

## **SOCIAL AUDIT IN INDIA: A NEW-FANGLED PREVUE AT SOCIETAL ACCOUNTING, AUDITING AND REPORTING**

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**Abstract:** *The catastrophic situation apparent in the welfare sector in the country mandates new ways to contest accountability. Social Audit may be one of the probable solutions. Private institutions normally do social audit for their own reputation in the society, the government intends to stop the leakages in welfare services with gradual empowerment of the service providers and service users in the country. Irrespective of the nature - public or private, the essence of Social Audit lies in the interest and honesty of the organisations. In government sector, this requires a massive consciousness among public, besides top to bottom bureaucratic and political will with improved methodology with ethical values to achieve the desired goal.*

**Keywords:** *crisis situation, social audit, welfare services, service providers, honesty.*

Social Audit starts with a new hope to bring a radical change in social welfare sector. The 'social' in Social Audit refers to human beings, the stakeholders, the society which plays a central role in Social Audit. The ethical values, respect to human dignity, open platform, democratic process, involvement of stakeholders including service providers and service users in the process are the distinct features which differ it from the other feedback mechanism tools. Emerged from the concept of Corporate Social Responsibility (CSR) in the Western countries during 1970s and evolved through the varied experiments, the present form of Social Audit stands. In the country, few private enterprises, Civil Society Organisations (CSOs) and government institutions have initiated Social Audit, though there are very few evident of publication of Social Audit report in the manner of well defined way in public domain.

### **HISTORICAL BACKGROUND**

Social Audit has a long historical root. Etymologically, the term 'audit' derives from a Latin word 'audire' which means 'to hear'. In ancient Rome, the emperors used to engage the persons in the name of auditors for obtaining feedbacks directly from the public on their welfare activities and allied issues like behaviour of employees, incidence of tax, image of local officials etc. The emperors used to modify or altered their policies and programmes for the benefit of common people based on their feedbacks. The process thus involved the ordinary people in policy making and indirectly the whole society took part in governance. In 1930s, Professor Theodore Kreps, an academician of Stanford University introduced the

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term 'Social Audit' first in his subject 'Business and Social Welfare' to develop the concept of social responsibilities of companies. George Goyder used the term in 1950s. Again, Howard R. Bowen in 1953 used the term in his article on 'Social Responsibilities of a Businessman'. However, the plot of modern Social Auditing usually counts from 1970s and Charles Medawar is claimed as the pioneer in this respect. He used the concept of Social Audit in 1972 in medicine policy and drug safety matters and advocated for corporate, governmental and professional accountability.

### **DEFINITION OF SOCIAL AUDIT**

Basically, Social Audit is understood as a way of performance measurement of an activity or a programme or a policy or an organisation in social welfare sector. The essence of Social Audit is better understood from some of its important definitions. Social Audit refers as a "means of assessing the social impact of an organisation in relation to its aims and those of its stakeholders" (Usherwood & Liniey, 1999). The Social Enterprise Partnership (SEP) defined that "Social Audit is a method for organization to plan, manage and measure non-financial activities and to monitor both the internal and external consequences of the organization's social and commercial operation". According to the National Institute of Rural Development & Panchayati Raj (NIRD & PR), Social Audit is "a way of measuring, understanding, reporting and ultimately improving an organization's social and ethical performance". These definitions explicit that Social Audit concentrates on social performance of an organisation irrespective of its nature - a business enterprise, CSO, government organisation or other.

The ultimate object is to reach gradually the last point of the peak in organisational development that provides meaningful social services for upbringing positive change in the society. Clark Abt (1976), the president of the consulting firm of Abt Associates Inc. rightly stated, "The mission of social audit is to provide more objective, accurate and comprehensive information about an organisation's social performance that is usually compiled". Ministry of Rural Development (MoRD), Government of India in its' monthly newsletter 'Grameen Bharat', defined SociaAudit as "a public assembly where all the details of the project are scrutinized". According to nrega website, "Social audit is a process of reviewing official records and determining whether state reported expenditure reflects the actual monies spent on the ground". Social Audit in Business Enterprises From the beginning, CSR and Social Audit are complementary to each other in Western countries.

