



International Journal of Management and Commerce

www.managementjournal.in

Online ISSN: 2664-6854; Print ISSN: 2664-6846; Impact Factor: RJIF 5.46

Received: 03-10-2020; Accepted: 17-10-2020; Published: 06-11-2020

Volume 2; Issue 2; 2020; Page No. 45-47

Social audit in India

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Abstract

Social Audit is supplement to the conventional audit. It is relevant both in Private Sector as well as Government Sector, although it is more urgent in Government Sector, where funds are drawn from the state exchequer i.e. public money. This audit offers a lot of promising benefits such as building up good relations with people including cordial industrial relations and employment in general, product relations, environmental relations and, above all, it contributes to national economic growth through expansion and employment generation. This paper is a modest attempt to explore different aspects of social audit in India.

Keywords: Government sector, Indian constitution, private sector, social audit, social cost and benefit analysis

Introduction

Social Audit refers to accounting for the real benefits realized by the stakeholders to whom the government as a part of the development initiatives and the organizations as a part of their social responsibilities are extending social infrastructures either through financial aid or by setting up the required infrastructure that could bring in a holistic development of the society at large. In other words, it refers to the process of checking the extent to which the benefits extended by the government, its agencies and its participants or organizations operating in its economic setup have been realized by their stakeholders, by setting up necessary control system and monitoring system in place. The need for social audit has been felt since Independence where the government felt the need for ensuring efficient governance practices that can check if the benefits extended by it would reach by properly and completely understanding all the needs of its people, and further to accomplish the aim of understanding, measuring, reporting, and, most importantly, improving, the efficiency and effectiveness of the local governance.

Broadly speaking, social audit is a mechanism that empowers the people- the ultimate beneficiaries of any scheme, programme, policy or law- to audit such schemes, programmes, policies and laws. This way, Social Audit ensures the involvement of potential beneficiaries and other stakeholders of an activity or project from the planning stage to the monitoring and evaluation of that activity or project. As India is a Welfare State, so many programmes and schemes are launched for the benefit of people. However, whether these programmes and schemes are implemented in letter and spirit at the grassroot levels, whether funds meant for poor people really percolate to the beneficiaries, whether timelines envisaged in the schemes are met and whether proper accounting checks and balances exist in the system-all require empowerment of people so that the performance on these programmes and schemes is independently and purposely assessed by way of a mechanism that is fast rising in the name of 'Social Audit'. Social Audit is supplement to the conventional audit. It is relevant both in Private Sector as well as Government

Sector, although it is more urgent in Government Sector where funds are drawn from the state exchequer i.e., public money.

Review of Literature

Evaluation of few of the research works in the area of social audit helps us to understand how the concept of social audit is taking its importance, especially in light of the developmental initiatives taken up by the government as a part of its objective to provide for inclusive growth of the economy. In this back-ground few selected research works are evaluated, summarized, and presented below for appreciating the need for social audit.

Pieters, Janneke (2010) in his study based on an extended Social Accounting Matrix (SAM) observed that the sectoral growth in India has exhibited its effect inequally. It observed that the educational level and the employment exhibits an improved link between sectoral expansion and household income in the society. Further, the study showed that it is only the agricultural growth which is reducing the inequality, while growth in heavy manufacturing and services sectors has seen raising inequalities, and looking at the India's current growth pattern, inequality is likely to increase in future too.

Bhatia, Ramesh *et al.* (2007) in their study showed that the developmental initiatives of the government by undertaking infrastructure development project leads to direct and indirect economic impacts, inter-industry linkage, leading to increased demand for outputs of other sectors, and consumption-induced impacts arising out of increases in income and wages generated by the direct outputs of such projects.

Anchalia, Manju M. and D'ambrosio, Lucia (2011) in their study describe how internal audit system developed for quality enhancement of the health care services designed by the Gujarat Government towards Surgical Site Infections (SSIs) helped them in continuously identifying, and responding to the problems of sustaining quality of health care in facilities that were necessary, and concluded that problems of SSIs were largely preventable, especially with the help of careful implementation of necessary audit measures.

Yesudian (2007), in his review on various poverty alleviation programmes, highlighted the importance of social audit in the post-economic reform era, and showed how setting up parameters such as utilization of allocated funds, change in poverty level, employment generation and number or proportion of beneficiaries etc. would help to go beyond evaluating the economic benefit and analyze the social impact of these programmes on the communities where the poor live, and how involvement of the community, especially the poor, would lead to better achievement of the goals of the programmes.

