Social Audit Toolkit

Fourth Edition

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Freer Spreckley

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Social Audit Toolkit

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Preface

In 1979 I started to use the term Social Audit to describe an organisational methodology for managing and measuring the combined commercial and social objectives in what I termed a Social Enterprise. This came out of my experience during the mid 1970s as a member of Lifespan Wholefoods, a workers co-operative operating in Huddersfield, South Yorkshire. We practiced fair trade, sold organic food, re-used and recycled everything we could, operated an affordable pricing policy, paid parity wages for all staff regardless of position, and promoted healthy eating and environmental awareness.

Every year the auditor would explain that we were operating at a loss and that there was no future for this type of enterprise. One day I was explaining this to a customer who said "what do they (auditors) know; you're doing a marvellous job". On the way home that evening I thought "what we need is an alternative audit to measure our alternative way of running a business; to measure what we are planning and doing in social and financial ways". I started to develop that idea in our organisation and in 1981 the Social Audit Toolkit was first published which helped establish the concept, and practice, for organisations undertaking social responsibility assessments.

The basic methodology for organisational social auditing and accounting has not changed since that time. Social Audit is still a methodology that enables groups of people to work together in a participative and consensual manner. It harnesses people's best contributions promoting a collective view and direction, managed equitably by groups of people.

The most widely used standards in Social Audit today, used by many practitioners, are based on the principles of the Social Audit Toolkit. However, they only tend to use three of the four standards: the Social Audit is transparent through the **Open Process and Documentation**; is responsive to stakeholders through the **External Stakeholder Involvement**; and measures its operations against **Planned and Actual Measurement**. The fourth standard is usually omitted and I consider it to be fundamental: it is to engage the internal organisation and key stakeholders through its **Internal Organisation Assessment**. This needs to be included otherwise you end up with a Social Audit that is selective and may not represent the whole situation.

The term Social Enterprise was developed by the author in 1979 to describe the type of organisation that might benefit from using the Social Audit methodology. At that time there were a range of common ownership and democratic types of organisations, which included Workers Co-ops, Housing Associations, Collectives, Charities, and Wholesale Co-operative Societies, using a range of legal incorporations and unincorporated statutes; and often referred to, at the time, as 'not-for-profit' organisations. The original use of the term Social Enterprise was developed to describe a legally structured not-for-profit organisation which was democratically managed and which would measure and verify its operations using

a Social Audit. In the original Social Audit Toolkit, Social Enterprise was defined as follows:

> "An enterprise that is owned by those who work in it and/or reside in a given locality, is governed by registered social as well as commercial aims and objectives and run co-operatively may be termed a social enterprise. Traditionally, 'capital hires labour' with the overriding emphasis on making a 'profit' over and above any benefit either to the business itself or the workforce. Contrasted to this is the social enterprise where 'labour hires capital' with the emphasis on personal and social benefit."

The term Social Enterprise was developed to describe an organisation that uses Social Auditing. What has happened, however, is that both terms have become part of the social economy lexicon; and the methods part of mainstream practice: this latest edition of the Social Audit Toolkit has used the experience of the past 29 years to bring the methodology up to date and to maintain a connection between Social Enterprise as an organisation and the Social Audit which is used to managed and validate its combined social, environmental and commercial operations. To say that an organisation that has social objectives is a social enterprise without any validation of what that really means or whether they actually carry out any social actions is wide open to misuse.

It is clear that if organisations use, and can validate the use, of their resources to invest in non commercial social or environmental activities, then some tax benefit should be accrued by them to offset their investment. Ultimately the use of Social Audit and the verified results of non commercial investment should be tax deductible in the same way that charitable giving by companies is tax deductible.

Freer Spreckley
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Part **One**

1   Introduction to Social Audit

Social Audit is based on the need of organisations to create a balance in the way they plan and measure their commercial and non commercial operations, and to prove that there is consistency between **what an organisation says it will do** and **what it actually does**.   Consistency between plans and results leads to integrity, which provides owners, employees, customers and the general public with the trust and confidence to make the decision whether or not to deal with an organisation.

In organisations that aspire toward good practice in social and environmental areas the use of cost effectiveness as the main indicator for measuring performance denies, in most cases, the very existence of the values they aim to enhance.   All registered organisations are obliged by law to carry out regular financial accounting. Financial accounting does not include areas of responsibility which many not-for-profit organisations have to consider as part of their normal operations: the costs and benefits are much broader than those described in financial terms, a wide variety of social and environmental costs and benefits, which are not reflected in the balance sheet nor are they included in the definition of viability, but are borne by the general public and the environment as a 'subsidy' rather than by the organisation that uses these resources.

By absorbing extra-commercial costs society subsidises organisations' private gain. Extra-commercial costs may take the form of damages to human health; pollution and the destruction of the environment; they may engender the deterioration of property values in a particular locality; they may also be evidenced in an impairment of less tangible values such as a loss of cultural tradition or feelings of alienation. The profit and loss account only tells half the story; Social Audit tells the other half. Social Audit is focused on broadening the base of 'viability' to include extra-financial factors that are imperative to long term sustainability.

The Social Audit redefines the meaning of viability from the narrow financial profit and loss account to a broader set of values that include social, environmental, economic, cultural, human and physical aspects. The Social Audit will examine the procedure and performance of an organisation's social and commercial actions in relation to its stated objectives and its external and internal position. Organisations that apply Social Audit adopt responsibility for issues broader than profitability and accept that today's organisations have to operate with considerably care. The question then is what determines viability within a Social Audit framework?

As with many terms, time and use have obscured the original meaning of viability, so it might be useful to recall the actual definition. This will enable us to see where to start and to understand the implication of being or not being viable. The word means "capable of maintaining a separate existence", and to be "practicable". In financial terms this criteria is useful in clarifying the position of an organisation, to know whether it is independent or dependent determines its position vis a vis other organisations. Viability is when a business can stand-alone and by definition is exclusive: it also informs on the decision-making mechanism and the general level of competence and capability of its management. It tells us a lot about an organisation.

On the other hand, viability in Social Audit terminology is not independent but interdependent; it is dynamic and responsive to the wider social, physical and environmental surroundings. Viability represents a value and it is this value that needs adequate representation. Social Audit has to represent the value that is shared between the organisation and the wider community in which it operates: the stakeholders. The factors that both influence the organisation and are influenced by the organisation are mutually inclusive.

We have made Social Audit a process that can be undertaken by the organisation alone or assisted by an outside facilitator. However, we believe that engaging in the Social Audit is part of the process of good governance and whether or not an outside facilitator is used stakeholders can, and should, participate. Social Audit inverts the normal closed door methods used in financial accounting to open door and inclusive methods that engage with stakeholders who become an active part of the enquiry and decision making process.

Any type of organisation can use a Social Audit; it enables organisations to measure their operations within areas of social, environmental and financial viability: each organisation will need to specify the criteria for 'viability'. Unlike financial viability with its simple but profound profit and loss statement, Social Audit is a methodology for organisations to create their own values based on what they and their stakeholders consider important. Thereafter customers and suppliers can make decisions on whether or not they wish to trade with them.

The immediate relationship between the financial and social aspects of running a social enterprise is with budgeting for social activities. Many social objectives and some social operational criteria will impose a financial cost on the organisation. Ultimately both the financial audit and the Social Audit will be presented as one document, but it is likely to take a few years for this to happen. In the meantime both audit reports should, at least, be presented at the same time.

2 The Benefit of Social Audit

Organisations such as Social Enterprises are often constrained in the way they describe their purpose and how they plan for proposed activities through the requirement to use a business plan model.

Social Audit enables organisations to explore and generate their own values which form the basis for setting criteria for measuring performance. While there are broad based values generated from best practice, individual organisations can set criteria that relate to their stated purpose, their own environment and their stakeholder relationships to customise the Social Audit to their own needs and circumstances. A Social Audit will provide a coherent and clear image of an organisation and plan and execute social objectives in a transparent and fair way.

Because the Social Audit is undertaken voluntarily it must be of benefit to the organisation. Therefore, an organisation must find its optional level of process and detail that enables the Social Audit to be effective and efficient and provide greater understanding, for its stakeholders, of how the organisation operates and how to contribute to its good governance. Organisations can develop appropriate levels of detail of what to measure and verify which will evolve to suit their own needs and capacity and those of their stakeholders.

Social Audit uses participative methods for engaging stakeholders in determining criteria and strategy, planning detailed schedules and for evaluating impact. Although an Audit Team is constituted to manage the Social Audit, involvement by stakeholders is essential for success. Shared responsibility for an organisation's actions is one of the main objectives in using participative exercises, furthermore, it is exercising the right to express opinions, attitudes and ideas and be part of the decision making process. Social Audit creates a new level of participative democracy focused on values and long term visions and makes the organisation transparent to stakeholders and supporters.

The Social Audit cycle provides a management framework for good governance and for conducting the more detailed planning and monitoring processes. The Social Audit processes provided in this Toolkit are not exclusive; organisations can use some or all of the suggested methods or add new process and techniques if appropriate. As long as they are fair, open and engaging, and meet the Social Audit Standard (see section 4) organisations should feel free to use those methods most suited to their circumstances and capacity.

3   The Social Audit Process

This section gives a brief outline of the Social Audit process and which decisions need to be taken about how it is carried out. The process is described in detail in Part Two.

The Social Audit process is cyclical, it is made up of four accumulative elements each one following on from the previous one and informing the next element until the audit cycle is completed. The process itself creates a learning culture which grows and strengthens year on year. The four elements of the Social Audit cycle are as follows:

Governance Statement

External View and Stakeholders

Internal View and Organisation

Social Accounting and Verification
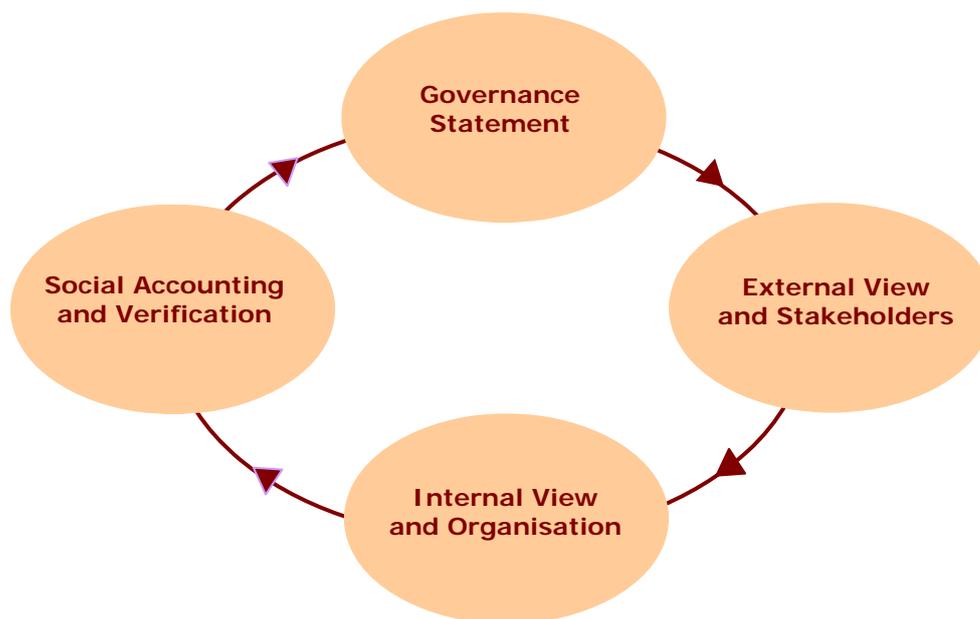
Element One - Governance Statement
This element is used to establish clarity about the organisation: the principles and values, its objectives and commercial operations. The element includes a review of the constitutional aims and objectives, a review of the rule book and clarification of the main values that guide the operational management.   Current practices and new areas for development are identified, objectives are set for the following audit period and the measurement of objectives set in the previous audit period takes place.

Element Two - External View and Stakeholders
This element is used to examine the organisation's relations with a broad set of stakeholders and its social, environmental and commercial environment.   The element includes stakeholder mapping, profiling and analysis, and an assessment of consistency between the Governance Statement and current practice. Strengths and weaknesses in current practices and new areas for development are identified, and objectives are set for the following audit period.

Element Three - Internal View and Organisation

This element is used to examine the organisation's structure and relations with its staff, board members and volunteers, and how it delivers its operations. The element includes an analysis of Roles and Tasks and a comparison with job descriptions and terms of reference for consistency. Consistency with the Governance Statement is assessed. Strengths and weaknesses in current practice and new areas for development are identified and objectives set for the following audit period.

Element Four - Social Accounting and Verification

This element is where the Outline Objectives set in the other elements are brought together, prioritised and planned for the following audit period. The previous year's achievements are analysed for their consistency with the Governance Statement to determine the organisation's degree of integrity. Objectives that have not been achieved are analysed, the Quality Assurance checks are assessed and the process and results are reported formally to stakeholders in the Social Audit Report.

3.1 Planning for the Social Audit

a. Decide to do a Social Audit

Currently Social Audit is a voluntary process; there are no rules or regulations enforcing its use. It is up to organisations to decide if they wish to use Social Audit. In order to keep the process rigorous and relevant it is best undertaken within a short time period, say two months at the most. This will enable the process to be focused and planned and stakeholders will be rewarded by receiving the report relatively quickly after participating in the process.

Actions:
- Provide information about Social Audit
- Run an open workshop for stakeholders to introduce the principles and method of Social Auditing
- Formal management agreement to instruct the organisation to undertake the Social Audit and involve relevant stakeholders
- If an outside advisor is used a contract should be drawn up with specific Terms of Reference for the assignment.

b. Compose an Audit Team

The terms of reference for an Audit Team must be established and the Audit Team appointed before starting the Social Audit: the Terms of Reference are used to define the responsibilities and limitation of decision making powers. It is recommended that the members of the Audit Team are in place for at least one year and represent the main internal and external stakeholder interests.

Actions:
- Decide responsibilities and organisation of the Audit Team and agree Terms of Reference.
- Appoint and set up an Audit Team of between 3 and 5 people; the Board identifies the main stakeholder interests and makes sure they are represented on the Audit Team.
- Plan Social Audit schedule.

C. Agree the depth of the Social Audit

The Audit Team should define the depth of the Social Audit in terms of levels of examination, i.e. to what level of detail and complexity does the organisation wish to look at itself. In the first year the Social Audit should focus on putting in place an overall four element procedure, in subsequent years the level of examination within each of the four elements can be deepened.

In subsequent years the organisation may develop more detailed processes to meet its needs. If the introduction of the Social Audit is undertaken incrementally then it should be planned over two to three years so all stakeholders understand how it will be applied and how and when they can expect to be involved.

4   The Social Audit Standard

To ensure that the results of a Social Audit are accurate and trustworthy there needs to be an agreed quality standard that all Social Audits should follow. Compliance with the Social Audit Standard provides assurance that certain procedures have been followed and fairness has been applied. All parts of the Social Audit Standard should be met for a Social Audit to be considered as a true and fair record of operation, these are:

Social Audit Standard

1. **Planned and Actual Measurement** – objectives are planned, indicators are set and results are measured against them. This can be verified through an evidence based audit trail.

