



PROJECT:

**THE CONTRIBUTION OF SOCIAL CAPITAL IN THE SOCIAL
ECONOMY TO LOCAL ECONOMIC DEVELOPMENT IN
WESTERN EUROPE**

REPORT OF WORKPACKAGE 3:

SOCIAL AUDITS OF SOCIAL ENTERPRISES: METHODOLOGY

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Preface

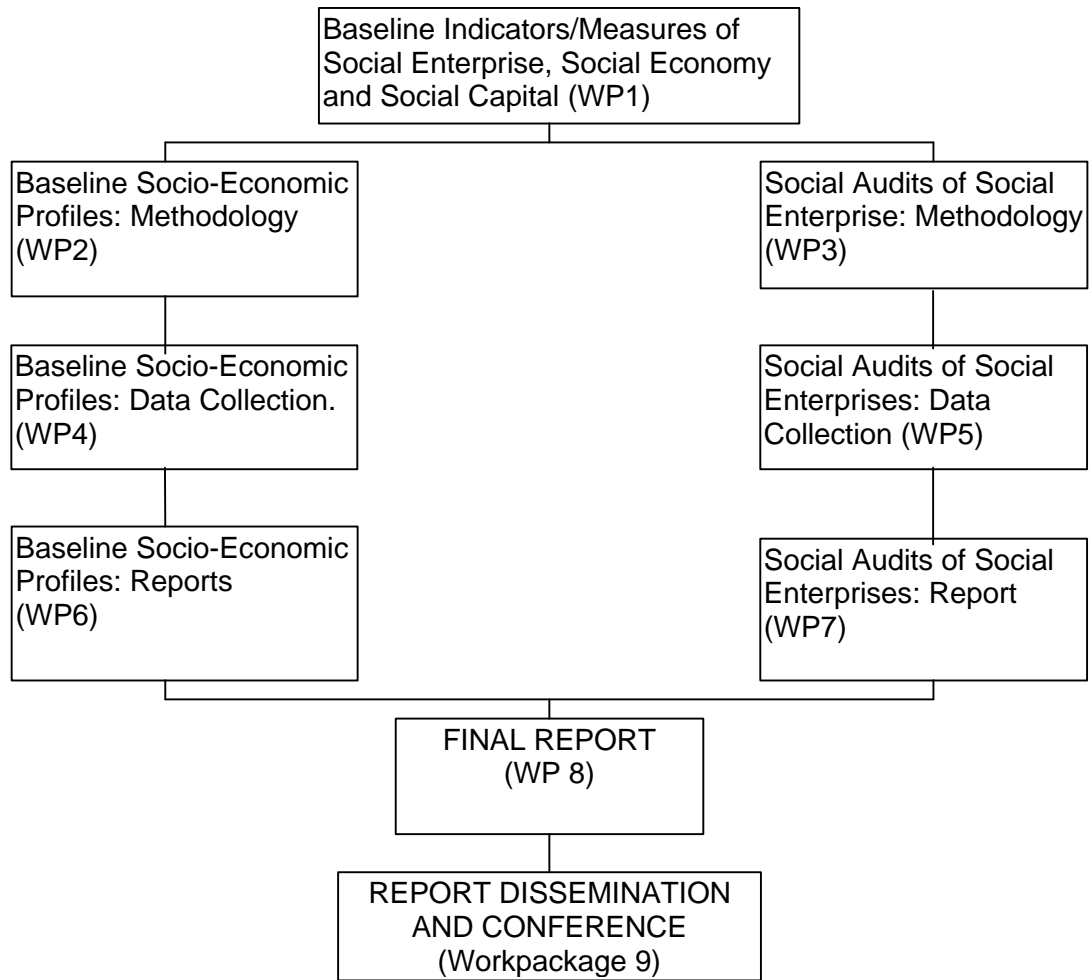
CONSCISE is the acronym for the research project "The Contribution of Social Capital in the Social Economy to Local Economic Development in Western Europe". It is funded under the European Framework V Key Action "Improving the Socio-Economic Knowledge Base". The project will examine the extent to which social enterprises in the social economy produce and reproduce social capital and thereby facilitate local economic development, social cohesion and inclusion in four European countries (UK, Germany, Spain and Sweden).

CONSCISE will over its 3 year life span endeavour to fulfil six detailed objectives:

- 1 To model the range of ways in which different social enterprises in the social economy in the four countries can produce and reproduce social capital.
- 2 To identify the ways and extent to which social capital produced and reproduced in family and community networks influence the development of social enterprises in the social economy.
- 3 To generate indicators and measures of the social capital produced by social enterprises.
- 4 To develop a new model of local economic profiling, which incorporates a concept of social capital, and measures and indicators.
- 5 To develop an augmented model of social auditing, which incorporates a concept of social capital, and measures and indicators.
- 6 To produce an assessment of the role of social capital in the social economy for the development of local social cohesion and social inclusion.

The CONSCISE Project will provide a range of reports and workshops during its course and a major report and conference will conclude the project in 2003. A detailed diagram is on the following page showing the parallel pathways for the project.

Diagram: Work Packages (WP)



1 Introduction

The CONSCISE project started in March 2000. The report on Work Package 1: Key Concepts, Measures and Indicators, has been written and submitted. It defined the concepts of social enterprise, the social economy and social capital in detail and outlined how these concepts can be measured and what indicators could be used. It also included an extensive bibliography for the project which will be added to over the course of the project.

