

ORIGINAL ARTICLES

Social Audit: From Theory To Practice

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ABSTRACT

Accountability and transparency are the buzz words of development today. However, in any developing countries, where pro-people development is still largely planned and implemented by the state and its bureaucracy, their realisation is a major challenge. One important development in this context has been the use of social audits. A social audit is a process in which details of the resources, both financial and non-financial, used by public agencies for development initiatives are shared with the people, often through a public platform. Social audits allow people to enforce accountability and transparency, providing the ultimate users of services and projects with an opportunity to scrutinise development initiatives. It is a form of citizen advocacy based on the power of knowledge and is grounded in the right to information. Social audits to check working conditions in production facilities emerged in the mid-1990s after a number of high profile companies were widely scrutinized for substandard working conditions in their supply chains. At that time, a growing number of companies-for example Nike, Gap, Levi Strauss, and C&A-had adopted codes of conduct that in essence were pledges to prevent exploitation and abuse of workers producing their goods. Labour advocates soon challenged these companies to demonstrate conformity to the standards they had adopted. Calls for independent, civil society based forms of workplace assessments were made. The article was focused on social audit and its relevance to audit the social performance of the organization. Social auditing is a process that enables an organization to assess and demonstrate its social, economic, and environmental benefits and limitations. It is a way of measuring the extent to which an organization lives up to the shared values and objectives it has committed itself to. Social auditing provides an assessment of the impact of an organization's non-financial objectives through systematically and regularly monitoring its performance and the views of its stakeholders. Social auditing requires the involvement of stakeholders. This may include employees, clients, volunteers, funders, contractors, suppliers and local residents interested in the organization. Social audits are generated by the organization themselves and those directly involved. A person or panel of people external to the organisation undertakes verification of the social audit's accuracy and objectivity. The concept of integrated social audit does not merely extend horizontally in the sense of extending to peripheral events which impinge on the social welfare activity under evaluation. This article describes about what is social auditing, what does social auditing involve, social obligations and social welfare programmes, social obligations of public utilities and problems faced by social audit.

Key words: audit, accountability, social audit, public responsibility.

Introduction

Across the world, 'governance' is a subject of much interest and debate. From ancient times, attempts have been made to explore the various aspects of governance. Governance is the manner in which power is exercised in the management of a country. Starting from 'Arthashastra' to the recent good governance reform agenda, the effort to define and redefine the relations between the ruler and the ruled - to bring in good governance - has always revolved around the issue of accountability. Accountability refers to the ability to make the public officials and functionaries answerable for their actions and policies.

Contrary to the earlier scenario, in the current world of technical and information revolution, very often, people's participation in governance to demand accountability is limited to elections. They have left it for the elected representatives and officials to govern. It is also apparent that between elections, they are a few institutional channels of citizen participation in issues of governance. So, over the years democracy has become "delegative". Good governance approach which came as a remedy for many weeds and vices of the current administrative and democratic system introduced social accountability as a major initiative.

One of the major social accountability tool practiced across the world is social audit. The concept of social audit in West is different from what is practiced in India. In India, social audit is evolved as a mechanism to demand accountability from public servants and is practiced under the leadership of many civil society organizations. Social audit practices of Mazdoor Kisan Shakti Sangathan (MKSS), Parivarthan, Action-aid etc., are a few examples.

