

Social Audit: An Indian Experience

Social Audit has gained popularity in recent times because of corruption, improper utilisation, fraudulent leakage of national resources and public money, degradation of morality and ethics of the people worldwide. Social audit emanates from ‘Social Accountability’ of the civic management to the general public. Social accountability is “an approach towards building accountability that relies on civic engagement, in which it is the ordinary citizens and/or civil society organisations who participate directly or indirectly in exacting accountability” (The World Bank). Social Audit is a process of evaluation and reporting which is to some extent similar to a financial audit but mainly focuses on social performance of accountability instead of financial performance. It is a source of the strongest and undisputable direct evidence of compliance, performance verification and a framework for providing assurance against misuse, misappropriation, fraud of resources and of public money. This article is an insight into the conceptual framework of Social Auditing and practices followed by the companies and the Government in the Indian scenario. Read on...



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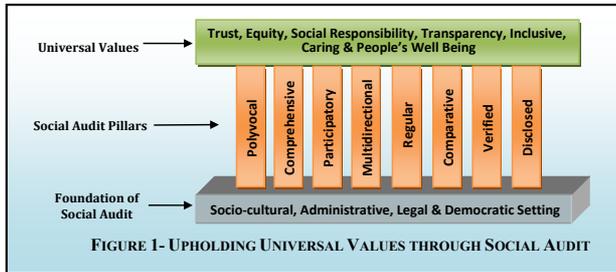


Principles of Social Audit

The following eight key principles are identified from social auditing practices around the world:

- **Polyvocal/Multi-perspective-** Aims to reflect the views/voices of all stakeholders involved with or influenced by the organisation/department/programme.
- **Comprehensive-** Focuses to report on all aspects of the work and performance of the organisation.
- **Participatory** - Encourages stakeholders' participation and sharing of their values.
- **Multidirectional-** Stakeholders share and give feedback on multiple aspects.
- **Regular-** Aims to publish social accounts on a regular basis so that entire concepts and practice become embedded in the organisational culture.
- **Comparative-** Focuses on yearly intra-organisational comparison of performance against external norms or benchmarks and provides means of inter-organisational comparison among the firms doing similar works and reporting in similar fashion.

- **Verified-** Ensures audit of social accounts by experienced persons or firm with no vested interest in the reporting entity.
- **Disclosed-** Focuses on disclosure of audited accounts to stakeholders and wider community in the interest of accountability and transparency.



The above principles act as pillars to uphold some universal values such as transparency, accountability etc. and are founded on socio-cultural, democratic, administrative and legal foundation. Figure 1 shows the principles and universal values of social AUDIT.

Influences of Stakeholders in Social Audit

Stakeholders play vital roles, as they influence, facilitate, and execute the functioning of a project or department. They are the extension of the organisation/ project. Social audit mainly centres around them. It needs to encompass their views on service delivery

as well of those seeking benefits from the project/ department.

Principles of Stakeholders Identification-

- **Inclusivity-** Aims at including all stakeholders who are affected/impacted without leaving anyone. For any organisation/project, stakeholders can be segmented as follows:

Stakeholders that affect the organisation- Owners, staff, funders & pressure groups.	Stakeholders affected by the organisation- Customers, local/ international communities.
Stakeholders with which the organisation most directly and commonly interacts- Customers & suppliers.	Stakeholders core to the mission and values of the organisation- Disadvantaged communities, international suppliers.

Source: Accountability.

- **Relevance-** Focuses on those who have important stakes in the programme/project.
- **Representative-** Concentrates on different segments and sub-segment in the society (both male and female) and geographical representatives.
- **Balanced-** Focuses on comprehensive assessment at all levels instead of being skewed towards a particular community.

Table 1- Stakeholders Analysis Matrix

Stakeholder Groups	Interest(s) at stake in relation to department/ project programme	Effect of project on interest(s) [+ / 0 / -]	Stakeholders importance for success of the project U= Unknown 1= Little/ No Importance, 2= Some Importance, 3= Moderate Importance, 4= Very Important, 5= Critical Player	Degree of influence of the stakeholders over project U= Unknown 1= Little/ No Influence 2= Some Influence 3= Moderate Influence 4= Significant Influence

Source: Participation and Social Assessment: Tools & Techniques, World Bank.