2. **External Stakeholder Involvement** – a range of external stakeholders have been actively engaged in the Social Audit through different forms of dialogue.

3. **Internal Organisation Assessment** – a range of internal stakeholders have been engaged in reviewing the structure of the organisation and its operations.

4. **Open Process and Documentation** – the Social Audit processes and exercises are documented and available to stakeholders and saved, in a manner accessible and understandable to stakeholders, for a minimum of three years.

Meeting the **Social Audit Standard** verifies that an organisation is operating responsibly: anything less than this standard will weaken the Social Audit by providing a loophole in which organisations can shift unworthy behaviour into areas excluded from the Social Audit.

Some large organisations have used a Social Audit which omits any assessment of the internal structure, staff and volunteers' attitudes, financial arrangements and profit distribution, terms and conditions of employment, etc. This omission allows organisations to avoid engaging key stakeholders in exploring critical issues to do with ownership, wealth distribution, terms and conditions of employment, and fair trading. Our view is that this creates a flawed approach to Social Audit and should be avoided.

4.1 Social Audit Verification

How does an organisation prove that the results of the Social Audit are a 'true and fair' record of the organisation's social performance? It is easy to see how Social Audit can be exploited by organisations that are selective about what is covered and what is not covered. For example, in some Social Audits employees have been asked a range of questions concerning the facilities provided and the training opportunities offered by the organisation, but have not been asked direct questions like "how should the organisation use its profits?" or given the opportunity to express their views more generally.   There is considerable opportunity for misuse which if goes unchecked will render Social Audit unreliable.

If the Social Audit is selective and covers only those areas that an organisation feels safe with then it should not be used as public information but only for internal consumption.   If, on the other hand, all stakeholders and relevant external bodies have either participated in developing the questions or agreeing their content, and a process of social measurement has taken place, then exposure as public information should be encouraged.

Auditing

The word audit means an 'official examination of accounts', in financial terminology this can only be undertaken by a qualified Accountant, but in Social Audit terms we mean an 'official examination of the Governance Statement and Social Objectives, the means by which they were carried out and the final results'.   Organisational Social Audit only started in 1979 and has no legislative framework, very few people have experience and there is no recognised certification for anybody who calls themselves a Social Auditor. If an external advisor is employed to assist with the process, or to verify the process, this person should not be called an auditor as this term denotes a certification of quality that currently doesn't exist.

By law external auditors must be appointed to verify the record of income and expenditure, and to establish an impartial and objective financial value in the balance sheet: Social Audit is undertaken as a voluntary exercise by organisations who wish to measure their non-financial operations. Verification is of concern when the results of a Social Audit are used for promoting the organisation; whether publicly or to its own stakeholders.   The Social Audit method establishes an Audit Team to manage the process that is comprised of a range of stakeholders which safeguards the integrity of the Social Audit results: the process of verification is placed within an open context in which many stakeholders are represented.

Organisations should qualify a Social Audit report by stating very clearly who carried it out, under what, if any, type of supervision and what process was followed. External advisors, if used, should verify the correct use of the exercises, the level of participation by stakeholders, that the results obtained are verifiable and that the Social Audit Standard has been complied with.

Who conducts the Social Audit?

Currently there are no professionally qualified social auditors. There are people who carry out Social Audit and use a range of other experience and disciplines to use as supporting references. It must be remembered that to become a chartered accountant (one who is able to verify a set of accounts) up to 13 years of study and on the job learning is required. Social Auditing is no less complex nor does it require less value judgement than financial accounting. Over time people will gain experience and learn the skills to undertake Social Auditing, but in the meantime those who carry out Social Auditing will be learning and that is why we suggest that it is conducted by an audit team of stakeholders representing different views, both external and internal. The team will have a broader view of the organisation and be more impartial than an individual.

Legal Status for the Social Audit

Although there is no legal requirement to undertake a Social Audit there is the potential for organisations to insert clauses into their constitutions which specify that the organisation will undertake a Social Audit as part of its operations. There are two optional clauses that can be inserted into the Memorandum and Articles of Association of a company's constitution to legitimise the Social Audit within an organisation's legal framework; these are included in Annex 1. Social Audit Legal Clauses. They consist of the four elements of the Social Audit for inclusion in the Memorandum of Association and a description of how the Social Audit is to be carried out for inclusion in the Articles of Association. These clauses were developed at Beechwood College in 1980 and can be used in any form of constitution whether the organisation is set up for charitable or commercial purposes.

Quality Assurance Checks

Quality Assurance Checks provide the content of an audit trail for verification. They are used after the completion of each of the four elements and at the end of the whole Social Audit process. This is an internal method of monitoring how the process of the Social Audit was carried out. The full set of Quality Assurance Checks is in Annex 2. Social Audit Quality Assurance Checks.

What is the Social Audit Measuring?

Within Social Audit there are two types of measurement: one is a straightforward planned objective accompanied with clear indicators; the second is related to the performance of the organisation in relation how external and internal stakeholders view the organisation, and how the organisation operates within its Governance Statement. The former is measured through planned and actual variance analysis and the latter is measured through perception scoring or through analysis of stakeholder dialogue and both are combined into a single set of performance measurement statements.

For many organisations measuring performance relies on numerical targets, for example, the number of people trained this year against the number trained last year. Sometimes this information is recorded as part of a particular funding requirement and sometimes it is part of the general records of service delivery

and expenditure outlays.   While it is quite appropriate to use this type of planned and actual analysis it does not take account of the local circumstances that affect the performance of an organisation. These include individual skills, the social and cultural make up of the community, resources and physical assets and the willingness and ability to manage the organisation in line with the community's expectation and values.   If performance measurement can be based on internally generated values and criteria it tends to provide more pertinent and useful information.

Measurement of the previous year's performance and the planning of objectives for subsequent years takes place within the same element in the Social Audit process. At each of the four elements measurement against the previous year's plans are undertaken at the same time as the draft objectives are set for the next year.   In this way any under-achievement can be analysed and if still considered relevant carried forward to the next year.

Objectives Verification

Social Audits driven by activities soon lose their way. Activities are short term and are constrained by budgetary and technical considerations. Objectives are long term and describe what will be the result when achieved. Driving change by objectives provides longer term strategic views and enables greater flexibility for the short term activities, the objective can remain the same, but the way it is achieved (activities) can change and be customised to suit particular stakeholders and local circumstances as they arise.

An analysis of **actual** achievement set against **planned** objectives will determine the level of objectivity used in monitoring and evaluating social performance. This requires planning of objectives, clear and verifiable indicators and accessible means of verification. It is likely that 60% to 80% of the Social Audit can be objectively verified by using this method. To gauge the validity of indicators, when measuring social performance, try to include the following four components: quantity; time; target group; and, quality. Objective indicators can measure quantitative, time and target group aspects, while qualitative measurements require more complex, and sometimes, costly means of verification. As qualitative measurement is subjective it is important to engage relevant stakeholders in setting these indicators as well as answering them.

5   The Audit Team

Having formally decided to undertake a Social Audit, the Board of Directors should prepare a Terms of Reference for an Audit Team.   The Board of Directors then appoints an Audit Team which will be responsible for carrying out the Social Audit and reporting back to stakeholders.

The role of the Audit Team is to manage and carry out the Social Audit.   Its responsibility includes carrying out the exercises, analysing the results and identifying objectives where necessary, a review of staff perceptions and an assessment of the organisation's impact on the local and wider community.   The Audit Team is not responsible for carrying out the work to achieve objectives: the organisation carries out any actions to achieve objectives.   The Audit Team sets plans, monitors progress, evaluates and reports on results. The Audit Team has to set the focus and short term objectives for the next year and undertake regular monitoring reports.

The Audit Team should be made up of representatives from different interest groups: the stakeholders.   Impartiality is very important and consequently the Audit Team must be fairly representative and enthusiastic about exploring truth and reality and not be swayed by current political relationships or trade policies. For social enterprises this includes users of the services/facilities, members, management board members, volunteers, funders and paid staff.   For more commercial organisations without a community base, stakeholders will more likely be staff, customers, advisors, trading partners, etc.   It is very useful to have a Social Audit champion, someone who leads and takes responsibility for encouraging and engaging the whole organisation. This person would ideally be a board member who has contacts across the organisation. An independent observer might also be seconded onto the Audit Team.

In the first year the Audit Team will be recruited from the main and obvious stakeholders, in subsequent years it may be necessary to include otherwise unrecognised stakeholders and thus consider how they might be involved. Representatives from any of the following groups should be considered.
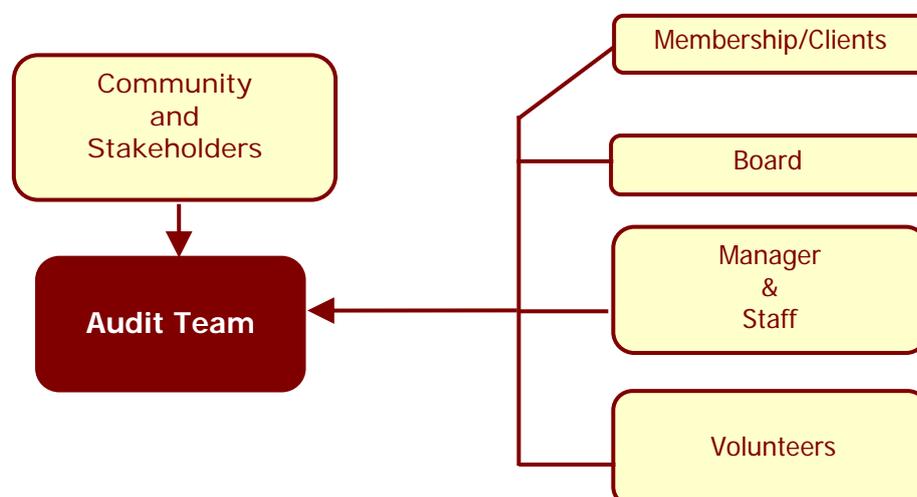
The number of members of the Audit Team can vary, depending on the size and structure of the organisation, but should not be less than three or more than five people in order to maintain efficiency and cohesion. Individuals on the Audit Team must be familiar with the organisation and able to comment on its performance. The Audit Team can be rotating or fixed but it is important that some members are appointed for more than one year in order to learn lessons from one year to the next. It is worth limiting Audit Team involvement to a maximum of three years to enable other stakeholders the opportunity to engage at this level.

Terms of Reference for the Audit Team

The Board of Directors should prepare a Terms of Reference which should be established prior to the Audit Team being appointed and constituted.

Example Terms of Reference for the Audit Team:

- The Audit Team must reflect the organisation's particular interests and involve individuals from the different stakeholder groups, i.e. staff, management board, volunteers, users, etc
- Members of the Audit Team are appointed by the Board of Directors and are accountable to them
- Members of the Audit Team must attend all meetings and play an active part in the Audit process
- Decisions must be made by consensus. In the event that a decision cannot be reached through consensus majority voting must be used
- Confidentiality must be observed
- Members are rotated on a three year cycle with one third retiring annually
- Minutes of the Audit Team meetings must be written up and, as part of the verification process, be available for inspection
- The Audit Team must complete the Social Audit checks at the end of each of the four Social Audit elements, this information must be available for inspection
- The Lead Team Member is responsible for maintaining records and organising meetings

The operational responsibilities of the Audit Team are as follows:
- To prepare working schedule
- To keep all documents up to date and open for inspection
- To ensure a fair representation of stakeholders are involved in the Social Audit process
- To ensure that stakeholder responses are reflected fairly
- To set clear objectives and targets and measure actual results
- To list successful completion of any objectives

- To identify additional benefits not planned
- To list shortfalls and analyse the reasons behind the lack of success
- To identify key areas to be included in the next audit period

The final task of the Audit Team is to prepare the Social Audit Report and present it to the stakeholders.

How the Audit Team needs to think about the Social Audit

Part of the process of the Social Audit is to maintain quality assurance of the process itself. During the exercises issues may arise which will need to be dealt with by setting objectives, these could include:

- **Contradictions –** these might be found in a number of documents, results of exercises or they can arise from written stated policy verses verbal policy, the difference between what is said and what is done, or what people do and what other people think they do.

- **Dissatisfaction –** this can represent serious organisational problems.

- **Wrong Image –** for example, stakeholders may think that the organisation is part of the Local Authority when it is not or that it is only for a minority group. Also, the wrong image can occur when rumours start to circulate about a particular event that greatly exaggerates or misreprepresents the situation.

- **Problems & Solutions –** these are when problems are identified and need solutions to be enacted.

- **Improvements –** this is when the organisation wants to implement a new procedure, policy or a way of working.

- **Missed Objectives –** these concern activities which have not been achieved during a stated time period, but which are still relevant.

Part **Two**

6 The Social Audit

Governance Statement

Constitutional Aims
Organisational Rules
Operational Objectives
Policies
Value Base
Set Objectives

External View and Stakeholders

External SWOT Analysis
Stakeholder Record
Stakeholder Dialogue
Position Analysis
Set Objectives

Social Accounting and Verification

Social Accounting Framework
Social Audit Report
Social Accounting Monitoring

Internal View and Organisation

Internal SWOT Analysis
Roles, Tasks, Responsibilities
Internal Position Analysis
Set Objectives

When using the Social Audit for the first time the focus is on establishing the structure, procedures, criteria and objectives rather than evaluating past performance. In subsequent Social Audit cycles measuring past performance will be a key component of each element. Each element will start with assessing past performance based on the previous year's planned and actual results and impact.

When applying Social Audit for the first time we suggest an incremental approach over a number of audit periods. An audit period is usually one year, but some organisations choose to have two year audit periods. This will enable the organisation to build capacity internally to undertake Social Audit and to find the level of process and detail suited to its needs. An incremental approach to establishing Social Audit might contain the following stages.

- First audit period establish and put in place the Governance Statement and undertake a single exercise for each of the other elements to start building an understanding of the organisation, and start planning some objectives to be implemented during the time between now and the next audit period.

- Second audit period measure Governance Statement performance, undertake the evaluation of the planned and actual objectives and deepen and extend the use of the Social Audit Tools and the involvement of external stakeholders and add the Social Audit Quality Assurance Checks.

- Third audit period continue to measure the previous years' performance and extend the level of detail in the plans and bring together the financial and social audit reporting into a single annual report.

The process is progressive; each element needs to be completed for the next element to be undertaken with success. The process brings forward experience and lessons from one year to the next, continually improving both the design of objectives and their practical realisation.

The results of one Element and its Tools inform the next Element and the Tools in the sequence, important issues arising from the results can be further scrutinised by including them in the next part of the process. In this way the Social Audit tests the extent and severity of issues and provides the Audit Team with clear evidence that either something is working well and must be maintained or that it is working poorly and must be improved or changed. By carrying forward certain areas of concern and by subjecting them to additional scrutiny the Social Audit process is always testing and analysing the importance of, and developing ways of, improving performance.
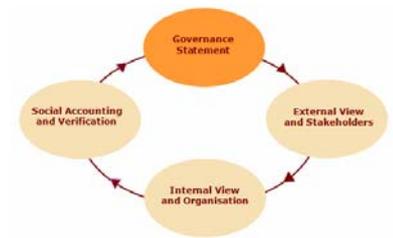
7 Governance Statement

In the First Audit Period

This first element is to develop and establish a Governance Statement to provide a clear and comprehensive description of the organisation's purpose, and to provide a basis against which the Social Audit can be measured. A Governance Statement helps define the organisation's aims and purpose and establishes the basis for measuring social, environmental and commercial performance.

