social audit
manual

Acknowledgement

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chapter 1

an Introduction :.

VICTO has already gone a long way — from the time when it took roots in six small and impoverish towns on the Pacific rim of Southern Leyte in the early 1960s, to its circuitous routes to Dumaguete City and the towns of Negros Oriental and Tacloban City and Biliran island in Region 8, and finally to the time of its birth in 1970 in Cebu City as a service organization specializing in cooperative education. Now, VICTO stands tall as a landmark of cooperative endeavors in the Visayas.

VICTO is one of the most viable and stable cooperative-owned institutions in the Philippines. It counts some 243 affiliated cooperative primaries, with a combined membership of about 300,000 individuals in almost all fields of endeavors. It offers a wide range of basic services to cooperatives, and presently it is into consultancy services, financial and social audits, coop education and training, training on financial intermediation, financing, inter-coop trading, research and publication, provision of training facilities, and hostelry. In 1991, it won international recognition for its works through the Development Management Award conferred by the World Executive Digest and the Asian Institute of Management, making it number one development institution in Asia.

VICTO's Self- Image ∵

VICTO's whole ethos is captured by its distinctive logo.

The square enclosure symbolizes what VICTO aims to achieve: Total Human Development. The center square depicts VICTO as an institution committed to promote co-operativism that is characterized by self-reliance, mutual assistance, democracy, justice and nationalism. The four quarters magnify VICTO's management roles as a social development agency, people's movement, business enterprise and world class organization. The horizontal lines represent the Center's linkage with society and other institution as it unites people in the Visayas through the cooperative movement. And the vertical lines highlight its efforts in promotion and development, and the integration of the co-operative movement.[1]

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[1] VICTO, *Bridging the Isles: People Power Empowerment through Cooperatives*, VICTO, 1999, p. 10.

Social audit, which is now one of its various services, is the most recent among its many services to its affiliates. To be sure, social audit is not something new to VICTO; as early as the 70s, it had made integrated management studies in two co-ops. But it was only in 1996 and since then that it has been into social audits, although with intermittent regularity. In fact, VICTO had completed nine social audit engagements of primary cooperatives in Bohol and Cebu.

Gleaming from the reports, however, VICTO's early experiences in social audit were more in the category of impact research. Those entirely partook of the social science methodology, of the descriptive genre and using one measure-ment technique, the surveys, and involved only one stakeholder, the members. And nearly in all, the only method of analysis was the single variable frequency distribu-tion, and never did the reports tackle and give opinions, espe-cially with regards to the internal dynamics within the cooperative or did deal on other important areas of concern commonly tackled in social audits that evolved from the traditions of financial auditing, particularly on such areas as the co-op's efforts at asset building, the co-op's provision of services to the community and the members, its alliance work with other coopera-tives and other society forma-tions, its education programs, etc., or did those cover the perceptions of other major stakeholders like the staff, the officers or the community leaders.

Early Experience in Social Audit :.

VICTO's New Initiative In Social Audit

VICTO's new initiative in social audit is certainly a leap from its past experiences. For one, it began by learning from, and gaining insights into, the experiences of other service organizations doing social audits, both from within the cooperative sector here and abroad and from the community and business sectors also here and abroad. For the record, the team got five reference materials and social audit frameworks, namely: Social Auditing: A Manual for Cooperatives published by the Cooperative Union of Canada; Social Auditing for Cooperatives by CoopNet, a CDA initiated group; Social Audit Notes from the Magtuloy, Neric & Co., CPAs, an auditor's group; "Measuring Cooperative Difference" from the Euro Coop General Assembly; and Social Auditing for Small Organizations published by the New Economic Foundation of London, and three social audit reports, namely: VICTO's report in "The Social Audit of the Bohol Diocesan Multi-Purpose Cooperative"; Vancouver City Savings Credit Union's VanCity Social Report, 1998/99 and Metro Credit Union's 1999/2000 Social Audit Report, both of Canada, as a starting point and as bases of drafting a cooperative-oriented social audit framework. Later, it got other social audit works through the Internet, particularly: Social Auditing and Community Cohesion by Dr. Leslie Brown of Canada; Social Auditing with Community Organizations by

the CBS Network of Edinburgh, Scotland; "Social Auditing – Feedback Control for Organizations", an article by George Clark of England; "Social Auditing: Oxymoron or Wave of the Future?" by Curtis C. Verschoor and Jon H. Entine, for more insights into the social audit works as a tool for social performance improvement.

The mix of experiences as bases of learning is recognition that cooperatives are business enterprises and people's organizations with social purposes. As such, cooperatives have similitude with other business enterprises, as they too have likeness with community organizations. From the amalgamation of the works as cited came the matrix, which became the basis of several discussion sessions among peers within VICTO and even among friends in a business corporation with strong social responsibility components. Later, the matrix was also the subject of discussion during the series of discussions with primary organizations chosen for the trial-running of the experience, the workshops with their representatives to draft and finalize the social audit framework, and finally in the board meetings for the framework's approval. To enrich the framework, along the way and through suggestions of cooperative primaries, certain disciplines from the social sciences were also integrated, particularly the surveys and interviews of members and staff.

In theory, it was from these processes that VICTO's social audit framework had evolved and came. But it was in the "test of fire", in the actual implementations that the framework got firmed up as a doable procedure. The social audit framework was pilot-tested in two cooperative primaries in Cebu, namely Cebu People's Multi-Purpose Cooperative and Consolacion Multi-Purpose Cooperative, and the results indicated that the procedure has good-sized coverage that allowed for deeper understanding of the organizations under social audit. In form and substance, the framework passed the test quite well; but, above all, the procedure as delineated is replicable in other cooperative primaries and can be done by others who may be interested in social audit.

The social audit framework runs through and is stringed with the cooperative principles. The principles identify and fastidiously

distinguish the cooperatives as business enterprises and people's organizations. They make for the cooperatives' uniqueness, so distinct from any other businesses or community organizations, and invariably spell the cooperative difference. The cooperative principles thus serve as the fundamental theses upon which the gamut of the social audit procedure revolves, and upon which the compliance by the cooperatives to the essences of cooperativism is determined and their social performances are perpetually measured.

Social Audit :.

Social audit emerged as a corporate act of business organizations to demonstrate goodwill — or to counter criticism.

chapter 2

In the 70s, when it first appeared, social audit was a response to the budding consumer movements that rode on the issues of unsafe products and to the environmentalists' movements[2] that protested on the wanton dumping of pollutants to the environment. And in the last decade when it resurfaced from the lull in the 80's social audit was driven, and literally forced upon, by the 'green business' and 'ethical investments' communities that came to prominence through highly publicized boycotts of firms.[3]

Social audit in origin, it can be said then, has roots in the dire need to make business organizations more accountable to people and communities. That some business organizations' decisions and actions have far-reaching implications on, and consequences to, communities and lives of peoples have to be recognized, and that whatever their impact — whether beneficial or non-beneficial -- these organizations have to account for them on the ground of social responsibility.

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[2] Euro Coop General Assembly, "*Measuring the Cooperative Difference*", 1999. P.4.
[3] Curtis C. Verschoor and Jon H. Entine, "*Social Auditing: Oxymoron or Wave of the Future?*", July 1997, p. 1. (An Internet-generated article.)

Factors Credited for its Growth :.

Several factors are credited as having contributed to the significant growth of social audit at present. Some of these factors[4] are:

· *Investigative reporting by mass media organizations into the impacts, usually negative, of corporations and other institutions on people, on the local community and on the environment;*

· *As pressures filed-up in the 1980s about the impact of industry on the environment, standards began to be developed requiring companies, and others, to report on likely and actual environmental ramification of its continued operations.*

· *The growth of interest in ethical investment has led to the need to uncover and better understand just what corporations do and how they use the funds invested in them.*

· *Consumers themselves, through consumers' organizations, have become more conscious of how their patterns of consumption can affect the actions of corporations and even governments.*

· *The movement of corporate social responsibility has given the impetus to shift from simply doing good things in the community to one that embrace the notion of improved accountability to stakeholders and the need to explain themselves, if only to maintain a license to operate.*

· *The idea of stakeholders has opened up new understanding that all organizations affect far more people than was perhaps realized in the past and that these stakeholders have a legitimate right to at least know what is going on, or even have some influence on them.*

· *And most recently the introduction of the concept of best value re-enforces the legitimacy of recognizing softer outcomes as well as hard outputs at the same time as making it more essential that there is some way of accounting for and reporting on that softer performance.*

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[4] *CBS Network, Scottish Social Audit Program: Social Auditing with Community Organizations,* November 2001, p. 4. (An Internet-generated social audit report)

Definition of social audit ∴.

Social audit is a procedure that simply piggybacks on a business organization's own currently running documentation and reporting. Yet: it allows the organization to assess its social impact and ethical performance vis-à-vis its stated vision-mission-goals; it enables the organization to develop a process within, whereby it can account for its social performance, report on that performance and draw up an action plan to improve that performance; and finally it makes the organization understand its impact in the community and be accountable for its decisions and actions to its key stakeholders.

As the CBS Network says: "In essence therefore, social audit is accounting for what an organization does and listening to what others have to say so that future performance is well focused and is undeviatingly directed at achieving the organization's chosen objectives".[5]

The scope of a social audit is not restricted to corporate decisions and actions that have a specific 'social' focus. Social audit is concerned with any action or decision initiated by the organization that has social consequences. Social audit extends beyond the usual myopic preoccupation with corporate interests to the more

socially responsible concerns, including the broader impact of corporate decisions and actions to people and communities. Of course, this is not for philanthropy, entirely; because any organization will benefit from taking into account the expectations of individuals, groups, and other organizations that affect the success of its operation.[6]


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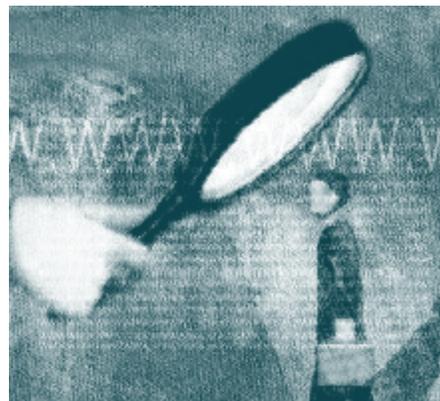
[5] CBS Report, Ibid., p. 7.
[6] Cooperative Union of Canada, Social Auditing: A Manual for Cooperative Organizations, 1985, p. 1.
[1] CBS Report, Ibid., p. 7.

The recent corporate debacles, both here in the Philippines and abroad as reported, are very good proofs to the above assertion, thus:

There are many lessons to learn – from the Enron debacle to the latest in WorldCom bankruptcy. One of the world's biggest accounting firms is under litigation. . . . The Enron bank-ruptcy has led to a lot of finger pointing and commentary about what went wrong. However, there is much to be desired in resolving and committing to doing things right and making things better. But this much we know. Public trust and investor confi-dences have dwindled (Italics added).[7]

Social audit is similar, in some respects, to financial audit but focuses on social rather than financial performance. According to Geddes, an early author on social audit,
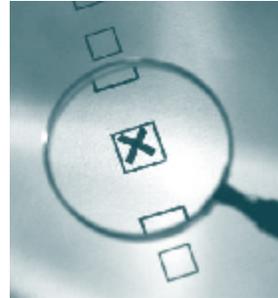
"Social audit then is best understood as a reaction against conventional accounting principles and practices," which focus "on the financial viability and profitability of the individual economic enterprise. By contrast, social audit proposes a broader financial and economic perspective, reaching far beyond the individual enterprise. Social audit posits other goals as well as, or instead of, financial profit-ability. Moreover social audit attempts to embrace not only economic and monetary variables but also - as its name suggests - social ones, including some which may not be amenable to quantifi-cation in monetary terms."[8]

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[7] Jerry Isla, "Public Trust in Corporate Reporting", Philippine Daily Inquirer, September 16, 2002, p. C2.

[8] M. Geddes 1992, "The Social Audit Movement", in *Green reporting: the challenge of the nineties*, Owen D (Ed), Chapman and Hall and quoted in *CBS Report, Op. Cit.*

Social audit consists of a distinct sequence of procedures or tasks that begins with clear identification of the organization's social responsibilities, establishment of performance standards, application of measurement tools to assess the consequence of corporate decisions and actions, and reporting on the organization's performance over a specified period.[10] The Cooperative Union of Canada, in its social audit manual, so says: "Effective and efficient organizations have a clear vision of where they are going and of how they are going to get there. The social audit process helps organizations achieve that clarity of purpose and efficiency of procedure."[10]

At this point, it is important to make a distinction between the role and purpose of social audit for the community sector and for private corporations. In the community sector, their social or ethical purpose is their primary purpose and their business and financial activity is what they do in order to fulfil the primary purpose. On the other hand, for

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[9] Cooperative Union of Canada, Op. Cit, p. 1.
[10] George Clark, "Social Auditing – Feedback Control for Organizations", p. 2. (An internet-generated article.)

private corporations their primary purpose is about growing share value and increasing returns to shareholders and the social audit is more of an exercise to demonstrate corporate social responsibility, with an eye on maintaining "the license to operate". In the latter, stakeholder consultations and dialogues are "managing stakeholder relations", so that the primary purpose may be better achieved. Anyway, at its best it does report widely and frankly to stakeholders about the good news and the bad news, and at its worst it may become no more than a public relations exercise.[11] Yet, this enhances corporate reputation and helps to minimize the risk of crisis.[12]

[11] CBS Report, Op. Cit., p. 7.
[12] Executive Summary on the Study Tour Final Report of CCBC made available to members and publicly launched on May 4 at the CSR Conference in Vancouver, BC, p. 1. (An Internet generated article).

Value of social audit :.

One reason for the growing importance of social audit is the necessity of having the information an organization needs, both qualitative and quantitative. The information enables it to know how is it performing and of what people think about what it does and how it does it. But more than knowing, the information helps the organization to improve itself, in its products and services and the methods by which these products and services are delivered to their users. Thus improves too its bottom lines.

Another reason is attributable to the need for society to be able to exert the controls and influence over corporations. In the past, local communities could exert pressure over local companies operating locally. In the present age of globalization, where business organizations extend beyond national   boundaries, local communities — and even countries to some extent — are

no longer in the best of position to having controls and influence on them. It is a fact that in an economy of big business, it is not enough to have them do financial audit, follow social and labor standards and comply with environmental requirements through the ECCs; the only best way for society is for them to account for the impact of their decisions and actions to people and their communities through social audits. In this regard, Goyder says: " . . . (financial accounting) is a one-sided state of affairs and belongs to the days when companies were small and

public accountability was secured. In an economy of big business, there is clearly as much need for a social audit as for a financial audit".[13]

The third reason runs parallel to the two mentioned above. While big business is beyond the control and pressures of local communities, it still depends a lot for its good health and continued fruitful life on the goodwill of its various stakeholders, particularly those who use its products and services, those who work for it, those who work in partnership with it, those who support all its initiatives and those who invest in it. These stakeholders need to know and understand the true nature of the added value that the organization has achieved, for it to continue doing what it is doing. Without the trust and confidences of these stakeholders, the

organization cannot stand, or cannot stand a chance to exist longer, as evidenced by Enron and WorldCom debacles.

And finally, the fourth reason is for organizations to have a mark of prestige, a badge of distinction. This badge serves to guarantee trustworthiness as business endeavors, as it assures adherence to social responsibility and ethical business practices. And this badge on the sides serves also as good advertising tool, which in turn could translate into improved bottom lines.

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[13] G. Goyder, 1961, "The Responsible Company", Blackwell and quoted by the CBS Report, op. cit., p.4.

Social Audit Models :.

Since the 70's, and more recently in the 90's, there have been a number of social audit models that come to be utilized by both the community sector and private corporations all over the world. To date, however, there are only approximately half a dozen social audit models[14] that come to gain wide usage. And these are:

· social balance sheet, which prevailed in the 1970s,
· social performance index, a model that utilizes a form of ethical investment scorecards, which assign rankings or numerical ratings to social issues,
· Independent social assessments such as that of the "The 100 Best Companies" series in the US,
· Stakeholders surveys, a dimension of the New Economics Foundation of the UK.
· Benchmarking by objectives, which is more commonly used in environmental audits,
· Disclosure reports which evaluate companies on their disclosure of critical information of stake-holder concern, and
· Disclosures screen which has been adopted by some nonprofit and business corporations and has been endorsed by the Certified Management Accountants Association of Canada.