Maximum information of social audit is obtained from stakeholders' interview, observations, consultation, suggestions and replies gathered from questionnaires. They also help in framing audit planning and boundary. Table 1 is a representative framework for identifying and recording their stakes that acts as a basis of forming audit conclusion.

Social Auditing- How it is Conducted

Steps of social audit depend on the level and the

scope of auditing. According to the Centre for Good Governance (2005) there are basically the following six key steps for such audit:

- **Step 1-** Preparatory activities.
- **Step 2-** Defining audit boundaries and identifying stakeholders.
- **Step 3-** Social accounting and book- keeping.
- **Step 4-** Preparing and using social accounts.
- **Step 5-** Social audit and dissemination.
- **Step 6-** Feedback and institutionalisation of social audit.

The entire process of social audit is explained with the help of a flow chart in Appendix 1.

An Explorative Study of Social Audit in Indian Context

India is home to 18 % of the world's population (second position after China) with only 2.4 % of the total land area of the world (Census Report, 2011). Its population growth per annum is near about the total population of Australia and a great number of them come under 'below poverty line' (BPL) category.

It is true that both the Central and State governments have been adopting various schemes/ projects for the improvement of the standard of living and eradication of poverty of large numbers of people, but all these have failed to reach to a great number of needy people. Aiyar Swaminathan once commented that the *"likelihood of money reaching the poor would be higher if we simply drop money by helicopter or gas balloon into rural areas than route it through employment programmes"* (the Times of India, 19th December, 2004). Threat of corruption, leakage of government's money, misuse of stakeholders' funds and national resources, uneven distribution of income etc. have become deep-rooted problems in the Indian scenario. The recent Commonwealth Games scam, 2G scam and Satyam episode etc. are pinpointing to the above problems. In this context, the idea of social audit and its real implementation in all sectors have become very effective and almost essential.

In India, social audit is closely related with the activities of Mazdoor Kisan Shakti Sangathan (MKSS). This public accountability exercise of MKSS became popular in different civil society organisations like Parivartan, Action-Aid etc. The persistent effort of civil societies and social activists for 15 years or more has brought in many favourable scenarios for social audit in India. The civil societies are instrumental in influencing and facilitating the introduction of the Right to Information (RTI) Act, 2005 and policy-level changes in the programme like National Rural Employment Guarantee Act (NREGA) 2005. NREGA 2005 has integrated social audit as a process to be facilitated and initiated by the government machinery itself. The social audit experiences and practices in India are set forth as follows:

❖ **Practices in Indian Companies:** In 1978, Indian Textile Corporation (ITC) published the Social Audit Report. TISCO (Presently Tata Steel) popularised the concept of social audit in the Indian private sector in 1979 by publication of its first Social Audit Report. Instead of publishing social audit report, Cement

Corporation of India (CCI) has been publishing Social Income Statement and Social Balance Sheet in its Annual Report since 1979-80. Tata conducted its second (1981-91) and third (1991-2001) social audit in the years 1991 and 2002-03 respectively. However, social audit in India does not ordinarily have any relation with corporate/ business institutions (Rastogi, 2011). Instead of conducting social audits, most of the companies are now publishing Sustainability Reports. In sustainability report, there is a segment which deals with the impacts of the reported company's operations on the society and community. Therefore, the companies are now not interested in conducting social audits, rather they have merged their social implications in their sustainability reports.

