

Social Audits: Bringing Accountability to the Welfare Schemes



The concept of Social Audits in welfare schemes is a contemporary one and is still in an evolving phase. It has become synonymous to empowerment, involving all stakeholders in the policy making and implementation process. Social Audits are the need of the hour for a country like ours, where it is often the last mile which is the untraveled, as far as delivery mechanisms are concerned. The framework of Social Audits to be implemented across social sector schemes must involve a bi-directional bottom-up approach and the chartered accountants and the ICAI would have to play a major role including the regulatory mechanism institution, among other things. This article speaks of the concept of Social Audit, its need, especially in the Indian scenario, and the role that the chartered accountants are required to play in respect to the Social Audits. Read on...



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If asked against the pretext of the remark of the revered German scholar Max Mueller, "If I were asked under what sky the human mind has most fully developed some of its choicest gifts, has most deeply pondered on the greatest problems of life, and has found solutions, I should point to India", at the time it was made, the whole world would have

Auditing

most certainly agreed. But times have changed and so have the questions we continuously seek answers to. Although India may be an ancient country in terms of international commerce, it is a relatively younger country in other respects. We are coming to terms to a lot of things and seeking solutions. Our main focus throughout has been bringing in prosperity, empowerment of the citizens and a constant improvement in their standard of living. All the past decisions by the governments have been taken keeping in view these fundamental requirements.

With more than three dozen welfare schemes launched at various stages since independence, one can at no stage question the intention of the governments. But one thing which has been common to almost all governments is the miscarriage as far as the last inch delivery of the benefits is concerned. With many of the schemes earning rave and stellar reviews at international forums like the UN and the World Bank, the condition back home seems to have not changed too much, apart from that on paper.

1.0 The Concept of Social Audits: Definition and Meaning

The concept of Social Audits, no doubt, is a contemporary one and is still in an evolving phase in a country like India and so is its definition. A wide range of monitoring activities around the world like the Citizen Report Cards around the world, Public Expenditure Tracking Surveys and the community monitoring programs have been broadly labeled as Social Audits. The Northern Ireland Co-operative Development Agency (NICDA) terms Social Auditing as "a process which enables organisations and agencies to assess and demonstrate their social, community and environmental benefits and limitations. It is a way to measure the extent to which an organisation lives up to the shared values and objectives it has committed itself to promote." Social Auditing is

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about involving all stakeholders and beneficiaries of a scheme or a law to participate in the regular monitoring and evaluation of the gaps between the promised or the intended outcomes to the actual ones. It is the stakeholders' view of how effective and beneficial the schemes are on the ground as compared to those on paper. Although the concept of Social Audits started right where the other audits did, in the concerns of the corporate world, they centrally have a moral and a community focus while proposing a much wider economic and financial perspective in the modern world. For a developing country like India, where dozens of social welfare schemes run parallel, the definition of Social Audit assumes even greater width embracing financial, ethical and economic monitoring of the supply side of democratic promises. It is synonymous to empowerment involving all stakeholders in judging the quality and quantity of work, the location and its difference with the proposed plan, for a work being carried out for them by a government chosen by them. Figure 1 describes the involvement of Social Audit at various stages of a government policy process specific to the welfare schemes.

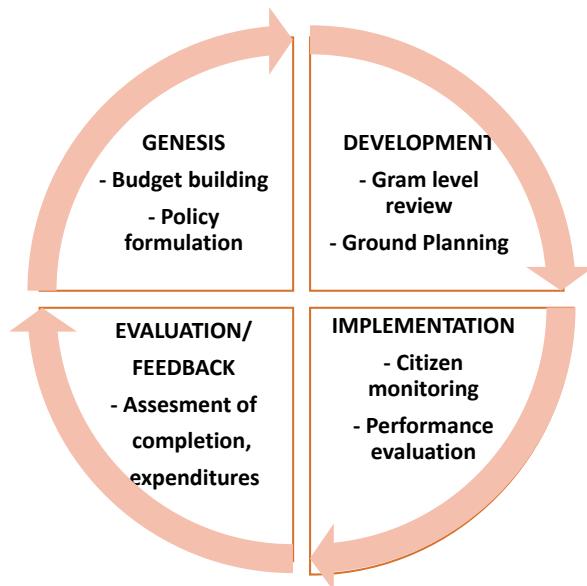


Figure 1: Various stages of a government policy process and the role of Social Audits

