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Social Auditing for Sustainable Development: An Analysis for Present Trend in India.

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ABSTRACT

Social auditing is one of the way in which we can examine the financial implication of the money distributed for the social welfare. For the welfare of the society the concept of sustainable development is very important. To achieve the sustainable development goal in society measurement of the outcome from the amounts spend in social activities is very important. Social auditing is the process of reviewing and verifying social accounts to attain the social goals. The aim is to effective implementation and control of irregularities which is one of the important parts of the economic development. Social Audit process has been used from very early period with different ways with different perspective. Social audit plays an important role for sustainability in all sector. How ever there are changes in the audit process and use of social audit by various groups of authority from time to time. Now a days Social Enterprises also using this carefully for compliances. Social audit is one of the tools for checking the actual implementation of the policy for various beneficiaries. The objective of present study is to review the trend in social audit from earlier period to the present era. Social audit concept has been used in various name like social responsibility, CSR audit, Social Inspection, Social reviews etc. The present study done on the basis of conceptual analysis of various literature and publications. During the period direct discussion with audit personnel has been done to collect the Primary data. The important points from those discussion has been incorporated in the study paper for the findings. After review and analysis various findings has been drawn. The present paper focus on the development of the social audit in various time period which can be helpful for the upcoming researcher in their respective field of socio economic development.

Key Words: Social Auditing, Sustainable Development, Economic Development, Social Enterprises

Introduction

In the present day business world social responsibility is one of the important concept. With out looking in to the social responsibility the business may not run in sustainable way. It become a critical part of measuring its overall performance and its ability to continue operating effectively. For better performance responsible business is one of the recognized concepts where it engaged in re-vitalizing the society from which they extract resources for production. All the work should be performed in such a way which will lead to the sustainable development. India is a signatory of global initiatives like The Sustainable Development Goals (SDGs), adopted by the United Nations in 2015 which target for 2030 to achieve certain goal. Social auditing become essential requirement to know the social impact of business. Monitoring, measuring and reporting the social performance of enterprises have emerged as a regulatory requirement. In India, the concept of monitoring and evaluation of social development activity and performance audit of flagship social development programs has been active for national social development initiatives like National Rural Health Mission, Sarva Shiksha Abhiyana, Pradhan Mantri Gram Sadak Yojana etc. Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) was launched in 2006. The Gram Sabha is expected to monitor the NREGA and conduct social audits of all NREGA projects implemented in the Gram Panchayat.

The term ‘Audit' is derived from the Latin word ‘Audire that means to hear. Social auditing is the process of assessing and reporting performance of business in fulfilling the economic and social criteria for social responsibilities expected of it by its stakeholders.

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. From statements made by Kreps in his monograph, it is apparent that, not unlike today, the social audit of 1940 was a controversial topic. Kreps states, "The acid test of business is not the profit-and-loss statement but the social audit”. However, the plot of modern Social Auditing usually counts from 1970s and Charles Medawar is claimed as the pioneer in this respect.

social impact assessment came into the purview of compliance With the introduction of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2020.

In the said Rules, in rule 8, after sub-rule (2), following sub-rule is inserted, namely: - “(3) A company having the obligation of spending average CSR amount of Rs 5 Crore or more in the three immediately preceding financial years in pursuance of sub-section 5 of Section 135 of the Act, shall undertake impact assessment for their CSR projects or programs, and shall disclose details of the same in its Annual Report on CSR.”

Review of literature

Social Audit is the process of reviewing and verifying the Social Accounts at the end of each social accounting period. The term' social audit' is sometimes used generically for the concept and for the whole process. (Social audit network UK)

The NREGA defines social audit as reviewing official records and determining whether state-reported expenditures reflect the actual monies spent on the ground.

(nrega,https://nrega.nic.in/netnrega/SocialAuditFindings)

Social Audit is an independent evaluation of the performance of an organisation as it relates to the attainment of its social goals. It is an instrument of social accountability of an organisation. In other words, Social Audit may be defined as an in-depth scrutiny and analysis of the working of any public utility vis-à-vis its social relevance. (Centre for Good Governance, Andhra Pradesh)

Social Auditing is a process that enables an organization to assess and demonstrate its social, economic, and environmental benefits and limitations. It measures the extent to which an organization lives up to the shared values and objectives it has committed. Social auditing assesses the impact of an organization's non-financial objectives through systematically and regularly monitoring its performance and the views of its stakeholders. (Caledonia Centre for Social Development, United Kingdom (http://www.caledonia.org.uk/)

Social audit is a tool to performance analysis where stakeholders are successfully creating awareness among beneficiaries (Basargekar, P. 2024) where there is shifting of accountability through social audit in supply chain management(Rahim et al., 2023).Engagement of Civil Society organization (CSO) play important role in this field (Kumar Sinha, n.d. 2023). Report release by Centre for Social Audit, NIRDPR in 2022 shows the position of social audit on government scheme. The study report "Accountability and transparency in governance" by DMEO, NITI Aayog also described it as 'voice' aspect for transparency. Where as active and effective follow-up action is necessary by vigilance wings to gain trust in the process (Dhaktode, N 2021). In many cases majority responded unknown about the reason for non resolution of complain (Aiyar, Y., & Mehta, S. K. 2015). With certain performance indicator in society the social audit process can be improve (Sushmita, G. 2013).

Objective of the present study

The objective of the present study is

1) To analysis of the trend and development in Social Audit in India.
2) To find out various issues and challenges in present day Social Audit.

