6 reveal that the accountants are being involved in management decisions pertaining CSR issues (mean, 3.91) as well as being involved in the process of preparing CSR reports (mean, 3.76) and being part of the sustainability team (mean, 3.70).When the accountants are experienced in CSR activities they will be able to explain, identify, analyze and design stakeholder

engagement processes (Williams, Wilmshurst & Clift, 2009) [32]. The results of this study reveal that the accountants are involved in sustainability issues such as decision making, preparing the reports and being part of the sustainability team, which is contrary to the findings of research done in developed countries (Telford, 2005 [29]; Ball, 2005 [1]; Herbohn & Griffiths, 2008 [15]; Farneti & Guthrie, 2009) [11] which revealed that accountants are more concerned with financial matters and are not involved in sustainability issues. This could be because in most developed countries sustainability matters are handled by a specific department which has been organized for that purpose hence carrying out all the activities including CSR reporting. In most developing countries like Kenya CSR reporting is done on voluntary basis hence it is taken as an extension to the normal financial reporting which is under the domain of the accountants’ role. The Table 4.6 below provides the findings of descriptive statistics of the Accountants’ competence.

Table 4.6: Descriptive statistics; Accountants’ experience

	Mean	Std. Deviation
The accountants are involved in management decisions on CSR issues	3.91	.75
As an accountant you are involved in the process of preparing CSR reports	3.75	.90
The accountants are part of the sustainability team in the company	3.70	.94

4.4 Regression analysis

4.4.1 Regression findings on Accountants’ competence and sustainability

The second objective of the study was to evaluate whether Accountants’ competence influence the extent of Sustainability reporting of companies listed in Nairobi Securities Exchange in Kenya. This was achieved by testing the second null hypothesis

H0₂: Accountants’ competence does not determine the extent of Sustainability reporting of companies listed in Nairobi Securities Exchange in Kenya

The regression model to test the hypothesis was;

$$CSRDI = \beta_0 + \beta X + e$$

Where;

CSRDI= Sustainability disclosure index

β_0 = Intercept

β = regression coefficients

X- Accountants’ competence

e = error term

The regression results reveal that there was a positive relationship (R=0.34) between Accountants’ competence and the extent of CSR reporting among the sampled companies. The coefficient of determination (R²) revealed that accountants’ competence contributes to 11.5% of CSR reporting while the remaining 88.5% can be explained by other factors which may not be related to the competence of the accountants. The results are shown in Table 4.7 (a).

Table 4.7: (a) Accountants competence model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.34 ^a	.115	.09	19.70

a. Predictors: (Constant), Accountants competence

Table 4.7: (b) Accountants competence ANOVA

ANOVA ^a					
Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	1767.73	1	1767.73	4.56	.040 ^b
Residual	13572.09	35	387.77		
Total	15339.81	36			
a. Dependent Variable: reporting index					
b. Predictors: (Constant), accountants' competence					

To test the significance of the model a linear regression was run and the F-test reveal that the model was found to be

significant ($F(1, 35) = 4.56, p=0.04$) at 5% level of significance as presented on Table 4.7 (b)

To test for the hypothesis a t-test was run between the accountants' competence and the level of CSR reporting. The results reveal that Accountants' competence has a significance influence on the level of CSR reporting ($t=2.14, P = 0.04$) at 5% level of significance. Based on the results the Null hypothesis was rejected and a conclusion reached that Accountants' competence is a significant determinant of CSR reporting as depicted on Table 4.7 (c).

Table 4.7: (c) Accountants competence regression coefficients

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	-.99	24.82		-.04	.969	-51.36	49.39
Accountants competence	13.98	6.55	.34	2.14	.040	.69	27.26
a. Dependent Variable: reporting index							

4.5 Discussion of study findings

The findings of the study revealed that accountants' competence contributed to 11.5% ($R^2 = 0.115$) of the CSR reporting among the companies listed in NSE. The study findings reveal that accountants' competence has a positive ($R=0.34$) and significant ($p= 0.040$) influence on the extent of CSR reporting. These findings support those identified by other researchers (Miller, & Bahnson, 2002^[19]; Telford, 2005^[29]; Ball, 2005^[1]; Herbohn & Griffiths, 2008^[15]; Farneti & Guthrie, 2009^[11]; Williams *et al*, 2009^[32]. The accounting profession has a critical role to play in helping the organization meet the challenges faced by corporations' of increased expectations which require them to take corporate, social and environmental issues into consideration when running their organizations. To achieve this integration the accountants are well placed to assist the management in this process because they are considered to have the skills required to provide the required information, the analysis of that information and the options to inform the right decisions that can mitigate environmental and social risks while focusing on the long term benefits to the organization. CSR activities should be considered as part of other operating activities of the organization which should be measured, reported and assured a role which lies within the domain of the accountants' responsibilities.