From these models come also a number of corresponding international standards. There are now in place such standards as: AccountAbility 1000 (AA1000) of the Institute of Social and Ethical Accountability, which is the standard social performance adopted by BP, Body Shop of UK and Australia, Royal Dutch/Shell Group, among others[15]; ETHIBEL Certificate and Solid'R label of Belgium, a quality label for companies employing under-privileged groups and operating in the sector for recycling textile and other goods;   SA8000 of the Social Accountability International, whose standards are based on ILO recommendations

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[14] Curtis c. Verschoor, et. al., Op. cit., p. 2.
[15] Euro Coop General Assembly, Op. cit, p. 4.

and on agreements and the Conventions of the UN; ISO 14001, for environ-mental management system; ISO 9001:2000, a quality management system; and OHSAS 18001 for occupational health and safety assessment series.[16]

The community sector and private corporations may be well served to carefully consider which of the various models, individually or in tandem, are best suited to address their internal needs and public disclosure objectives. It is imperative, however, that a social audit should thread beyond a review of their stated missions, because a successful social audit requires them to demonstrate their commitment to publicly disclose information about their operations and their responsiveness to solve problems uncovered by the social audit.[17]

The Social Audit Field :.

Social audit is the generic term referring to the full range of activities of the entire procedure. In effect, it encompasses the following activities:

1. *Social accounting, which covers:*
   a. *Social bookkeeping, an activity whereby all information related to social performance based on the organization's social objectives are collected, recorded and systematically classified;*
   b. *Summarization and interpretation of the data; and*
   c. *Reporting the information to management.*

2. *Social auditing, which covers:*
   a. *Verification of the information, and certification as to the correctness of the information; and*
   b. *Reporting the information to all the stakeholders and the public.*

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[16] "Grants Offered to Firms Eyeing SA 8000 Paper", *Sun*Star Cebu*, January 15, 2003, p. 21
[17] Curtis C. Verschoor, et. al., Loc. cit., p. 3.

Social Audit Principles :.

In the past years, there have been substantial efforts to define common themes in social audit. From the experience of all those involved, a good social audit carries all these characteristics:[18]

1. Improved social performance. This is the overarching principle, and this refers to the continuous improvement in   performance by the organization relative to the chosen social objectives as the result of social audit;
2. Multi-perspective. It is important for all groups affected or who affect the organization to be included in the process;
3. Comparative. The process should allow for comparison with other organizations, over time and between stakeholder groups.
4. Comprehensive. The process should be designed to collect all relevant materials and areas of concern should not be left out simply because the organization would not like the result.
5. Regular. To facilitate comparability and to demonstrate a commitment to the process, it should be regular, with a frequency of once every two years.
6. Verified. Verification by independent auditors gives the process credibility.
7. Published. The result (or a synopsis) of the audit should be published so that the stakeholders can see the results and to encourage openness.
8. Improvement. It is important to receive feedback about the process itself and the report, and to improve the system over time.
9. Embeddedness. The social audit process should be integrated with other business information gathering systems.

It has to be recognized that not all organizations, especially from the community sector, have the resources necessary to carry out and be able to fulfill all these principles in a given year. Social audit can be done incrementally: one way is by foregoing verification and disclosure during the first year; and another way is by reducing the comprehensiveness of the social audit framework by limiting it to few areas of decisions and actions. In this way the organization moves slowly within the limits of its own resources, while inching towards the completion of the full requirements of a social audit in all its eight principles and address in full the first principle which is continuous improvement in the social performance of the organization.[19]

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[18] Euro Coop General Assembly, Op. cit., May 1999, pp. 4-5. (Note: Principles 1 to 7 are common to all social audit models.)

[19] John Pearce, Peter Reynard and Simon Zadek, Social Auditing for Small Organizations, NEF, London, p.4.

Methodology of Social Audit

Social audit, as pointed out earlier, is actually an offshoot of accounting, and both methods of reporting "are dealing with social 'systems' which survive in the long term only through being alive to feedback concerning both their internal (subsystem) and external (supersystem) environments".[20] Being alive internally refers to both the methodology's capacities to improve internal processes and modes of reporting over time as gained from experience. And being alive externally refers to the methodology's capacities to improve along with and in response to the requirements of the people and their communities.

The term methodology is a broad one, and it encompasses the following: 1) formulating the social audit framework in relation to the areas of decisions and actions that the whole procedure wants to encompass, whatever the social audit model used; 2) planning what data are to be collected, why, how and by whom; 3) how these are to be collective, collated and analyzed; and 4) how it is presented in the report, and by whom. All these are intertwined by the importance and meaningfulness of the data, because a social audit is only as good as the data generated.

For a social audit to be meaningful it must study areas of decisions and actions and use indicators that are relevant to the organization. (Note: In research, an area of decision and action is also called variables.) The key is to choose variables on the basis of reasoning and knowledge of their

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[20] George Clark, "Social Auditing – Feedback Control for Organizations", p. 2. (An internet-generated article)

significance — not just because they can be measured – and to choose indicators that can measure
accurately these variables. Any projected impacts should be identified, including potentially negative ones. These projections can guide decisions about what to measure and how. The usefulness of variables and indicators is enhanced when there is some way to set the information in context, such as clearness of the rationale about why these are the ones to assess, or comparability of the information to past performance or appropriateness of the information to become a baseline against which to compare future results, or comparability to an appropriate external benchmark, or compatibility to goals or targets set by the organization or to regulatory standards.

Social audit literatures are only just beginning to come to grip with the importance of methodology. But as it is at present, being still an evolving field, it now integrates certain principles and practices of the social sciences. This is especially the case when the auditor wants a representative sampling of the perceptions and motivations of various stakeholders or wants to assess more deeply the social consequences of organizational outputs. [21]

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[21] Dr. Leslie Brown, "Social Auditing and Community Cohesion: The Co-operative Way", February 2001, p. 10.

Levels of Inquiry in Social Audit :.

Social audit by its very nature deals mostly with reports on outputs - to document what the organization is actually doing and how it is doing. Given such, at the most elementary level, social audit may be made only to report on some data, or perhaps some statistics, and the task may be quite simple and the data readily available, and even if at times the data are difficult to find and calls for knowledge and skill with information sources, little is presented in terms of inferences or conclusions. Or, at the second level, the social audit may call for description to answer on questions of who, what, when, where, and sometimes how, and involves only single variable frequency distribution or even multivariate relationships or multiple variable cross-tabulations with little inferences or correlations gained, but still little is given in terms of explanation or prediction.

So, after gaining a handle on these outputs, the natural flow of an inquiring mind goes and begins to shift focus to "so what?" or why certain results happen the way they happen. In other words, the concern is now shifted to the effects of these outputs to the individuals who are direct beneficiaries of the output and to the communities of these individuals.[22] This is indeed a reality. Can the organization claim to be accomplishing what it has intended or what was intended? This is one significant challenge. Here, it has to be established that the impact that shows up is really the result of an

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[22] Dr. Leslie Brown, Ibid., p. 11.

input that the organization had made, and not a consequence of some other factors.

In the study of outcomes, the auditor needs to build a theory, also called a hypothesis, of the effects of organizational outputs on the community, given the various factors that co-exist within it. The theory gives focus and accounts for all the forces that caused a certain phenomenon to occur, as it guides the direction of the study, limits what shall be studied and provides a framework for organizing the conclusions that will come out.

The study of outcomes is truly a difficult one. One possible way is to put comparatives for each area of concern being measured, and comparatives of the organization's targets. Another is the use of multiple indicators of the same area of concern or variables and multiple measures of each indicator. And still another is studying the convergence of all findings or finding the causes of the findings. And above all, it is also necessary that the social audit begin now to employ various methods of inquiry such as interviews, surveys, compilation of statistics, case studies, and many others.[23]

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[23] Dr. Leslie Brown, Ibid., p. 11.

The Social Audit Evolution

Social audit is a work in progress; it is evolving. Continuous learning and improvements are important. There is always a need, for instance, to improve both the conceptualization of the areas of decisions and actions that are being audited, and the indicators and measures of performance. And learning from others too, who do social audit, and from the wider literature on the subject and related subjects is advisable. Sharing of experiences, developing some common standards and sharing of measures and indicators may also help. For truly, what is important is that the subsequent audit is always a better one.

The Cooperatives :.

Cooperatives find in social audit a tool and a process that is essentially and intrinsically congruent with their very own nature.

chapter 3

Cooperatives are known for their commitments to social responsibility, are member-owned and controlled, and practices real democracy, transparency and accountability. Social audit enhances these commitments while establishing a good balance between social and financial goals, as well as enhances support from the members and of the general public.

Definition

Cooperatives are defined as "autonomous associations of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprises"[24]. While this definition is minimal and brief, it integrates within the definition many fundamental and important concepts[25], such as:

1. *That cooperatives are independent of government and other private businesses;*

2. *That the members, either individuals or juridical persons, have of their own choices joined together or have freely joined the cooperatives, invariably denoting that the members are free to leave too;*

3. *That the purpose in their unity is to meet their individual or group needs through self-help and self-responsibility, in so many mutual ways;*

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[24] ICA Statement on the Cooperative Identity as reformulated in 1995.
[25] B. D. Sharma, "Action Plan for Actualization of Cooperative Identity Statement", Report of the Special Workshop on the ICA Cooperative Identity – From Theory to Practice, ICA, New Delhi, 1997, pp. 68-70.

4. *That the members are the sources of their capital, the users of their products and services, the fountain of their enabling ideas and blazing initiatives and the foundation of strength of their businesses.*

5. *That these are primarily organized for business, and must function as businesses in the marketplace, but considering that the owners are the users of their products and services, they necessarily bear along with them both social and cultural goals for the members and the communities where they operate and where their members live;*

6. *That the enterprises are owned by the members as groups and are controlled by them together in a democratic manner, giving prime importance to persons than to capital in decision-making yet retaining the essential element of equitability in the enjoyment of the cooperatives' produce.*

The Cooperatives in Perspective ∴

Cooperatives serve their members and the communities of their members by working in three different but inter-related frameworks: namely, member relations, managerial practices and organizational structures[26]. While each framework has its own set of priorities, all these collaboratively operate to achieve the one common purpose, and that is to make the cooperatives strong and better able to serve the members and the community.

Member Relations. The services to members and community done within the framework of member relations operate in two prongs. One is the recruitment of more members who provide nourishment to the cooperative through more share capital subscriptions and savings deposits and continuous patronage of its products and services, and through which the cooperatives are able to build their own assets and be placed in the best position to serve the members and the community better. Two is the giving of dividends on the members' investment capital, patronage refunds for the members' unending utilization of the cooperative's products and services, the giving of products and services that improve on the members' own assets, and the setting-up of mechanisms for two-way communication where members can easily voice their ideas and are truly heard. This quotation from AWCF elucidates an aspect of this point quite well:

> Co-ops have to not only survive as businesses, they must also address the social needs of their members and the communities that they serve knowing, in fact, that addressing these social needs would,

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[26] Ian McPherson, "Understanding the ICA Co-operative Identity Statement", *Report of the Special Workshop on the ICA Co-operative Identity – From Theory to Practice*, ICA, New Delhi, India, 1997, p. 21.

in turn, help their members and communities to be more economically capable. In the long term, this increased economic capability would benefit the co-ops. There would be increased savings and borrowings from members as well as their increased capacity to repay; and there would be increased number of community members who can save and can serve as a pool of potential members of the co-op. Overall, addressing the social and economic needs of the community would translate into cash or be good business for the co-ops. In short, social responsibility is good business.[27]

The need to provide better service to members is even more imperative at this time, especially with the inevitability of full globalization and the ensuing full liberalization in trade, e.g. the falling down of trade barriers and its concomitant flooding in the local marketplace of better and more affordable products and services. AWCF predicts: "The faithfulness to the co-op's ideology soon cannot be banked on alone to keep the members' patronage within the co-op movement. Co-ops will have to serve their members better, one way of which is to provide services to members that address their social needs. And co-ops would know better what these needs are if they consult their members and

[27] AWCF, *Trainer's Manual on Transformative Leadership Training for Co-operatives: Transformative Leadership, Transformative Cooperatives*, 2001, p. 67
.[28] AWCF, Ibid., p. 99.

open their doors to them".[28]

Managerial Practices.

The services to members and community done within the framework of managerial practices come in many forms. First, it comes in the form of motivational and other ideational programs and the provision of new or additional skills to the members on leadership, man-agement, and many others. Second, it shows up in the assistance to, and facilitation of, community projects or in working with others to support community projects. Third, it materializes in the effort to help the community to work out its own development plans, or in the implementation of capacity building programs for the community. Fourth, it takes in actual forms in the gender-related and youth-oriented programs, e.g. day care centers, women's center for victims of domestic violence, co-op laboratories, manpower devel-opment programs, in the community. Fifth, it exudes concerns in some 'philanthropic' lending programs to "the 'new poor' or the new set of economi-cally marginalized segment of the population that has no access to opportunities for a better quality of life that human

> *Attitudes, values and institutions determine the success or failure of their (cooperative) endeavors. . . . And this can be done through proper education and training. It has been experienced . . . that through their continuous education programs, they have greatly improved the attitudes and values of their members. And these socially-oriented individuals have been the leaders in improving the economic and social conditions in their communities. . . . We need good and responsible citizens who are socially-oriented. We need people whose interests go beyond their personal interests. These are the people who think of and work for the welfare of their country and fellowmen.[30]*

Education, training, and the various socially-oriented extension works of the cooperative to the community make for a better community, as well as make for better individuals and better families in the community. And the same is also true vice versa.

[29] Ibid., p. 18.
[30] Feliciano R. Fajardo and Fabian P. Abella, *Cooperatives*, 2nd Edition, Rex Book Store, 1986, p. 221-222.

beings deserve".[29] On education, this quotation:
Organizational Structure.

The services to members and community done within the framework of the organizational structure also come in many forms. First is in the promotion of a healthy respect for diversity yet with a sense of the common good. Second is in the fostering of social interaction and good social relationships among individuals in the community. Third is in the creation of a context where people are able to work together to address common needs and goals. Fourth is in increasing local control over matters significant to the local community. Fifth is in building a sense of community that includes commitment to, and acceptance of, one's share of social responsibility for the community. Sixth is in learning to handle disagreements and conflict in an equitable and

democratic manner. And there is much, much more.

The cooperatives' organizational structures are good training grounds for productive citizenship. Through the dynamic workings of the cooperative structures, the members are afforded the opportunity to see a functioning democracy and at work, to learn the enabling endowment of the value of self-help and self-responsibility, to under-stand in a non-abstract way equality and equity, to practice social responsibility and the caring for others, and of solidarity, honesty, openness – values that a cooperative holds. Through their active participation, the members in consequence assimilate the essences of these values, in a way that is incarnate and authentic. And through these members, who in turn become purveyors and missioners of these values to the community, the community gains, earns its peace, and becomes a better place for all.

Cooperatives, through all these interactions, develop; these aare their ways of becoming, purifying themselves as they move along the way in their journeys to make them-selves truly human organizations devoted to total human development. The synergies of these interactions are reflected in this representation: [31]

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[31] KOOPNET, *Social Auditing of Cooperatives*, 1997.

Community services: on sanitation and health, environment, ronment, ecology and other basic services

The Family

Economic gains and assets building

Developing responsive human organizations/ cooperatives

Education and other formation programs and services
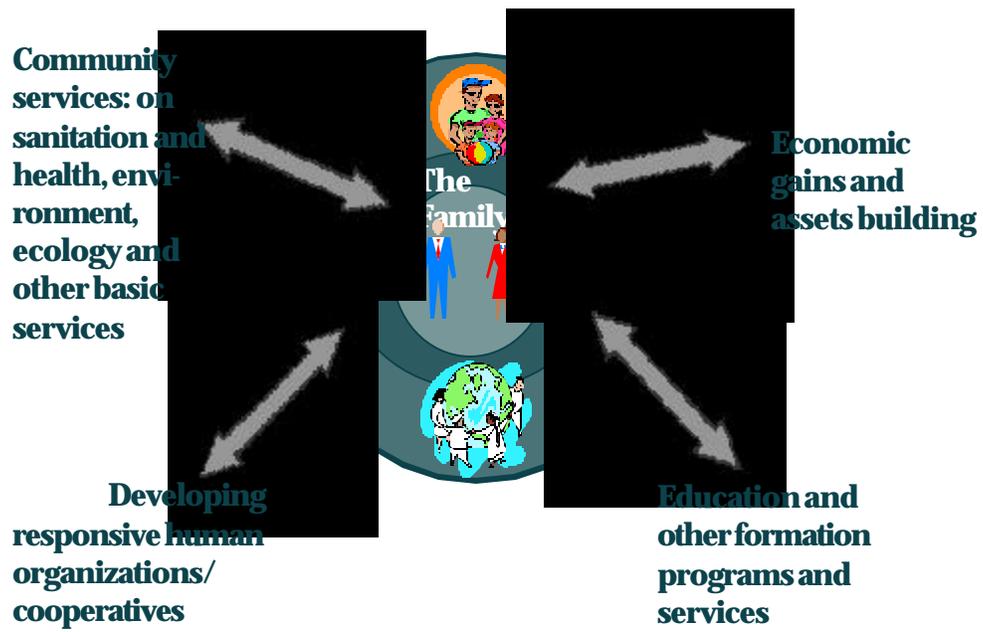
The Cooperative Principles :.