Research methodology

- As there are changes in the scenario of social audit conceptual analysis of same is very important. Most of the objective and finding has been derived after reading various recent notification by the regulator, publication, discussion with the experience person in the social audit field. Various challenges and opportunities which may come in future is being arrived after discussion with various audit professional and accountant. Direct interview and discussion done with 10 no of professional who are involved in this line has been done to know the practical situation about the social audit. Finding has been derived after analysis of the various publication, various online video presentation and online discussion. Since the study is on the trend of social audit concept in India descriptive analysis has been done.

- Unstructured interview Method

- Discussion Method

- Data from Various Publication

Social Audit In India

The concept of social audit has been used in India from ancient period. In old testimonial the work process related to social audit has been found. The king or leader of some area conduct inspection process through various official to know the status of society to improve if any required. Slowly after independent of India business houses implement the process to evaluation of the money spend on certain areas of people. In India the social audit concepts introduced in by the Tata Iron and Steel Company (TISCO) in 1979. After industrialization various union and group have been formed to protect them self from unwanted/ unnecessary action from powerful person. One of such union was mazdoor Kisan Shakti Sangathan. In 1990 the social audit concept gear up by the mazdoor kisan Shakti Sangathan, Rajasthan. Due to such movement the government and various authority analyze on the matter and step forward for recognition of social audit officially. The concept recognized in India by 73rd and 74th Constitutional amendments of 1992. By following certain social enterprises and NGOs in world some enterprises work on the same. In 2003 Social Accounting and Audit(SAA) introduced by Social enterprises Sambhav. To measure the india's one of the largest scheme name NREGA policy maker come forwards to implement the Social audit concept. The Social audit gained momentum with implementation of NREGA in 2005. Under the NREGA work the amount spend on the ground level. To monitor such huge amount spend on the scheme proper inspection process has been implemented at Panchayat level. In 2014 the government of India launched the national Rural livelihood Mission (NRLM) where social audit made mandatory. Various social audit unit has been introduced to conduct periodic social audit. Various state government also introduced society for social audit to smooth conduct of the same. The same has been helpful in improvement of social economic life of beneficiary in certain extend.

As per companies Act 2013 proper CSR expenditure to be made by the eligible companies. Large sector corporate house also inspect for the CSR spend. However due to lack of proper rule for monitoring on CSR the same in many cases proper follow up has not been done. After amendment in Companies CSR Act in 2020 the Impact assessment done through the Social Audit. Eligible impact assessor has to assess the impact of CSR with certain guidelines.

Now there are change in situation with introduction of SSE (Social Stock Exchange)

After introduction of the Social Stock Exchange (SSE) by the govt of India in budget of Financial Year 2019-20 which is an innovative platform to enable Social Enterprises (SE) to raise fund from the market, social audit work come into more focus. SSE role is to mediator between investor and social enterprises for the purpose of fund raising. Securities and Exchange Board of India (SEBI) with the view of transparency and knowledge among investors , various authorities and beneficiaries introduces the concept of Social Audit. The regulatory body now introduce the social audit in a new ways. To check the impact analysis of the project work performed by the social enterprises the social auditor have to report on the same. Eligible Social Enterprises have to list themselves on SSE and are required to undergo a mandatory social audit. The annual impact report must be audited by a social audit firm employing social auditor(s). Individual registered with Self Regulatory Organization (SRO) and qualified certification program become eligible as social auditor. To providing guidance to conduct Social Audit of a Social Enterprise various regulatory authority formulated the Social Audit Standard (SAS). There are social audit frame work introduced by the regulatory body.16 nos of Social audit standard introduced by ICAI for the social audit which is align with the sustainability concepts.

To find out the challenges that may come in the way ahead we interact and made discussion with some professional and auditors. With two round of discussion certain point has been picked up for our study. In long run strategy the traditional way of operation by social enterprises may not work in the changing environment. All should look for the value generation for the beneficiaries. Looking into various prospect there are opportunities as well as challenges for new works to be performed by the auditor and other person related with those sustainable development.

Finding

- There are huge change in regulation for social auditing in india though the main focus always on the social responsibilities.
- The social audit used mostly for Impact Assessment which is important for sustainable development.
- As per bibliography analysis made by certain author based on data from 1992 to 2024 there are only 39 scopus based paper publication in india which shows the future scope for social audit research.
- The Trend in social audit adoption by various authorities shows the scope in the sector. Getting quantitative data from less knowledgeable person may effect the assessment work.

- Social Audit based on the field visit and proper questioning which will brings engagement of person with analytical and innovative mind.
- Availability of proper data from primary sources is challenges for professional.
- Projection for the impact assessment may not be realistic without practical guidance.
- Assessment may only cover the achievement from stakeholder point of view.
- Proper data and information on non formal sources may not be available which is one of the challenges.

Conclusion

After analyzed various aspect we will found how and what way social audit effect the sustainable development. There are changes in social audit prospect in various field and by various authorities. In many cases fixation of accountability at beginning is important for the social audit. To raise the fund from the social stock exchange various rules and regulation have to be followed. Social auditor have to perform the audit work as per the audit standard to report about the impact analysis. Thus all the complex activities for running the enterprise will bring challenges as well as opportunities for the both audit profession. Institutionalisation of social audit is one of the opportunities for new generation to cope of with technological development. There need of more analysis through the expanding the scope of analysis.

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