The legitimacy of accountants’ participation in social and ethical accounting, auditing and reporting

Brendan O’Dwyer

Introduction

The recent resurgence of interest in social and ethical accounting, auditing and reporting (SEAAR), particularly in the UK, is now well documented (Swift and Pritchard 2000). This has led to a situation where discussing a company’s social performance is no longer automatically regarded as tantamount to corporate treason (Walsh 1999). However, suspicions remain that this reawakening is merely part of a cynical corporate self-interested public relations exercise (Kellaway 2000) as opposed to indicating a corporate commitment to accountability to a broad set of stakeholders. Whatever the primary motivations, many accountants have now become major ‘players’ in SEAAR, with, for example, KPMG in the UK estimating that their involvement will net them income of 20 million pounds from 1999 to 2002 (Watts 1999). This paper considers the legitimacy of accountants’ recent participation in SEAAR.

Power (1997) points out that the category of ‘accountant’ is “problematic and diffuse, covering many areas of work in industry as well as public practice” (p. 124). He further claims that the internal diversification of the large accounting firms has led to a situation where it is difficult to conceive of them as speaking with one voice “on the question of [their] claims in different fields of work” (p. 124). The recent expansion of accountants into the SEAAR field tends to further blur the boundaries between what is and what is not considered ‘accounting’. For the purposes of this paper, the use of the term ‘accountant(s)’ will specifically refer to the large accounting firms (the Big Five).

The remainder of the paper is organised as follows. The next section briefly outlines the recent attempt by the Institute of Social and Ethical Accountability (ISEA) to produce a standard focused on securing the quality of SEAAR. The accountants’ risk/stakeholder management conception of SEAAR is then delineated. Using this conception, specific technical skills accountants bring to SEAAR are sketched in order to illustrate support for the legitimacy of accountants’ involvement in the field. It is argued that the applicability of these skills is substantially strengthened within a risk/stakeholder management conception of SEAAR. However, the paper moves on to maintain that if we wish to promote a conception of SEAAR primarily focused on accountability to stakeholders, as opposed to risk/stakeholder management, then particularly in the area of external social audit the legitimacy of accountants’ participation in SEAAR may be questioned. The final section briefly summarises and concludes the discussion.
Operationalising and standardising SEAAR – AA1000

While Gray et al. (1997) conceive of SEAAR as the universe of all possible accountings, they recognise that its operationalisation requires a more restrictive definition. There have been numerous recent attempts to achieve this. These have encompassed, for example, the production of social accounts/reports by Traidcraft plc, Shared Earth, The New Economics Foundation, the Body Shop, and the Co-operative bank in the UK, as well as the SBN bank in Denmark, and Ben and Jerry’s in the USA. In addition, more mainstream commercial companies such as Shell and British Petroleum published their first stand-alone social reports in 1998, while the organisation Sustainability has advocated ‘triple bottom line’ reporting encompassing reporting on the financial, social and environmental aspects of organisational activity (Owen et al. 2000, Elkington 1999, Gray et al. 1997). More recently, in order to bring some order and standardisation to this field, ISEA has produced a SEAAR process standard, AA1000, which operationalises and standardises an approach to SEAAR (ISEA 1999).

Before assessing the role of accountants in SEAAR, it is apposite to outline briefly some elements of the AA1000 conception of SEAAR given that it aims to standardise a very disparate field. The standard was developed with the objective of improving the “accountability and overall performance of organisations by increasing quality in SEAAR” (Zadek 1999). It envisages a SEAAR process undertaken in an organisation within a hierarchy of principles aimed at assessing the quality of the process. The governing quality principle is that of accountability which is attained through focusing on the needs and aspirations of all stakeholder groups. The main categories of action within the SEAAR process (which is considered dynamic) are as follows: planning; accounting; auditing and reporting; embedding; and stakeholder engagement. These are shown in Table 1.

The standard emphasises an association between accountability to stakeholders and corporate financial performance thereby reflecting, to some extent, the strategic stakeholder management focus of instrumental stakeholder theory (Berman et al. 1999; Donaldson and Preston 1995, Preston and Donaldson 1999, Donaldson 1999). This emphasis mirrors many of the recent efforts to engage business in SEAAR, where its adoption is advanced as a win–win type scenario enhancing corporate financial performance (particularly in

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<th>Table 1. Stages in the AA1000 SEAAR Process Model</th>
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Adapted from AA1000 Standard (ISEA 1999: 13)
the long term) through increasing accountability to stakeholders (Owen et al. 2000, Elkington 1999, Ernst and Young et al. 1999, Gonella et al. 1998, Wheeler and Sillanpaa 1998, Zadek, 1998). It is within this conception of SEAAR that this paper will initially discuss the legitimacy of accountants’ participation.

