



ORIGINAL RESEARCH PAPER

Education

INDIAN SOCIAL AUDIT

KEY WORDS:

Shobha Pandey

Assistant Professor Acharya Shri Tulsi Amrit College Gangapur Dist. Bhilwara (Raj.)

ABSTRACT

Organisations may be classified as profit-seeking organisations and non-profit-seeking organisations. Non-profit-seeking organisations are operated with a view to provide facilities to the public at large. Profit-seeking organisations, on the other hand, are operated to earn profit. However non-profit-seeking organisations have society-oriented activities of one kind or another. Every concern connected with the society and his activities directly or indirectly affect the society. Public concern for the ways in which organisations fulfil their social responsibilities has created a tremendous pressure for social audits. Not only this, the executives of big organisations themselves have been attracted to the concept of social audit as a possible means of satisfying themselves and the public that their organisations are performing what they ought to be performing in the social area. A social audit encompasses an assessment of what an activity or a particular operation contributes to society and what it takes from society. It does not necessarily suggest that a concern should invest more money in social programmes; it may suggest investing less in social assets.

Meaning of Social Audit :

Spending nothing on social investments does not necessarily minimize costs; not doing anything may result in social problems that are more expensive than the investment would be. Audits are likely to help the company to invest more efficiently in the social area.

A concern has to operate under certain constraints. Financial difficulties, for example, may restrict social investment. If a company invests the major part of its resources in social projects, it will go out of business. It can no longer afford to operate as the social costs it creates are more than the social benefits it can receive. It ends its contribution to the exchequer, sacrifices jobs due to the public and thus creates more harm than good. In contrast, if a concern earns a good amount of profit and does nothing for the community, it exploits the vast majority to enrich a small group of the shareholders. This situation also represents a high social cost. Therefore the main problem is to distribute shares of social and financial resources among competing interests of social and private benefits with increased efficiency.

Social audit suggests how a concern can be more efficient in utilizing scarce resources. To Bauer and Fenn Jr. stated that, "social audit is a commitment to systematic assessment of and reporting on some meaningful, definable domain of a company's activities that have social impact" Parthasarthy writes Social Audit may be regarded as being at the extreme end of the spectrum of audit functions. Over the centuries, audit functions have grown and evolved, starting from the most ancient kind which may be called vigilance audit as it was concerned mainly with the detection of frauds. Then came, in more or less chronological order, regularity audit, propriety audit, value for money audit, performance audit and lastly social audit.

According to Kohier's Dictionary, "a social audit is an examination of the performance of an accounting unit in various areas of social concern. Such activities include independent review and appraisal of social and environmental consequences of corporate activities. These reviews may be part of regularly internal audits or they may involve special arrangements with an outside group retained for the purpose." Blake, Frederick and Myers define the term social audit as "A systematic attempt to identify, analyse, measure, (if possible) evaluate and monitor the effect of an organisation's operations on society, (i.e. specific social groups) and on the public well-being" According to Glatier and Under-down, "The Social Audit consists of an inventory of all activities undertaken by the company which are concerned with its relationship with society".

Audit report is a statement issued by the auditor in relation to the area examined or reviewed. In case of financial audit, the auditor reports on the financial statement similarly in case of social audit the auditor reports on the social costs and the social benefits.

The financial audit is a statutory audit while social audit is not a statutory audit. In case of financial audit the Proforma of audit report has been prescribed under the Companies Act, 1956 while no such Proforma has been prescribed for the social audit report. Therefore, the auditor has to determine the form and contents of social audit report. ONGC and Oil companies the audit of social is carried-out periodically say every 2 to 3 years.

