

Social Accounting and Audit (SAA): a framework for social, environmental and economic reporting – an information sheet.¹

Why do we need *more* accountability?

This is a question we often hear people who work in the community sector asking. “We work hard, often for low wages, we are committed to what we do, we try hard to do our best and our clients seem satisfied – at least they don’t complain to us – they are grateful that we are there to help them, and we don’t have the time to collect data and fill in forms.” Sound familiar? Perhaps you have even argued this way yourself?

All organisations are accountable for their performance to their stakeholders – especially, but not only, their results or outcomes. Businesses for example are primarily accountable for their results (i.e. their profits) to their shareholders, but also to their board, their customers and their staff. For community organisations the **key** stakeholders to whom they are accountable are their clients and other beneficiaries, and the wider community. Other key stakeholders include funders, partners, Board or Management Committee, and fellow staff members.

Demonstrating accountability, especially for community organisations, involves much more than just collecting data – although knowing what data is needed and having systems for collecting and analysing it, is clearly an important part of any effective accountability framework.

One of the key drivers of accountability is the intrinsic sense of self worth staff experience when they realise that they are achieving measurable and demonstrable results that improve their clients lives, *and* they also understand how they could do even better.. However there are other equally important drivers of accountability and these include:

- The introduction of performance-based contracts;
- Requests by funders, both private/philanthropic and government, that the organisation demonstrate the impact it is having on the lives of its clients and other beneficiaries, as a condition of funding;
- The competitive edge an organisation achieves when it can demonstrate to its funders and others that it is a sound and healthy organisation that is improving the lives of its clients and having a positive impact on the community in which it operates.

For all these reasons it is important that community organisations, using an appropriate accountability framework, begin to adopt performance and results measurement as an integral and embedded part of their everyday practice.

What is Social Accounting and Auditing?

Social Accounting and Auditing (SAA) is an accountability framework that contains the tools and processes for ‘proving’ the value of the work of community organisations and social enterprises by enabling them to measure the impact they have on their clients and the broader community. It is also a capacity building tool which assists organisations to assess and to improve their performance across all areas .i.e. to **‘prove and improve’**.

It is often said that ‘business’ is about profit and making money, while ‘social organisations’ are about people and personal development. But businesses are also social organisations made up of people with different roles, while social organisations have to be financially accountable and generate sufficient money to survive. Most social enterprises have social, environmental, economic, and sometimes cultural objectives that they seek to fulfil while remaining financially sustainable.

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Because SAA is has been developed especially to assist organisations that want to account for their social and environmental performance and impact, it is particularly suitable for organisations such as community organisations or NFP/NGOs s that deliver services where the outcomes are primarily social, and are often hard to quantify.

For example some of the outcomes you may be seeking through the work of your organisation is that your clients and carers are strongly supported, or that they have access to a range of effective services or that their health and well being is good. Such outcomes are not always easy to measure, but they may be very important and indeed achieving outcomes such as these may be why your organisation was established in the first place.

In identifying and measuring organisational and program outcomes SAA, unlike other accountability frameworks, takes the views of the organisation's key stakeholders into account. Key stakeholders are nominated by the organisation and usually include clients and other beneficiaries of services, partner organisations, funders, staff and Board/Management Committee and the wider community

SAA also adopts a whole-of-organisation approach involving as many members of the organisation as possible in the process. A part of the SAA philosophy is transfer of learning so that the organisation learns how to implement the Framework and can use it as often as needed for future monitoring and measurement of both process and outcomes.

In this sense it provides a benchmark against which future performance can be measured, and comparisons between like organisations made.

SAA is not 'content dependent'. It is a framework that can be used equally to assess the performance and validate the outcomes and impact of any large social organisation with different components or divisions, or with different organisations delivering a varied range of human services such as services for respite carers, for people with a disability, homeless people, child and family services, counseling services, health services etc.

The SAA framework can be used in any organisation, even where different service streams are operating, so that it provides a coordinated approach to the measurement of outcomes across all program areas.

The work done by community organisations is crucial in ensuring that Australia is a fair, healthy and inclusive society, however, just because an organisation works in the community rather than the business sector this does not mean it is intrinsically a 'good' organisation.

Neither is this a reason to ignore the policies and practices that underpin good performance. All organisations working in the community sector should operate in accordance with good practice principles in their management, governance operations, service delivery etc. or be able to measure their achievements and demonstrate their worth.