A supplementary paper summarising the findings of the WP1 report and outlining the parameters for Work Packages 2 and 3 has been written (Appendix 1). It is important that WP 2 and WP 3 complement each other and the supplementary paper describes how they can do this in an integrated way. WP 2 will detail the methodology to be used in carrying out a social economic profile of the selected areas, while this paper (WP3) covers the methods to be used in the social audits of the selected social enterprises.

The CONSCISE project will examine how social enterprises, located in a community with a strong social economy, can produce and reproduce social capital as it has been defined. It will also look at how social capital can influence the development of social enterprises. The project has been designed to identify a community with a local social economy and carry out a socio-economic profile of that area looking in particular at the level of social capital and how it has been generated and used. Then, a social enterprise in the area will be identified and a social audit will be carried out in conjunction with the staff and key personnel of the enterprise. The social audit methodology will be extended to examine the level of social capital that the social enterprise generates and how it uses that social capital.

Thus, the project will work closely with local organisations and individuals to achieve its ends, and at the same time enable the social enterprise to carry out a social audit of its impact and level of performance in relation to its own objectives and values.

The objectives of this Work Package are:

- to develop a methodology of working with a social enterprise to carry out a social audit which includes looking specifically at how it benefits from, and generates social capital;
- to detail common and comparable processes and measures that reflect the indicators of the key concepts described in Work Package 1.

These objectives will be met by reviewing the current literature on social auditing and developing a system of incorporating the measurement of social capital into the model social audit process.

This paper (WP3) will;

- describe the background to social auditing (Section 2);
- outline an approach uniform across the entire project (Section 3);
- detail the methodology to be used dividing it into (a) what needs to be done prior to starting the social audit and (b) the social accounting and audit process itself.

This process will include a social capital “scoping study” and the objectives specific to social capital. It will also suggest a timetable and how the social audit process will be integrated with the socio-economic profiling (Section 4);

- state the expected outputs and outcomes of the social audit (Section 5); and
- list the resources which are available and will be used for the social audits in the selected areas (Section 6).

2 Background to Social Audit

2.1 What is social auditing?

The core business of community and social enterprises and of community organisations is to achieve some form of social or community benefit. Financial sustainability or profitability is essential to achieving that benefit, but subsidiary to it. An 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.

Social accounting and audit is a framework that allows an organisation to build on existing documentation and reporting. It is a process whereby an organisation can account for its social performance; report on and improve 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 (the organisation) do and listening to what others have to say so that future performance can be more effectively targeted at achieving the chosen objectives.

The following key principles have been generally accepted. They are that a social audit should be:

- *multi-perspective (polyvocal)*: aiming to reflect the views (voices) of all those people (stakeholders) involved with or affected by the organisation.
- *comprehensive*: aiming to (eventually) report on all aspects of the organisation's work and performance.
- *regular*: aiming to produce social accounts on a regular basis such that the concept and the practice becomes *embedded* in the culture of the organisation.
- *comparative*: providing 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*: ensuring that the social accounts are audited by a suitably experienced person or persons with no vested interests in the organisation.
- *disclosed*: ensuring that the audited accounts are disclosed to stakeholders and the wider community in the interests of accountability and transparency.

A full set of social accounts is likely to contain five key elements:

- 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 compliance with statutory and voluntary standards (Do we do what is expected of us, and more?)

Credibility is conferred by the fact that the social accounts will be audited by an independent Social Audit Panel. The information from such audited accounts can be used 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 the organisation does, those who do the work, those who pay for it, and those who work in partnership with them – to understand the true nature of the added-value achieved.

This is a “social balance sheet” which permits all stakeholders to decide for themselves whether to use, work for, support, or invest in the organisation. Through the production of audited social accounts the organisation is discharging its accountability to its stakeholders.

2.2 Brief history of social auditing

The roots of the social audit idea lie in the business world and in the perceived need to make business more accountable to the community, and to ensure that the impacts of business – beneficial and non-beneficial – are understood. Geddes’ definition is one of the clearest and fullest:

“Social audit is best understood as a reaction against conventional accounting principles and practices. These centre on the financial viability and profitability of the individual economic enterprise. By contrast, social audit proposes a broader financial and economic perspective, reaching far beyond the individual enterprise....Social audit posits other goals as well as, or instead of, financial profitability....Moreover social audit attempts to embrace not only economic and monetary variables but also – as its name suggests – social ones, including some which may not be amenable to quantification in monetary terms”¹

A number of different strands of “accountability” may be identified as having contributed to the significant, and relatively sudden, growth of social audit in the last decade of the twentieth century.

- *Investigative reporting* into the (usually negative) impacts of corporations and other institutions on people, on the local community and on the environment. These forms of “social audit” were pioneered by Social Audit Limited in the 1970s.²

¹ Geddes, M., *The Social Audit Movement in Green Reporting: the Challenge of the Nineties*

² Social Audit Limited published a number of reports on various companies in the early 1970s (Social Audit Vol 1 No. 1 1973 outlines the Case for a Social Audit