Recently, the Government of Andhra Pradesh introduced social audit as part of NREGS, 2005, the Mid-day Meal Scheme (MMS) and Scholarship Schemes for the Backward Classes, thereby recognising the importance of social audit in establishing transparency and accountability. After analyzing several practices, a methodology has been devised for applicability of social audit for projects taken up as part of the Basic Services for Urban Poor (BSUP) and Integrated Housing & Slum Development Programme (IHSDP) schemes. The word 'audit' is derived from Latin, which means 'to hear'. In ancient times, emperors used to recruit persons designated as auditors to get feedback about the activities undertaken by the kings in their kingdoms. These auditors used to go to public places to listen to citizens' opinions on various matters, like behaviour of employees, incidence of tax, image of local leaders. Charles Medawar pioneered the concept of Social Audit in 1972 with the application of the idea in medicine policy, drug safety issues and on matters of corporate, governmental and professional accountability. According to Medawar, the concept of Social Audit starts with the principle that in a democracy the decision makers should account for the use of powers, which should be used as far as possible with the consent and understanding of all concerned. The concept of Social Audit then evolved among corporate groups as a tool for reporting their contribution to society and obtaining people's feedback on their activities to supplement their market and financial performance. In mid 1970s, in UK and Europe, the term Social Audit emerged to describe evaluations that focused on the likely impact on jobs, the community and the environment, if a particular enterprise or industry were to close or relocate. These evaluations used the term Social Audit to clearly make the point that they were concerned with the 'social' and not the 'economic' consequence of a particular action. Trade unions, local government authorities, industry and private companies carried them out.

Social Audit has also been carried out by some NGOs as a means of understanding their impact on society and to see whether they are catering to people's needs. This work has been led and facilitated by Traidcraft PLC (a fair trade retail and wholesale company in UK) and the New Economics Foundation (NEF - a London based NGO). Their officials etc. Social Audit has evolved from the stage where these evaluations had no shared structure or method and no agreed criteria to a stage where it is now accepted as an independent evaluation of the activities and programmes being implemented by an organisation. Early in the history of Social Audit, a number of community organisations began to undertake audits of their community that included physical and social assets, natural resources and stakeholder needs.

Most notable of these was the Dunston Social Audit in 1982, which was published and widely distributed. Many of these organisations did not continue using the method and saw the Social Audit as a one-off evaluation. It was in 1984, when the Co-operative Retail Society started to look at the idea of Social Audit, that larger organisations became interested in voluntarily undertaking Social Audit. During the late 90s many of the above organisations continued to develop and practice Social Audit. In 1997, the Social Enterprise Partnership developed the first European Social Audit programme, involving groups from Ireland, Spain, Finland, Sweden, Denmark, and England. NICDA, in Northern Ireland (a Social Economy Promotion Agency), also started running accredited training courses in Social Audit in 1998 and has completed three programmes.

Concept of Social Audit:

The basic objective of social audit is to ensure public accountability in the implementation of projects, laws and policies. One simple form of social audit is a public assembly where all the details of a project are scrutinized. However, 'social audit' can also be understood in a broader sense, as a continuous process of public vigilance. The major objectives of the social audit are:

1. To assess the physical and financial gaps between the needs and resources;
2. To create awareness among beneficiaries and providers;
3. To increase efficacy and effectiveness and ensure transparency;
4. To scrutinize various policy decisions;
5. To popularize good governance;
6. To impart responsibilities in citizens to build accountability;

Principles of Social Audit:

The foremost principle of social audit is to achieve improved performances relative to the chosen social objectives. Eight specific key principles have been identified from social auditing practices around the world.

1. Multi-Perspective/Poly vocal;

2. Participatory;
3. Comprehensive;
4. Multidirectional;
5. Regular;
6. Comparative;
7. Verified;
8. Disclosed.

Social auditing can be used as a tool in providing critical inputs and to correctly assess the impact of government activities on the social well-being of the citizens, assess the social costs, and measure the social benefits accrued as a result of any programme implementation.

Social audit have both positive and negative social outcomes. However, it is significant in the following aspects:

- Inculcates transparency in the organization, department or activity;
- Increases accountability and improves allocation of resources;
- Monitors the social and ethical impact and performance of the organisation by revisiting the core values and objectives;
- Provides corrective directions and helps in redefining strategies.