Cooperatives are guided by principles. These principles are the empowering framework by which cooperatives move on in their daily activities, without being lost in the maze of their own operations. These are also the energizing tools upon which the cooperatives look and grasp the future and assuredly cope up with the future's concomitant complications. These principles are:

1st Principle: Voluntary and open membership. *"Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination"[32] .*

This principle affirms the fundamental importance of people choosing by their own volition to make commitments to their cooperatives. Consequently, they must have to be afforded with all the opportunities to study and understand what their cooperatives are all about, the values on which they stand, the products and services that they offer and the kind of participation that they require of their members. This further affirms the universally accepted general commitment to recognize the fundamental dignity of all persons regardless of gender, social status and cultural preferences, race, political affiliation and religious beliefs, as long as they have uses for their cooperative's products and services and are willing to accept the obligations of membership.

This principle also puts weight on the special relationship between the cooperatives and the persons they primarily serve, the members, who are the reason for their existence. This special relationship defines the businesses of the cooperatives, specifies on the way they do these businesses, and shapes the cooperatives' plans for the future.

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[32] ICA, Loc. cit.

2nd Principle: Democratic member control.
"Cooperatives are democratic organizations controlled by its members, who actively partici-pate in setting policies and making decisions. Men and women serving as elected representa-tives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote), and cooperatives at other levels are also organized in a democratic manner".[33]

Democracy generally refers to rights — the right to vote and be voted upon, equal voting rights, etc. — and to obligations. In the coopera-tive, however, democracy is not only about rights and obligations of mem-bers, it most importantly integrates in the idea of democracy, the fostering itself and the promotions of the spirit of democracy within the organization. First, this comes in the form of member participation, albeit active involve-ment of members, in setting policies, in making key decisions, and in setting general directions of the cooperative. And second, this is in the dynamism and functionality of the system of accountability that can work throughout the mandate of elected representatives.

3rd Principle: Member economic
participation. *"Members contribute equitably to, and democratically control, the capital of their cooperatives. At least part of that capital is usually the common property of the cooperatives. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any of the following purposes: developing their cooperative, possibly by setting reserves, part of which at least is indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership."[34]*

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[33] ICA, Ibid.
[34] ICA, Ibid.

The economic participation of the members in the cooperative is a three-sided affair. The first side is the members' capital contribution, which comes in four ways: (a) the subscription of share capital, (b) putting in of savings deposits, (c) the building-up of the collectively owned reserves, (d) the plowing back of dividends in the form of new shares, and (e) participation in special fund campaigns for special projects.

The second side is the members' enjoyment of the fruits out of the usage of the products and services of the cooperative, such as knowledge in management and technical support in the members' personal businesses, augmentation in the members' working capital, and many others, and enjoyment of the fruits of membership such as dividends on share capital, patronage refunds, and interests on deposits.

And the third is the sense of ownership, as well as the reality of ownership. It is not just enough to cement the bond by way of good service at competitive price with, if possible, a patronage refund; somehow, the members must arrive at the feeling that they are the cooperatives, that they own the businesses and that they are the sole reason for the cooperatives' existence.

4th Principle: Autonomy and independence. "Cooperatives are autonomous, self-help organizations controlled by the members. If they enter into agreements with other organization, including the government, or raise capital from external sources, they do so on terms that ensure democratic control by the members and maintain their cooperative autonomy."[35]

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[35] ICA, Ibid.

This principle addresses the essential nature of cooperatives to be autonomous. This means vigilance, in various ways, of its independence. When it enters into agreements, either with government or with other business entities, cooperatives have to define in very clear terms that relationships with them, in the same way that businesses controlled by capital are autonomous in their dealings with government or with other businesses. And this extends far beyond: when cooperatives enter into agreements with other organizations or when they exert efforts to raise capital, or when they strengthen themselves, cooperatives have to do these so freely and only on terms that ensure democratic control by the members, and none other else.

This principle also implies that cooperatives have to find so many ways, through good business sense and responsible practices, to ensure that they are strong, that their businesses are profitable ones, and that they can withstand competitions in the marketplace. These mean close adherence to operational and organizational standards that are benchmarks of good business practices that are anthologized either from within the cooperative sector or from the bigger sector of financial intermediaries.

*5th **Principle: Education, training and informa-
tion.** "Cooperatives provide education and training
for their members, elected representatives,
managers and employees, so they can contribute
effectively to the development of the cooperative.
They inform the general public – particularly young
people and also leaders – about the nature and
benefits of cooperation."[36]*

*Education and training are vital components of the
cooperatives' life. Education is engaging the minds of members,
elected officers, managers and employees to comprehend fully
the complexity and richness of cooperative thoughts and actions.
And training means making sure that all those who are, in one way
or another, involved in cooperatives have or are fully provided with
skills that are required to carry out their functions efficiently,
effectively and responsibly. Training also includes preparing the
young for leadership positions and good citizenship in the future.*

*This principle also extends to equipping the leaders with
the necessary skills in assessment and comprehension of the
needs of the members and the skills in the setting-up of mecha-
nisms for two-way communications between the members and the
leaders, because the members can only feel involved if they are
consulted and if they are confident that they will be heard.*

*And finally, cooperatives have the specific responsibility to
inform young people, opinion leaders, and the general public
about the nature and benefits of cooperation. People cannot
support or appreciate what they do not understand, and this has
very important implication to the growth and success of the
cooperative in the long run. Besides, education is also there to
expand the membership base of cooperatives and be part of the
lives of all the people who have need for the cooperatives' ser-
vices. A wide base in fact is imperative, because only through
such can cooperatives truly strengthen, serve better the members
and be able to meaningfully compete.*

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[36] ICA, Ibid

*6th Principle: Cooperation among coop-
eratives. "Cooperatives serve their mem-
bers most effectively and strengthen the
cooperative movement by working together
through local, national, regional and interna-
tional structures."[37]*

*It has to be recognized that cooperators have in
common their individual vulnerability and powerlessness in
the marketplace, and the inadequacy of their personal wealth
to meet their needs for subsistence and welfare. For coop-
eration to be practiced by economically vulnerable people,
the only way is for them to act together, to organize them-
selves into cooperatives. That is one of the essences of
cooperatives.*

*However, cooperatives can only achieve much on a
local level — this one has to be recognized. Beyond are so
much more. To achieve full potential, cooperatives must
enter into practical and rigorous collaboration with other
cooperatives. This can be done through alliances, mergers or
joint ventures, by way of large-scale business enterprises
that can have real impact on the members and the commu-
nity.*

*Care, however, should be taken not to compromise
local involvement and ownership by carefully protecting the
interest of the members as it is being enhanced. This is a
difficult balancing act but a test of cooperative ingenuity.*

[37] ICA, Ibid

7th Principle: Concern for community. "*Cooperatives work for sustainable development of its communities through policies approved by their members.*"[38]

Cooperatives exist primarily for the benefit of its members. Because of this reason, they carry with them a very strong affinity with the communities of the members. It is this closeness that takes cooperatives to assume certain serious responsibilities for the sustainable development of the communities, through such concerns as environmental protection, infrastructure facilitation, participation in community sports, promotion of culture and many others.

But more than the contributions in physical terms to the sustainable development of the communities are their special gifts of negating bland and blind materialism, a precious quality that is germane to cooperative enterprises, the promotion of thrift and the wise use of money, and of the development of a culture of self-reliance and industry.

The seven principles are

not simply measuring sticks. They are guidelines upon which the various stakeholders continuously evaluate the cooperative. They equally raise the question of how the cooperatives can better carry out their work in conformity with the directions suggested in each of the principles, as they raise the challenge of how the cooperatives conform with the directions and practices as suggested by the integrated application of all the principles.[39]

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[38] ICA, Ibid.
[39] McPherson, Op. cit., p. 25.

The adaptive nature of cooperatives

Cooperatives are essentially the same all through history; but because cooperatives exist not apart from the members and their communities, they are known to be open to certain adjustments as they adopt and adapt in step to the changes that usually come along with the changing internal needs of the members or to externally-introduced changes such as introduction of new technologies, or application of new theories in management, or as they respond to the pressures from competition or from globalization and liberalization or to government regulations, or address issues related to the fundamental changes in human conditions. McPherson says: "Co-operatives function both in the world of ideas and in the world of everyday life. They always manifest – and should manifest – a continual struggle between what is desirable and what is possible".[40] And even within the context of ICA's reformulation of the definition of cooperatives in 1937, 1966 and 1995, Sharma says, these "demonstrate how cooperative thought can be applied in a changing world; they suggest how cooperative can organize themselves to meet new challenges . . . . Throughout its history, the cooperative movement has constantly changed; it will do so in the future."[41]

Cooperatives have been developed all over the world, taking on different characteristics and objectives depending upon the societies in which they have emerged. Historically, cooperatives flourish in all kinds of economic systems: it has been successful under command economies, as it has been very progressive in market economies. Cooperatives have that ability to address major questions, and yet be able to grow, to adapt and to change, forge new alternatives, find new ways and new needs to serve, and even assume new forms in many diverse societies.

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[40] McPherson, Ibid., p. 21.
[41] B.D. Sharma, loc. cit., p. 65.

Cooperatives and Social Audit :.

It is this adaptive nature of a cooperative that calls for a mechanism that can perpetually assess its work at any given time. Here, social audit has particular relevance, because it reinforces the cooperative's "commitment to social improvement which lies at the heart of the co-operative philosophy". [42]

Social audit serves a number of purposes, [43] thus:

1. it provides a way of measuring the performance of the cooperatives and their compliance to, the co-operative principles;

2. it allows the cooperative to monitor and steer performance in ways that have coactive implications to both social and commercial objectives;

3. It strengthens the effectiveness of the cooperative by highlighting areas of policy and action decisions that are requiring improvements. [44]

4. it allows the cooperative to understand the cost implications of achieving the social, community and environmental objectives;

5. it provides information that are necessary to enable the cooperative to make choices in priorities and business practices;

6. it gives stakeholders the information for them to judge if the cooperative is achieving the social added value which it sets out to achieve;

7. it gives stakeholders in the cooperative a degree of power and influence;

8. it allows the organization to make verified and substantiated claims about its performance on the same level as its financial performance;

it enables the cooperative to improve its management of social performance year-on-year, in a way that is inclusive, participatory, transparent and measurable.

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[42] Cooperative Union of Canada, Loc. cit., p. 2.
[43] Euro Coop General Assembly, Loc. cit., pp. 3-4.
[44] Magtuloy, Neric and Co., CPAs, Auditors' Notes, unpublished.

Adoption of Social Audit by Cooperatives Worldwide

Social audit has been adopted by a number of cooperatives worldwide. In Canada, the VanCity Coop and the Metro Credit Union are adherents to the AA1000 of the Institute of Social and Ethical Accountability. In Denmark, the FDB uses social reporting to measure the implementation of its core values and goals and the achievements in its action plans. In Spain, the HISPACOOP has developed its own social audit model for the consumer cooperatives. In Sweden, the KF has developed the membership report, a tool for 1) managing, evaluating and improving business, 2) strengthening the business profile, 3) developing membership democracy and enhancing the effectiveness and resource allocation. In the UK, the CWS follows the path set by the New Economics Foundation of London. And in Italy, the ANCC (National Association of Consumer Cooperatives) and the various associations under it are continuing to develop the balance sheet model, the social audit model that was prevalent in the 70s.[45]

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[45] Euro Coop General Assembly, Ibid., pp. 7-14

The Social Audit Framework :.

Business corporations undertake a social audit as direct response to certain situations, and historically to problem situations. In cooperatives, however, social audit is a tool and process for strategic management purposes and for identifying and promoting the "co-operative difference". Social audit as a technology looks at how the cooperatives are able to meet their objectives, and at what the various stakeholders from their respective perspectives, are thinking about their cooperatives.

chapter 4

Defining the Scope and Focus :.

A social audit begins by defining the scope and focus of the entire procedure. This is its first and its most important consideration, The scope and focus includes the areas of decisions and actions, the objectives of the whole exercise and the objectives of each area of concern, the measurement methodologies and the names of the specific documents needed for the study. The scope and focus limits the entire procedure for that one

engagement being undertaken, and is agreed upon by the organization and the auditor. It likewise provides an approximation of the level of inquiry that is necessary in order to get the information needed to understand and appreciate the cooperative's social performance.

The scope and focus may incorporate all the areas of decisions and actions that are of concern to the whole organization, or it may only cover few areas that the cooperative feels to be of pressing need at the earliest time for deeper study. Certainly, that resolve is entirely that of the organization, since taking such a comprehensive review tabs in on resources particularly if it is just starting to undertake the social audit process. It is good, of course, to look at how the organization performs in the most comprehensive way, but for practical reasons the social audit can be done piecemeal, as mentioned earlier in gradual and incremental manner, limiting to few areas of decisions and actions at the start, and later expanding to other decisions and actions, until the social audit can encompass the full range of issues and stakeholder interests that fall within the organization's operational sphere and influence.

To provide the cooperative organizations with a distinct approach to social audit, it is of prime importance to give stress to the cooperative principles as basis. By doing this, the uniqueness of cooperatives is duly highlighted, and the recommendations and the social improvements that can come out of the exercise are well-focused and principle-specific. And with a common indicator, the cooperatives, here and abroad, are given a means of comparing themselves with one another,[46] which may later evolve into common indicators and common standards to measure social performance for the cooperative sector.

Objectives :.

In this particular social audit design, the areas of decisions and actions under study for the last five years and the general objectives are:

1. *To determine the effectiveness of the cooperatives in fulfilling the requirements of the seven cooperative principles, particularly in their efforts to:*
    a) *Answer the needs, uplift the economic status and empower the members, through the building up of their own economic capacities and on the way they assist in building up the income generating capacities of their members;*
    b) *Involve in community improvement, in social and environmental concerns and in solidarity works with other cooperative organizations and other organizational formations;*
    c) *Make them truly responsive and democratic organizations;*
    d) *Develop social capital, particularly with regards to the youth, the women and the elderly; and*
    e) *Improve the level of efficiency of its management, in relation to the delivery of services to the members and the community.*

2. *To look at the stakeholders' perceptions, particularly those of the members and the staff, vis-a-vis the cooperative.*

3. *To know the directions for the future.*

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[46] Euro Coop General Assembly, Loc. cit., p. 5.

