



SOCIAL AUDIT : EFFECTIVE TOOL FOR DETECTION OF FRAUDS

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ABSTRACT

The present research paper is focuses on the historical and conceptual background of the social audit. It is also focuses on the objectives and advantages of social audit. The crisis situation everywhere in the welfare sector in the country demands something new ways to combat. Social Audit may be one of the probable solutions. Whereas the private institutions doing 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–Social Audit, Corporate Social Responsibility, Frauds

INTRODUCTION

Social audit as a term was used as far back as the 1950s. There has been a flurry of activity and interest in the last seven to eight years in India and neighboring countries. Voluntary development organizations are also actively concerned. Social audit is based on the principle that democratic local governance should be carried out, as far as possible, with the consent and understanding of all concerned. It is thus a process and not an event.

“Social Audit is a process in which, details of resource, both financial and non financial, used by public agencies for development initiatives are shared with the people,

often through a public platforms. Social Audits allow people to enforce accountability and transparency, providing the ultimate users an opportunity to scrutinize development initiatives.”

Social audits conducted by civil society have been more effective than in fulfilling their objectives rather than audits conducted by Panchayats for various social sector programmes. In these audits, the social auditors establish direct dialogue with all beneficiaries and stakeholders on a large scale through Gram Sabha meetings, Jan Sunwais, and Sammelans.

Local participation is very necessary for a successful social audit so rural poor, women and other marginalised groups of the rural community should be wooed for active participation in the whole process. Local capacity should be built for smooth functioning of social audit process, it will ensure local participation with higher degree of commitment. Mass campaign should be organized to increase public awareness about the meaning, scope, purpose and objectives of social audit. A team of social audit experts can be established in each district that will be responsible for capacity building of all stakeholders. Different training programmes should be organized to train local people on social auditing methods.

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 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 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 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.

CONCEPTUAL BACKGROUND

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.

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.

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”. The Social Enterprise Partnership 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, 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, Government of India in its’ monthly newsletter ‘Grameen Bharat’, defined Social Audit 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”.

OBJECTIVES OF RESEARCH STUDY

The main objectives of research study is as follows :

1. To study the historical background of the Social Audit.
2. To study the conceptual background of the Social Audit.
3. To study the objectives and advantages of Social Audit.
4. To study the obligations of Business Enterprises towards Social Audit.

RESEARCH METHODOLOGY

The present research study uses the most recent available published secondary data. The secondary data that are mainly used are published in annual reports of various banks and survey reports of leading business magazines. The secondary data was also used from various reference books related to Social Audit, Marketing, Banking, Finance, Commerce, Management and Economics. For the said research study the data pertaining to the above objectives was collected and reviewed the literature on the topic concerned. The literature was thus collected by visiting various libraries. The Secondary data is also collected from various websites.

OBJECTIVES OF SOCIAL AUDIT

The main objectives of social audit is as follows :

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

ADVANTAGES OF SOCIAL AUDIT

The main advantages of social audit are as under :

1. Encourages local democracy.
2. Promotes collective decision making and sharing responsibilities.
3. Benefits disadvantaged groups.
4. Trains the community on participatory local planning.
5. Encourages community participation.
6. Develops human resources and social capital

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, 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’. 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”.

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, a large number of companies are gradually showed their increased interest in CSR activities in various fields in the country. Tata Steel, formerly Tata Iron and Steel Company Ltd, Bharat Heavy Electricals Ltd., Asian Paints, Colgate Palmolive, Escorts Ltd., Infosys Ltd, Indian Oil Corporation Ltd., Life Insurance Corporation of India, Bharat Sanchar Nigam Limited 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 Non-government Organisations 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.

SUGGESTIONS

1. While conducting a social audit, it is required that the purpose is clearly defined.
2. Proper mechanisms must be set up in order to recover the swindled money from the corrupt officials.
3. The performance indicators adopted by the society at large should be taken as standards in order to judge the performance.
4. Substantive procedures are required to be devised instead of compliance procedures to gauge the performance.
5. The stakeholders should be properly identified.
6. A note should be made of whether 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.
7. The auditor must obtain information from reliable sources. After the introduction of Right to Information Act in 2005, the task of obtaining statistics and other information from the government departments had become a lot easier than before.
8. External Parties such as NGOs should be involved in conducting audits.
9. Regular meetings and follow ups must take place in order to ensure the continuity and effectiveness of audits.

CONCLUSION

For better performance of business organization, there is a need of social audit. The objectives of social audit revolve around empowerment of the beneficiaries and directly affected stakeholders of the public sector programmes in matters of planning, implementation, delivery of services, appraisal, corruption and frauds, impact, etc. The social audit procedures provide a voice to the people to participate and be heard. Above all, social audit provides close to complete transparency to the entire gamut of programme management and renders the impact sustainable. It enables the people to view the decision making process and criteria adopted for various elements of the programme.

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