The Governance Statement brings together a number of existing statements including the main aims from the legal constitution, any key operational objectives, summary of policies adopted by the organisation, a summary of the internal operational rules, and an overall summary of the values inherent within all of these components.

Most organisations will already have a lot of the information required for the Governance Statement, but it is often hidden away in different places and no single person has it ready to hand. Good governance is not only having agreed policies and operational procedures, but making them easy to see and understand, and having them available to stakeholders. This is very much a part of being inclusive and transparent.

As the Governance Statement defines the organisation it is used in marketing and fund raising. The aims stated in the Governance Statement establish a picture of the future. This picture of the future then acts as the focus of what the organisation is striving for, a signpost to where it is going and a vision of what it might be like once it arrives. This generates organisational focus and establishes the basis for strategic planning, and creates the context in which medium term objectives and short term activities can be developed, decided upon and implemented.

In Subsequent Audit Period

The Governance Statement is reviewed and updated annually at the beginning of the Social Audit period. First identify any objectives set in the previous Social Audit Report that calls for change to the Governance Statement. If objectives were set refer to the Social Accounting tool to analyse levels of success. (You will find this in Element Four) If an objective was to amend part of the Governance Statement make sure that the Governance Statement has been up dated. If an objective is still on-going then make sure it is noted when you assess the Governance Statement. If, on the other hand, an objective has failed or been

terminated then analyse the reasons why and what affect this will have and include it in the assessment of the Governance Statement.

Once any changes to the Governance Statement have been made then assess the statement's relevance in terms of changing circumstances external to the organisation and new or changed internal direction, procedures and rules, or to reflect any changes in the commercial operations or market for goods and services. Annual changes made to the Governance Statement should be added by inserting the latest date of entry against the changed statements. This will enable readers to identify the degree of change and when it took place. After a number of years old changes may be deleted, as they will serve no useful purpose of comparison. It is normal to keep information on changes for three years before it is deleted.

The Governance Statement is reviewed for its adequacy in describing the organisation and its values, and its usefulness in providing a foundation for strategic planning and decision making. The review should also look at the components of the Governance Statement to ensure they are all up to date, both in terms of the organisation's rules, aims and objectives as well as changes in law and policy. Was the Governance Statement used to guide planning or for making decisions or were there changes made that were not guided by the Governance Statement? If the latter is the case then review why this happened and whether the Governance Statement needs to be changed. Did the values in the Governance Statement provide a good basis for measuring performance and objectives?

7.1 How to develop the Governance Statement

It is important that the Governance Statement reflects the organisation's vision and intentions and provides guidance to management in conducting the affairs of the organisation and information about the organisation to stakeholders and the general public.

The information used to develop the Governance Statement is drawn from number of sources and documents: the Constitutional Aims; existing policies; internal rules; and operational objectives. These need to be located and brought together for this exercise. If it is found that some of the information required is missing or not yet written then a Social Audit objective can be set to develop the missing areas over the next audit period.

We suggest that a Governance Statement should comprise the following five components and that the key information is recorded in a template with reference made to where the information has been sourced and/or where the original documents are located for inspection by stakeholders. These can be annexed to the Governance Statement if that is useful.

Tools

1. Governance Statement:

Governance Statement
Main Aim: (from the constitution) Indicate where the constitution can be viewed. **Subsidiary Aims:** (may be from the constitution or from board of director's minutes)
Operational Objectives: (from management and business decisions)
Policies: (list the policies such as Equal Opportunities, Environmental Impact, etc.) Indicate where the full policies can be viewed.
Organisational Rules: (from Rule Book and Minutes of Board meetings) Indicate where the Rule Book can be viewed.
Value Base: (a description of the key values from the above components)

Below is a description of each of the Governance Statement's components.

- **Constitutional Aims** – these are listed in the Memorandum of Association in an organisation's legal constitution. Once these have been established in the constitution they can last for many years and may not have to be changed; they will represent the long term aims of the organisation. It is, however, important to have the primary aims clearly stated and reviewed annually, a) to test their validity and b) to keep all the stakeholders aware and informed about them. They should describe the overall objectives. The Aims of the organisation should explain why the enterprise is important to stakeholders, in terms of longer-term benefits. It should also show how the organisation's aims fit into the wider policies of local and regional strategies and priorities. In the Memorandum of Association there will be a description of the main aim that should be copied to the Governance Statement. There also might be subsidiary aims: the Audit Team can decide whether to include them or not, do they help clarify the purpose of the organisation?

- **Operational Objectives** – These are likely to be more commercial than social. They will describe the organisation's core function(s) such as: "this organisation aims to be the biggest software developer in the word", or for a community organisation: "to enable residents to learn new skills and secure permanent career structured employment". These statements are strategic in nature and will lead the organisation and its activities. They tend to be medium term and are often amended or changed by management as the circumstances of the organisation or the stakeholders develop.

- **Policies** - most organisations have basic policies such as Diversity and Equal Opportunities, Disability and Health and Safety in place. In addition there may be policies about Fair Trade, Environmental Impact, etc. Any policies that do exist should be listed in the Governance Statement and their location referred to. The Audit Team can also copy any pertinent key sentences or paragraphs from these policies to the Governance Statement to clarify and build more coherence into the complete statement.

- **Organisational Rules** - these are internal management rules that are agreed and rescinded in the general running of the organisation. They will be stated in the minutes of Board meetings and may be written in a Rule Book. For small organisations there may not be a Rule Book as it might be seen as unnecessary, but it is good practice, even if the organisation is small, to keep a separate list of the rules by which the organisation operates. Again, it is important to maintain awareness of them to reflect any changes that may have occurred during the year and to inform new employees and volunteers. Having a clear Rule Book of the organisation's rules is part of good governance, openness and democratic decision making.

Example: Organisational Rule Book				
Rule	**Date**	**Amended or Rescinded**	**Date**	**Comments**
1. The organisation will operate a Rule Book which shall be reviewed regularly.	02/05/09	This Rule Book shall be reviewed and up dated quarterly.	08/04/08	Rules were not being transferred from the minutes.
2. Staff can attend Board meetings as observers, but do not have the right to talk without being invited by the Chair.	10/07/09			

- **The Value Base** - this sets out the underlying culture of the organisation. The Value Base is created by identifying the key value statements and principles stated in the constitution, statements about the purpose of the organisation, and the operational decisions that constitute organisational rules made in the course of managing the organisation. All the components are summarised into

one statement that is then used throughout the following Social Audit Elements, to monitor consistency between the stated values of the organisation in relation to its objectives, activities and actual results.

The Main Aims represent the overall purpose of the organisation, the Operational Objectives represent the commercial aspect of the organisation, the Policies represent the way the organisation treats its stakeholders and its environment, and the Organisational Rules represent the values of staff, board members and volunteers. From these components the Audit Team will have to identify the inherent values stated and in some cases make a judgement about what is and what is not a value, there is no automatic way of doing this. However, because the Value Base will be used in the following Social Audit elements many other stakeholders will get to view the Value Base and comment on its meaning and, as part of the Social Audit, if stakeholders feel it doesn't represent the values of the organisation then they will have the opportunity to say so.   This iterative process will eventually lead to a consensus around the values, although it may take a full cycle for this to be agreed.

An example of how The Value Base might be written:

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The Value Base

- be **responsive** to community needs

- be **open** and **communicative**

- all actions must **empower people**

- create opportunities for **employment**

- **improve existing** facilities and **initiate new** projects and maintain **democratic ownership** systems

</div>

Once the Governance Statement has been prepared it should be made widely available to all stakeholders as part of good governance. It needs reviewing annually, as part of the ongoing Social Audit, to test its validity in relation to any changes made to the constitution, organisational rules and external influences.

Above we have focused on creating a Governance Statement from an organisation's own internal policies in order for the organisation to exercise control over its own affairs, and to set a benchmark against which to test the other Social Audit Elements. However, it is worth looking at the international standard of good governance principles to compare and assess how your organisation measures up to them. You will most probably find many similarities between the Social Audit Governance Statement you prepare and the list below, but also some differences.

Good Governance can be understood as a set of 8 characteristics:

- **Equity and inclusiveness**
  To ensure that all stakeholders feel that they have a stake in the organisation and do not feel excluded.

- **Responsiveness**
  Organisations, institutions and processes try to serve all stakeholders within a reasonable timeframe and within the means available to them.

- **Participation**
  Direct and indirect involvement with the organisation through the Social Audit and other means open to all stakeholders.

- **Consensus oriented**
  Be prepared for, meditation between different interests in society and the community to reach a broad consensus.

- **Effectiveness and efficiency**
  Produce results that meet the needs of society at large, and stakeholders in particular, while making use of the resources available and using them carefully and environmentally.

- **Transparency**
  Decisions are made and enforced in a manner that follows the organisation's rules and procedures, and all relevant documents are open for inspection.

- **Rule of Law**
  Good governance requires fair legal frameworks that are enforced impartially and human rights are upheld at all times.

- **Accountability**
  Be accountable to the public and to the organisational stakeholders through whatever means available.

Organisations can use the above list as guidance when deciding what to include in the governance Statement.

7.2 Set Outline Social Audit Objectives

Issues arising, either from developing, or reviewing, the Governance Statement, need to be dealt with at this point. The way to do this is to identify either the problem or opportunity that has arisen and describe it in the left hand column of the Outline Objectives Record described below. Sometimes it will be possible to deal with issues immediately, if they are quick or easy to do so, or they can be carried forward to Element Four to be incorporated into this year's plans. If issues are dealt with immediately the Audit Team must record that fact and carry forward the record for inclusion in the Social Audit Report in Element Four.

This example below illustrates an Outline Objective that was set after the process of developing the Governance Statement.

In addition to Objectives that are designed to deal with a problem, Objectives can also be developed which are aspirational or opportunistic at this element, they are written in the same way.

Outline Objectives Record		
Element & Date	**Reason for Objectives**	**Outline Objectives/Activities**
Element 1 05/04/09	1. No Rule Book exists and the organisation is unsure of all the rules that they have decided upon over the past five years.	1. Identify all rules made over the past 5 years and prepare a Rule Book.

7.3 Check the Quality of the Process at Element One

At the end of Element One: Governance Statement the Audit Team should check how the process was undertaken by using the Quality Assurance Check. You can use numerical scoring or the ones described below. The Audit Team members should score the Social Audit Checks independently and then aggregate them into a single score. If the answers are fully or fairly no further action is required, if, however, they are hardly or not at all then remedial action might be necessary. These remedial actions should be developed into outline objectives and added to the Outline Objective record to be carried forward to be planned in Element Four.

| Quality Assurance Check	Scoring Categories				
Element One	N/A	fully	fairly	hardly	not at all
1. Has the Audit Team been formed?					
2. Does the Audit Team represent a cross section of Stakeholders?					
3. Are the constitutional aims still relevant?					
4. Are the organisational rules clearly listed?					
5. Does the Governance Statement describe the organisation?					
6. Did stakeholders participate in drawing up the Governance Statement? (in year 2 onwards)					
7. Are problems or lack of information identified as objectives to be achieved?					
8. Are the previous objectives of the organisation being met?					
9. Are the values of the organisation clearly stated in the Value Base?					
10. Is the Governance Statement complete?					

7.4 Social Audit Trail

In Element One the Social Audit has formulated or reviewed the Governance Statement which describes the purpose, main objectives, rules and values of the organisation. This should be a true and fair description of the organisation and will be used as a benchmark against which consistency can be tested.

To maintain the true and fair account of the organisation all documents relating to this element must be filed and prepared to be made available for inspection.

There will be:

- The Governance Statement
- Outline Objectives Record
- The Quality Assurance Check – Element One
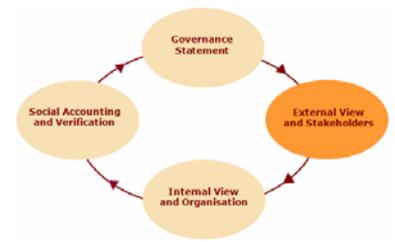
8 External View and Stakeholders

In the First Audit Period:

The External View and Stakeholders is used to analyse the position of the organisation in relation to its interaction on a local, regional, national and international level, and its more immediate relationship with its stakeholders. In the External View of the Social Audit the concern is only with external stakeholders: external stakeholders are identified and their views on the organisation solicited; internal stakeholders are looked at within the next element: Internal View. It is an opportunity for the organisation to engage with its stakeholders and be informed. The degree of integrity in how this element is carried out is very important, if done well it will lead to greater trust of and support for the organisation.

The Audit Team will have to undertake a number of exercises to identify and profile stakeholders and engage with them to facilitate dialogue. Before an organisation can have a dialogue with stakeholders it needs to be clear about who they are and their level of importance to the organisation. The Audit Team should bear in mind the whole range of individuals and groups who "hold a stake" in the organisation. These are:

> "any person, group or organisation who can affect or
> be effected by an outcome or process of the organisation"

External stakeholders may well change from year to year so it is necessary to identify all of them and decide which groups to include in the Social Audit, in any particular year. It is quite possible to develop a strategic plan of including certain categories on alternate years or even over a longer period.

In Subsequent Audit Periods:

The Audit Team should first review and assess any objectives that were set in the previous year's External View and Stakeholders Element. Identify any objectives set in the previous Social Audit Report and how they have been implemented; refer to the Social Accounting Monitoring record for the previous audit period.

If the objective was successfully completed make sure it is signed off and recorded in the Social Audit Report in Element Four. If the objective is still on-going then record the achievement to date in the Social Accounting tool, (you will find this in Element Four) and take this forward to the Social Audit Report in

Element Four. If, on the other hand, the objective has failed or been terminated then analyse the reasons why and record this in the Social Accounting Monitoring and take this forward to the Social Audit Report in Element Four and elaborate on the causes of the failure and how that affects the organisation.

Tools

2. Stakeholder Record
3. Stakeholder Dialogue
4. External SWOT Analysis
5. Position Analysis

Tool 2: Stakeholder Record

This tool can help the organisation think clearly about whom its stakeholders are, and how it engages with them. There is a difference between an individual view of who the stakeholders are and an organisational view of who they are. It is essential for the organisation to have a collective view in order to have a comprehensive understanding of the organisation's relations and impact. This will enable it to reduce negative external effects and increase its beneficial impact to the greatest number of stakeholders. A record of all the stakeholders that a project, organisation or community is involved with; both formally and informally, is created in this Element to give an understanding and baseline information against which stakeholder involvement and satisfaction can be assessed.

The Stakeholder Record is developed through running a participative workshop with known stakeholders, both external and internal. It is important that stakeholders who are not perhaps vocal or that active are not accidentally left out. The Audit Team can facilitate the workshop or contract an external facilitator to do so.

The Stakeholder Record is developed through these workshop exercises:

- Stakeholder Mapping
- Stakeholder Analysis
- Profiling Key Stakeholders

Stakeholder Mapping

This exercise is facilitated using Meta planning techniques. Each participant writes what they want to say on cards rather than saying it: using cards makes the process more engaging and maintains a record of what was said.

