

Corporate Social Responsibility and Compliance with Regulations in Nigeria

Leyira, Christian Micah
Department of Accounting
University of Portharcourt, Nigeria;

Uwaoma Ironkwe Esq
Department of Accounting
Univeristy of Porthcourt, Nigeria

Olagunju , Adebayo(Corresponding author)
Department of Financial Studies
Redeemer's University, Mowe, Nigeria
Email: olagunju66@yahoo.com

Introduction

The effect of different industrial sector activity on the environment varies enormously but it is an incontrovertible statement that damages are been done to the environment world wide. Environmental concerns rarely form an integral part of development plans particularly in third world countries like Nigeria. The realization that sustainable development can only be achieved through interdependence between economic growth and environmental quality through compliance with existing regulations has compelled some governments to now regard the environment as valued and integral part of Economic growth. Hence, environmental problems have become a priority by Government both in domestic and international scene.

However, environmental policies and regulations are not lacking but are rarely enforced especially in Nigeria. The inability of Government to implement stringent environmental regulations is compounded by the fact that the goals of most corporate organizations are purely economic. Little attention is devoted to their social responsibilities. Corruption is another aspect. Most corporate bodies saddled with the responsibilities of implementing these regulations lack the political will to do so.

This paper attempts to discuss the concept and history of corporate social responsibility, environment, stakeholders and sustainable development, regulatory framework and corporate social responsibility and environmental audit.

The Concept of Corporate Social Responsibility

Corporate social responsibility is also known as social accounting, social and environmental accounting and Non-financial reporting. It emphasizes the notion of accountability. Crowder(2000:20) defines social accounting as "an approach to reporting a firm's activities which stresses the need for identification of socially relevant behaviour, the determination of those to whom the company is accountable for its social performance and the development of appropriate measures and reporting techniques"

Corporate social responsibility is often used as an umbrella term (Wikidepia, the free Encyclopedia) to describe a broad field of research and practice, the use of more narrow term to express a specific interest is thus not uncommon. For instance, Environmental accounting is a subset of social accounting, focuses on the cost structure and environmental performance of a company. It principally describes the preparation, presentation, and communication of information related to an organization's interaction with the natural environment.

Accounting for impacts on the environment may occur within a company's financial statements, relating to liabilities, commitments and contingencies for the remediation of contaminated lands or other financial concerns arising from pollution. Such reporting essentially expresses financial issues arising from environmental legislation.

Thus, corporate social responsibility, a largely normative concept, seeks to burden the scope of accounting. It points to the fact that companies influence their external environment (both positively and negatively) through their actions and should therefore account for these effects as part of their standard accounting practices.

Organizations are seen to benefit from implementing social accounting practice in a number of ways e.g. increased information for decision making, maintaining legitimacy, more accurate product or service costing etc. according to Business in the community (BITC) the “process of reporting on responsible business performance to stakeholders” (i.e. social accounting) helps integrate such practices into business practices, as well as identifying future risks and opportunities.

History of Corporate Social Reporting/Social Accounting

Modern forms of social accounting first produced wide spread interest in the 1970s. Its concepts received serious consideration from Professional bodies including professional Accounting Standards Board's Predecessor, the American Institute of Certified Public Accountants, and Business representative bodies e.g. the Confederation of British Industry (ICAEW 1975; CBI 1971; AICPA 1977 cited in Wikipedia)

Abt Associates, the American Consultancy firm, is one of the foremost businesses that experimented with social Accounting. In the 1970s Abt Associates conducted a series of social audits incorporated into its annual reports. The social concerns addressed included “productivity, contribution to knowledge, employment security, fairness of Employment opportunities, health, education and self development, physical security, transportation, recreation and environment(Blake, Frederick, Myers 176: 149) the social audits expresses Abt Associates performance in this areas in financial terms and thus aspired to determine the company's net social impact in balance sheet form (Harvard Business Review 1973 : 42 – 43) other examples of early applications include Laventhal and Horvarth a reputable firm, and the first National Bank of Minneapolis(now U.S Bancorp) (Blake etal: 149) .