In respect to corporate enterprises, Brown, H.R. (1950) refers social responsibility of a business as to "obligation of (manager) to pursue those policies, to make those lines of action which are desirable in terms of the objectives and values of our society". The business enterprises develop, progress and survive taking all resources and facilities from the society. Also, the society is the ultimate consumer of their services and products. The business enterprises economically progress and on the contrast, environment gets degradation due to the process of production and the products, it becomes hazardous for surrounding human

beings and other living creatures. Therefore, the business organizations should have obligations to protect the interest of the society. Monetary profits is not the ultimate object of the business units but to adhere itself in the process of welfare of the community and the society. This refers to ethical responsibility of the business termed as 'CSR'. During 1960s people in Europe and United States started to boycott the goods and shares of some companies associated with the war in Vietnam due to humanitarian and ethical causes.

This movement raised a public demand for ethical performance of the companies. Then some companies started to provide their accounts for social actions with objectives to hold their reputation in the society. The annual information of social performance report by the company is known as 'Social Audit' (Roy, 2012). In corporate worlds, Social Audit refers as "a systematic approach for businesses to account for their social impact and the extent to which they discharge their public responsibilities. It recognizes the right of all who have a stake or interest in a business to information about its social impact and ethical performance, and responsibility of the organizations to provide regular accounts" (Ciju, 2001).

The movement of CSR in India evolved through different phases starting from pre-industrialization to current stage; however, the attitude and approach towards CSR differ from phases from charity, philanthropic thought, family tradition in the past to rational thinking and business strategy today. Now, many corporates have gradually showed their increased interest in CSR activities in various fields in the country. Tata Steel, formerly Tata Iron and Steel Company Ltd (TISCO), Bharat Heavy Electricals Ltd. (BHEL), Asian Paints, Colgate Palmolive, Escorts Ltd., Infosys Ltd, Indian Oil Corporation Ltd., Life Insurance Corporation of India (LIC), Bharat Sanchar Nigam Limited (BSNL) are some of them. TATA Steel participates in infrastructure development to improve the quality of life of the community people, holds community development projects, supports in health and medical facilities, doing charities, supports to Nongovernment Organisations (NGO) and government for social causes.

Alike, BHEL organizes free medical camps, supports charitable dispensaries, runs schools for the underprivileged and physically challenged children, provides aid during disasters/natural calamities, supports rainwater harvesting, plantation of trees, energy saving and conservation of natural resources through environmental management etc. Participation of companies in CSR is important factor in addressing emerged socio-economic-environmental vulnerabilities towards attainment of healthy progress of the society which government alone can't take care of. Surprisingly, the companies whether private or public, involved in CSR activities not much interested to do Social Audit, thought it is an important factor determining effective and sustainable CSR activities. Roy (2012) clearly stated that Social Audit and corporate or business organization do not have any relation in India.

One of its reasons may be no legal compulsion upon the companies. The Companies Act, 1956 or its amendments from time to time have no specific provision that the companies in the country are set bound to disclose the information on their activities of social responsibility. It was the Sachar Committee, chaired by Justice Rajinder Sachar in 1978 that

emphasized social responsibility of business and corporate Social Accounting for the joint stock companies. The committee pointed out, “In the environment of modern economic, development, the corporate sector, no longer functions in isolation. Profit is still necessary part of total picture but it is not primary purpose. The company must accept obligations to socially responsible and to wish for the larger benefits of the community.”

The committee recommended the common areas of social responsibilities and disclosure of information in the director’s report to be available to all (Ciju, 2001). TISCO is the pioneer in undertaking Social Audit in India among all. In 1970 the company amended its Articles of Association to incorporate clause 3A for its commitment of social responsiveness formally. Clause 3A refers, “The Company shall have among its objectives the promotion and growth of the national economy through increased productivity, effective utilisation of materials and manpower resources and continued application of modern scientific and managerial techniques in keeping with the national aspirations, and the Company shall be mindful of its social and moral responsibilities to the consumers, employees, shareholders, society and the local community”. After the recommendation of Sachar Committee, the company introduced Social Audit to examine and report the extent of fulfilment of the company’s social and moral responsibilities as it committed in Clause 3A of its Articles of Association.

