



ENVIRONMENTAL AND SOCIAL AUDIT

Dr. G. G. Parkhe

B. D. Kale Mahavidyalaya, Ghodegaon,

Tal : Ambegaon, Dist : Pune, Maharashtra, India

Abstract

The term Environmental and 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.

Keywords – Environmental and Social Audit, Corporate Social Responsibility (CSR), Community Objectives

Introduction

The need for Environmental and 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.

The company is expected to behave and function as a socially responsible member of the society like any other individual. It cannot shun moral values nor can it ignore actual compulsions. There is a need for some form of accountability on part of the management which is not only limited to shareholder alone. In modern times, the objective of business has to be the proper utilization of resources for the benefit of others. A profit may still be a necessary part of the total picture but it should not be the only purpose. The company must

accept its obligation to be socially responsible and to work for the larger benefit of the community.

Society expects businesses to share the fruits of progress and growth. Moreover, the social concern by the organization proves to be an asset for them in the long run especially under environmental distress because of the goodwill and the positive image earned all through these years.

Just as a financial audit verifies how money is being spent, a social audit verifies how programs and services are being carried out, with the goal of making them better and more reflective of social, environmental, and community objectives. A social audit involves a systematic evaluation of public records and user feedback. It is intended to help users understand and assess the strengths and weaknesses, successes and failures of a programme or service, with an aim to make improvements. Social auditing is a way of increasing community participation, strengthening links with government and/or service providers, promoting transparency and public accountability, and instilling a sense of responsibility among all those involved.

Historical Background

The Environmental and Social Audit is a process through which all stakeholders, both service providers and users, systematically examine the impact of the project or service, comparing in particular the real benefits that have been achieved with the planned benefits, while also looking at unexpected impacts, both beneficial and non-beneficial. The findings of the social audit are shared with all stakeholders, and where problems are identified, the process for implementing changes is initiated.

Environmental and Social Audit can take different forms and cover a range of actors and practices. They can be undertaken individually or jointly by government, civil society and/or community-level actors. They often start as civil society initiatives and sometimes evolve into collaborative efforts as the government sees the benefits of the approach. In the context of state institutions, social audits supplement conventional financial audits to help government departments and public agencies compare their overall performance, as perceived by the public, with their stated core values and objectives.

Depending upon available resources, social audits can be of varying size and scope, ranging from comprehensive national audits to localised community audits. Social audits are sometimes undertaken as a one-off event but are usually more effective when planned as an ongoing process, undertaken at regular intervals. Social audits use participatory techniques to

involve all relevant stakeholders (especially traditionally marginalized or underserved groups) in collecting and analysing evidence, providing feedback, and recommending changes where necessary.

When a community undertakes a social audit, especially for the first time, it frequently benefits from the assistance, of an intermediary organisation such as an NGO, which can provide training on the social audit process; help access the information required to conduct the social audit: assist in collating and disseminating information to the community; document the social audit findings, and; follow up with public officials regarding proposed changes or remedial actions.

Increasingly, companies and international NGOs are recognizing that transparency and demonstrations of good faith contribute significantly to the success of a project. As a result, they too are using social audits as a means to assess and improve their programme activities and overall performance.

Ideally, the social audit process is: inclusive, participatory, thorough, verifiable, transparent, and dedicated to making the project or service better.

Scope of Environmental and Social Audit

Environmental and Social Audit tries to make the traditional economic and technical values as two subsystems within the larger social system. Social audit primarily tries to cover the following areas:

i) **Ethical Issues:** They offer a basis for determining what is right and what is wrong in terms of a given situation. Ethics is best understood when we cite examples relating to unethical conduct. Few such examples can be price discrimination, unfair trade practices, cheating customers, pirating employees' ideas, leaving the job without observing job contract.

ii) **Equal opportunity:** A second relevant social issue which comes under social audit is the equity of treatment in employment and a fair justice system in the organization. Employment decisions in an organization should be based on merit and ability and not on the basis of arbitrary quotas based on gender, race or religion.

iii) **Quality of Work Life:** Besides demands for safe, healthy and human work environment people are seeking greater meaning in their lives. Greater responsibility, growth, freedom and flexibility, fair reward system are few things which employees have preference for. There is also a growing demand for employee assistance programmes keeping in mind the present day stressful situations they are exposed to.

iv) **Consumerism:** Business has a special obligation towards the consumer as the business exists to serve and satisfy the needs of the consumers. It is the principal duty of business to make available to the consumer items of daily needs in the right quantity at a right time, price and of the right quality. However many Indian products are not safe at all and the consumers suffer at hands of corrupt, and dishonest corporate houses.

v) **Environmental Protection:** Growing water, air and environmental pollution by various industries in recent times has led to a public outcry demanding 'environmental protection' at any cost.

