

PROVE! IMPROVE!
ACCOUNT!
THINKING IT THROUGH...



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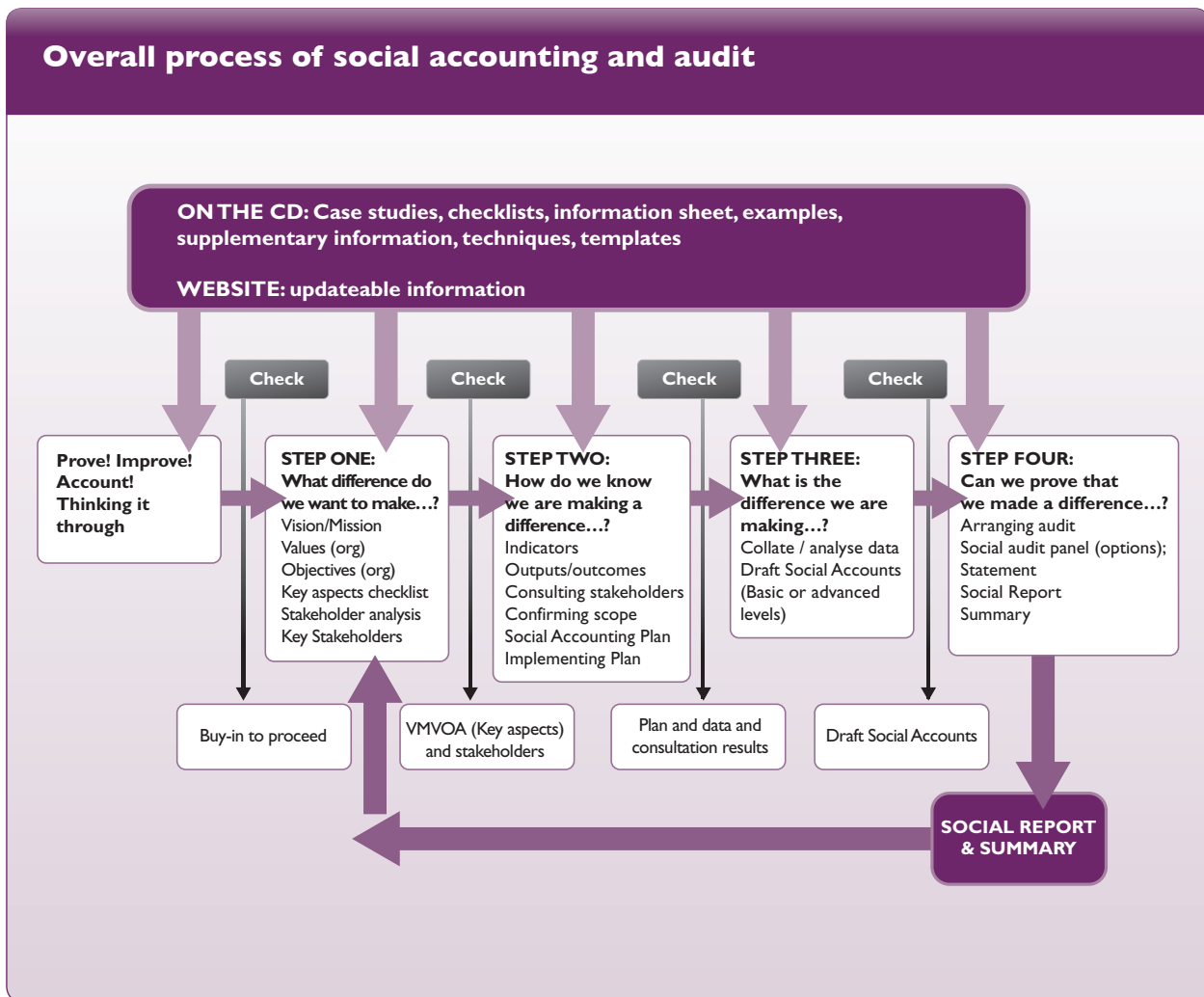


Social enterprises and Third Sector organisations want to make a difference! Many think that it is not good enough just to turn a profit or surplus – they want to make more than a profit. The profit will benefit all of us by contributing to a more equal, fairer and sustainable world. To make sure that we are doing this we should be keeping social accounts constantly – in the same way as we keep financial accounts.