In a democracy, the rights of citizens go beyond those enshrined in the constitution to the society they live in and to the schemes made for them by another equally important stakeholder in the

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democracy: the government. Hence, involvement becomes paramount.

2.0 What Is The Need Of A Social Audit?

While the concept of financial auditing can be traced to as far back as the ancient Egyptian civilisation of the 13th century, the term 'Social Auditing' is a contemporary phenomenon. Social Audit as a term evolved in 1960s from the United States and European countries where the growing demand to present the social actions and objectives forced corporate houses to publish a social account as well, just like the annual reports. Although the concept took a while to materialise and its implications on other sectors took some time to evolve, the world got a wind of the concept in the 1970s and the 80s and the 90s saw a lot of developing countries realising its worth as a diagnostic tool.

An audit as a tool is primarily diagnostic. In a country like India where the budgetary spending in the social sector is quite low, the importance of proper utilisation gains paramount importance. In 2012-13, the budgetary outlay for the social sector was just 1.9% of the GDP and the total spending continues to be around 7% of the GDP by both the Centre and States, combined. A few data pertaining to the allocations as far as social welfare schemes in the Union budget of 2014-15 are concerned is presented in Table 1.

S. No.	Social Welfare Scheme	Amount Allocated (₹Cr.)
1.	National Rural Livelihood Mission (NRLM)	4,000
2.	National Social Assistance Programme (NSAP)	10,635
3.	Mid-day Meal Scheme	13,215
4.	Sarva Shiksha Abhiyan (SSA)	28,258
5.	MGNREGS	34,000

Table 1

In the Union budget of 2014-15, 126 Centrally Sponsored Schemes (CSS) have been restructured in 66 schemes which include 17 flagship programmes. There is a much higher allocation of ₹3,38,408 crore in State Plan 2014-15 against budget estimates (BE) 2013-14 of ₹1,36,254 crore.

2.1 Why Social Audit Specifically For Welfare Schemes?

The major issue which has crippled the social welfare scheme implementation in India is the lack of transparency, corruption, mismanagement of resources and lack of monitoring. A 2005 study by the Planning Commission found that 58% of the subsidised food grains issued from the central pool do not reach the below poverty line (BPL) families and a 1 rupee budgetary consumer subsidy is only worth 27 paise to the poor. Similar has been the plight of many developing countries over the years which have forced sections of society to take the matter in their own hands. It is due to issues similar to these that led to participatory municipal budgeting in countries like Brazil, formation of Citizens Report Card in Uganda for transparency in health services and Citizen's Audit Request System in South Korea which have been the stepping stones to a much bigger stake of Social Audits. The concept of audits and inspections may bring in two different perspectives as far as the motive is concerned, but in the context of governance and accountability, where we already have had instances of misappropriation, the terms social inspections and social audits can be used interchangeably.

Social Audits are the need of the hour for a country like ours, where it is often the last mile which is the untraveled as far as the delivery mechanisms are concerned. The participation of the beneficiaries for whom the schemes have been laid down at the very first place, lends the overall structure a sense of credibility and authenticity and the much awaited factor of accountability also make its presence felt. One more important aspect which the Social Audits would be covering is the corrective measures taken on the basis of the generated reports. Utilising it as a diagnostic tool, based on suggestions by the beneficiaries and the deviations from the intended outcome, the centre can initiate various actions:

- a. If the allocated funds are not being used appropriately as found in the reports, the

Auditing

budgetary allocations for the subsequent years can be thought of or assistance reduced to those blocks/ states.