Sugan, C *et al.* (2007) in their paper portray how social responsibility initiated by the organization and evaluations of performance of such programmes by developing necessary accounting measures will help the efficiency of management. Further, this study exhibits the importance of social responsibility of the organization in line with its obligations towards socio-economic and socio-human responsibilities. This study also shows how the scope of corporate social responsibility encompasses not only economic well-being but also the human aspects of life.

Batra, G S (1996) ^[2] in his study argues that social auditing is playing a key role due to increased awareness among corporate sectors that every enterprise should contribute towards social goals. Highlighting an increased expenditure by the organizations towards the social benefits, the researcher claims that a regular audit of the social accounts on the basis of which the comparative social performance of the corporate sector are to be evaluated calls the need for development of social audit system, as it extends the activities relating to the employees, the environment, the society and its products. And explains that a useful social reporting framework has to be developed to ensure the effectiveness of the social audit programme in the corporate sector can contribute positively to society at large.

Thomas, Kurian (2005) highlights social audit as a principle for creating universal value, identifying the pillars for Social Audit, as socio cultural, administrative, legal and democratic system which acts as the foundation for operationalising, Social Audit. Further, it exhibits that Social Audit process acts as a means for social engagement, transparency and communication of information that leads to greater accountability of decision-makers, representatives, managers and officials. The underlying ideas are directly linked to concepts of democracy and participation. The application of Social Audit at the village level holds tremendous potential for contributing to good local governance and increased transparency and accountability of the local bodies.

Social Audit in Private Sector

For a private organization, although earning a fair and reasonable profit on its investments, it has certain social responsibilities to its various stakeholders, viz., customers, employees, shareholders and of course also to the society at large of which it is an integral part. However, there must be some mechanism to gauge whether business is alive to those responsibilities and how far it is striving to carry out its social obligations. It is here that need of Social Audit becomes pertinent in addition to the conventional financial audit. Cost audit to some extent fulfils some aspects of Social Audit. In social audit, a systematic attempt is made to identify and evaluate those activities of a business which have social impact. A Social Audit is a systematic study and evaluation of an

organization's social performance as distinguished from its economic performance.

Social Audit tries to evaluate positive impact of an organization's activities on the social well-being of people. It is assessed by way of Social Cost and Benefit analysis of its activities. Whereas, social cost may be usage of scarce natural resources, environmental pollution, deforestation, spread of occupational diseases, injuries/deaths at work place due to poor maintenance policies, health hazards to the nearby population, etc. Bhopal Gas Leak victims are live example in this regard who are still clamouring for their rehabilitation although almost three decades have passed since the tragedy took place. In comparison, social benefits may be like fairness and reasonability of pay packages of staff and wages to the labour, creation of employment opportunities, setting aside some money for philanthropic purposes, sponsoring sports/other social events, partnering development with the Government, payment of taxes on due dates. Social results cannot be expressed in monetary terms so they are difficult to measure. Social results are also difficult to measure because most of them occur outside the organisation and the firm has no way to secure data from these outside sources.

Social Audit in Government Sector

Social audit as a term used way back in 1950s. there has been series of activities since then as more and more organisations have become actively involved in the topic. Evolution of Anna as crusaders against Corruption, Creation of Central Vigilance Commissioner, Right to Information Act, Citizen Charters, and now proposed Jan Lok Pal Bill are all representatives of underlying sense of social audit among common masses and the Government has to bow before the wishes of the people and in the process there is a ray of hope that corruption, red-tapeism, nepotism and favouritism shall give way to a transparent Government. Government on its part is also on the path of streamlining systems and procedures.

Present Status of Social Audit in India

Social audit in private sector is still at nascent stage as there is no legal binding for organizations to go for social audit reports. This audit in Government Sector currently is mainly focused on exposing corrupt practices of Government functionaries. Of late, social audit has been used to enforce rights of citizens, thanks to Information Act and introduction of Citizens Charters in the Government Offices. As there is no punish action prescribed in the legislation, social audits have not become order of the day and almost all states in India are deficient in carrying out these audits as prescribed in the relevant legislations.