❖ **Social Audit through Jan Sunvais:** MKKS founded in 1990 in Rajasthan, was the first to adopt social audit in India outside corporate entities. It consists of the rural poor, with limited or no land ownership, who had to look for alternatives for their livelihood especially in summers as the region was environmentally degraded and chronically drought-prone. They started helping the poor in famine relief under Food for Work Programme (FWP), improving the rural infrastructures by providing jobs to poor and minimum wages etc. However, as the system was highly corrupted and instable, the benefits were not reaching the poor people. MKSS grouped marginal farmers and landless labourers to show traditional forms of protests like hunger strike, sit-in demand for payment of minimum wages etc. They first organised Jan Sunvais, a form of public hearings and a participatory social audit process, at which official records of state development projects were exposed at a public gathering to the scrutiny of intended beneficiaries with activities like asking questions, giving testimony, pointing out inconsistencies between official records and their own experiences etc. It often resulted in shocking revelations of corruptions, led to embarrassing officials, apologies, investigations and in some case return of stolen funds. MKSS, also realising the needs for freedom and right to access to information and facts, started a movement which eventually resulted in passing the RTI law by the Rajasthan Government and then by the Central Govt. in 2005. MKSS is working even today on exposing corruption and increasing the accountability among governments' functionaries.

❖ **Social Audit through Parivartan, New Delhi under "Where Did Our Money Go?" Movement:**

Like other developing countries, in India, funds meant for poor do not reach their destination and are siphoned off in between. In August 2002, Parivartan started the initiative against corruption of Municipal Corporation of Delhi (MCD) in civil works in Sundarnagari and Seemapuri inhabited by lower income group households. In December 2002, it started Jan Sunvais in Sundarnagari along with the National Campaign for People's Right to Information (NCPRI) and MKSS, to discuss publicly the works audited. The public hearing was attended by almost 1000 people including local residents of the area, journalists and eminent personalities. Out of the 68 works audited and discussed in the public hearing, calculations of estimated misappropriation of funds have been done for 64 works worth ₹1.3 crore. In these 64 works, total amount of embezzlement found on account of missing items/works was approximately ₹70 lakh (i.e. items or works worth about 70 lakh do not physically exist at all in these 64 works).

❖ **The Practice in the Central Government of India:**

In our Parliament, there is a permanent body called Public Accounts Committee which assumes the functions of National Social Auditor. The committee is constituted with not more than 22 members (of which 15 members are from the Lok Sabha) every year. It examines the accounts relating to the money granted by the Parliament to meet the expenditure of the Government of India, Annual Finance Accounts of Govt. and reports of the Comptroller & Auditor General (CAG) of India.

❖ **Social Audit and Gram Sabhas:** Social audit has taken an important position in the evaluation of the performance and propriety of any project/scheme of the Govt. of India or any other state governments. Social Audits are mandatory as per the 73rd amendment of Constitution of India in 1993. The amendment has given 'watchdog' powers and responsibilities to Gram Sabhas to supervise and monitor the functioning of the Panchayat and government functionaries and examine the annual statement of accounts and audit reports. These provisions indirectly empower the Gram Sabhas to conduct social audit in addition to other functions. However, negative aspect is that the Gram Sabha is not effective as a grass root level institution as most of the people are unaware of their constitutional power. Moreover, Gram Sabhas are conducted once in every quarter and have become routine meetings to complete the paper works and

formalities of Panchayats. For central government funded programmes, there is no central policy/regulation making accounting audit and social audit mandatory other than the mechanism of Gram Sabha. As per the recommendations of the 11th Finance Commission, Comptroller & Auditor General (CAG) of India shall be responsible for exercising control and supervision over the proper maintenance of accounts of all the three tiers of Panchayati Raj Institutions (PRI). Although CAG has been doing well, but it cannot effectively control accounting and auditing of PRIs because Panchayats are state subjects and it is virtually not possible for CAG to conduct audit of all 2.41 lakh Panchayats.

❖ **Social Audit through the Right to Information (RTI) Act:**

Article 19 (Freedom of Expression) of the Constitution of India guarantees all citizens regarding the right of freedom of speech and expression and in the year 1982, the Supreme Court of India recognised that right to information is also included in the constitutional guarantees. RTI is important in the Indian context because food security, shelter, environment, employment and other survival needs are inextricably linked to it. People can ask questions only when they possess the requisite information regarding the subject. Therefore, a pre-requisite of social audit process is the dissemination of information. Social audit is meant for information availability, for which the Government of India passed the RTI Act in 2005. This Act is a key pillar for the support of social audit system. Since India is a democratic country, people are the masters and government exists to serve them. People use the rights to information to obtain details of the works carried out by the govt. departments or the manner in which the public money was spent in a particular project. Such information can be cross verified with the field realities in order to form opinions. RTI is a form of public/ social audit which although does not have any legal sanction, but is capable of creating a lot of pressure on the government's machineries to take corrective measures.