The specific objectives of each area of decision and action are:

Areas of Decisions and Actions[*]	Objectives
1st Principle: Open and Voluntary Membership	
1. Database of its members	To determine how often the co-op updates its membership database
2. Percentage increase or decrease of members	To determine the rate of increase or decrease of the co-op's members
3. Market penetration	To determine the depth of the co-op's membership base in relation to total population in its area of coverage
4. Obstacles to membership	To determine if there are policies that serve as obstacles to the entry of new members
5. Convenience in refund of capital for withdrawing members	To determine how fast can a member withdraw investments in the co-op
2nd Principle: Democratic Member Control	
1. Number of general assemblies	To determine the co-op's adherence to the by-laws and to the Cooperative Code, while recognizing the importance of the General Assembly as the highest policy making body
2. Average number of voting members in GA	To determine the extent of participation of members in the parliamentary affairs of the co-op
3. Percentage of MIGS to total membership	To determine the quality of the composition of the co-op's to total membership
4. Quality of criteria in determining MIGS	To determine the co-op's basis, whether stringent or lenient, in determining the MIGS
5. Members' Perception on the importance of the GA	To determine how the members perceive of the general assemblies they had attended.
6. Members' perception on their participation in the affaires of the co-op	To determine how the members perceive of their participation in the affairs of the coop

*5 years, unless specified otherwise

7. Number of BOD meetings	To check whether the board of directors is holding regular monthly meetings as mandated
8. Compliance to the provision on the terms of office of board of directors and committee members	To determine the co-op's compliance with the provisions on the terms of office of the officers
9. Number of committee meetings	To check if the different committees are functional and are performing their mandated duties
10. Integrity, character and credibility of officers	To determine the character of the officers based on the patterns of their contributions to the share capital and their repayment to their loans.
11. Members' perception on the performance, participation and conduct of officers	To determine the members' perception on the performance, participation and conduct of the officers
12. Presence of core management team (manager, cashier, bookkeeper)	To determine if there is proper delineation of duties, functions and responsibilities, and to look at the internal control system that is established
13. Members perception on the deportment of staff	To determine the members' perception on the way the staff deals with them
14. Members' perception on the staffs' performance	To determine the members' perception on the performance of the staff in relation to their jobs
15. Policies and procedures	To determine the level of codification of both financial and non-financial policies and procedures of the cooperative
16. Members' perception on the efficiency of the coop's service delivery	To determine the perception of the members on the manner the services of the cooperative are delivered
17. Development plans	To determine if the co-op has short-term, medium-term and long-term plans, all-important requirements in the realization of goals, objectives and strategies.
18. .Institutional mechanism through which the board and management of the co-op consult the members prior to any decision	To determine the sensitivity and responsiveness of the co-op to member participation, and to determine the operational mechanisms that are in place to generate ideas and suggestions from the members and staff prior to any decision

19. .Monitoring mechanisms to gather feedback	To determine the mechanisms employed by the co-op to gather feedback, ideas and suggestions from members and staff
20.Members' perception on the receptiveness of the co-op on their verbalizing of ideas, suggestions and complaints	To determine the perceptions of members on the degree of ease that they have in verbalizing their ideas, suggestions and complaints
21. Members' satisfaction that their ideas, opinions and grievance are heard	To determine the perceptions of members on the officers and management's readiness to respond to their opinions, ideas and grievances
22. Members' perception on the creation of branches	To determine the perception of members on the creation of branches
23. Members' perception on the creation of chapters	To determine the perception of members on the creation of chapters
24. Board members, male female ratio	To determine the earnestness of the co-op in promoting equality of represen-tation across gender in the Board
25. Committees, male female ratio	To determine the earnestness of the co-op in promoting equality of represen-tation across gender in the committees
26. Explicit provisions in its vision-mission-goals, in its by-laws and or other policies and procedures regarding gender-fair promotions	To determine whether gender-fair promotion has now been integrated in the cooperative's VMG, by-laws and other policy instruments

3rd Principle: Member Economic Participation

1. Number of members contributing to share capital & savings deposits	To determine the number of members contributing to savings and paid-up capital
2. Membership patronage to cooperative products and services	To determine the extent of the membership patronage or responses to the co-op products and services
3. Paid-up capital and savings mobiliza-tion	To measure the percentage increase in savings and paid-up capital
4. Members' borrowing pattern before becoming members	To know how the members fend for themselves when they were in need of cash before they became members of the coop

5. Members' perception on the cost of services of the coop	To determine the perception of the members on the pricing of the co-op's products and services
6. Members' perception of the interests of the coop for their savings deposits	To determine the perception of the members on the interests rates for savings deposits in the co-op.
7. Co-op's marketing practices	To determine whether the co-op practices fair pricing of their products, and to find out the members' perception on this.
8. Members' perception on co-op practices in its dealings with its clients	To find out the perception of the members on the co-op's dealings with them
9. Allocation of patronage refund and interest on capital	To determine the ratio in the allocation of interest on capital and patronage refund from the whole net surplus package
10. Presence of institutional providential services to members	To measure the intensity of the efforts of the co-op to respond and provide providential services to the members
11. Presence of specific programs and services for senior members	To know the presence of cooperative's specific programs and services for its senior members
4th Principle: Autonomy and Independence	
1. Type of internal capital-up build-up mechanisms being implemented or adopted	To find out if the co-op has adopted some mechanisms for its capital build-up
2. Type of savings mobilization schemes being implemented	To find out if the cooperative has adopted schemes for savings mobilization
3. Percentage increase (decrease) in working capital	To measure the rate of increase or decrease in the working capital of the co-op, internal or external
4. Profitability ratio (net income over gross income)	To determine the profitability of the co-op as determinant of autonomy
5. Current ratio	To measure the liquidity of the co-op and its capability to extend better facilities and services to the members

6. Compliance with government rules and regulations	To find out the co-op's compliance with all legal requirements, in particular the requirements of CDA, BIR, LGU, DOLE and SSS/Medicare

5th Principle: Education, Training & Information

1. Education services/Programs for the last 5 years	To determine the educational services and programs of the co-op for the members, as part of its responsibilities and duties to develop the members
2. Members' perception on the importance of ownership meetings	To determine the perception of the members on the importance of ownership meetings to their education
3. Economic capability building program	To determine whether the co-op has programs to develop the capability of the members to manage their own economic endeavors
4.. Culture building programs	To identify the culture building programs of the co-op and to find out whether these are well aligned with the co-op's social purpose
5. Presence of gender related training for officers, staff or general membership	To find out whether the co-op has implemented gender related training programs for the officers, staff or members
6. Presence of education programs for the successor generation	To find out whether the co-op has programs that ensure the preparation of the younger staff and members for future leadership or key management positions
7. Presence of a youth development program	To find out whether the co-op has programs for all the youth in its area of operation
8. Dissemination of important co-op information on operation	To determine if the co-op allows full access by members to information regarding management operations
9. Designation of point person in charge of information and communication	To determine the earnestness of the co-op in information dissemination

10. Dissemination of important cooperative information on the organization	To determine if the co-op allows full access by members to information regarding the organization
11.Media of communication to disseminate information	To determine the mechanisms employed by the co-op to disseminate information to members, staff and community
12. Capability enhancement program of board of directors, committees and management staff	To determine whether the co-op has implemented a capability enhancement programs for the board, committee members, and management staff to make them more skillful and proficient in their duties

6th Principle: Co-operation Among Co-operatives

1. Economic participation in other Co-ops	To determine the cooperative's solidarity and partnership efforts in the field of joint economic endeavors or investments with other co-op or with the federation
2. Active support to federation/apex organization	To determine the co-op's active support to federation or apex organizations, in terms of CETF and annual dues remittances
3. Partnership, cooperation, and/or alliances (business or otherwise) with other co-operatives and civil society formations	To determine the co-op's effort in promoting mutual understanding with other organizations, whether cooperatives or non-cooperatives
4. Participation in the cooperative federation/union activities/programs	To determine the co-op's level of participation in the activities of the federation or union
5. Patronage of federation/apex organizations' services	To determine the co-op's patronage of the services of the federations or apex organizations
6. Number of board members/officers in co-operative secondary organizations and time spent	To determine the number and time spent of officers and staff of the co-op who are participating in the affairs of the federation or union

7th Principle: Concern for Community

1. Environment protection programs and activities	To find out whether the co-op is involved, and to determine its level of involvement, in environmental concerns of the community
2. Community infrastructure projects facilitation	To find out whether the co-op is involved, and to determine its level of involvement, in the facilitation of community infrastructure projects
3. Advocacy and education on social development	To find out whether the cooperative is involved in advocacy work along social development issues
4. Cultural, sports and value enhancement program	To determine the co-op's community involvement in cultural, sports and value enhancement activities
5. Participation in local governance programs	To find out and determine the co-op's level of involvement in local governance programs
6. Presence of institutional gender-specific programs that were implemented in the last two years	To determine if the co-op has concrete gender specific programs for the members and the community

The Coop's Staff

1. Commitment to the VMG	To determine the level of commitment of the staff to the VMG of the cooperative
2. Enjoyment and satisfaction in work	To find out whether the staff finds enjoyment and satisfaction in their work
3. Staff' feeling of being a part of a supportive team	To determine the level of bonding and unity of the staff as an important development block of the cooperative
4. Agreeableness of work environment to health	To look at the workplace for its hindrance to healthy living
5. Fairness and objectivity of performance rating	To determine the staff's perception on the fairness and objectivity of the system of performance rating for the staff
6. Reasonability of remuneration and other benefits	To determine the staff's perception on the reasonability and equitability of the co-op's system of remuneration and the provision of other benefits
7. Long-term future with the co-op	To determine the staff's level of proclivity for long term engagement with the cooperative

Measurement

The other aspect that comes with the agreement on the focus and scope is measurement and the measurement tools for gauging the cooperative's social performance. Measurement, in everyday usage, refers to some established yardsticks to determine either the feature of a physical object or the qualities of certain abstract concepts. In a dictionary sense, it refers to the process of ascertaining the extent, the dimensions, the quantity, the range, the scope, the size, the magnitude, and the capacity of, especially in comparison with a standard. In research, measurement is the process by which one tests or deduces from a hypothesis or theory that certain conditions should exist in the real world, then they are measured for these conditions[47].

The measurement tools, on the other hand, refer to the techniques and instruments used as accurate counters of what are to be measured. These include survey questionnaires, interviews, observations, content analysis of documents, etc. The choice of measurement tools is determined by a variety of factors that must

be satisfied to maintain the integrity of the audit process. The following criteria [48] are tests of sound measurement tools.

Validity. This refers to the extent to which a measurement tool can measure what are actually being wished to measure. There are two forms of validity: external validity and internal validity. External validity refers to the data's ability to be generalized across persons, settings and times. Internal validity refers to the ability of the tools to really measure what it claims it does.

Reliability. This deals with the accuracy and precision of the measurement procedure. Some of the tests here are: stability (consistency of results with repeated measurement of the same person with the same

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[47] C. Wiliam Emory and Donald R. Cooper, *Business Research Methods*, IRWIN, Boston, MA, 4th Edition, pp. 179-190.

[48] C. Wiliam Emory, et. al., Ibid., pp. 179-190.

instrument), and equivalence (to determine error introduced by different interviewers and different samples),

Practicality. *This concerns with economy (the best trade-off between the ideal social audit and that which the budget can afford), convenience (easy to administer and easy to answer by the respondents) and interpretability (the ease in the correlation of data, the effortlessness of the tasks of interpretation and analysis).*

The co-operatives may choose to adopt a number of measurement tools that are already available, and adapt them to their needs, or they may develop their own. What is important is that the measurement tools chosen are capable of assembling as much of the available information as are required to carry out a good and thorough social audit.

Measurement tools for documents :.

Over the years, cooperatives usually accumulate volumes of documents. These documents include time-bound lists of members, attendance sheets of general assemblies, ownership meetings, training programs, minutes of meetings, lists of beneficiaries of providential programs, and many others too numerous to list them here. These documents are kept and are usually easily available. But more often, these merely fallow in the files and archives, either smoldering or just simply waiting to rot. They remain unanalyzed for their corresponding value in providing good historical perspectives of the cooperative's performance over the years.

These documents, and the decisions and actions contained therein, are relatively easy to measure. In research, Calderon, et. al., calls this as content analysis, which he defines as "a research technique for the objective, systematic, and quantitative description of the manifest content of communication."[49] It must, however, be carefully sifted to isolate the irrelevant from the materials that are pertinent to the assessment of social performance. Some of these materials might have been subject of past reports, to be sure, but others are in the raw and still will require processing. Of course, the work would have been easier had it been routinely book-kept (social bookkeeping is discussed in Chapter 2) along the way or right after the time when these decisions and actions had occurred.

Content analysis, to be of value to the social audit process, must have the following characteristics: 1. It is objective, by including

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[49] Jose Calderon, et. al., Loc. cit., p. 75.

and considering all relevant items; 2. It is systematic, by utilizing forms that are previously prepared for ease of recording and retrieval; and 3. It is quantitative, by using a system of tallying information and by basing the interpretation of the data on frequency counts.

To arrive at an objective analysis of the cooperatives' social performance, standards are put in place in the social audit framework, to serve as hurdles to measure the level of compliance and later to determine the strengths and weaknesses of the cooperative in each area of decision and action. The standards, as provided, are outcomes of discussion and have been agreed upon by the cooperatives and the auditor, especially given the absence yet of sector-wide standards and benchmarks. The hurdles, for lack of known term at the moment, are referred hereto as social performance hurdles — and act as such — to measure the levels of performance. (Note: Detail on this are found in Chapter 5, particularly on the section on interpreting the documents.)

Measurement tools for stakeholders' perceptions :.

The social audit may explore further, venturing into such areas of concern as stakeholders perceptions, opinions, etc. on service efficiencies, deportment of officers and staff, cost of products and services, and the like. These are not easy to get; there are no data that are readily available in the cooperatives. To get to this valuable informa- tion, these must be operationally defined by adopting or developing procedures and measurement tools and integrating them into the social audit process. These tools can come in the form of:

Survey Questionnaires. *In developing these tools, the following steps[50] are taken:*

a. *Concept development. Here, the first task is to conceive and create the constructs of interest. A construct is the general term to encompass several concepts; "cooperative's image", for instance, is a construct, and it refers to the cooperative's reputation among various groups. In developing this, the many specific ways of the cooperatives' interaction and involvement with various groups must be enumerated, including the nature of all these involvement.*

b. *Concept specification. The second task is to break down the construct into its component parts: "corporate citizenship", "employer", "supplier of products and services", " treatment of customer", "concern for members", "participation of members in the affairs of the cooperative", and some others. "Corporate citizenship" may further be broken down into: "facilitation of community projects", "participation in community affairs", "implementation of missionary programs", "advocacy work on social issues", etc. Or, "employer" may be broken down into: enjoyment in work, satisfaction in promotion procedures, grievance handling, etc. (Note: a and b are covered in the formulation of the social audit frame-work, and referred to therein as areas of decisions and actions, which is also equivalent to the term variable in research.)*

c. *Indicator selection. The indicators refer to the measures by which each operationally defined concept is rigidly determined. Indicators can be classification (nominal, e.g. male, female), numbers (ordinal, e.g. a>b>c), differences between numbers (interval, e.g. bad 1 2 3 4 5 good), or equality of ratio (with zero as origin).*

d. *Formation of indexes. When there are several dimensions of a concept, care should be taken that the indicators have their common equivalence to enable later to combine these indicators into a single index. One simple way of doing it is to provide scale values to the responses and combine the scores and average the scores, for better perspective of the issues under consideration.* (Note: The details of the process on interpretation of the data are discussed in Chapter 5.)

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[50] C. William Emory, et. al., Ibid., pp. 190-192.

Interview schedules. An interview is a highly productive information gathering technique, provided that these rules[51] are observed:

a.   *The interviewer is well trained and competent in his role;*
b.   *The interview is well structured, by using an interview guide or schedule for consistency as to content, for suitability to comparison, and for guaranteeing completeness;*
c.   *The interview process allows digression when it is clear that there are other useful information that the interviewee can contribute; and*
d.   *The interviewees are selected with the view of assembling a reliable and representative cross-section of perspectives.*

Observations.

Observation includes the full range of monitoring behavioral and non-behavioral activities and conditions. This is the least structured, but it can be useful. As the social auditor acquires the experience in measuring social performance, observation will play an increasing part in information gathering and evaluation. However, it should only be used as a complimentary technique to more structured measurement tools.

Stakeholders

Cooperatives depend on a coordinated team consisting of four major blocks – member-owners, board of directors and committee members, the manager and the other employees. Each block has its own duties and responsibilities, and the cooperatives' success very largely depends on the intelligent and active cooperation and the diligent carrying of loads by each group[52] .

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[51] Cooperative Union of Canada, Op. cit., p. 17-18.

[52] Donald A. Frederick, *Coops 101: An introduction to Cooperatives*, USDA, 1997, p. 24.

Members. *The members are the foundation of coopera-tives. They organize them and their needs are the reason for the cooperatives' existence. Their support, through patronage and capital investment, keeps the cooperatives economically healthy, and the members changing requirements shape the cooperatives' future.*[53]

The members have the power to control the cooperatives and the duty to use those powers for their mutual benefits. Such powers include the power to adopt and amend the Articles of Cooperation and By-laws, to elect and remove directors and other elected officers, to decide to dissolve, merge or consolidate or form joint ventures with other cooperative or non-cooperative firms, and to make sure the officers, directors and others comply with all relevant laws and their articles of coopera-tion and by-laws.

On the other hand, the members also have very specific obligations to cooperatives. They must patronize the products and services of the cooperatives and provide them with the necessary capital. The members' other obligations are: to be always informed about the coopera-tives, to be conscientious in selecting and evaluating directors and other officers, and to evaluate the perfor-mances of the cooperatives.
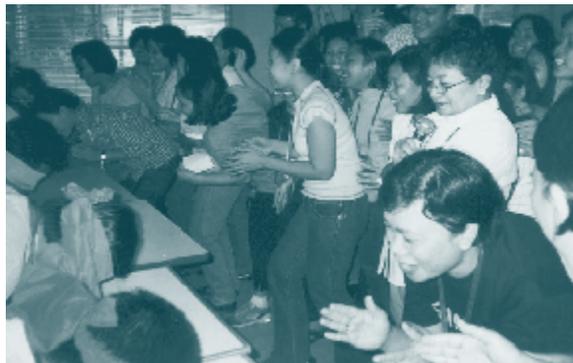
[53] Donald A. Frederick, Ibid. p. 24.

Directors and Committee Members. *The directors of cooperatives occupy a key position between the members and management; they are both users of the cooperatives' products and services and representatives of the other members who depend on those same products and services. Acting as a group, they set the objectives of the cooperatives, and their decisions set the direction that the cooperatives take[54]. Some of the broad managerial decisions of the board are: hire competent managers, adopt broad and general policies to guide the managers, develop and adopt long-range business strategies, require financial reports and operating statements, direct the managers to prepare budget, hire qualified auditors, and many others.*

The committees are extension of the general assembly to perform some very special functions in relation to some organizational and operational concerns of the cooperatives.

