History & Evolution of "Social Accounting"

Social accounting and audit is a framework which allows an organisation to build on existing documentation and reporting and develop a process whereby it can account for its social performance, report on that performance and draw up an action plan to improve on that performance, and through which it can understand its impact on the community and be accountable to its key stakeholders.

I/ Definitions

"Social Accounting" is a process whereby an organisation may monitor and evaluate its work, report honestly on its achievement (and failings) and improve its performance through more informed planning and better management. "Social Accounting" engages the stakeholders of an organisation, involving them in the process of assessment and recognising accountability to them. Like any accounting system, to be effective, social accounting must be customized to the needs of each organisation- one size does not fit all. Stating from stated values and objectives, "Social Accounting" isa framework which builds on the existing reporting, compliance and quality standards organisations already have, spotting the gaps to be filled. Talking about "Social Accountsî is expecting to see in them an account of an organisationís environmental policies, practices and impact. The term of "Social Accounting" has led some perceive to it as separate from environmental accounting, rather than another aspect of the same thing. "Social accounting" is about the process of recording, consulting, analysing and then reporting the process.

Social book-keeping: the means by which information is routinely collected during the year to record performance in relation to the stated social objectives.

Social Audit: the process of reviewing and verifying the social accounts at the end of each social audit cycle (the actual audit). The term "Social audit" is also used generically for the concept and for the whole process;

Stakeholders: those people or groups who are either affected by or who can affect the activities of an organisation.

II/ The Background of Social Accounting

Social accounting as an approach began developing in the UK in the early 1970s, when the Public Interest Research Group established Social Audit Ltd. This organisation carried out, and publicised, investigations into the operations of large public companies, without necessarily gaining their permission or co-operation. Whilst lending support to consumer pressure, there is an argument that this had a negative effect on accountability, as organisations sought to ensure that sensitive information was hidden from such investigations. Globalisation has brought with it a wide realisation that companies do not operate in isolation, but can have marked impacts on the environment and people at local, national and global levels. This has led to an increasing awareness of CSR, and the triple bottom-lineî of business success ñ measuring the business not only in its financial performance, but by its social and environmental impact as well. Traid Craft and the New Economics Foundation (NEF) pioneered a form of social accounting in the early 1990s that is voluntary in nature and rooted in engagement with stakeholders. This can assist organisations, both commercial and NGOs, in understanding and improving their social impact.

Social accounting is a way of demonstrating the extent to which an organisation is meeting its stated social or ethical goals. Whilst independently verified, the organisation itself owns the process of data collection and analysis and the process is driven by indicators the organisation sets in consultation with stakeholders, as opposed to being based on standards or criteria determined externally. This is balanced by the principle of benchmarking, which whilst still developing, should enable organisational comparisons where possible. Technically, the terms 'social accounting' or "social audit" refer to specific parts of a process now bestowed with the much more unwieldy title of "Social and Ethical Accounting, Auditing and Reportingî (SEAAR). In practice, the shorter titles tend to be used interchangeably to refer to the entire process. Whichever title is used, the process should involve all three steps:

- internal data collection and analysis procedures (accounting)
- an independent audit of the results (auditing)
- a mechanism for disseminating the outcome more widely (reporting)

A process that stops short of auditing and dissemination is termed a "Social Review".

III / The Principles of "Social Accounting"

Multiperspective

To ensure that the voices of all the key stakeholders are heard and where they are not, to ensure that all omissions are explained satisfactorily. The community sector was early in the field of developing practical and workable methodology for social accounting and social audit.

Comprehensive

To ensure that social accounts are prepared regularly (year-on-year) so that social In Scotland, Strathclyde Community Business Ltd recognised the need to understand, account for and report on the social benefits of the community accounting becomes embedded within the culture and systems of the organisation, contributing to:

- Management of performance
- The ability to report effectively on what has been done
- Accountability to stakeholders

- Creating recognised through which stakeholders are empowered to influence the organisation

Comparative

To ensure that the organisation makes year-on-year comparisons of performance, and relates the performance to appropriate benchmarks, and other external standards and also to allow other stakeholders to make comparisons between organisations.

Verification

To ensure that the social accounts are checked and approved by an independent auditor or panel

Disclosure

To ensure that the findings of the social accounts are reported to stakeholders and to the wider community in the interests of accountability and transparency and to develop dialogue with stakeholders about the issues raised.

IV/ How is "Social Accounting"implemented? The current practices.

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In scotland, strathclyde Community Business Ltd recognised the need to understand, account for and report on the social benefits of the community businesses which were being established in the 1980s throughout Scotland. SCBís thinking and experimentation led to what became known as 'the Scottish modelî which, blended with the experience of the New Economics Foundation working with Traid Craft plc , was published later in 'Social Auditing for small organisations: the Workbook'. The social audit model described in this present workbook derives from the Scottish/NEF model.

In England, the Industrial Common Ownership Movement (ICOM) through its Beech wood College near Leeds developed during the 1980s a social audit model aimed in the first instance at worker co-operatives. This model was piloted in the early 1980s and has since been developed by the Social Enterprise Partnership into the Social Audit Toolkit and used within the community sector, especially in the context of a number of trans-national European programmes.