- b. Identification of districts/blocks, where the utilisation hasn't been properly made, can be done so that the State governments can be directed for closer monitoring.
- c. Social Audits would ensure the verification of the movement of funds from the Centre to the State, to the Blocks and finally to the Gram Sabhas. The constant accusation of the desired funds not reaching the bottom of the pyramid can be clearly mapped and corrected. A similar case was observed in Uganda, where only 13% of the annual grant budget from the centre reached the schools, while 87% was captured mid-way. The government utilised the survey data of the Public Expenditure Tracking System (PETS) to identify and publicly announce the budgetary outlays transferred to each district and get the amount published in local newspapers. As a result, the misappropriation reduced from 87% to 18% in 5 years. Information Systems (IS) may help in tracking the movement of funds and also the mapping in case of misappropriation.

3.0 The Best Model For Social Audits In The Indian Context

Social Audits by definition vouch to include all stakeholders in the process of lending accountability to the proposed set-up. So, ideally the onus should not only be on the beneficiary to initiate and provide impetus to the overall structural plan. But the contexts in which the social audits have been called into play are of speculation and demand for accountability. Thus the concept has to adopt a bottom-up approach instead of the traditional top-down approach. There is an urgent need today, more than it has ever been, to identify and clearly define the base elements which are indeed the beneficiaries. A bottom-up approach, synonymous to community

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partnership, is a learning mechanism in itself which helps identify the grass root problems, utilise the indigenous knowledge base and local expertise in implementation and plan out strategies for mitigation of grievances. There can be three ways in which this approach can be institutionalised:

- a. Through awareness building efforts,
- b. Through people's participation in projects, and
- c. Through the creation of people's institutions and mechanisms.

The last point covered involves a holistic approach. The creation of an institution/mechanism or structure is the first step in tapping the potential and services of the indigenous expertise and knowledge and meeting their immediate requirements. Once initiated, it would encompass both people's joint efforts and their awareness for their own good.

Social Audits at small community levels have been carried out by the citizens and there are various successful examples to quote, like the Mazdoor Kisan Shakti Sangathan (MKSS) in the state of Rajasthan. These audits have necessarily been of a unidirectional nature. But when we talk of the implementation at a national scale, the service provider and the State also have roles more important than just the participatory ones. Until all the rungs come up together, we would be unsure of the success of the process.

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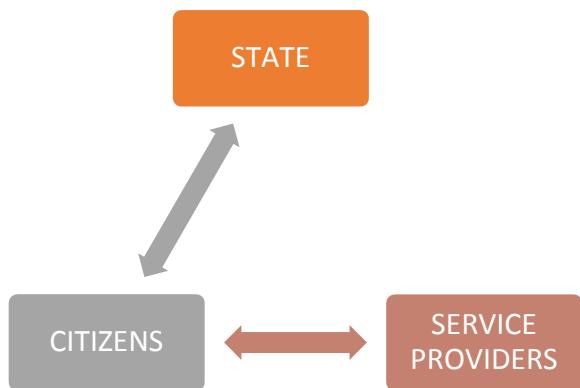


Figure 2: Bi-directional nature of Social Audits in the Indian context

It was only in 2003 through the 73rd amendment of the Constitution that the concept of Social Audit was finally recognised officially and the Gram Sabhas were empowered to conduct Social Audits, apart from their other functions, thus marking the first legislative step in the direction.

The Social Audit specific to the social welfare schemes would have to involve both the financial and the non-financial aspects, namely: the quantity of work carried out, its quality and also the durability.