❖ **Social Audit & Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), 2005:**

Social audit is an embedded and mandatory provision in MGNREGA 2005. The Act mandates the formation of a statutory body Central Employment Guarantee Committee at the Central level, State Employment Guarantee Committee at the State Level and Village Monitoring Committees at the village

level to monitor the implementation. Section 17 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 master rolls bills, vouchers, measurement book, copies of sanction orders and other connected books of accounts and papers to the Gram Sabha for the purpose of conducting the social audit.” It is the responsibility of the state government to conduct such audit in a pre-designed schedule. The government has been instrumental in establishing an independent ‘Society for Social Audit’ for carrying out such auditing of NREGA in the state (Rastogi, 2011).

Social Audits thus become an important transformative measure, ensuring that the rights of the poor and the disadvantaged groups are protected and any violations and delays in conferring their entitlement are addressed. Below, a summary of social audit issues that were raised and resolved across the country under MGNREGA is shown.

Issues	Issues raised in Social Audits	Action Taken
Wages	Delay in opening bank account and payment to wrong workers.	Payment through mobile banking and coordination meeting with Financial Institutions were held.
Registration	Denial of registration.	On the spot registration and issuance of Job Cards.
Job Cards	Job Cards without photo	On the spot photo taken and Job Cards updated.
Documents availability at Social Audits	Master Rolls were not available and required Registers were not maintained at Gram Panchayat.	Necessary documents provided and Gram Rojgar Sahayak dismissed.
Works measurement	Delay in works valuation making the workers dissatisfied.	Sub Engineers were dismissed and works re-measured in front of the workers.

Issues	Issues raised in Social Audits	Action Taken
Funds deviations	Frauds by Mate and Gram Rojgar Sahayaks.	Mate and Gram Rojgar Sahayaks dismissed and FIR lodged to recover funds.
Gender equity	33 % quota was not fulfilled while allocating jobs to women.	Allocation of works through Self Help Groups (SHGs).

Source: NREGA Operational Guidelines 2008, Third Edition, Ministry of Rural development, Govt. of India

❖ Social Audit as a means of eradicating child labour problem: Child labour problem is one of the biggest problems facing India. Elimination of child labour is one of the promises made by the Govt. of India at various points of time. The Government of India enacted the Child Labour (Prohibition and Regulation) Act, 1986 which prohibits employment of children (below 14 years) in work places. Social audit seeks to empower the children to raise concerns on the unavailability of services/quality of services available. The World Vision India conducted several social audits in India on the state of child labour and the performance of the key duty bearers against the above Act.