Why do it:

A social or community enterprise might use **social accounting and audit** for the following reasons;

- To 'prove' its benefits to people, the community and/or the environment and at the same time 'improve' its performance as an organisation.
- To report accurately and honestly on all the achievements of the organisation.
- To allow stakeholders to have a say as to whether or not the services they receive are meeting their.
- To demonstrate to funders what the organisation has achieved other than just having survived as an enterprise.
- To confirm that the work that staff and other workers are doing and the efforts they are making are having positive benefits.
- To give information alongside the financial accounts which tells the world that the organisation is different from other enterprises.
- To help the organisation more effectively monitor and steer itself to perform better.
- To acquire a sharper understanding of the organisation's core values and objectives and

the outcomes, or change, it is achieving for and with its beneficiaries e.g. clients, partners etc..

- To stimulate a more open and honest, internal and external appraisal.
- To meet funding body requirements
- To adhere to the requirements of performance-based contracts

Principles of social & environmental accounting and audit:

Social and environmental accounting and audit consists of Three Steps and a Getting Ready Stage. Each Step is worthwhile in its own right and taking all three steps leads to the completion of a full set of audited Social Accounts.

It is based on six underpinning principles:

- 1 Social accounting should engage with and reflect the opinions of a wide variety of people (key stakeholders) affected by (and able to affect) the organisation (*multi-perspective*).
- 2 Social accounting should cover all the activities of the social enterprise or organisation (*comprehensive*).
- 3 The organisation should be able to compare its performance over time and also against similar organisations (*comparative*).
- 4 It should be undertaken regularly rather than be a one-off exercise and become embedded in the running of the social enterprise or organisation (*regular*).
- 5 The Social Accounts should be checked (audited) by an independent social audit panel, chaired by an approved Social Auditor (*verified*).
- 6 The findings of the audited Social Accounts should be widely circulated and discussed (*disclosed*).

Getting ready: Understanding the overall framework and the Three Steps. Being aware of the principles; the history of social accounting and audit and the framework; the implications for the participating organisation if social accounting were introduced to it; the resources required; and how the process would be managed. Making a clear commitment to do it. At the end of this preliminary stage the social enterprise or organisation should know how to proceed and what it all implies. Like starting on any journey it is important to know where one is heading and to be prepared.

Step One: SEE Planning: Clarify the mission, objectives and activities and outcomes of the social enterprise or organisation as well as its underpinning values. Identify and analyse the stakeholders. These exercises are the foundations for the social accounting framework and reveal the essence of the organisation – what it does, why and how it does it and who it works with and for.

Step Two: SEE Accounting: Decide the scope of the social accounting process – what the Social Accounts will focus on and when. Set up social bookkeeping systems that collect relevant information (e.g. indicators) over a period of time that enables the social enterprise or organisation to report on its performance against its values and its objectives. The bookkeeping systems will collect quantitative data and qualitative information and will involve consulting stakeholders using a number of consultative tools. The information will be compiled and analysed and feed into the ongoing management of the organisation.

Step Three: SEE Reporting and Audit: Bring all the quantitative and qualitative information together and interpret it in the draft Social Accounts. These are then audited by a panel of impartial people who verify that the report is based on information which has been properly gathered and interpreted and is therefore a fair and honest reflection of what has happened in the organisation during the accounting period. The panel, when satisfied, will issue a Social Audit Statement. The approved Social Report is then made publicly available and the organisation may want to make a summary version to inform its stakeholders.

The verified Social Accounts will give the organisation a clear understanding of what it has achieved, how much it has cost to do that and how different stakeholders regard what it does. Based on the findings the organisation can:

- Review its objectives and see if they are still appropriate.
- Identify the outcomes it wants to achieve and confirm whether or not those outcomes are being achieved
- Consider what other things it might do;
- Set new targets for the next year.
- Review the information it is collecting to ensure it is still relevant and useful.
- See if and how the stakeholders are benefiting from it.
- Engage in dialogue with stakeholders over issues raised.
- Make sure that the social enterprise or organisation can justify its existence!

Postscript:

There may seem to be some extra work in using the social accounting and audit framework – especially when you feel that it is obvious to you that your organisation is doing a good job. However, in this world of increased competition for money and support, organisations increasingly have to *prove* their value. They also want to *improve* their organisation's performance. Social accounting and audit leads to considerable learning and improvement within the organisation. The social

accounting and audit framework is not used only for investors and funders but also for the benefit of staff, for customers, clients, partners and the wider public. It assists organisations to live up to their values and deliver outcomes that will benefit the community.

Prove and Improve!