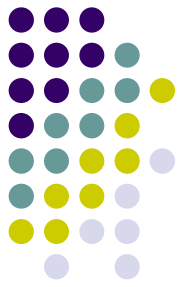


# **Social Auditing: What is it, and how is it relevant to social economy organizations?**



# **Presentation to the Workshop on Measurement and Accounting Models**

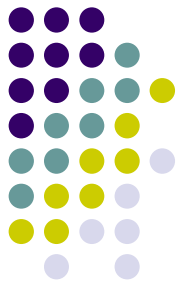
**Social Economy and Sustainability Project**

**by**

**Leslie Brown, Mount Saint Vincent University &  
Peter Hough, Canadian Worker Co-op Development  
Federation**

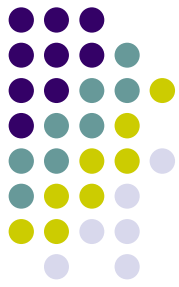
**February 11, 2006**

**Research supported by SSHRC research grant #859-2005-0005**



# What is it?

- Part of a larger movement around accountability and social (including environmental) responsibility – Social and Ethical Accounting, Auditing, and Reporting (SEEAR)
- Used by many types of organizations, from small scale community-based to large scale for-profit; from democratic to autocratic



# A Definition

Social auditing is a process whereby an organization can account for its social performance, and report on and improve that performance. It assesses the social impact and ethical behaviour of an organization in relation to its aims and those of its stakeholders. (Pierce et al. n.d:1)

# Why conduct a social audit?



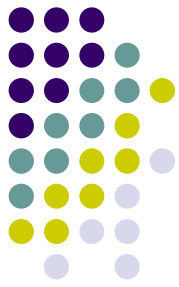
A social audit provides a clear definition of your purpose – not just for you but for your membership and the public as well ... It may also lead to better resource management and a strengthening of the membership base as you gain a better understanding of your members, your community and your organization. Finally, a social audit fosters the formulation of short-term and long-term objectives thereby enabling you to monitor your level of achievement. (CUC-NS)

# Relevance to social economy organizations?



- SEAAR, with social auditing at its core, is arguably a natural “fit” with SE organizations because SE organizations tend to aspire to values of transparency, accountability, responsibility, mutual or social good. Many value participation and democracy as well.
- As do many SE organizations, social auditing values the process, not just the outcome

# Examples of how social auditing contributes?



- Can help SE orgs highlight and harmonize various priorities, as a counterweight to goal displacement
- Can help an organization recognize and address pressures for conformity with conventional business practices (Spear, 2005)
- Useful in monitoring and improving governance, and as valuable input for strategic planning (Brown & MacMillan, 2005)
- Can be used in organizational learning and innovation, recruitment, marketing, education, networking, and so on

# The Social Audit Process



- >Ideas (discussions of social auditing)
  - >design audit framework (scope, indicators, benchmarks)
    - >specify details, identify social book-keeping needs
      - >gather and summarize data (stakeholders)
        - >audit the data (internal or external)
          - >write report
            - >publish report
              - >solicit feedback
- Develop and implement recommendations
- Plan for next social audit



# Some Issues in social auditing



- Desirability of standard indicators?
- Qualitative and quantitative measurement?
- Professional standards - who can conduct social audits? (certification?)
- Separate report – financial reports trump social reports?
- When is social auditing most appropriate (vis-à-vis other types of social accounting)?
- Expense (time and money)?

# Why is process important?



- Validity of audit report, verifiability
- Credibility of the organization
- Usefulness to stakeholders for the evaluation of organizational results
- Usefulness as guide to next steps, continuous improvement, strategic planning

# Process Standard



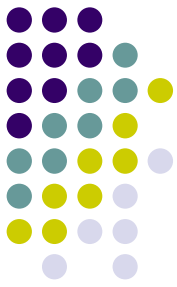
- AccountAbility1000 is a developing international standard focused on increasing the quality in social and ethical accounting, auditing and reporting.
- Developed by the Institute of Social and Ethical AccountAbility.
- This is process standard not a performance standard.

# AA1000 Process Model



- Planning
- Accounting
- Auditing – reporting
- Embedding
- Stakeholder Engagement

# Planning



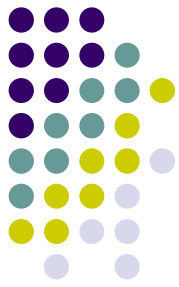
- Establish Commitment
- Governance Procedures
- Identify Stakeholders
- Define review values and goals

# Accounting



- Identify Issues
- Determine Process Scope
- Identify Indicators
- Collect Information
- Analyse Information, Set Targets and Develop Improvement Plan

# Auditing -Reporting



- Prepare Reports
- Audit Reports
- Communicate Reports and Obtain Feedback

# Embedding



- Establish and embed systems
  - Operational
  - Strategic
- Documentation and Data Review
- Management Systems



# Stakeholder Engagement



- Identify Stakeholder Issues
- Determine Right Accounting for Stakeholders
- Engage in Regular Interactions
- Build and Deepen Two-way Understanding and Commitment

# AA1000 Principles



- Inclusivity
- Completeness
- Materiality
- Regularity and Timeliness
- Quality Assurance

# AA1000 Principles



- Accessibility
- Comparability
- Reliability
- Relevance
- Understandability

# Website of Interest



- [www.accountability.org.uk](http://www.accountability.org.uk)
  - Institute of Social and Ethical Accountability
- [www.globalreporting.org](http://www.globalreporting.org)
  - Global Reporting Initiative – Sustainability Reporting Guidelines that Encompass Economic, Environmental and Social Dimensions