TYPES OF ENVIRONMENTAL AND SOCIAL AUDIT

The various types of Environmental and Social Audit may be listed as below:

1) Social Process Audit

It tries to measure the effectiveness of those activities of the organization which are largely taken up to meet certain social objectives. Corporate executives in this case try to examine what they are doing and how they are doing. The method involves four steps:

- i) Find circumstances leading to the starting of the social audit programme
- ii) List out goals of the social programme
- iii) State how the organization is going to meet such goals
- iv) Qualitatively evaluate what is actually done as against what has been planned

2) Financial Statements Format Social Audit

In this type, financial statements show conventional financial information plus information regarding social activities. About associates a management consultancy firm proposed that the balance sheet should show a list of social assets on one side and social commitments, liabilities and equity on other side. The income statement should reveal social benefits, social costs and the net social income provided by the company operations to the staff community, general public and clients. This approach has been criticized as many feel that it may create confusion of complicating issues further and defying easy understanding.

3) Macro-Micro Social Indicator Audit

This type of audit requires evaluation of a company's performance in terms of social measures against macro social measures. The macro social factors include the social goals expected by society in terms of health, safety, education, housing, accidents, pollution control measures, etc. The micro social indicators are measures of the performance of the company in those areas measured by macro social indicators.

One of the important problems with this approach is the non-availability of reliable macro social indicators. Does an increase in family planning clinics indicate better medical facilities? Further it is not easy to specify whether the individual actions initiated by a company have actually improved the quality of life of a community, such individual actions may ultimately be labeled as irrelevant, insignificant and sometimes, even unnecessary. In any case this approach helps all companies to evaluate their contributions in improving social life on a rational basis.

4) **Social Performance Audit**

In developed countries, several interests groups including church groups, universities, mutual funds, consumer activists regularly measure, evaluate and rank socially responsive companies on the basis of their social performance. Regular opinion polls are carried out to find companies that initiate social efforts in a proactive manner and earn the goodwill of the general public.

5) **Partial Social Audit**

In this case, the company undertakes to measure a specific aspect of its social performance (e.g. environment, energy, human resources) because it considers that aspect to be very important or because its social efforts for the time being are confined to the area:

Environmental Audit: In developed countries people protest violently if the companies try to pollute the environment and the companies not only comply with regulations but also proactively explore opportunities to recycle wastes into useful products. An internal group constituted by the unit concerned prepares a report about the way the environmental issues of importance are being taken care of. This report is generally re-examined by an outside auditor to see whether air/water pollution measures, release of toxic wastes, safety regulations have been complied with or not.

Energy Audit: to conserve energy sources, energy audits are undertaken to investigate how energy is obtained, consumed and preserved.

Human Resource Accounting (HRA): The basic philosophy of HRA is that human resources are assets and that the investment in acquiring, training, and developing these resources should be accounted for as an asset. Conventional accounting methods write off investments in human capabilities and values as operating expenses and thereby understate the profit. The current value of a company's human assets is not considered while computing expenses/revenues and, as a result, the balance sheet does not portray the true and fair picture of the company's state of affairs.

6) Comprehensive Audit

It tries to measure, verify and evaluate the total performance of the organization including its social responsibility activities. It focuses mainly on management systems rather than on the actions or events which are not so important. It aims at evaluating the quality of processes and the information on which organizational decisions are taken.

Conclusion

Particularly when initiated by community or civil society actors, the implementation of a social audit can require substantial technical support, especially in obtaining and analysing data. External funding may also be required.

Access to public records is crucial for a social auditing process. Obtaining records may often depend on the intervention of sympathetic officials. In the longer term, overcoming this obstacle may involve lobbying the government to introduce legislation granting citizen access to public records.

In some cases, the non-existence of accurate public records is a problem. In such cases, social audits, can focus on user feedback and advocate for improved record-keeping over time.

Service providers and policy makers may feel threatened by the social audit process. If possible, it is useful to engage them constructively from the outset and to attempt to direct criticism at institutions rather than individuals.

Social audits, if not handled sensitively, can inflame emotions and can potentially lead to conflict or retribution from those who are “exposed”. It is prudent to foresee the potential need for conflict management and to remind all participants that the primary goal is not to assign blame but to bring about improvements.

References

1. The Social Audit: Fostering Accountability to Local Constituencies
(<http://www.ciet.org/en/documents/methods/200781612262.asp>) by CIET International.
2. Social Audits for Strengthening Accountability: Building Blocks for Human Rights Based Programming, Practice Note
(<http://unesdoc.unesco.org/images/0015/001570/157021e.pdf>) UNESCO Bangkok, 2007.

3. Social Auditing: Feedback Control for Organisations
(<http://www.caledonia.org.uk/social2.htm>). This short paper by George Clark documents key social audit initiatives in the UK and emergent training possibilities.
4. Rao, V S P and Hari, Krishna V. (2003) Strategic Management, Texts and Cases, First Edition, Excel Books New Delhi.
5. Velasquez, G.Manuel. (2002). Business Ethics, Concepts and Cases, Fifth edition, Prentice Hall of India, New Delhi.
6. The World Outline – Interview With SSAAT on the Indian Mid Day Meal Scheme (2013)
7. Yadav S., Bhilwara Boost For Social Audit, Civil Society (2009)
8. Roy S.K., Social Audit in India – An overview, International Journal of Scientific Research.