



Improving Organisational social and ethical performance-The Social Audit way

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Abstract

Social audit may be considered as systematic assessment of the social impact of the activities of a business firm. It is a critical examination of the activities of a company in order to measure, evaluate and report their impact on the immediate social environment. Social audit is a comprehensive evaluation of the way a company discharges its responsibilities to different stakeholders. It is an approach for measuring, monitoring and appraising the social performance of a business enterprise. It refers to the assessment or evaluation of a company's performance in the areas of social responsibility. Social audit is a commitment to systematic assessment of and reporting on some meaningful, definable domain of a company's activities that have social impact. Social audit encompasses all activities of a firm which have a social impact. Both quantitative and qualitative data are used in social audit. It determines what an enterprise is doing in social areas. Social audit can be conducted either by internal auditors or outside consultants or both. The person responsible for conducting social audit must be oriented towards the social point of view, conversant with business practices and problems, and technically trained in such fields as law, economics, sociology, philosophy, theology, etc.

Social audit helps to determine how well the enterprise is living up to its social objectives. It provides data for comparison with policies and standards. It is helpful in creating greater concern for social obligations throughout the enterprise. In the course of social audit employees become more aware of the social impact of their actions. It provides cost data on social programmes. Such data are useful in preparing the social budget of the enterprise. It provides data for evaluating the effectiveness of social programmes. Social audit helps to improve the public image. Press and public come to know the social activities of the enterprise.

Keywords: Accountability and transparency, empowerment of people, punitive action, Social Audit, social performance

Introduction

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 local governance, particularly for strengthening accountability and transparency in local bodies.

Social audit is a process of reviewing official records and determining whether state reported expenditures reflect the actual money spent on the ground. A social audit is a formal review of a company's endeavors in social responsibility.

The key difference between development and social audit is that a social audit focuses on the neglected issue of social impacts, while a development audit has a broader focus including environment and economic issues, such as the efficiency of a project or programme.

A social audit is an official evaluation of an organization's involvement in social responsibility projects or endeavors. For example, a local family store makes a clothing donation to a local church that has a homeless shelter for women and children. The store makes a similar donation three times a year. This is something that a social audit might uncover. Factors examined by a social audit include records of charitable contributions, volunteer events, and efficient

utilization of energy, transparency, work environment and employees' wages.

Social Audit-Ascertainment of Social Performance

A social audit examines issues regarding internal practices or policies and how they affect the identified society. The activities included tend to pertain to the concepts of social responsibility. This can include activities affecting the financial stability of a region, any environmental impact resulting from standard operations and issues of transparency in reporting.

There is no standard regarding what must be considered as the society during the audit. This allows a business to expand or contract the scope based on its goals. While one company may wish to understand the impact it has on a small-scale society, such as a particular city, others may choose to expand the range to include an entire state, country or the world as a whole.

Regulation 91E of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, mandates Social Audit of Social Enterprise engaged in the activities specified under regulation 292E (2) (0) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018. The annual impact report shall be assessed by a Social Impact Assessment Firm employing Social Impact Assessor(s).

Use of Social Audit Findings

As a social audit is completely voluntary, the results of the audit are not required to be released to the general public or any regulatory agency. While positive results may be voluntarily disclosed, negative results may be kept internal

and used to identify potential improvements that can make the results of the next social audit more favourable. For example, if a company found that the examined society did not believe it was adequately involved in charitable activities within the community, the company might choose to increase efforts in this area in the hopes of improving public perception.

Objectives of Social Audit

A Social Audit is undertaken with the undermentioned objectives:

- Assessing the physical and financial gaps between needs and resources available for Local development.
- Creating awareness among beneficiaries and providers of local social and productive 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.
- Provision of information needed to improve the effectiveness of programs designed to enhance community development.

Implementation of Social Audit

Implementation of Social Audit is for

1. **Empowerment of People:** Social audit is most effective when the actual beneficiaries of an activity are involved in it. However, people can only get involved in the process when they are given appropriate authority and rights. To this end, the 73rd amendment of the constitution has empowered the Gram Sabha to conduct social audit. This is relevant only in the villages. In the cities, the Right to Information Act empowers the people to inspect public records.
2. **Proper Documentation:** Everything right from the requirement gathering to planning to implementation must be properly documented. Some of the documents that should be made mandatory are:
 - Applications, tenders, and proposals.
 - Financial statements, income expense statements.
 - Registers of workers.
 - Inspection reports.
3. **Accessibility of Documents:** Merely generating documents is useless if they are not easily accessible. In this information age, all the documents must be put online.
4. **Punitive Action:** The final and most important provision, about which nothing is being done yet is to have punitive actions for non-conformance of the process of social audit unless there is legal punishment, there will be no incentive for the people in authority to implement the processes in a fair manner.

Steps for Social Audit

The steps for Social Audit include

- Clarity of purpose and goal of the local elected body.
- Identify stakeholders with a focus on their specific roles and duties. Social auditing aims to ensure a say for all stakeholders. It is particularly important that marginalized social groups, which are normally

excluded, have a say on local development issues and activities and have their views on the actual performance of local elected bodies.

- Definition of performance indicators which must be understood and accepted by all. Indicator data must be collected by stakeholders on a regular basis.
- Regular meetings to review and discuss data/information on performance indicators.
- Follow-up of social audit meeting with the panchayat body reviewing stakeholders' actions, activities and viewpoints, making commitments on changes and agreeing on future action as recommended by the stakeholders.
- Establishment of a group of trusted local people including elderly people, teachers and others who are committed and independent, to be involved in the verification and to judge if the decisions based upon social audit have been implemented.
- The findings of the social audit should be shared with all local stakeholders. This encourages transparency and accountability. A report of the social audit meeting should be distributed for Gram Panchayat auditing. In addition, key decisions should be written on walls and boards and communicated orally.

Checklist on Social Audit

- Whether the company has well defined policies for development of the society especially the poor and rural people?
- Whether on regular basis the scrutiny of fulfilment of the policy is done?
- Whether the physical and financial gaps between needs and resources available for local development are assessed on regular intervals?
- Whether the voice of the minority shareholders are considered?
- Are necessary actions taken over them?

Rights of Social Auditor

The Social Auditor has rights 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 other government department.

Effective Social Audit 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.

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.

Summing-up

Social audit involves identification of the firm's activities that have a potential social impact; measurement of the social costs (inputs) and benefits (outputs) of such activities;

assessment and evaluation of these costs and benefits, and reporting the social performance of the firm. Social audit is being carried out with the objectives of judging the social dimensions of a company's performance, improving social performance of the company on the basis of the feedback provided by the social audit and to boost the public image of the company.

The main object of Social Audit is to ascertain the impact made by the Social Enterprise through its activities, Intervention, programs or projects implemented during the reporting period. It will also analyse whether the implemented activities, intervention, programs or projects has addressed the challenges set at the implementation stage or those mentioned in the fund-raising documents. The impact report aims to highlight the positive Impact made to the target area, unintended negative impact and gap between desired object and actual Impact made du reporting period.

Finally, we may opine that 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. Social Audit makes it sure that in democracy, the powers of decision makers should be used as far as possible with the consent and understanding of all concerned.

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