- During the industrial restructuring of the 1970s and 1980s several UK local authorities, often in association with trades unions, commissioned reports into the likely *impact of plant closures* on local communities.
- As pressures built during the 1980s about the impact of industry on the environment, *standards began to be developed* requiring companies (and others) to report on likely and actual environmental impacts.
- The growth of interest in *ethical investment* has led to the need to uncover and better understand just what corporations do and how they use the funds invested in them. The “watchdog” role has been developed by such organisations as the Ethical Investment Research Service and Ethical Consumer.
- Consumers themselves have become more conscious of how their *patterns of consumption* can affect the actions of corporations and even governments, as the recent successful campaigns about genetically-modified food in the UK testify.
- The movement of corporate social responsibility has seen companies begin to shift from simply doing “good” things in the community to embrace the notion of *improved accountability to stakeholders* and the need to explain themselves, even if only to maintain a “licence to operate”. This trend has been given impetus by such high profile incidents as the Shell attempt to ditch the Brent Spar in the North Sea and the resultant public outcry.
- The *idea of “stakeholders”*, which has permeated language and thinking, has opened up an understanding that all organisations affect far more people than they perhaps realised in the past. It is also understood that these stakeholders have a legitimate right to at least know what is going on, if not to have some influence.
- Most recently the introduction of the *concept of “best value”* in the UK re-introduces the legitimacy of recognising “softer” outcomes as well as “hard” outputs at the same time as making it more essential that there is some way of accounting for and reporting on that softer performance. This trend is perhaps superceding an earlier (1980s and 1990s) “audit explosion” which sought to count everything and establish performance indicators linked inexorably to money (pounds, dollars, euros, etc) as the only valid measure of value.

2.3 Social auditing and the community sector

The community sector was early in the field of developing practical and workable methodology for social accounting and social audit.

In Scotland, Strathclyde Community Business (SCB) 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. SCB’s thinking and experimentation led to what became known as “the Scottish model” which blended with the experience of the New Economics Foundation (NEF) working with Traidcraft plc (see below). The resultant model was published later in “Social Auditing for Small Organisations: The Workbook”³. This has become one of two

³ Pearce, J., Raynard, P., Zadek, S.; Social Auditing for Small Organisations – The Workbook for Trainers and Practitioners; New Economic Foundation; 1996

models extensively used within the community sector and is based on an eight stage process, which has recently been revised into a **five stage process** and produced as a new workbook with companion disc.

In England, the Industrial Common Ownership Movement (ICOM) through its Beechwood College near Leeds developed, during the 1980s, a social audit model aimed in the first instance at worker and community co-operatives. This model was piloted in the early 1980s and has since been developed by the Social Enterprise Partnership (SEP) into the Social Audit Toolkit and used within the community sector, especially within a number of transnational 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 co-operative and community enterprises they advised. 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. That commitment of itself does not necessarily mean that they do undertake a social audit however!

In recent years the practice of social accounting and audit has expanded significantly in the community sector:

- The Scottish model was tested in the early 1990s with community enterprises in the Lothian Region of Scotland and also with worker co-operatives in Nottinghamshire, England.
- The Beechwood model, as developed and adapted by the Social Enterprise Partnership into the Social Audit Toolkit⁴, has been used by a number of social enterprises in the English midlands and, more recently in conjunction with an Open College Network (OCN) accredited course, in Bristol.
- 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 was accredited by the Open College Network in 1997. The model used draws both on the Scottish/NEF and the Beechwood/SEP models and the training programme has continued to be delivered regularly.
- In Liverpool a Social Audit Initiative was launched by the Community-based Economic Development (CBED Unit) of the Liverpool City Council in 1996.⁵ The Initiative has made use of an updated version of the Scottish/NEF model and an Open College course was accredited in 1999. The model has recently been revised and a detailed manual and workbook written, with two companion discs.
- NEF in association with the Association of Chief Executives of National Voluntary Organisations, attracted lottery funding to run a pilot social audit programme for 13 voluntary organisations throughout the UK (Social Auditing for Voluntary Organisations – SAVO) between 1998 and 2000.⁶ NEF also established a pilot programme with four English housing associations funded by the Housing Corporation.

⁴ Spreckley, F.; Social Audit Toolkit; Social Enterprise Partnership; 2000

⁵ Pearce, J., Liverpool Social Audit Initiative: Report on the Pilot Programme 1996 – 98; Liverpool City Council CBED Unit; 1999

⁶ Association of Chief Executives of National Voluntary Organisations, Social Auditing with Voluntary Organisations; 2000

- In Scotland, Community Business Scotland Network (CBSN) launched a Social Audit Programme in 2000 with two clusters of community organisations undertaking training and preparing social accounts in Craigmillar, Edinburgh and in rural Aberdeenshire and Moray. In parallel with these clusters a continuing series of training workshops are organised around the country and it is planned to introduce an accredited training programme based on the Liverpool course during 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 Group⁷; Total Coverage (a workers co-operative in Southampton); a group of organisations in Cumbria; the Shetland Community Enterprise Network.
- In Europe, social accounting and audit features in a growing number of EU funded transnational programmes using both the Scottish/NEF and the Beechwood/SEP models. Countries involved have included: Sweden, Spain, Portugal, Ireland, UK,
- In Sweden and Ireland where both models have been introduced there is increasing evidence of “cross-over” or convergence between the two.
- Training workshops have been organised in, for example, Berlin and Hamburg and a simplified version of the NEF Social Audit Workbook was translated into several languages.
- In Italy the social co-operative movement has developed its own form of social balance sheet.
- Further afield, COMMACT Aotearoa has run a pilot programme for ten community organisations in New Zealand, adapting the Scottish/NEF model. Community organisations in India, the Phillipines, South Africa, Canada and the US are amongst the many others also now experimenting with appropriate forms of social accounting and audit to suit their needs.

2.4 The Scottish/NEF and the Beechwood/SEP models compared

Unsurprisingly, there is a great deal of common ground between the two models in use. Both models:

- emphasise the importance of being clear about objectives and values;
- emphasise the need to recognise and to consult stakeholders;
- recognise the importance of undertaking social audit on a regular basis.

