Report on a Social Accounting and Audit Research Project

Really Telling Accounts!

June 2008

John Pearce and Alan Kay
Social Audit Network

How this report works...

This report which is published in hard copy is also to be found on the accompanying CD.

This printed report contains the background to the research and gives the key findings, proposals and recommendations. The detail of the research carried out and the full findings on which the recommendations and proposals are based are contained in the Appendices on the accompanying CD along with explanations relating to some of the recommendations and proposals.

Throughout the report there are "links" which are live when reading the report on the CD. The links are in square brackets eg. **[APP x]** and clicking on these will take you straight to the relevant appendix. You are also able to go straight into the Appendices by clicking on the appropriate icon **[APP x]** on the contents page.

Because the detailed data, findings and proposals are in the Appendices on the CD we have been able to keep this printed report short and have focused on the key findings, proposals and recommendations.

We hope you enjoy the read!

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Preface

Our culture increasingly expects effectiveness to be demonstrated, not merely assumed. For the third sector, the ultimate question has become 'how do we prove our value?' In response, a sometimes bewildering mix of techniques has emerged, all seeking to provide the solution. So it is timely to look back on ten years' experience of one model – social accounting and audit – to see what we can learn about the technique's usefulness to the sector and to its funders.

Whilst the Northern Rock Foundation has no axe to grind about any one method of proving value, impact or whatever we want to call it, we were keen to support this research. We think it is important to develop better collective intelligence about which 'proving' tools work best for whom and in what circumstances. We also know that collectively the sector's funders and regulators have failed to agree a common way for organisations to tell us the really important stuff – what they've done and achieved. We hope this research is a useful contribution to continuing debates about shared reporting standards.

All forms of evaluation should of course seek to report honestly about both the good and the bad. This is certainly a tenet of social accounting and audit, and I believe the researchers here, both members of the Social Audit Network, have practised what the discipline preaches. They have dug into social accounting's limitations, as well as highlighting its strengths and potential to improve. The results should surely inform practitioners' future application of the social accounting framework. But this report is not just for social auditors; it is equally relevant to commissioners, funders and regulators of third sector activity, and to a wider body of organisations wondering how better to prove their social worth.

Although we came in at an early stage of this research project, we're delighted to have been joined by others who also saw its value: the Merseyside Social Enterprise Initiative and the Scottish Government Third Sector Division. I am sure they would agree with me that the research has particular richness given it crossed regional and national boundaries within the UK. As well as John and Alan, I would like to thank all the Steering Committee members, who ensured the work was carried out with appropriate rigour and objectivity. I also want to note the contribution made by Hannah Stapley, who as policy and research officer at the Foundation helped get the project off the ground and kept it on the right course.

Rob Williamson
Director of Policy and Communications
Northern Rock Foundation

Acknowledgements

We would like to take this opportunity to thank all the people and organisations who were consulted as part of this research – the organisations who were initially contacted by telephone, those that spent time completing questionnaires and those that gave up their valuable time to be interviewed. Grateful thanks also to those that attended the seminars and contributed to the debate around the use and future of social accounting and audit.

We would also like to thank those people who helped in carrying out the research with organisations in Scotland (Victoria Pearce of CBS Network and Kevin McDermott and colleagues of the Rural and Environmental Action Project Moray) and on Merseyside (Lisa Johnston of the Social Enterprise Network). We also thank Viv Lewis (Secod Co-op) and Graham Waterhouse (G&M Associates) for assisting with the interviews and Marika Rose (The Social Enterprise People) and Mike Swain (All Saints Action Network) for being part of our team in the discussions with SROI Network. We could not have done this work on our own!

In addition, a very special thanks to those organisations who funded the research. The principle funder is the Northern Rock Foundation whose funding kick-started the research and they were joined by the Scottish Government Third Sector Division and the Merseyside Social Enterprise Initiative (through the Merseyside Social Enterprise Network).

We would also like to warmly thank the members of the Steering Committee who helped guide us through the project.

Ultimately the interpretations of the research material and the proposals and recommendations are entirely our own and not necessarily the opinions of the Social Audit Network (SAN). We hope that this research will contribute greatly to the further development of social accounting and audit in the UK. Social accounting and audit has grown from a desire for social economy organisations to want to account fully for what they do and demonstrate the impact they have. We are sure that it will play an increasingly important role in the future.

John Pearce and Alan Kay
June 2008

Executive Summary

About the Research Project

There is growing interest in social accounting and audit from social economy and voluntary organisations and from agencies that invest in and support them. All are looking for ways of proving their value, improving their effectiveness, and understanding their worth to society. The main purpose of this research has been to explore to what extent social accounting and audit has been used by social economy organisations in the North East of England, Cumbria, Merseyside and Scotland, to understand the perceived barriers to expanding its practice and how it may be made more "do-able" and more robust. The research has also explored to what extent social accounting might serve as the basis for a common reporting framework by organisations reporting to investors and to funders. A Steering Committee provided overall guidance to the research which consisted of: a literature search; a process of identifying 115 social economy organisations which have used social accounting to some degree; a preliminary survey of 80 organisations and more in-depth investigation with 61 organisations; 29 case studies; 28 interviews with funding organisations, investors and support bodies; a meeting with Social Return on Investment (SROI) practitioners; and seminars for those funders and investors interviewed; and for experienced practitioners of social accounting.

Main findings from the survey of organisations

- Of the 70 organisations which had kept social accounts, 52 had them audited. 17 of these did it more than once and 14 now practice social accounting and audit regularly
- Older, more established organisations are more likely to keep social accounts regularly
- It is essential that organisations get "buy-in" to the process across their whole organisation
- Most organisations start social accounting to "hear what stakeholders really think" and "to prove or demonstrate social value"
- 65% of the organisations developed social accounting and audit as part of a training programme and most had used a SAN training manual
- Organisations were more likely to complete the process if they "made space" for it
- A significant number of organisations which had never completed the process reported similar benefits to those organisations which had completed their social accounting and audit
- The main problems were the time it takes to keep social accounts and write the social report

- Other problems were: managing the social accounting material, writing the social accounts and formulating the questions for consultation with stakeholders

- Organisations wanted financial support towards the work involved in social accounting and its acceptance as a reporting framework

Main findings from the funders and investors

- All of the interviewees had heard of social accounting and audit – to varying degrees