- A large sheet of paper with three to five concentric circles drawn on it should be prepared (see diagram opposite): the centre of the circle represents the most important stakeholders, moving further out to the less important.
- Give each participant a number of cards and a marker pen.

- Participants are asked to identify who they think the stakeholders are, and to write each one on a card.
- The cards are placed around the outside of the circle and any duplicate cards removed.
- Once all the cards are prepared: through discussion decide where to place the cards within the circles, and at this point any missing stakeholders can be added. Discussion widens understanding of who stakeholders are and their importance.

Identify stakeholders and list under the tree headings.

Primary Stakeholders

Secondary Stakeholders

Tertiary Stakeholders
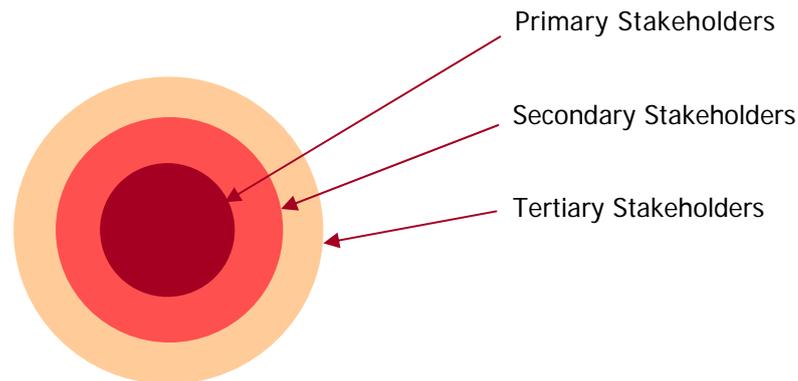
Primary Stakeholders are those whose interests lie at the heart of the organisation: these groups are sometimes called the target group or the main customers. They are usually members, users of services, important trading partners, volunteers and/or residents.

Secondary Stakeholders are those with whom the organisation co-operates in order to reach the primary stakeholders. They are usually funders, Local Government Authorities, banks, network partners and/or private sector organisations.

Tertiary Stakeholders are occasional trading partners, suppliers, customers, contractors, financial institutions and/or external consultants. This category may not apply to small groups, but for larger organisations this can be an important category.

At this point the Stakeholder Record can start to be built by recording the stakeholder mapping information as below. This can be kept as a record and updated as required; stakeholders may well change from year to year.

Stakeholder Record			
Planned			**Actual**
Hierarchy of Stakeholders	**Why are they involved?**	**How and when are they involved?**	**Monitoring comments**
List Primary Stakeholders			
List Secondary Stakeholders			
List Tertiary Stakeholders			

Stakeholder Analysis

This exercise can be done at the same workshop with the same group of stakeholders, or at a later time using the Stakeholder Record. It is done as a small group exercise.

Against the hierarchical lists of stakeholders fill out:

- Why they are involved which will show how relevant they are to the organisation:
- How they are involved which tells us their technical capacity and contribution.
- When they are involved, this will help in planning and accounting.
- Then discuss and analyse whether the stakeholders are relevant and important to the organisation and in the right hierarchical categories.

The Audit Team can use the right hand column of the Stakeholder Record to keep a track of what stakeholders actually did in relation to what the organisation thought they might do. This will inform the organisation about how their planned and actual relationships actually turned out, and in future what they might expect their relationships to be with stakeholders.

Profiling Key Stakeholders

Some stakeholders will be very important to the organisation and more detail will be required about them. They can be profiled and the information attached as an annex to the Stakeholder Record. This helps the organisation understand what these stakeholders might expect from the organisation, be used to start thinking about how to engage with them, and to assess if the organisation has the capacity to engage them or will need support. To analyse key stakeholders' likely involvement the following questions can be asked: as appropriate.

- What are the stakeholders' expectations of the organisation?
- What benefits is the stakeholder likely to receive?

- What resources will the stakeholder commit or not commit to the organisation?
- What interests does the stakeholder have which may conflict with the organisation?
- How does the stakeholder regard other categories of stakeholders?
- What other things do stakeholders think the organisation should do or not do, but is not presently stated?

A Stakeholder Profile can be developed for a category or individual Stakeholder. Below is an example of a Stakeholder Profile. Types of dialogue are discussed in the next section.

Example: Stakeholder Profile	
Stakeholder Level:	Secondary Stakeholder
Stakeholder Category:	Raw material supplier
Name:	Asian Co. Ltd.
What information is required?	Fair trade and minimum wage levels
Comment:	Do we want to establish a long term trading relationship?
Types of possible dialogue:	
1.	Internet
2.	Visit
3.	Discuss with customers about dealing with this company

Tool 3: Stakeholder Dialogue

Having developed the Stakeholder Record the Audit Team can decide which categories of stakeholder to include in the Social Audit for the current audit period and what types of dialogue to use. Stakeholder Dialogue consists of a number of methods of creating communication between external stakeholders and the organisation itself. Dialogue with stakeholders can be an effective way of building trust, developing projects, increasing trading and generally creating social benefit, if it is done well.

It can, however, be time-consuming to engage with external stakeholders and therefore it is important for organisations to be clear about what they want to get out of the dialogue before they start; however, the information obtained from stakeholder dialogue is perhaps some of the most useful when conducting a Social Audit.

How an organisation creates an interactive dialogue with its stakeholders will depend on the existing relationships between the organisation and its stakeholders and the type of services and activities it pursues. Dialogue will be enhanced in the future if stakeholders receive feedback from their involvement: once stakeholders have given their time and effort they need something in return; at a minimum they need to know that their involvement has been valued within a reasonably short period of time, otherwise it is unlikely that they will engage again.

Dialogue needs to start with a clear idea of the subject for discussion; what the stakeholders will get from their involvement; why the information is required from them; and what will be done with the responses once received and analysed. What is also necessary to consider is 'do the responses have to be scientific?' i.e. can they be analysed for any degree of similarity of response or are we to accept anecdotal evidence which is not scientific but may offer valuable information. For each organisation there will be particular opportunities for dialogue using different methods suitable for the different categories of stakeholder. Whatever method the organisation chooses the first need is to define a set of questions that provide answers to important and current issues: so first get the questions clear, focused and make sure the answers can be used.

Stakeholder Dialogue Methods

Dialogue needs to be a "conversation" a two way process of information exchange. Leaflets, Newsletters, videos and exhibitions are useful for promoting messages but the dialogue is one way, it is easy to get excited by the products and forget the purpose of using them. Today, and in the future, online interactive methods of dialogue will become more prevalent and will enable more opportunities for dialogue at a lot less cost and time.

Here are some ideas on dialogue methods, match them to the appropriate stakeholder:

Surveys	Day trips
Social Events	Fun days
Tea and Chat	Workshops
Attending Meetings	Newsletters
Short Presentations	Newspaper
Theatre	Bill Boards
Club/Dance	Radio
Questionnaires	Public Voting
Interviews	Web Sites
Video Interviews	Telephone calls
Attending community events	Rapid appraisal
Online Interactive software	Meta planning
Open source workshops	Competitions
Chat rooms/forums	Involvement with schools

Questionnaires

The benefit of the questionnaire approach to dialogue is that it can be well thought out in advance, it is easy to analyse and the results can be regarded as 'scientific'. The disadvantage is that it is one-sided, it is boring for those having to fill it in and the results can be difficult for the interviewees to see. The quality of response to questionnaires depends on how you pose the questions. Some questions require a simple yes/no answer, some are open and require the respondent to write an answer or an opinion. Usually it is best to get responses of this sort by giving the respondent a range of options 1 to 5, very satisfied to very dissatisfied, excellent to poor, etc. Make sure that respondents know when, and how, the results of the questions will be presented. Remember no one likes filling in questionnaires or being interviewed unless they can see benefit for themselves: increasingly you now see questionnaires accompanied by a prize draw for those who return them. Incentives are quite good if you can afford to provide some benefit to respondents.

Questionnaire Styles:

- YES/NO questions

- Multiple choice questions

- Open ended questions

- Statement inviting responses and comments

- Scale responses 1-5 or good to bad

In some organisations, such as community enterprises or businesses, local residents or customers will be the main focus for questionnaire dialogue. The type of questions asked will investigate their knowledge about the services on offer, experience of visiting the organisation, issues concerning how appropriate the organisation's services are, how they are delivered and suggestions about future activities. There should be questions related to the services and activities as well as how useful they were once the users had received them. This should be a short questionnaire that goes out to a representative sample of stakeholders. In other types of organisation stakeholders will be more numerous and will represent a wider geographical area. Below we have suggested a number of areas under which each organisation may have specific questions to ask.

Areas of Questioning:

- How did you hear about us?
- Access to us?
- Contact with us?
- Do you know what we provide?
- Do you know how to be involved with us?
- What do you need?
- Use of services/provisions/facilities?
- Levels of satisfaction with services/provisions/facilities?
- Now that you have received service/provision/facilities have you been able to use them?
- The way we make use of resources financial/physical/human?
- What do we do that you think should change?
- What do we not do that you think we should?
- General comments about us?
- Negative
- Positive   THANK YOU

Questions should be asked for a reason and the organisation should be prepared to listen and show how changes will be made through the Social Audit if the results clearly suggest that it should.

Tool 4: External SWOT Analysis

A SWOT Analysis is used to determine the Strengths, Weaknesses, Opportunities and Threats facing an organisation. SWOT is a quick and smart way to undertake an organisational assessment.

The SWOT performs two main functions, it profiles the organisation and it enables the Audit Team to gain insights into strategic opportunities and the potential for strengthening and capacity building: Strengths and Weaknesses are internal influences and Opportunities and Threats are External influences. In this Element Two the SWOT is used primarily for profiling the organisation: in the following element it is used for strategic planning.

SWOT Analysis
The SWOT should be arranged and run by the Audit Team: identified stakeholders, both external and internal, who are relevant, it is undertaken as a brainstorming exercise.

- Each participant of the workshop identifies and writes down, on cards, what they think of the organisation in terms of its strengths, weaknesses, opportunities and threats.

- These are then placed under each of the four headings, this then profiles the organisation. Then prioritise and decide upon the most important areas and discard the rest.

- Participants discuss the four lists and identify potential strategic moves to enhance the internal strengths and external opportunities and diminish the internal weaknesses and external threats by using the positive statements to reduce the negative statements.

- If potential strategic moves can be identified they will help to inform the following elements of the Social Audit.

- The Opportunities and Threats inform the next tool; Tool 5: Position Analysis.

- The Strengths and Weaknesses are internal and are looked at again in Element 3 Internal View and Organisation.

SWOT Profile in Element 2

POSITIVE	NEGATIVE
Strengths	Weaknesses
INTERNAL	
Opportunities	Threats
EXTERNAL	

SWOT Strategy in Element 3

POSITIVE	NEGATIVE
Use Strengths	**to overcome** Weaknesses
to exploit Opportunities	**in order to avoid** Threats

Example - SWOT PROFILE

STRENGTHS
Board members
Three years experience
Community development, shop
Crèche
Training
Staff, friendly, commitment
Volunteers & teamwork

WEAKNESSES
Lack of communication
Poor skills of staff
Equal opportunities policy not applied
Unclear job roles
Unclear organisation structure
Lack of teamwork, personality clashes

OPPORTUNITIES
Local residents' skills and potential
Access to funding local government
Volunteers can get involved
Expansion and diversification
Training and education grants

THREATS
Insecurity of funding
Key members of staff leaving
Increasing competition from new enterprises

Tool 5: Position Analysis

Position Analysis is a tool for gaining an understanding and insight of the position of the organisation in relation to a set of external generic subjects and assessing the two way relationship between what the organisation imposes on the wider environment and what the wider environment imposes on the organisation. The Position Analysis extends the external aspect of the SWOT from Tool 4: it analysis the Threats and Opportunities that the organisation faces.

**Reasons for developing a Position Analysis:**

- To get a wider and longer term view of the context in which an organisation has to operate.

- For a better understanding of the policy environment.

- To see where Threats and Opportunities are coming from.

- To recognise inconsistencies between the organisations' stated Objectives and its actual day to day operations.

- To test whether the values stated in the Governance Statement are realistic and achievable.

- To identify key assumptions that an organisation may make in the course of achieving its objectives.

- To help strategic planning.

- To mitigate the organisation's negative impact on the wider environment.

- To mitigate the negative impact of the wider environment on the organisation.

The Position Analysis exercise is to identify how people perceive the position of the organisation in relation to wider areas of interest; it includes individuals' perceptions as well as helping the organisation develop a collective view. The subjects used for discussion in the Position Analysis in this Toolkit are those used within the global Sustainable Communities agenda: natural capital; physical capital; economic capital; human capital; social capital; and cultural capital. The organisation can select one, or all, or plan to examine each over a period of years. It is not necessary for all subjects to be covered each year: what is important is that each subject chosen is of current importance to the organisation. The contribution made by the organisation and costs imposed by its activities are assessed in relation to geographical boundaries, i.e. local, regional, national and global, and to particular groups or bodies chosen by the organisation that are relevant to its work.

- This exercise is best undertaken as a focus group workshop with stakeholders.
- The Audit Team can use policy documents and the external SWOT to provide background information.

- A series of circles are drawn on a large sheet of paper as in the diagram below: the organisation is in the middle and each surrounding circle represents in order: the local; regional; national; and global geographic position of the organisation.

- The Audit Team should decide what subject area(s) to include for discussion.

- Participants are then given a few cards of two different colours, one colour for the effect the organisation has on the wider environment, and the other colour for the effect the wider environment has on the organisation.

- Ask all participants to write their ideas and thoughts on cards, about important areas of opportunity or threats under each of subject areas chosen (it may be one or two or all of them). The cards are placed on the wall next to the relevant subject area.