4.0 What Has India Done With Respect To Social Audits?

Although community participation for improved implementation has seen its way through in a number of states in India, the State-induced Social Audits have very few examples to quote until very recently. India has been quite late to identify or adopt to the idea of Social Audits in its welfare schemes. The legislations on the national level regarding Social Audits have been few and recent:

1. 73rd Amendment of the Constitution: It was only in 2003 through the 73rd amendment of the Constitution that the concept of Social Audit was finally recognised officially and the Gram Sabhas were empowered to conduct Social Audits, apart from their other functions, thus marking the first legislative step in the direction.
2. Right to Information Act, 2005: Not a particular Social Audit in the strict sense of the word, the Act mandates every government authority to reply expeditiously regarding any information sought by the citizens. It has brought about a revolution in the Social Audit system of India.
3. Mahatma Gandhi Nation Rural Employment Guarantee Act (MGNREGA): Schedule 17(1) mandates the Gram Sabhas to monitor the execution of works and conduct regular Social Audits of all the projects under the scheme taken up with the Gram Panchayat.

The major social welfare schemes listed in Section 2.0 have all seen the participation of only a few select stakeholders and have mostly seen a top-down approach till now, in all these years

and after thousands of crores of rupees pumped into the system. In MGNREGA, even after more than 9 years of its inception, with direction by the rural Ministry to form Social Audit Units (SAU) to all States, the condition is not very encouraging:

- a. 12 out of 29 States do not even have a SAU,
- b. 17 out of 29 States either do not have a SAU or it is not working.

States like Andhra Pradesh and Karnataka who have already taken an initiative are in much better stead. But the entire gamut of activities covered under the umbrella of Social Audits is not being carried out. The Ministry of Human Resource Development (MHRD), who is the *parent* of the Sarva Shiksha Abhiyan (SSA), had laid down in its circular in 2013, directing the State governments to form Social Audit Co-ordination and Facilitation Units (SACFA). As is the case with the SAUs in MGNREGA, the timely implementation is the major constraint once again. The structure of a Social Audit Unit has also been prescribed by the Ministry, but it is at the discretion of the State governments to improvise and expedite the entire process. To diagnose the situation currently prevailing, one needs to thoroughly understand the crux of the problem and a major step towards this would be the analysis of the Social Audit reports. Until and unless the full cycle of activities are covered and the reports are generated on a consistent basis, no diagnostic action can be taken.

A few states like Andhra Pradesh have institutionalised Social Audit units for a few of the programmes. The Society for Social Audit, Accountability & Transparency (SSAAT) is an independent unit set up by the Andhra Pradesh government, to conduct Social Audits of MGNREGA in the State and the results have been praiseworthy and the model has gone on to become case studies for students and researchers all around the world. But examples like these are few and rare. More legislative reforms are required at the national level, to ensure that the States occupy themselves to watchdog the entire gamut of activities under the schemes.

5.0 Role of Chartered Accountants in Social Auditing

Social Audit is an independent audit system to verify social performance and act as an information

Auditing

provider. The very purpose of existence of Social Audits is to involve the very last stakeholder, which is not as easy a task as it seems to be. Any large framework requires a stronghold on certain key parameters which hold the anchor amidst the entire process. If Social Audits have to be implemented at a level it is currently being conceived to, it would most certainly need the support and expertise of the chartered accountants. Apart from their role in corporate world, they also have a responsibility to ensure that the people receive accurate and consistent information. As far as Social Audits are concerned, chartered accountants may contribute through the following:

- a. Analytical Procedures and Financial Expertise:** Financial expertise forms a key leg of the Social Audit framework, right from the conception stage, to the carrying out of the process, to presenting the report. Evaluation of the financial information through analysis of relationship among both financial and non-financial data also requires expertise which is where the CAs would play their part.
- b. Estimation Expertise:** An important area to be covered under social audit would be the estimation of the gap between the physical and the financial level and also the estimation of the opportunity cost for the beneficiaries due to the lack of proper implementation of the schemes. CAs can play a vital role especially in schemes like MGNREGA where estimation of the works forms a key part of the report and the financials would also differ based on how accurately the estimation is done.
- c. Monitoring Compliance:** At the national level, in addition to helping monitor public policies and budgets, Social Audits can also help to monitor compliance with regional and national anti-corruption conventions. Social Audit at the State specific level would be a complex process that would require sophisticated technical skills, with intensive know-how of the audit techniques and also the schemes for which the audits are being conducted.
- d. Checking for Reliability:** In schemes like the Pradhan Mantri Gram Sadak Yojana and MGNREGA, where sustainability is also one of the focus areas, a need to check for reliability of the investment shall come in at later stages and the information and expertise needs to be shared among all stakeholders.