Thinking it through is vital. It is about securing commitment within your organisation and making sure everyone is with you! It is about understanding what social accounting and audit is all about, identifying the benefits and being clear about how you will manage the process...

*Our case study is Southside Community Enterprise (SCE) **[CD2] Case Study – SCE Scenario**. They explored the benefits of keeping social accounts regularly and decided it was a good thing to do as they could show themselves and others what they had achieved (and not!) from year to year. This helped to raise their profile and they also found that it helped them to improve their management systems and effectiveness... **[CD3] Case study – Thinking it through**.*

Overall process of social accounting and audit



What is involved?

The social accounting and audit process comprises four Steps, each of which delivers specific benefits to an organisation.

Step One: What difference do we want to make... This step is about focus. What do you do? Why do you do it? Who do you work with and for? What difference will you make?

Step Two: How do we know we are making a difference... This step is about recording and keeping relevant information. What do you need to know to show you are making that difference? How do you make sure you are tracking it?

Step Three: What is the difference we are making... This step is about presenting the information. What can you say about your performance? What impact are you making? How do you report the information?

Step Four: Can we prove that we made a difference... This step is about verification. How credible are your claims? Who has checked out your draft social accounts and what did they find?

For details of the process see [CD4] [Social accounting and audit on one page](#) and [CD5] [Information sheet](#).

Understanding Social Accounting and Audit...

The core business of social enterprises and community organisations is to make a difference for people, the planet and the way we use resources.

Financial sustainability or profitability is a means to an end – you have to survive and thrive if you are going to be around to make a difference.

The organisation – and those associated with it or affected by it – need to know if it is achieving its objectives, what impact it is having on society and on the environment, if it is living up to its values, and if the objectives and values are relevant and appropriate. Social accounting facilitates this assessment and enables the Draft Social Accounts to be produced which, when audited, can be published as a Social Report.

Audited social accounts have credibility. Publishing the Social Report allows all stakeholders – those who benefit from what is done, those who do the work, those who pay for it, those who work in partnership – to understand the true nature of the organisation's achievements, developments and the difference your organisation has made.

Some of the benefits of keeping social accounts and getting them audited...

- * Sharpens the definition and focus of the organisation
- * Extends accountability to main stakeholder groups
- * Provides a useful framework for all the activities of the organisation
- * Identifies the perceived impact of the organisation
- * Involves stakeholders in the organisation
- * Reports to all stakeholders – including funders and investors – thus winning business
- * Provides a flexible and adaptable process
- * Stimulates honest external and internal appraisal of the organisation
- * Encourages consistency in approach
- * Provides important management information for strategic and business plans
- * Provides a rich source of information to use in making applications, bidding for contracts, developing marketing materials, and so on...

It is a useful exercise to think of the most important reasons why you as an organisation will commit to keeping social accounts. What are the benefits? Are there any snags you need to consider? A worksheet is available [CD6] **Worksheet – Snags and benefits** which you can use to think through the implications of social accounting and audit.

Social accounting and audit has been developed over time in both the social economy and the private sector. For the history see [W1] www.socialauditnetwork.org.uk. One of the best ways to understand the social accounting process and what it can achieve for your organisation is to

look at examples of what other organisations have done. Make sure you have a look at the full social accounts as well as the summary versions. It can also be useful to contact and visit an organisation that has kept social accounts and learn from their experience. The SAN website [W1] www.socialauditnetwork.org.uk has case studies and a list of organisations that have kept social accounts. In addition, the *Really Telling Accounts!* research report has information on other organisations and their experience of social accounting [W1] www.socialauditnetwork.org.uk.

Key features of the social accounting and audit process...

