



## **Social Audit Methods**

### **How do Social Enterprises build Social Capital?**

**John Pearce  
CBS Network  
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## **Social Accounting and Audit: What is it?**

The core business of community and social enterprises and of community organisations is to achieve some form of social, community or environmental benefit. Financial sustainability or profitability is essential to achieving that benefit, but subsidiary to it. The organisation – and all the people associated with it or affected by it – need to know if it is achieving its objectives, if it is living up to its values and if those objectives and values are relevant and appropriate. That is what the social accounting process aims to facilitate.

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.

The essence of social accounting and audit is therefore: *accounting for what we do and listening to what others have to say so that future performance can be more effectively targeted at achieving the chosen objectives.*

A full set of Social Accounts is likely to include the following:

- A report on performance against the stated objectives (How well have we done what we said we would do?)
- An assessment of the impact on the community (Can this be measured? What do people think?)
- The views of stakeholders on our Objectives and Values (Are we doing the “right” things? Are we “walking our talk”?)
- A report on environmental performance (Are we “living lightly” and minimising resource consumption?)
- A report on how we implement equal opportunities (Do we effectively encourage social inclusion?)
- A report on our compliance with statutory and voluntary quality and procedural standards (Do we do what is expected of us, and more?)

## **Why do a social audit?**

Keeping social accounts gives us the information we need – qualitative and quantitative – to tell us how we are performing and what people think about what we do, and how we do it.

Social Accounts which have been audited by an independent Social Audit Panel will have credibility. The information from such audited accounts can be used powerfully to demonstrate not only what the organisation has done but how it intends to improve. Publishing the social accounts allows all stakeholders – those who benefit from what we do, those who do the work, those who pay for it, those who work in partnership with us – to understand the true nature of the added-value we achieve.

This is a social balance sheet so that all stakeholders can decide for themselves whether to use, work for, support, or invest in the organisation. Through the

production of audited social accounts the organisation can fulfil its accountability to its stakeholders.

### **What are the key principles?**

The overarching principle of social accounting and audit is to achieve continuously improved performance relative to the chosen social objectives and to the stated values. Six specific key principles have been identified from recent theory and practice as underpinning the concept and good practice.

#### **The Social Audit Principles**

##### ***Multi-perspective (polyvocal)***

Aim to reflect the views (voices) of all those people (stakeholders) involved with or affected by the organisation.

##### **Comprehensive**

Aim to (eventually) report on all aspects of the organisation's work and performance.

##### **Regular**

Aim to produce social accounts on a regular basis such that the concept and the practice becomes *embedded* in the culture of the organisation.

##### **Comparative**

Provide a means whereby the organisation can compare its own performance year on year and against appropriate external norms or benchmarks; and provide for comparisons to be made between organisations doing similar work and reporting in similar fashion.

##### **Verified**

Ensure that the social accounts are audited by a suitably experienced person or persons with no vested interests in the organisation.

##### **Disclosed**

Ensure that the audited accounts are disclosed to stakeholders and the wider community in the interests of accountability and transparency.

#### **Social audit terms**

***Social accounting***: the process whereby the organisation collects, analyses and interprets descriptive, quantitative and qualitative information in order to produce an account of its performance.

***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.

## **A framework**

Social accounting is not another system to be imposed on an organisation it is more an **approach**, providing a **framework** which permits the organisation to report on its social performance in the fullest and most effective way possible. Social accounts make use of information which an organisation already gathers, reports which already have to be prepared, and consultations which are already carried out. Gaps in existing documentation and information systems will be identified and new methods of capturing information and gathering stakeholder views developed.

No organisation starts with a clean sheet. All organisations keep records about what they do, about staff and volunteers, about their members, about their clients and customers, about training organised, about their members etc. All organisations have records of meetings and produce various reports. This is valuable raw material which can be used in the social accounts. Usually there is much more “in the bag” than you realise, sometimes tucked away in different departments or different computers and not brought together or only used for one purpose when it could be usefully used to inform others as a part of the social accounting process.