Rizk *et al* (2008)^[27] made the conclusion that accountants have a key role to play in sustainability although the effectiveness of the way they carry out that role is hindered by lack of training, education and experience. CSR reporting is being considered as a new area in the accountants' role with many organizations' not involving them in the CSR activities (Farneti & Guthrie, 2009)^[11]. The findings of this study reveal that although the accountants possess the analytical skills and expertise needed to collect and analyze the CSR activities data and translate it into meaningful information for decision making by the managers, many of them (28%)

have a challenge in determining the content of the CSR report. This is also evidenced by the majority of them indicating that there is a challenge in determining the content of the CSR report as well as the complexity involved in CSR reporting. These results support the findings of Telford (2005)^[29] that preparing accounting for CSR activities is not an easy task. In order for the accountants to carry out the CSR reporting role there is need for them to be involved in the CSR team as well as in strategic decisions regarding CSR activities. Despite of them having the analytical skills needed for CSR reporting they appeared not to understand the GRI requirements which are being used by most developed countries as a benchmark and guideline for CSR reporting (KPMG,2011)^[18]. This was worsened by the low level of training on CSR reporting both in the academic sector as well as training on the corporations.

5. Summary, Conclusions and Recommendations

5.1 Introduction

The purpose of the study was to establish the role of accountants' competence of the extent of Sustainability reporting of companies listed in Nairobi Securities Exchange.

5.2 Summary of findings

5.2.1 Accountants skills and CSR reporting

The study findings identified that the level of the accountants' competence in terms of the needed skills in sustainability reporting was low. This was contributed due to the low or non-existence training both by the academic as well as the accountancy profession. Due to inadequate training on how to prepare the Sustainability reports. The respondents indicated that they face numerous challenges such as reporting on non- monetized CSR transaction, understanding the content to include as well as understanding the GRI requirements which acts as framework for CSR among many developed countries.

5.2.2 Accountants' knowledge and CSR reporting

Though the respondents' had high level of analytical skills which paramount for the accountants, they lacked the required expertise in reporting on CSR matters. This may have a negative impact on the quality of CSR report which may not be able to meet the expectations of the recipients. The above limitation was supported by the evidence that there was very low level of the ability of the accountants to understand the GRI requirements which was used as a benchmark for CSR reporting among companies. The issues of CSR need to be measured, reported and assured, and these responsibilities fall under the domain of the accountants. Sustainability activities differ in terms of content, purpose and target groups, most of the activities may not have monetary implications such as when the employees of the company spent their time in cleaning the streets, caring for street children among others. The accountants require analytical skills as well as the expertise needed to analyze the effects of those activities and be able to report them whether quantitatively or qualitatively.

5.2.3. Accountants' experience and CSR reporting

With regard to the accountants' experience, the findings reveal that the accountants are allowed to attend management meetings where key CSR issues are discussed by top management. Contrary to literature in other countries which provide evidence of non-involvement of accountants in sustainability teams, this study found out that the accountants are well involved in sustainability matters. The accountants are key providers of advice to the top management on many reporting issues. This requires them to have knowledge required in order to provide adequate advice hence their participation in CSR reporting may be limited due to lack of knowledge and skills on CSR reporting matters.

5.2.4 Accountants' competence and CSR reporting

The objective of the study sought to establish the extent to which accountants' competence determines CSR reporting of the companies listed in NSE. The regression results revealed a significant ($p=0.04$) positive ($R=0.34$) relationship between accountants' competence and CSR reporting. Further analysis reveal that accountants' competence explain 11.5% ($R^2 =0.115$) of the level of CSR reporting among the companies. It is on basis of these findings that the null hypothesis was rejected and conclusion made that accountants' competence is a significant determinant of CSR reporting among companies listed in Nairobi securities exchange in Kenya. Hence the need for the accountants to be well trained on matters CSR reporting.

5.3 Conclusions

The study findings revealed a grim picture with regards the competence of accountants in preparing and presenting CSR reports. The accountants' competence was found to be lacking with regard to the level of skills, knowledge and experience needed to adequately prepare quality CSR reports which is able to satisfy the diverse stakeholders who have interest in CSR activities. Due to this inadequacy they had problems in understanding and

interpreting the GRI guidelines which is being used by many countries as a framework for guiding CSR reporting. Despite of this limitation in skills, knowledge and experience, the study findings indicate that the accountants' competence positively impacts on the extent of CSR reporting among the sampled companies hence the need for organizations to embrace the need to upgrade the qualification of their accountants so as to annex the benefits which comes with CSR reporting.

5.4 Recommendations

The findings reveal a significant and positive association between accountants' competence and the extent of CSR reporting among the companies and very low levels of accountants' competence on matters of CSR accounting. Based on these findings the study recommends that:

1. Companies need to improve on the level of competence of their accountants in matters pertaining to CSR accounting. It therefore recommends that the accountants should be trained on the modalities of CSR accounting on continuous basis in line with the changes in the profession.
2. The universities and higher learning institutions should give particular emphasis on CSR reporting by including CSR reporting as part of the accounting curriculums in a more detailed way other than just as a topic in other units of the courses which are offered to the accounting students.
3. The academic sector should ensure a closer exchange between the accounting profession and the industry players through organizing seminars and training programs on CSR reporting for the practicing accountants.
4. The study recommends that further research can be conducted on other factors to determine whether they can explain the extent which was not explained by the current study and on the private sector. Lastly a longitudinal study on the same variables can be carried out to assess consistency.

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