The Beechwood/SEP model has emphasised the “internal” view (ie. how the internal stakeholders think the organisation functions). This is unsurprising given its root in the worker co-operative movement and concern about practising worker democracy. However, a recent report for a transnational programme has suggested that in future the model should look at the “external” view first.⁸ The Scottish/NEF model has

⁷ Black Country Housing Services Group, Social Audit Report

⁸ Social Enterprise Partnership (SEP), Final Report on Transnational Social Audit Programmes 1998/1999; SEP; 2000

tended to emphasise reporting on and consulting about the work done with external stakeholders but also includes recognition of and consultation with internal stakeholders.

The Beechwood/SEP model is prescriptive about the methodology to be used, while the Scottish/NEF model is more a framework approach which allows the organisation to adopt whatever techniques and methods are considered appropriate (including in some cases those prescribed by the SEP Social Audit Toolkit eg. variance questionnaires, SWOT analysis etc). Reports on the experience of both models emphasise the importance of finding imaginative ways of consulting stakeholders and avoiding the “rush to survey”.

The Scottish/NEF model insists on there being some form of external verification process (the actual “audit”) and this is not used within the Beechwood/SEP model. In the former the “social accounts” are usually prepared by the organisation’s own “social accountant” and presented for verification (audit), while in the latter it is often the case that the social audit report is compiled by an external person.

Overall, the impression from experience to date is that there is a great deal of common ground and it is interesting that where training on both models has been available the resultant method has been something of a converged model, using elements of both.

2.5 The role of the New Economics Foundation and Traidcraft

The New Economic Foundation (NEF) assumed the role of promoting social accounting and audit in all sectors from the early 1990s. It worked with Traidcraft plc who were the first UK company to publicly commit to doing and publishing a social audit (in 1992) and developed and refined the methodology for use within the corporate sector.

The Traidcraft social audits have become models of good practice and their published summary versions are readily available and very readable.⁹

Traidcraft and NEF can be credited in particular with recognising the complexity of stakeholders associated with organisations and developing stakeholder consultation and dialogue as a key ingredient in social accounting and audit. They are also to be credited with experimenting with various methods and styles of undertaking the actual audit (verification), including the use of the company’s financial auditors, with successfully blending quantitative and qualitative information in the published report and disclosing the findings through publication.

2.6 Ethical business and private corporations

Within the field of ethical business, the practice of social accounting and audit has been taken up, following the lead of Traidcraft by such companies as The Body Shop; Ben ‘n Jerrys; the Co-operative Bank; Co-operative Insurance Services and the VanCity Credit Union in Canada.¹⁰

⁹ Traidcraft Social Accounts 1999 (available from Traidcraft, Kingsway North, Gateshead, Tyne and Wear NE11 0NE)

¹⁰ Social audit reports are usually available from corporations free of charge or via their websites. Many reports are reviewed in *Accountability: Quarterly Journal of the Institute for Social and Ethical*

The process has also been adopted with increasing enthusiasm by the private sector with reports published by a wide range of large companies: Camelot; Shell International and Shell UK; Diageo; United Utilities; Rio Tinto Zinc. (See footnote 10)

There is an important distinction to be made between the role and purpose of social accounting and audit for the community sector and for some ethical businesses such as Traidcraft on the one hand and for private corporations on the other. For the former their social or ethical purpose is their primary purpose and their business and financial activity is what they do in order to fulfil the primary purpose. Thus, it is essential that they know how successfully they are achieving that purpose. Social accounting provides that information and the social accounts report on that primary purpose which is their core business.

For the corporations, however, their primary purpose is about growing share value and increasing returns to shareholders and the social accounts therefore become more an exercise to demonstrate corporate social responsibility, with an eye on maintaining “the licence to operate”. Stakeholder consultation and dialogue become “managing stakeholder relations”, so that the primary purpose may be better achieved. At its best it does report widely and frankly to stakeholders about the good news and the bad news while at its worst it becomes no more than a glossy public relations exercise.

NEF has recently (May 2000) announced a new initiative, funded by the Joseph Rowntree Trust to make sure social audits are not used as “corporate whitewash” and published its first paper on this subject towards the end of 2000¹¹.

So far corporate social auditing has tended to be a European and North American phenomenon although it is slowly developing worldwide. In Scandinavia a similar process, Ethical Accounting, evolved from the Copenhagen Business School at much the same time as the NEF/Traidcraft social audit work was developing and has been extensively used in both the corporate and public sectors in Scandinavia.¹²

2.7 In the public sector

Other than in Scandinavia, there has as yet been little experience of social audit being adopted within the public sector. The British Department for International Development (DFID) undertook a feasibility study in 1998 on whether or not to carry out a social audit on itself. It decided not to proceed with this proposal.

The LETS development team within the Liverpool City Council (LCC) undertook a social audit in 1997/8 and is doing so again for 2000/01. The LCC Social Economy team is also preparing social accounts for 2000/01

Watford Borough Council is likely to be the first British local authority to engage in social accounting and audit.¹³

Accountability and Social and Environmental Accounting: Journal of the Centre for Social and Environmental Accounting and Research (CSEAR); University of Glasgow

¹¹ New Economics Foundation (NEF), Corporate Spin: The troubled teenage years of social reporting; NEF; 2000

¹² Zadek, Pruzan, Evans, Building Corporate Accountability: Emerging practices in social and ethical accounting and reporting; Earthscan; 1997

¹³ “Social auditing, best value and the public sector” – article in Accountability; Issue 14; 2000

There are no other known examples of the public sector engaging with social accounting and audit for itself, although there is increasing interest being shown in the process by public sector agencies as something they would like the bodies they fund to do.