- * Provides a systematic *framework* for self-evaluation, monitoring and reporting
- * Is based on the *triple bottom line* concept: covering social, environmental and economic aspects (people, planet and the way we use our resources)
- * Helps you report on *performance* (what you did and how well you did it) and *impact* (what effect you had on stakeholders and more widely)
- * Engages with the people you affect – *stakeholders* – by consulting them in appropriate ways about the difference you have made for them
- * Allows you to both use ready-made *measurement and consultation tools* or to create your own
- * Assists you to report on the *key aspects* of how your organisation is set up and managed
- * Enables your social accounts to be *verified* by a Social Audit Panel to confirm they tell an accurate story
- * Is a *cyclical process* and something that an organisation does regularly and is integral to its management system

Throughout this Guide, the term social accounting should be understood to refer to social, environmental and economic accounting. See the key terms for more specific definitions and the Glossary [CD7] [Glossary of social accounting and audit terms](#) for further definitions.

KEY TERMS

Social bookkeeping: The means by which information is routinely collected and stakeholders are consulted about the performance and impact of the organisation in relation to the social, environmental and economic objectives.

Social accounting: The process whereby the organisation collects, analyses and interprets descriptive, quantitative and qualitative information gathered in order to produce an account of its social, environmental and economic performance and impact.

Social audit: The process of reviewing and verifying the Social Accounts at the end of each social accounting period. The term 'social audit' is also sometimes used generically for the concept and for the whole process.

Stakeholders: Those people or groups who are (intentionally or unintentionally) affected by or who can affect the activities of an organisation.

Social reporting: The way an organisation reports on its social, environmental and economic performance and impact to its stakeholders and the wider public.

Environmental accounting: Explores the impact of organisations on the environment, both in terms of using natural resources and of producing and disposing of waste and pollution. No organisation can be considered socially responsible if it is not environmentally responsible, and vice-versa.

Triple bottom line: Refers to the accounting for and reporting on social, environmental and economic performance and impact, giving equal weight and importance to each aspect.

There are eight **key principles** that underpin and shape the social accounting and audit process. They are used as the criteria for assessing the Draft Social Accounts and for making recommendations for the final Social Report. The key principles were revised in 2008 and are presented below.

The key principles of social accounting and audit

Clarify purpose: Acknowledge and articulate the mission, all the values and the objectives of the organisation and demonstrate how activities work to achieve the desired performance and impact expressed in the mission.

Define scope: Agree which aspects will be covered and which stakeholders will be consulted in the social accounting period (the scope of the accounts) and acknowledge what will *not* be covered.

Engage stakeholders: Identify relevant stakeholders and engage with and consult them as a central part of the social accounting process.

Determine materiality: Determine what relevant information and evidence *must* be included in the social accounts to give a true and fair picture of an organisation's performance and impact so that reasonable conclusions can be drawn.

Make comparisons: Make appropriate comparisons of performance and impacts from year to year and with other organisations using targets, benchmarks and external standards.

Be transparent: Show how the findings of the social accounts will be reported to, and discussed with stakeholders.

Verify accounts: Ensure appropriate independent audit of the social accounts.