In the 1980s, both ICOM and Community Business Scotland included a social audit clause in the model constitutions which they were offering to the cooperative and community enterprises they advised and it is now quite common practice in the UK for community-based organisations to include the commitment to do a social audit within their constitution.

In more recent years the practice of social accounting and audit has begun to expand ignificantly in the community sector.

- The Scottish model was tested, by John Pearce of Community Enterprise Consultancy and Research, in the early 1990s with community enterprises in Lothian Region in Scotland and also with worker co-operatives in Nottinghamshire.
- The Beech wood model, as developed and adapted by the Social Enterprise Partnership into the Social Audit Toolkit, has been used by a number of social enterprises in the English Midlands and, more recently in conjunction with an OCN accredited course, in the Bristol area.
- In Northern Ireland the Co-operative Development Agency (now known as NICDA Social Economy Agency) promoted a training course in social accounting and auditing which has been accredited by the Open College Network. The model used draws both on the Scottish/NEF and the Beech wood models and the training program continues to be delivered regularly.
- In Liverpool a Social Audit Initiative was launched by the CBED Unit (Communitybased Economic Development) of the City Council in 1996. Facilitated by John Pearce, the Initiative has made use of an updated version of the Scottish/NEF model and an Open College course was accredited in 1999.
- The New Economics Foundation (NEF), in association with the Association of Chief Officers of Voluntary Organisations, attracted lottery funding to run a pilot social audit program for 13 voluntary organisations throughout the UK (Social Auditing for Voluntary Organisations SAVO) between 1998 and 2000. NEF was also associated with a pilot program with four English housing associations, funded by the Housing Corporation.
- In Scotland Community Business Scotland Network (CBSN) launched a Social Audit Program in 2000 with two clusters of community organisations undertaking training and preparing social accounts in Craig Millar (Edinburgh) and in rural Aberdeen shire and Moray. A continuing series of training workshops was organised around the country and it is planned to introduce an accredited training course in 2001.
- Many other community-based organisations are known to have developed their own styles of social accounting and audit, for example: the Black Country Housing and Community Services Group; Total Coverage (a workers co-operative in Southampton); a group of organisations in Cambria; the Shetland Community Enterprise Network.
- In Europe, social accounting and audit has featured in a growing number of EU funded transnational programmers using both the Scottish/NEF and the Beech wood/SEP models, with increasing evidence of crossover or 'convergence' between the two.
- In Italy the social co-operative movement has developed its own form of social balance sheet.
- Further a field, COMMACT Aotearoa has run a pilot program for ten community organisations in New Zealand, adapting the Scottish/NEF

model. Community organisations in India, the Philippines, South Africa, Canada and the US are amongst the many others who are now experimenting with appropriate forms of social accounting and audit to suit their needs.

It is not possible to record here all the social accounting and audit initiatives in the community sector nor indeed is it possible to know all that is happening. The experience becomes richer and more diverse all the time and a challenge for those involved is to ensure that lessons learned can be lessons shared and to develop common standards that are relevant and appropriate.

V/ The Need for 'Social Accounting'

If 'Social Accounting' is to move ahead both within the social economy and become a force for change in others sectors, several things need to happen:

- The development of models of good practice so that the credibility and legitimacy of the social audit is strengthened.
- The approach of 'Social Accounting and Audit' needs to be strengthened and extended within the social economy.
- 'Social Audit and Accounting' needs to be made more visible as an innovative practice originating from within the social economy, but with increasing relevance to other sectors (public and private/commercial).

CONCLUSION

The conclusion drawn is that social accounting is not a means of, nor an alternative to, impact assessment, but rather a framework methodology into which impact assessment can fit. However, the benefits of the methodology are numerous, including not just an increase in transparency and accountability, but also the development of a focus on organisational learning, the embedding of organisational information systems and the systematic improvement of stakeholder dialogue.

In the corporate world, genuine social accounting has been one of the first major stepping stones in improvements in corporate social responsibility. For many corporates that embark on the process, it is the first time that serious attempts have been made to go beyond financial measurements and understand the social (& often environmental) impact that the organisation has on its stakeholders. Thus such exercises are viewed as a good step towards social impact assessment. However, for many organisations involved in enterprise development, social objectives have often been a driving force rather than a secondary issue. Many of them have struggled since their inception to collect information amounting to a social impact assessment in order to legitimise their existence - to donors, if not themselves. Therefore, whilst the discipline of a methodology for stakeholder engagement and regular reporting will spur the organisation on to improve and embed methods of M&E, the social audit process will not of itself provide beneficiary level impact assessment information, as some expect. Rather, the hard work of developing good quality monitoring and evaluation systems remains crucial and the need for periodic impact assessment studies will remain.

Social accounting and audit should be an empowering process, not a means of control. The organisation defines its own objectives and values and determines along with its stakeholder's the indicators to be used to measure performance. The social accounts report on all aspects of the organisationís work and performance, not just on those aspects for which it receives funding. For social accounting and audit to work effectively, the funding stakeholders have to come to see themselves as one group amongst a number of stakeholders and to understand (and value) the different perceptions and priorities that different stakeholder groups have. Social accounting and audit will only be empowering if all stakeholders agree to hear the voices of each other and allow the organisation to act accordingly. That empowerment will be debased if one stakeholder group were to seek to determine how the social audit should be done and to use it for its own purposes rather than for the benefit of the organisation

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