Yet, social accounting practices were only rarely codified in Legislation. The French bilan social and the British 2006 Companies Act poses a significant exception(Gray 2000: 5) Interest in social accounting cooled off in the 1980s and was only resurrected in the mid 1990s, partly matured by growing ecological and environmental awareness (Gray 2000 : 9)

The Environment and Stakeholders

The environmental stakeholders are under moral and legal obligations to protect and enhance the natural environment. They can do this by combating destructive environmental projects; promoting environmental sustainability of natural resources, good environmental policy/practice; and striving for environmental justice. The environmental stakeholders include the government and its regulatory Agencies the projects proponents, the local communities, the non governmental organization (NGO's) and the general public. In essence, every one is a stakeholder in the environment. The government has a major role to play in providing national regulatory framework for integrating development and conservation.

The government should:

- i. Establish a comprehensive system of Environmental law and provide for its implementation and enforcement by all stakeholders.
- ii. Review the adequacy of legal, political and administrative controls concerning implementation and enforcement mechanisms.
- iii. Ensure the national policies development plans and programmes, budgets and other decisions take full account of their on the environment.
- iv. Use economic incentive or disincentive as appropriate to achieve sustainability.

The environmental stakeholders will create credible and trusted framework (GRI 2009) largely because of the way they are created; through a multi-stakeholder, consensus seeking approach. This means that representatives from a broad cross section of society – business, civil society, labour, accounting investors, academics, governments, and others – from all around come together and achieve consensus on what guidelines on environment should contain. Organizations typically initiate different types of stakeholders' engagement as part of their regular activities, which can provide useful inputs for decision on reporting. These may include stakeholder engagement for the purpose of compliance with

internationally- agreed standards, or informing ongoing organizational business processes. In addition, stakeholders' engagement may also be implemented specifically to inform the report preparation process.

Intermediation between Environment and Sustainable Development

Environmental degradation is largely caused by man's activities and can also be a consequence of man's hazards. The result is that natural process of ecosystem is altered and possibly damaged irreparably. When the environment becomes degraded, all forms of life are threatened (Farinloye 2006 cited in the Punch, July 24 pg 16,2006). Also, Osibanjo (1998: 150) refers to the environment as "man's immediate surrounding's (that is, water, air, land including associated living and non-living resources) which provides life support system for mankind". This definition implies that the environment provides the natural resources on which national economies are built and sustained.

Accordingly and for conceptual analysis, the ethical, social, political, technological, legal, etc environments can be distinguished. The social environment consists of attitudes, desires, expectations, degrees of intelligence and education, beliefs and customs of people in a society or group. The political and legal environment refers to laws, regulations and government agencies. The ethical environment, which can be subsumed under the social environment, includes set of generally accepted and practiced standards of personal conduct (Koontz and Weihrich, 1988:30).

Thus, the goal of sustainable development is to "meet the needs of the present without compromising the ability of future generations to meet their own needs (Sustainability Reporting Guidelines, SRG). As key forces in society, organizations of all kinds have an important role to play in achieving this goal. Yet, in this era of unprecedented economic growth, achieving this goal can be seen more of an aspiration than a reality. As economies globalize, new opportunities to generate prosperity and quality of life arise through trade, knowledge sharing, and access to technology. However, these opportunities are not always available for an ever increasing human population and are accompanied by new risks to the stability of environment. Statistics demonstrating positive improvements in the lives of many people around the world are counter-balanced by alarming information about the state of the environment. Thus, the sustainability has been stressed to be of utmost importance in achieving sustainable development (McCarthy 1992: 5). The Brundtland Report (World Commission on Environment and Development, 1987) commissioned by the United Nations to examine long term environmental strategies, likewise argued that economic development and environmental protection, could be made compatible but that this would require radical change in economic practices throughout the world (Welford and Stanchan, 2005 : 551). The report concluded that business policy needs to be proactive and not reactive such that intergenerational considerations and long-term environmental protection are observed.

Sustainable development poses a challenge to industry to produce higher levels of output using lower levels of input and generating less waste.