Specific Areas of Social Audit :

The National Association of Accountants (NAA) Committee on Accounting for Corporate Social Performance, in its report (1974) has identified various areas of social audit and reporting. Four major areas of social reporting identified were : (i) Community Development (ii) Human Resources (iii) Physical Resources and Environmental Contributions and (iv) Product or Service Contribution. The description of each area is as follows

i. Community Development This includes the impact of organisational activities on individuals or groups who were, in fact, outside the immediate sphere of the business activities. This contribution shows an important shift in attitudes, for funds spent in society-oriented activities might be conceived as ultra vires the objective of a company as laid down in the memorandum of Association. The following are the examples of activities relating to the benefit of the community :

- (a) Health Services : In order to reduce diseases and illness, the support is provided by the companies for health-care facilities and services.
- (b) Housing : Construction of dwellings houses, financing for housing and improving the living conditions of employees by providing various facilities in the houses.
- (c) Food Programme and Education Providing food grains, refreshment and educational facilities to the public and wards of employees, free of charge or at a concessional rate.
- (d) Transportation : Providing transportation without charge or at a concessional rate.
- (e) Planning and Development : It includes area planning and crime prevention.

ii. Human Resources This area of social performance is directed towards the well being of employees. It includes recruiting practices, training programmes, working conditions, transfer and promotion policies, job security, stability of employment levels and lay-off practices.

iii. Physical Resources and Environment Contribution This area reflects the activities directed towards abating the pollution effect of production and other policies preventing environment deterioration. Products are being improved in order to reduce their polluting effects. In addition to the above, conservation of resources, proper use of irreplaceable resources, the disposal of waste etc. are involved in this contribution.

iv. Product or Service Contribution : It is the marketing part of the organisation's environment. This contribution embraces the qualitative aspects of the organisation's products or services, such as safety, product- life, durability, consumerism, truthfulness of advertising, utility, quality, service guarantee, accuracy and completeness of labelling, warranty provision etc.

Social audit in India :

None of the experiments done in the U.S.A. will readily fit into Indian conditions. Ours is not an economy of affluence. Economic performance of a business unit itself is an issue of great social audit to an evaluation of the contribution of business to 'Social Service' areas only. Economic growth itself is the basic social service to be done by the business in Indian conditions. This has to be done with due regard to the efficient and effective use of resources, preservation and development of resources and with the least possible adverse side effects on any part of the society. It should be readily realised that if 'Social Audit' is restricted to the evaluation of the contribution made by business to education, recreation, charity and other such peripheral activities, it will conceal more than what it will reveal. Can't we consider it possible more than what it will reveal. Can't we consider it possible that a businessman may make significant contributions to charity, education and politics by exploiting labour, consumers and investors? Is this not what might have happened or may be happening even today in India in many cases? Social Audit in a restricted sense is bound to serve as a smoke-screen to hide such evil sources of contributions to socio-political causes. Such an audit will not be useful for social view-point in our country.

As against the restricted concept of Social Audit as the measurement and evaluation of an organisation's performance in social service areas, we, in India, should adopt the broad view of Social Audit as a 'comprehensive evaluation of an organisation's fulfilment of its responsibilities towards different stakeholders.

As a matter of fact, the focal point of Social Audit should be human being rather than the organisation.

Problem in Social Audit :

The problems faced by the social auditor are partly of his own making and partly beyond his control. It should never be forgotten by him that social welfare programmes are intended to bring about social changes. Mere measurement of inputs or outputs cannot meet the demands of effective social audit. A social auditor should have a very positive approach. For example, he cannot criticise a nutrition programme on the ground that it does not meet the nutritional standard set by the World Health Organisation often he may even be unable to justify criticism of non-achievement of targets laid down in the programme. He has to look at the positive social changes brought about and in some cases their costs. When scrutinizing short-falls and non-achievements, he has to take into account the efforts of events beyond the boundary of the programme all of which the designers of the

programme may not have been in a position to envisage and allow for the implementors to deal with. This in a nut-shell is the reason why it is difficult to prepare a social audit report which will be fair to the society, the implementors of the programme and to its designers.