The accountants’ conception of SEAAR

Given the focus on accountants’ involvement in SEAAR, it is useful to consider how some of the large accounting firms perceive SEAAR and their role therein. As an example, consider the KPMG UK description of their social accountability processes:

“KPMG can assist clients to design and implement a social accountability strategy, focusing on aligning performance to business strategy through identification of and dialogue with key stakeholders. We also assist in the development of key performance indicators and related management information systems. We can provide audit and independent verification of the output of the social accounting system in accordance with the proposed standards of the Institute of Social and Ethical Accountability”. (KPMG, 2000, emphasis added)

The provision of this service is tied in with KPMG’s perceived core competencies. Emphasis focuses on addressing the full range of business risks including criticism from the media and pressure groups, which is perceived as threatening value creation. It is noted that companies need to manage the expectations of their key stakeholders in an accountable and transparent manner. In effect, the core concentration is on strategic risk/stakeholder management given perceived external threats, and centres on improving “the capacity of [the] corporation to respond to social pressures . . .” (Frederick 1994: 154). This emphasis on reputational risk management also pervades much of the UK media coverage of SEAAR (Bartram 2000, Trapp 2000, Williams 1999), and encompasses a focus on ‘values’ primarily because they ‘count’ towards overall organisational (and particularly financial) performance (Gonella et al. 1998, Pilling 1998). Accountability to key stakeholders is principally conceived of as a means to an end (i.e. improved corporate financial performance) rather than an end in itself (Owen et al. 2000).5 The following section argues that, while accountants’ technical knowledge partially legitimises their engagement in SEAAR, the major legitimising factor is the managerial emphasis in the conceptions of SEAAR alluded to above (Power 1997).

Strategic risk/stakeholder management conceptions of SEAAR – a legitimate role for accountants as business advisors/assurers

The legitimacy of accountants’ involvement in a conception of SEAAR revolving around strategic risk/stakeholder management is discussed and supported in this section given the technical expertise accountants purportedly possess. With reference to these technical skills, the discussion takes as its focal point the AA1000 SEAAR process model (ISEA 1999) (see Table 1). This process has three key stages where accountants would appear to possess a legitimate role given their technical knowledge. These are the accounting, auditing and reporting, and embedding stages of the process. However, this argument relies on an explicit acceptance of a strategic risk/stakeholder management conception of SEAAR focusing primarily on corporate management as opposed to stakeholder concerns.

Accounting and embedding

In order for any social account to be produced, information needs to be gathered and disseminated to external and internal participants or stakeholders. In large multinational concerns, information is normally produced and managed using complex management information systems. Accountants tend to be involved in the development and maintenance of these systems either in their role as management accountants within the organisations or as developers consulting or
advising the organisation. Both the accounting and embedding stages of the AA1000 SEAAR process model encompass these activities and whatever form a social account takes, it will necessarily involve the design and management of some form of internal information system (Gray et al. 1996). As Adams (1992) asserts, “systems and controls are the accountants’ bread and butter” (p. 79) and trained accountants should and often do possess the required skills. It is in this respect that they would appear to be qualified to act as advisors on the collection and dissemination of information required to produce social accounts (Medley 1997, Houldin 1993).

While the SEAAR process suggests that much of the information reported will be qualitative in nature (e.g. the opinions and concerns of stakeholders such as employees, customers, local communities, and suppliers), there are numerous quantitative indicators that are also relevant (Swift and Pritchard 2000). These include indicators such as average employee turnover, company sponsorship of employee training, accident incidence rates, numerical breakdown of stakeholder complaints, employment of local residents, number of orders without errors, number of clients served, and financial donations (Swift and Pritchard 2000, Sillanpaa 1998). Their collection and dissemination should pose few problems for skilled accountants. This point is made while accepting that within the SEAAR process there is a general danger of over reliance on quantitative and especially financial indicators (Owen et al. 2000, Bebbington et al. 1999). The issue of accountants’ ability to cope with primarily qualitative indicators is addressed later in the paper.