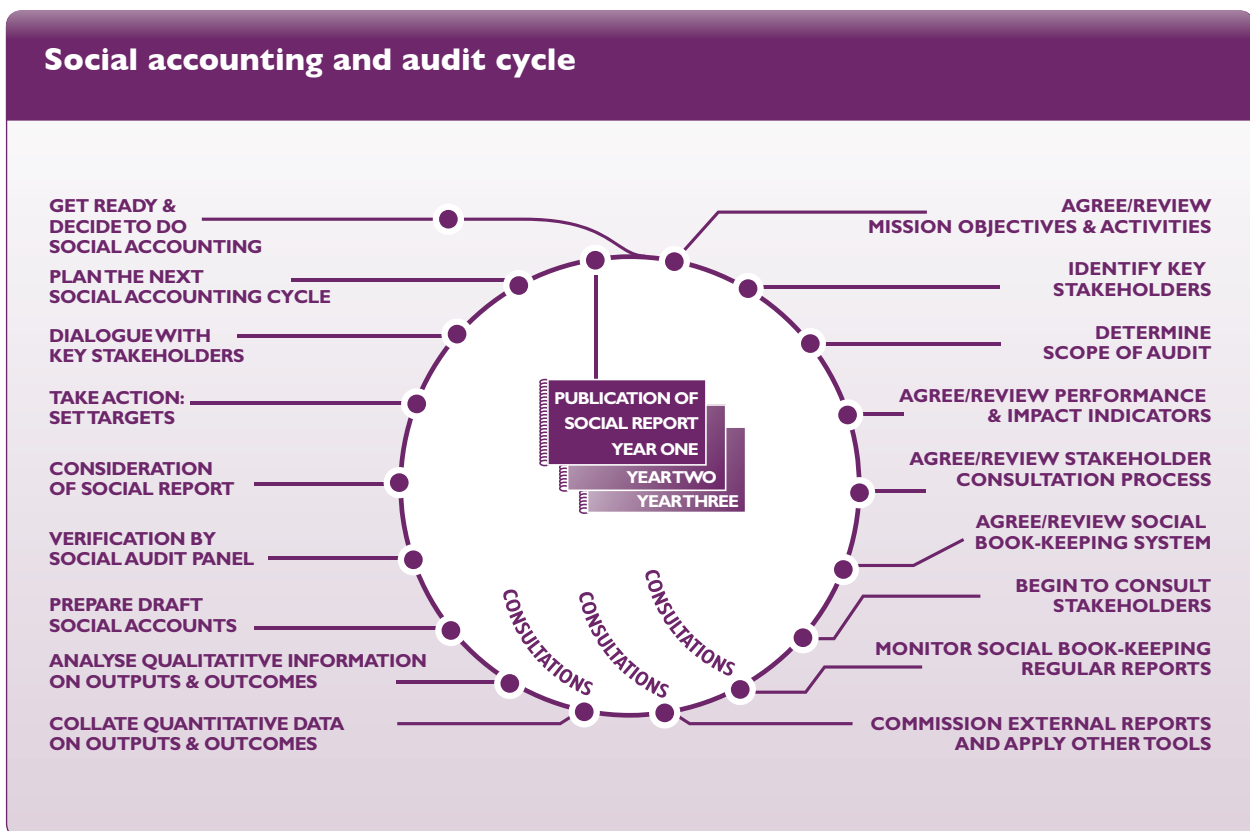
Embed the process: Ensure that the process of social accounting and audit becomes embedded as regular practice in the life cycle of the organisation.

Social accounting and audit as a regular cycle...

It is necessary to determine the social accounting period for your organisation.

Many organisations use the financial year and the advantage of adopting the financial year is that the report on social, environmental and economic performance and impact (the 'triple bottom line') can be combined with the financial accounts to give a complete picture of the organisation's state of affairs. Therefore, for most, the social accounting year will coincide with the financial year; for some, it may be more appropriate to adopt the 'client year' – for example, the school year for a children's nursery. Each organisation will determine the social accounting period which best suits it.

As social accounting becomes embedded within an organisation, it becomes integral to the annual cycle of the organisation. It fits around AGMs, annual Away Days, Annual Reviews, the financial audit and annual returns, Board meetings, events, etc. The following diagram shows that social accounting is a cycle that allows you to review what you are doing and how well you are doing and whether or not you are making a difference.



Building on what you already do...

Social accounting is not another system to be imposed on an organisation. It is a framework approach that enables you to report on your organisation in the fullest and most effective way possible. Social accounting makes use of the information that an organisation already gathers – reports that already have to be prepared, and consultations that have already been carried out. Any gaps in existing documentation and information systems will be identified and new or improved methods of capturing necessary information and gathering stakeholder views developed.

No organisation starts with a blank sheet. All organisations keep records about what they do; staff and volunteers; their members; their clients and customers; training organised; etc. All organisations gather data, have records of meetings and produce various reports. This is valuable information that can be used for the social accounts. Usually organisations find that they have considerable information already. Often this information is only used for one purpose when it could be brought together as part of the social accounting process and used to inform others.

There is a strong case to link social accounting into an established business planning cycle and your existing business systems. What you plan to do is directly linked to what you have found out about your performance and the difference you have made.

