

QUESTIONING THE ETHICAL IN SOCIAL AND ETHICAL AUDITING

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Abstract

The organisational practice of social and ethical auditing is commonly seen as an advancement towards ethical business in that it enhances the moral treatment of organisational stakeholders. In effect, social and ethical auditing is the practice of measuring and reporting social performance through engagement with stakeholders. The AA1000 framework provides an internationally recognised standard for social and ethical auditing. However, despite the positive assumption that social and ethical auditing is ethical, questions exist. Both the practice of social and ethical auditing and the *gestalt* of social and ethical auditing are ripe for ethical exploration. This paper seeks to raise some concerns regarding social and ethical auditing and in doing so open these issues to further research scrutiny.

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BACKGROUND

Social and ethical auditing and AA1000

From the perspective of social accounting, a social audit is seen as a type of social report, that is, a subset of social reporting. The definition provided by Gray, Owen and Adams (1996), based on traditional accounting concepts, is that a social report is a formal account prepared and communicated by an organisation about social and environmental aspects of the organisation's activities and communicated to the internal and external 'participants' of the organisation. Following this definition social and ethical auditing (also referred to in this paper as social auditing and auditing) is defined here in the following manner:

Social auditing is a voluntary, ongoing process undertaken by a company, with the involvement its stakeholders, that measures the stakeholders' perceptions of the organisation's social performance, which is embedded into an organisation's daily practice, and is externally verified.

The AA1000ⁱ framework is an internationally recognised framework prepared by AccountAbilityⁱⁱ that establishes principles and standards for social and ethical auditing. The purpose of the AA1000 social and ethical auditing framework is to "improve accountability and performance by learning through stakeholder engagement". Hence, from the AccountAbility perspective, auditing is a process for the management of organisational social performance in which providing an account is one of a number of significant features.

Social and ethical auditing holds many possibilities for the organisation and its stakeholders (Gray, et al., 1996). At a minimum, social auditing may be used by the company as a tool for strategic management and stakeholder control or it may be a form of accountability and responsibility towards stakeholders. These two possibilities may not be not exclusive or even discrete, but would rarely exist in perfect balance.

Empirical studies of AA1000

Whilst there have been a several studies of social reporting (Owen, et al., 2000) and combined social, environmental and financial (triple bottom line) reporting (Norman and MacDonald, 2004) there are few studies of AA1000 (Belal, 2002). The number of studies of either companies using AA1000 or studies using AA1000 as an analytic tool is necessarily limited by time frame as the first exposure draft of AA1000 was only released in November 1999. Belal (2002) analysed the social reports of 13 UK corporations using the principles of AA1000. He found evidence that AA1000 was being used primarily for stakeholder management rather than stakeholder accountability and was therefore at risk of undermining the democratic ideals of its founders. Most notably the companies failed to involve stakeholders, were selective in the issues they reported and did not provide credible external verification. Owen (2005) reported similar findings from a study of 12 UK leading reporters, many of whom use AA1000 standards (75% claimed to use the AA1000 assurance standards). Although these reports showed some evidence of engaging stakeholders, there was little evidence that this engagement translated to any meaningful capacity to influence corporate decision making, particularly where stakeholders may be in "distributional" conflict with shareholders. Further, Owen had concerns regarding the lack of evidence of the assurance exercise acting in any way as a mechanism to empower stakeholders. Adams (2004) reports on the case of a large multinational company in the chemical industry using, in part, the AA1000 standards. She overwhelmingly concludes that the company's report lacks full disclosure and that voluntary guidelines such as AA1000 cannot enforce compliance. Of particular concern to Adams is the lack of completeness of the company's report with "limited reporting on the impact of its mistakes on human health and animal and plant life" (Adams, 2004: 750).

Despite the small number of studies of AA1000, there appears to be a notable trend in the findings that companies are using social auditing for the purposes of management of stakeholders rather than accountability towards stakeholders. Further, there is evidence that stakeholder engagement and external verification are not addressing the needs of the stakeholders.

THE PRACTICE OF SOCIAL AND ETHICAL AUDITING

A number of aspects of social and ethical auditing represent both the strengths and weaknesses of the practice of auditing. They are strengths in that they are fundamental to auditing and in some cases differentiate the practice from other similar organisational practices. Yet they are weaknesses in that by their very importance they can undermine the credibility of the practice if undertaken inadequately. These fundamental features include the engagement of stakeholders, the external verification of the audit, the choice of performance measures for the audit, and two aspects of the audit report.