Manager. *The success of cooperatives largely depends on a good board/manager relations. Their working relationship*

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[54] Donald A. Frederick, Ibid., p. 26.

requires respect and an understanding of each other's responsibilities.

The boards decide what the cooperatives will do; the managers and key staff decide how these can best be done, subject to review by the boards. The managers are chosen by the boards and are accountable to them. The responsibilities of the managers include, among others:

a. supervision and coordination of the business activities of the cooperative;

b. hiring, training, supervising and setting compensation for employees; and

c. reviewing, reassigning or replacing employees not meeting acceptable performance levels.

Employees. *Working for cooperatives is similar to doing the same job at any other firm. But, working in cooperatives places unique obligations on the employees such as:*

a. To understand the purpose, objectives, operations and their role as employees, to help improve member relations, the cooperatives' image and the general public's understanding of cooperatives;
b. To provide the best possible services to members; and
c.   To maintain a high level of customer satisfaction.

Other stakeholders. In addition, cooperatives have other stakehold-
ers. And these are the following, with the respective areas of deci-
sions and actions of interest to them[55] :

Other Stakeholder Groups	Areas of Decisions and Actions
Customers (other than owners)	Products, services, pricing and marketing practices
Suppliers/depository banks	Business survival, profits, growth potential, products or service development
Lenders, depositors	Business survival, growth potential, ability to repay, financial management, public image
Government	Tax revenues, legal compliance, employment, employment practices, environment, waste management
Local community	Environmental impact, products or services, contribution to community projects and activities
General public	Business standards and practices, environmental impact, social contribution (assistance to disadvantage groups, cultural support, social services related to organizational activities)
Competitors (other cooperatives, banks, other lending retailers and deposit takers)	Market share, profits, dividends, capital investments, products or services, public image

In summary, these stakeholders can be classified[56] into:

a. Those who affect the cooperative, in particular those who
   have power over its direction such as the staff, the board
   members and other officers, committee members and
   member-owners.

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[55] Cooperative Union of Canada, Op. Cit., pp. 5-6
[56] John Pearce, Peter Raynard and Simon Zadek, *Social Auditing for Small Organizations: A workbook for Trainers and Practitioners*, London, p. Stage 3, p. 5.

b. *Those who are affected by the cooperative such as the leaders and staff themselves and their respective families, the members, apex organizations, the community residents, the local government and many others.*

c. *Those who are core to the goals, mission and vision of the cooperative such as the leaders, members, elders, apex organizations, and others.*

d. Those with whom the cooperative most directly and commonly interacts with such as suppliers, depository banks, and many others.

By way of schematics[57] , this can be illustrated thus:

**Those who *affect*
the cooperative**

**Those *core* to its
vision/mission/
goals**

**Those most
interacted
with**

**Those *affected* by the
cooperative**
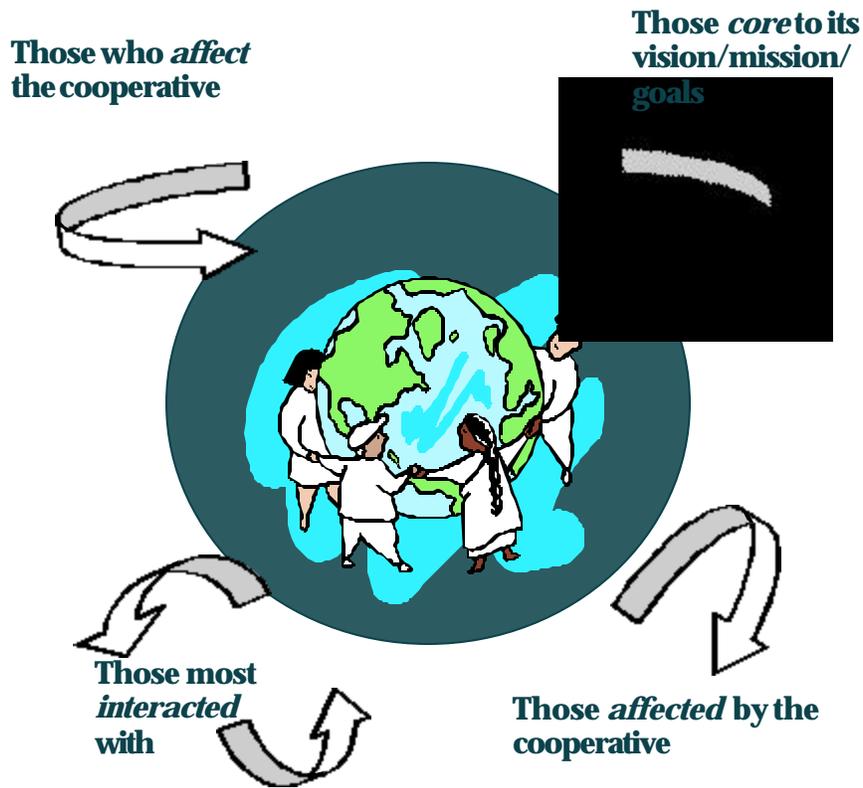
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[57] John Pearce, et. al., Ibid., p. Stage 3, p. 2.

Determining the stakeholders of cooperatives is most important in a social audit. This is even more crucial in the social audit models that give more premiums to stakeholders' survey. But whatever the model, the stakeholders component is very important, because only by taking account of the perceptions of various stakeholders can a more profound and good-sided, albeit objective, picture of the cooperatives under social audit could be established.
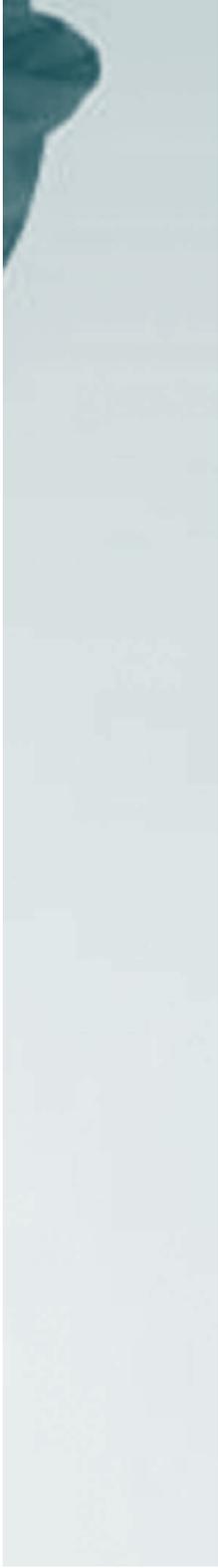
Stages in Social Audit :.

The stages of the social audit, as described here, enumerate and describe the actual step-by-step process to complete the entire social audit procedure – from pre-social audit stage, to implementation stage, and finally to the post-social audit stage.

chapter 5

These stages are and, in many ways, have to be peculiar somehow to the context and milieu*. Nevertheless, the entire procedure earnestly trails the path and absorbs all the nuances of the financial audit practice, social audit being directly descended from the former.

Pre-social audit stage

a. Terms of Reference and Contract

The first stage in a social audit engagement is agreeing on the terms of reference for the whole procedure. The terms of reference contains the basic agreements of the two parties — the cooperative and the auditor or the auditing group. This describes the context, the project partners and problems, as well as defines the project strategy, the content and the expected results. Furthermore, this gives details of the work structure, the project management, monitoring and evaluation mechanism, and the implementation plan of the entire procedure.

The terms of reference stands as the binding contract between the parties to the social audit engagement.

b. Packaging the Social Audit Framework

The second step is to write the social audit framework. Of course, writing starts with researching on existing social audit instruments, formulating a matrix of the instruments with their respective distinctive features, and the constructing itself of the provisional draft. The draft serves as the basis of discussion, or talking points, in a workshop.The workshop is participated by the auditors, as facilitators, and the representatives of the client cooperative who are necessarily from the ranks of both the staff and officers. The workshop serves as the arena for defining and fine-tuning the draft

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*The process as described here is the exact paths of the social audits done in two co-ops in Cebu

framework, with the end in view of coming up with the final version of the social audit framework with the areas of decisions and actions and the various indicators to determine the level of the cooperatives' social performance. In case so many changes are introduced, another workshop may be called to wrap up and completely package the social audit framework.

With the results of the workshop, and already in its final packaging, the social audit framework is now for the approval of the Board of Directors of the client cooperatives. Such presentation and approval are necessary for purposes of common ownership, since the framework is the sole basis of all interpretations on social performance later. (Refer to Book 2: Tools for Social Audit, Appendix No. 1. The details of the said social audit framework are also discussed in Chapter 4.)

c. *The Social Audit Assessment Instrument*

Social audit, as pointed out earlier, comes with pedigree from financial audit. As such, the main task after the approval of the social audit framework is to write the social audit assessment instrument. As a tool, the social audit instrument is used (a) to determine the availability of the documents as listed in the social audit framework, (b) to determine the codification status of each document, and (c) to identify their respective custodians. Below is the SA Assessment instrument, in part:

Documents	Availability		Codification Status	Person in-charge
	Yes	No		
1. Members information, indicating the following data: number of members, age profile, sex profile, share capital as of Dec. 31, savings deposit as of Dec. 31, loan accounts as of Dec. 1, aging summary, MIGs profile				
2. Criteria in determining of MIGS				
information: attendance, date, venue				

(See complete details in Book No 2: Tools for Social Audit, Appendix No. 2)

d.   The Social Audit Program

After the assessment instrument, the social audit program is also written. The social audit program is a tool that is specifying the process and the schedule of the streaming of the documents into the hands of the social auditor, and specifying further the nature of the work involved as well as determining the level of work given to each document. Similarly, this tool in some ways also determines the progress of the entire social audit procedure.

The social audit program, in a nutshell, helps the social auditor, as well as the project managers, to identify problem areas especially in the obtainment of, and verification on, the authenticity of the documents and the precision of the entry of the contents of the documents into the working papers. See Book 2: Tools for Social Audit, Appendix No.3 for the conformation of the SA Programming instrument.

e.   The Working Papers

The writing of the working papers follows. The working papers are the various tabular forms to capture the data from the source documents. There are nearly 80 of them in this Manual, and each represents an area of concern so specified and threaded in the social audit framework, and labeled as Working Paper No. 1.1 to 7.7. The number of the working paper depends on the agreed areas of concern in the social audit framework as mutually agreed upon by the project managers of both sides – the management of the client cooperatives and the auditors' group.

The working papers are the instruments used to systematize the data collection or extraction of information from the documents, also called content analysis or documentary analysis, into a more comprehendible format, to allow easier comparison and interpretation later. The numbering of the working papers is necessary for continuity in flow of both the process of recording and of the interpretation later, and in the filing of the working papers for easy retrieval and reference. (Refer to Book 2: Tools for Social Audit, Appendix No. 7)

f.   The Working Paper Monitor

The working paper monitor is a checklist on the filling-up of the working papers. This serves as a consolidating instrument to guide the social auditor, and the project managers, to quickly monitor the workflow and determine the achievements in terms of percentages to the whole procedure. The monitor enables the auditor some degree of thoroughness. Thus, there is no way that certain data are left out in the rush to complete the work. See Book 2: Tools for Social Audit, Appendix No. 4.

g. The Survey Questionnaires and Interview Schedules

After the approval of the social audit framework, another group of work, which can run in parallel with the writing of the assessment instrument and others, is the framing of the survey questionnaires and interview schedules for stakeholders. As may be so specified, these questionnaires and schedules may be for the members, the staff, the community, church and LGU leaders, the non-members, and even the members who have withdrawn membership from the co-op. All these have to be made tailor-fit to the specificity of each stakeholder group.

The areas of decisions and actions as contained in the approved social audit framework are already concept-specific; meaning, each area already represents a variable that is ready for verification. In research, a variable is a symbol, or a subject matter that is ready for formulation into question form, and to which numerals or values, also called indicators, are assigned. With the variables in-place, the indicators of each variable are selected. And as pointed out in Chapter 4, there are four types of indicators, namely:

1. *The nominal scale. This utilizes indicators by simply partitioning a set into subsets or categories that are mutually exclusive and collectively exhaustive — e.g. male, female — and if numerals are used these are mere labels and have no quantitative value.*

2. *The ordinal scale. This has the characteristics of the nominal scale plus an indicator of order, as expressed in this postulate: if a is greater than b and b is greater than c, then a is greater than c — e.g. very satisfactory, satisfactory and not satisfactory. However, this method does not take into account how much greater or lesser.*

3. *The interval scale has the strengths of nominal and ordinal scales plus the concept of equality of interval, e.g. the distance between 1 and 2 is equal to the distance between 2 and 3. To put this into operation, this can be expressed in scaling the categories into a scale of 1 to 5 where 1 is the lowest and 5 is the highest.*

4. *The ratio scale incorporates all the strengths of the three plus the concept of absolute zero as point of origin.*

In Book 2: Tools for Social Audit, two sample questionnaires are made as part thereof. One is the members' survey which is utilizing the nominal and the ordinal scales, and the other – for the staff – with the ordinal scales (See Book 2 Appendix No. 4 and 5). Of course, the choice of the scale depends on the preference of the auditor, and the depth by which the social audit is intended to be by the project managers. The same process applies to the interview schedule.

d. Designing the Sampling Methodology

To ensure the reliability, accuracy and validity of the information gathered from the surveys, the sampling methodology has to be tailored to the specificity of the stakeholder being surveyed. In general, there are two general classifications of sampling methodologies: the probability sampling, where the researchers use a random selection of elements to reduce or eliminate sampling bias; and the non-probability sampling, where the researchers have choices which groups or persons to include in the samples. Under each classification are:

Probability sampling	General description	Non-probability sampling	General description
Simple random	Samples are drawn using a random number table, where everyone in the population have equal chance of being included	Convenience	The researchers are free to choose whomever they find at their convenience.
Systematic	Every kth element is sampled, beginning at a random start of 1	Judgement	The researchers handpick the samples to conform to some criteria, i.e. all midwives on the issue of abortion
Cluster/area	Sub-division of the population into clusters or areas, and randomly choosing a number of areas which are then studied in toto	Quota	The researchers pre-study certain characteristics and dimensions of the population, and draw samples based on that to represent the whole population
Stratified	Subdivision of the population into homogeneous substrata, and randomly choose elements from within the chosen strata. beginning at a random start of 1	Snowball	This method uses referrals, e.g. from one interviewee to another through the referral of the former
Double	Collecting data using previously defined techniques from the same samples, and selecting a sub-sample for further study		

Given the nature of cooperatives – where the members are literally "everywhere but nowhere" (i.e., they are in the community but the community has non-member residents) – what seems to fit is the "crossbreed" of the area sampling of the complex probability sampling and quota sampling of the non-probability sampling. The aspect of area sampling, to be applicable to cooperatives, is the identification of a chapter in an area that is homogenous to the other chapters but with a heterogeneous population to represent the whole group or cluster, and the aspect of quota sampling is the pre-identification of the sample chapters as representatives of certain stratification in the cooperatives' membership and the drawing of samples from these chapters. And all those in attendance of the ownership meetings are automatically considered as respondents to the survey, which is another basic feature of quota sampling.

The choice of the sampling design, however, has to be dictated by the require-ment of economy, fluidity of the sampling frame, the absence of more viable sampling designs for best trade-off, and the ease by

which the auditor can implement the surveys. There is no single principle that would lead the investigator to choose a particular sample-scheme to the exclusion of others.[58] Definitely, deciding on the choice is premised on the assumption that whatever the methodology chosen it is without ever sacrificing the quality of the engagement and the integrity of the results.

To determine the number of respondents to the survey, even before the survey is done and be within acceptable margins of error, the formula[59] is:

$$\text{Sample size (unknown)} = \frac{\text{Population size (total membership count)}}{1 + \text{Population size (Desired margin of Error)}^2}$$

The determination of the margin of error is the auditor and the project managers' decision. And the choice can be as stringent as +/-1% or as loose as +/-10% or more margins of error.

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[58] PSSC, *PSSC Social Survey Series No. 1, Social Survey Research Design*, 1973, p. 3:56
[59] Cynthia R. Guerrero de Leon, George Garcia and Cristobal M Pagoso, Fundamental Statistics for College Students, Sinag-Tala Publishers, Inc., Manila, 1992, p. 17.

i. CPM: Pre-Social Audit Stage

Reproduction of reading materials

Additional output on the SA

Writing the SA Program

Presentation of SA Presentation

Writing the TOR

Writing the final SA framework draft

Writing the final SA framework

START → **1** → **3** → **5** → **6** → **10**

Review of Literature

Develop proposal

2

Writing the survey questionnaire for members

Designing the sampling frame

4

9

7 → **11**

Writing the survey questionnaire for staff

8

Fieldwork Stage of the social audit

a. Assessment

The first step in the fieldwork stage is the assessment. As pointed out earlier, the social audit assessment is there (a) to determine the availability of the documents as listed in the social audit framework, (b) to determine the codification status of each document, and (c) to identify their respective custodians.