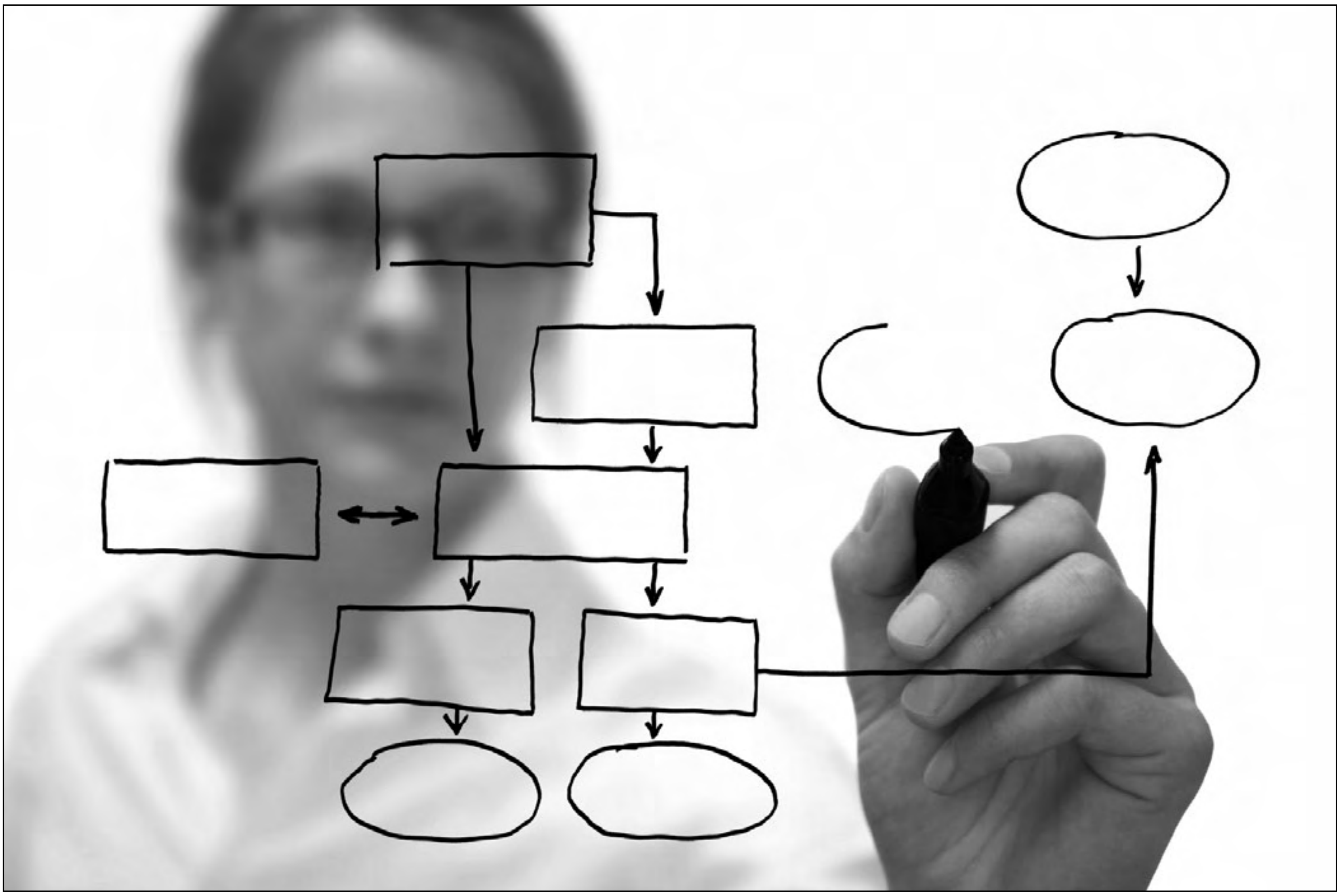
- The audit process was considered to be sufficiently rigorous by 57% but a number wanted greater rigour

- Half of the interviewees have either a standard reporting framework or agree one with the organisations; with only 3 requiring some form of social report

- The reporting information they receive tends to be mainly quantitative, meeting the basic reporting requirements but not giving "anything deeper"

- Most of the interviewees (93%) felt that some form of social accounting and audit system should be a requirement

- A similar number were interested in the development of a common reporting framework



PROPOSALS AND RECOMMENDATIONS

About the Social Accounting process...

- Social accounting and audit (SAA) should continue to develop links with Social Return and Investment (SROI) as a complementary process and build on shared key principles to develop a common verification process
- There should be a distinction between Organisational Objectives – how an organisation affects the people and the planet; and Key Aspects – how an organisation is managed
- The Key Aspects include human resources; good governance and accountability; asset lock and use of profits; financial sustainability; environmental sustainability; and economic impact
- Impact mapping of the Organisational Objectives should be introduced as well as an expectation to report on the social, environmental and economic impacts for each Organisational Objective
- Prioritising the Organisational Objectives can be a practical way of managing the scope of social accounts
- Consideration should be given to developing social accounting "kits" for organisations with similar objectives
- "Key" stakeholders should be re-defined as being those organisations and individuals being consulted and involved in a particular social accounting cycle
- More consideration should be given to analysing stakeholders and the relationships that an organisation has with them
- Social accounting and audit should eventually become compulsory for those organisations in receipt of funding provided that resources for this are made available

About the Social Audit...

- The verification process using the Social Audit Panel should be based on the Key Principles and consider the performance and impact of the organisation against its Organisational Objectives and the Key Aspects
- There should be three different cost bands for verification determined by the degree of investigation requested
- Organisations whose social accounts have been audited should receive a SAN "charter-mark"
- All audited social accounts should be placed on the SAN website and be publicly available
- All SAN approved Social Auditors should go through accredited training
- SAN has to ensure the quality standards of the Social Auditors through peer review and continuing professional development

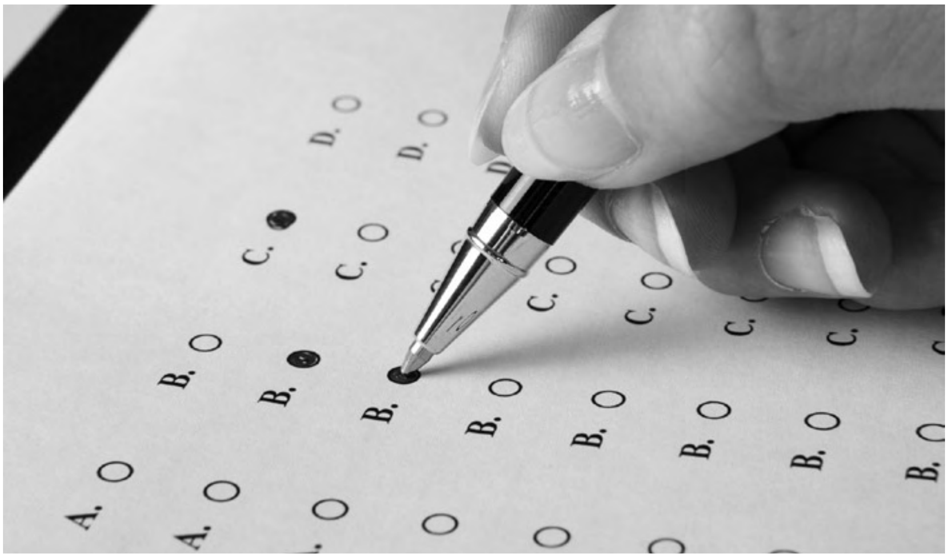
About using Social Accounting and Audit as a Common Reporting Framework...

- The Key Aspects should be discussed further and the checklist developed with a view to its more widespread use
- A Working Party should be formed with SAN and funders, investors and contractors to develop a Common Reporting Framework to be piloted

About Promoting and Developing the Practice of Social Accounting and Audit...

- **SAN should...** make the robustness of the verification process more widely known; raise the profile of social accounting and audit; consider a new strap line and logo; revamp the website
- **The government and funders should...** recognise the audit process and consider applying it; provide resources for the further development of social accounting in terms of quality standards, website development and training

1 Introduction



There is growing interest in social accounting and audit (SAA) both from social economy organisations themselves and from agencies who invest in them and/or place contracts with them. Social economy organisations are looking for effective ways of proving the value and worth of what they do, while at the same time being able to improve their performance. Investors, funders and contractors are seeking to better understand if they are getting good value from their investments and also to move from having performance measured, towards exploring the impact of programmes on people and on the environment.

The main purpose of this research was to reflect on the social accounting experience of the past ten years in order to ensure that it is fit for purpose for the next decade. See **[APP 1]** for the original research proposal. The research focused on the North East of England and Cumbria; on the Merseyside sub-region of the North West; and on Scotland. However, we believe the findings of this research will be of interest and relevance to all parts of the UK.

The specific objectives of the research were:

- To identify the extent to which SAA has been/is being used by social economy organisations in the North East and Cumbria, Merseyside and Scotland and especially to uncover how many use the process on a regular basis
- To understand the factors which may deter organisations either from undertaking social accounting or continuing with it after an initial trial
- To explore to what extent social accounting does meet the needs of the organisations themselves

Social economy organisations, *in this research report, refers to social enterprises, community enterprises and voluntary organisations.*

What is social accounting and audit?