Herein lies a dilemma for the community sector. Social accounting and audit should be an *empowering* process. The organisation defines its objectives and values and determines along with its stakeholders the indicators to be used to measure performance. The social accounts report on all aspects of the organisation's 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. They have to understand and value the different perceptions and priorities that different stakeholder groups possess.

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.

2.8 A global network

A global movement needs some form of global network, which was established in 1999 in the form of the Institute of Social and Ethical AccountAbility (ISEA). ISEA is based in London and has a worldwide membership. It seeks:

- to build up this global network;
- to develop agreed standards for social audit
- to accredit training programmes; and
- to accredit the members of what it sees as a “new profession” of social and ethical accountants and auditors.

In November 1999 ISEA published a draft standard for social auditing which included both a standard for the process and a standard for training social and ethical accountants and auditors. University courses are currently being established using this new standard¹⁴. NEF has also developed its own “quality scoring standard”.¹⁵

While ISEA seeks to represent all sectors in the social audit movement its focus has so far tended to be on the corporate sector, on large-scale ethical businesses and on the large non-governmental organisations (NGOs). It has not had close association with the fast-moving development in the community sector, where there has been considerable practical experience and where at least three courses have been accredited in the UK and others are known to be in the pipeline.

The following section will look specifically at how social accounting and audit will be used within the CONSCISE project.

¹⁴ AA1000 (see bibliography for further details)

¹⁵ New Economic Foundation (NEF), Quality Scoring Framework; NEF; 1998

3 Approach

3.1 The Social Audit in the Context of the CONSCISE Project

One of the key objectives of the CONSCISE project is to understand the concept of social capital and develop its relevance to the social economy. It is intended to explore the extent to which social enterprises, firstly, need and use stocks of social capital in order to start operations, survive and thrive and, secondly, to what extent they create new social capital.

The fieldwork will:

...establish the nature and extent of local social capital within the social economy of the selected areas; and following that...

...work with the selected social enterprise to undertake specially adapted social audits which will explore to what extent those enterprises have both consumed and/or created social capital.

This paper concentrates on the methodology for the social audit.

Each social enterprise will plan and implement a social audit using the NEF/Scottish model adapted in the light of research experience in Scotland and Liverpool. The model will be further adapted to include an added component to explore social capital. The social capital component will include consultation with the social enterprises' stakeholders about the nature, use and creation of social capital. The social audit overall will retain its focus on how the organisation has performed and the process will be very much one of the organisation preparing its social accounts for its own purposes of planning and improving on performance and reporting to stakeholders. The social capital component will be done to a common format across the selected social enterprises, while the remainder of the social accounts will be tailored to each individual enterprise's requirements.

The CONSCISE programme team will collaborate with local people and paid staff attached to the social enterprises. They should be aware of the value of their active participation in the project and also of their level of input and commitment. In carrying out a social audit, the social enterprise has to want to do it, understand the process, realise the commitment required by volunteers and staff, be prepared to allocate a social accountant(s) to the tasks and understand the implications that may arise from the social audit.

CONSCISE team members will be responsible for guiding the social audit through the five stages and for providing information and techniques on the concept and procedures. The social enterprise will be responsible for working closely with the CONSCISE personnel in gathering the quantitative and qualitative data, helping in the analysis and writing a proportion of the social audit accounts and final report.

The primary benefit to the social enterprise, arising from its participation in this project, is that it will have a full and verified social audit. At the same time the CONSCISE project will have benefited as it will use part of the social audit process to examine specifically the creation and use of social capital.

In addition the social enterprise will benefit by having a clearer idea of social capital and how their activities might be assessed in terms of the amount of social capital that they generate in an area.

3.2 Approach

In undertaking the social audits, the following **approach** is has been agreed:

- the same methodological process will be adopted in each location thus permitting for common conclusions and comparisons to be drawn;
- the social audit will be done in collaboration with local people and agencies;
- the CONSCISE personnel will have a guiding and facilitating role over the process and will be active in ensuring the data is collected, stakeholders consulted, analysing it and in writing up the results.
- the social capital elements of the social audit will link and integrate effectively with the local social economic profile.

In common with the methodology outlined for the socio-economic profiles (WP2), the social audit will take account of the presence, use and impact of social capital on individuals, social relationships and local institutions and groups.

4 Methodology

The advantage for the CONSCISE project in using the most recent version of the Scottish/NEF model is that it permits the inclusion of a variety of different techniques within a consistent framework.

It is important that the social enterprise is aware of the resource implications as well as the benefits arising from taking part in this project. Therefore, there are certain preliminary tasks (Section 4.1), which will prepare the social enterprise for the social audit and which will coincide, and to some extent integrate with, the socio-economic profiling exercise (WP4).

For the purposes of the CONSCISE project there will be two additional elements to the usual social audit model process:

- a detailed scoping study of the social enterprise exploring in particular the historical use of social capital; and
- the addition of two extra social capital objectives.

This methodological section will first go through the five standard stages of a social audit (Section 4.2) and then detail the two additional elements (Section 4.3). The timetable in Section 4.4 will show how the social audit and the social capital elements will run in parallel, while Section 4.5 will demonstrate how the first stages of the social audit process will run alongside the local socio-economic profile.

The methodology will refer to the Companion Discs the contents of which are outlined in Appendix 2. A new manual has recently been written on Social Accounting and Audit in the Community Sector and will be available for reference. Furthermore, information and help on the social audit process will be available from the CBS Network personnel in the form of telephone/email assistance.