Stakeholder engagement

Stakeholder engagement is central to social and ethical auditing, indeed it is claimed to be “at the heart of AA1000” (AccountAbility, 1999: 106). At the most basic level, stakeholder engagement can be understood as formal practices that the organisation undertakes to involve stakeholders in organisational activities. According to stakeholder theory, managers hold a fiduciary responsibility towards stakeholders: a guiding principle reads that “management must act in the interests of the stakeholders as their agents” (Evan & Freeman, 2004: 82). As such, managers are morally obliged to engage stakeholders in the decision making of the firm: a second principle reads that “the rights of stakeholders must be ensured through their participation in decisions that substantially affect their welfare” (Evan & Freeman, 2004: 82). In short, managers are obliged to engage stakeholders in activities that affect their interests.

The AA1000 guidelines on stakeholder engagement begin with the statement: “There is growing recognition by organisations that some stakeholders possess significant influence over them”. They go on to acknowledge that organizations have conflicts of interest with stakeholders, and that a lack of consensus exists between and within stakeholder groups. According to AA1000, “engaging with stakeholders to find common ground and build trust” is not giving control to stakeholders but building relationships to improve the organizations “accountability and performance” (AccountAbility, 1999: 106). AccountAbility (1999: 106) emphasises performance more than accountability when claiming that stakeholder engagement is “key to improving financial performance, for example, through the improved recruitment and retention of employees, or the increased sophistication of risk management systems” and that “key to improving the organisation’s performance on other measures in a manner that satisfies the aspirations of the organisation’s stakeholders”. They go on to claim that “this will also play a role in supporting the long-term financial performance of the organization”.

Stakeholder engagement cannot be assumed to necessarily be of benefit to stakeholders. It seems evident that the practice of social and ethical auditing is undertaken for a variety of different reasons. We are cautioned by several writers that in the balance between the potentially conflicting goals of organisational performance and accountability to stakeholder, the practice social and of and ethical auditing nearly allows tips in favour of the former (O'Dywer, 2003, Owen, et al., 2001).

External verification

The verification of social and ethical audits is a key aspect of the auditing process. The purpose of the verification sometimes referred to as attestation, third-party statement, certification or the term audit itself, is to ensure the credibility of the audit process, thereby ensuring the validity of the information reported. Thus the verification is undertaken on behalf of the ‘audience’ of the audit.

The verifier is ideally a person who is independent and skilled. Power (2004) reminds us that the reliability of the audit not only depends upon the reliability of the instrument, but also depends on the reliability of the experts who use and oversee the method. The verifier is acting as an agent of the principal whom for a variety of reasons cannot undertake the verification themselves. Hence, there are two important questions: Are the interests of the principal being met? And, how independent and skilled is the auditor?

The purported principal(s) of the audit are the organisational stakeholders, according to academic and practitioner literature, various guidelines, and companies themselves. The AA1000 standards were based on financial auditing standards and as such emphasise the completeness, fairness and truth of the data reported (Dando and Swift, 2003). Such a model, however, may not serve the interest of stakeholders (Dando and Swift, 2003, Owen, et al., 2000). Issues of trust peculiar to social and environmental auditing imply that stakeholder require features of the auditing process beyond those of financial auditing include (Dando and Swift, 2003). First, stakeholders need to know information that is not just complete and accurate but that is material to their needs and a balanced representation of the organisation's performance. Second, they need to know how the organization is responding to the information that has been collected and reported. Related to these two features, stakeholders need to know that the extent to which the verifier has gone to ensure the robustness of their assurance. Further, they need to know the exact nature of relationship between the verifier and the company in order to judge any influences that may dissuade the verifier from acting in the stakeholders' interests.

Despite the fact that organisational stakeholders are the anointed principals of the audit, the party that appoints the verifier and pays the verifier is the company, or senior managers of the company. Ball, Owen and Gray (2000) in a study of 79 best-practice environmental reports found that just under half of the reports (46%) used what they called the *consultancy model*, in which the verifier has a consultancy type of relationship with the reporting company in addition to verification responsibility. This consultancy relationship may vary from continuous ongoing in the audit process, of which the verification is just one aspect, to dissociated consultancy whereby, although they have given the company assistance with the auditing process, they cut themselves off from this association and temporarily switch to the role of verifier with an independent "state of mind" (Ball, et al., 2000: 9).

