

Traidcraft

Introduction

Traidcraft *"fights poverty through trade, helping people in developing countries to transform their lives"*. Traidcraft is a Christian organisation and the UK's leading fair trade organisation. It runs



development programmes in some of the poorest countries in the world and campaigns in the UK and internationally to bring about trade justice. Traidcraft consists of Traidcraft Foundation that ensures that the mission is being delivered; Traidcraft plc which the main trading arm; and Traidcraft Exchange which is a registered charity. Traidcraft was first established in 1979, has a turnover well in excess of £250,000 and a staff of around 170.

Social accounting and audit

Traidcraft was a pioneer organisation in social accounting and audit and has kept social accounts regularly since 1994. It adopted social accounting as it wanted to prove and demonstrate its social values and monitor its performance and impact. Through social accounting, Traidcraft sets itself clear targets and can engage with and be accountable to its stakeholders. Co-ordinating the social accounts is the responsibility of the Finance Director and it is written into the job description, making space and time for social accounting. Traidcraft felt that the responsibility of leading on social accounts should be located in the finance directorate where *"it sits very well alongside more conventional financial "measurement"*. Thus, it is completely embedded in the fabric of the organisation and training in social accounting is obtained if and when necessary. Whereas it has been relatively easy to clarify the mission, values, objectives and activities, it has been more difficult to define and map relevant stakeholders and set up systems to obtain pertinent information. This is exacerbated as the producer stakeholders – who are crucially and directly linked to the purpose of Traidcraft – are geographically widely spread. They have used a range of consultation methods (questionnaire, telephone surveys, focus groups, workshops, web-based surveys, etc) and are able to contract social market consultants when necessary. Bringing the information together and writing the social accounts in an accessible way has also been difficult as the information is so extensive. Traidcraft publish the full social accounts only on their website although a summary hard copy is available – *"this makes them more accessible and allows much more data to be included with user options to drill down as desired"*. They manage the social accounts through an internal advisory panel *"drawn from colleagues with particular knowledge or interest in social accounting which is extremely helpful to push forward with new ideas and approaches"*. They use an external auditor to audit the social accounts and have, in the past, followed the AA1000/AA1000 Series approach to social

auditing. Traidcraft *recently "made the decision to move away from a model of external audit by a firm of Chartered Accountants with sector experience (used for many years) to a specialist social reporting assessor (Just Assurance). This proved very valuable as the challenge from the auditors moved to a more strategic level rather than quibbling over minor financial differences."* The audited social accounts are submitted for approval at the AGM *"with as much seriousness as the financial accounts"*.

Benefits and value of social accounting and audit

The benefits to Traidcraft from social accounting have been: internal benefits such as better understanding of performance and impact, improved services, more effective systems, ability to identify issues as they arise, setting targets and benchmarks; and external benefits such as better links with stakeholders, evidenced facts and an improved image. Increasingly, the findings from the social accounts can feed into the planning and whether or not Traidcraft are fulfilling their mission. The Finance Directors reported that they personally benefited through an improved understanding of the organisation and learning about the efficacy of consultation methods and an openness and transparency

Negatives, problems, snags

The main problems in keeping social accounts have been – at times – a lack of co-operation from parts of the organisation and colleagues, problems associated with forming consultation questions and obtaining the information from stakeholders; and partly from a lack of understanding by external stakeholders.

General thoughts on social accounting and audit

Traidcraft notes that *"Traidcraft as a very large social enterprise is probably atypical of the sector in its ability to resource social accounting much more appropriately than many smaller organisations – both in terms of time and money."* But social accounting is *"a vital part of Traidcraft's accountability but, crucially, is done first and foremost for the benefits to the organisation – focus, targets, honesty and year-to-year comparability."*

Traidcraft also state that *"preparing and publishing social accounts was and is a time-consuming and expensive matter"*. It is estimated that it takes up to a month of the Finance Director's time each year with *"probably another person-year spent in total by other colleagues gathering and considering data as well as helping to put the report together and going through an audit. Alongside this the cost, including audit, is now at least £25,000 per annum."*

Social Audit Network – Case Studies

In the future Traidcraft may start to look more at the environmental benefits and start to categorise their impact in terms of environment, social and economic ie. sustainability.

*Queensway North
Gateshead
Tyne and Wear
NE11 0NX
0191 497 6442
simong@traidcraft.co.uk*

Also Tim Morgan (Former Finance Director) tdm@blueyonder.co.uk (07809 671 397)