Social accounting and audit is a framework. It allows an organisation to build on existing documentation and reporting and develop a process whereby it can account for its social, environmental and economic performance and impact. It then reports on that performance and impact and has these written social accounts independently audited. It is then in a position to draw up an action plan to improve on what it does and can use the social accounts to be accountable to its stakeholders.

The social accounting and audit framework involves three steps for an organisation. The first step is about organisations clarifying their mission, objectives and related activities, and the values and principles that under-pin all their actions, as well as identifying their key stakeholders. The second step involves recognising the quantitative and qualitative indicators that enable the enterprise to report effectively on its performance and impact against its stated mission, objectives and values through data collection and consulting appropriately with its key stakeholders. The third step is about bringing all the collected information together into social accounts that are then verified by an independent panel that, once satisfied, issues a social audit statement. Most organisations keep social accounts for a period which usually runs concurrent with their financial year. From experience, the Social Audit Network (SAN) has discovered that the first step should be preceded by a preparatory "getting ready" stage especially for organisations embarking on social accounting for the first time.

Social Accounting and Audit Research Steering Committee

- Hannah Stapley (replaced by Rob Williamson), Northern Rock Foundation
- Robin Beveridge, One North East
- Liz Brooks-Allen, ELECT Ltd, Merseyside
- Bob Doherty, John Moores University, Liverpool
- Peter Furmedge, Social Enterprise Network, Merseyside
- Jane Gibbon, Northumbria University and Jesmond Swimming Pool
- Laura Halliday, Third Sector Division, Scottish Government
- Viv Lewis, SECOD and Cumbria Social Enterprise Partnership
- Lawrence McAnelly, Community Campus 87
- Derry Nugent, Community Foundation

- To explore to what extent SAA does (or could) meet the requirements of those who invest in or otherwise sponsor or contract them

We anticipated that this research would be of direct benefit to investors and funders of social economy organisations by ensuring that the social accounting and audit process is capable of providing them with reports on the quality of performance and impact achieved. Equally, we anticipated that the research would directly benefit social economy organisations by ensuring that the social accounting and audit process can be adopted by them more easily.

John Pearce and Alan Kay, on behalf of the Social Audit Network, managed the research under the guidance of a Steering Committee which met three times during the course of the research.

2 Methodology

The main elements of the research were:

Bibliography: A literature search **[APP 2]** of documents papers, reports and books on social accounting and audit and related systems as well as past evaluations. The bibliography has been compiled to be as comprehensive as possible and we hope that it will be helpful with any subsequent research.

Identification of social economy organisations (over 115 organisations): All organisations we were able to identify known to have engaged in social accounting over the past ten years throughout the North East of England, Cumbria, Merseyside and Scotland.

Survey of all identified organisations (115 organisations): After identification of organisations who had practised social accounting to some degree, each organisation was contacted by telephone to complete an Initial Questionnaire **[APP 3]** and 80 were completed. Then, depending on the responses to the Initial Questionnaire, a Detailed Questionnaire **[APP 4]** was completed either by telephone, by email or in a face-to-face interview. 61 Detailed Questionnaires were completed. These questionnaires explored how frequently organisations used social accounting, what benefits they have derived and what problems they have encountered and what improvements they might suggest.

Case studies (29 case studies): A number of organisations were selected from each geographical area reflecting size, location, type of organisation, level of training received, degree of "embeddedness" of social accounting. Short case studies were compiled on these selected organisations.

Interviews with funding organisations, investors in social economy organisations and contractors (28 interviews): A range of individuals within funding, investing and contracting organisations were identified through contacts and the Steering Committee. They were mostly from the research areas but a number of additional interviews were carried out with UK-wide (or England & Wales) organisations. A structure was used for the interviews **[APP 5]**.

Meeting with Social Return on Investment UK (SROI UK): This meeting was not built into the original proposal for the research project. Because the relationship between SAA and SROI was mentioned quite often in the interviews, the researchers felt that it would be beneficial to hold an exploratory meeting with the leading practitioners of SROI in the UK to discuss similarities and differences in approaches of social accounting and audit and SROI to see if the two processes could converge – or at least be complementary. This meeting was held on 17th and 18th April 2008 in Edinburgh.

Seminar open to all those interviewed from funding organisations, investors in social economy organisations and contractors: All those interviewed were invited to this seminar in Newcastle on 28th March 2008 and 14 people attended.

Seminar of leading and experienced practitioners of social accounting and audit: All those organisations who completed Detailed Questionnaires were invited along with the Steering Committee members, the Board of the Social Audit Network (SAN), SAN approved Social Auditors and a number of other people who we felt could contribute to the seminar or who had expressed a particular interest. 24 people attended this seminar on 25th April 2008 which was also held in Newcastle.

Launch of this report: A wide range of interested parties were invited to the launch of this research report on 25th June 2008.

Conference: A final conference on the research will take place on 7th November 2008 in Edinburgh, Scotland. This will feedback the findings from the research to a wider audience and offer the opportunity for the proposals and recommendations to be debated by social accounting practitioners and others.

3 Research Results

3.1 Analysis of the Findings of the Survey of Organisations and the Case Studies

Over 115 organisations were contacted across the four regions/countries. 70 of those organisations had kept social accounts of which 52 had them audited. However, of these 17 have kept social accounts and had them audited more than once.

Region/Country	Estimated of No. of organisations contacted	No. of organisations who kept social accounts	No. of organisations who kept social accounts and had them audited	No. of organisations who kept social accounts and had them audited more than once
NE and Cumbria	20+	13	8	4
NE Scotland	25+	19	12	5
Rest of Scotland	30+	19	15	1
Merseyside	40+	19	17	7
TOTAL	**115+**	**70**	**52**	**17**

The full aggregated results from the survey of organisations with detailed comments are available in **[APP 6]**. The specific regional/country analyses are available separately – North East England and Cumbria **[APP 7]**, North East of Scotland **[APP 8]**, Rest of Scotland **[APP 9]** and Merseyside **[APP 10]**.

The case studies are particularly interesting and revealing and very specific to the individual organisations. These are also available in the Appendices - North East England and Cumbria **[APP 11]**, North East of Scotland **[APP 12]**, Rest of Scotland **[APP 13]** and Merseyside **[APP 14]**.

3.2 Analysis of the Findings of the Interviews with Funders, Investors, Public Sector and Other Agencies

The purpose of the interviews was to explore

- to what extent agencies which invest in, fund, procure services from or otherwise support social economy organisations are familiar with social accounting and audit;
- what their current reporting demands are from social economy organisations; and

List of funders, investors and contractors interviewees...

North East:

Richard Walton, Northern Rock Foundation

Tim Pain, One North East

Jonathan Lamb, Business Link Tyne and Wear

Janet Snaith, Sunderland City Council

Melanie Caldwell, Durham and Darlington Community Foundation

Chris Ford, North East Centre for Procurement Excellence

Janice Rose, Northumberland Strategic Partnership

Peter Gilson, Futurebuilders England

Cumbria:

Andy Beeforth, Cumbria Community Foundation

Nick Hardy, West Lakes Renaissance

Merseyside:

Jim Johnstone, North West Development Agency

Jerry Spencer, Business Liverpool

John Anderson, Liverpool City and Sefton Local Enterprise Growth Initiative

Roy White, North West Community Loan Fund

Brian Craven, St Helens Chamber of Commerce

Rose Boylan, Wirral Borough Council

Scotland:

Scott Anderson, Social Investment Scotland

Roddy Macdonald, Third Sector Division, Scottish Government

David Coulter, Scottish Enterprise

David Cousland, Triodos Bank

Alex Johnstone, Big Lottery Fund

UK-wide:

Malcolm Hayday, Charity Bank

Tracy Axten, Community Banking RBS

Ian Taylor, Community and Co-operative Finance

Kevin Robbie, Office of the Third Sector (OTS) (formerly Forth Sector, Edinburgh)

Sara Burgess, Community Interest Company (CIC) Regulator

Caroline Forster, Adventure Capital Fund

Seb Elsworth, Association of Chief Executives of Voluntary Organisations (ACEVO)

- whether they could foresee a time when audited social accounts might be the means of providing them (and other investors, funders etc.) with the information they require.