AccountAbility has developed detailed standards for external verifiers (AccountAbility, 1999: 59) which, predictably include: Integrity; that, verifiers act with integrity in all professional and business relationships. Integrity implies not merely honesty, but also fair dealing and truthfulness. Objectivity and independence; that, verifiers demonstrate objectivity and independence - a state of mind, being a combination of impartiality, intellectual honesty and a freedom from conflicts of interest. Significantly AccountAbility (1999: 59) also lists potential threats which verifiers may be required to "manage" (as opposed to avoid): receiving direct or indirect financial gain; reviewing one own work, becoming an advocates for the client or a particular stakeholder group; becoming over-influenced by the client or a particular stakeholder group; become too trusting of management representations; or becoming intimidated or pressured by the client. (AccountAbility, 1999: 59)

The standards of behaviour of the verifier are understandably rigorous. Yet, as identified earlier, there exists a flagrant problem of systematic conflict regarding the identification of the principal within the auditing process. In addition, there exist systematic problems of conflict arising with respect to independence within the consultancy model of auditing. These problems also exist in the practice of financial and environmental auditing. The fact that it has Enron and Arthur Anderson sized corporate collapses for this problem to be addressed is testament to the extreme power of the parties who had vested interest in allowing such a distorted system to continue. Indeed it is the opinion of Brenner and Moir that legislative changes in both the US (Sarbanes – Oxley) and UK (Operating and Financial Review) will not address the key structural problems of the organisation "paying the piper and calling the tune" (2004: 29).

Performance measures

Social auditing involves the measurement and reporting of the social performance of a company. This section will consider issues related to the types of the non-financial measures of social performance that are commonly used in social and ethical auditing. The difficulties in identifying and operationalising suitable metrics to measure social performance are substantial and are not dissimilar to those experienced in many areas of social science. There are two broad types of measures in the social performance field. The first category of measures focuses on the 'outcome' of corporate activity. The second category focuses on the 'quality' of the relationship that exists between a company and its stakeholders. These quality-of-relationship measures can focus on the input or on the process of the relationship.

Common 'outcome' indicators include employee occupational health and safety data, employee retention and turnover, reports of compliance or violation of environmental standards, and money given to charities or community groups. These indicators have the advantage of being observable and verifiable. They have the disadvantage, however, of being retrospective and not necessarily true to the goal. The problem with these types of measures is that although they indicate the allocation of resources, they give no information regarding whether the resources are being used wisely or effectively (Pfeffer, 1997). It is difficult to find 'outcome' measures that provide a meaningful indication of abstract and macro notions such as social impact and social capital. In the words of Cox (2000: 15): "one of the problems with most current social indicators, is that they are not very effective in describing how to translate data (outcome performance measures) into assessments of how well the community, group or society is actually traveling." Further, "the opportunity to play games with these [allocation] ratios is striking" (Pfeffer, 1997: 530). For example, "permanent employees are replaced by outside contractors, and it looks like the firm is more efficient, but that depends on what the outside contractors cost as well as what they do as compared to the internal staff (Pfeffer, 1997: 530)".

'Quality of relationship' measures that focus upstream on the performance input (as opposed to output) or on the processes are well accepted in marketing and human resource management. They have the potential to be truer indicators of more complex phenomena. There is a move towards these 'quality' measures in social performance measurement and reporting. The World Business Council for Sustainable Development (WBCSD, 2000) has identified the quality of stakeholder relationships as an important and developing area of social performance measurement. The new GRI reporting system relies heavily on the use of the existence of policies and procedure (inputs) as indicators of social performance. For example, the GRI core indicator in the area of community is "existence and description of Community Impact Policy, and extent to which this policy is visibly stated and applied, as well as description of procedures/programs to address this issue including monitoring systems and results of monitoring" (GRI, 2002). In contrast to the GRI, AccountAbility 1000 standards focus on the social audit processes and are based on the perception of stakeholders as opposed to any direct indicators. For example, a "best practice" reporter reports the percentage of employees who believe particular groups are under-represented or over-represented in their workforce as the indicator of workforce diversity (TBS, 2001 8).