Furthermore, one of the main challenges facing SEAAR processes is the complexity and geographical reach of large organisations (Raynard 1998). With regard to the larger accounting firms, their global reach should enable them to deal with the complexities of gathering information from worldwide locations as well as with its subsequent audit (Owen et al. 2000). This should also enable them to ascertain and report on whether similar standards of care for stakeholders are being used in different multinational corporations.

### External auditing and reporting

With regard to the external reporting element of SEAAR, recent research provides further support for the applicability of accountants’ technical expertise. Solomon (2000) has produced evidence suggesting that a broad range of users of corporate environmental reporting (CER) information perceive a substantial similarity between the implicit CER framework and the explicit corporate financial reporting (CFR) framework. Consequently, Solomon argues that any attempt to formalise CER into an explicit framework could shadow the CFR framework given that the infrastructure is already in place for CFR, thereby making the process easier and more cost effective (Solomon 2000: 51). While Solomon’s study focused on environmental reporting, many of the users he surveyed would also be deemed social information users: this arguably extends the applicability of his results to the external reporting element of SEAAR. Furthermore, given that the external auditing component of the AA1000 SEAAR process is already modelled substantially on financial audit, the notion that a social reporting framework might shadow the CFR framework may be further developed in SEAAR practice, thereby logically extending and legitimising accountants’ involvement in SEAAR.

Whatever the type of social account produced, external verification of the account or the procedures underlying it is required to ensure the information is perceived as credible. This assumes a separation of the social accountant and the independent social auditor (Gray et al. 1997, Swift and Pritchard 2000). This reflects the process outlined in AA1000, where an independent external social audit process and report are deemed necessary in order to provide assurance to the organisation and its stakeholders as to the quality and credibility of the SEAAR process. If companies wish to add credibility to their social accounts, then it is essential that this external verification not only happens, but that it is associated with a high level of professional quality and independence (Zadek 1998). Zadek makes this clear when contending that:
“... despite a veritable outpouring of information from companies about their social, ethical, and environmental performance, there is ample evidence to suggest that stakeholders rarely believe what they are told by companies, certainly not beyond basic technical product-related information.” (Zadek 1998: 1427)

Verifying information of this nature can, according to Sillanpaa (1998), involve a review of documentation, tests of the veracity of numerical accounts, an examination of the integrity of internal management and audit systems and the ultimate signing off of published reports as ‘true and fair’ accounts. The overlap with conventional financial auditing practice is considerable in terms of the general principles of pursuing and assessing evidential data (Lee 1998, Power 1997). Financial auditors can therefore claim substantial expertise in performing audits based on many of the principles that appear to underpin current conceptions of social audit.

The arguments above only briefly allude to some of the ways in which the technical skills accountants possess can be usefully brought to the SEAAR process. However, their relevance to SEAAR is fundamentally underpinned by a risk/stakeholder management conception of SEAAR. For example, conventional financial audits are now very much focused on taking a business risk-based approach to financial auditing. This is aimed at ‘adding value’ to clients and challenging negative perceptions of the statutory audit. A strategic approach is promoted aimed at providing business assurance through identifying business risks using mechanisms such as strategic analysis, business process analysis and overall risk assessments (Arthur Andersen 2000, Swift et al. 2000, Davis 1995). The stakeholder/risk management conception of SEAAR (particularly with regard to social audit) represents a complementary addition to this conception of financial audit.

For example, KPMG has structured its social audit division around four key services: reputational risk assessment; business process improvement; supply chain management; and reporting. This clearly creates a synergy between KPMG’s traditional functions and this conception of social audit (Watts 1999) which tends to place stakeholder management and control, rather than accountability to stakeholders, at the core of SEAAR (especially social audit) (Owen et al. 2000). Therefore, the applicability of accountants’ technical skills to SEAAR is substantially strengthened through the promotion of this conception of SEAAR. However, if one perceives SEAAR in less instrumental terms, focusing primarily on accountability to stakeholders as opposed to risk/stakeholder management and control, the legitimacy of the accountant’s role, particularly in the domain of social audit, is more questionable. This is now considered in the following section.