With these purposes, the auditors request the management of the client cooperatives for a meeting with the key staff o, especially those who are supposed to have custody of records and are therefore the likely persons to write down the information as specified in the working papers. For practical reasons, it may even do well for the auditor to elucidate to these individuals the rationale – the why, the what and the how — of social audit and to elucidate on its real implication to better services and to the long-term stability of cooperative. (Note: Based on the actual experience, there is truly a need to give orientation to the staff, particularly for those who are not involved in the earlier deliberations regarding social audit but are crucial in the auditor's getting hold of the documents. The orientation is a kind of a leveling-off of understanding with the sidelight of allying hidden fears for the exercise's turning into a performance evaluation of the individual staff members.)

b. Letter Requesting for the Documents

With the codification determined, the auditor writes a letter to the management of the cooperative, requesting for the co-op's records. Together with the letter are the list of the documents, previously identified in the assessment as readily available, and the working papers with which to use

for writing down the needed information as contained in the co-op's official records. In this way, no official records are taken out of the co-op's premises.

c. Content Analysis

In general, the co-op's staff does the next step. This is content analysis, which is basically data collection or extraction of information from the cooperative's source documents. In addition to the discussion in the previous chapter, there are three considerations that are worthy of attention here, and these are:

a. internalization of the purpose of the entire procedure by the staff doing the content analysis;

b. uniformity in the manner of recording — whether verbatim, through paraphrase, or in outline form and fidelity in the entry of data; and

c. development of an orderly recording system, for fast retrieval, for ready reference and for flexibility in organizing the information.

The entry of data from such source documents as annual reports and the like into the working papers may be done by the auditor himself, since these materials can be taken out of the co-op's premises.

d. Recapturing the Essence of Lost Data

In the course of the data gathering, some

source documents may no longer be available, or are misplaced and can no longer be found. Here, the auditor has to recapture the essence of the information through interviews with the concerned staff, board or committee members, or with the concerned members themselves, as may be the case, who might have an involvement with the specific activity. This is done, if the information is so crucial to the social audit or if the information make for the accuracy and validity of the findings of the social audit engagement.

e. Validation of the data

After the data are collected, the next step is to validate the information by cross-checking them with knowledgeable individuals on the matter such as the board members, the manager and the staff, either those who are in-charge of the safe-keeping of the documents or had involvement with the activity that is the subject of the document. Cross-checking also includes sampling inspections of the source documents, such as ledger cards, minutes of meetings, etc. This is especially done for the data that are entered into the working papers by the co-op's staff, to check on the accuracy of the information given.

f. Preliminary Interpretation: Data from the Documents

The next step is the preliminary interpretation of the data. Preliminary interpretation is simply to compare the frequency counts (in terms of occurrences) and the qualitative and quantitative indicators in the documents to that of the qualitative and quantitative indicators that are so provided in the social audit framework and as reflected too in the working papers. The social audit framework provides standards upon which all decisions and actions of the cooperatives are to be measured, e.g. 25% increase in membership, etc., and upon which the interpretations of the data are based, on whether the cooperative is weak or strong in that particular area of decision and action. The standards of performance act as the social performance hurdles, and in detail these are:

Areas of Decisions and Actions	Social Performance Hurdles
1st Principle: Open and Voluntary Membership	
1. Database of its members	List with profile updated yearly
2. Percentage increase or decrease of regular members	25%
3. Market penetration	20%
4. Obstacles to membership	Zero obstacle
5. Convenience in refund of capital for withdrawing members	Immediate
2nd Principle: Democratic Member Control	
1. Number of general assemblies	Once a year
2. Average number of voting members in GA	50%
3. Percentage of MIGS to total membership	50%
4. Quality of criteria in determining MIGS	All
5. Number of BOD meetings	All meetings as required by by-laws
6. Compliance to the provision on the terms of office of board of directors and committee members	Compliance with law
7. Number of committee meetings	All regular board meetings
8. Integrity, character and credibility of officers	No remissness in obligations
9. Presence of core management team	Presence of 3 (manager, cashier and bookkeeper)
10. (manager, cashier, bookkeeper)	
11. Policies and procedures	Level of codification of Financial and Non-financial policies and procedures
12. Development plans	Annual Plans
13. Institutional mechanism through which the board and management of the co-op consult the members prior to any decision	At least 4
14. Monitoring mechanisms to gather feedback	At least 3
15. Board members, male female ratio	At least 50% female
16. Committees, male female ratio	At least 50% female
17. Explicit provisions in its vision-mission-goals, in its by-laws and or other policies and procedures regarding gender-fair promotions	So provided in 2 policy instruments of the cooperative
3rd Principle: Member Economic Participation	
23. Number of members contributing to share capital & savings deposits	50% of members
24. Membership patronage to cooperative products and services	50% of members
25. Paid-up capital and savings mobilization	50% of members
26. Allocation of patronage refund and interest on capital 50% of respondents	Patronage Refund : Interest on Capital: 45 to 55
27. Presence of institutional providential services to members	4 services
28. Presence of specific programs and services for senior members	One program or service

4th Principle: Autonomy and Independence	
29. Type of capital-up build-up mechanisms beings implemented or adopted	4 types of mechanisms
30. Type of savings mobilization schemes being implemented	4 types of mechanisms
31. Percentage increase (decrease) in working capital	40 %
32. Profitability ratio (net income over gross income)	15%
33. Current ratio	3 : 1
34. Compliance with government rules and regulations	Compliance of all government requirements
5th Principle: Education, Training & Information	
35. Education services/Programs for the last 5 years	4 PMES per year per chapter 6 OM per year per chapter 12 other educational programs per year
36. Economic capability building program	2 programs
37. Culture building programs	2 culture building programs
38. Presence of gender related training for staff or general membership	2 training programs
39. Presence of education programs for the successor generation	2 education programs
40. Presence of a youth development program	2 development programs
41. Dissemination of important co-op information on operations	5 types of information
42. Designation of point person in charge of information and communication	One staff
43. Dissemination of important cooperative information on the organization	5 types of information
44. Media of communication to disseminate information	3 media of communication
45. Capability enhancement program of board of directors, committees and management staff	3 capability enhancement programs
6th Principle: Co-operation Among Co-operatives	
46. Economic participation in other Co-ops	P100T
47. Active support to federation/apex organization	Full payment:
48. Partnership, cooperation, and/or alliances (business or otherwise) with other co-operatives and civil society formations	5 activities
49. Participation in the cooperative federation/union activities/programs	Any 3 programs/activities yearly for 3 years
50. Patronage of federation/apex organizations' services	3 services yearly for 3 years
51. Number of board members/officers in co-operative secondary organizations and time spent	Officers attended all meetings
7th Principle: Concern for Community	
52. Environment protection programs and activities	Participated in 3 and initiated in 1
53. Community infrastructure projects facilitation	Participated in 3 and initiated in 1
54. Advocacy and education on social development	Participated in 3 and initiated 1
55. Cultural, sports and value enhancement program	Participated in 3 and initiated 1
56. Participation in local governance programs	7 types of involvement
57. Presence of institutional gender-specific programs that were implemented in the last two years	2 programs

g. The Conduct of the Surveys

As pointed out earlier, the surveys or interviews can run in parallel to the content analysis or extraction of data from the source documents. The members' survey, depending on the sampling design, can either piggyback on the ownership meetings or can proceed according to its chosen sampling methodology. In case the survey utilizes the ownership meetings, the questionnaires can be filled-up by the respondents individually but simultaneously right after every question is read, translated into the native language and elucidated for its value in relation to the social audit objectives. The process strengths the survey as a methodology by several notches through its assimilation of the nature of interviews where respondents can ask questions to clarify vague points in the instruments.

While the number of respondents may be pre-determined, the actual number of respondents still depends on a lot of factors, however, and some of which are beyond the control of the auditor. These factors may include: 1) very wide spread of the dates of ownership meetings, which may likely affect the validity of the research output; 2) unavailability of most members, who are identified to be the samples, to attend the ownership meetings as scheduled, or 3) force of nature. To determine the margin of error with known number of samples, the following formula[60] is used instead:

$$\text{Margin of error} = \text{Square Root of} \quad \frac{\frac{\text{Total Population}}{\text{Sample Population}} - 1}{\text{Total Population}}$$

h. Editing and Coding of Survey Returns

The survey returns are edited to ensure consistency across

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[60] This reverse formula is provided by Fedei Bence Lavesores, a student.

*respondents and to locate omissions. Editing reduces errors in record-
ing, improves legibility, and clarifies unclear and inappropriate re-
sponses. As a general guide, all returns with less than 50% responses
to the questions have to be discarded.*

*Edited data are then put into a form that makes comparison and
interpretation possible. Because it is impractical to place raw data into
the forms, alphanumeric codes are used to reduce the responses to a
more manageable level for storage and future processing. The codes
follow various decision rules that the auditor has to devise to assist with
sorting, tabulating and analyzing. Below is a sample of a coding
system.*

Variable Number	Variable Heading	Code Number	Name of Categories	Number of categories
	Branches	1	Branch 1	7
		2	Branch 2	
		3	Branch 3	
		4	Branch 4	
		5	–	
		6	–	
		9	missing (no answer)	
1	sex	1	males	3
		2	females	
		9	missing (no answer)	
2	age at last birthday	1	21 – 25 age group	
		2	26 – 30 age group	
		3	31 – 35 age group	
		4	–	
		9	missing (no answer)	

*The codes may be integrated into the questions' responses in the
survey forms, to make the work a little bit faster.*

i. Encoding the Survey Returns

*After the codes, the encoding of the responses follows. This is
done by using the spreadsheet program. The spreadsheet program
allows a convenient and more flexible means of entering and viewing the
raw data. The spreadsheet program is also compatible with some
computer software on statistics. Data entry on a spreadsheet provides*

numbered rows and letter columns into which the coded responses as entries are placed. To encode the data, this is the format:

Respondents	Chapter	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9
1	2	2	1	3	4	2	4	9	2	1
2	1	1	2	3	5	3	2	2	1	5
3	4	2	2	4	2	2	1	6	9	1

The survey returns can be stored at this level of systemization. Already, this format allows a rough understanding of the data: for instance, respondent no. 1 comes from Branch 1, a female, and is be- tween 21 and 25 years old. This format also allows a review of the survey returns as encoded data in the spreadsheet, through the numbering of the survey returns in a way that it corresponds to the number assigned in the encoded data. This format further allows a review even after the data are collated, either for errors in encoding or errors in summarizing the frequencies of a category's occurrences, or simply to audit on the accuracy of the tabulated data.

This part of the work has to come first before constructing a talligram[61]. A talligram is a simple tool for tallying responses, and it may be done in the way election results are tallied, or it may be done by variable and by categories per variable. Or, the talligram may be utilized for cross-tabulation (see discussion on cross tabulation), using two or more variables and so many categories. Doing a talligram before encoding the coded responses into the spreadsheet, it has to be stressed however, renders the data no longer open for review, except by looking

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[61] Jose Calderon, et. al., pp 206-208..

back again at all the source documents, which are the survey returns.

i. Preliminary Interpretation: Data from the Surveys

Through the use of a talligram, the frequencies are then counted and tabulated for preliminary interpretation. Preliminary interpretation involves reducing accumulated data to a manageable size, by developing summaries, by looking for patterns, and applying known statistical techniques to the raw data.

In nominal scales, the counting of number is the only possible arithmetic operation. If numbers are used, as pointed out earlier, the numerals are recognized as labels only and have no quantitative value.[62] And the mode is the only measure of central tendency here, with crosstabulation as tool to provide insight into the important data patterns. For test of significance, if ever it is so necessary to calculate them, the mathematical operation is limited to the chi-square test.
Because the ordinal scales have only a rank

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[62] C. William Emory, Ibid., p. 172.

meaning, the appropriate measure of central tendency is the median, and the percentile or quartile measures for dispersion. For correlation, these are restricted to various rank-order methods and for the measures of statistical significance to all nonparametric methods.

For the intervals, both the mode and the mean can be used as measures of central tendencies, with the standard deviation as the measure of dispersion. Through the use of the mean, deeper analysis is possible by way of the formation of indices and of item analysis, and for the tests of significance, again if it is so necessary, the product moment correlation, analysis of variance, t-test and f-test are appropriate statistical procedures.

The ratio scales represent the actual amounts of the categories in a variable, and these are very appropriate in measuring physical dimensions such as weight, height, distance and area, or in business in money values, return rates, amount of time in a time-period sense, etc. For ratio scales, all statistical techniques mentioned above are usable, in addition to its ability to integrate other manipulations using real numbers such as multiplication and division. Geometric and harmonic means can be used as measures of central tendency and coefficients of variations may also be calculated.

(Note: all mathematical operations to determine significance of data are beyond this manual. These are, however, found in all standard books on statistics.)

To make interpretation easier, some of the visual techniques for displaying the data are:

Frequency Table. The frequency table is an array of data based on the number of frequencies that the responses as coded appeared in the encoded data, or in the talligram. Below is a frequency table:

Table 1. Age of Respondents

| Chapters	below 25	25 -35	36 -45	46 – 60	Above 60	Total
Branch 1	2	7	14	13	2	38
Branch 2	2	3	9	11	3	28
Branch 3	5	23	15	19	7	69
Branch 4	2	5	7	4	3	21
Branch 5		7	11	5	3	26
Total	11	45	56	52	18	182
Percent	6.04	24.73	30.77	28.57	9.89	100.0

The unwieldy responses of the 182 respondents are now easily under-stood. The tabled values and percentages are easier to understand in this format, and visualization of their relative sizes is now improved. (Note: in some practices, the missing responses — no answer — are integrated proportionately into the other categories by changing the base. They call the new percentage as the valid percentage as distinguished from the percentage taken out of the total number of respondents as base. Our position, however, is to treat this question the way we treat "don't know" responses — that is, it is either beyond the knowledge of the respondents or that the respondent is simply too courteous to say negatively and therefore count it as a negative response.)

Bar Graph. *The same data can also be presented in a much better way through a bar graph. This is the bar graph:*
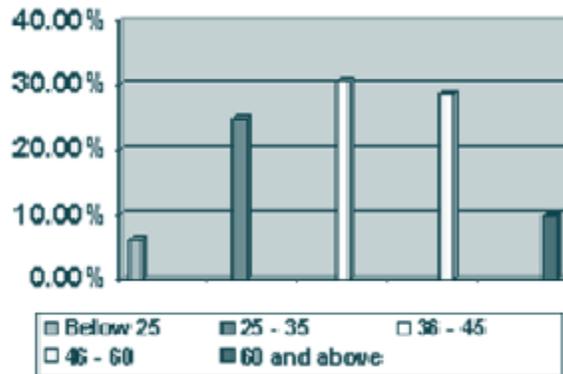
The bar graph can be used, using either percentages or their original units.

Pie Chart. *The same data can also be analyzed through the pie chart. The pie chart is a better tool to portray percentages, because the whole pie always represents the 100%. Below is the pie chart:*
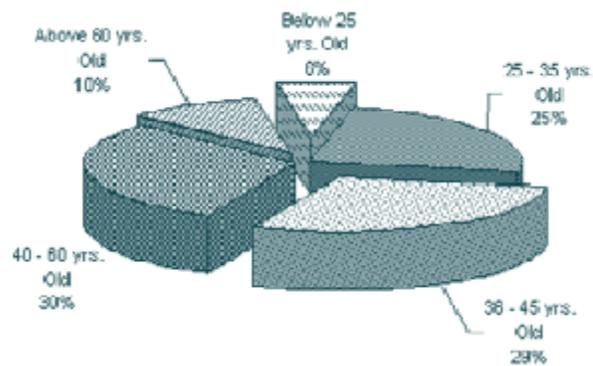
Histogram. For interval data, the histogram is the conventional solution to display the patterns of the responses. A histogram is basically similar to a bar graph in appearance, but it has displays on categories even those without an observe value and shows both the modal pattern and the pattern of the distribution, whether the distribution is towards the right or left from the mean, mode and median. Example: in a survey where the mean, mode and median age are with the category 36–40, and the pattern of the distribution leans towards the right, then we say that the data are skewed towards the older generations. The histogram is useful for (1) displaying all intervals in a distribution, even those without observed values, and (2) examining the shape of the distribution for skewness (measure of deviation from symmetry) and the modal pattern.

Crosstabulation. The frequency distribution, pie chart, bar graph, histogram, etc. are primarily concerned with single variable distribution. Crosstabulation, on the other hand, is a technique for the comparison of two or more variables, by making use of tables having rows and columns. When tables are constructed for statistical testing, we call these tables as contingency tables, and the test performed determines if the two variables are independent from, or related to, each other. A contingency table may integrate two or more variables with as many or more categories each.