The 'what you already do form' [CD8] **What you already do form** can be used to help identify all the information you already have that might be used in your social accounts – and uncover the main gaps in existing record keeping and data collection systems. Think about what those records are telling you and what you still need to know.

Keeping focus on what is really important...

It is a good idea to start to think about the scope of your social accounts at an early stage – re-visiting it at Step Two because one of the most important decisions in social accounting concerns the scope of the social accounts – what you will explore and report on in any one social accounting cycle. It is important to manage your social accounts so that your social accounts are focussed and achievable. This can be done through 'segmenting' and by deciding whether to go for 'Basic level' or 'Advanced level' social accounts.

a) Segments

As social accounting and audit becomes embedded in the life cycle of the organisation, it is possible to *build up* social accounting from one year to the next. Therefore it is not necessary to consider the *whole* of the organisation from the start. Instead you could do one or more of the following:

- * Consider a *part of the organisation* only. This might be a particular department or project. The mission and the values will be the same for part of the organisation as for the whole, but part of the organisation may have its specific objectives and activities to report against. In the first instance this may be considered as a pilot and you may aim eventually to roll out social accounting to the rest of the organisation.
- * Consider examining *only some of the objectives*. Exploring a limited number of prioritised objectives and activities means less data collection and reporting requirements – but you will aim to cover the other objectives in the future.
- * Consider consulting in depth with a *limited number of prioritised stakeholder groups*. Then in subsequent years you would consult with stakeholders who had been omitted in the past – thus building up the social accounting process.

If you take this 'segmenting approach' you will follow Step One to reflect the whole of the organisation; and Steps Two and Three on your identified segments before progressing to audit (Step Four). Adopting this approach means that you are determining a scope for your social accounting which you know you have the resources and the capacity to carry through.

When you come to write the Draft Social Accounts you will need to explain the 'segmenting approach' to the Social Audit Panel. It is important that a full report on performance and impact is presented over time, and not only on those aspects or areas where your performance has been good.

b) Levels

The intention of social accounting is not to create unnecessary work or bureaucracy. Therefore, we are suggesting that there can be a variable 'depth' to your reporting by introducing two alternative levels – Basic Level and Advanced Level.

- * **Basic Level:** At Step Three you can choose to report at a basic level and include in your social accounts a specified minimum or lower level of information.
- * **Advanced Level:** This level means that you will be expected to report more fully and comprehensively on all aspects included in your scope for the social accounts.

We have provided guidance in Step Three on the structure of the social accounts for both levels. A Social Audit Panel may want to know why you have chosen a particular level and what your future intentions might be.

For Basic Level accounts the process of audited self-verification or the Standard audit will be appropriate, whereas for Advanced Level accounts the Standard or Standard plus audit will be appropriate (see Steps Three and Four for more information on this).

Keeping it manageable...

It is important to allocate responsibility and identify your Social Accountant (often more than one!) who will manage the social accounting process. The workload of the social accountant(s) should be managed so that they have the capacity and time to do the work and are not expected just to add social accounting to an already full schedule. The social accounting tasks should be written into the job description – and as social accounting becomes more embedded, it could be added to all staff job descriptions.

Although the Social Accountant is responsible for managing and co-ordinating the work it should not follow that they have to do it all. They will depend on colleagues to keep records, gather data and organise stakeholder consultations in those parts of the organisation for which they are responsible. Social accounting should be a team effort, a practice that is embedded within the organisation as, simply, 'the way we run our affairs'.

Experience has shown it is also good practice, especially in larger organisations, to establish a Social Accounting Group to take responsibility for steering and co-ordinating the social accounting work and to offer support to the Social Accountant(s). The group might include representatives from different sections/departments and also involve a member of the Board.

Some organisations choose to engage someone from outside the organisation to assist them with their social accounting. Where this happens it is essential that the person engaged works with members of the organisation and does not simply do it for them.

It is good practice to ensure that social accounting appears regularly on the agenda of the management committee/Board and management/team meetings. That sense of engagement is strengthened if results from the social accounting are compiled and reported (and acted upon if necessary) as they emerge during the social accounting period. It can help build interest and enthusiasm if employees are consulted early in the cycle and the results made known.