Current social performance indicators, such as the GRI and AA1000, tend to be secondary or indirect measures such as the existence of policy or procedures in a company or the perception of the stakeholders. As such, these measures are only a proxy for actual performance. The GRI indicate concern in fairly cautious terms when they state that:

Social reporting enjoys less consensus than environmental reporting from the standpoint of indicator selection, social performance indicators differ in nature considerably from other economic and environmental performance indications, and many of the social issues that are subject of performance measurement are not easily quantifiable, so the social indicators provide qualitative information about...policies, procedures and management practices. (GRI, 2002).

Social performance measures are in the process of developing and that the field of social performance measurement is still maturing (GRI, 2002). They are more subjective and less measurable than 'outcome' measures and, therefore, more difficult to verify and open to misrepresentation and biased reporting.

It appears that the project of social measurement is snookered: on one hand outcome measures are problematic because they lack meaning, but on the other hand quality-of-relationship measures are problematic because they lack reliability. The markets' desire to quantify "elusive intangible knowledge" has resulted in a design tension "between the demands for the reliability, for contractual purposes, and relevance for decision-making purposes" (Power, 2004: 777). Yet, despite these apparent insurmountable problems, focus remains on revision of the performance metrics rather than their abandonment (Power, 2004). This point is discussed further in the section on the tyranny of measurement.

Narrative text and visual presentation in social reports

Fundamental to the social and ethical auditing process is the preparation and publication of the audit report. There are two aspects of the audit report that warrant specific attention: the use of narrative text and visual design.

In addition to the presentation of performance measures, social reports invariably contain narrative text in various forms. Commonly, a social audit report will include an introductory statement of purpose, description of the organisation including mission and vision statement, a letter from the CEO or Chair of the Board, a description of the method (often referred to as methodology) used in producing the report, and a statement from the external auditor or verifier. In addition, particular in summary versions of reports, narratives that introduces and/ or summarises the quantitative measures or financial data presented are included. These narrative texts function as a type of editorial in that they interpret the findings from the point of view of the writer. The term 'editorial' is not intended to be a neutral term like 'summary' that implies objectivity and maintenance of the integrity of the data. The term is used deliberately as it implies the imposition of the 'opinion' or subjective perspective of the author on the data. An examination of social reports using discourse analysis finds that narrative in these reports perform certain rhetorical functions including the construction/ reconstruction of reality and the suggestion that interpretation is factual and objective (Livesey and Kearins, 2002).

The visual aspects of social reports have not been considered extensively in the literature (Beattie and Jones, 2000). Although writers critique the readability and accuracy of information presenting the "truth" in annual reports, most have not analysed how the visual design of reports, and context for reading them, potentially modify the truth (David, 2001: 200). This is despite the fact that the visual aspects of company reports are increasingly used by the companies (Tinker and Neimark, 1987) and by the readers (David, 2001). For any discourse to be perceived as valid in the Western countries it must be presented in a visually entertaining format (Beattie and Jones, 1999).

It is suggested that the voluntary use of visual data by managers is self-serving in that it enhances good performance and conceals poor performance by the firms and themselves, and as such, can range from impression management to systematic manipulation (Beattie and Jones, 2000). David (2001), concurs, suggesting that visual presentation of reports seeks to provoke an emotional response in the reader, romanticising harsh work conditions (the time lapse photography showing a welder's sparks as an object of beauty), and reinforcing positive images and, therefore, creating myths about the company. Studies finds evidence of systematic distortion present in the use of graphs to report financial information in corporate reports in Australia and other countries (Beattie and Jones, 1999, Beattie and Jones, 2000). For example, at least one in ten graphs in US corporate reports displaying truncated vertical axes that magnify the firms positive performance (Oxender Burgess, 2002). Tinker and Neimark's longitudinal study of General Motors (1987) annual reports revealed the use of photography, among other devices, to develop and reinforce stereotypes of women.

It appears that narrative text and visual design may perform the function of increasing accessibility and comprehensibility of social audit reports. Alternatively, such editorial interventions on behalf of the company and its agents may introduce subjectivity and self-serving persuasion of the readers.

SOCIAL AUDITING AND THE MORAL TREATMENT OF STAKEHOLDERS

This paper now turns to the question of whether the practice of social and ethical auditing by an organisation enhances the moral treatment of stakeholders by that organisation. The previous section established that the key features of social and ethical auditing presented both opportunities and challenges to the ethical nature of the practice. This section will consider the ethical implications of the practice of social and ethical auditing as a whole. First, the consequences of measuring something hitherto unmeasured are considered. Next, the likelihood that social and ethical auditing becomes a project of managerial control rather than a project of morality or accountability is raised. Finally, the possibility that social and ethical auditing is as likely to reduce trust as it is to reduce distrust is mooted.