Position Analysis diagram:
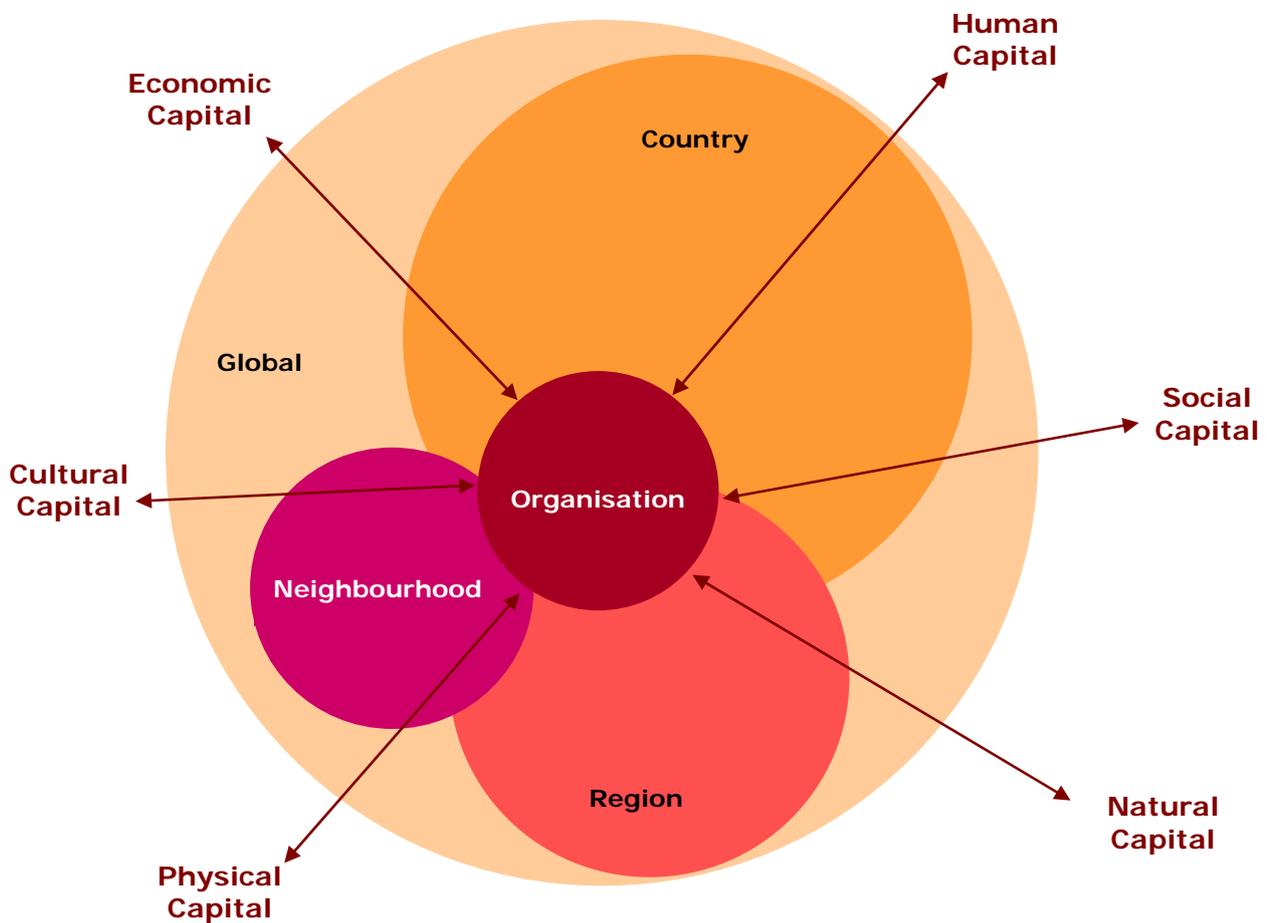
Remember that the arrows point in both directions; effect on the organisation and the affect the organisation has on the wider environment. Once participants have finished ask the group to consolidate the cards, by getting rid of duplication and merging similar ones.

The list below describes the meaning of the six positions and this might need copying and giving to participants for background information.

Natural Capital - to what extent do the organisation's activities affect the environment? Have measures been taken to ensure that any harmful effects are mitigated or zeroed out?   What carbon footprint is being made by the organisation? Is the environment having an effect on the organisation?

Physical Capital – to what extent does the organisation care about its buildings in terms of use, design, materials used, and maintenance? Does it use or support the most efficient and unimposing transport methods?

Economic Capital – to what extent do stakeholders own or want to own the organisation? How are financial profits made and how are they used? Does the organisation support the local economy or does it exploit the local economy for the benefit of other financial gains? And, does the organisation operate a fair trade policy and if so how is it applied to the trading stakeholders, suppliers and customers?

Human Capital – to what extent does the organisation enable stakeholders to improve their skills, confidence and self esteem?

Social Capital – to what extent does the organisation practice democracy and good governance, and build social capital?

Cultural Capital – to what extent does the organisation support and encourage the arts, leisure and good architecture? Have cultural, ethnic, religious, age and gender considerations been taken on board in ensuring equality of access and use of the services delivered?   Will the organisation promote a more equitable distribution of access and benefits?

Once all the cards have been sorted and clustered together and placed in the appropriate geographical rings break into small groups and get each group to work on one subject area and, using the matrix below, transfer the information into the relevant boxes and discuss and write down what the position of the organisation is.

Only fill in the boxes in the Position Analysis Record when the information has been produced on the cards. It is unlikely that all the boxes will be filled in and those that are not filled in will show where the organisation has no particular interest or concern. What will emerge is a patchwork of filled in boxes that will represent the areas that the stakeholders/organisation considers important and where it will need to perhaps take action or develop policy.

Position Analysis Record					
Natural Capital Reduce the waste and pollution of the organisation on the planet.	**Physical Capital** Promote low carbon infrastructure, transport and buildings to last.	**Economic Capital** Having ownership and equity, and sharing capital items.	**Human Capital** Being able, involved, safe, skilled and confident.	**Social Capital** Democracy and political involvement and communicating	**Cultural Capital** Philosophy, mythology, theology and arts, crafts and theatre.
Level 1. Global					
Level 2. Country					
Level 3. Region					
Level 4. Neighbourhood					
Level 5. Organisation – Social Audit - Governance Statement and Value Base					

The Audit Team should refer to the Value Base to assess whether there is consistency between what the Value Base and Governance Statement state and what the organisation is doing.

8.1 Set Outline Social Audit Objectives

In the first year just identifying, analysing and profiling might be sufficient. In subsequent years a lot more work can be done on areas like trading policies, local economy interaction, environmental impact assessment, partnership frameworks, etc. The External View and Stakeholders Element will help the organisation to position itself in relation to its main function, its competitors, and its ability to make positive contributions to society.

Issues arising from the External View and Stakeholders element need to be dealt with at this point. The way to do this is to identify either the problem or opportunity that has arisen and describe it in the left hand column of the Outline Objectives Record. Sometimes it will be possible to deal with issues immediately, if they are quick or easy to do so, or they can be carried forward to the end of this process to be incorporated into this year's Objectives. If issues are dealt

with immediately the Audit Team must record that fact and carry forward the record for inclusion in the Social Audit Report in Element Four.

If the organisation needs to take action this might become an Outline Objective. These objectives will then be carried forward to the Accounting and Verification Element for inclusion in the next year's plans.

Outline Objectives Record		
Element & Date	**Reason for Objectives**	**Outline Objectives/Activities**
Element 1 05/04/09	1. No Rule Book exists and the organisation is unsure of all the rules that they have decided upon over the past five years.	1. Identify all rules made over the past 5 years and prepare a Rule Book.
Element 2 08/06/09	2. Only a small number of local residents know what the organisation does.	2. Local residents are aware of the organisation's activities and services, and how it operates.
Element 2 08/06/09	3. The organisation operates a poor recycling process for different type of waste.	3. Review current recycling practices and recommend changes.

8.2 Check the Quality of the Process at Element Two

At the end of Element Two External View and Stakeholders the Audit Team should score the Quality Assurance Check.

Quality Assurance Check	Scoring Categories				
Element Two	N/A	fully	fairly	partly	Not at all
11. Are stakeholders clearly defined and categorised?					
12. Are stakeholders aware of the organisation?					
13. Is there generally effective dialogue with stakeholders?					
14. Has the SWOT exercise been completed?					
15. Has the Position Analysis been completed?					
16. Were a cross section of stakeholders involved in the exercises?					
17.Are problems or a lack of information identified as Objectives to be achieved?					

8.3 Social Audit Trail

In Element Two the Stakeholder Record has been formulated or reviewed, Stakeholder dialogue undertaken, and the External SWOT Analysis and the Position Analysis will have been completed. This should be a true and fair description of stakeholders' views on how the organisation deals with and interacts with its external relations. Some of these areas will be further tested in the next element of the Social Audit.

To maintain the true and fair account of the Social Audit all documents relating to this element must be filed and prepared to be made available for inspection.

If all the tools have been used there will be:

- A Stakeholder Record
- Results of the Stakeholder Dialogue
- An External SWOT Profile
- A Position Analysis Record
- The Quality Assurance Check – Element Two and Tool 2: The Outline Objectives Record may have been added to.
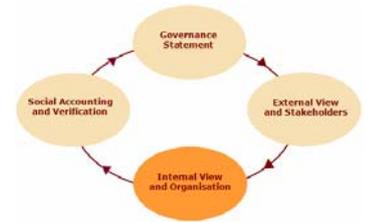
Element **Three**

9 Internal View and Organisation

In the first year

The Internal View and Organisation element is used to examine the structure of the organisation and its relationship with internal stakeholders. The internal structure and procedures of the organisation are clarified and reviewed, and the internal stakeholders – staff, board members, volunteers – are engaged with to test their levels of clarity of understanding about the organisation, and satisfaction with being involved.

Levels of internal satisfaction with the way the organisation operates are measured and the degree of consistency between the Governance Statement and the systems, procedures and perceptions of internal stakeholders is assessed. In this element the Audit Team can look for consistency between the responses of the internal stakeholders and the responses of external stakeholders in Element Two.

The Internal View contains a number of tools to assist the organisation to understand itself better and to enable it to manage change where necessary. The focus for the first time this element is carried out will be to establish a collective understanding of the organisation by internal stakeholders.

In subsequent years

Review the previous year's objectives set for Element Three – Internal View and Organisation. First identify any objectives set in the previous Social Audit Report that calls for change in Element Three. If objectives were set refer to the Social Accounting Monitoring tool to analyse levels of success. (You will find this in Element Four). If the objectives were successfully completed this will mean a change to the Internal View and Organisation and this should be done at this point. If the objective is still on-going then record, in the Monitoring Social Audit Objectives tool, the achievement to date and take these forward to the Social Audit Report in Element Four. If, on the other hand, the objective has failed or been terminated then analyse the reasons why and record this in the Monitoring Social Audit Objectives tool and take this forward to the Social Audit Report in Element Four and elaborate on the causes of the failure and how that affects the organisation.

Tools
6. **Internal SWOT Analysis**
7. **Structure of Organisation Diagram**
8. **Roles, Tasks and Responsibilities Framework**
9. **Internal Stakeholder Assessment**

Tool 6: Internal SWOT Analysis

In the External View a SWOT Profile was developed and a SWOT Analysis was undertaken of the external Opportunities and Threats. In this element the internal Strengths and Weaknesses from the SWOT Profile are analysed.

Before you begin it is worth looking at the whole SWOT again and confirming or changing it in light of the results of Element 2 External View and Stakeholders. There is no harm in re-doing it, on second and third attempts issues become clearer and people become more confident that what is said represents the views of those involved. It may be appropriate to conduct more than one SWOT, with groups representing different stakeholders or different departments within an organisation.

Once the internal Strengths and Weaknesses have been analysed then they will be used to inform the other exercises in the Internal View.

SWOT Profile in Element 2   **SWOT Strategy in Element 3**

POSITIVE	NEGATIVE
Strengths	Weaknesses
INTERNAL	
Opportunities	Threats
EXTERNAL	

POSITIVE	NEGATIVE
Use Strengths	**to overcome** Weaknesses
to exploit Opportunities	**in order to avoid** Threats

Developing a SWOT Strategy

Once the SWOT Analysis has been generated go through the SWOT and identify those areas that you would like to change (Weaknesses and Threats) and then identify those areas that can assist in making those changes (Strengths and Opportunities). They will help your thinking and give you the basis for more detailed strategic planning. Use the list of strengths and weaknesses as a guide to areas that need to be improved and areas that can be used to assist that improvement.

As you see from the example below by using the profile it is possible to extend the analysis into a more strategic statement by writing action statements about what can be done to improve the situation. These can then be added to the Outline Objective Record to be incorporated into the planning process.

Example SWOT Strategy:

SWOT Strategy

STRENGTHS Board members use their experience to identify and arrange suitable training to overcome the skill weaknesses amongst staff.	**WEAKNESSES** Staff learn new and improved skills and improve their productivity.
OPPORTUNITIES Manager raises grant funds to pay for an external trainer.	**THREATS** The new and improved skills of staff will increase competitiveness and enable the organisation to meet the new challenges.

Tool 7: **Structure of Organisation Diagram**

As part of keeping a clear view of how the organisation is structured it can be very useful if an organisational diagram is developed and annually reviewed. The Audit Team can do this. This is a simple yet effective way of understanding the basic shape and relationships within an organisation and to use it to relate to the next section of Roles, Tasks and Responsibilities.

Organisation Diagram:

```
              Board of Directors
                     |
                Management
          _____|_____
         |           |           |
     Production     Sales       Office
         |           |
       Staff        Staff
```
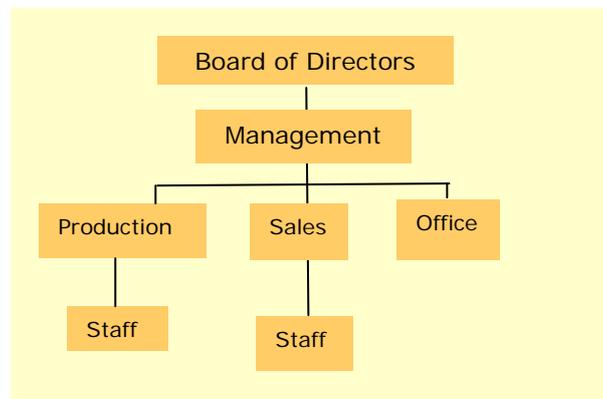
Tool 8: **Roles, Tasks and Responsibility Framework**

The Roles, Tasks and Responsibility Framework is a tool which enables groups to identify where internal change needs to be implemented, maintains an overview of who does what in the organisation and creates an easy and open way of establishing the internal structure. It will enable the organisation to identify how the internal structure operates, what roles individuals play, what tasks are being carried out and who is responsible for them. It also shows where either too few people or too many people are applied to each task within the organisation, or where insufficient attention is placed on certain tasks.

It is common for small organisations, which expand rapidly, to outgrow their structures and systems and this exercise is useful for reviewing and evaluating the growth and planning for change. When organisations grow and change it is necessary to update the internal administrative and management systems to reflect these changes.

Building up the framework is best undertaken as a group exercise with internal stakeholders. Either use a large sheet of paper on the wall and draw the matrix as describe below, or use a projected computer image, whichever suits the environment.

Roles, Tasks and Responsibilities Framework:

It is useful to distinguish between the lead role and the support role. This can be done by marking Lead Role with a 🔴, and Support Role with a 🟡, this will identify responsibility.

Lead Role 🔴   **Support Role** 🟡

Roles / Tasks	Administrator	Treasurer	Manager	Outreach worker	Caretaker	Chairperson	Company Secretary	Cleaner	Volunteers
Guidance			🔴	🟡					🟡
Policy Making		🟡				🟡	🔴		🟡
Planning						🔴			
Training			🔴				🟡		
Reception	🔴			🟡	🟡				
Events	🟡			🔴					🔴
Building Maintenance					🔴			🔴	🟡
Outreach				🔴					
Finance		🔴	🟡				🟡		

Process:

- List all the Roles performed by staff, volunteers and board members in the top horizontal row: roles are the jobs (paid and unpaid) held by internal stakeholders.

- Tasks are listed in the vertical left-hand column: a task is defined as a particular area of work undertaken by the organisation.

- Participants fill in the columns discussing and identifying all the roles within the organisation and all the tasks that are carried out in its daily operation.

- Mark which role is responsible for which task. There may be any combination, some roles perform many tasks and some tasks are carried out by many roles.