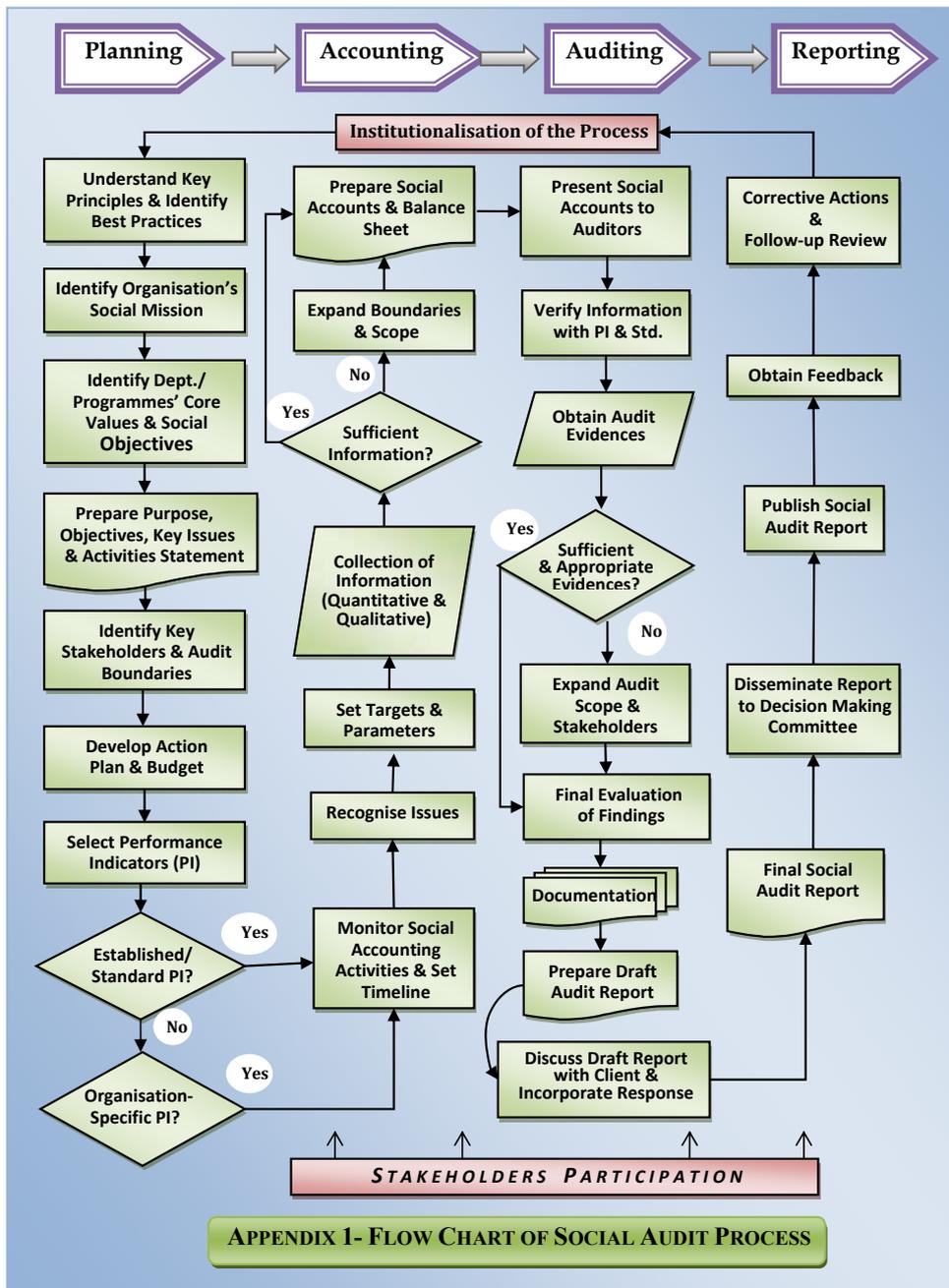
In addition to the above, the idea of social audit is also important in various other programmes of the government, such as, National Rural Health Mission (NRHM), Sarva Shiksha Abhiyan (SSA), Mid-day Meals Scheme (MMS), Pradhan Mantri Gram Sadak Yojana (PMGSY), Rajiv Gandhi Gramin Vidyutikaran Yojana, Bharat Nirman, Swarn Jayanti Shahari Rozgar Yojana etc. CAG has been conducting performance audits on the above areas. CAG’s audit is an external audit on behalf of the tax payers and therefore, such audit itself is a social audit.

Conclusion

Social audit is a supplement to conventional audit to help the government/organisation to improve and understand their performance as perceived by the stakeholders. In order to obtain good results, the framework of social audit can be integrated with other forms of audits, like financial, cost and management audits. Social audit can play a very important role in a country like India, if such framework is implemented

properly in all the required areas involving use of public money and national resources. In the near future, it is highly expected that more and more

companies and governments will be adopting social audit practices for better and efficient utilisation of resources, transparency and accountability.



Source: Author

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