The Board of Directors approved a resolution on 22nd May, 1979 to appoint a committee to observe fulfilment of social responsibility and thereby the first Social Audit was conducted in 1981 covering the progress of the company over the period from 1971 to 1981. Thereafter, Social Audit is being conducted in every ten years by the company and reports are published for public accessibility. Social Audit by NGOs / Charitable Trusts Mazdoor Kisan Shakti Sangathan (MKSS), a grassroots organization formed in 1990 and working in rural Rajasthan, is the leading NGO who experimented Social Audit in the country in public welfare programme. MKSS initiated Social Audit on the public drought relief works through the process of cross verification of official data with the field reality and Public Hearing where number of discrepancies and corruption of million rupees were found. In the Public Hearings, the entire community along with the lawyers, journalists, academicians and government officials took part. This mass Public Hearings conducted in few districts in Rajasthan led to a countrywide demand for Right to Information (RTI) Act for accessing information of public utility from the government departments. This was the first step to bring transparency in government departments followed by Social Auditing. Sri Ramacharan Charitable Trust (SRCT), a registered charitable trust in Chennai published its first Social Accounts report for the period April 2011 to March, 2013 under certification of SAN India (A Social Audit Network organisation). The organization is engaged in child education. The prime objective of Social Audit of the organization is to assess the impact of Montessori teaching on the underprivileged children and to understand the impact of SRCT’s work on its employees, supporters and partner organization etc. Madhuram Narayanan Centre for Exceptional Children (MNC), established in Chennai in December, 1989 as a Research cum Demonstration Centre regularly publishes its ‘Social Accounts’ report.

The organization is engaged in providing early intervention services to the mental retardation children. Social Accounts report of MNC is available in public domain. In Western countries, CSOs, NGOs and Community Based Organisations (CBOs) initiate Social Audit of their organisations regularly to access their performance as compare to their set objectives, in India this culture yet to be developed among these institutions. Social Audit in Public Sector The 73rd Amendment of the Constitution relating to Panchayat Raj Institutions (PRIs) recognized people's participation in development and decision-making process at local self-government by inclusion of 'Gram Sabha'. Gram Sabha refers to general body of the local self-government consisting voters of its jurisdiction. The government of Kerala introduced Social Audit for local bodies under Kerala Panchayat Raj Act of 1994 as regular practices for making the local bodies accountable to the public and rational decision on schemes and projects and increasing social consciousness. None of the states proactively included Social Audit in PRIs except Kerela.

After enactment of 'Mahatma Gandhi National Rural Employment Guarantee (MGNREG) Act, 2005', Social Audit got much attention in the country. The act was enacted on 5th September, 2005 which guarantees 100 days of unskilled manual work to each registered rural household as their right of work and in order to create durable assets and livelihood opportunities in rural areas. The act mandates the state governments to notify the state Employment Guarantee Scheme based on the provision of the Act. Accordingly, MGNREGS is being implemented by all states of the country. Under section 17, sub-section 1, 2 and 3 of the MGNREG Act, the main responsibility of Social Audit has been provided to the Gram Sabha. Social Audit at the initial period in MGNREGS was conducted with the initiatives of Gram Panchayats with the help of 'Social Audit Forum' or 'Social Audit Team'.

Different studies revealed that the result of such Social Audit did not get much attention in maximum cases. Sumarbin (2014) stated in his study on 'Social Audits of MGNREGA in Meghalaya, India' that Social Audit conducted during 2010 in the state just to satisfy with the norms of MGNREGS guidelines. After enactment of MGNREG Act, only Andhra Pradesh government showed real enthusiasm to initiate Social Audit. In 2006, the Strategies Performance Innovative Unit under Rural Development Department of Andhra Pradesh carried out Social Audit facilitated by the social activists as a pilot basis in three districts. Being satisfied with the outcome of the experiment, Andhra Pradesh government set up an independent society on 15th of May, 2009 namely Society for Social Audit, Accountability and Transparency (SSAAT) accordingly for conducting Social Audit of MGNREGS. SSAAT is working independently. Recently, SSAAT has started to conduct Social Audit of other welfare schemes like Social Security Pension, Integrated Watershed Management Scheme etc.