‘True accountability’ in SEAAR: questioning the legitimate role of accountants

This section considers the legitimacy of the accountant’s role within a conception of SEAAR which places accountability to stakeholders at the heart of the SEAAR process irrespective of whether enhanced business performance ensues. While it is accepted that engaging business in SEAAR is aided by evidence which suggests that accountability and corporate financial performance go hand in hand (Waddock and Smith 2000, Berman et al. 1999, ISEA 1999, Ogden and Watson 1999), tensions and trade-offs between economic and social objectives will inevitably occur (Swanson 1995, Frederick 1987). The ability and willingness of accountants to facilitate a primary role for accountability to stakeholders in SEAAR through engaging in social audit, is questioned in this section. This form of accountability may be termed ‘true accountability’ (Tricker 1983).

Gray (forthcoming) asserts that (social) accounting should be emancipatory and democratic and designed to increase the transparency and accountability of powerful institutions and organisations. His view is predicated upon the rights to information of the polity in a democracy (Gray et al. 1996, 1991, 1988) and requires corporations to increase the coverage and extent of their own accounting. Stakeholders’ rights to information are deemed to exist regardless of whether their
recognition enhances corporate financial performance. Narrower conceptions of SEAAR (such as those outlined in the previous section) which concentrate on consideration of accountability in terms of its potential to enhance corporate financial performance tend to downplay the 'true accountability' and transparency elements of SEAAR which many deem fundamental to the process if it is to be of any social as opposed to corporate value (Owen et al. 2000, Geddes 1992). This perspective emphasises the potentially conflictual nature of 'true accountability' through SEAAR. It requires accountants to focus their actions, particularly in external social auditing practice, on the public (or stakeholder) interest in accordance with their role as members of a profession as opposed to business assured/ advisors. From the stakeholders’ perspective, the credibility of external social audits is crucial if they are to have any trust in the SEAAR process given that much evidence suggests that voluntary reporting on the wider social consequences of corporate performance has differed substantially from actual performance (Bailey et al. 2000).

As accountants are members of professions, the notion that they should be involved in activities aimed at promoting the interests of stakeholders (as members of the public) appears unproblematic. A fundamental element of professionalism is the claim to disregard or at least subordinate self-interest in service of the public interest, as professionals are perceived as possessing an explicit obligation to act in the public interest. In fact, the accountancy profession recognises and promotes this role (Canning and O’Dwyer 2000, Lee 1995) in order to distinguish itself from trade associations and trade unions (Puxty et al. 1997). Nevertheless, while this may be a basis for arguing accountants’ suitability to handle SEAAR based on ‘true accountability’, the world we live in is fast becoming ruled by market pressures (Bailey et al. 2000, 1998, 1994, McChesney 1999) in which accountants are competing aggressively for business and are accountable for their contribution to the financial performance of their employer firms (Mitchell et al. 1994). In order to survive, accounting firms have been “transformed into fiercely competitive businesses seeking to penetrate and expand markets for all kinds of business services where the trappings of professionalism [appear] increasingly remote and irrelevant” (Sikka and Willmott 1995: 566, emphasis added). The emphasis is now “...very firmly [focused] on being commercial and on performing a service for the customer rather than on being public spirited on behalf of either the public or the state” (Hanlon 1994: 150, emphasis added). In effect, the profession has been accused of “los[ing] its sense of public mission making it indistinguishable from any other form of profit based business” (Lee 1995: 63) with accountants charged with failing to assist in “...accountability process[es] to protect the public interest” (Lee 1995: 64). These trends and accusations raise questions regarding accountants’ suitability to attest to ‘true accountability’, particularly with regard to their involvement in external social audits of this nature.