- e. Expense Management:** Apart from the misappropriation of funds, one major area of critique of the social welfare schemes has been the contentious mismanagement in both the works being done and also the appropriate funds used against those. When working against a constrained budget, the management of expenses becomes a critical area and CAs through their insights may help the State governments manage the ground realities better and to their advantage.
- f. Institutionalising IS Framework:** Chartered accountants have an important role of institutionalising the framework of utilising the information systems (IS) to the overall advantage. Information systems will go on to play an even bigger role in the times to come as far as reducing the intermediaries is concerned. Putting the information systems for financial and non-financial reporting systems into place to utilise for the audit purposes have to be approved by someone who has the expertise of judging the whole cycle. IS may in future go on to reduce the entire burden of work in the entire auditing process.
- g. Training of the Lowest Rung:** Since a Social Audit team would involve stakeholders from various levels, until the IS isn't institutionalised, and even after, people involved in the physical audits would need to understand the nuances of what should an audit focus on, what to be concerned about and how to figure out what to report. Training mechanisms need to be strong and need to be led by a group of professionals. CAs, not to mention, would have to play an important part in the development of the stakeholders as independent units capable of judging, reporting and regulating the irregularities.

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6.0 The Capacity Building Measures ICAI Can Undertake

Auditing is generally carried out for two purposes: to confirm whether the facts are clearly presented and quoted and whether they are in acceptance with the prescribed/framed regulations.

- a. Since the concept in contention is a modern one, there is an utmost need of standard regulatory mechanisms to be followed all across the country. The need of regulatory mechanisms clearly vindicates the potential involvement of ICAI as the regulatory body of the laws for social audits; maybe in conjunction with the CAG.
- b. Let us suppose the audit team finds facts and data misrepresented. To judge the depth of misrepresentation requires a skill-set which as of today a thin majority, if not lower, possess. Since financial audits have seen a lot more seasons than the social ones, these issues have been rooted out slowly but nonetheless for the good. Training of CAs on grounds of social aspects and the social welfare schemes would hold them in much better stead to judge and report appropriately.
- c. The institutionalisation of the norms and conventions would ultimately fall on ICAI at some time or the other or in some form or the other. The Inter-American Convention against Corruption (IACC) adopted in 1996 was the first in recognising the role of civil society and explicitly encourages social audit activities. Similar conventions need to be devised on the grounds of audits and ICAI would have to play a major participatory role in the process.
- d. Deciding on the measures of performance audits, the social indicators of performance along with the enforcing agencies and the other stakeholders, are to be followed as a standard norm for a particular scheme across the country so that diagnosis at the central level becomes easier.
- e. Development of framework (e.g. similar to a qualified report) which can help the centre in decision making regarding the blocks/district who have performed well and deciding the allocations accordingly.
- f. Reporting standards formulation converging with the IS in order to exploit the services of information technology better would also be a key challenge at the national level.

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- g. Conducting training sessions for identified social audit units from across the country to enforce a better implementation of the regulatory standards for a successful blend of converging quantitative and qualitative information.

7.0 Conclusion

Social accounting and auditing should be an empowering process, not a means of control. Although the call for social audits from all quarters comes with a purpose of hounding instead of empowering as the motive, once it is institutionalised, it will go on a long way to become one of the best empowering schemes and a lesson for the world to follow. Glimpses of this glorification have already come from a few states like Andhra Pradesh. The need of the hour is awakening of each and every one involved. We as civilians can be the law enforcers and guardians of the same. Participation can bring about a huge difference, not only physically but psychologically as well and more than the physical force, a strong will to get what we want as beneficiaries would let us achieve the same with sustainable structures to draw comfort out of in the times to come. Ruskin Bond puts it, “and when all the wars are over, a butterfly will still be beautiful.” ■