Regulatory Framework and Corporate Social Responsibility

I. General Perspective

The Global Reporting Initiative (GRI) produces the world's defacto standard in sustainability reporting guidelines. Sustainability reporting is the action where an organization publicly communicates their economic, environmental and social sustainability reporting by all organizations as routine as and comparable to financial reporting. The GRI Guidelines are the most common framework used in the world reporting. As of January 2009, more than 1500 organizations (<http://www.glpbalreporting.org/about> GRI) from 60 countries use the Guidelines to produce their sustainability reports. Reporting on sustainability performance is an important way for organizations to manage their impact on sustainable development. The challenges of sustainable development are many, and it is widely accepted that organizations have not only a responsibility but also a great ability to exert positive change on the state of the world's economy, and environmental and social condition. Reporting leads to improved sustainable development outcomes because it allows organizations to measure, track, and improve their performance on specific issues. Organizations are much more likely to effectively manage an issue that they can measure.

i. The Nigeria Experience

The basis of environmental policy in Nigeria is contained in the 1999 Constitution of the Federal Republic of Nigeria. Pursuant to section 20 of the constitution, the state is empowered to protect and improve the environment and safeguard the water, air, kind, forest and wildlife of Nigeria. In addition to this, section 20 of Environmental Impact Assessment Act of 1992 (EIA Act) provides that the public or private sector of the economy shall not undertake, embark on or authorize projects or activities without prior consideration of the effect on the environment.

The Federal Government of Nigeria has promulgated various laws and regulations to safeguard the Nigerian Environment. These include

1. Federal Environmental Protection Agency Act of 1988 (FEPA ACT) The following regulations were made by the FEPA ACT
 - a) National Environmental Protection (Effluent Limitation) Regulations.
 - b) National Environmental Protection (Pollution Abatement in industries and facilities Generating waste) regulations and
 - c) National Environmental Protection (Management of solid and Hazardous waste) regulations.
 - d) Environmental Impact Assessment Act of 1992 (EIA ACT)
 - e) Harmful waste (special criminal protections etc) Act of 1988 (Harmful waste ACT).

The Federal Ministry of Environment (FME) administers and enforces environmental laws in Nigeria. It took over this function in 1999 from the Federal Environmental Protection Agency (FEPA) which was created under the FEPA ACT was absorbed and its functions taken over the FME in 1999.

Other regulatory agencies with oversight functions on specific industries have also issued guidelines to regulate the impact of such industries on the environment such as the Environmental Guidelines and Standards for the Petroleum Industry in Nigeria (EGASPIN) 2002, published by the Department of Petroleum Resources (DPR). However, pursuant to FEPA ACT, each state and local government in the country may set up its own environmental protection body for the protection and improvement of the environment within the state. Each is also empowered within its jurisdictions. All the state laws; for example, Abuja, the federal capital territory has issued the Abuja Environmental Protection Board (Solid Waste Control/Environmental Monitoring) Regulation 2005, (the Abuja Environmental Protection Board Regulations) which principally governs solid waste control in Abuja. In Lagos State, the Lagos State Environmental Protection Agency Law, was enacted to establish the Lagos State Environmental protection (LASEPA), LASEPA's function includes monitoring and controlling the disposal of waste in Lagos State and advising the State government on all environmental management policies. Lagos State government has also enacted Environmental pollution control law, to provide for the control of pollution and protection of the environment from abuse due to poor waste management. Akwa Ibom State has enacted the Environmental Protection and Waste Management Agency law, which establish the Environmental protection and waste management Agency. This Agency is charged with responsibilities which include identifying and proffering solution to and enforcing environmental protection standards and regulations.

Regrettably, the EIA procedure of August 1994 devised and contrived by the regulatory body is deficient and defective. In most cases, the provisions in the EIA procedure step outside the ambits of the EIA ACT (Tayo: 2008:1). The faulty EIA procedure and vagaries of administrative fiats are being used to undermine the EIA ACT. Hence there is a legacy of environmental degradation and public impairments arising from the projects whose approvals were purportedly obtained under the EIA ACT. The failings of the regulator in this respect give rise to violent agitations in the oil bearing communities, to assert their rights to healthy and unpolluted environment.

The EIA practice in Nigeria (in its present form) is a show case for corruption and infraction of the EIA Act. Also, the public access to information through the public registry is yet to be honoured in compliance since the commencement of the EIA Act in 1992.