The tyranny of measurement

An earlier discussion of performance measurement indicated the advantages and disadvantages of different types of performance measures. Measurement systems of complex social phenomena clearly endure ongoing challenges that mean these systems continually need improvement and are under constant revision. This is recognised by those involved in social auditing and reporting through the ongoing efforts to improve the processes as a whole (for example AccountAbility's extensive consultation process) and through the inclusion of continuous improvement within the process itself (continuous improvement is one of the principles of the AA1000 standards). It is noted often that social accounting is nascent field that is in need of much development (GRI, 2002). The response to the problems faced in social measurement is to attempt to improve the measurement systems rather than to question the very act of measurement.

It is the performance measurement systems *per se* that is of concern to Power (2004: 765) who contrasts the "democratic enthusiasm" for performance measurement control technologies with the "fatal remedy" dispensed by the very same techniques. Power notes that an optimistic view would hold that measurement and standards provide a common language and framework for decision making and allocation of resources; indeed, the opportunity to overcome cronyism and deliver equity and justice. The dream to measure seemingly immeasurable phenomena has long existed: Before the invention of the thermometer, "the ambition to measure heat was regarded as no more different in principle from the measurement of virtue" (Power, 2004: 768). For all the difficulties that such measurement systems have, they also have the potential to be democratic, albeit imperfectly democratic, as exemplified by Bentham's ambition to measure happiness for public policy purposes.

In contrast it is argued that the extension of the quantifying spirit to the social and organisational world is at best ambivalent and at worst dysfunctional:

Recognition of the role of tacit knowledge, of the epistemological priority of judgment in all calculation, raises questions about the coherence of any 'trust in numbers' and draws attention to the perverse consequences of performance measurement systems, which tend to make visible and valuable only a part of a complex whole. The deficiencies of traditional accounting in recognizing the environmental and social consequences of enterprises are now well known. At worst, measurement systems are fatal remedies (Sieber, 1981) by creating incentives to undermine the very activity being measured, making social agents focus on measures themselves as targets to be managed and 'gamed'. (Power, 2004: 774).

Dysfunction arises in that “critical data that cannot be readily quantified tend to be marginalized and rendered invisible and proxy measures end up representing the thing itself” (Power, 2004: 775). The focus of the performance measurement system is no longer on the object, but rather on the indicator of the object. The goal of measurement no longer is the complex whole but rather the reducible part, and as such, the means tend to become the ends. According to Power (2004: 775) this is the “road to mediocrity, the creation of ‘timidity’ and risk adversity in organizations”. Further, the use of performance indicators as targets for future performance is one more step along this path whereby resources are misdirected and creativity is undermined.

Concerns of managerial capture

Throughout this discussion of social and ethical auditing it has been acknowledged that social auditing may hold (at least) two different roles in the organisation – as a managerial tool and as a form of stakeholder accountability. The prospect that the former role will overtake the later has been an underlying theme in much of the literature surveyed (for example Ball, et al., 2000, Livesey and Kearins, 2002, Owen, et al., 2000). The term “managerial capture” is used by Owen et al. (2000: 85) to refer to the concept that “sees management take control of the whole process (including the degree of stakeholder inclusion) by strategically collecting and disseminating only the information it deems appropriate to advance the corporate image, rather than being truly transparent and accountable to the society it serves”. Radical theorists would not hesitate to view social auditing and reporting as the construction by the organisation of its identity as an ‘accountable’ corporation in order to serve its own purposes (Livesey and Kearins, 2002). There is an element in both the definition of managerial capture and the term itself that goes beyond the neutral concept of managing stakeholders. There is an implication of deception, even manipulation in the notion.

Whilst the principles of social auditing (AA1000) are designed to ensure the integrity of the auditing process, it would be unrealistic to assume that they can prevent managerial capture. The AA1000 standards identify areas of social auditing that are potentially subject to poor use (resulting in an unintentionally low quality audit) or misuse (resulting in manipulation of the audit process). Managerial capture of social auditing may occur through the undermining of any of a number of these principles. For example, selectivity (or lack of inclusivity) of stakeholders, areas of operation or particular issues may result in a positively skewed image of the organisation. On the other hand, the flooding of the process with too many stakeholder or stakeholder issues may have a similar result. Owen et al (2000: 85) view true accountability as “involving a specific relationship that is specific and bounded, with the right to demand accountability resting on the potential to exercise power”.