Internal evaluation made and if so were any policy changes made? What are the other linked programmes which could affect the effectiveness of the programme to be audited? How are those programmes progressing? On all these questions, social auditor should gather the necessary information and literature before he ever sets out to do his audit. Occasionally some voluntary agencies or academic institutions study the impact of a programme. For their own reasons they do so over areas much smaller than those which the social auditor has to "cover. Nevertheless their findings are of value and the social auditor should obtain access to their findings.

Much has been said and written about the use of social indicators. There are in fact few such indicators and these have been developed by academic institutions doing research in a very narrow area and in highly artificial environmental models. Or else, these have been developed by industrially advanced countries. It is necessary therefore that before any use is made of the so called social indicators, their relevance to the context of the programme audited has to be determined or, if it is at all possible, they should be appropriately modified. Excessive reliance on social indicators can lead to an accountant's measurement of the state of affairs rather than an intelligent auditor's evaluation. It should also be remembered that social welfare programmes are not aimed at achieving absolute standards but at introducing social changes at predetermined cost and effort. If a programme includes within itself the means for an assessment of such achievement and details the quantum of change expected in relation to the quantum of thrust given, then this in itself will give the frame of reference for social audit. Constitutional and statutory provisions place a severe restraint in many countries on the social auditor approaching the beneficiaries of a social welfare programme and making his own measurement of the impact of the programme. But where this direct method is available to him, he should work out in advance a detailed questionnaire and determine the analytical and statistical methods he will adopt to reach necessary conclusions.

Where such access to the beneficiaries is not available, social audit can none the less be performed, at least to some useful extent, by means of comparisons in space and time. Performance comparison of a programme can be made at the same time in several geographical areas, or in a country such as India, in the several states.

Likewise, the impact of the programme in the same area from year to year can be made. Such an audit, while not wholly as satisfactory as what can be done if access to beneficiaries is available, will none the less give sufficient indication of the satisfactory or unsatisfactory progress of the programme. Social audit of Public utilities or public undertakings would be greatly facilitated if the undertaking prepared a social accounting document. Several models of social accounting and reporting have been tried out in a number of countries but efforts at standardising the models have not borne fruit. Even simple reporting systems devised will enable the social auditor of public utilities or undertakings to draw conclusions about the social benefits and social detriments arising from the operation of a public utility over and beyond the quality of service rendered by it for which it is set up. Areading of such reports over a time period of few years can provide the basis for judging whether the net social benefit is growing in acceptable proportion to the encroachments made by the utility on the resources of the society. Social audit of utilities starts with the construction phase of the utility as it is at that stage that the greatest incursion is made upon the environment of the locality. Land values go up, water hitherto available to the public and agriculture gets diverted for the use of the utility. Landscape is damaged and scarred and debris accumulates.

Roads have to carry heavier traffic than they are designed for. Noise and dust pollution reach very high levels. To these social damages must be added the cost of any delay in making the intended service available. A social benefits to detriments analysis at the construction stage will invariably show that the detriments outweigh

the benefits. It is the duty of a good management to keep the difference within acceptable and projected limits and the duty of the social auditor to point it out when these limits are transgressed.

Even where there is no established system of social accounting or reporting, the social auditor can himself prepare a social balance sheet or a statement of social benefits and detriments. He should also prepare, especially in the case of social welfare programmes, a statement of social benefit to social cost analysis. A study of marginal social benefit to cost ratio is an important part of the social auditor's work. In some cases, the benefits bear a fixed relation to the costs, that is to say, the relationship is linear. For instance one might say that if the expenditure on certain kind of immunisation programme is doubled, twice the number of people could be covered. The eradication of small pox was a case in point where each quantum of additional input produced additional rewards in proportion. In fact it was more than in proportion with the result that the disease has been eliminated as a health hazard. But there are other programmes where beyond a certain level of achievement, the benefit to cost ratio becomes smaller and smaller clearly indicating the need for a shift in strategy. Often the social auditor, is the first one to realise that while the output to input ratio may remain constant, the benefit to cost ratio may be going down. Another aspect to look into when conducting social audit of utilities is that of safety standards. The social auditor should discuss with the undertakings safety experts, list out the possible hazards, the measure taken to prevent them, the actual occurrence of accidents and other hazards and determine how the safety measures have performed in relation to the safety standards of other undertakings placed in similar situations. Contributions to research and import substitution are areas to be looked into by the social auditor at least in the case of larger public utilities. In the former case, it is an investment for the future with which society is concerned. In the latter case, it not only strengthens the economy by saving foreign exchange but also gives a boost to the local industry. Support to local industry activity can take many forms.