Below is an example of a 6 x 16 contingency table:

| | Males | | | | | | Females | | | | | | |
| | Years of Service* | | | | | | Years of Service* | | | | | | |
	1	2	3	4	5	6	1	2	3	4	5	6	Total
Below P4T													
P4T - P 5,999			20.0%			0.00%		0.00%			13.33%	0.00%	53.33%
P6T - P 7,999									6.66%		6.66%	6.66%	20.0%
P8T - P 9,999						0.00%					13.33%		20.0%
P10T - P 11,999													
P12T and above	0.00%												0.00%
Total (%)	6.66%		20.0%			13.33%		6.66%	6.66%		20.0%	26.66%	

* Years of Service: 1 – Less than 6 months; 2 – 6-12 months; 3 – 1-2 years; 4 – 2-3 years; 5 – 3-5 years; and 6 – 5 years and above.

In the data above, it is shown that the salary variable is independent from the sex of staff and years of service of staff variables.

Percentages. Percentages serve two purposes in data presentation. They simplify by reducing all numbers to a range of 0 to 100. They also translate the data into a standard form, with a base of 100, for ease of comparison within and for comparison with certain external standard or benchmark, or with previous performance.

To determine the perceptions of the stakeholders based on the data presentations, the following social performance hurdles are put in-place, to guide the auditor's interpretation regarding an aspect of the cooperative's social performance:

| Areas of Decisions and Actions	Social Performance Hurdles
2nd Principle: Democratic Member Control	
1. Members' Perception on the importance of the GA	50% of respondents
2. Members' perception on their participation in the affairs of the co-op	50% of respondents
• Members' perception on the performance, participation and conduct of officers	50% of respondents
• Members perception on the deportment of staff	50% of respondents
• Members' perception on the staffs' performance	50% of respondents
• Members' perception on the efficiency of the coop's service delivery	50% of respondents
• Members' perception on the receptiveness of the co-op on their verbalizing of ideas, suggestions and complaints	Easy/not difficult: 50% of respondents
• Members' satisfaction that their ideas, opinions and grievance are heard	50% of respondents
• Members' perception on the creation of branches	50% of respondents
• Members' perception on the creation of chapters	50% of respondents
3rd Principle: Member Economic Participation	
11. Members' borrowing pattern before becoming members	
12. Members' perception on the cost of services of the coop	Reasonable and cheap: 50% of respondents
13. Members' perception of the interests of the coop for their savings deposits	Reasonable and high: 50% of respondents
14. Co-op's marketing practices	50% of respondents
15. Members' perception on co-op practices in its dealings with its clients	Open, honest: 50% of respondents
5th Principle: Education, Training & Information	
16. Members' perception on the importance of ownership meetings	50% of respondents
The Cooperative's Staff	
17. Commitment to the VMG	80% of staff on average
18. Enjoyment and satisfaction in work	80% of staff on average
19. Staff' feeling of being a part of a supportive team	80% of staff on average
20. Agreeableness of work environment to health	80% of staff on average
21. Fairness and objectivity of performance rating	80% of staff on average
22. Reasonability of remuneration and other benefits	80% of staff on average
23. Long-term future with the co-op	50% of staff on average

j. Writing the Preliminary Report

After the preliminary interpretation, the preliminary report is written. The preliminary report includes all the data gathered, but does not include yet deeper interpretations, conclusions and recommendations.

i. CPM Fieldwork Stage

Milestones

11. *Assessment*
14. *Programming/Letter requesting for documents*
17. *Content analysis of documents*
21. *Preliminary interpretation*
22. *Preliminary report*

writing
the
prelimi-

18   Validation of data

Preliminary

11   14   17   21

Programming & requesting   Content analysis

Members'   12   Editing and   15   Encoding in   19

Preliminary

Staff's   13   Editing and   16   Encoding in   20

22
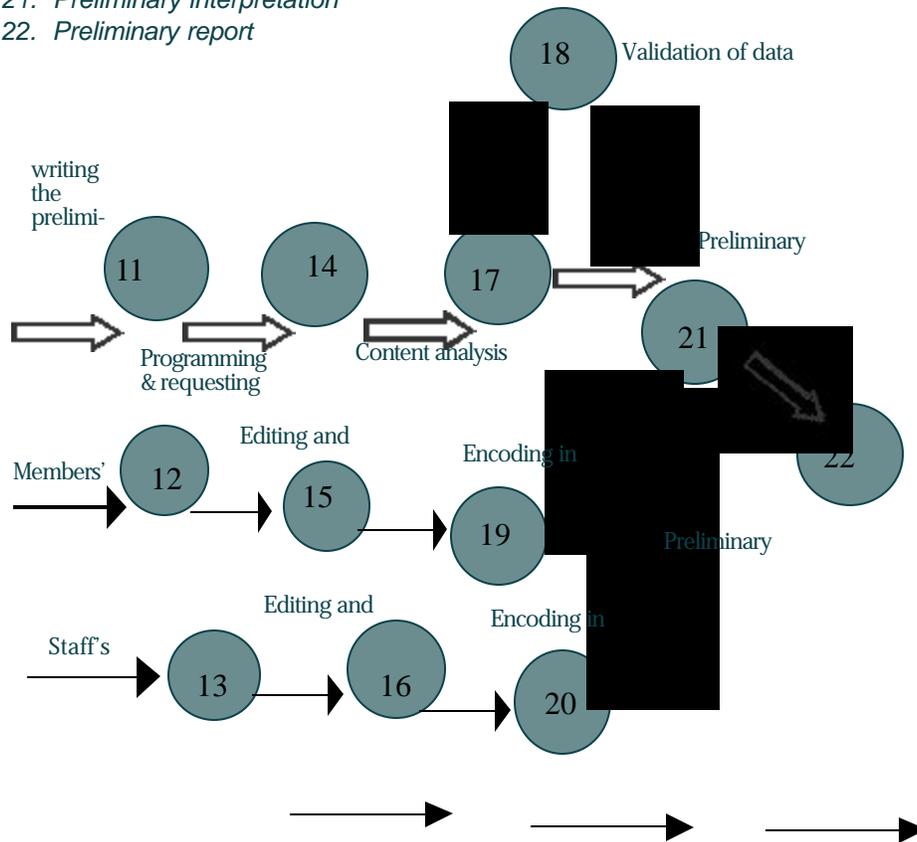
Post-Social Audit Stage

a. Exit Conference

After packaging the report, the exit conference follows. The exit conference is the objective presentation of the written report with all the data gathered at this point and presented in a manner of "let the facts speak for themselves", with spicing up of few commentaries with regards to very visible facts. The primary purpose of this conference is simply to validate the data and to add or subtract, or to get reactions, or whatever, and to see preliminarily on how the data as written are evolving into a compressed and comprehensive written report.

The exit conference has to avoid as much as practicable the giving out of value judgments, in order not to cloud the presentation with so much emotion as may be generated by such and rendering the validation process, which is the primary purpose, unproductive. It is enough that the board, officers and key staff can see the objective facts by themselves, add if some facts are lacking or correct if some facts are wrong, or clarify if the facts are hazy, or react. Such method relies on their maturity to infer, to form opinions and make conclusions. No one has to tell them, or pontificate; they only become defensive, a state of mind that is so difficult to crack for positive actions.

b. Audit Validation

In case so many data are added or taken out during the exit conference, an audit validation may become necessary. The final report during the social audit validation may already include inferences through the identification of the organization's strengths, weaknesses, opportunities and threats, and conclusions and recommendations. The recommendations need not have to take the form of injunctions, but as a guide for the board, officers and key staff to formulate policies that truly come out from their own appreciation of the whole import of the entire social audit procedure.

c. Publication.

The second to the last step in the social audit process is the publication of the social audit report. This is usually done in two versions: a short version for the general public and a long version for the Board of Directors and other officers, the management staff and the members who have special interest on the report.

d. Reporting to the GA

On request, however, by either the board of directors or the management staff, the auditor may close with finality the social audit engagement by reporting to the General Assembly the findings of the social audit. This is especially done, if there are disagreements on the recommendations, which the Board of Directors needs resolution at the level of the general membership.

e. CPM Post Social Audit Stage

Milestones
23. Exit conference
25. Validation conference
26. Final Report
27. Publication

24

Review and
Research

Integration of
new data

23

Preparation for exit
conference
publication

25

Preparation for
validation
conference

Writing the final
report

26

27
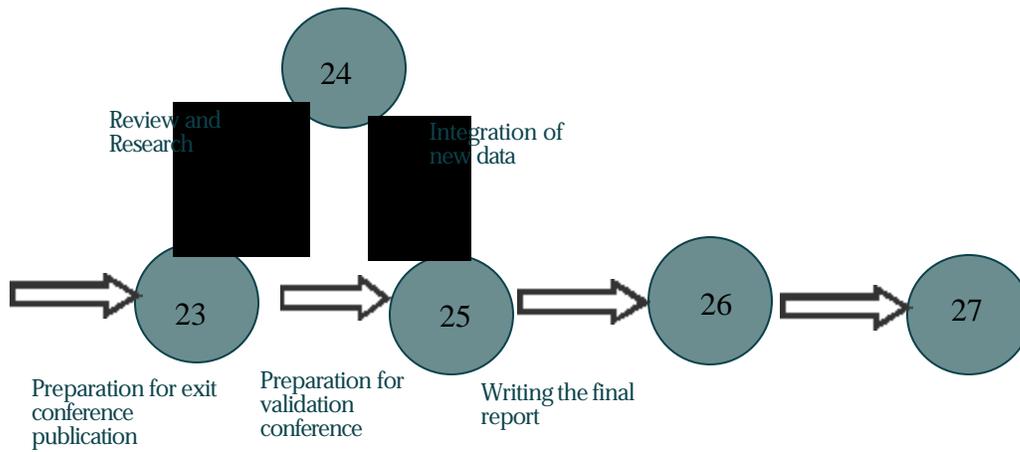
Writing the Social Audit Report:.

A well presented study impresses, and what impresses naturally influences. So many studies with great scientific qualities do not get any impact simply because of weak presentation. It is thus necessary that the social audit report is not only technically adequate and scientifically accurate, but it has to be well-planned and soundly presented.

chapter 6

The Basic Writing Conformation :.

   The social audit report is written for the board of directors, officers and staff, and indirectly for the members of the cooperative. These individuals may not have much concern with specific methodological and statistical details or time to absorb details, but are more concerned with learning quickly the major findings, conclusions and recommendations[63], or they may have little time to absorb details.

   The report, therefore, is one that encourages rapid reading, quick comprehension of major findings and prompt understanding of the implications of these findings and recommendations. However, it should also take especial care for the accuracy of the data. In particular, the report carries these characteristics:

   Readability. *Readability is one consideration in writing the social audit report. Readability means the writing conformation is at the level that is appropriate to the recipients' reading abilities. To test readability, there are standards, such as the Flesch Reading Ease, which gives scores between 0 and 100 with the lower end indicating harder reading, and the Flesch Kincaid-Grade Level, which provide scores that are approximations of the school system's grade levels. (Microsoft's Word program has capability on these standards.)*

   These standards are mere approximation of the true readability of the report. But, of course, the report should not be written by formula alone, because good writing calls for a variety of other skills to assure reading ease and comprehension.

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[63] C. Wiliam Emory, et. al., Op. Cit., p. 71.

Comprehensibility. *Comprehensibility is another consideration in writing the social audit report. In its dictionary meaning, comprehensibility means clearness, distinctness and explicitness.*

The social audit report by design is to convey information of a precise nature. Thus, the report is, and should be, in straight prose and of plain discourse. It has none, and should contain none, of the multiple meanings in elegant allusions that are characteristics of literary works. And neither should it be saddled by ambiguity nor riddled with puzzles, nor written with good supply of jargons, including developmental jargons. Nevertheless, it should not be dull too, or frilly, either. Particular care should be given in the choice of words – by using words that convey accurately, clearly and efficiently the exact meaning and intendment of the messages.

Furthermore, as is required in prose writing there should be a judicious use of modifiers, and subordinate ideas should not be mixed with major ones to avoid confusion or reader load in sorting out the important from the secondary, or even from the trivial. And as tools, there must be liberal use of visual displays, such as pictures and graphs. Sentences and paragraphs should be short and direct.

Tone. *Tone refers to the way the prose sounds and the mode it imparts.*

The report should convey sincerity, warmth and involvement. There is no place for negative phrasing in the report. This is not to say, of course, that the findings or recommendations have to be changed; it simply means reforming them into positive formulations, because the positive tones do not put the receivers of the report on the defensive[64].

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[64] C. Wiliam Emory, et. al., Ibid., pp. 684 – 686.

The Report Format :.

The social audit report follows a well-delineated format, thus:

I. Social Audit

1. *Why conduct a Social Audit?*
2. *What is a Social Audit?*
3. *Value of Social Audit*
4. *The Social Audit field*

ii. Executive summary

	Significant Findings	Key Recommendations
• Voluntary and Open Membership		
• Democratic Member Control		
• Member Economic Participation		
• Autonomy and Independence		
• Education, Training and Information		
• Cooperation among Cooperatives		
• Concern for Community		
• Co-op's Staff		

III. The Auditor's Prefatory Statements and Certification

1. *The Report*
2. *Basis of the Report*
3. *Limitations*
4. *Comments on the Process*
5. *Auditor's Certification*
6. *Composition of the Social Audit team*

IV. Summary of Findings

A. 1st Principle: Voluntary and Open Membership

1. *Database of members*
   a. *age*
   b. *civil status*
   c. *sex*

      d. *religion*

      e. *education*

2. *Percentage increase in regular membership*
3. *Market Penetration*
    a. *Members' Means of livelihood Profile*
    b. *Chapters (in relation to membership expansion)*
    c. *Branches (in relation to membership expansion)*
4. *Obstacles to membership*
5. *Convenience in refund of capital for withdrawing members*

B. 2ⁿᵈ Principle: Democratic Member Control

1. *Number of general assemblies*
2. *Average number of voting members in GA*
3. *Percentage of MIGS to total membership*
4. *Criteria in determining MIGS*
5. *Members' perception: Importance of General Assembly*
6. *Members' perception: Members' participation in the affairs of the co-op*
7. *Number of BOD meetings*
8. *Compliance to the provision on the terms of office of board of directors and committee members*
9. *Number of committee meetings*
10. *Integrity, character and credibility of officers*
11. *Members' perception: Performance, Participation and Conduct of Officers*
12. *Presence of core management team (manager, cashier, bookkeeper)*
13. *Members' perception: Deportment of staff*
14. *Members' perception: On staff's performance*
15. *Policies and procedures*
16. *Members' perception: Efficiency in service delivery*
17. *Development plans*
18. *Institutional mechanism through which the board and management of the co-op consult the members prior to any decision*

19. Monitoring mechanisms to gather feedback
20. Members' perception on the receptiveness of the co-op of their ideas, suggestions and complaints
21. Members' satisfaction that their ideas, opinions and grievance are heard
22. Members' perception: Branching
23. Members' perception: Chapter
24. Board members, male female ratio
25. Committees, male female ratio
26. Explicit provisions in its vision-mission-goals, in its by-laws and or other policies and procedures regarding gender-fair promotions

C. 3rd Principle: Member Economic Participation

1. Number of members contributing to share capital & savings deposits
2. Membership patronage to cooperative products and services
3. Paid-up capital and savings mobilization
4. The members borrowing pattern before becoming members
5. Members' perception: Cost of services
6. Members' perception: Interest rates on deposits
7. Members' perception: Availability of services
8. Allocation of patronage refund and interest on capital
9. Presence of institutional providential services to members
10. Presence of specific programs and services for senior members

D. 4th Principle: Autonomy and Independence
1. Type of capital-up build-up mechanisms being implemented or adopted

2. *Type of savings mobilization schemes being imple-mented*
3. *Number of income generating undertaking of the coop*
4. *Percentage increase (decrease) in working capital*
5. *Profitability ratio (net income over gross income)*
6. *Current ratio*
7. *Compliance with government rules and regulations*

E. 5th Principles: Education, Training and Information

1. *Education services/Programs for the last 5 years*
2. *Members' perception: The educative purpose of ownership meetings*
3. *Economic capability building program*
4. *Culture building programs*
5. *Presence of gender related training for staff officers or general membership*
6. *Presence of education programs for the successor generation*
7. *Presence of a youth development program*
8. *Dissemination of important co-op information on operation*
9. *Dissemination of important cooperative information on the organization*
10. *Media of communication to disseminate information*
11. *Designation of point person in charge of information and communication*
12. *Capability enhancement program of board of directors, committees and management staff*
13. *Members' perception: Leadership development at the chapters*

F. 6th Principle: Cooperation among Cooperatives
1. *Economic participation in other Co-ops*
2. *Active support to federation/apex organization*

3. *Partnership, cooperation, and/or alliances (business or otherwise) with other co-operatives and civil society formations*
4. *Participation in the cooperative federation/union activities/ programs*
5. *Patronage of federation/apex organizations' services*
6. *Number of board members/officers in co-operative secondary organizations and time spent*

G. 7th Principle: Concern for Community

1. *Environment protection programs and activities*
2. *Community infrastructure projects facilitation*
3. *Advocacy and education on social development*
4. *Co-op's marketing practices*
5. *Co-op practices in its dealings with its clients*
6. *Members' perception: Work ethics of staff*
7. *Cultural, sports and value enhancement program*
8. *Participation in local governance programs*
9. *Presence of institutional gender-specific programs that were implemented in the last two years*

V. The Co-op's Staff

1. *Staffs' profile*
2. *Commitment to VMG*
3. *Enjoyment and satisfaction*
4. *Staffs' feeling of being part of a team*
5. *Agreeableness of work environment to health*
6. *Fairness and objectivity of performance rating*
7. *Reasonability of remuneration and other benefits*
8. *Long-term future with the co-op*
9. *Others*

VI.   The Auditor's Analysis and Interpretations, and Conclusions

a. **Identifying Weaknesses, Identifying Strengths**

b. **Opportunities that are Open, Threats that are Confronting the Co-op**

c. **Conclusions**

VII.   Recommendations

VIII.   Co-op's Response: Continuous Improvement of its Social Performance

The Contents of the Report :.