The following sections will refer to a series of tasks with a suggested time framework. This will enable each of the CONSCISE partners to devise a programme of meetings and events to suit their particular circumstance. The partners may be able to hold combined meetings with personnel from the two social enterprises taking part in the CONSCISE project

4.1 Preliminary Tasks (January - March 2001)

There are three preliminary tasks:

- Task 1: Identification of the social enterprise (within the area selected for the field work and therefore for the socio-economic profile)
- Task 2: Initial meetings with the Social Enterprise
- Task 3: Briefing meeting on CONSCISE and the Social Audit

Task 1: Identifying the social enterprise

In selecting the social enterprise, the criteria below should be applied. The social enterprise must:

- Earn at least part of its income from commercial trading;
- be “pivotal” to the process of local economic development in the chosen area;
- be of sufficient size to employ paid staff;
- have contacts and a range of stakeholder groups;
- be aware of the resource implications of carrying out a social audit, and
- be willing to take part in the CONSCISE project and allocate some effort to it.

Task 2: Initial meetings with the Social Enterprise

Meet with the key people in the social enterprise and explain the CONSCISE project; the social audit methodology and process; the outcomes and outputs; and gain agreement for their participation.

This meeting may be attended by a sub-set of the Soundings Group (see Work Package 2: Baseline of Socio Economic Profiles - Methodology)

Task 3: Briefing meeting on CONSCISE and the Social Audit

Invite key people within the social enterprise to a briefing meeting on:

- the CONSCISE project;
- definitions, concepts, measures, indicators of social enterprise, social economy and social capital;
- the five stage process of the social audit;
- the expected outcomes and outputs of the CONSCISE project and in particular of the social audit;
- the division of work between the CONSCISE personnel and the social enterprise staff and volunteers;
- the expected timetable, dates of meetings and milestones in the project.

This meeting may be combined with the first meeting of the Soundings Group.

4.2 Five Stages of the Social Audit (February 2001 - July 2002)

This section will outline the five stages in carrying out a social audit (Appendix 3). Reference will be made to files in the Companion Disc (Appendix 2). There are a number of tasks which will happen within the five stage process and they are summarised as follows:

Stage 1: Introducing Social Accounting and Audit

- Task 4: Introducing the social enterprise to the process

Stage 2: The Foundations

- Task 5: Completing the framework (mission, objectives, activities and values)

Stage 3: The Social Book-keeping

- Task 6: Agreeing on the social book-keeping methods (quantitative and qualitative)

- Task 7: Collecting quantitative and qualitative data
- Task 8: Consultation with stakeholders
- Task 9: Monitoring progress

Stage 4: Preparing and Using the Social Accounts

- Task 10: Drafting the social accounts

Stage 5: The Social Audit

- Task 11: Social Audit Panel and the Social Audit

In more detail these stages are outlined as follows:

Stage 1: Introducing Social Accounting and Audit (January - February 2001)

Task 4: Introducing the Social Enterprise to the process

At a meeting of all the key people from the social enterprise the following key issues will be covered:

- what is social auditing
- background to social accounting and audit
- examples of social audits
- key principles
- the five stages – an overview
- exploring what the social enterprise already does (use Companion Disc 1.1)
- exercise in building the foundations – firstly, stating the organisation's mission, values, objectives, activities adding the two social capital objectives and activities (see Section 4.3); and secondly, listing the stakeholders and identifying the key ones

Stage 2: The Foundations (March 2001)

Task 5: Completing the framework

The Framework includes the aims, values, objectives, activities of the social enterprise with the addition of the two social capital objectives and activities; the stakeholder analysis; the timetable; and the social bookkeeping system. (Appendix 4 and Companion Disc 1.2, 1.3, 1.4, 1.6 and for an example 6.1- 6.4).

All key staff of the social enterprise should consider and discuss the Framework but the task of completing it will fall to the social accountant and the social audit group assisted by the CONSCISE personnel.

As part of the Framework discussion, the scope of the social audit will be discussed and agreed. The scope refers to that which can and cannot be achieved in the social audit including the reasons for any omissions.

Stage 3: The Social Book-keeping (March/April 2001 for the planning; April 2001 - March 2002 for the implementation)

Task 6: Agreeing on the social book-keeping methods

The key people in the social enterprise along with the CONSCISE team will ensure that all the quantitative data required is being collected in a form that is easily analysable and understood. Consideration will be given to how the information required for each activity can be sourced and collected.

Finalise the Framework (Appendix 4).

Task 7: Collecting the quantitative and qualitative data (April 2001 – March 2002)

The social enterprise staff will collect the data in a form that will enable it to be analysed. It is suggested that the data is analysed periodically to ensure that there is not a rush at the end of the year.

Task 8: Consultation with the stakeholders

The CONSCISE team and the key staff of the social enterprise will consider the methods suggested in the Framework on the consultation of stakeholder groups.

Following this, the techniques for consultation will be finalised (ie. Questionnaires, semi-structured interviews, PRA techniques, etc. (see Companion Disc 3.1 – 5.3 and for examples 5.6 – 5.7 which can be used as templates).

The consultations will be spread throughout the period September 2001 to March 2002.

Task 9: Monitoring Progress (August 2001 – February 2002)

A series of progress meetings should be held every 2 months or so with the key people in the social enterprise to ensure that the social audit is on track.