The interview schedule **[APP 5]** was sent in advance to interviewees.

Interviewees were selected on a regional basis and in addition a number of agencies with a UK or England and Wales remit were also included in the sample.

The analysis of the interviews is available in **[APP 15]**.

3.3 Report of the Seminar with Funders, Investors, Public Sector and Other Agencies

A seminar was held on 28th March 2008 and attended by 14 persons. A presentation was made on the results from the survey of organisations and interviews with funders, investors, public sector and other agencies. This was followed by discussion in small working groups and a number of recommendations and suggestions were made. The outcomes of the seminar are documented in **[APP 16]**.

3.4 Report of Meeting between SAN and SROI UK

This meeting was attended by three practitioners of Social Accounting and Audit (SAA) and three UK practitioners of Social Return On Investment (SROI). The discussion was wide-ranging and there was tentative agreement on shared principles. There also emerged a clearer understanding of how the two processes are similar and of the differences in process. It was agreed that we should continue the discussion on "complementarity" and future collaboration. The agreed notes from the meeting are available **[APP 17].**

3.5 Report of the Seminar with Social Accounting Practitioners and Organisations

This seminar was held on 25th April 2008 and was attended by 24 persons. A Briefing Paper was sent in advance **[APP 18]** which outlined some of the emerging findings and proposals from the research. The seminar started with a presentation of the research so far **[APP 19]** and the seminar broke into working groups to discuss the emerging findings with a view to how they might be practically applied. The notes with outcomes from the seminar are available **[APP 20]**.

3.6 Literature Search

The literature search served to give a valuable understanding of other approaches to measuring social value and provided information about other evaluations of SAA. This helped to underpin the research team's knowledge, give useful comparators for our findings and contributed to our thinking about how to shape the proposals and recommendations. The literature search also allowed us to produce a comprehensive bibliography **[APP 2]** which we hope will be useful to other, future researchers.

4 Key Findings, Proposals and Recommendations

The following Proposals and Recommendations which have emerged from the research process have been arranged under four headings:

- About the Social Accounting Process
- About the Social Audit
- About using Social Accounting and Audit (SAA) as a Common Reporting Framework
- About promoting and developing the practice of Social Accounting and Audit (SAA)

Inevitably there is a certain amount of overlap between these four themes and we have usually opted to cross-reference rather than repeat the same information.

A About the Social Accounting Process

A1 Social Accounting and Audit (SAA) and Social Return on Investment (SROI)

It became apparent during the research that there is a strong wish that SAA and SROI be not seen as competitive social reporting methods but rather as complementary. The research methodology was therefore extended to include a two-day meeting between the SAN research team and representatives of the SROI UK network. The aim of the meeting was to explore just what common ground there is – and what differences – and to see how the two reporting methods might "blend" in some way. The report of that meeting can be viewed in **[APP 17]**.

During the meeting it became clear that there is a significant amount of common ground - and two important differences. However, it was also generally accepted that, while it is important to articulate the differences, they should not preclude constructive collaboration and, indeed, the two reporting methods complementing each other.

One difference is that SROI is predicated on the notion that a financial indicator may be found for a change that is achieved (sometimes using a proxy if no actual indicator is available). While SROI argues that "the number is not as important as the story" the reality is that most people (and SROI reports) tend to focus on the number and the basis on which it is calculated.

SAA by no means rejects the importance of numbers and indeed advocates the use of financial indicators when this is appropriate. However, SAA believes that there are some outcomes and impacts which can only be described and reported using the views and perceptions of stakeholders – in effect the "story".

Social Return on Investment (SROI)

"SROI is an approach to understanding and managing the impacts of a project, organisation or policy. It is based on stakeholders and puts financial value on the important impacts identified by stakeholders that do not have market values. The aim is to include the values of people that are often excluded from markets in the same terms as used in markets, that is money, in order to give people a voice in resource allocation decisions. SROI is a framework to structure thinking and understanding. It's a story not a number. The story should show how you understand the value created, manage it and can prove it."

www.sroi-uk.org

There is no doubt that SROI is attractive to investors, funders and contractors, especially in the public sector, because it speaks the language of business and gives them a number. However, a related concern is that such interest can tend to make the SROI process funder and investor led.

A second difference is the starting point: for SAA it is the organisation being clear about its Vision, Mission, Objectives and Activities and identifying all the Stakeholders who are either affected or can affect the organisation. Stakeholders are then in the course of the social accounting consulted about how they view both performance and impact and what they see as priorities. SROI starts from a similar point but then identifies the stakeholders' objectives in relation to their engagement with the organisation and develops indicators to assess how far these are met. In real terms this may not be a huge difference.

a) Common Principles

Notwithstanding these points of difference, we discovered that they can be respected and not necessarily get in the way of collaboration. In order to make progress we went, as it were, back to basics and explored whether there are Common Principles which underpin the practice of both SAA and SROI. Our exploration resulted in defining six common principles, with one additional each for SAA and SROI. The wording below of the seven SAA Principles **[APP 22]** has been adapted slightly from the draft arrived at in the joint meeting and yet has to be discussed and agreed by SAN and by the SROI UK network. The achievement of shared Common Principles is work in progress but an important aspiration.

Principle	Definition
Stakeholder engagement	Engaging with and consulting stakeholders is central to the process of social accounting in order to understand what impact an organisation is having
Scope and materiality	Acknowledge and articulate all the values, objectives and stakeholders of the organisation before agreeing which aspects are to be included in the social accounting process; and then determine what must be included in the account such that stakeholders and others can draw conclusions about the performance and impact of the organisation
Understanding change	Articulate clearly how activities work to achieve the stated objectives of an organisation and its stakeholders and evaluate this through evidence gathered
Comparative	Make comparisons of performance and impact using appropriate benchmarks, annual targets and external standards
Transparency	Demonstrate the basis on which the findings may be considered accurate and honest; and show that they will be reported to and discussed, where appropriate and feasible, with stakeholders
Verification	Ensure appropriate independent verification of the social accounts
Embedded (SAA only)	Ensure that the process of social accounting and audit becomes embedded in the life cycle and practices of the organisation

The seventh principle unique to SROI concerns the use of financial proxies and is worded as follows:

Financial proxies	Use financial proxies for indicators in order to include the values of those excluded from markets in the same terms as used in markets

Recommendations

We recommend that the draft above be considered by SAN for adoption once wording has been agreed with the SROI UK network and furthermore that these revised principles (there is much in common with the original principles as defined in the Social Accounting and Audit Manual) form the basis for the revised verification process (see B1 below).

b) Converging Process

When we explored the first steps in the SAA and SROI process we found a great deal of common ground. It was possible to envisage sufficient convergence to allow an organisation to start off without having decided whether it was doing SAA or SROI, and our hunch was that most organisations would end up producing a report which included what could be recognised as social accounts as well as including SROI calculations.

Recommendations

We recommend that as much convergence as possible be agreed especially in respect of clarifying and articulating Vision, Mission, Values and Activities; analysing and engaging with Stakeholders; understanding how activities result in achieving the stated Mission and selecting appropriate indicators; and determining the scope for the social accounts.

c) Common Verification Process

Currently SAN has developed a robust verification process (see section B) and it is the intention of the SROI practitioners to introduce some form of verification for SROI reports.