## **The Five Stages of Social Accounting and Audit**

In order to make the process of social accounting and audit manageable a five stage process has been developed.

### **Stage One: Introducing Social Accounting and Audit**

- What is it?
- Why do a social audit?
- What are the key principles?
- Understanding the jargon
- What do we already do – towards a social audit?
- What do others do? – history and current practice in different sectors
- Do we want to do it?
- Managing the Social Audit

### **Stage Two: The foundations**

- Clarify the social Objectives and the Activities undertaken to achieve them.
- State the Values which underpin the purpose and work of the organisation.
- Prepare a Stakeholder map of the organisation, and
- Identify the Key Stakeholders
- Determine the Scope of the social audit

### **Stage Three: The nuts and bolts – Social Book-keeping**

- Agree the indicators which will allow performance to be assessed
- Identify what existing records and data can be used
- Decide what new, additional data will be collected and how
- Agree how and when to consult which stakeholders, and about what
- Organise the resources needed to carry out the social book-keeping and the stakeholder consultation
- Produce a Social Accounting Plan and time-table

- Implement the Plan and monitor progress

***Stage Four: Preparing and Using the Social Accounts:***

- Draft the Social Accounts using existing information, the data collected and the views of the stakeholders
- Identify the key issues on which the organisation should act
- Review the Objectives and Activities, and the Values
- Set targets for the future
- Review the social accounting process and make necessary adjustments
- Plan dialogue and discussion with stakeholders
- Review the social accounting process and make necessary adjustments
- Plan how to publish (a summary of) the audited Social Accounts to all stakeholders

**Stage Five: The Social Audit**

- Appoint the members of the Social Audit Panel
- Present the social accounts to the Social Audit Panel
- The Panel arranges to verify a sample of the data used;
- Assesses the interpretations given in the accounts; and
- Comments on the quality of the social accounting and reporting
- The Social Accounts are revised in accordance with the Panel's recommendations, and
- The Social Audit Statement is issued.
- Publish (a summary of) the audited accounts to all stakeholders
- Continue with the next cycle of social accounting

**Working Framework for the Social Audit**

As part of the Five Stage process a social accounting framework has been developed which gives a logical framework within which to clearly state the Mission and Values of the organisations and its core Objectives as well as what it will do/is doing (the Activities) to achieve the Objectives. This is the foundation for the social accounting and audit process – being clear about what we do and for whom and with whom we do it (the stakeholders). The model framework follows.

**Name of Organisation:**

**a) Mission, Values, Objectives, Activities**

**Dates of Social Audit Period: to be inserted**  
(Revised: to keep track of the different editions....)

**Aim/Mission:**

to be inserted
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**Values:**

- to be inserted
- to be inserted

**Objectives:**

**1. To..... (to be inserted)**

**by.....**

- activity to be inserted
- activity to be inserted
- activity to be inserted

**2. To..... (to be inserted)**

**by.....**

- activity to be inserted
- activity to be inserted
- activity to be inserted

**3. To..... (to be inserted)**

**by.....**

- activity to be inserted
- activity to be inserted
- activity to be inserted

**4. To..... (to be inserted) etc. etc.**

**etc.**

## **Social Capital Objectives**

For the purposes of the Conscise project two social capital objectives have been defined, one to do with using social capital and one to do with creating it.

The activities for each objective relate to the six key components of social capital: trust, reciprocity and mutuality, local networks, shared commitment and belonging, shared values and norms, information channels.

### **Social Capital Objective 1: To use social capital in sustaining our social enterprise by.....**

- using relations of trust with social economy and other organisations and with relevant individuals
- engaging with social enterprises and other local organisations in order to receive help on a reciprocal and mutual basis
- receiving support from a strong local network of support
- using a sense of shared commitment and belonging to (insert the name of the area)
- using shared values and norms of behaviour in the local social economy
- using extensive information channels

### **Social Capital Objective 2: To create and generate social capital for the benefit of the local community by....**

- building relations of trust with social economy and other organisations and with relevant individuals
- engaging with social enterprises and other local organisations in order to offer help on a reciprocal and mutual basis
- contributing to and supporting local networks
- contributing to a sense of shared commitment and belonging to (insert the name of the area)
- strengthening the shared values and norms of behaviour in the local social economy
- building up information channels and sharing information

## **Social book-keeping for social capital**

Having identified the activities which relate to the social capital objectives, it is necessary to agree the type of information which will be required in order to understand to what extent the social enterprise is both using and creating social capital. The information which may be required is identified in the table below and will include both countable data (Quantitative) and the views and perceptions of stakeholders (Qualitative).

