

Growing social accounting in Australia

Marcelle Holdaway, Accounting for Life, began driving Maleny Credit Union's social accounting process in 1999, and has mentored a number of enterprises, including working with Mission Australia Queensland for over five years. Along with mentoring, Marcelle is a Social Audit Network UK approved Social Auditor.



Social accounting "...is best understood as a reaction against conventional accounting principles and practices. (It) ...posits other goals as well as, or instead of, financial profitability... Moreover social (accounting) attempts to embrace not only economic and monetary variables but also – as its name suggests – social ones, including some which may not be amenable to quantification in monetary terms." (Geddes, 'The Social Audit Movement', *Green Reporting: the Challenge of the Nineties*, Owen D (ed), Chapman and Hall 1992)

The ultimate purpose of social accounting – which is the process of producing accounts of the social, environmental and economic effects of an organisation's actions – is to assist community, social economy and public sectors with proving and improving their social impact.

It is a framework within which appropriate planning and consultative tools can be applied. So, although social accounting is useful in proving to funders that an organisation is doing a good job, social accounting also leads to considerable learning and improvement within the organisation and so also benefits staff, customers, clients, partners and the wider public.

Steps in social accounting

The social accounting framework is comprehensively described, step-by-step, in the Social Accounting and Audit

Manual*. The manual has been designed by Social Audit Network UK (SAN) to serve both as a DIY kit, enabling organisations to plan and run their own social accounting, and as a resource pack for trainers and facilitators.

Prior to undertaking a three step process an organisation needs to understand social accounting and have made appropriate preparations for embarking on 'the journey'. This preliminary stage, called 'getting ready', enables an enterprise to know what the process is and how it will be managed; to know whether they want to proceed; and to understand what to do next.

1 Step one is the **planning** step, entailing clarification of the mission, objectives and activities of an enterprise, as well as its underpinning values and the identification and analysis of stakeholders. This step is the foundation of the framework, and reveals the essence of the enterprise. The decision is then made whether or not to move on to step two.

2 Step two is the **accounting** step. An enterprise decides the scope of the social accounting process. A social book-keeping system to collect the relevant qualitative and quantitative information is established and stakeholders are consulted. The information is compiled and analysed and fed into the ongoing management of the organisation. After completing step two a decision is made whether to move on to step three.

3 Step three is the **report and the audit**. During this step the qualitative and quantitative information is brought together and interpreted in the draft social accounts. These are then verified by a panel of impartial people who verify that the report is based on information which

has been properly gathered and interpreted, and a Social Audit Statement is issued when satisfied.

At the completion of the three steps it is time to review findings, objectives and activities and set targets for the following accounting cycle.

Costs

Much of the process can be undertaken in-house using the manual as a guide. However, using a mentor or facilitator in some capacity is recommended, especially when first starting out.

The following may include a cost if external assistance is brought in for:

- planning and setting up;
- consulting stakeholders; and
- drafting social accounts.

Verification of the social accounts has costs associated with engaging a social auditor.

Internal costs could include:

- staff time;
- administrative costs; and
- printing and publishing costs.

There are a variety of ways to cut costs, for example, through bringing students, management committee members, academics or local government employees on board. There are also a number of strategies to improve manageability described in the next section.

Suitable framework... slow uptake!

Social accounting is suitably holistic and gives rise to a rich source of information that goes some way towards responding to the complexities of assessing social impact. Why then is it that many readers will have not even heard of social accounting when the practice has been around for decades?

Historically there are numerous factors for social accounting's ebbs and flows. However, from the 1990s significant growth occurred, and during the past decade more than 500 internationally based social economy organisations have produced at least one set of social accounts. Not a huge uptake but a reasonable resurgence.

In Australia uptake has been slow. Here only six organisations have produced sets of social accounts, beginning with Maleny Credit Union in 2000. In 2009 the Brotherhood of St Laurence provided initial training and support in social accounting to a number of social enterprises. In 2010, Social Traders enabled these same enterprises to complete the social accounting process.

Any number of guesses could be made about the reasons social accounting has not been strong in Australia. One reason may be the time and resources required to produce an audited set of social accounts, although this factor is shared internationally. However strategies for improving the management of the social accounting process are being made by, for example, recommending starting small and building on the process; spreading the three steps over three years; and producing social accounts on alternate years.

More specific to Australia is the need for an optimum number of social accounting practitioners to come on board and grow an Australian-style Social Audit Network. Practitioners can be in-house staff with social accounting incorporated into job descriptions, or trained 'experts' who practise social accounting for a living. So far, most people who undertake training in social accounting in Australia are from within busy organisations and are generally too time-poor to use their experience to mentor others, or to develop an umbrella organisation.

The future for social accounting

Wesley Social Enterprises (a division of Wesley Mission Victoria) plans to base their impact measurement framework on the SAN social accounting model and some academic studies are occurring that could auger well for social accounting.

At the end of 2010 The Social Accounting and Audit Manual produced by SAN will have been updated – this new guide will enable social enterprises and voluntary



The tree – a fitting analogy

The roots are the foundations of the social accounting framework, consisting of embedding values and objectives within the organisation; the trunk represents the utilisation of key principles and processes pertaining to social accounting; the limbs and branches represent the process of learning, experimenting and adapting using a range of management strategies and tools.

'When I was interviewed by the Auditors about my duties as Chairman I was able to use the Social Accounts to demonstrate the efficiency of the directors. Other staff used the Social Accounts to confirm verbal statements about the operations.'

The auditors of the disability programs offered were really impressed that there was a process of demonstrating that activities undertaken were verifiable in the Social Accounts... they were so impressed they took a copy of the audited Social Accounts to show other organisations which are funded for disability programs.'

Barbara Matt, Impact Make Your Mark, Queensland

'I am passionate about the work that Project Circuit Breaker does and this (social accounting) process has really provided a good overview of how we are doing operationally and in relation to service provision, and how we treat each other in line with the values we espouse at Mission.'

Glenda Jones-Terare, Mission Australia Queensland

organisations to assess their social, environmental, economic and for the first time – cultural impact.

Perhaps 2011 will more fully usher in social accounting as a suitably holistic approach to 'measuring' social impact! I remain optimistic. ■

If you want to join in assisting social accounting to reach critical mass in Australia contact Marcelle on marcelle@sun.big.net.au

* The Manual is being updated and will be published in December 2010. Available through www.socialauditnetwork.org.uk