Once the exercise has been completed, then the job description of each member of staff or volunteer should be cross referenced against the list of Tasks under each Role heading to make sure they match. This will maintain and review job roles in the organisation to make sure that employees are not being required to undertake tasks they were not employed to do. If new tasks are required then it also shows if existing people can be used or if new people are needed.

In subsequent years this can be a very useful review process to check that employees' job descriptions are up to date. Roles, responsibilities and tasks change and this Tool will enable the organisation to maintain consistency between what it contracts staff and departments, and partner organisations to do, and what they actually do.

The Structure of Organisation Diagram and the Roles Tasks and Responsibility Framework should be compared to see if they fit or if there are discrepancies between the two.

Tool 9: Internal Stakeholder Assessment

The Internal Stakeholder Assessment is a set of questions to gauge the attitudes and preferences of staff, Board Members, volunteers and other individuals closely associated with the running of the organisation. It is important that those involved in this exercise are familiar with the workings of the organisation.

The Audit Team will have to prepare the questions which should be in relation to the type of organisation, the commercial operations, and the external context. The range of questions must reflect the issues represented in the previous year's audit and/or those that have come to light in the preparation of the current audit. In the first year it is likely that the organisation will use broad questions and any that relate to known issues currently affecting the organisation. The questions should also be guided by the Governance Statement and may contain, in addition to specific operational questions, questions related to broader issues that reflect the Value Base and important issues facing the organisational systems and structures. Our example shows a number of generic questions.

The Internal Stakeholder Assessment should be undertaken as a confidential exercise that does not include respondents' names, but may include the category of stakeholder to which they belong, e.g. staff, volunteers, and Board members in order to compare the different views perceived by each category.

- First tick the appropriate box at the top describing the respondent's position in the organisation.

- For each question give your organisation a score by choosing a position on the bar, from 1 (very bad) to 10 (very good) that, from your perspective, represents its current position.

- For each score you can write in the 'Comment on your score' box how you arrived at the score, if you want to.

- The Audit Team should analyse the results and put in place any objectives to overcome poor performances: in subsequent audits this will be used to see how stakeholders' views have changed or not. Stakeholder views can also be summarised for inclusion in the Social Audit Report in Element Four.

Internal Stakeholder Assessment									
Position within the organisation:	**Staff..............**			**Board Member.......**		**Volunteer............**		**Other....................**	
1. Purpose of organisation	Unclear about the purpose						Very clear about purpose		
	1	2	3	4	5	6	7	8	9	10
Comment on your score									
2. Achieving objectives	Failing to achieve objectives						Achieving objectives		
	1	2	3	4	5	6	7	8	9	10
Comment on your score									
3. Achieving impact	Failing to achieve impact						Achieving impact		
	1	2	3	4	5	6	7	8	9	10
Comment on your score									
4. Stakeholders	Representative of stakeholders					Not representative of stakeholders			
	1	2	3	4	5	6	7	8	9	10
Comment on your score									
5. Promotion of your organisation	Effective at promoting						Ineffective at promoting		
	1	2	3	4	5	6	7	8	9	10
Comment on your score									
6. Internal communication	Bad at communicating internally, nobody knows what's going on					Good at communicating internally, everybody knows what's going on			
	1	2	3	4	5	6	7	8	9	10
Comment on your score									
7. Internal relations	Bad relationship between staff/Board					Excellent relationship between staff/Board			
	1	2	3	4	5	6	7	8	9	10

Comment on your score									

8. External communication	Bad at communicating externally					Good at communicating externally			
	1	2	3	4	5	6	7	8	9	10

Comment on your score

10. Staff skills	Staff do not have the skills to carry out the work					Staff are skilled to carry out the work			
	1	2	3	4	5	6	7	8	9	10

Comment on your score

9. Resources	There are insufficient resources to achieve the actions					There are ample resources to achieve the actions			
	1	2	3	4	5	6	7	8	9	10

Comment on your score

10. Work roles	Confused job roles					Clear job roles			
	1	2	3	4	5	6	7	8	9	10

Comment on your score

11. Work environment	Bad work environment					Excellent work environment			
	1	2	3	4	5	6	7	8	9	10

Comment on your score

12. Opportunities	No opportunities to make decisions					Excellent opportunities to make decisions			
	1	2	3	4	5	6	7	8	9	10

Comment on your score

13. External Involvement	Too little opportunity for stakeholders to get involved					Lots of opportunities for stakeholders to get involved			
	1	2	3	4	5	6	7	8	9	10

Comment on your score

14. Personal involvement	Not involved in the organisation.					I feel sufficiently involved in the organisation			
	1	2	3	4	5	6	7	8	9	10

Comment on your score

15. Organisational authority	Confused about your line management system					Very clear about your line management system			
	1	2	3	4	5	6	7	8	9	10

Comment on your score

16. Personal authority	Confused about your status within the organisation					Very clear about your status within the organisation			
	1	2	3	4	5	6	7	8	9	10

Comment on your score

17. Management support	Bad support from management, inadequate for your needs					Good support from management, adequate for your needs			
	1	2	3	4	5	6	7	8	9	10

Comment on your score

18. Support from colleagues	Not supported by your colleagues						Adequately supported by your colleagues			
	1	2	3	4	5	6	7	8	9	10
Comment on your score										
19. Opinions listened to	My opinion is never listened to by colleagues and management						My opinion is listened to by colleagues and management			
	1	2	3	4	5	6	7	8	9	10
Comment on your score										
20. Decision making	The organisation is unable to make decisions about change						The organisation is able to make decisions about change			
	1	2	3	4	5	6	7	8	9	10
Comment on your score										

9.1 Set Outline Social Audit Objectives

Issues arising from the Internal View exercises must be recorded. They represent the actions that will form part of the objectives for the remaining year's Social Audit. There will be occasions when objectives can be dealt with immediately and do not need to be carried forward, but they should be recorded as part of the audit trail.

Outline Objectives Record		
Stage & Date	**Reason for Objectives**	**Outline Objectives/Activities**
Element 1 05/04/09	1. No Rule Book exists and the organisation is unsure of all the rules that they have decided upon over the past five years.	1. Identify all rules made over the past 5 years and prepare a Rule Book.
Element 2 08/06/09	2. Only a small number of local residents know what the organisation does.	2. Local residents are aware of the organisation's activities and services, and how it operates.
Element 2 08/06/09	3. The organisation operates a poor recycling process for different type of waste.	3. Review current recycling practices and recommend changes.
Element 3 23/07/09	As a consequence of the Roles, Tasks and Responsibilities exercise it has become clear that too many tasks are being carried out by too few staff.	4. Review existing job descriptions and volunteer roles and prepare a plan to share work tasks more evenly.

9.2 Check the Quality of the Process at Element Three

At the end of Element Three the Audit Team should score the Quality Assurance check under the heading Internal View and Organisation.

Quality Assurance Check	Scoring categories				
Element Three	N/A	fully	fairly	partly	Not at all
18. Did the range of internal stakeholders participate in the Internal View process?					
19. Has a clear profile of the organisation's strengths and weaknesses been generated?					
20. Are Roles, Tasks and Responsibilities clearly defined?					
21. Are job descriptions consistent with the Roles, Responsibilities and Tasks exercise results?					
22. Are Internal organisational systems clear and workable?					
23. Are problems or a lack of information identified as objectives to be achieved?					

9.3 Social Audit Trail

In Element Three an internal SWOT has been undertaken, the organisational structure reviewed, a Roles, Tasks and Responsibility Framework carried out and an Internal Stakeholder Assessment undertaken. The results should be carried forward to the Accounting and Verification element and incorporated into the final Social Audit Report.

To maintain the true and fair account of the organisation all documents relating to this element must be prepared and filed to be made available for inspection.

There will be:

- Internal SWOT Analysis and SWOT Strategy
- Structure of Organisation Diagram
- Roles, Tasks and Responsibility Framework
- Internal Stakeholder Assessment Results
- Quality Assurance Check - Element Three
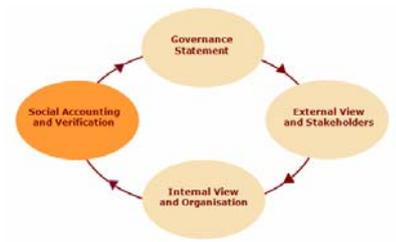
Element **Four**

10 Social Accounting and Verification

The Social Accounting and Verification element is when the information that has been gathered and the results from the tools in the previous elements are brought together, the social plans for the next year are set and the Social Audit is reported on to stakeholders.

In each of the previous elements; the Governance Statement, the External View, and the Internal View, particular issues and actions will have been identified, as well as examples of good practice and stakeholder satisfaction. Some issues will have been easy to deal with at the time and can be recorded as being achieved, and incorporated into the Social Audit Report. Others will have been collected throughout the process and recorded in the Outline Objectives Record.

The level of detail and complexity applied in this element will depend on the nature of the issues under discussion and the objectives being prepared and evaluated. This element will measure the organisation's degree of integrity through assessing the consistency between what it says it will do and what it actually does.

In this element the Audit Team should review all the Audit Trail documents, the Social Audit Quality Assurance Checks and the Outline Objectives Record. Once the Audit Team is satisfied that they have sufficient information that is verifiable through the audit trail, they should assess whether the Social Audit Standard has been met. The Audit Team can then begin to assess the Outline Objectives Record and develop a strategic plan for achieving them.

Social Audit Standard

1. Planned and Actual Measurement
- The previous year's planned objectives can be measured
- The objectives for the previous period are used to measure performance
- The Governance Statement guided the process?

2. External Stakeholder Involvement
- Were external stakeholders engaged?
- Did external stakeholders represent three or more categories of stakeholders?

3. Internal Organisation Assessment
- Were staff, board members, and volunteers involved?

- Were internal stakeholders asked about the structure and operations of the   organisation?

4. Open Process and Documentation
- Have all the records of the process and questions been saved and made available for inspection by stakeholders?
- Are the Social Audit Assurance Checks scoring on the positive side?
- Do the Outline Objectives contribute to the Governance Statement values?
- Are the Outline Objectives now ready for planning?

Tools
10. Social Accounting Framework
11. Social Accounting Monitoring

The objectives will have come from two sources; a) as a consequence of finding issues to be addressed during the Social Audit elements, and b) as a social objective of the organisation. There will be a mixture of easy objectives and difficult objectives, some will be internal and some external and some will be easily measurable in terms of quantity and time and some will be difficult to measure as they will relate to quality and change of perception, attitude and impact. The first time an organisation conducts a Social Audit keep the number of objectives limited, it may help to prioritise the outline objectives and choose which ones to take forward for the next year.

Prioritise the Outline Objectives
Look at the Outline Objectives Record, which has collected issues for actions from the three previous elements:

- appraise the range of objectives and determine their relative position to each other;
- can some be merged into one;
- are they too diverse to cope with in the same year;
- do they contradict one another in any way;
- or, are there just too many and some need to be carried forward to next year.

The Audit Team will need to make this judgement and decide on the Objectives for the current year. They can prioritise objectives using the following discussion tool as an indication. The objectives with the highest scores will give some indication of priority. However, there may be important objectives that do not score highly, but are easy to achieve and therefore it is decided to include them as well.

Prioritisation Exercise:

Low priority					High priority				
Difficult to achieve					Easy to achieve				
1	2	3	4	5	6	7	8	9	10
Not very important to the organisation					Very important to the organisation				
1	2	3	4	5	6	7	8	9	10
High financial cost					Low financial cost				
1	2	3	4	5	6	7	8	9	10
High use of resources					Low use of resources				
1	2	3	4	5	6	7	8	9	10
Narrow positive impact					Wide positive impact				
1	2	3	4	5	6	7	8	9	10

Tool 10: Social Accounting Framework

The Outline Objectives that have been prioritised for the year are now going to be written in a clear and concise way so that it is possible to attach measurement indicators against them. The measurement indicators can be used for monitoring and management.

The prioritised Outline Objectives are transferred to the Social Accounting Framework where they should be tested against external influences: the level of assumptions being made about the degree of external support, or lack of support, that determines the risk associated with each objective. The objectives should also be checked to see if an indicator can be set against them: this tests the level of technical and financial capacity of the organisation required to achieve the objective. The Social Accounting Framework is based on the Logical Framework used in project development programmes: it has four columns and is completed in a specific order.

Outline Objectives Record

Stage & Date	Reason for Objectives	Outline Objectives/Activities
Stage 1 05/04/08	1. No Rule Book exists and the organisation is unsure of all the rules that they have decided upon over the past five years.	1. Identify all rules made over the past 5 years and prepare a Rule Book.
Stage 2 08/06/08	2. Only a small number of local residents know what the organisation does.	2. Local residents are aware of the organisation's activities and services, and how it operates.
Stage 2 08/06/08	3. A new fund has been set up to provide a service to children.	3. Prepare a plan of action and develop a funding tender.
Stage 3 23/07/08	4. As a consequence of the roles and Tasks exercise it has become clear that too many tasks are being carried out by too few staff.	4. Review existing job descriptions and volunteer roles and prepare a plan to share work tasks more evenly.

Social Accounting Framework

Objectives	Indicators	Evidence	Assumptions
1. Have in place a Rule Book that is open to inspection and clearly lists all the organisational rules.	By 08 Rule Book is in use.	Actual Rule Book	That existing rules clearly stated in the Minutes and other documents are agreed.
2.			
3.			

The sequence for filling in the Social Accounting Framework

1. Fill in the Objectives column

Transfer all the Outline Objectives to the left hand column in the Social Accounting Framework. If the objectives can be placed in order of implementation, long term more than a year, medium term within a year, and short term within the next few months, then it makes it easier to understand the strategic nature of the objectives. Put the objectives, as best you can, in a hierarchy of the long term ones at the top and the easier, short term objectives at the bottom. This will start to develop a strategic plan of when and in what order they should be implemented.

It is some times helpful, when transferring the Outline Objective into an actual objective to re-write it in the past tense, i.e. **have in place a Rule Book** or a system **has been** established, it makes it much easier to measure its progress and know when the objective has been achieved. Many objectives are written, however, as activities "to do" something and fail to provide sufficient direction and measurable impact indicators. For example, an objective is often written like this, "to provide training to staff", whereas it should be written like this, "staff have gained a new skill". The former is an activity and only lets us know that we have provided a service. The latter is an objective and will let us know if we have succeeded, as a result of providing a service, in improving the skills of staff.

The importance of writing objectives in this way is that it states a clear and permanent purpose, it describe success as a sustainable flow of benefits "..new skill.." and it deals directly with a problem, "poor quality product", by indicating a change of behaviour that will be required to achieve success. In order to achieve an objective the organisation relies on the 'utilisation of the services' by staff and not the 'delivery of services' by a trainer to achieve impact and sustainability. Organisations have little control over achieving social success, success is achieved when the users want and use the services on offer.

If an organisation has clear objectives that provide direction and focus, management decision making becomes all the more direct and logical. Activities can then be managed in a more flexible way to meet particular situations as they arise.

2.   Fill in the Assumptions column

In the right hand column, against each objective, identify and record any assumptions that you need to make in order to achieve the objective. This is filled in second, to test the objective against external influences and dependencies.