Recommendations

We recommend that the potential for common ground and a common approach to verification should be explored.

We recommend that there be continuing dialogue and collaboration between SAN and the SROI UK network to take further the first positive steps which have so far been achieved.

A2 New Guidance on the Social Accounting Process

Although the research identified a significant number of organisations which have used social accounting once only, a relatively small number (20%) use the process on a regular basis. Some of the reasons for this are very understandable and irreversible: an organisation may have closed down; a funded programme came to an end; key people moved on. Other reasons however require careful consideration and the main ones are as follows:

- The SAA process is perceived to be a lot of work and very time consuming and thus beyond the capacity of some organisations
- The cost of social accounting (and getting the social accounts verified) can be prohibitive for some organisations
- As social accounting is voluntary it easily slips down an organisation's action priority list

The "cluster approach" (where a group of organisations work through a supported action training programme to produce their first social accounts) has shown itself to be a practical and cost-effective way of introducing organisations to social accounting. However, it does not seem to lead necessarily to embedding the practice within the organisation. That depends on, it would seem, a combination of factors such as:

- Strong "buy-in" from management and staff;
- Having a "champion" to promote the idea;
- Seeing that social accounting is useful to the organisation and becomes central to its management rather than peripheral;
- Being able to allocate time and status to the social accounting role; and
- Being a relatively stable and sustainable organisations.

Much discussion during the research has focused on how the SAA process might be made more manageable. We believe that the context in which to consider this is to take the verification process, based on the Key Principles, as the starting point. That sets down what the social audit will examine and by definition what should therefore be in the social accounts (see **[APP 23] [APP 25]**).

There will be a growing number of approaches and tools coming available as different bodies experiment with how to make the production of social accounts possible for their client group. Such experimentation should be encouraged. As new approaches and tools are developed, it must be hoped that they will be made freely available as part of the wider social accounting tool-kit. In that regard the SAN website could have a key role to play in acting as the repository for such tools (see A5 below).

In the meantime there are a number of ways in which the approach to social accounting as described in the 2005 Manual and CD has been evolving.

Recommendations

We recommend that SAN offers new guidance along the lines described below a) – i). All of these proposals are designed to make the process simpler and therefore more manageable.

a) Distinguish Organisational Objectives from Key Aspects

Past SAN guidance has been that organisations should identify their "external" objectives – what they do which affects other people or the planet (and which might best be termed **Organisational Objectives**) – as well as their "internal" objectives – which are about the way they run and manage their organisation.

For the future we propose that organisations focus on identifying their **Organisational Objectives** for reporting in the social accounts while requiring all organisations to report on certain **Key Aspects** about the organisation. These Key Aspects would cover the sort of information and detail which stakeholders would expect to hear about. A Key Aspects Checklist (see **[APP 24]**) would enable an organisation quickly to confirm how it complies with the detail of the six Key Aspects identified and would be submitted as part of the social accounts. Appropriate stakeholder consultation could be undertaken to explore some Key Aspects in more depth as appropriate.

The six Key Aspects have been defined as follows:

Human Resources: how the organisation cares for, supports and develops its human resources. The relevant stakeholders could be paid staff, occasional staff/consultants, volunteers and the families of staff.

Good Governance and Accountability: how the organisation ensures that the (democratic) aspects of its structure work properly; that stakeholders/members are fully engaged in the organisation; and that it is independent of control by outside bodies. The relevant stakeholders could be members; trustees/directors; and Advisory Council members, if they exist. Engagement of stakeholders is all about effective democracy.

Asset Lock and Use of Profits: showing that assets are retained/ locked for the sole benefit of the organisation and its community/ constituency and that profits are not distributed for the private gain of members or directors (this would align with the requirements of Community Interest Companies (CICs)).

Financial Sustainability: reporting on how the organisation ensures that it remains financially sustainable. A summary of the financial accounts would be included and the most recent full audited accounts would be available to the Social Audit Panel who carry out the audit (see B).

Environmental Sustainability: whether the organisation has an environmental policy and what practices it adopts to measure and report on its environmental footprint.

Economic Impact: reporting on purchasing policies, contributions to the community and other direct impacts on the local economy. In respect of this sixth Key Aspect a clear distinction can be made between, on the one hand, "economic" impact achieved through purchasing policies and use of funds generated by an organisation (using such tools as the Local Multiplier - LM3) and, on the other, the financial outcomes and impact of work done in the community. This latter point can make good use of "financialised indicators" and would be located in the reports on the Organisational Objectives.

b) Introduce an Impact Map to be used for all Organisational Objectives

We believe that the Impact Map can be a useful tool in social accounting. Impact mapping was devised by the new economics foundation (nef) and is an effective exercise to make sure that an organisation is identifying the "right" indicators. This is the key to having useful social accounts and it helps the organisation in asking directly relevant questions as part of their stakeholder consultation. The Impact Map asks an organisation to consider the outputs, outcomes and ultimate impacts resulting from the activities of the organisation. For a simplified template to help in the impact mapping process see **[APP 28]**.

c) Report on Social, Environmental and Economic Dimensions of all Organisational Objectives

Past guidance has been that social accounts should include discrete sections on environmental and economic performance and impact. For the future we propose that the report on each Organisational Objective covered in the social accounts include, as appropriate, social, environmental and economic dimensions and make use of financial measures where these are suitable and sensibly obtainable. See Revised Guidance on the Required Contents of Social Accounts **[APP 25]**.

d) Prioritise Objectives and Stakeholders

Probably the most practical way in which an organisation can make its social accounting manageable is to restrict the scope of what it seeks to report on.

By prioritising objectives an organisation can decide to focus its social accounting on those Organisational Objectives considered to be most important and to report on the less important only occasionally or in much lesser depth. For each prioritised Organisational Objective, it is possible to identify the stakeholders which relate to that – both as contributors to it (input) and as those affected by it (output). A simple worksheet has been developed **[APP 29]**.

Where an organisation adopts this option for limiting the scope of its social accounts, it will be important that it describes very clearly the basis on which it has prioritised. In addition, stakeholders should be consulted about priorities during the social accounting and the organisation should explain when and how non-prioritised objectives will be reported on.

e) Vision

The current SAN worksheets do not include the option of an organisation having a Vision and should be modified to allow this where desired.

f) Social Accounting Kits

Where similar organisations have identical (or similar) Objectives and Activities and Stakeholders it should be possible to develop a social accounting kit which can be taken and used by them with only minimal adaptation to local circumstances.

Pioneering work in this regard was done by SAN for primary schools in Nepal some years ago and more recent work has been done with community transport associations. In the Nepal work, it was strongly advised that while there were common Objectives and Activities for all schools, the possibility for individual schools to add any additional objectives unique to their local situation had to be built in. In this way the common framework can be seen as enabling rather than as an entirely prescriptive format.

Given common Objectives and Activities and broadly similar Stakeholders, it should be possible to agree appropriate indicators, questions to ask stakeholders and ways of consulting them, and a layout for the social accounts. This would reduce the initial work needed by individual organisations. It would also allow, contextual differences permitting, comparisons to be made between organisations. The development of such kits should be encouraged.

g) Redefine "Key" Stakeholders

Current SAN guidance suggests that once a stakeholder analysis has been undertaken, "key" stakeholders should be determined for the purpose of the social accounting. In our view "key" is the wrong word as it implies that these stakeholders may be more important than others. In fact, what is meant is that these are the stakeholders who have been, for reasons explained, selected for being consulted in the current social accounting cycle. In a future cycle other, different stakeholders are likely to be consulted.

