

Social Accounting and Audit Pilot Initiative:

A partnership between Co-operative Development Scotland (CDS) and the Social Audit Network (SAN)

Summary Paper

Co-operative Development Scotland (CDS) and the **Social Audit Network (SAN)** worked in partnership to implement a pilot initiative which introduced social accounting and audit to six co-operative and social enterprises in Scotland.

Co-operative Development Scotland (CDS) promotes the development of successful co-operative enterprises across Scotland. By working closely with key partners they aim to demonstrate economic, social and environmental advantages of co-operatives. It also directly supports the growing co-operative sector by raising the profile of co-operatives, helping the development of new co-operatives and carrying out research.

The **Social Audit Network (SAN)** is a company operating throughout the UK. It promotes and supports social accounting as the preferred means whereby enterprises report on their economic, social and environmental performance and impact. In Scotland, SAN operates through one of its founder members, CBS Network.

The participating co-operative and social enterprises ranged in size, sectoral activity and location. They were: Highland Home Carers, Highland Wholefoods, Loch Fyne Oysters, Scotwest Credit Union, West Whitlawburn Housing Co-operative and The Wise Group.

The pilot initiative involved a series of tailored **workshops** and regular **visits** to the organisations with specified deadlines for the completion of practical work carried out by the co-operatives. Following preparatory visits to all participating organisations, the pilot commenced in September 2007 and finished with a final event in May 2009.

Social Accounting and Audit allows a co-operative or social enterprise to build on its existing monitoring, documentation and reporting systems to develop a process whereby it can account fully for its economic, social and environmental impacts, report on its performance and draw up an action plan to improve on that performance. Through the social accounting and audit process an organisation can understand its impact on the surrounding community and on its beneficiaries and build accountability by engaging with its key stakeholders. In this way it can prove its value and improve its performance.

Social accounting involves clarifying what a co-operative or social enterprise does, what it is trying to achieve and who it is working with. It then collects quantitative and qualitative information and data which relates to its overall objectives and underlying values. This usually lasts one year and runs concurrent with the financial year. At the end of the social accounting year the organisation brings all the information together in the form of social accounts that are independently audited resulting in a Social Report.

All six of the participating co-operatives have followed the social accounting process and written social accounts. Four of the six co-operatives have been fully audited. A final evaluation **report** reflecting on the pilot initiative has been written based on consultations with the co-operatives and interviews with four key people working in the co-operative sector in Scotland. *A copy of this full report can be obtained on request from CDS.*

The overall benefits of social accounting for the co-operative sector were reported as being:

- *“massive potential benefits...for organisations that seek to deliver mainstream services in a competitive environment whilst delivering social value”* as social accounting allows a *“clear demonstration of the value added”*.
- all organisations should keep social accounts *“as it has value in seeing what is being achieved and accounting for what they do”*.
- the sector *“could definitely benefit in getting involved with this – they need to start telling a wider audience about the good work that they are doing over and above reporting on those measures that the regulators demand of them”*.
- a general feeling amongst the participants that social accounting and audit is of benefit and should be practised more widely as it distinguishes co-operatives from traditional companies and makes *“one think about the values and principles”*.

More specifically:-

Benefits to the co-operatives

- Valuable tool for promoting the benefits of co-operatives
- Brings rigour to performance and impact measurement
- Helps to improve management systems and reporting mechanisms
- Provides a framework for monitoring performance and impact
- Improves communication with the workforce
- Results in a better understanding of the co-operative as a whole

Personal staff benefits

- *“Excellent opportunity for staff development”*
- Increased sense of *“belonging”* to the co-operative
- Better understanding of social accounting and the business of performance and impact measurement
- Increased knowledge and skills within a different a range of different business
- Better communications between staff, management and stakeholders

Whilst substantial benefits have been reported, the participants did report that the process was extremely labour intensive and time consuming. In addition, it can expose the co-operative to external scrutiny of details not usually made public.

Some of the participants also reported the following subsidiary or spin-off benefits from being part of this pilot initiative:-

- brought together quite different co-operatives, working in very different sectors and structured in quite different ways in a shared experience which many found interesting and enjoyable;
- introduced different co-operatives to each other enabling them collaborate on possible future projects and sharing information not directly related to the pilot initiative; and
- encouraged the co-operatives to locate information that they already had but had not used before and include it in their social accounts.

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