Stage 4: Preparing and Using the Social Accounts (April 2002)

Task 10: Drafting the social accounts (April 2002)

CONSCISE personnel and the key staff in the social enterprise will draft the social accounts in accordance with the suggested headings (Appendix 5 and in Companion Disc 1.7). The CONSCISE team will be particularly interested in the social capital objectives and the quantitative and qualitative data collected under these activities.

The social enterprise will have identified key issues; will review aims, objectives, activities and values; set targets; made plans to dialogue with stakeholders and publish the social audit report – and hopefully will decide to continue with social accounting and audit afterwards on a regular basis.

Stage 5: The Social Audit

Task 11: Social Audit Panel Meeting and the Social Audit

CONSCISE team members will organise for a Social Audit Panel to meet and consider the social accounts for the purposes of verification (see Companion Disc 1.8 – 2.2; 8.9, 9.1, 9.4). The Chair of the panel will write up the notes and issue the Social Audit Statement.

4.3 Social Capital Elements of the Social Audit

To ensure that the aims of the CONSCISE project relating to social capital are fulfilled there will be two additional elements to each social audit process:

- Social Capital Scoping Study; and
- Social Capital Objectives.

4.3.1 Social Capital Scoping Study (January – March 2001)

The scoping study will consist of:

- a profile of the social enterprise(s)
- interviews with key people within the social enterprise(s)

The Social Capital Scoping Study of the social enterprise(s) will be carried out following Social Audit Task 2.

a) Profile of the Social Enterprise (January 2001)

The scoping study will profile the social enterprise according to how CONSCISE has defined social enterprises (WP1).

Defining element	Profile measures/indicators (quantitative and qualitative)
not-for profit status	<ul style="list-style-type: none">• turnover• surplus• use of surplus (community benefit or re-investment)
Social –economic activities	<ul style="list-style-type: none">• list objectives (see main social audit)• check against creating employment, supply of local services, good employment conditions, enabling other social enterprises, promoting community development)
Social/community benefit	<ul style="list-style-type: none">• number of jobs• number and level of services• distribution of surplus
Member participation and co-operation	<ul style="list-style-type: none">• details of membership• level of membership• active membership (attendance at AGM, etc.)• number of volunteers (attendance at Board, office volunteers, etc)
Mutual co-operation	<ul style="list-style-type: none">• membership with other organisations• links with other organisations• creating other spin-off organisations

Appendix 6 provides a checklist on profiling the social enterprise.

b) Interviews (February – March 2001)

Interviews with key people in the social enterprise will explore: (see Appendix 7)

- how the social enterprise needed and used social capital at the time of its formation (ie. an historical or retrospective perspective)
- the perceptions of those interviewed about the role the enterprise has had in creating and using social capital within the local social economy;
- the ways in which the social enterprise has contributed to the creation of social capital (using a checklist which will demonstrate the manifestations of social capital and how social enterprises have used social capital to extend the development of social enterprises – see Appendix 7).

These interviews could either be held individually or as a group depending on local conditions and circumstances.

4.3.2 Social Capital Objectives

Early in the process and during Workshop 1 the Social capital objectives will be introduced and added to the Framework (see Appendix 4). The social capital objectives and activities are:

- to use social capital in sustaining our social enterprise by.....
 - having formal and informal links with other social economy organisations
 - having formal and informal links with other organisations and institutions
 - developing and using contacts with key decision-makers
 - having a strong local support network

and;

- to create and generate social capital for the benefit of the local community by....
 - promoting social enterprise
 - facilitating the development of other social enterprises
 - supporting initiatives of community benefit
 - encouraging other organisations to be active in the area

The social capital objectives and activities are summarised as follows:

Activity	Information required	Method of collecting it
Objective 1: To.....by....		
Unique to each social enterprise.....etc.		
Objective 2: To.....by....		
Unique to each social enterprise.....etc.		
Objective 3: To.....by....		
Unique to each social enterprise.....etc.		
Social Capital Objective 1: to use social capital in sustaining our social enterprise by...		
Having formal and informal links with other social economy organisations	<ul style="list-style-type: none"> evidence and nature of links, frequency and "level" influence from/to other social enterprises examples of collaboration with other social enterprises reputation amongst other social enterprises 	<ul style="list-style-type: none"> stakeholder consultation (using the 6 criteria for social capital) statistics interviews questionnaires PRA methods (Companion Disc 8.8) Dialogue circles Contact matrices (see Appendix 8)
Having formal and informal links with other organisations and institutions	<ul style="list-style-type: none"> Evidence and nature of links, frequency and "level" Influence to/from other organisations Collaboration with other organisations Reputation amongst other organisations 	As above
Developing and using contacts with key decision-makers	<ul style="list-style-type: none"> evidence of contact, frequency and level nature of support received reputation amongst key contacts 	As above
Having a strong local support network	<ul style="list-style-type: none"> size of local membership how active members are involved/able to influence evidence of support from key people 	As above

Continued...