The main mission of the SSAAT is to empower of rural communities and minimization of leakage and wastage of public funds. The statistics shows in the website of SSAAT that Rs.22.28 lakhs has been recovered in Financial Year 2014-15 from Social Audit programme. In a recent study in Andhra Pradesh points that Social Audit strengthen citizens' participation and influences the dynamics of beneficiary interactions i.e. develop their awareness level,

shifting them active claimants in Social Audit from passive beneficiaries, increased state answerability resulting some recovery of fraud primarily against wage payments (Aiyar & Mehta, 2015). Andhra Pradesh government is the first state to make independent effort for initiating Social Audit. To boost up the activity in the country, Ministry of Rural Development (MoRD) has adopted Andhra Pradesh model as National model. MoRD notified MGNREG Audit of Schemes Rules, 2011 on 30th June, 2011 in consultation with the Comptroller and Auditor General of India (CAG). The Rules recognized Social Audit as parallel to Financial Audit. Both the Audit reports are required to be submitted to the State Government to the CAG for placing before each House of Parliament every year. The Rules directs the state governments to establish or identify an independent unit referred as 'Social Audit Unit' to facilitate the Gram Sabha to conduct Social Audit at least every six months. Social Audit process and obligation of different concerns are mentioned in the Rules.

The aspects of transparency and accountability, fulfilment of rights & entitlements of the citizens and proper utilization of funds in implementation of the Act are emphasized in the Rules. Engagement of CSO, deployment of suitable resource persons at different level, drawing of primary stakeholders in verification process to facilitate the process of Social Audit are important aspects of the rule [The GAZETTE OF INDIA: EXTRAORDINARY, Part-II, Sec. 3(i)]. The nrega website for the Financial Year 2015-2016, 2016-2017 and 2017-2018 (till 27th October) reflects that out of total states of 34, 17 (50%), 21 (62%) and 25 (73%) states uploaded Social Audit calendar respectively which indicates that Social Audit has been initiated by majority of the states in the country. This is quite good figure. Surprisingly, when we look at the bottom level

## CONCLUSION

The overall feature of Social Audit in the country is not so inspiring whether in public or private sector. Being a welfare state, government has the main responsibility to take care of its people, the society and the environment. Undoubtedly, we are unable to resolve even the prime social issues affecting the development of the nation after 69 years of independence. Still, 21.9% (rural poverty: 25.7%, urban poverty: 13.7, according to 2011 census) population in the country are living below the poverty line who are directly dependent on the government for fulfilment of their basic needs. The Gram Panchayats at local level in rural areas and Urban Local Bodies in urban areas are engaged in providing basic amenities and employment to the underprivileged along with infrastructural development. Government needs to step very carefully to initiate Social Audit scientifically so that the ultimate objectives of different schemes or programmes are achieved. If the quality is not maintained, people may lose their faith on Social Audit. Social Audit in MGNREGS alone may not result a good example unless the implementing institutions could be brought under the purview of Social Audit on regular basis.

Secondly, application of Acts and Rules need to be properly implemented and it is only possible when there is strong political and bureaucratic willingness. Today, in spite of the

provision of Social Audit and Audit Rules in respect of MGNREGS, the progress and quality of Social Audit is not satisfactory as reflected in NREGA website and in case of different studies. Gradual urbanisation and the global market competition promote socio-economic vulnerabilities along with continual degradation of environment, a threat for next generations. In the mixed economy, government alone can't address these serious issues. Alike TATA Steel, the companies should come forward to partake in CSR activities as their business commitment. The NGOs, CSOs and other organisations should take a proactive role for holding their Social Audit reports. Panchayati Raj Institutions should undertake Social Audit at regular intervals. Most importantly, a genuine demand for accountability and mass consciousness are required in the country to make larger passage for Social Audit

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