The social audit report tends to be long, given the social audit framework, and is usually defined and characterized in terms of the degree of formality in its language and design. In brief, the contents by section are:

Social Audit.

This section briefly explains the value of social audit and why cooperatives have to undergo it, and explains what social audit is all about, the principles involved and the scope of the entire procedure.

Executive Summary.

This section contains a high density of significant terms, and serves two purposes. First, it serves as the report in miniature. And second, it is a concise summary of the procedure's significant findings and key recommendations.

This section is a brief statement of the essential findings, by way of summaries. In case there are a number of little specific findings, this section may also integrate the same through sectional summaries, and then combine them into an overall summary.

The Auditor's Prefatory Statements and Certification.

This section narrates the process of the whole social audit engagement from the formulation of the various areas of decisions and actions, to the fieldwork and finally to the validation conference. This also contains comments on the side issues and working relationships between the auditor and the client cooperative, and specifies the limitations of the study. And finally, this section contains the certification of the auditor as to the reliability and accuracy of the social audit report, as well as to the involvement of the general membership in the process.

Summary of Findings.

This is the longest section of the report. This section arrays in very organized manner the results of the entire procedure.

The objective of this section is the exposition of the data. Thus, the data should be presented as objectively as possible, with their necessary details. Nevertheless, this section should not be a clutter of prose, charts and tables, but organized prose and in plain discourse. And when quantitative data can be presented, this should be done as simply as possible, meaning, simple charts, graphics and tables.[65]

This section need not include everything, however. The inclusion has to be dictated by the materiality of the data to the findings and to the essentiality of such materials to better understand the findings.

The Auditor's Analysis, Interpretations and Conclusions.

This section has three parts, and these are:

a. Strengths and Weaknesses. *This sub-section objectively classifies the significant findings into strengths and weaknesses based on the social performance hurdles, the standards that have*

been pre-agreed by the auditor and the cooperative. To be sure, the classification into strengths or weaknesses is very much peripheral, but such efforts serve the purpose of arraying and identifying patterns in the co-op's social performance or of revealing undercurrents within for deeper understanding of the organization.

b. Opportunities and Threats. *This sub-section looks beyond the very mechanical classifications of strengths and weaknesses, by looking into the cooperative itself as a business enterprise and as a people's organization and into the milieu of the cooperative, and intimates certain interpretations to keep the cooperative posted, updated or reminded of opportunities and threats, that are either within the cooperative itself or from society at large or from recent actions of government that have positive or negative consequences to the cooperative and its members. The interpretations enable the cooperative to see its own internal strengths and to appropriately tap on the opportunities that are open, as well as to enable the co-op to effectively*

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[65] C. Wiliam Emory, et.al., Ibid., p.

quell the perils that may come its way.

c. Conclusions. *This sub-section sums up the discussions in the two previous sub-sections.*

Recommendations

This section contains the recommendations of the auditor. The recommendations may range into: 1. maintenance or upgrading of identified strengths; 2. response to identified weaknesses; 3. awareness message of strengths that it can use for further growth; 4. awareness message on possibilities of new threats that may come out of the responses to weaknesses, and 4. awareness message on externally generated opportunities and threats, which are products of the general interplay of the social forces in the community and society as a whole.

Continuous Improvement.

This section integrates the commitment of the cooperative to continuous improvement in its social performance and elucidates in broad strokes the general direction of the coopera-

tive for the years to come as its response to the social audit.

Pre-writing Concerns.

A number of important considerations have to be taken before writing the social audit report. And these are:

♦ *The purpose of the report;*

♦ *The needs, temperaments and biases of the board members, officers and key staff;*

♦ *The familiarity of these individuals on the subject of the report;*

♦ *The circumstances and limitations under which the report is done, such as time constraints, scope of the study, etc.; and*

♦ *The utilitarian value of the social audit report to the cooperative.*

Presentation of Statistics

The presentation of statistics in social audit report comes in four ways: 1. Text paragraph, 2. Semi-tabular form, 3. Tables, and 4. Graphs.

__Text Presentation.__ This is the most common approach, especially when there are few statistics. Through it, the readers can be directed to certain numbers or comparison, and emphasis can be place on certain points. This approach has a place in data presentation; however, this approach tends to submerge the data in the body, requiring the reader to scan the entire paragraph for the meaning of the data. Below is a typical example:

> *The records of the cooperative will show that it has conducted the following, to wit: PMES – total number of events in the last 5 years – 35; ownership meetings – 68; and Other seminars – 20.*
>
> *The generally accepted standards require that a cooperative can conduct at least 1 PMES per quarter per chapter. In other words, the cooperative with 22 chapters must therefore have a total of at least 88 PMES each year. With a total of only 35 PMES in 5 years or an average of only 7 PMES a year, said performance is miserably low . . ..*
>
> *The generally accepted standards also require that a cooperative can conduct at least 6 ownership meetings per year per chapter. The cooperative conducted only 68 owner-ship meetings in the last 5 years or an average of only 14 per year. Under the standard with 22 chapters it should have conducted an average of at least 132 ownership meetings per year. Their performance is sadly too low for comfort. . . .*
>
> *The standards also require that a cooperative must at least have other forms of education program of at least 12 a year or once a month. The cooperative conducted a total of 20 other seminars in the last 5 years or an average of 4 per year. The performance of the cooperative is also very poor in this regard. . . .[66]*

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[66] A Social Audit Report, unpublished.

Semi-tabular Presentation. *The data may be taken out of the text, and is set up in a simple listing. This method allows reading and understanding quantitative comparison much easier than when the statistics are embedded in the text. To reformulate the text as written above, thus:*

The standards are: for PMES, one per quarter per chapter; for ownership meeting, one bi-monthly per chapter; and for other seminars, 12 in a year. In effect, these standards call for 440 PMES, 660 OM and 40 other seminars in 5 years time. The cooperative performances in these activities are:

Program	Number	5-year standard	% Performance
PMES	35	440	7.95
OM	68	660	10.30
Other seminars	20	60	33.33

The cooperative's performances in all three activities are all miserably low.

This presentation improves readability and allows faster comprehension.

Tabular Presentation. *Tables are generally superior to text in presenting statistics. It facilitates quantitative comparison and provides a concise and efficient way of presenting numerical data. Below is a full table:*

Table 1: Sex, Years of Service and Salary Range of Employees 2002

	Males Years of Service*						Females Years of Service*						Total
	1	2	3	4	5	6	1	2	3	4	5	6	
Below P4T													
P4T - P 5,999			20.0 %			6.66%	6.66 %				13.33 %	6.66%	53.33%
P6T - P 7,999									6.66 %		6.66%	6.66%	20.0%
P8T - P 9,999						6.66%						13.33 %	20.0%
P10T - P 11,999													
P12T and above	6.66 %												6.66%
Total (%)	6.66 %		20.0 %			13.33 %	6.66 %		6.66 %		20.0%	26.65 %	100.00 %

* Years of Service: 1 – Less than 6 months; 2 – 6-12 months; 3 – 1-2 years; 4 – 2-3 years; 5 – 3-5 years; and 6 – 5 years and above.

　　　　A table is defined as a systematic arrangement of related data in which classes of numerical facts are given each a row and their sub-classes are given each a column in order to present the relationships of the sets or numerical facts or data in a definite, compact, and understandable form or forms.[67] Usually, a full table's place is in the appendix. As its substitute within the body, full tables are presented in summary form with only a few pieces of the data closely related to the findings by omitting unimportant details or by collapsing categories into those few that are clearly relevant.

　　　　In tables, averages, percentages, indexes and other computations should substitute data in its original units.

Graphic Presentation. *Graphs and charts have the great advantage of conveying quantitative values and makes comparison easier than tables, in addition to its strength in readability and comprehensibility.*

　　　　There are many different graphic forms (and some of these are discussed in the previous chapter as tools for preliminary analysis), and these include line graph for data on a time-series, stratum chart for data on a time-series and for conveying 100% representation, and pictographs and geographics.

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[67] Jose Calderon, et. al., p. 210.

Below is a line graph.
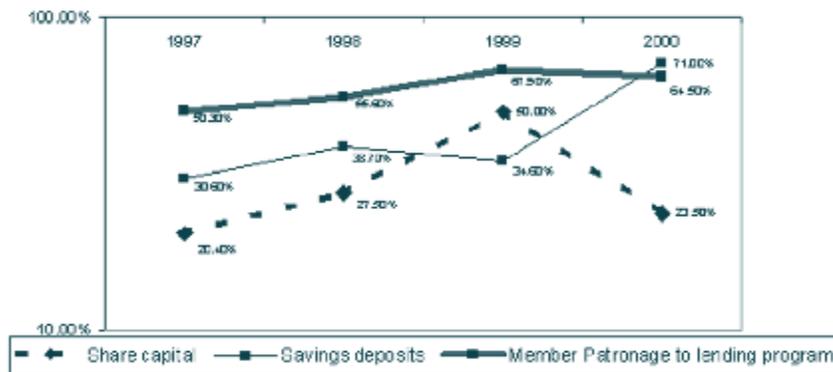
With the same facts, presentation can be done using the stratum chart. With this chart, not only the yearly growth rates are expounded but also the overall growth of related data, and in this graph for instance savings deposits and share capital are shown as growing from around 50% to over 80% in 2001. The stratum chart combines the strength of the line graph and the pie chart.

Most computer programs have variations of these graphs. 3-Ds can also be generated.
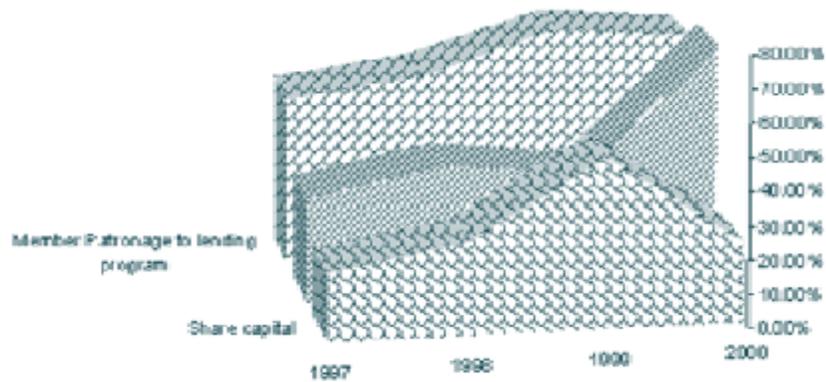
The graphs, however, need not be cut and dried. To give the presentation more oomph, the data can be spiced up by using pictographs or geographics. A pictograph uses picture symbols such as the picture of money for sales or surplus, persons for membership growth, etc. While geographics uses maps, and this can be very effective in indicating membership concentration by chapter or volumes of transactions by branches, etc.

Reflections and Conclusion :.

chapter 7

The cooperatives' ultimate objective is to serve the members and to seek ways for the members' social development. But this objective can only be achieved if the cooperatives go into fruitful business endeavors that can sustain operations and continue providing their services to the members. This means that cooperatives have to compete in the marketplace, probably against the best entities in their lines of business. Being there in that milieu, cooperatives have to approximate, or even do better, the operational efficiencies of competitors, whether non-cooperative or co-operative business endeavors, by integrating technologies and practices that prove, and have been tested, to bring in improve bottom lines to their businesses.

With such situations, there is always that perpetual challenge to reconcile the performances of the business endeavors vis-à-vis the cooperatives ultimate objective of service and social development. It is still a fact that successes in the cooperatives' businesses do not necessarily redound to better services to the members or the members' social development. Reconciling efforts in the business side and efforts in social development, however, brings to the forefront certain difficulties. Financial reporting is limited to the financial operations of the co-operatives' businesses; there are simply no reports that come on sustained and regular basis that touch on the non-financial operations of the organizations, especially because cooperatives are people's organizations. Thus, there is really a need for social audit.

The Purpose of this Manual

The purpose of this Manual is to put in concrete form, and in a way de-mystify, the social audit concepts and practices, by writing down the details of the process, in stages, to trail the path taken in actual implementation. Obviously, as experienced and in delineation, it follows the path of financial auditing, from which social audit claims lineage, but with specificity and tailor-fitting to the context of co-operatives and with the localization to the milieu of the two Cebu-based co-op primaries. And yet, this manual is presented in generic terms to make it adaptable to different circumstances of cooperatives, whether big or small, or urban or rural.

In preparing this Manual, so much has been made to stick closely to the fundamental qualities of good social audit practice: of accuracy and objectivity, of completeness, of transparency, and of consultation and dialogue. The cooperative primaries have been substantially involved in all phases of the engagements, from the designing the social audit frameworks to the validation of the data through board and staff meetings.

In the main, this is designed for social auditors, whether internal or external. But this can be used by co-op educators wishing to impart the concepts and practices of social audit to individuals in the cooperative organizations who are wishing to learn its suitability and practical application to their organizations. Somehow, this Manual can also be used for the training of trainers, although that would require certain adjustments in the Manual's format.

The Limitations of this Manual

Because this is based on actual experience, this Manual is definitely circumscribed by the requirements and specifications of the two co-op primaries, which put limits to the scope of the social audit framework. And further, this is constrained by the auditors' newness in social audit work and the inadequacy of supply of reading materials on social audit that are co-op specific. Thus, on hindsight, and after due consultations with colleagues and other cooperators outside of the engagements, there are a number of weaknesses that are duly noted. And these are:

1. The need to thicken the areas of concern and truly give substance to each co-operative principle, such as pursuit of opportunities to expand market share, investment policies, price setting, internal mechanisms to support an integrated approach to policy and program development, delinquency, litigation, programs to expand markets, benefits received by officers, earning growth, earning margin, efficiency report (overhead, marketing expenses), net earning to net working capital, ratio of members' investments to total capital, ratio of members' investments to total liability, earnings per share, etc. The main purpose of this is for meaningful corroboration and deeper insights into the social performance of the co-operative.

1. *The need to flesh out perceptions of the primary co-operatives vis-à-vis the federation, recognizing that the relationship partakes of mutuality especially in reference to the 4th principle of autonomy and independence. In Principle 6, the relationship is rather too single-tracked.*

2. *The need to widen the coverage of the social audit to include other stakeholders such as the community and church leaders, individuals in the academe, the associate members, and many others.*

3. *The need to flesh out opinions from former members and staff, and non-members for better insights into the inner workings of the cooperative.*

An Evolving Manual

This Manual is not a fixed reference material. This is a living document that absorbs the evolving experience and insights of its users. Just as social audit is a work in progress, so too this Manual; over time, this is definitely subject to revisions for enrichments.

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The Social Audit Team

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Edgar V. Comeros is a dynamic leader who has selflessly dedicated his life to the growth and development of cooperatives. His career path in the co-op movement included representation of the youth sector for a local chapter (1974), full time co-op development worker/community organizer with city's urban poor (1976) and manager (1978), all for the Cebu People's Multi-Purpose Co-op, development worker, trainer and Assistant Executive Director for Programs Services of VICTO (1980 – 1990), and Executive Director in 1990. Other concurrent positions during those years were: membership in the RDC 7, Chairperson of a co-operative bank, PHILDHHRRA and CODE-NGO, and Senior Advisor for the Developpement International Desjardins on co-ops and micro finance in Laos and Cambodia..

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Book 2:
Tools of Social Audit
(supplement)

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