Further, the area of the external verification part of the social auditing process is ripe for managerial capture. As outlined in the earlier section on external verification, despite message purveyed that external verification is undertaken on behalf of an external constituency with the goal of increased accountability, the process is very much in control of the company. Studies (Adams, 2004, Ball, et al., 2000, Belal, 2002) have shown that there is little evidence that external verification delivers accountability due to fundamental systemic problems with the practice of verification: that the verifiers are selected, appointed and paid by the company (the organisation “paying the piper and calling the tune” (Brenner and Moir, 2004); that the verifiers seldom directly address the stakeholders of their needs; that the verifiers often have a consulting role in the social audit in addition to their role as verifiers.

Trust or distrust

Information sharing and co-operative activities are often associated with trust. AccountAbility identifies building trust as a main goal of the stakeholder engagement aspect of social auditing (AccountAbility, 1999). Where trust is present the trusted tends to disclose more accurate, relevant and complete information. Correspondingly, access to relevant information about the operations of a firm is a key factor in a stakeholder’s ability to predict the organisation’s behaviour

whereby predictability of behaviour is related to trust. However, reliance on the predictability of an organization's behaviour, though often defined as trust, is more accurately understood as lack of distrust (Swift, 2001).

Swift (2001) proposes that the absence of trust differs qualitatively from the presence of distrust. A split trust continuum in comparison to a single trust continuum is presented in Figure 1. The 'distrust-lack of distrust' range is based on the predictability of the agent's behaviour and the level of suspicion of the principal. As such distrust is depicted as the assumption that the agent cannot be predicted to act in the principal's interest and is likely to pursue self-interest, and therefore the principal has a high level of suspicion of the agent. Lack of distrust is understood as low level of suspicion of the agent based on the assumption that the agent's behaviour is predictable. The 'trust-lack of trust' range does not assume rationality and allows for a higher level of emotion and the inclusion of moral duty. Thus, 'lack of trust' is understood as the principal not having knowledge or confidence of the agents trustworthiness and therefore being less willing to take a risk or place themselves in a position of vulnerability. 'Trust' is described as the principal having belief and confidence in the goodwill of the agent's intent and behaviour, and thus being willing to risk exposure to vulnerability or take the 'leap of faith'.

Figure 1 about here

Without the element of moral duty, therefore, a co-operative relationship can be better described as showing the absence of distrust rather than the presence of trust (Swift, 2001). Co-operation can exist in a relationship independent of the presence of trust (Peccei and Guest, 2002). This part of the equation is often overlooked when being trustworthy is not adequately differentiated from being co-operative or having a 'good reputation'. Social and ethical auditing provides a formidable example. By presented a detailed social audit report, a company may provide information that may (or may not) be true or material to the stakeholders' needs but this does not prove that the company is trustworthy. Thus, providing an account may provide the conditions for reducing distrust, but in the absence of the trustworthiness of the company, does not provide adequate conditions for a trust relationship.

For the purpose of debate, the multiple purposes of social auditing can be reduced to a dichotomy – social auditing may be a process of communication and consultation that enhances trust or social auditing may be a mechanism of control that substitutes for trust and, at best, reduces distrust or, at worst, manipulates trust. In economic exchange analysis it is thought that contracts and controls are expensive substitutes for trust and have the undesirable effect of reducing innovation and co-operative behaviours (Hosmer, 1995). In accounting theory it is thought that quantification processes may reduce creativity and risk-taking (Power, 2004) and may be merely a guise for entrenching extant power and control. This raises the question: Under what conditions, does social auditing enhance trust and under what conditions does it reduce trust?

CONCLUSION AND RESEARCH IMPLICATIONS

In questioning the assumption that social and ethical auditing is necessarily ethical, auditing has been examined at both reductionist and holistic levels. At the level of praxis, it is ironic that the features that mark social auditing as unique also bring into question the ethicality of the practice. The engagement of stakeholders may be more about management of stakeholders than accountability to stakeholders. The independent verification of the audit undertaken on behalf of the stakeholders appears to be neither independent nor in the stakeholders interests. The choice of social performance measures presents many difficulties. And the narrative and visual presentations of the audit report may have both the potential to enhance and to undermine the ethicality of social and ethical auditing.