Regrettably, the Niger Delta Local communities, more than not, are unable to make informed contributions and decisions on projects affecting their environment accordance with the laws of the

land. So they make recourse to violent agitations and the oil companies cash in on the justifiable reaction of the local communities to invite security agencies to unleash mahem and terror on them. The multinational oil and gas industry gives itself moral and legal authority to regulate its own activities and also dictates to the government agencies regarding the regulatory regime. This enables the law to be prostituted to the greedy oil and gas industry. Consequently, the multinational views collaboration with local communities as an undue burden on it rather than a means to develop a productive rapport with its social environment. It was on this backdrop that shell faced a suit in its home based on accusations that its operations have led to environmental damage in Nigeria. The suit which was brought by four Nigerian fishermen and farmers along with friends of the earth focused on the activities in the Niger Delta region, (Business Report, No.140, dated 6 November ,2008) Friends of the Earth have said they hope the lawsuit will make the company take notice, being brought for the first time in a Dutch Court. The group alleged that the Company disregarded actions brought against it in Nigerian Courts. According to the suit, oil spills had resulted in soil and water that could not be used for Agriculture of fishing, even nearly three years after the spillage occurred.

Environmental Audit

The ultimate aim of environmental auditing is to safeguard the environment and minimize the risks to human health.

Glantier, etal (2002 pg.430) considered environmental audit as an essential management tool which compels companies not to wait for restrictive legislation to bring about change. As green consciousness grows and develops, more companies are beginning to evaluate both its commercial implications and the impact any legislation and regulation could have for their operations.

It is in the light of the above reasoning that Vark Murksalu (a senior manger of auditing standards in Canada) as reported by Jeffery (2000:9) asserts that:

Auditors are examining financial statement items that reflect environmental matters such as the cost of initiatives to prevent, abate, or remedy damage to the environment, and the consequences of violating environmental damage done by others or to natural resources.

In other for the auditors to perform the above stated duties with ease. Veneables (2002.394) suggested the following Qualities of a good Auditor in environmental Auditing.

As with all operational auditing, it is necessary for the internal auditor to have an extensive understanding of the organization, its culture markets, operations, products and people. There is also a need to comprehend the environmental policy fully and especially its rationale. The internal auditor must be able to identify with the objective of the corporate policy. The plan for environmental audits should cover regular review of policy to verify that appropriate revisions are being made for changes in environmental threats, public attitudes, legislation or circumstances of the institute of chartered Accountants.

As regards guidelines for the auditing of financial statements affected by environmental matters Jeffery (2000:2), suggests the following:

Understanding of the client's business, assessing risk and understanding internal control environmental perspective. Gray (2003:511) recommends the following steps for environmental audit.

1. Existing legislative requirements in health, safety practices and forth coming regulatory developments are analyzed.
2. Internal procedures and external requirements are examined, compared and contrasted the implications of external requirements on production processes and equipment are assessed and the impact in terms of waste and emission are evaluated. Employee safety will also be examined.

3. The organizational structure, administration and communication processes of the company are analyzed to determine the extent to which management is informed of the (and can therefore control) environmental impact of the company's activities.

Conclusion

In the developed countries, compliance with environmental standards is best achieved not only when government regulators enforce the law, but also with strong community pressure both on the operators and on the government agencies. The western legal system allows affected groups to be heard in administrative procedure and gives them standing in litigation. In Nigeria, there are frequently less political and legal avenues for the participation of local communities and NGO's in the administrative, political and judicial decision- making process regarding environmentally sensitive facilities.

Since 1990's there has been recurring instability in the Niger Delta, especially, which account for 90 percent of crude oil produced in the country? This had negatively impacted on gross Domestic product and stymied growth in the sector. The disturbance had also led to an increase in unemployment and negated the drive for direct foreign investment, as the country is perceived insecure.

Nigeria does have policies on environmental management, but in practice leaves little to be desired as the provision enshrined in the various instruments of intervention are rarely enforced, due to inadequate human resource; inadequate and mismanaged funds, low degree of public awareness of environmental issues; corruption on the part of enforcement officers. Et cetera.

Therefore, to build a sustainable economic society with low environmental impact, tighter regulation and better enforcement of existing environmental laws would help stem degradation of the environment and prevent future occurrence. Also, existing Laws on Environmental matters should be reviewed to conform to current social expectations since the law is dynamic and is a veritable instrument of social change.

Companies should disclose annually, reports on the role played by them in environmental protection; such information reflects their social responsibilities and their inclination to protect the interest of both the present and future generation.

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