The social auditor has to face several problems which are beyond his control. Not all social welfare programmes are well designed or based on valid assumptions. Some programmes do not attack the problems at the first level of symptom cause relationship, but at remoter levels and so are destined to achieve only moderate success. Others ignore the need for a package of programmes to simultaneously attack a variety of related unsatisfactory social situations. For instance, a programme for the improvement of rural health must be part of a well designed project containing several individual programmes dealing with the related issues of rural housing, rural water supply, education, nutrition, rural pollution, rural trade and industries for generation of income etc. And when a programme is well designed, it does not make the social auditor's task any easier because, in preparing the social audit report on a programme, he has also to consider how the related programmes are progressing.

Perhaps the most serious difficulty faced by the social auditor is the absence of a well conceived information system as part and parcel of a social welfare programme. Government agencies which design programmes often commit the error of relying on traditional government systems of information such as government accounts and government methods of reporting for conveying a picture of how a programme is progressing. This kind of hazy and incomplete system does not help them to take stock, speed up, slow down or apply corrective measures as and when required. In any case, the system can give no information on the social changes achieved nor on how other related programmes have affected a programme. Thus a fundamental defect in the design of most social welfare programmes is the fact that they do not provide for the measurement or assessment of the social changes, that is to say, they do not provide for an internal evaluation machinery, in terms of men and methodology, for evaluation of the impact produced by the programmes. Nowhere else as much as in social audit is the fundamental truth more obvious that where an implementing agency does not itself have the means and methodology to assess performance, no worth while audit can be done.

Apart from these problems of a general kind, individual programmes pose their own specific problems to the social auditor. To give an example, a programme for immunisation of a section of the people against a disease by vaccination may show measurable effect only several years after it is implemented. Likewise, a programme of adult literacy in rural areas cannot be evaluated fairly unless information is available on the migration of educated villagers to urban areas. Almost every social welfare programme will present some such special feature whose import has to be fully grasped by the social auditor.

Social audit of public utilities and public undertakings faces its own problems the most important of which is again a reliable information system. Utilities maintain detailed records of what they do but hardly any of how their functioning influences society. They have records of services offered but hardly any of services refused. Even where such records are maintained they do not give a complete picture. For instance, a telephone company may maintain records of how many people applied for a telephone connection and how many applications could not be complied with. But they cannot and do not keep any record of how many people who wished to have a telephone did not even take the trouble of giving an application knowing that they were unlikely to get a quick response.

The concept of social accounting, which is briefly explained subsequently, hardly exists- even in technologically advanced countries. In the absence of such an accounting system, social audit can become, unless the auditor plans his work with the greatest care a straight forward economy or efficiency audit.

CONCLUSION :

The social audit counts more upon the systematic valuation of the social performance of the concern and its far-reaching impact on the society. The social performance is measured through a social cost benefit analysis. Some such social costs are seen as in the building and equipment purchases, goods and materials acquired, labour and services used, discrimination, public services and facilities used, environmental damage and the payment from other bodies of the society as customers, money-lenders, investors and others.

From these social costs, we can draw some social returns. Some of them may be marked in such return as the products and services provided, providing employment opportunities, giving additional direct employee benefits, payment to other elements of society, staff, equipment and facility services donated, and environmental improvements.

In all these, the Auditor has to play his prominent part as the main evaluator of efficiency. He also helps a great deal in increasing the acceptability of audit in the public enterprises. The important criterion of measuring efficiency in the public enterprises is the criterion of profits but as stated earlier, it may be more true of a private enterprise. The basic object and the main motive of a public enterprise is to look into the public interests and work with a view to establishing a socialistic set-up of society. This efficiency in the field of social importance cannot be measured quantitatively. Hence, the standard norms of efficiency should also look to the local advantage of a public concern. Labour productivity too is an index of efficiency in it.

REFERENCES :

1. Gupta Kamal, Social Audit of Tiscool An Evaluation Chartered Account.
2. Krisnna Moorthy V., Concept of Social Audit Integrated Management Chartered Accountant (June 1982.)
3. Public Affairs Council, Social Audit Seminar Selected Proceeding.
4. Social Audit: A Toolkit, Center For Good Governance (CGG) , DG & ED, CGG, Haidearbad 2005.
5. A handbook for trainers on participatory local development: the Panchayati Raj model in India.