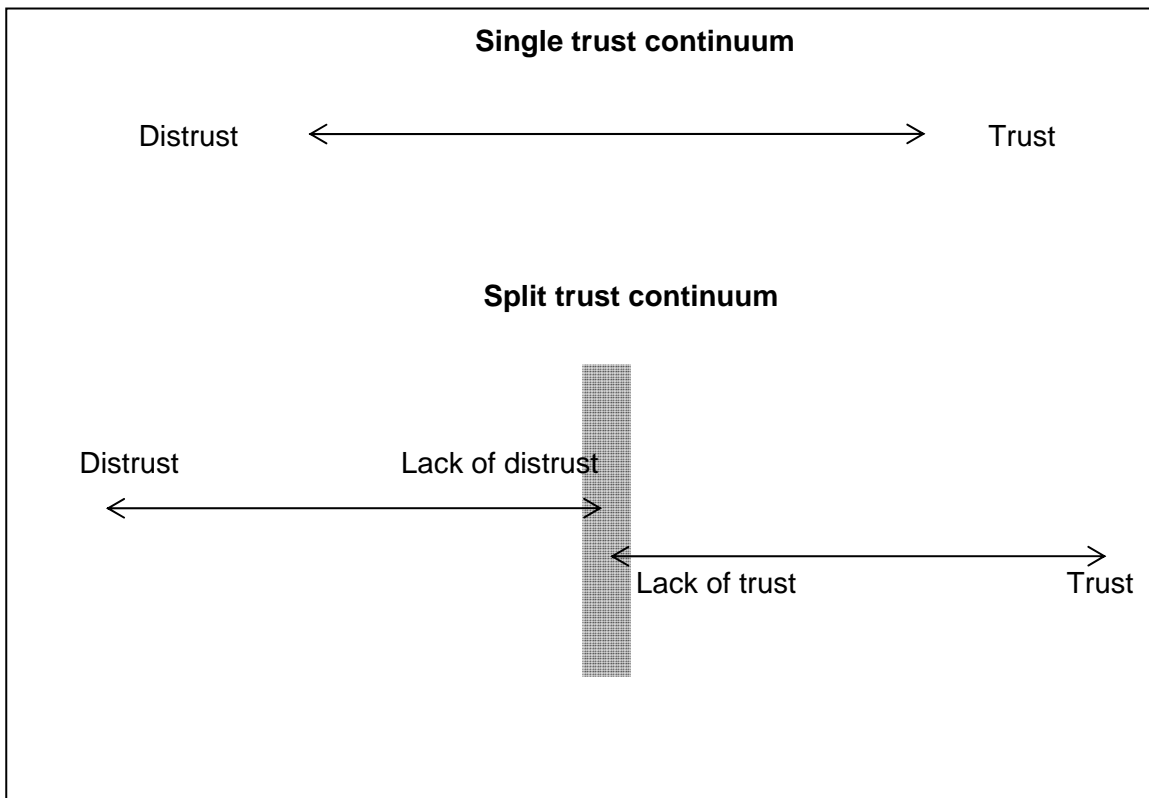
At the gestalt level, there are issues bring into question the complete practice of social auditing *per se*. There is the all important question of what is the impact of measuring the previously unmeasured and potentially unmeasurable. As Power (2004) so eloquently cautions, an obsession with measuring complex social phenomena may led to mediocrity and mitigate its (purportedly) democratic ideals. Also, there is the issue of managerial control of social auditing. If social auditing has (at least) two possible functions, enhancing managerial capacities and acquitting responsibility, how are these to be balanced given the paucity of checks and balances. Finally, there is the related issue of whether formal mechanisms enhance a trust relationship or are a poor substitute for genuine trust relationships. This raises the age old question of whether social and ethical auditing is part of the solution or part of the problem.

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Figure 1: The split trust continuum (based on Swift, 2001)



ENDNOTES

- ⁱ AA1000 is one of several internationally accepted standards for social and ethical auditing including GRI and SA8000. AA1000 differs from other standards such as GRI in that it provides guidelines for the social audit process rather than for reporting outcomes.
- ⁱⁱ The Institute for Social and Ethical AccountAbility was previously referred to as ISEA but is now referred to as AccountAbility.