The distinction which should be made, therefore, is between the big picture of all stakeholders and those selected for consultation. Social accounts might be asked to include information about which stakeholders have been consulted historically so that it is clear that no important groups have been consistently omitted.

h) Mapping and Analysing Stakeholders

It is proposed that more emphasis be given in future to the importance of mapping stakeholders and updating this map on a regular basis so that an organisation remains aware of the ebb and flow of relationships with different stakeholders. In this regard "mind-mapping" software can be a useful tool and can link stakeholder analysis to a data-base of contacts. In **[APP 30]** we offer a revised definition of the likely main categories of stakeholder for a social economy organisation (the main "branches" of a mind-map).

i) Guidance on Managing Data

One of the problem areas identified by many respondents to the survey of organisations was managing the data collected, analysing it and organising it coherently in the social accounts. Much stronger guidance in this area is required including the use of on-line survey tools and how to focus on findings in the social accounts with the back-up data reserved to appendices.

A3 Cost of Social Accounting and Audit

There is no doubt that cost is a factor in preventing some organisations from continuing with using SAA – and it is a fact that both the process of social accounting as well as having the social accounts verified incurs costs. For social accounting there are, beyond the staff time needed: administrative, postage and printing costs; the need to engage outsiders to assist with some stakeholder consultation; sometimes the need to engage someone to help with analysing data and organising it into social accounts. For the verification there are unavoidable costs (see B3 below).

As well as organisations reporting the problem of cost, many of the funders and investors interviewed recognised the problem and a significant majority indicated a willingness to help. There was certainly an acceptance that the cost of social accounting and audit should be recognised as a legitimate budget line.

Recommendations

We recommend that consideration is given to the specific recommendations mentioned in section D to Government and to funders and investors that they should be willing to contribute to the cost of social accounting and audit.

A4 Making Social Accounting and Audit Compulsory

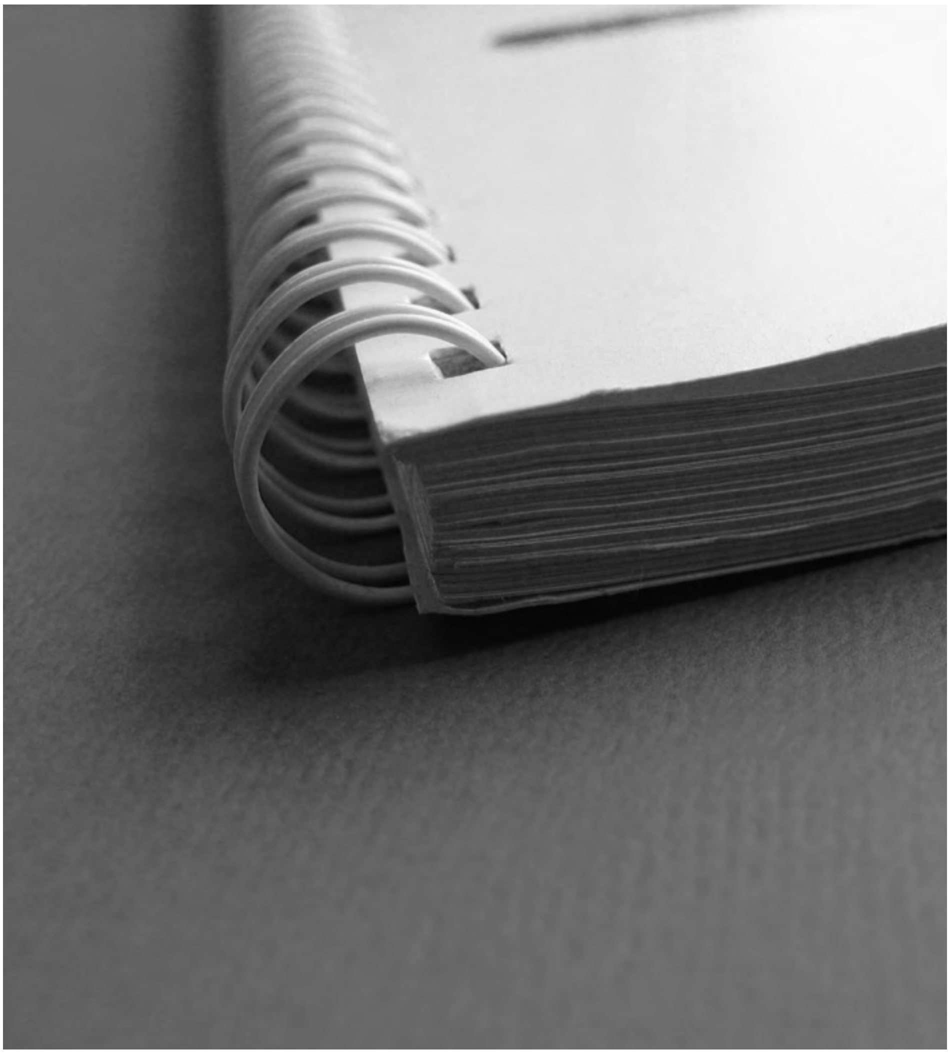
Organisations acknowledge that one key reason for not persisting with SAA, even when they recognise its value, is that they do not *have* to do it (unlike, for example, the keeping of financial records). Thus it can easily slip down the priority list. At the same time they report that they would prefer SAA not to become mandatory. Funders and investors generally point to a belief that some form of social reporting will eventually become mandatory and point to current requirements for CICs and changing guidance from the Charities Commission on the reporting requirements for charities.

It is our view that social reporting should be compulsory for social economy organisations and would argue that there is an ethical imperative for organisations which profess to be serving the common good to demonstrate whether they are doing so, especially when they are using public funds. We would further argue that the SAA process provides the necessary framework for such reporting and should be promoted as such.

Recommendations

We recommend that funders and investors in social economy organisations should consider making a competent social report a condition of any funding or investment they might make (and see C below regarding a Common Reporting Framework)

We recommend that SAN use what influence and weight it can muster to lobby Government to consider introducing a mandatory requirement for all social economy organisations which wish to designate themselves as such to produce regular social reports (making use of the SAA framework). This may link with suggestions elsewhere to introduce a "kite-mark" for bona fide social economy organisations.



A5 Resources

The opportunity now exists for SAN to publish new guidance on both the social accounting and the verification processes (as outlined in B below) as well as to provide a service of making available access to existing tools and others as they come on stream. This would build on what SAN is already doing in flagging new tools in its monthly Circular and placing them (or an appropriate link) onto its website. While the Three Step Process as outlined in the current Manual will require some revising to take into account the proposals in A2 above, the bulk of the resources on the CD-ROM remain relevant.

Recommendations

We recommend that SAN prepare a revised description of the SAA process as on-line guidance with links to any reworked or new work-sheets, to the resources on the CD. and to any other existing or developing resources or tools as can be made available. The aim should be to develop the SAN website as the acknowledged best source of available tools and resources. This will require a substantial revamping of the SAN website (see D1 below) and the introduction of subscription pages on the website for accessing the resources together with the capacity to regularly update.

A6 Levels for Social Accounts

The research showed some support for the idea of "levels" or "grades" for social accounts, linked in many minds as a way in which the process may be made more manageable, especially for smaller, less resourced organisations which would only aspire to achieve the first level or grade. At one of the research seminars, it was suggested that grades might be linked to the extent and depth of stakeholder engagement.

Our view is that standards, and possibly levels, should be linked to the verification process and that future consideration be given to the possible introduction of a scoring system by the Social Audit Panel (see B3 below).

B About the Social Audit

B1 Verification

From the research there is general recognition that verification is a key aspect of Social Accounting and Audit (SAA) which gives credibility and trustworthiness to the social accounts which have been produced by an organisation. Therefore the verification process must be seen to be, and recognised as, robust and the Social Audit Panel members perceived as credible.

