

SOCIAL AUDIT FOR SUSTAINABLE GROWTH OF ECONOMY

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Abstract

India became the first country to mandate (CSR) in the year 2010. India has become the first nation to take a huge stride in creating a comprehensive and holistic framework for fostering social audit ecosystem. This assume much importance and relevance considering that the India will be holding the G20 presidency in 2023. Apart from the corporates, social audit has also played a vital role in assessment of social welfare programs of the government. A social audit aims at providing information to definite group of stakeholders. Social audit is conducted form the perspective of various stakeholders who can influence by the activities of the entity. Social audit can bring benefits like enhanced credibility to help in policy making decision, support stakeholders. A very large numbers of investors are using social and environmental performance for their investment decision. Social audit framework is required to be developed as a different field altogether and the existing traditional audit framework may not be applied as it is. The challenges are many evolutions of literature applicability and implementation of the social audit standards. Substantial efforts will be required for the creation of frameworks formulation of standards and building the necessary ecosystem for social audit. One of the core characteristics of social audit is transparency. Social auditing leads to transparent reporting and communication to stake holders and thus inculcates the trust on the business through transparency.

Introduction:

Social Auditing is the process that enables an organisation to assess and demonstrate its social, economic and environmental benefits and limitation. It measures the extent to which an organisation lives up to the shared values and objectives. Social auditing provides an assessment of the impact of the organisation non-financial objectives through systematically and regularly monitoring its performance and the views of its stakeholders. Social accounting assists business by going beyond quantitative information and taking into account qualitative parameters. It helps in building trusts and goodwill in the eyes of society for the company and aids in future decision making.

Definition of Social Audit and social accounting

The National Association of Accountants (USA)m defined it as the identification measurement monitoring and reporting of the social and economic effects of an institution on society.

According to Ramanathan “Social Accounting is the process of selecting firm level social performance variables measures and measurement procedure systematically developing information useful for evaluating performance and communicating such information to concerned social groups both within and outside the organisation.

Institute of Social and Ethical Accountability defines as learning about the effect of an organisation has on society and about its relationship with an entire range of stakeholders who are affected by the organisation and its activities.

Social Audit in India

TATA group was the front runner in implementation of social audit. Tata Iron and Steel Company TISCO had a committee in place to evaluate the company's performance against its social goals and the first social audit had taken place in 198.

The Institute of Chartered Accountants of India (ICAI) had issued "Technical Guide on Social Audit" in 2010, (Technical Guide) which details the concept of social auditing, need for social auditing, various contexts of social auditing, regulatory and voluntary codes for social audit, framework for social auditing etc.

In the "Report of MRTP Acts August, 1978". The Report stated that the resources and the manpower as well as raw material, the corporate sector has to necessarily employ inevitably cast a responsibility on it to see that balance between the need of the company and requirement of the society are maintained at even level.

India was the first country to mandate Corporate Social Responsibility (CSR). Many companies are voluntarily undertaking impact assessments, obtaining external assurances to build transparency and trust amongst its stakeholders. In the near future, it will not be surprising to have a mandated CSR audit. The relevance of Social Audit is reinforced on account of notification of the broad and detailed framework.

Objectives of Social Audit

1. To assess and demonstrate its social, economic and environmental benefits and limitation
2. To evaluate performance of activities of organisation which are of social goals.
3. To scrutinize various policy decisions.

Need of Social Audit:

Social Audit helps in assessing how well the organisation is functioning towards its obligation or goal and provides an opportunity to identify areas of focus for project managers to initiate steps for improvement and / or corrective action. With the involvement of multiple stakeholders in a social project, there are good possibilities for giving more preference or importance to some stakeholders and / or neglecting or not giving the requisite importance to certain other stakeholders. Social Projects call for balancing the concerns of all the stakeholders and this can be better addressed with Social Audits in place, thereby helping to evaluate how their social initiatives are being received by both their internal and external stakeholders. Thus, Social Audit becomes imperative considering the varying interests of different stakeholders, particularly those involving large funds motivated to purely achieving the desired social impact. United Nations explains the importance of social audit as reporting and ultimately improving an organization's social. A social audit is a way of measuring, understanding, and ethical performance. A social audit helps to narrow gaps between vision/goal and reality, between efficiency and effectiveness. It is a technique to understand, measure, verify, report on and to improve the social performance of the

organization. Social auditing creates an impact upon governance. It values the voice of stakeholders, including marginalized poor groups whose voices are rarely heard. Social auditing is taken up for the purpose of enhancing local governance, particularly for strengthening accountability and transparency in local bodies.