It has long been recognised that the success of corporate financial audit is largely dependent on the independence of the financial auditor (Lee 1998, Moizer 1997, Sikka and Willmott 1995). Likewise, independence will be crucial for external social audits in order to engender trust among stakeholders. AA1000 recognises this in outlining ‘objectivity and independence’, ‘professional competence’, and ‘due care to stakeholders’ as some of the principles governing the activities of a social and ethical auditor (ISEA 1999: 38–39). Related to the issue of independence is the competence of the financial auditor to carry out a social audit. Financial audit primarily concentrates on numbers produced by an accounting system dependent on internal controls and rule compliance procedures. However, with social auditing, more non-financial/qualitative areas are introduced on which accountants may find it difficult to make a judgement given the absence of ‘hard’ numbers (Lee 1998). A lack of experience and expertise in the qualitative aspects of social auditing may lead to suspicions regarding the financial auditor’s competence. This raises the risk of the auditor increasingly relying on client management in terms of asking questions and assessing responses (Lee 1998) and poses an initial threat to the independence of the financial auditor in an area where he/she may feel less competent.
In order for ‘true accountability’ and transparency to evolve, conflict between external social auditors and company management may be inevitable and this necessitates further consideration of a financial auditor’s independence in the province of external social audit. While this will be an issue for whatever body undertakes a social audit, it will be particularly difficult for large accounting firms, especially as they often provide a diverse range of services, including the financial audit. Social audit fees will most likely be a minor part of the total fee income from an organisation.

In a conflict over aspects of an audit, resistance to management pressure could engender implicit threats regarding the retention of the financial audit (and indeed other non-audit services). This conflict of interest threat to independence has been an ongoing issue within the accounting profession and there is substantial evidence to suggest that financial auditors are often far from independent from management influence (Moore 2000, Swift et al. 2000, Sikka et al. 1998, Sikka and Willmott 1995, Humphrey et al. 1993). Can we expect anything different if financial accountants move into the realm of social auditing, particularly as social accounting consultancy services are being promoted alongside social audit services as part of packages aimed at reputation assurance and risk management? Some have argued that the process of SEAAR should ‘hurt’ and that the dialogue can never be cosy (Slavin 1999), but given the concerns outlined above regarding financial auditors’ independence from management, their ability and willingness to ensure this ensues is questionable.

Furthermore, companies more concerned with risk/stakeholder management as opposed to ‘true accountability’ may often realise these difficulties for accounting firms. This leads to the potential for deficient auditing. As Paul Monaghan, Partnership Development Manager of the Co-operative bank in the UK, has warned:

“At the moment, there is an incentive for firms to appoint soft auditors. In some cases, it looks like the auditors are not doing their job deliberately because they are just raking in the money”. (Cowe 1999a)

Given the risk/stakeholder management focus in much of the discussion of SEAAR, it is likely that even when companies commission accountants to audit social accounts they are not looking for the associations of independence of the financial audit profession (Ball et al. 2000). In this regard, recent evidence of accountants’ involvement in the verification of environmental reports casts further doubt on the capacity (or willingness?) of accountants to audit having regard to the information rights of stakeholders as opposed to the desires and wishes of management to be ‘seen to be audited’. Ball et al. (2000) bemoan an apparent lack of transparency in environmental audit and reporting praxis whereby selective disclosure is verified (often by accountants) with little regard for the concerns of external constituencies over performance deficiencies. For example, with respect to verification statements appearing in a sample of environmental reports, they concluded that:

“… where accountants are commissioned to verify environmental reporting packages … it can be argued that there are no examples of truly independent verifications…”. (Ball et al. 2000: 15, emphasis added)

Most conceptions of social accounts and audit emphasise accounting and reporting to a broad category of stakeholders. This moves reporting away from the narrow confines of accounting to shareholders in financial audit to a more expansive view of the external reporting constituents (Lee 1998). However, the requirement for accountants to consider a broad range of (sometimes competing) stakeholder interests raises additional questions concerning the legitimacy of accountants’ role in SEAAR. For example, in order for a social audit to possess credibility for stakeholders, it is important that the social auditor also be held to account for the report produced. The question then arises as to who audits the social auditors particularly when accountants are undertaking this role? While this will be an issue for whatever professional group oversees social auditing (currently ISEA), the historical resistance of the accounting profession (in the UK) to the broadening of the accountability of financial auditors (Lee 1998, Napier 1998, Power 1998,
Gwilliam 1997) engenders concern regarding the accountability they will accept while acting as social auditors. While SEAAR is implicitly promoted by ISEA (1999) in AA1000 as allowing organisations to avoid or influence potential government regulation through illustrating “the self-regulating [SEAAR] processes [they] are following” (ISEA 1999: 4), regulation and control of social auditors will be needed to further trust in their activities. If the accountancy profession has a commitment to the engagement of its members in social audit, then attitudes to their own accountability as auditors may need to be challenged. As with many of the issues surrounding SEAAR, this one is potentially intractable, but it has to be addressed if accountants’ legitimacy in a ‘true accountability’ conception of social audit is to be accepted. However, while the issue of the exact form of social audit report to be used is, according to ISEA, still to be fully addressed, given the above trend, convincing accountants to take on responsibility to stakeholders for any report will be problematic.21,22 This issue of concern regarding the accountants’ role needs to be raised even at this developmental stage in SEAAR, as its debate and consideration is vital in order that complete trust in the social audit process may be established.23