How this information will be acquired will vary between social enterprises depending on how far their core objectives and activities overlap the social capital objectives and activities and on what relevant information they are already gathering. For the social enterprise in Scotland taking part in the Conscise project we have found that a considerable amount of the information required to measure social capital is already required for their own core objectives (for example working with and supporting other

local social enterprises). We have had to introduce some new recording systems to log the use of information channels and the provision of information and to devise a way of obtaining a picture of the extent of the social enterprise's network of contacts with other organisations. In negotiating recording systems it is essential to devise those which the people in the enterprise are willing to undertake – they must both see the relevance of what they are asked to do and not find it too onerous or time-consuming.

The perceptions of the use and creation of social capital are being gathered from the staff of the social enterprise at regular bi-monthly interviews, giving an opportunity to record examples of social capital in action and to interpret what has happened over the previous two months in terms of the use and creation of social capital. Towards the end of the year similar questions and discussions will be held with other stakeholders, especially other social enterprises in the local social economy, to add their perceptions to the picture which has developed during the social accounting year.

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<b>Social Capital Objective 1: to use social capital in sustaining our social enterprise by...</b>		
Using relations of trust with social economy and other organisations and with relevant individuals	Evidence, nature and frequency of links/relations with organisations and relevant individuals Examples of trust in action (or distrust) where the organisation is the recipient Evidence of trust reciprocated	
Engaging with social enterprises and other local organisations in order to receive help on a reciprocal and mutual basis	Examples of reciprocal help received Examples of mutual action which benefit the organisation	
Receiving support from a strong local network.	Size of local membership Involvement of and participation by members Evidence, nature and frequency of links with local organisations and relevant individuals Evidence, nature and frequency of links with organisations and relevant individuals outwith the local area Examples of positive action arising from networking and contacts	
Using a sense of shared commitment and belonging to .....(insert name of area)	Examples of how shared commitment/belonging has been important to the work of the organisation	
Using shared values and norms of behaviour in the local social economy	Examples of shared values/norms contributing to the work of the organisation (or the converse)	
Using extensive information channels	Extent and nature of information channels established and used, formal and informal Frequency of use	

<b>Social Capital Objective 2: to create and generate social capital for the benefit of the local community by....</b>		
Building relations of trust with social economy and other organisations and with relevant individuals	Evidence, nature and frequency of links/relations with organisations and relevant individuals Examples of trust in action (or distrust) where the organisation is the giver Reputation amongst other social economy and local organisations, and amongst key individuals	
Engaging with social enterprises and other local organisations in order to offer help on a reciprocal and mutual basis	Examples of reciprocal help given Examples of mutual action which benefit other organisations Reputation amongst other social economy and local organisations	
Contributing to and supporting local networks	Membership of other organisations/networks (local and non-local) Level of active participation in these Evidence, nature and frequency of links with these Examples of positive action arising from participation in networks	
Contributing to a sense of shared commitment and belonging to .....(insert name of area)	Examples of how the sense of shared commitment/belonging has been strengthened (note: some enterprises may have specific activities which relate to this – eg: generating positive press coverage, holding regular social gatherings etc)	
Strengthening the shared values and norms of behaviour in the local social economy	Examples of how the organisation has contributed to strengthening shared values/norms	
Building up information channels and sharing information	Number and nature of inquiries dealt with Number and nature of visits received Reputation amongst those organisations seeking and receiving information/making visits Examples of positive outcomes deriving from the giving and sharing of information	