Guidance on the choice of other resources, tools and methods...

In this Guide we shall refer to other frameworks and tools that may be helpful in keeping your social accounts. We have only included those we feel are directly relevant and therefore important to know about. However, any tools which help you to capture your stories and demonstrate the difference you are making to people, the planet and the way we use resources will be useful.

You can choose some off-the-shelf tools or you can devise your own – it's up to you.

Much of the following information is based on *Proving and Improving: a quality and impact toolkit for social enterprise* (new economics foundation, 2005) and *Getting Started in Social Impact Measurement* (The Guild, 2010).

Frameworks	Description
Community Impact Mapping	<p>Community Impact Mapping can help you start to think about your story, why and how your organisation does what it does. It is a simple way to visualise your journey and the difference you are making to your community. Community Impact Mapping is not a fully comprehensive approach to measuring impact but it provides the basis to do more if you choose.</p> <p>[W2] www.dta.org.uk/resources/publications/tellyourstory</p>
SIMPLE	<p>The Social IMPact measurement for Local Economies (SIMPLE) impact model offers a five-step approach to impact measurement called SCOPE IT, MAP IT, TRACK IT, TELL IT and EMBED IT. The 5 stages of the process will identify mission, objectives, stakeholders and ways to track changes. It ensures regular monitoring, assessment and reporting of an organisation's impact. SIMPLE was developed by Social Enterprise London (SEL) in conjunction with Brighton University.</p> <p>[W3] www.sel.org.uk</p>
SROI	<p>Social Return on Investment (SROI) is a type of cost benefit analysis. It is based upon the concept of financial return on investment and expresses the effect of an activity on the environment, the people and the economy in financial terms – measuring social value. It is used to evaluate projects and organisations; and can be used to forecast the likely impact of a project or organisation.</p> <p>[W4] www.sroi-uk.org or [W5] www.thesroinetwork.org or [W6] www.sroiproject.org.uk</p>

Quality Systems	Description
EFQM	<p>The EFQM Excellence Model is the most widely used organisational framework in Europe and it is the basis for the majority of national and regional Quality Awards. Used as a tool for self assessment, it delivers a picture of how well an organisation compares to similar or very different kinds of organisations. As a management model it can be used to define aspirations for the organisation's capability and performance.</p> <p>[W7] http://sites.google.com/site/myfirststepwithefqmmodel2010</p>
ImpACT Toolkit	<p>The ImpACT Toolkit is a diagnostic process to help you assess levels of accountability and transparency within your organisation. This toolkit has been developed by the ImpACT Coalition under the auspices of ACEVO. It looks at eight areas of assessment: accountability and transparency policy; availability of information; stakeholders, clients and service users; statutory reporting; governance; suggestions and complaints; care for your donors; communications. The Toolkit can be accessed online and takes approximately one hour to complete.</p> <p>[W8] www.acevo.org.uk</p>
PQASSO	<p>PQASSO (Practical Quality Assurance System for Small Organisations) is a self assessment tool for small and medium organisations. It allows the organisation to work at its own pace, identifying strengths and weaknesses. It helps with planning, budgeting and resource allocation to improve and meet the standard. It now has a Certification scheme, the PQASSO Quality Mark. Published in 2008, its third edition has an outcomes approach to quality. However, it primarily focuses on internal process and procedures, with one section addressing 'results'. PQASSO is also supported by the Big Lottery and has been designed by the Charities Evaluation Services.</p> <p>[W9] www.ces-vol.org.uk</p>
Quality First	<p>Quality First is a simple quality assurance system designed for micro voluntary and community organisations. It is intended for small organisations and was designed by Birmingham Voluntary Service Council (BVSC)</p> <p>[W10] www.bvsc.org/development/quality-first.html</p>
Third Sector Performance Dashboard	<p>This is a CD-based performance management tool to help monitor and report on performance against set objectives. Under headings such as 'governance', 'finance/funding' and 'people and work-life balance', organisations can either use the templates that are already provided for them within the licensed software or set their own objectives and measures. Using the tool as an integrated way of running their organisation enables users to monitor their progress and report to stakeholders accordingly. It was developed by Social Firms UK based on the Balanced Scorecard.</p> <p>[W11] socialfirmsuk.co.uk/resources/library/third-sector-performance-dashboard</p>