Not all objectives have assumptions attached, and some objectives can have more than one Assumption. Assumptions are external factors outside of the control of the organisation but which have an impact on the objective's performance and its long term sustainability. An assumption is a positive way of describing a risk and a risk is a negative way of describing an assumption. Assumptions describe what must happen, in addition to the stated objective, in order to achieve the objective. This then can be used to apply measurement indicators in a positive way; as it is very difficult to measure a negative.

The way to identify an assumption is to simply ask for each objective 'is there an external factor that the organisation has no control over but which is important for the objective to be achieved?' or 'what can go wrong?'.

If possible, Assumptions should be removed: try and answer the implied question in the Assumption. If your enquiry finds that the outcome will be positive, it means it's no longer an assumption, it is a fact and the assumption can be removed. If your enquiry finds that the outcome will be negative the assumption remains, this can weaken the objective, and it will be less likely to be achieved or it may need additional support.
By doing this the Audit Team will have undertaken a risk assessment. The remaining assumptions represent the level of risk the objectives will have to work with during implementation. Ask if the level of risk is acceptable? If so then continue, if, however, the risk is considered too high then the objective should be stopped.

3. Fill in the Indicators column

For each objective there must be an Indicator. When defining indicators it is sometimes difficult to say with certainty how many; by when; exactly who; and, to what quality; sometimes one or two years in advance. Each Indicator must be objectively verifiable, that is to say each Indicator must be made up of concrete and measurable statements. If you cannot design an indicator for a particular objective it usually means that it is unclear or unachievable. In such cases you will need to re-state the objective in clear or more concrete terms.   Each indicator, however, should include the following components.

> **Each indicator should include:**
>
> - **Quantity –how many/much**?
> - **Time –when by**?
> - **Target group** - **who**?
> - **Quality – how good**?

4. Fill in the Evidence column

Each Indicator must be supported by evidence: this describes where the information will come from to enable the indicator to be monitored.   The evidence should also include who will be responsible for generating the information and when the information will be available and how the information will be collected. The Audit Team should try to use existing sources of evidence before creating new data collection sources.

> **When preparing sources of evidence the key questions to ask are:**
>
> - Is the cost of gathering the source of evidence realistic and affordable?
> - Is the responsibility for gathering the evidence clearly assigned?
> - Will the evidence be available at the right time for monitoring progress?

Assess the Social Accounting Framework in relation to the Governance Statement

Once the four columns and rows have been completed, the Social Accounting Framework will need to be assessed in relation to the Governance Statement and Values to determine consistency between what is said and what is done: will the achieved objectives contribute to the Governance Statement and Values? If there are contradictions between the objectives and the Value Base it is worth sorting these out now before proceeding to the detailed activities. The Audit Team now has a set of Social Accounting Objectives.

Planning the Detail

Some objectives will be planned in more detail and will need to have activities attached to them. There are three sources for activities:

- in response to the Assumptions to strengthen the Objective and mitigate the affect of the assumption;
- from identifying Evidence, it may be necessary to add activities to collect and analyse data to measure the objective;
- to achieve the Objective; these can be called associated activities and these are listed, in order of implementation, under each Objective. If a particular Objective is large, complex or going to take a number of years you may wish to use a separate Activity Plan.

10.1 Social Accounting

Social accounting is the process of checking how plans are progressing, sorting out problems with the plans as they happen, keeping the objectives on track, and making sure stakeholders are informed. If an objective cannot be accounted for and measured, it usually signifies that it cannot be managed.

Management carries out the work of achieving the plans, but it is the responsibility of the Audit Team to monitor and report progress on their achievements and to call attention to any variance between the planned and the actual progress. If variance is evidenced action will need to be taken either to re-design the objective or invest more resources and time in order to meet the planned objective for the following period.

Explanations on why any variance between the two occurred and what actions management must take to bring the plans back on track are noted. Sometimes it is not possible to bring plans back on track and the results of the objectives will be delayed. As with most plans, the Audit Team and management can expect unforeseen events to occur. With a clear focus on the objectives, the Audit Team and management should use monitoring to understand what is happening and how best to navigate the activities through and around the unforeseen events.

Copy the objectives, actions and assumptions from the Social Audit Framework to the Social Accounting Monitoring record and plan the actions to be taken in each quarter for the coming Social Audit period.

Social accounting for the Objectives and any associated Activities should be done regularly, usually every three months (quarterly). This enables the organisation to control the Objectives and sort out any problems so that in the longer term they are achieved. The way to do this is to copy each Objective and any activities from the Social Accounting Framework to the Quarterly Monitoring Tool, as above. When doing this use the Indicators, Evidence and Assumptions to help build a full picture of the plans for the quarter period. This will combine all the

components of the Objective into a single quarterly social accounting plan. At the end of each quarter period measure actual results and either confirm planned progress or describe any variance and what actions are to be taken in order to bring the Objective back on track.

What happened is recorded under the Actual column; if the Actual is less or more than planned the reasons why and what is to be done about it during the next quarter is recorded in the Variance column. If the Planned and Actual are equal, there is no variance and the objectives can be recorded as being on schedule.
In order to manage the social accounting, and to provide an audit trail, the Audit Team can use the following Tools:

- Social Accounting Framework
  (Already developed during the Social Accounting and Verification Element)
- Social Accounting Monitoring
- An Activity Plan
  (Optional use depending on level of detail and complexity of Objective)

Tool 11: Social Accounting Monitoring:

Social Accounting Framework			
Objectives	**Indicators**	**Evidence**	**Assumptions**
1. Have in place a Rule Book that is open to inspection and clearly lists all the organisational rules.	By 08 Rule Book is in use.	Actual Rule Book	That existing rules clearly stated in the Minutes and other documents are agreed.
2.			
3.			
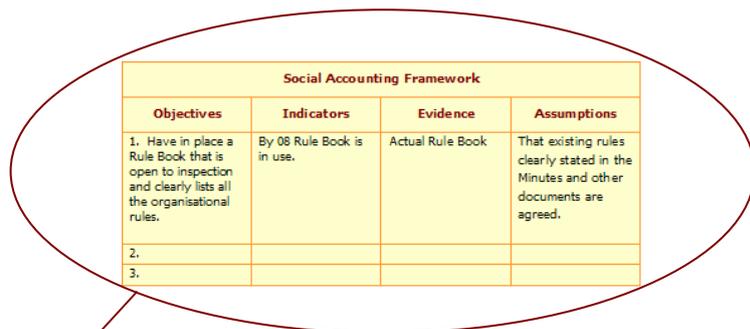
Social Accounting Monitoring

Objective Plan and Activities	Activity Quarter Plan	Activity Quarter Actual	Variance	Actions	Completed
Objective 1 Assumptions	Quarter 1				
	Quarter 2				
	Quarter 3				
	Quarter 4				
Objective 2 Assumptions	Quarter1				
	Quarter 2				
	Quarter 3				
	Quarter 4				
Objective 3 Etc.	Quarter 1				
	Quarter 2, etc.				

The impact of the Assumptions is monitored in order to anticipate future issues and, if necessary, make changes to the plans. Any Assumptions linked to objectives should also be monitored as part of monitoring the Objectives to test whether or not the assumptions have happened. If assumptions were not realised then it is likely that external support was expected but did not happen. Try to analyse what affect this will have on the objective and see if future plans can be amended to compensate for this lack of support.

The Audit Team should use the Governance Statement to guide the monitoring plans and check the monitoring results. To make sure that the objectives and any deviation due to changes always contribute to the Value Base.

Social Accounting Report
It is normal for many organisations to generate quarterly monitoring reports for external funders and if so then Objectives and Actuals can be used to support any reporting. Otherwise, the Planned and Actuals will be sufficient for internal management planning and decision making, with perhaps a short narrative on any changes and their reasons and consequences.

10.2 Data Capture and Recording

The Need to Collect Data
The need is to know how customers, supplier, stakeholders and organisations respond to the objectives. While part of the need is to know hard facts such as 'how many' and by when', it is also necessary to collect data about staff and other stakeholders perceptions, attitudes, behaviour, and likely change in practices. One without the other leaves most monitoring unusable, but together provides a comprehensive understanding of what lessons have been learnt and how these can be incorporated into further initiatives.

Data Sources
The initial data source for the planned part of monitoring will come from the objectives set to achieve a result and be placed in the Social Audit Framework and the Activity Plan.

Sources of data for the 'actual' will come from the results of activities which should be recorded at the time of the activity, an assessment of any assumptions surrounding the activity and objectives, and from external and internal stakeholder analysis.

The convention is to use a series of questions: Quantity (how many), Time (when by), Target Group (who?), and Quality (is there a min./max. level?). Using these four points gives you a basic framework as a foundation to assess variance on which deeper analysis can be built.

Recording Data

There are two aspects to data recording, one is to capture data in note form at the time of it being generated and the other is to summarise the notes on a regular basis. Recording actual data should be done very regularly, say every week or at the time when something happens. The big mistake is to think you will remember information, and only record monthly or quarterly; you end up writing too much and not describing actual results very well.

When filling in the monitoring Tools it is good practice to use quantity and time descriptions, where possible; a narrative to explain how the quantity was achieved; which stakeholders received and contributed to the activity; what quality was achieved; and, a description of any problems that were encountered and how they were dealt with.

Who should Collect and Record Data?

Data capture at source should be undertaken by whoever is there at the time, or as near to this as is possible. An organisations' staff, board members, volunteers, and other stakeholders can all be involved in data capture as long as it is very clear what and where to write the notes.

How should Data be Recorded?

Always write the narrative in answer to the implied question within each objective, activity, assumption or stakeholder statement. Describe the actual people, who were involved (stakeholders), were they the same as planned? How and why did it happen and what is the consequence, good, alright or bad?

Put in any numerical information available; compare them with the planned and explain any variance and reasons for this. Try to write both positive and negative things about what actually happened and how that relates to the planned objectives. Recording impact can be done from observation (did the result solve the problem or benefit from the opportunity).

Analysing Data and taking actions forward to the next period

Analysing data should be done quarterly and inform the Social Accounting Monitoring, there are a number of ways to analyse data, these are:

- Actual results against planned actions
- Stakeholder behaviour against assumed behaviour
- Actual incorporation of new system or procedure
- Behaviour and actions carried out by outsiders against Assumptions
- Value added – positive unplanned results

If you have used quantifiable indicators, and recorded data in quantifiable form it is easy to measure and analyse the variance between what was planned and what actually happened. If there is variance between planned and actual, then action is needed to rectify the situation and bring it back on track. Each Social Accounting period is part of a whole Objective, so if one period is behind or ahead of schedule the rest of the Objective plan will, unless corrected, be behind or ahead of the overall schedule.

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When variance occurs action needs to be taken straight away i.e. during the existing social accounting period or at least as part of the next period. Sometimes it is a matter of slowing things down or speeding things up and sometimes more resources need to be allocated or withdrawn. Analysing how stakeholders responded to Objectives will inform on how likely impact will be achieved. Impact happens when the organisation or stakeholders start to use what they have got from the objective, i.e. when a new system has been successfully incorporated into the organisation: impact is in the realisation of what they have received.

Assessing if assumptions against a particular Objectives have happened will inform on how much support an organisation or objective is getting from external bodies and how likely, in the longer term, it can be sustained.

10.3 Check the Quality of the Process at Element Four

Use the Social Audit Quality Assurance Check to assist in determining the level of convergence or divergence with what is stated in the Governance Statement and what is actually taking place, and in identifying the specific areas where this is happening. This should enable the Audit Team to go back to the Objectives and make the necessary adjustments in order to build convergence.

At the end of this element of the Social Audit the Audit Team should score the Quality Assurance check under the heading Accounting and Verification.

Quality Assurance Check	Scoring Categories				
Element Four	N/A	fully	fairly	partly	Not at all
24 Have all the Outline Objectives been analysed?					
25. Have objectives and solutions been identified to overcome the problems?					
26. Has Objective planning been prepared?					
27. Has the Audit Team prepared a full report?					
28. Has the Audit Team been appointed for the next year?					
29. Has a clear plan for the next year been prepared and accepted by stakeholders?					

10.4 The Social Audit Trail

The audit part of the Social Audit is to verify that what is being reported is accurate and true.

- The Social Accounting Framework
- The Social Accounting Monitoring
- Quality Assurance Check – Element Four

10.5 The Social Audit Report

The Audit Team, having reviewed the success of achieving the objectives set in the previous year, completed the Social Audit exercises and set the next year's objectives, and gathered valuable information from stakeholders, will now have to compile all the information into a report and present the findings to the organisation. If an external auditor has been employed she/he will also have to be involved in the preparation of the report.

The Social Audit Report should include the results of the exercises and any issues dealt with during the course of conducting the exercises; the issues that were dealt with during the course of the previous year but were not completed and which are carried forward as objectives for next year. The report should include a variance analysis between the year's planned and actual achievements, a general statement about the organisation's overall performance in relation to the Governance Statement and trends from one year to the next, if that evidence has been generated.

When an organisation decides to undertake a Social Audit they do so recognising that it is an official examination insomuch as the organisation has made a management decision to have it undertaken. Equally important is that the results are and can be seen to be verifiable, i.e. there exists an audit trail that is open to examination by internal and external stakeholders. At the end of each of the four Elements a number of Audit Trail documents will have been filed, these are the basis of the Social Audit report, and can be included either in full or summarised and referred to as annexes to the report, this will ensure that the report is verifiable.

The Audit Trail Documents will include:

Element One - Governance Statement

- The Governance Statement
- Outline Objectives Record
- Quality Assurance Check – Element One

Element Two - External View and Stakeholders

- Stakeholder Record – will describe who, how and when stakeholders will engage
- Results of the Stakeholder Dialogue
- An external SWOT Profile – will profile the organisation and show outline strategic opportunities
- Position Analysis record – will show the relationships between the organisation and a number of key external areas
- Quality Assurance Check – Element Two

Element Three - Internal View and Organisation

- Internal SWOT Analysis and SWOT Strategy
- Structure of Organisation Diagram – will describe internal relations and lines of authority
- Roles, Tasks and Responsibility Framework – will describe the internal function and responsibilities for running the organisation
- Internal Stakeholder Assessment Results – will show attitudes, levels of satisfaction and what internal stakeholder think about a number of important issues
- Quality Assurance Check - Element Three

Element Four – Social Accounting and Verification

- The Social Accounting Framework
- The Social Accounting Monitoring
- Quality Assurance Check – Element Four

The table below describes how a Social Audit Annual Report should be structured and the information it should contain.

Social Audit Annual Report		
Headings	**Content of Report**	**Performance Indicators**
1. Current Position ❑ Name ❑ Date/period ❑ Description of the organisation ❑ No. of staff, volunteers and Board members ❑ Describe the users/members (main stakeholder group) **2. Executive Summary**	Provide brief and factual information Describe a brief summary of the main points in the report	 Express any major changes in the organisation, both positive and negative that occurred during the previous Social Audit cycle.
3. The Audit Team's Composition	Describe the members of the Audit Team, how the Team organised the work and who took responsibility. Also, indicate where the audit trail can be inspected.	Express an opinion as to how representative the Audit Team is in relation to the Stakeholder categories and how diligent they were in attending meetings, etc.
4. Review previous years Social Audit objectives and activities. (not in the first year's Social Audit)	Analyse results for the previous year.	Compare planned and actual results and judge the implication of any variance. Praise achievements and decide what to do with any unachieved objectives. These can be carried forward to next year, amended and carried forward or abandoned. Explain the reason behind the decision. Audit Team expresses its opinion(s) on the outcome and analyses the reasons for the results.
5. Governance Statement	Describe the problems the organisation aims to solve or the opportunity it aims to develop.	Define the core objectives and values. Make comparison with previous year's statement. Point out any important features of change.

