

Dispelling and Construction of Social Accounting in View of Social Audit

By Junaid M. Shaikh, Ph.D., and Shaharudin Jakpar

Construction of Social Accounting and Social Audit

The days when individual companies were judged solely in terms of economic performance and wealth creation have long disappeared. Today, companies have far wider responsibility to the community, to the environment and to improving the quality of life for all.

— The Chairperson’s Statement in Shell UK’s Report to Society, 1998

People are understandably frustrated and angry at what they see as a lack of corporate transparency and accountability. It is of no surprise that a company’s level of governance and responsibility has emerged as a significant indicator of its overall health as a business. After all, companies such as WestPac need more than a legal licence to operate—we require a community licence as well. For us, this means having a set of decent values that underpin our everyday activities: our transparency, our desire for fair dealing, our human resources policies, our attitude to customers, as well as our link into the community.

— WestPac, Social Impact Report, 2003

Issues associated with social disclosure as included in social accounting tend to be quite subjective and open to debate. Most exploration into and practice of social accounting are grounded in liberal economic democracy.¹ Social accounting is really no more than sticking plaster over the worst excess of capitalism, and it is frequently employed to justify and legitimise the way things are and the way organisations behave.² A wide variety of terms have been employed in social accounting. Historically, the terms ‘social audit’, ‘social responsibility accounting’ and ‘corporate social reporting’ have, from time to time, been popularised³ while more recently social accounts have appeared under the terms ‘social audits’, ‘ethical statements’, ‘values report’ and ‘social statement’. ‘Ethical audits’ is a term favoured by some individuals.⁴

Social accounting aims to assess the impact of an organisation or company on people—both the internal and external participant environments (see **figure 1**). In dealing with social systems that survive in the long term, the firm should be sensitive to feedback concerning both. Effective and efficient organisations have a clear vision of where they are going and how they will get there. The social audit process helps organisations achieve that clarity of purpose and efficiency of procedure.

Figure 1—Approaches to Social Accounting⁵

Report for the Consumption of: (A and B)	Report Complied by Internal Participants (A)	Report Complied by External Participants (B)
Internal participants (A)	<ul style="list-style-type: none"> • Social accounts • Compliance audit • Environment audit and accounting 	<ul style="list-style-type: none"> • Environmental consultants • Waste and energy audits
External participants (B)	<ul style="list-style-type: none"> • Social accounts • Social reports • Mission statements 	<ul style="list-style-type: none"> • Social audit limited • Counter info services • Journalists

Before a social audit can take place, it is important to be clear about:

- What the organisation is trying to do (objectives—internally and externally)
- How to do it (action plans)
- How to measure and record the extent to which the audit is to be done (the indicators)

It is easy to design the procedures to log with the day-to-day (social bookkeeping) activities when these are in place and to implement social accounting to make sure that the targets are monitored.

The social auditor is often perceived as the critical friend or, ideally, outsider who periodically checks the books and asks probing questions to help the organisation systematically reflect the effectiveness of its internal operations and the broad external impact.⁶

Social audit is described as an independent nonprofit body concerned with improving government and corporate responsiveness to the public and its aims were initially defined as follows:

It will be one of our objectives to illustrate the feasibility of progress towards the day when reasonable safeguards for economic democracy will be embodied in law and social audit universal.⁷

Social auditors may be required at first to help an organisation clarify its objectives, indicators and action plans and to record the accounting procedures. Once the procedures are in place, however, the organisation will have developed the skills required for evolving the system.

The perplexity generated by the diversity of terms is partly real, but also partly illusory. All the discussion and the practice hold a number of central ideas in common but, because of a diverse terminology, feature these central ideas with different degrees of precision. Indeed, the different conceptions permit undefined terms to encourage agreement