Tools	Description
Balance	<p>Balance is an on-line diagnostic management analysis tool for socially enterprising organisations, development agencies and others. It has been developed by Manchester Metropolitan University and aims to stimulate critical reflection by identifying stages in organisational development. Through the process Balance supports positive changes in organisational development across Stakeholder Perspectives; Internal Activities; Multi-Bottom Line; Learning and Visioning.</p> <p>[W12] www.business.mmu.ac.uk</p>
Demonstrating Value	<p>This is a system first designed by Van City in Canada. It has been further developed by Community Enterprise in Scotland (CEiS) and is a way of organising and presenting findings on an organisation's performance and impact. It relies on software and is also a tool for managing an organisation.</p> <p>[W13] www.ceis.org.uk</p>
EMAS Easy	<p>A simplified version of EMAS, (Eco Management and Audit Scheme), it is a management tool to evaluate, report and improve an organisation's environmental performance. EMAS Easy is meant for small and medium-sized organisations to evaluate and reduce their environmental impact. A scheme developed by Heinz-Werner Engel, at Eco-Conseil Enterprise and supported by DG Environment.</p> <p>[W14] ec.europa.eu/environment/emas/index_en.htm</p>
Eco-mapping	<p>Ecomapping is a tool to help small organisations to implement environmental management. It is a free tool developed by Heinz-Werner Engel as part of the International Network for Environmental Management (INEM) initiative, EMAS (Eco-Management and Audit) Toolkit for SMEs.</p> <p>[W15] www.ecomapping.org</p>
Fit for purpose	<p>Fit for purpose is a diagnostic tool to help new or developing social and community enterprises to assess their strengths and areas for improvement against key criteria. This tool has been written by the Development Trusts Association.</p> <p>[W16] www.dta.org.uk/resources/publications/fitforpurpose</p>
LM3	<p>Designed to calculate what impact an organisation or project has on the local economy, LM3 is simple to implement and shows how money flows locally. It was developed by the new economics foundation.</p> <p>[W17] www.pluggingtheleaks.org or [W18] www.neweconomics.org or [W19] www.lm3online.org</p>

Continued

Tools	Description
Outcomes Star	<p>The Outcomes Star is an approach to measuring change when working with vulnerable people. It is used within the frontline work process and is integrated within assessments and reviews by providing data on many levels. It can also serve as a basis for reporting outcomes to commissioners and funders and was developed by Triangle Consulting.</p> <p>[W20] www.outcomesstar.org.uk</p>
Questant Process	<p>The Questant Process is an analysis tool which helps social enterprises and other third sector organisations check whether or not they are providing a positive return in financial terms for their funders. It analyses an organisation's service in terms of its value for money and return to the public purse and helps you understand the return on investment. It was developed by Gap Communications.</p> <p>[W21] www.questant.co.uk</p>
Social Audit Network (SAN) India	<p>The Social Audit Network in India has developed several tools to help organisations keep social accounts.</p> <p>[W22] www.san-india.org</p>
Social Enterprise Balanced Scorecard	<p>The Social Enterprise Balanced Scorecard is a mechanism used to track both quantitative and qualitative data simultaneously. It is also used with community enterprises and its application is sometimes a requirement with some funders. The SEBS has been adapted for social enterprise by Social Enterprise London from David Norton and Robert Kaplan's original work, Balanced Scorecard.</p> <p>[W23] www.sel.org.uk/Balanced-scorecard.aspx</p>
Social Impact Tracker	<p>This is a secure online application that will provide organisations with the ability to capture and report on their social impact. It has been developed by Cúnamh ICT which is a social enterprise that delivers software solutions to a wide range of organisations. The Social Impact Tracker enables you to track your outcomes and social impact.</p> <p>[W24] www.socialimpacttracker.org</p>

Allocating your resources and costs...