Recently, the Centre has given the Comptroller and Auditor General a place in social audit of rural job scheme and direct the State of set up directorates to train auditors from civil society. A nominee of CAG would be present in social audits that gram sabhas would conduct twice a year. CAG would also do an annual audit as part of its mandate. Coupled with rigour of CAG's accounting, the exercise would also bring in the new concept of social audit in mainstream.

The National Advisor Council (NAC) has decided to engage NGOs for conducting social audits as various minority organisations alleged that the development schemes for the community are misused. The Ministry of Housing and Urban Poverty Alleviation has laid down social audit methodology and

guidelines for various schemes sponsored by it. Some States have engaged even voluntary organisations/NGOs for conducting social audits of schemes like midday meals, issue of child labour, female foeticide, children's right to education, etc.

Legal Framework of Social Audit in India

73rd Amendment of the Indian Constitution: The Social Audit in India got a legal status after incorporation of the 73rd Amendment to the Indian Constitution regarding Panchyati Raj Institutions. This Amendment gave powers to Gram Sabhas to conduct Social Audits and it was with this historic Amendment that the concept of Social Audit gained importance in our country.

Mahatma Gandhi National Rural Employment Guarantee Act, 2005: Section 17 of MGNREGA mandates Social Audit as: "The Gram Sabha shall conduct regular social audits of all the projects under the Scheme taken up within the Gram Panchayat. The Gram Panchayat shall make available all relevant documents including the muster rolls, bills, vouchers, measurement book, copies of sanction orders and other connected book of account and papers to the Gram Sabha for the purpose of conducting the social audit."

Right to Information Act, 2005: This Act applies to all the States and Union Territories of India except the State of Jammu & Kashmir. However, J&K has also passed Right to Information Act, 2010, on similar lines. The Act has been a milestone in empowering citizens with the right to seek information from the Government on the issues of their interest and welfare.

Citizen Charters: Central Government/ State Government Officers have been now displaying citizen charters in their websites as well as in their office premises specifying the ceiling on the time within which a particular work is to be performed by the functionaries. This has enabled citizens to lodge complaints in case the charter is not adhered practically.

To be effective, the social auditor must have the right to:

- Seek clarifications from the implementing agency about any decision-making, activity, scheme, income and expenditure incurred by the agency;
- Consider and Scrutinize existing schemes and local activities of the agency; and
- Access registers and documents relating to all development activities undertaken by the implementing agency or by any government department.

This requires transparency in the decision-making and activities of the implementing agencies. In a way, social audit includes measures for enhancing transparency by enforcing the right to information in the planning and implementation of local development activities.

In fact, the Right to Information Act has been promulgated to provide every citizen of India a right to audit Government performance by way of asking questions in this regard.

Conclusion

Establishing an effective social audit system will always ensure the organizations and the policymakers on one hand and the beneficiaries on the other that the objectives behind establishment of social and economic development of their stakeholders are

accomplished. This also establishes standards which help in development of the required infrastructure that would provide for inclusive and continuous growth of all the stakeholders operating in such society.

While establishing social audit system the following becomes obvious considerations

- Establishing the purpose or objective for social audit system in place
- Identifying the stakeholders for such social development programmes initiated
- Establishing the standards for execution of such programmes
- Setting up the performance standards, and control system to check the performance of such programmes
- Setting up necessary evaluation measures to check the performance of such programmes
- Establishing standards for audit, either adopting the standards set as per Social Accountability Standards (SAS) 8 Social Audit, or developing customized audit standards as per the requirements of the organization or institutions performing such audit
- Performing audit on a periodical basis, on continuous basis or on demand by the stakeholders
- Establishing the infrastructure for storing and sharing the outcomes of social audit with all the stakeholders
- Sharing the information with all the stakeholders.

Finally, we may conclude that social audit is no more a mere confinement in the hands of policymakers or the government, to check the realized benefits of their beneficiaries, it has diversified into the scope to include every institution which takes responsibility for providing social harmony and growth. Where social audit conducted by the government ensures the check of misuse of funds or benefits, social audit by the corporates will have to ensure that the social development activities initiated by them as a part of social responsibility is taken to the right beneficiaries group that can provide for inclusive growth of the society, and in turn, ensure them with enhanced brand equity in the society that can provide them with opportunities for sustained growth and development. This also requires proper integration of functional audit with social audit that can synergize their performance by taking necessary corrective measures as and when required so as to ensure the objective of their social responsibilities are accomplished with less deviation as far as possible.

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