Summary and conclusions

The objective of this paper has been to discuss the legitimacy of accountants’ recent involvement in SEAAR. Support for the accountants’ legitimacy was proposed by highlighting some of the technical skills they offer to the SEAAR process as conceived in AA1000. It was argued that the relevance of these skills was strengthened within a conception of SEAAR which perceives it principally as a risk/stakeholder management process focused primarily on the concerns of corporate management as opposed to those of the wider society. However, while it was accepted that there will be instances where ‘true accountability’ to stakeholders will occur (if this was ever possible) in tandem with improved financial performance, it was asserted that ‘true accountability’ is to be understood without regard to its financial impact. Within this conception of SEAAR, particularly the social audit dimension, the legitimacy of accountants’ involvement was disputed.

This paper only touches on a number of the issues regarding accountants’ participation in SEAAR, and fails to consider many others. For example, it has not addressed the accountant’s role in the stakeholder feedback process (ISEA 1999: 33), a vital part of any SEAAR procedure if it is to have any stakeholder ‘value’. The willingness of accounting firms to themselves undergo SEAAR processes is an issue that could also be considered relevant to an assessment of accountants’ legitimacy in SEAAR. Furthermore, the desire of accountants to support changes in governance mechanisms to provide a real voice for stakeholders in powerful organisations also possesses significance within this discussion (Owen et al. 2000, 1997). Despite these limitations, if this paper cautions against facilitating the unquestioned entry of accountants into the realm of SEAAR, then it will have delivered its message cogently.

Acknowledgement

I would like to gratefully acknowledge the helpful comments of Rachel Hinds.

Notes

1. Accountability is discussed in broad terms within AA1000. It is noted that to account for something “is to explain or justify the acts, omissions, risks and dependencies for which one is responsible to people with a legitimate interest” (ISEA 1999: 8). Further, to discharge its accountability, “an organisation will account for its acts, omissions, risks and dependencies” (ISEA 1999: 8). The standard goes on to note that “in addition to this accounting requirement for transparency, accountability also entails a broader obligation of responsiveness and compliance” (ISEA 1999: 8).

2. These stakeholder groups are deemed to include, but are not limited to: owners, trustees, employees and trade unions, customers, members, business...
partners, suppliers, competitors, government and regulators, the electorate, non-governmental organisations (NGOs), not-for-profit organisations, pressure groups and influencers, and local and international communities (ISEA 1999: 3).

3. While this discussion focuses on KPMG, it also reflects the approach taken by many of the other members of the Big five in this field (see Browne 1999).

4. This is also reflected in the formation recently of the Centre for the Analysis of Risk and Regulation (CARR) at the London School of Economics with PricewaterhouseCoopers poised to provide major funding for a risk research institute within CARR (Trapp 2000).

5. The recent publication by the Danish offices of Ernst and Young, KPMG and PwC entitled “The Copenhagen Charter: A Management Guide to Stakeholder Reporting” also reflects this focus whereby building and managing effective stakeholder relations through stakeholder dialogue and reporting is viewed as leading to improved internal and external value creation for companies and their key stakeholders. The process of stakeholder reporting is generally in line with the AA1000 SEAAR process.

6. See Gray et al. (1993), chapters 3 to 9 for a detailed overview of the practical implications for management and accountants of the introduction of environmental concerns into organisational activity.

7. Dey et al. (1995) illustrate this in an attempt to replicate a conventional accounting system in Traidcraft plc, a values based organisation based in the UK.

8. It should be pointed out, however, that the ability to successfully undertake this information gathering and analysis will presume that the organisation is already committed at a strategic level to the implementation of a social accounting system encompassing the production of a social account (Waddock and Smith 2000, ISEA 1999).

9. These potential users encompassed companies, legislators, academics, pressure groups, investors, professional and government organisations; and fund managers. This list is not exhaustive (see Solomon 2000: 39).