Undertaking social accounting and preparing Draft Social Accounts for audit inevitably incurs costs. For organisations, especially small ones, the scale and costs of social accounting must be managed so that they fit within the resources of time and money that can realistically be made available.

Cost significantly reduces in the second and subsequent years once your organisation has set up systems, tailored the process to its needs and learned important points from the first cycle.

The main internal costs may include:

- Staff time of the Social Accountant(s), the members of the Social Audit Group, and other members of staff required to keep records, attend meetings, organise stakeholder consultations, writing it up, etc.
- Administrative time and costs.
- Dissemination costs of circulating the Social Report and possible publication of a summary version.

The main external costs may include:

- Training and facilitation to plan the process and set up the social bookkeeping systems.
- Some stakeholder consultation which might be better done independently and confidentially – such as analysing employee and other questionnaires. A common cost in this area now is subscribing to online survey software.
- External assistance to prepare the Draft Social Accounts on behalf of the organisation.
- Having the Draft Social Accounts verified by a Social Audit Panel that is chaired by a SAN-approved Social Auditor.

There are a number of ways in which organisations can reduce the costs of social accounting such as:

- **Student placements:** (remember, however, that having a student is not entirely resource free from your side as you have to liaise with the college and plan the placement task, supervise and support the student).
- **Buddy systems:** Your organisation might swap time with another organisation also preparing Draft Social Accounts – you do some interviews for them and they help you in some way.
- **Members of the management or advisory committee:** Sometimes volunteers from the management committee or Board can be persuaded to help out.
- **Volunteers:** There may be local bodies that can offer a volunteer. In addition, there may be individuals wishing to improve or develop their knowledge and practice of social accounting
- **Academics:** The local university or college may be able to help on surveys or sit on the Social Audit Panel.
- **Local schools:** The local school's sixth form may be able to help by doing a consultation project.
- **Local authorities and funders:** These organisations may be willing to provide small grants towards the cost of social accounting and audit – often to pay for the publication of a summary report.
- **Budgeting:** Organisations can include social accounting as a budget line in project proposals and funding applications.

In considering the resources required and the costs, it is useful to prepare an initial budget. However, it is not possible at this stage to make an accurate calculation until you have confirmed the scope of the social accounts (see Step Two).

Making the commitment...

It is important that all people in your organisation have some understanding of social accounting – why your organisation is doing it and what it may mean for them. Time spent getting this commitment will reap benefits later when you need the co-operation of staff, management committee members, volunteers and others. You could do this by talking to people within your organisation and sharing the SAN information sheets **[CD5] Information sheet;** **[CD4] Social accounting on one page.** It also can be helpful to get someone to talk about social accounting at a Board or staff meeting. In introducing social accounting and audit, communicating what it is and what it will mean is very important.

It is crucial that there is commitment to social accounting within your Board of Directors or Management Committee. Our research has indicated that lack of commitment amongst the governing body is a barrier to sustaining social accounting.

You should have all the information you need to decide whether to embark on social accounting. It is a process that belongs to you as an organisation. You take responsibility for determining your values, your objectives and what you do to achieve them, and the indicators that will say how well you have performed. You take the initiative to involve and consult stakeholders, to engage them in the assessment of your performance and when and how objectives and practices should be modified. You are responsible for reporting the findings honestly to your stakeholders. Social accounting and audit is different from external evaluation in this important way: the process as well as the results belong to your organisation.

It is important that a clear and positive commitment is made. Although that decision will be taken by the Management Committee or Board of Directors it is important that it is also owned and understood at all levels in the organisation.

Checklist

Use the checklist below to ensure that your organisation has considered everything before it starts social accounting.

- Your organisation is in complete agreement to proceed.
- It has allocated Social Accountant(s) who will have responsibility for managing the social accounting process as part of their work plan or job description.
- Social accounting and audit is routinely on the agenda of team, management and Board meetings.
- Your organisation has established a Social Accounting Group or put in place another mechanism for keeping the organisation up to date with what is happening.
- You have determined your organisation's social accounting period.
- You have assigned resources for keeping the social accounts.