



INDIA'S SOCIAL AUDIT UNITS: A REVIEW

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ABSTRACT

The idea of a social audit is a relatively new development. The social audit demonstrates and quantifies the company's care for people and the environment. A set of details regarding social projects, benefits, and actions aimed at employees, investors, market analysts, shareholders, and the community at large are presented in this annual business statement. This paper aims to provide a comprehensive overview of social auditing, including its concept, nature, salient features, historical perspective, scope, standards, reasons for conducting social audits, steps involved in conducting them, and various issues that arise.

KEYWORDS: Social Audit, Standards, Human rights, Environment..

INTRODUCTION

Social audit is a process of reviewing official records and determining whether state reported expenditures reflect the actual monies spent on the ground.

Social auditing is the process of assessing and reporting a business's performance in fulfilling the economic, legal, ethical, and philanthropic social responsibilities expected of it by its stakeholders. The social audit provides an objective approach for an organization to demonstrate its commitment to improving strategic planning, including social accountability. There are many reasons companies choose to understand, report on, and improve their social responsibility performance.

A formal review of a company's endeavors in social responsibility. A social audit looks at factors such as a company's record of charitable giving, volunteer activity, energy use, transparency, work environment and worker pay and benefits to evaluate what kind of social and environmental impact a company is having in the locations where it operates. Social audits are optional--companies can choose whether to perform them and whether to release the results publicly or only use them internally.

Social auditing is "a process of measuring and reporting, in order to understand and ultimately improve, an organization's social performance".

What is a Social Audit?

A social audit is a way of measuring, understanding, reporting and ultimately improving an organization's social 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 governance, particularly for strengthening accountability and transparency in local bodies.

The Nature of Social Auditing

Social auditing is the process of assessing and reporting a business's performance on fulfilling the economic, legal, ethical, and philanthropic social responsibilities expected of it by its stakeholders. Social audits are tools that companies can employ to identify and measure their progress and challenges to stakeholders including employees, customers, investors, suppliers, community members, activists, the media, and regulators—who are increasingly demanding that companies be transparent and accountable for their commitments and performance.

The auditing process is important to business because it can improve financial performance, increase attractiveness to investors, improve relationships with stakeholders, identify potential liabilities, improve organizational effectiveness, and decrease the risk of misconduct and adverse publicity. A firm's reputation depends on transparency and openness in reporting and improving its activities. The social audit provides an objective approach for an organization to demonstrate its commitment to improving strategic planning, including showing social accountability and commitment to monitoring and evaluating social issues. Thus, it is critical that top managers understand and embrace the strategic importance of the social audit.

Key stakeholders of the company should also be involved in the audit to ensure the integration of their perspectives into the firm's economic, legal, ethical, and philanthropic responsibilities. Companies are working to incorporate accountability into actions ranging from long-term planning to everyday decision making, including corporate governance, financial reporting, and diversity. The strategic responsibility goals and outcomes measured in the social audit need to be communicated throughout the organization and to all of its stakeholders so that everyone is aware of what the company would like to achieve and what progress has been made in achieving its goals.

The social audit should provide regular, comprehensive, and comparative verification of the views of stakeholders. Disclosure is a key part of auditing to encourage constructive feedback. Directions for finding best practices and continuous improvement on legal, social, ethical, philanthropic, and other issues can come from all stakeholders.

Historical Roots

To casual observer social auditing is a new phenomenon. In reality, the concept of a social audit was formed much earlier in the 1940's when a depression era academic Theodore Kreps called on companies to acknowledge their responsibilities to citizens

1960-70's – a fresh wave of interest in social and ethical accounting, auditing and reporting (SEAR).

Concept of 'stakeholders' emerges and organizations like the US Chamber of Commerce make the link between improvements in corporate social performance and long term profitability.

While most of the early theorizing about Social Auditing came from the US, most of the practical experimentation took place in Europe.

Salient Features

The foremost principle of Social Audit is to achieve continuously improved performances in relation to the chosen social objectives. Eight specific key principles have been identified from Social Auditing practices around the world. They are:

1. **Multi-Perspective/Polyvocal.** Aims to reflect the views (voices) of all those people (stakeholders) involved with or affected by the organization/department/program.
2. **Comprehensive.** Aims to (eventually) report on all aspects of the organization's work and performance.
3. **Participatory.** Encourages participation of stakeholders and sharing of their values.
4. **Multidirectional.** Stakeholders share and give feedback on multiple aspects.
5. **Regular.** Aims to produce social accounts on a regular basis so that the concept and the practice become embedded in the culture of the organization covering all the activities.
6. **Comparative.** Provides a means, whereby, the organization can compare its own performance each year and against appropriate external norms or benchmarks; and provide for comparisons with organizations doing similar work and reporting in similar fashion.
7. **Verification.** Ensures that the social accounts are audited by a suitably experienced person or agency with no vested interest in the organization.
8. **Disclosure.** Ensures that the audited accounts are disclosed to stakeholders and the wider

community in the interests of accountability and transparency.