Social Capital Objective 2: to create and generate social capital for the benefit of the local community by....		
Promoting social enterprise	<ul style="list-style-type: none"> • provision of information to others • visits received • arranging/supporting information/promotional events • membership of local support organisations 	<ul style="list-style-type: none"> • stakeholder consultation • statistics • questionnaires • interviews • PRA methods • dialogue circles
Facilitating the development of other social enterprises	<ul style="list-style-type: none"> • provision of information, advice and support • providing staff time • number and size of “spin-off” or supported social enterprises • grant or loans made • other in-kind support • training provided • reciprocal memberships or other participation in the social enterprises 	As above
Supporting initiatives of community development	<ul style="list-style-type: none"> • providing practical help (eg. Administration, meeting rooms, copying, etc.) • staff time to give information, advice and support • grants made • training arranged and/or provided • membership of and other participation in the initiatives • “indirect” benefits created by the initiatives supported 	As above
Encouraging other organisations to be active in the area	<ul style="list-style-type: none"> • number of new organisations becoming active and doing what • Perceived “added value” of these organisations to the area • investment drawn into the area 	As above

A **sample** of questions and techniques to collect the quantitative and qualitative data on each of the objectives will be included in Appendix 9 and this will be developed further during the practical fieldwork with the social enterprise(s). It is difficult to be prescriptive on these questions at this stage as it is unclear who the stakeholders of each organisation will be. It will be important to be able to comment on each of these activities.

It may be that CONSCISE partners may want to examine **internal** social capital usage and creation. If this is the case, then that should be an additional social objective for that organisation.

Both the scoping study and the social audit process will use the criteria for social capital ie. trust; reciprocity and mutuality; shared norms of behaviour; shared commitment and belonging; formal and informal social networks; and effective information channels.

4.4 Indicative Timetable

The following timetable is indicative and suggests when the tasks could be done. There is a possibility that, depending on the size and scale of the social enterprises, that meetings and workshops could be combined.

Dates	Social Audit for the Social Enterprise	Social Capital additions to the Social Audit
January 2001	Task 1: Identifying the social enterprise Task 2: Initial meetings with the social enterprise	Social Capital Scoping Study: Profile of the Social Enterprise
February 2001	Task 3: Briefing meeting on CONSCISE and the Social Audit Task 4: Introducing the social enterprise to the process	Social Capital Scoping Study: Interviews with Key People in the Social Enterprise
March 2001	Task 5: Completing the Framework Task 6: Agreeing on the social book-keeping methods	Include the Social Capital Objectives Add in social capital objectives, etc. in the social book-keeping system
April 2001 – March 2002	Task 7: Collecting the quantitative and qualitative data Task 8: Consultation with stakeholders Task 9: Monitoring progress	Collecting the data on social capital (This will be tailored to fit in with the timetable outlined in the Framework)
April 2002	Task 10: Drafting the social accounts	Write up the findings from the Social Capital Objectives
May 2002	Task 11: Social Audit Panel and the Social Audit	
June 2002	Issuing the Social Audit Statement	
July 2002	Publicise the Social Audit	

4.5 Integrating Work Packages 2 and 3

During the first three months of 2001 there will be considerable activity with CONSCISE field work. It is the responsibility of each partner to co-ordinate and manage this work and each fieldwork area will be different. The suggested timetable for both WP 2 and 3 is laid out on the following page to aid management.

	WP 4: Local socio-economic profile				WP 5: Social Audits of Social Enterprises	
Months	Local Data Profile	Social Capital Survey	Social Enterprise Survey	Soundings Group	Social Audit for the Social Enterprise	Social Capital additions to the Social Audit
Jan 2001	Data Collection	Forms sent out	Forms sent out or interviews arranged	Initial meeting	Task 1: Identification of the social enterprise Task 2: Initial Meeting with the social enterprise	Social Capital Scoping Study: Profile of the Social Enterprise
Feb 2001	Data Collection		All information collected	Progress Meeting	Task 3: Briefing meeting on CONSCISE and the Social Audit Task 4: Introducing the social enterprise to the process	Social Capital Scoping Study: Interviews with Key People in the Social Enterprise
Mar 2001		Collected forms to ISSR	Analysis and report to London meeting	Main findings meeting	Task 5: Completing the Framework Task 6: Agreeing on the social book-keeping	Include the Social Capital Objectives Add in social capital objectives, etc. in the social book-keeping system
Apr 2001	Reports submitted	ISSR analysis Reports submitted	Reports submitted	The Soundings Group will meet on a regular basis until the completion of the whole project	Task 7: Collecting the quantitative and qualitative data	
May 2001...					Task 7: Collecting the quantitative and qualitative data Task 8: Consultation with stakeholders Task 9: Monitoring progress Task 10: Drafting the social accounts	Collecting the data on social capital (This will be tailored to fit in with the timetable outlined in the Framework) Write up the findings from the Social Capital Objectives

5 Outputs and Outcomes

5.1 Outputs

The main outputs will be:

- audited social accounts of the social enterprise;
- social accounts of the social capital objectives;
- Work Package 5.

5.2 Outcomes

The main outcomes will be:

- greater knowledge of social auditing;
- insight into the workings of the organisation;
- greater understanding of social capital and the contribution of the social enterprise to social capital in the area.

6 Resources Available

The resources available to carry out the social audit will be:

- this Workpackage Report;
- social audit handbook;
- companion disc with templates, etc;
- telephone line/ email to CBS Network for troubleshooting.

Bibliography

Manuals (how to do it):

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Journals:

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Social and Environmental Accounting: Journal of the Centre for Social and Environmental Accounting and Research (CSEAR); University of Glasgow

*** can be obtained from CBS Network**

Social audit reports are published by a growing range of organisations and companies including: Traidcraft plc, Traidcraft Exchange, New Economics Foundation, Shared Earth, Happy Computers, Body Shop International, Shell International and Shell UK, Co-operative Bank, Black Country Housing Services Group, Liverpool Housing Trust, Diageo, Camelot. Copies can usually be obtained by writing to these organisations or via their web-sites. A small charge may be made in some cases. Copies of community-based social audit reports may be obtained from the LCC CBED Unit.

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