Social audit is a process of taking account of financial as well as non financial utilization of resources, delivery of outputs and outcomes of an activity or programme or organization in a participatory manner by consulting all stakeholders. It is conducted through systematic analysis of secondary and primary data of unit of social audit. The analyzed data or social accounts will be disseminated often in a public meeting called social audit meeting where all stakeholders are invited. The following method of social audit is suggested after taking into consideration of various methodologies adopted by different organizations towards social audit.

Social Audit is a conscious lengthy process which should be implemented in the most participatory manner to gain maximum benefit. Measurement of social benefits is a challenging task at the best of times. The quality of relationships and social processes are extraordinarily delicate and sensitive. The challenge is to explore them without diminishing their depth and complexity. The major steps involved in Social Audit Process are:

1. Define boundaries of social audit
2. Stakeholders identification and consultation
3. Identify key issues, data collection and analysis
4. Verification and report preparation
5. Public meeting
6. Advocacy & institutionalization of social audit

The first step of social audit is to identify the institution or programme or activity which is to be audited and understand why it is selected. This will be followed with an attempt to understand the organisation by:

- Defining the focus of social audit
- Understanding the context of activity for social audit
- Listing down the social objectives

Social audit is a way of measuring the extent to which the particular programme, organization, activity has lived up to its shared values, objectives it has committed to and benefits that has generated etc. Identification of the works to be audited is the first step in social audit.

This activity involves identifying key issues that need to be crosschecked in the social audit as well as how information and data pertaining to the schemes will be collected.

1. Identifying Key Issues: Depending on the scope of the audit key issues need to be identified. Each issue should lead towards an answer on a particular piece of outputs or results. These issues are derived from the values, objectives and design of the department/scheme, involvement of stakeholders and society.

When identifying the issues it is important to see clearly what is the use of information that is going to be collected. Information is to be gathered which can be used to explain facts or certain issues, influence policy, reflect the tangible outcomes and more importantly, they should be measurable.

2. Data Collection: In social audit process, two types of data are crucial. Secondary data collected from government documents and reports, followed by, primary data collected from stakeholders and community members.

Gathering secondary information is very important in the process of social audit. Secondary data is inevitable for making social audit reports. Information required for preparing social audit reports may not be available in single point but may be in different records in different forms. The information from different

records is to be put together and this goes a long way to build up a set of social accounts on the unit of social audit.

Social Audit Vs Other Audits:

Social Audit is often misinterpreted as another form of audit to determine the accuracy of financial or statistical statements or reports and the fairness of the facts they present. A conventional financial audit focuses on financial records and their scrutiny by an external auditor following financial accountancy principles, whereas the concept of Social Audit is more comprehensive, having a greater scope than that of traditional audit. In general, Social Audit refers to a process for measuring, understanding and improving the social performance of an activity of an organisation. Social Auditing is again distinct from evaluation in that it is an internally generated process whereby the organisation itself shapes the Social Audit process according to its stated objectives. In particular, it aims to involve all stakeholders in the process. It measures social performance in order to achieve improvement as well as to report accurately on what has been done. Financial audit is geared towards verification of reliability and integrity of financial information. Similarly, operation audit looks at compliance with policies, plan procedures, laws, regulations, established objectives and efficient use of resources. On the contrary, Social Audit examines performance of a department/programme vis-à-vis its stated core values in the light of community values and the distribution of benefits among different social groups reached through good governance principles. Social Audit adds another dimension of key performance measurements in creating social wealth in the form of useful networks and administration/accountable and transparent to the stakeholders. Creating social wealth is one of the key contributions of Social Audit. Thus, Social Audit strengthens the legitimacy of the state, as well as trust between the state and the civil society. Social Audit is proposed as a supplement to conventional audit to help Government departments/public agencies to understand and improve their performance as perceived by the stakeholders. Social Audit is to be done at different levels of the government and the civil society. Social Audit is an ongoing process, often done in 12-month cycles that result in the preparation of annual Social Audit document or report of an organisation.

