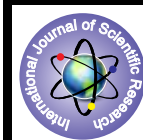


Social Audit in India: An Overview



Commerce

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ABSTRACT

The concept of "Social Audit" has been derived from the concept of "Corporate Social Responsibility" that is followed by corporate entities around the globe. It has become a popular tool to determine a company's social impact in the community. It is a process by which an attempt is made to find out whether the benefits of the projects/activities reach the people for whom it is meant. The objectives of social audit are – to look at what the social enterprise is doing, to evaluate how well public resources are being used to meet the real needs of target beneficiaries, to ascertain where improvements need to be made and what those improvements should be and to strengthen accountability and transparency in local bodies and many more. Generally Government and Funding Agencies, Private Enterprises and Civil society are the users of social audit. Social audit benefits disadvantaged groups, increases accountability, evaluates the fulfillment of social responsibility etc. The main difficulties in social audit are – absence of appropriate social accounting and reporting systems, mindset of people and lack of education among the common masses. In this background, an attempt has been made in this paper to discuss the ins and outs of 'Social Audit'.

Needless to mention that the main motto of an organization is to earn profit. Profit acts as a motivating force to run the organization. In addition to earning profit, the organizations are to discharge some social responsibilities. To run the organization, congenial/conducive atmosphere is very much needed. That atmosphere is created by a society. An organization minus society is not able to earn profit. For the survival of the organization, it needs to do anything that benefits the society. The trend towards rendering services to the society has been rising. Some business concerns/organizations have taken a number of measures for the development of a society through developing games and sports activities, helping disadvantaged sections of the society and the physically challenged people and many more. The activities performed by the organizations need to be evaluated. Social audit makes an attempt to assess the contribution of an organization to the society or the social performance of an organization. So it is becoming a popular tool to determine a company's social impact in the community.

Social Audit: Background

The word 'Audit' is derived from Latin word "Audire" which means 'to hear'. In ancient times, emperors used to recruit persons to get feedback about the activities performed by the kings in their kingdoms. The persons recruited by emperors were designated as auditors. These auditors used to go to public places to listen to citizens' opinions regarding various matters, like behaviour of employees, incidence of tax etc.

Charles Medawar pioneered the concept of Social Audit in 1972 with the application of the idea in medicine policy, drug safety issues and on matters of corporate, governmental and professional accountability. According to Medawar, the concept of Social Audit starts with the principle that in a democracy the decision makers should account for the use of their powers, which should be used as far as possible with the consent and understanding of all concerned. The concept of Social Audit then evolved among corporate groups as a tool for reporting their contribution to society and obtaining people's feedback on their activities to supplement their market and financial performance.

In the United States and Europe during the 60s, public repudiation of the war in Vietnam triggered a movement to boycott the goods and shares of some companies that were associated with the conflict. Society demanded a new ethical attitude and some companies began to provide accounts for their social actions and objectives. Drawing up and publishing annual reports containing information of a social nature led to what we now know as 'Social Audit'. In Brazil, the idea began to be discussed in the 70s, but only in the 80s the first social audits were published. From the 90s onward, corporations of various sectors began to publish their results annually.

Defining Social Audit

The concept of 'Social Audit' has been derived from the concept

of 'Corporate Social Responsibility' (CSR) followed by corporate entities around the globe. Social audit is the term used to describe the process of examining, measuring and reporting on the social and ethical performance of an organization. It scans the scope of the social responsibilities of a business enterprise and evaluates an organization's social performance. In another words, it is a process by which an attempt is made to find out whether the benefits of the projects/activities reach the people for whom it is meant. It is an instrument of social accountability of an organization. Social audit may be defined as an in-depth scrutiny and analysis of the working of any public utility vis-à-vis its social relevance. Grameen Bharat, a monthly newsletter by Ministry of Rural Development (MoRD) defines 'Social Audit' as "a public assembly where all the details of the project are scrutinized". National Institute of Rural Development (NIRD) defines it as "a way of measuring, understanding, reporting and ultimately improving an organization's social and ethical performance". The MoRD further clarifies the components of Social Audit which include: Public Vigilance, Verification of Family Registration, Job Card Distributions, Receiving Work-Application, Issuing dated receipts, Site Selection, Maintaining Master Roll, Work Allotment, Work Execution, Maintenance and Evaluation etc.