The verification process using a Social Audit Panel developed by SAN **[APP 21]** is generally acknowledged as rigorous – by those who have had experience of it. But those are a relatively small number of people - mainly the approved Social Auditors, people who have served on Social Audit Panels and the organisations who have had their social accounts audited. Nonetheless the verification is acknowledged as a unique and essential feature of SAA.

Recommendations

We recommend that the verification process be revised to ensure that it examines all the important aspects that should be covered by social accounts. In other words the needs of verification will determine what should be included in social accounts. While the process of producing the social accounts will remain important (see section A above) it will be recognised that there are a variety of tools available to help an organisation produce its social accounts and that not all organisations will follow the same path.

We recommend that verification should be based on the Key Principles which underpin the concept and practice of social accounting and that the Key Principles be revised in line with the discussions held with colleagues from the SROI Network (see A1 above). These Key Principles should form the basis of a new Verification Checklist for Social Audit Panels and therefore also of the Required Contents of Social Accounts.

We recommend that social accounts should include as a mandatory section a report on certain Key Aspects about the nature of the organisation (see A2 above) and that this will also be reflected in the revised Verification Checklist for Social Audit Panels.

As part of this report we offer the following for consideration by SAN and others:

- *Key Principles for Social Accounting and Audit* **[APP 22]**
- *Revised Verification Checklist for Social Audit Panels* **[APP 23]**
- *A proposed Key Aspects Checklist* **[APP 24]**
- *Revised Guidance on the Required Contents of Social Accounts* **[APP 25]**

B2 Key Aspects Checklist

The Key Aspects Checklist **[APP 24]** requires an organisation to report in some detail on the following aspects:

- Human Resources
- Good Governance and Accountability
- Asset Lock and Use of Profits
- Financial Sustainability
- Environmental Footprint
- Economic Impact

Recommendations

We recommend that the Key Aspects checklist be adopted as a requirement for social accounting. The first four aspects in particular will provide the sort of information which most investors in, and funders of, social economy organisations will require and therefore we propose that it might also serve as a first step towards gaining acceptance for a common reporting framework (see C1) below). The information provided through the Key Aspects Checklist might also be used by any body which plans to issue a "social economy kite-mark".

B3 Cost of Verification

The research has shown that there is interest in developing levels of verification which relate to the size of an organisation and also to its capacity to pay. However, there was also a strong feeling from practitioners that verification using a Social Audit Panel should not be diluted. Nonetheless it must be recognised that the guideline fee of £1,200 for a Social Audit Panel is seen by some organisations, especially smaller voluntary sector, to be too expensive. Equally, it is true that more time may be needed to plan and prepare for the Social Audit Panel of a large and complex organisation.

Another dimension is the idea that social accounts might be scored by the Social Audit Panel during the verification process and on the basis of that scoring be given a gold, silver or bronze "star". To that end we have included the possibility of scoring in the draft Verification Checklist but acknowledge that much more work would be required to achieve a balanced and generally acceptable form of scoring. We would propose that such ideas are for the time being "parked" for further consideration in the light of evolving practice.

Recommendations

We recommend that consideration be given to adopting the following three cost bands for verification:

Band 1: *An organisation self-evaluates its social accounts using the Verification Checklist and then submits that and its social accounts to a SAN approved Social Auditor who arranges a three hour audit meeting with the organisation to discuss their self-evaluation and to carry out a sample check on sources of data used. If the Social Auditor is satisfied that the Verification Checklist has been reasonably completed and if s/he is satisfied with the sample check of data s/he will authorise the use of the SAN Social Audit Charter-mark (see B4 below). No Social Audit Statement will be issued but the social accounts will be expected to be displayed on the SAN website (see B4 below). The cost of this level of verification will be the equivalent of one day's consultancy (at SAN current rates £400).*

Band 2: *Verification as at present with a Social Audit Panel chaired by a SAN approved Social Auditor leading to a Social Audit Statement being issued once the revised social accounts have been signed off by the Social Auditor (see* **[APP 21]** *for a full description of the Social Audit Panel process). Once the Social Audit Statement has been issued, the organisation may display the SAN Social Audit Charter-mark and the social accounts (including the notes of the Social Audit Panel meeting and the Social Audit Statement) will be displayed on the SAN website. The current SAN guideline cost is £1,200. (However for smaller organisations where the amount of work involved is less an auditor may agree a reduced fee).*

Band 3: *This involves verification as for Level 2 above but with at least a one day visit by the Social Auditor to the organisation in advance of the panel meeting. This visit will undertake a more extensive check of data sources and of methods of stakeholder engagement and consultation, and will prepare for the panel meeting with the organisation's social accounting team. This extended process will be suitable for larger and more complex organisations and the guideline fee (at current rates) might be £1,800.*

B4 Recognition of the Verification (Social Audit) Process

SAN has received requests to make available a Social Audit Charter-mark which organisations may display to show that they have prepared social accounts which have been successfully verified. In the course of the research consultations there was support for this idea.

In addition, two points have been emphasised during the course of the research: a) that the social audit brand must become better recognised and known as representing a robust process; and b) that social accounts should be better available to public scrutiny so that comparisons can be made and in the belief that such scrutiny will also drive up standards.

Recommendations

We recommend that SAN uses its logo as a Social Audit Charter-mark and invites organisations which have received a Social Audit Statement to display it (on their website, on their letter-head, on their published social accounts, etc.) with the year of their most recent Social Audit.

We recommend that SAN require all verified social accounts to be placed on the SAN website along with the notes of the Social Audit Panel meeting and the Social Audit Statement, and that agreement to do this would be a condition of a Social Audit Statement being issued by the Social Auditor.

B5 Approving Social Auditors

From the research, the verification process using a Social Audit Panel is considered to be both rigorous and robust, but as explained before only by a small minority of people who happen to have experienced it or had it explained to them in detail. It is therefore essential that SAN take steps (such as those described at B4 above) to make the process and its rigour better known. Equally the process for approving Social Auditors is generally considered to be thorough, but also is little known (see **[APP 26]** for a full description of the current training and approval process).

To be a Social Auditor requires a certain level of competence in communication by spoken and written word and an ability to understand research methodology. It is not considered necessary however to specify a specific level of educational achievement for Social Auditors but to make sure that adequate competence in this regard is shown during the training and approval process. It is also considered to be important to retain SAN's current requirement that Social Auditors have some practical experience of social accounting.

Social Enterprise Academy

The Social Enterprise Academy is based in Edinburgh and "was set up in 2004 as a responsive social business with the capacity to tailor learning and development for people working in, or towards, a leadership role in the social economy. (Their) approach is to encourage innovation and creativity by focusing on individual participants and their personal development as entrepreneurial leaders."

www.theacademy-ssea.org

Recommendations

We recommend that the training and approval process for Social Auditors be accredited through a reputable organisation or institute (such as the Social Enterprise Academy) so as to raise the reputation of Social Auditors and assure others that they have been approved through a due process.

B6 Ensuring Quality Standards

SAN does currently implement a quality assurance system but this is, as above, little known (see **[APP 27]** for a full description of the current system). It is important that SAN finds ways of making the system better known and of making it work as effectively as possible. In order to achieve that, SAN will require sufficient resources to pay for managing its Register of Social Auditors and ensuring that standards are maintained and continually improved.

Recommendations

We recommend that a comprehensive handbook be written for Social Auditors which sets down clearly: the process of training and approval; the detailed requirements for running a Social Audit Panel; writing the panel notes and issuing a Social Audit Statement; how the quality assurance process works; and the requirements for undertaking continuing professional development.