Conclusions:

The term 'social audit' may be interpreted in several ways. As far as common understanding goes, it is an essential assessment of how well a company has discharged its social obligations. However experts see it as a systematic and comprehensive evaluation of an organization's 'social performance' which is interpreted as organizational efforts in enriching the general welfare of the whole community and the whole society.

The need for social audit arises because of various reasons. In order to reach the objective of enriching economic wealth for the shareholders, the firm do it at the cost of social and environmental disorder. And since many would not take into account the social costs of such negative implications, their prices do not reflect the real cost. The organizations do it more because of competitive reasons. However if the larger interest of society is to be preserved, there has to be some consideration for social good. Governments are facing an ever-growing demand to be more accountable and socially responsible and the community is becoming more assertive about its right to be informed and to influence governments' decision-making processes. Faced with these vociferous demands, the executive and the legislature are looking for new ways to evaluate their performance. Civil society organisations are also undertaking "Social Audits" to monitor and verify the social performance claims of the organisations and institutions. Social Audit is a tool through which government departments can plan, manage and measure non-financial activities and monitor both internal and external consequences of the departments' social and commercial operations. Social Audit gives an understanding of the administrative system from the perspective of the vast majority of people in the society for whom the very institutional/administrative system is being promoted and legitimised. Social Audit of administration means understanding the administrative system and its internal dynamics from the angle of what they mean for the vast majority of the people, who are not essentially a part of the State or its machinery or the ruling class of the day, for whom they are meant to work.

Audit is still at a nascent stage in the country. Its theory is still evolving, and its role as an empowering tool is as yet little understood and hindered by practical and executive problems.

However, some encouraging experiences in the last few years, and now particularly with the 'Right to Information Law' having got legislated, the civil society, specially those working on rights based issues, are beginning to realize the increasing value of Social Audit as a tool to empower the people and demand accountability in their development and related works.

Social audit should be regarded as a general evaluation procedure suitable for application to a range of industries and activities, but with particular relevance for transport issues, where the social impacts of decisions can be very important. It is not a new technique, but involves some development of existing methodologies and a change in emphasis.

Social Audit is an independent evaluation of the performance of an organization as it relates to the attainment of its social goals. It is an instrument of social accountability of an organization. In other words, Social Audit may be defined as an in-depth scrutiny and analysis of the working of any public utility vis-a-vis its social relevance. Social Auditing is a process that enables an organization to assess and demonstrate its social, economic and environmental benefits. It is a way of measuring the extent to which an organization lives up to the shared values and objectives it has committed itself to. It provides an assessment of the impact of an organization's nonfinancial objectives through systematic and regular monitoring based on the views of its stakeholders. Stakeholders include employees, clients, volunteers, funders, contractors, suppliers and the general public affected by the organization. Stakeholders are defined as those persons or organizations who have an interest in, or who have invested resources in the organization.

Periodic review of the social audit programme should be conducted through Impact Evaluation Studies. Impact studies should be able to view the social audit from the perspective of different stakeholders and should bring in necessary changes in processes.

The impact assessment studies can be conducted by agencies and institutions which have worked on social accountability. Best practices in social audit should be documented and disseminated through media.

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