Features of Social Audit

The features of social audit are:

- ☐ Improved social performance: This is the overreaching 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.
- ☐ Comprehensive: It is comprehensive as it embraces the report on all aspects of the organizations work and performance.
- ☐ Participatory: Participation of stakeholders is encouraged and the views, suggestions of them are given importance.
- ☐ Multidirectional: Stakeholders share and give feedback on multiple aspects.
- ☐ Regular: It produces social accounts on a regular basis so that the concept and the practice become embedded in the culture of the organization covering all the activities.
- ☐ Comparative: It provides a way by which the organization can compare its own performance each year and against appropriate external norms or benchmarks; and provides for comparisons with organizations doing similar work and reporting in similar fashion.
- ☐ Verification: As the social accounts are audited by a suitably experienced person/agency, so there does not have any chance of vested interest in the organization.
- ☐ Disclosure: It ensures that the audited accounts are disclosed to stakeholders and the community at large in order to exhibit the accountability and transparency.
- ☐ Multi-Perspective: The views (voices) of people who are associated with or affected by the organization /department/ programme are reflected here.

Social Audit: Its Objectives**The objectives of social audit are:**

- 1) To evaluate how well public resources are being used to meet the real needs of target beneficiaries;
- 2) To value the voice of the stakeholders including marginalized/poor groups whose voices are rarely heard;
- 3) To look at what the social enterprise is doing;
- 4) To make a comparison between actual performance and the organization's goals;
- 5) To ascertain where improvements need to be made, and what those improvements should be;
- 6) To strengthen accountability and transparency in local bodies;
- 7) To assess the physical and financial gaps between needs and resources available for social aims and objectives;
- 8) To increase efficacy and effectiveness of local development programmes;
- 9) To scrutinize the various policy decisions keeping in view stakeholder interests and priorities, particularly of rural poor.

Scope of Social Audit**Social audit primarily tries to cover the following areas:**

- a. Ethical issues: They offer a basis for determining what is right and what is wrong in terms of a given situation.
- b. Equal Opportunity: It denotes the equity of treatment in employment and a fair justice system in the organization. Employment decisions in an organization should be based on merit and ability and not on the basis of arbitrary quotas based on gender, race or religion.
- c. Quality of Work Life: Besides demands for safe, healthy and human work environment, people are seeking greater meaning in their lives. Greater responsibility, growth, freedom and flexibility, fair reward systems are few things which employees have preference for. There is also a growing demand for employee assistance programmes keeping in mind the present day stressful situations they are exposed to.
- d. Consumerism: Business has a special obligation towards the consumer as the business exists to serve and satisfy the needs of the consumers. It is the principal duty of business to make available to the consumer items of daily needs in the right quantity at a right time, price and of the right quality.
- e. Environmental Protection: Growing water, air and environmental pollution by various industries in recent times has led to a public outcry demanding 'environmental protection' at any cost.
- f. Staffing: It shows how the enterprise rewards, trains and develops its staff, as well as the way in which the enterprise ensures that it is non-discriminatory, fair and equitable to everyone working there
- g. Human rights: It ensures that it does not violate human rights, or deal, trade with or support any organization that violates human rights.

Social Audit Vs Financial Audit

The differences between social audit and financial audit are stated below:

Financial Audit	Social Audit
1. It gives focus on financial records and their scrutiny by an external auditor following accounting principles.	1. It is a wider concept as it has a greater scope for measuring, understanding, and improving the social performance of an activity of an organization.
2. It is directed towards recording, processing, summarizing, and reporting of financial data.	2. It provides an assessment of the impact of a department's non-financial objectives through systematic and regular monitoring on the basis of the views of its stakeholders.

Key factors for successful Social audit

- ☐ Level of information shared with and involvement of stakeholders, particularly of the rural poor, women, and other marginalized sections.
- ☐ Commitment, seriousness and clear responsibilities for follow-up actions by elected members of the Gram Panchayat.
- ☐ Involvement of key facilitators in the process.

Social Audit: Its Users

- ☐ Government and Funding Agencies (Government Departments and Agencies implementing programmes)
- ☐ Private Enterprises (Corporate and Small Business Enterprises)
- ☐ Civil Society [(a) Formal: NGOs, Universities, Colleges, Schools etc (b) Informal: SHGs]

Advantages

- 1) It enthuses community participation and local democracy.
- 2) It benefits disadvantaged groups.
- 3) It develops human resources and social capital.
- 4) It promotes collective decision-making and sharing responsibilities.
- 5) It evaluates the fulfillment of social responsibility.
- 6) It enhances the social awareness.
- 7) It increases organizational reputation.
- 8) It improves financial performance.
- 9) It increases accountability.
- 10) It facilitates organizational learning on how to improve social performance.
- 11) It makes a roadmap on how to move forward on social issues.
- 12) It instilled increased confidence in social areas.