We recommend that a system of peer-reviewing Social Audit Panels be introduced whereby experienced Social Auditors will sit in on Social Audit Panels in order to observe how Social Auditors manage the process and offer constructive criticism.

We recommend that SAN arrange a minimum of 12 hours professional development (4 events in different locations around the country) each year with all Social Auditors being required to attend at least two events.

In the longer term there may be merit in separating the management of the Register of Social Auditors from the Social Audit Network functions to advocate for and facilitate the practice of SAA However, it will be important that such a separation does not do away with the idea of Social Auditors having a link with practical experience on the ground.

One particular practical issue which Social Auditors are concerned about is the undue delay which can occur between the Social Audit Panel and the revised social accounts being submitted to the Social Auditor. Undue delay can make it difficult for the Social Auditor to focus adequately on the task of checking that the revised social accounts have met the requirements of the Social Audit Panel.

Recommendations

We recommend that SAN introduce a three month limit for the revision of social accounts. In the case that revised social accounts are submitted after the three months then the Social Auditor may, at his or her discretion, include an appropriate caveat in the Social Audit Statement.

C About using Social Accounting and Audit as a Common Reporting Framework

Achieving a Common Reporting Framework which would be acceptable to all investors and funders has been a "holy grail" aspiration for social economy organisations for a long time. This is because it gets away from the requirement to report separately to all investors/funders, often in slightly different ways and at different times. This multiple reporting is very resource intensive for social economy organisations which seem sometimes to be spending an undue amount of time reporting rather than doing. It has also been long argued that by requiring only a report on how their specific investment/funds have been used investors/funders are not getting the "bigger picture".

It was something of a surprise to learn that investors/funders are on the whole very aware that the information they receive by way of report does not tell them much about what an organisation is really achieving. They wish to obtain a fuller picture and they would also welcome some common reporting framework provided that it gave them the information that they require.

Everyone agreed that there are problems. For organisations there is the danger that social accounting – if adopted as a common reporting framework – becomes funder or investor driven. Whereas one of the attractions of the SAA process is that it is owned by the organisation and is therefore empowering. For funders and investors there are the obvious problems of how one reporting framework could provide all the varying information they require to their often different timetables. Nonetheless it remains a common aspiration from both sides.

C1 Key Aspects Checklist

It was suggested that the Key Aspects check-list, if adopted, could serve as a first step towards a Common Reporting Framework as it should provide the information about an organisation which all funders and investors (as well as other stakeholders) should wish to know.

Recommendations

We recommend that the Key Aspects Checklist be discussed with various funders and investors to ascertain if it can be fit for their purpose before being adopted.

C2 Working Party

Funders and investors acknowledged that in order to develop a Common Reporting Framework a significant amount of work would be required on their part to explore how this might work. It was suggested that a pilot might be developed in one region to see if the perceived problems might be surmounted.

Recommendations

We recommend that a funder or investor, or better still, a body representing their interests, take the initiative to form a Working Party to seek to develop a Common Reporting Framework based on the social accounting and audit framework with a view to piloting its utility in one region of the UK. SAN and at least one representative of social economy organisations which use SAA should be included in the Working Party.

We recommend also that that where an agency already requires some form of social report (such as the CIC regulations), SAN explore whether and how the SAA framework might be recommended as an acceptable framework for organisations to adopt.

D About Promoting and Developing the Practice of Social Accounting and Audit

A strong message comes through from the research that SAA and SAN are not well enough known and that there are some very specific actions that could be taken by SAN to remedy this situation. Equally, there are proposals which may be put to Government and/or to investors and funders as they also ought to have a part to play in promoting and developing the practice of SAA.

There is, of course, a funding implication for SAN in all this and that point is taken up in the final conclusion below.

D1 Actions for SAN

Recommendations

We recommend that SAN makes better known the robustness of the verification process including following up the interest expressed by many funders and investors who were interviewed to sit on a Social Audit Panel.

We recommend that SAN raises the profile of both SAA and SAN and be more seen and heard in appropriate places.

We recommend that SAN consider adopting a new name and strap-line ("SAN – the network for triple-bottom line accounting" has been suggested) and purpose design a new logo for the Social Audit Network.

We recommend that SAN overhaul and revamp the website, including making it ready to hold an on-line social accounting resource, an archive of all verified social accounts and members-only and subscription-only pages.

D2 Actions for Government and Funders

Recommendations

We recommend that the Government and funders recognise the SAN audit process as the accepted method of verifying that social accounts are trustworthy.

We recommend that the Government and funders require organisations to report on social performance and impact and have their reports verified.

We recommend that the Government and funders provide reasonable resources to organisations to allow them to produce social accounts for verification, recognising SAA as the competent framework within which other tools can fit, and contribute to the cost of verification.

We recommend that the Government and funders provide resources to SAN 1) to develop and maintain a national quality standard for the social audit and for Social Auditors, including compulsory continuing professional development; 2) to develop the web-based resource along with three years maintenance funding until it can become self-funding through subscriptions and fees; and 3) to develop and deliver a national training programme for social accounting practitioners.

5 In conclusion...

In terms of the original objectives for the research we have identified that a significant number of social economy organisations have used social accounting and audit at some time but only a minority go on to practice it on a regular basis. There are a number of reasons for this which require to be tackled, not least the need to make the process simpler and less demanding of precious resources. We believe that the practical recommendations made about the process will go some considerable way to making it more manageable and therefore easier for organisations to use. Amongst these, is the recommendation that SAA and SROI continue the work to identify common principles and to see the two processes as complementary, while retaining their own distinctive characters.

It has also become apparent that the verification process through the Social Audit Panel must be seen and known to be robust and rigorous with high standards of training and of audit practice ensured. Important recommendations address this issue including accrediting the training for Social Auditors and an enhanced quality assurance system.

It came as something of a surprise to learn that social economy organisations as well as investors and funders share a common wish that reporting processes could be both simplified and dig down to the “deeper stuff” showing impact rather than only performance. Despite the acknowledgment of problems and difficulties, such a common aspiration must surely serve as a sound first step along the way to developing a common reporting framework. We believe that the introduction of the Key Aspects concept can aid this.

Much of this report is detailed and to a degree technical and we make no apology for that. We have sought both to go back to first principles and then get into the nuts and bolts of how to improve the process of social accounting and audit for the needs of social economy organisations as well as of those who invest in and otherwise support them. Those first principles define the conceptual basis of social accounting on which verification must be predicated. We hope that this report and its recommendations will serve to stimulate the development and improvement of social accounting and audit in the future.

For that to happen, different bodies will have to take responsibility for pursuing action.

The Social Audit Network (SAN) and its practitioners and approved Social Auditors will have to consider and act on recommendations: such as the agreement of revised Key Principles; the use of the Key Aspects concept; the remodelled verification process along with the required contents of social accounts; and the suggested amendments to the steps of the social accounting process, including greater alignment with SROI. These are significant changes which we believe can take social accounting forward as the key mechanism for organisations both to demonstrate what they contribute to society (prove) and better manage their affairs (improve), as well as account to stakeholders.

The challenge for investors and funders is to work with organisations such as SAN and representatives of the social economy to consider just how practical a common reporting framework may be. This should give funders and investors what they want at the same time as providing organisations with a process which is useful, not too time-consuming and over which they retain control. For Government as well as funders there is the question whether social reporting should be a routine, obligatory requirement for all social economy organisations and whether that should be linked to some form of recognisable "kite-mark".

If the Social Audit Network is to be able to drive forward the practice of social accounting and ensure high standards both of accounting and verification then it will need to be resourced adequately.

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ISBN: 978-0-9545743-2-1

Design: the Argument by Design – www.tabd.co.uk

Printed on Revive recycled paper by Abbey Print., Spalding, Lincs.