STEPS IN A SOCIAL AUDIT

The said ICAI draft on Social Audit states that the following are the main steps involved in a social audit:

- i. Understanding the entity and its environment - A social auditor should conduct a preliminary review of the entity and its environment to establish the primacy of its social intent.
- ii. A social auditor should communicate clearly about the roles and responsibilities of the social auditor with respect to the Social audit.
- iii. Data collection and analysis - For collecting data on the social auditor should use various methods such as different quantitative and qualitative parameters, as interviews, questionnaires, Focused Group Discussion (FGD), etc.
- iv. Using the work of field level research agency/subject matter experts - In certain cases a social auditor would need to use the work of assistants/field level research agencies and/or other social auditors and subject matter experts. In such situations, the social auditor should perform relevant procedures to evaluate the appropriateness and adequacy of the work performed.
- v. Materiality - A social auditor should consider materiality while assessing the overall impact of the project. Materiality should be considered in the context of various quantitative and qualitative factors.
- vi. Documentation - The social auditor should prepare engagement documentation on a timely basis
- vii. Use of technology - The social auditor should consider the extent of usage of IT tools to be deployed for:
 1. Information database to be maintained at one place for information of all stakeholders, beneficiaries, volunteers, staff.
 2. Data collection process through online surveys, virtual interviews, satellite imagery for monitoring forestry coverage, etc.
 3. Data sorting and visualisation, data analysis, reporting.
- viii. Reporting - Social audit report - A social auditor needs to issue a written social audit report containing the findings from the assessment in terms of the impact created, gaps, if any, along with the recommendations for improvement.

Benefits of Social Audit:

The following are the potential benefits that could be realised from an effective Social Audit:

1. Social Audit being an important component of ESG helps in strengthening governance as also strengthening accountability.

2. Social Audit provides an effective platform for dialogue between different stakeholders.
3. Social Audit can be a very effective tool to identify the gap between desired social impact and actual impact.
4. Social Audit helps in building pressure for better implementation of social projects and programs.
5. Social Audit can help to develop measures and set targets to improve corporate social performance, using benchmarking and other techniques.

The United Nations Sustainable Development Goals (SDGs) are 17 interconnected social, economic, environmental, and institutional targets to be achieved by 2030 that the 192 member nations have agreed upon in 2015. Supreme Audit Institutions (SAIs) are assessing the progress made by their governments for achieving the SDGs. Around the world, SAIs are working in collaborative and innovative ways to examine how effective their governments have been at integrating the SDGs into national development plans and in assessing progress that is being made on issues like climate change, gender equality and poverty reduction. The report entitled "Auditing the SDGs: Progress to 2030" by the ACCA (The Association of Certified Chartered Accountants) explores how SAIs examine the challenges presented by the SDGs to government decision-making and why their ability to hold governments to account on this ambitious agenda matters. It is obvious that there is an urgent need for the governments in all the jurisdictions to move rapidly and use the SDGs to tackle the many problems that are staring right at our face and cannot be ignored or wished away. These include the rising frequency of destructive climate change-related events, such as extreme weather, flooding and drought, the impacts of increasing natural capital destruction and extinction of species. They also include interconnected issues of worsening inequality and the growing difficulties for many in earning a decent living through work that is becoming more precarious and insecure seriously affecting the work-life balance which today for a large chunk of population in the globe remains a pipe dream. The defining challenge of the next decade will be building the systems that the SDGs require for delivery. From the practicalities of achieving coherence in SDG-related policies across different parts of government, to validating new data sources and establishing agreed-upon metrics where gaps exist as well as making the last mile delivery a reality requires genuine and ongoing commitment. That is the reason why the work of SAIs occupies great importance in the assessment and evaluation of the preparedness of the member countries to take on the SDG-related challenges and their progress towards achieving them not just on paper, but actually as well in a demonstrable manner. In the Indian context, in that sense SEBI's initiative of driving the regulations for creating an ecosystem for social audit is a step in the right direction and is worth emulating in other member countries as well.

Conclusion:

Social Audit is concerned with evaluation and measuring efficiency and effectiveness of implementation of program or project. Social Audit is a continuous process and covers all the stages of a social project or program with a view to determine whether the policies framed by

the social enterprise in fact leads to the achievement of the outlined objectives as also whether there are any deviations from the policies framed by the social enterprise which leads to underachievement or non-achievement of the laid down targets towards achieving the objectives. In the case of Social Impact assessment, though it is also a continuous process and covers all the stages of a social project, the assessment process generally does not and need not involve an audit process. The outcome of any social audit is a report on the social project or program containing the findings based on review of the processes and progress made in the said social project or program. The outcome of social impact assessment is also a report by an independent third party of the outcomes and impacts created by the implementation of the social project or program. While Social Impact assessment is concerned with the changes brought about by the project or program. An impact assessment is usually conducted after the project life cycle is completed, social audit could be a continuous process of review and intention is not to measure the impact created by the project. We could conclude with reference to the Companies Act 2013, social audit would be a tool through which companies can plan, manage and measure corporate social responsibilities activities sponsored social development projects. It also helps monitor consequences of the intended and unintended impacts of social development projects their geographies. Social Audit initiated by the companies may also include financial audit geared towards verification of reliability and integrity of financial information. No doubt, the companies would be able to get the timely updates of the projects and regular tracking with the help of social audit and better monitoring and reporting would happen and we can achieve successful social developments in future days to come.

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