Difficulty in Social Audit

- ☐ The non-existence of appropriate social accounting and reporting systems is a prime difficulty in conducting social audit.
- ☐ Even after 64 years of independence, people do not understand the concept of government i.e. for the people, of the people and by the people. Most of the people still think that the politicians rule them. Politicians think that they are the rulers. Due to this reason, common people do not get involved in the developmental activities.
- ☐ Lack of legal proceedings with regard to non-compliance of social audit principles creates a problem. If there is no any stringent penalty on authorities for not implementing social audit, the ultimate goal of introducing social audit goes in vain.
- ☐ Lack of education among the common masses defeats the very purpose of conducting social audit. Since most of the people are not educated, they do not know their rights and remain indifferent in this regard.
- ☐ It is very difficult and, in general cases, even impossible to quantify the social costs and benefits of different activities/items.

Discharging Social Responsibilities: Role of Some Indian Companies

Indian companies are not required to disclose information regarding social responsibility and actions under the Companies Act. Religious and social welfare agencies are required to invest only in government securities and are not supposed to make investment in private sector companies where they can force companies to make investments in socially desirable activities. The public sector units discharged their social responsibilities in a much better way when compared to their counterparts in the private sector. The Public Sector Units established industries in underdeveloped areas, built townships, and put emphasis on recreation, education, housing and other employee welfare activities. The contributions of some companies towards performing social responsibilities are mentioned hereunder.

TISCO: Tata Iron and Steel Company (TISCO), Jamshedpur, implemented social audit in 1979 and is the first company in India to do so. In the private sector, TISCO took care of community development, rural development, and other employee welfare activities. They run family planning/leprosy clinics, organize flood relief camps, promote rural development schemes, encourage village industries, offer health care, construct a residential colony, school and colleges for tribal students etc.

ONGC: Oil and Natural Gas Corporation Limited (which takes care of over 85% of India's crude oil and natural gas production) focuses attention in areas of education, health care and family welfare, promotion of sports, development of infrastructure fa-

cilities, weaker sections of the society.

BHEL: Bharat Heavy Electricals Limited discharges its social responsibilities remarkably well all these years. It has a scheme for the welfare of its employees in various townships and their surrounding communities. It cares for the community welfare and for this, it has tried to involve local bodies, and municipal authorities as well. The activities undertaken to improve the lot of employees include drinking water, laying roads, health facilities, family planning clinics, drive to dowry, drug addiction etc., educational facilities, scholarships to the poor, locating ancillary units in rural areas, starting cooperative credit and consumer societies, organizing cultural and recreational programmes etc.

HINDUSTAN UNILEVER LIMITED: Apart from substantial investments in research and development (in soaps and detergents, popular foods, tea and coffee, ice cream, personal products), Hindustan Unilever Limited focuses its attention on environment, its safety and energy conservation.

In the private sector, companies such as Asian Paints, Broke Bond, Colgate Palmolive, Escorts Ltd., ITC realized the importance of social responsibility long back and have initiated/undertaken employee and community development programmes in a big way. A few corporate houses have identified some special areas and earned a name in sports and entertainment.

Social Audit in India

Social audit in India does not ordinarily have any relation with corporate or business institutions. Companies engaging in Corporate Social Responsibility (CSR) do not generally produce a social audit report regarding their organizations. It is usually targeted at the public works by the government and usually with a methodology of involving public through physical verification of works, records assessment, public hearing and mass mobilization etc.

There are some legislative supports available to Social Audit in India. The legislative supports are:

- The 73rd amendment of the Indian Constitution: Social audit gained significance after the 73rd Amendment of the Constitution relating to Panchayat Raj Institutions. That empowered the Gram Sabhas to conduct Social Audits in addition to its other functions, and it was by far the only legislative reference to the concept of Social Audit.

- Right to Information Act 2005: This is also a key pillar of support for Social audit System in India. This was enacted by Parliament of India to provide for setting out the practical regime of the right to information for citizens. This Act requires every public authority to computerize records for wide dissemination and to proactively publish certain categories of information so that the citizens need minimum resources to request for information formally. This is again a support for Social Audit system in India.

- National Rural Employment Guarantee Act (NREGA), 2005: Section 17 of this Act provides for regular "Social Audit" so as to ensure transparency and accountability in the scheme. It is the responsibility of the State Government to conduct the social audit. The State Government will conduct the Social Audit according to the pre-designed "Schedule of Social Audit". The State Government is to ensure that the agencies for conducting social audit are trained.

The approach paper to the Ninth Five Year Plan (1997-2002) emphasized social audit for the effective functioning of the Panchayat Raj Institutions and for achieving the goal of decentralization in India.

Conclusion

The main reason for the push for social audit is the huge disconnect between what the people need, what the government thinks and what is actually done. Social audit is an innovative mechanism that can create the enabling conditions for public accountability. In a welfare State, the government has a total obligation for the well being of the people. This is translated in practical terms into a concern for the improvement of "quality of life" through improving standards of living, health, and education, earning capacity etc. for the people. Social audit is proposed as a supplement to conventional audit to help government department /public agencies/NGOs for understanding and improving their performance as perceived by the stakeholders.

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