	Put in the Governance Statement including the Value Base.	Comment on the Quality Assurance Checks, under Element One. Comment on any Outline Objectives and their reasons.
6. **External View and Stakeholders**	Describe Stakeholder categories and their involvement. Who was involved, why and how? Describe the results of the Position Analysis and how this impacts on the organisation.	Highlight negative and positive responses and trends. Describe the findings of the Stakeholder dialogue. Measure levels of satisfaction of services provided. Comment on the Quality Assurance Checks, under Element Two. Comment on any Outline Objectives and their reasons.
7. **Internal View and Organisation**	Describe the results of the exercises. Provide explanation of the SWOT results. Describe the main points from the Roles, Tasks and Responsibility Framework.	Measure the level of satisfaction with the organisational systems and conditions of employment and volunteering. Analyse the Roles and Tasks and how any changes are to be made. Comment on changes that took place immediately and those that are taken forward as objectives. Comment on the Quality Assurance Checks, under Element Three. Comment on any Outline Objectives and their reasons.
8. **Social Accounting and Verification**	Describe the performance of the organisation; describe the problems & solutions, and trends.	Summarise: ❑ Planned and actual results. ❑ Trends between one year and the next. ❑ Identify levels of performance. ❑ Comment on the level of consistency between the elements of the Social Audit.

9. Social Audit Qualification	Using the Social Audit Standard as a guide note any discrepancies that the Audit Team/Social Auditor feel compromises the accuracy or reliability of the Social Audit.	Where there is missing information or disagreement on the meaning of results this may need to be explained so that the report is qualified by the Audit Team saying "to the best of their knowledge" this is what they understand.
10. Set Objectives	Present the planned objectives for the coming period. Explain how the Audit Team will monitor the objectives during the next year. If there are financial implications specify the conditions here.	Comment on the Quality Assurance Checks, under Element Four.
11. Conclusions and Presentation	Summarise the success and failure and prepare a short conclusion.	Audit Team presents a general overview of the organisation's performance and future objectives and trends.

It is recommended that an open workshop for all stakeholders should be used to present the main points of the report and invite discussion, perhaps at an Annual General Meeting, but other opportunities for presenting the Social Audit to the wider community should be taken and reports should be made freely available to all stakeholders.

Annex 1   Social Audit Legal Clauses

Below are some sample Social Audit constitutional clauses which can be inserted into the Memorandum of Association and the Articles of Association. Option 1 shows a detailed and comprehensive example. Option 2 has 2 indicative legal clauses for insertion to a company's existing Memorandum and Articles of Association: these state that the organisation may apply Social Audit, but without legal obligation and any specific indication of how it is to be undertaken. Both options are described below.

These clauses were drawn up by John Fryer.

Option 1.

Memorandum of Association

4.   True social accounts shall be kept and shall assess and include (inter alia)
        (a) an internal report of the democratic control of the Company
        (b) an external report to identify the costs of the Company imposed on the said community of
        .... in which it is situated and the way it attempt to alleviate them and
        (c) a social objective report to evaluate the objects of the Company (other than the profit motive) so far as they affect the said community of
        ....
        (d) such other matters as the Management Board shall from time to time think fit and determine

        The said social accounts shall be open for inspection by the members subject to any reasonable restrictions as to the time and manner of inspecting the same that may be imposed in accordance with the regulations of the Company for the time being. Once at least in every year the social accounts of the Company shall be examined and verified by one or more independent assessors having knowledge of social accounts to ascertain whether or not the said accounts give a true and fair view of the year and matters to which they relate

Articles of Association

Social Accounts and Verification

30.   (a)   The Company shall prepare or cause to be prepared social accounts which shall be in addition to the financial accounts required by the Companies Acts 1948 to 1981

        (b)   The social accounts shall be prepared on a yearly basis to coincide with the financial year of the Company

        (c)   The social accounts shall be prepared in accordance with clause 5 (2) of the Memorandum of Association

31. (a) The Company shall in each year of account appoint one or more independent assessors having knowledge of social accounts to whom the accounts shall be submitted for verification for that year provided that in the first three accounting periods of the Company the Company shall not be obligated to appoint such independent assessors nor submit the said accounts for verification

(b) The Company shall not publish the social accounts unless
(i) they have been previously verified by an independent assessor
(ii) they incorporate a report of the independent assessor stating whether in
his/her opinion they give a true and fair view of the year and matters to which they relate
(iii) they have been signed by the Secretary of the Company and by two members of the directors

(c) If in relation to any social account of the Company a member of the Management Board of the Company fails to take all reasonable steps to secure compliance with the provisions of rules 28 and 29 a and b he/she shall be in breach of this regulation and such facts shall be placed on the agenda of the next following Monitored General Meeting unless he/she proves that he/she had reasonable grounds to believe and did believe that a competent and reliable person was charged with the duty for seeing that the relevant regulations were complied with and was in a position to discharge that duty

(d) The preceding provision of this regulation shall not have effect in relation to any social account of the Company for the period ended before the last day of the year of account to which provisions of sub-sections a and b of this regulation first apply to the Company

32. (a) An independent assessor appointed to verify the social accounts for the receding year of account shall be re-appointed for the current year unless
(i) a resolution has been passed at a General Meeting of the Company appointing somebody instead of him/her or providing that he/she shall not be re-appointed or
(ii) he/she has given to the Company notice in writing of his/her unwillingness to be appointed or
(iii) he/she is ineligible for appointment as independent assessor of the Company for the current year of account or he/she has ceased to act as independent assessor of the Company by reason of incapacity

PROVIDED that where notice is given of an intended resolution to appoint some person or persons in place of a retiring assessor and the resolution cannot be proceeded with at the General Meeting because of the death of incapacity of that person or persons or because he/she or they are ineligible for appointment for the current year of account (as the case may be) the retiring assessor shall not be automatically re-appointed by virtue of this rule

(b) For the purpose of the last preceding sub-section a person is ineligible for appointment as an independent assessor of the Company for the current year of account if but only if his/her appointment in relation to the Company is prohibited by regulation 33 below

33.   (a)   Subject to sub-section (e) of this regulation a resolution at a General Meeting of the Company (i) appointing another person as independent assessor in place of a retiring independent assessor or (ii) providing expressly that a retiring independent assessor shall not be re-appointed shall not be effective unless notice of the intention to move it has been given to the Company not less than Twenty-eight days before the meeting at which it is moved

   (b)   Where notice of the intention to move any such resolution has been given under sub-section (a) of this regulation to the Company the Company shall if it is practicable to do so give notice to its members of the resolution at the same time and in the same manner as it gives notice of the meeting

   (c)   Where notice of the intention to move any such resolution has been given to the Company under sub-section (a) of this regulation and the Company does not give notice of the resolution under the last preceding sub-section it shall give notice of the resolution to its members not less than Fourteen days before the meeting at which the resolution is to be moved by advertisement in a newspaper having an appropriate circulation

   (d)   Where (i) for any of the reasons mentioned in the proviso to sub-section (a) of this regulation an intended resolution to appoint some person or persons in place of a retiring independent assessor cannot be proceeded with at the meeting and (ii) an independent assessor can only be appointed by a resolution passed at a general meeting after notice of the intended resolution has been given to the Company before the meeting A resolution passed at that meeting re-appointing the retiring independent assessor or appointing an independent assessor in place of the retiring independent assessor shall be effective notwithstanding that no notice of that resolution has been given to the Company under its regulations

   (e)   On receipt by the Company of notice given under sub-section (a) of this regulation of an intended resolution it shall forthwith send a copy of the notice to the retiring independent assessor

   (f)   On receipt of a copy of such a notice the retiring independent assessor may at any time before the date of the General Meeting make representations in writing to the Company (not exceeding a reasonable length) with respect to the intended resolution and without prejudice to the preceding provision the retiring independent assessor may (i) notify the' Company that he/she intends" ' to make such representations and (ii) request that notice of his/her intention or of any such representations made by him/her and received by the Company before notice of the intended resolution is given to its members shall be given to members of the Company

   (g)   The Company upon receipt of representations or a notification of intended representations under the last preceding sub-section before the date when notice of the intended resolution is required by sub-section (b) or sub-section (c) of this regulation (as the case may be) to be given to its members shall (i) in any notice of the resolution given to its members state that it has received those representations or that notification (as the case may be) (ii) in any such notice state that any member may receive on demand made before the date of the

General Meeting a copy of any representations which have been or may be received by the Company before that date and (iii) send a copy of any representations received by the Company before the date of the meeting to any member on demand made before that date but

without prejudice either to the preceding provisions of this regulation or to his/her right to he heard orally the retiring independent assessor may also require that any representations made by him/her before the date of the General Meeting shall be read out at the meeting

34. (a) None of the following persons shall be appointed as an independent assessor of the Company
    (i) an officer or servant of the Company
    (ii) a person, who is a partner of or in the employment of or who employs an officer or servant of the Company or
    (iii) a body corporate

    (b) A person. shall also not be appointed as independent assessor of the Company if his/her appointment as independent assessor of any other Company
    (i) which is a subsidiary of the Company or
    (ii) of which that Company is a subsidiary or
    (iii) which is a subsidiary of the Company of which that Company is a subsidiary is prohibited by virtue of sub-section (9) of this regulation

    (c) Any appointment made by this Company in contravention of any of the aforementioned provisions shall not be an effective appointment

35. (a) The independent assessor of the Company shall make a report to the Company on the social accounts examined by him/her for the year of account in which he/she is appointed

    (b) The report shall state whether the social accounts comply with the regulations of the Company relating to social accounts and whether in his/her opinion they give a true and fair view of the year and matters to which they relate

    (c) Without prejudice to the provisions of the last preceding sub-section where a report of the independent assessor relates to any social accounts other than the account for the year of account in respect of which he/she is appointed that report shall state whether those social accounts give a true and fair view of the matters to which they relate

    (d) It shall be the duty of the independent assessor of the Company in preparing his/her report under this regulation to carry out such investigations as will enable him/her to form his/her report in accordance with this regulation and if the Company has failed to comply with the provisions of clause 5 (2) of the Memorandum of Association then he/she shall state that fact in his/her report

    (e) Every independent assessor of the Company
    (i) shall have a right of access at all times to the books deeds and financial accounts of the Company and to all other documents relating to its affairs and
    (ii) shall be entitled to acquire from the officers of the Company such information and explanations as he/she thinks necessary for the performance of the duties of the independent assessor

(f) If the independent assessor shall fail to obtain all the information and explanations which to the best of his/her knowledge and belief are necessary for the purposes of his/her report he/she shall state that fact in his/her report

(g) The independent assessor shall be entitled
  (i) to attend any General Meetings of the Company and to receive all notices of and other communications relating to any General Meeting which any member of the Company is entitled to receive
  (ii) to be heard at any meeting which he/she attends upon any part of the business of the meeting which concerns him/her as independent assessor

36. (a) The report of the independent assessor shall be made available by the Company to the Auditor to assist in the financial audit of the Company's accounts for the year of account to which the report relates

(b) As soon as the report of the independent assessor is available to the Company such report shall be placed before the Management Board for consideration and recommendation to a General Meeting which shall be called by the Management Board as soon as is convenient

(c) The General Meeting called in pursuance of the preceding sub-section shall consider the report in the light of recommendations of the Management Board

37. The Management Board may fix or negotiate such remuneration as may be payable to the independent assessor in respect of his report

38. (a) The Management Board shall supply free of charge to any member who applies for it a copy of the last independent assessor's report to the Company

(b) The Company shall keep a copy of the latest independent assessor's report of the Company hung up at all times in a conspicuous position at the Registered Office of the Company

39. Clause 4 (3) of the Memorandum of Association relating to the winding up and dissolution of the Company shall have effect as if the provisions thereof were repeated in these Articles

Option 2.

Optional Social Audit Clauses

1. A social audit of the Company's activities may, by resolution of a General Meeting, be undertaken annually in addition to the financial audit. The role of the social audit shall be to indemnify the social costs and benefits of the Company's work, and to enable an assessment to be made of the Company's overall performance in relation to its objects more easily than may be made from financial accounts alone. Such a social audit may be drawn up by an independent assessor appointed by the Board, or by the Board who may submit their report for verification /or comment to an independent assessor.

2. A social audit may include an assessment of the internal organisation and decision making of the Company; the wages, health and safety, skill sharing

and education opportunities of its employees, or other matters concerning their overall personal or job satisfaction; and an assessment of the Company's activities externally, including its effects on users and suppliers, on people in the same or similar field of activity, and on persons residing in areas where the Company is located.

Annex 2. Quality Assurance checks

There are 29 generic Quality Assurance Check questions that can be used to check that the quality process has been correctly followed. It is suggested that each organisation review and customise this list to fit in with its own environment.

Quality Assurance Check	Scoring Categories				
Element One	N/A	fully	fairly	hardly	not at all
1. Has the Audit Team been formed?					
2. Does the Audit Team represent a cross section of Stakeholders?					
3. Are the constitutional aims still relevant?					
4. Are the organisational rules clearly listed?					
5. Does the Governance Statement describe the organisation?					
6. Did stakeholders participate in drawing up the Governance Statement? (in year 2 onwards)					
7. Are problems or lack of information identified as objectives to be achieved?					
8. Are the previous objectives of the organisation being met?					
9. Are the values of the organisation clearly stated in the Value Base?					
10. Is the Governance Statement complete?					

Quality Assurance Check	Scoring Categories				
Element Two	N/A	fully	fairly	partly	Not at all
11. Are stakeholders clearly defined and categorised?					
12. Are stakeholders aware of the organisation?					
13. Is there generally effective dialogue with stakeholders?					
14. Has the SWOT exercise been completed?					
15. Has the Position Analysis been completed?					
16. Were a cross section of stakeholders involved in the exercises?					
17.Are problems or a lack of information identified as Objectives to be achieved?					

Quality Assurance Check	Scoring categories				
Element Three	N/A	fully	fairly	partly	Not at all
18. Did the range of internal stakeholders participate in the Internal View process?					
19. Has a clear profile of the organisation's strengths and weaknesses been generated?					
20. Are Roles, Tasks and Responsibilities clearly defined?					
21. Are job descriptions consistent with the Roles, Responsibilities and Tasks exercise results?					
22. Are Internal organisational systems clear and workable?					
23. Are problems or a lack of information identified as objectives to be achieved?					

Quality Assurance Check	Scoring Categories				
Element Four	N/A	fully	fairly	partly	Not at all
24 Have all the Outline Objectives been analysed?					
25. Have objectives and solutions been identified to overcome the problems?					
26. Has Objective planning been prepared?					
27. Has the Audit Team prepared a full report?					
28. Has the Audit Team been appointed for the next year?					
29. Has a clear plan for the next year been prepared and accepted by stakeholders?					