Objectives of a Social Audit

- Assessing the physical and financial gaps between needs and resources available for social aims and objectives.
- Creating awareness among beneficiaries and providers of local social and private services.
- Increasing efficacy and effectiveness of local development programmes.
- Scrutiny of various policy decisions, keeping in view stakeholder interests and priorities, particularly of rural poor.
- Estimation of the opportunity cost for stakeholders of not getting timely access to public services.

The scope of social audit

A social audit will generally examine the organization's policies and practices in the following key areas:

- **Ethics** – what the organization's policies are, whether or not they are being upheld or undermined by the enterprise's day-to-day activities
- **Staffing** – how the enterprise rewards, trains and develops its staff, as well as the way in which the enterprise ensures that it is non-discriminatory, fair and equitable to everyone working there
- **Environment** – the enterprise's policies relating to caring for the environment, waste management and disposal, and damage reduction, and whether or not the enterprise is adhering to these policies
- **Human rights** – how it ensures that it does not violate human rights, or deal, trade with or support any Organization that violates human rights
- **Community** – the organization's policies relating to the local community, and community involvement;
These policies might, for example, cover community partnerships or community projects, and checks will be made during the social audit to ensure that agreements are being upheld
- **Society** – the organization's policies relating to society as a whole, and the way in which the enterprise seeks to improve or benefit society
- **Compliance** – how the organization complies with statutory and legal requirements, such as health and safety, employment law, environmental law, criminal law and, of course, financial and tax laws.

All of these policies, ethics, staffing, environment, human rights, community, society and compliance, together, create an enterprise's social policy or mission.

Elements of Social Audit

- Multi-perspective
- Comparative
- Comprehensive
- Regular
- Verification
- Disclosure

Reasons to conduct a SA

- Know what is happening
- Understand what people think and want
- Tell people what you are achieving
- Strengthen loyalty / commitment
- Enhance decision-making
- Improve overall performance

Steps in conducting SA

- Assemble organization and secure agreement and commitment.
- Define and prioritize the organization's objectives and establish the action it intends to perform to meet them.
- Identify the organization's "stakeholders"
- Agree upon indicators, information, benchmarks and targets.
- Data gathering systems put in place.
- Collating, analyzing and interpreting results
- External verification process
- Disclosure and act on results

Standards in Social Auditing

Competence

- The engagement shall be performed by a practitioner having adequate technical training and proficiency.
- The engagement shall be performed by a practitioner having adequate knowledge in the subject matter.
- The practitioner shall perform an engagement only if he or she has reason to believe that the following two conditions exist:
- The assertion is capable of evaluation against reasonable criteria that have been established by a recognizable body or are stated in the presentation of the assertion in a sufficiently clear and comprehensive manner for a knowledgeable reader to be able to understand them.
- The assertion is capable of reasonably consistent estimation or measurement using such criteria.

Independence

- Independence in mental attitude shall be maintained by the practitioner who shall not have participated in the assertion.

Planning

- The work shall be adequately planned and assistants, if any, shall be properly supervised.

Control Structure

- A sufficient understanding of the communications and control structures is to be obtained to plan the audit and to determine the nature, timing, and extent of tests to be performed.

Evidence

- Sufficient evidence shall be obtained to provide a reasonable basis for the conclusion that is expressed in the report.

Standards of Reporting

- The report shall identify the assertion being reported on and state the character of the engagement.
- The report shall state the practitioner's conclusion about whether the assertion is presented in conformity with the established or stated criteria against which it was measured.
- The report shall state all of the practitioner's significant reservations about the engagement and the presentation of the assertion.
- The report on an engagement to evaluate an assertion that has been prepared in conformity with agreed upon criteria or on an engagement to apply agreed-upon procedures should contain a statement limiting its use to the parties who have agreed upon such criteria or procedures.