10. See O’Dwyer (2000) for a critique of aspects of the methods and conclusions in this paper.

11. The audit of the social accounts of Traidcraft Exchange was undertaken by a firm of financial auditors (Rainbow Gillespie). While not without its difficulties (see Gray et al. 1997), it was conducted using existing auditing standards for use principally for financial statements, and consideration was given to audit engagements involving non-financial information. The experience and discipline of the financial auditor was deemed to have improved the approach (Raynard 1998). In addition, a similar approach was undertaken by the financial auditors of APSO, an Irish overseas aid agency, in the audit of their 1996 social accounts. The author was a member of the audit review panel on this audit.

12. As with the earlier entry of the major accounting firms into the domain of environmental auditing, many firms have used these arguments to suggest they should be involved in social audits given their expertise in financial auditing methodologies (see Power 1997). For example, auditing skills were spoken of “as if they formed a discrete body of knowledge” (Power 1997: 138) exclusive to accountants. In SEAAR, accountants are adding to this purported knowledge base by employing professionals who were involved in many of the pioneering efforts in SEAAR. While the case for transferring the auditing skill of the accountant from the financial audit to the social audit field is outlined above, it should be pointed out that it does not purport to support the legitimacy of accountants as the only professional grouping with (auditing) skills pertinent to SEAAR.

13. KPMG and The Body Shop announced a swap of expertise in 1998 in which The Body Shop handed over its supply chain audit team to KPMG in order to allow it to offer these services to other clients. In return, KPMG, agreed to provide worldwide non-financial auditing to The Body Shop (Supply Management 1998).

14. Waddock and Smith (2000) claim that most managers view profitability and responsibility as a trade-off and contend that this “hinders them in shifting from the tyranny of ‘either/or’ to the logic of ‘both/and’” (p. 77). While the promotion of SEAAR often rests on illustrating the positive financial benefits of SEAAR, and this is somewhat understandable given the need to engage the initial interest of business organisations, this perception strengthens the impression that in order for ‘true accountability’ to occur, some form of conflict between corporate and stakeholder goals may be inevitable.

15. Members of professions are deemed to possess particular and exclusive attributes including, for example, a fundamental trait encompassing the
The AA1000 principles tend to encompass many of the principles professional bodies expect of their members working in financial audit.

17. However, AA1000 (ISEA 1999: 76–86) has outlined competence and qualification requirements for social and ethical accountants and auditors.

18. In the realm of quality audit, Swift et al. (2000: 40) have highlighted concerns over 'cosy package deals' which tend to blur the distinction between assessment and consultancy services, thereby raising questions about the independence of quality auditors. This trend is now evident in accountants' entry into SEAAR.

19. Cowe (1999b) reports on British Telecom's initial effort to produce a social account whereby when the results of the initial audit were presented to senior executives they decided the report would be too negative and postponed plans to publish it. A scenario such as this may not be an uncommon reaction to the results of a social audit carried out by a professional accountancy firm and this creates many of the dilemmas outlined above.

20. Although not directly addressed in this paper, it should be borne in mind that Lee (1998) asserts that the perception of a clash between economic and non-economic stakeholders has become engrained in the accountancy profession and this raises concerns regarding the reporting to stakeholders that may be undertaken by accountants.

21. The author has experience of this regarding an audit report a financial auditor issued on a set of social accounts in the Irish context. The financial auditor insisted on addressing the report to the management of the organisation, as to address it to the stakeholders (on whose behalf it was prepared) would risk opening up potentially broad and intractable legal issues for the auditor. The point here is that a report of this nature defeats the 'true accountability' aims of SEAAR and may therefore be deemed worthless by stakeholders. This raises specific questions about the involvement of the financial auditor in social audit and more generally about the accountability of social auditors in general.

22. See Gray et al. (1997: 345–346) for an outline of some of the issues which arose in this regard in the audit of the social account of Traidcraft Exchange by a financial auditor.

23. It should be pointed out that the issue of the exact nature of the social audit report and what it will attest to, is, at the time of writing, still in need of greater clarification (see ISEA 1999: 30–31, 46–47). If the history of the audit report on financial statements is anything to go by, there will be much negotiation of the contents and the potential for the creation of a social audit expectations gap similar to that in financial audit (see Puxty et al. 1998, Humphrey 1997) unless it is considered extremely carefully.

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