FRAME WORK OF SOCIAL AUDIT

Competence

- Secure commitment of top management and/or board of directors.
- Establish an audit committee.
- Define the scope of the audit process, including subject matter areas important to the social audit (e.g., environment, discrimination, employee rights, privacy, philanthropy, legal compliance, etc.).
- Review organizational mission, policies, goals, and objectives.
- Define the organization's social priorities as they relate to stakeholders.
- Identify the tools or methods the organization can employ to measure its achievement of objectives.
- Collect relevant information in each designated subject matter area, including internal data and data from concerned stakeholders.
- Summarize and analyze the data collected and compare the internal information to stakeholder expectations.
- Have the results verified by an independent agent (i.e., a social audit consultant, accounting firm that offers social auditing services, or nonprofit special-interest organization with social auditing experience).
- Report the findings to the audit committee and, if approved, to managers and stakeholders.

POTENTIAL ISSUES

SA has excellent promise as a management tool but some potential problems remain:

- Reporting organization can deliberately limit audit scope in order to avoid controversies.
- Process can be managed internally to the disadvantage of some external stakeholders.
- Some significant stakeholders may be omitted.
- Organization may use arbitrary or inappropriate indicators to evaluate outcomes.
- The standards, independence and honesty of the auditor may be open to question.

The Process of Social Audit

The very first step, of course, is to make the decision to carry out a social audit. Once that crucial decision has been made, you and your enterprise can then embark on the actual process itself. In this topic, we shall take you through the six steps of that process and help you identify any tools you may need to carry out your social audit.

The six-stage process

The process of taking a social audit involves:

1. Finding out what is actually happening.

2. Comparing what is actually happening with what should be happening.
3. Identifying changes and improvements that need to be made.
4. Setting new SMART goals.
5. Having the findings verified by an independent auditor.
6. Publishing a public document – the Social Audit Report – so that everyone can read the results.

Check points

Use this check points to identify.

1. Those elements of your social enterprise’s social policy or mission that already exist.
2. Those that need to be expanded and developed.
3. Those that need to be created.

Ethics

- All our staffing policies are complete and up to data.
- Our staffing policies need to be further developed.
- We don’t have very much in the way of ethical policies at the moment- we need to start creating these.

Staffing

- All our staffing policies are complete and up to date.
- Our environment policies are complete and up to date.
- We don’t have very much in the way of staffing policies at the moment- we need to start creating these.

Environment

- All our environment policies are complete and up to date.
- Our environmental policies need to be further developed.
- We don’t have very much in the way of environment policies at the moment – we need to start creating these.

Human Rights

- All our human rights policies are complete and up to date.
- Our human rights policies need to be further developed.
- We don’t have very much in the way of human rights policies at the moment – we need to start creating these.

Community

- All our community policies are complete and up to date.
- Our community policies need to be further developed.
- We don’t have very much in the way of community policies at the moment – we need to start creating these.

Society

- All our policies relating to society are complete and up to date.
- Our society policies need to be further developed.
- We don’t have very much in the way of society policies at the moment – we need to start creating these.

Compliance

- All our compliance policies are complete and up to date
- Our compliance policies need to be further developed

- We don't have very much in the way of compliance policies at the moment – we need to start creating these.

Issues

The Most serious encountered by the social auditor is the absence of a well-conceived Information system as part and parcel of social welfare program. Government agencies which design programs often commit the error of depending on traditional government systems of information like government accounts and government methods of reporting for conveying a picture of how a program is progressing. This will not serve the purpose.

Social audit of public utilities and public undertaking faces its own problem the most important of which is a reliable information system for example a telephone company maintains 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 wish to have a telephone did not even take the trouble of sending an application knowing that they were unlikely to get a quick response .

Almost every social programmer will give some specific feature whose impart has to be fully grasped take for example some vaccination program impact may be known after several years of implementation. Adult literacy program without particulars of educated people from rural areas to urban areas. It is difficult to prepare a social audit report which will be good to the society the implementers of the program and to its designer for example he cannot criticize the nutrition program standard fixed by the world health organization. When a program is designed properly he has to consider how the related program are progressing for example a program for the improvement of rural health must be a part of a well designed project containing several individual programs like rural housing, rural water supply, education, nutrition, rural pollution, rural trade and industry for generation of income.

CONCLUSION

A social audit entails an individualized process and individualized outcomes for each firm, as it requires the careful consideration of the unique issues that face a particular organization. Although the concept of auditing implies an official examination of social performance, many organizations audit their performance informally. The social audit should be conducted regularly. Although social auditing may present problems, it can generate many benefits. Through the auditing process, a firm can demonstrate the positive impact of social responsibility efforts on its bottom line, convincing stakeholders of the value of more socially responsible business practices. A social audit should be planned with utmost care, caution, greater efficiency, economy and with effectiveness otherwise the purpose will not be served. We can say forewarned is forearmed in social audit.

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