



# SOCIAL AUDIT

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# What is Social Audit.....

- A **social audit** is an **assessment of how well a company is achieving its goals/benchmarks for social responsibility**
  - Can be evaluated through conventional methods including auditing
  - Narrower definition in a Corporate context

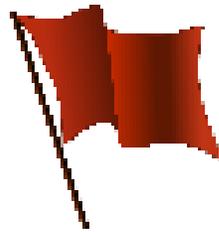
**or**
- Social audit is an **assessment of how well a programme or project or activity is performing from the beneficiary point of view**
  - Can be better evaluated by the beneficiaries or society who are supposed to benefit/benefitting from it.
  - Broader definition in the context of Nations/States

# Conducting Social Audits.....

- **Is conducting social audits like a regular audit ?**
  - **No** as here the assessment is primarily being done by the society **and**
  - **Yes** as finally for any evaluation exercise to have credibility, it has to go through a defined process which is akin to regular audit processes.
- **Who is in a better position to conduct social audits?**
  - **Stakeholders** are Parliament, Public Accounts Committees, Executive Department, General public, Civil Society Organisations, Policy makers, Policy analysts, Media, Corporate auditors and SAls
  - **Independent social audit units** with cooperation from Civil Society (for ground level independent workers), Executive departments (for access to records & data) and SAls (ensuring independence audit processes/standards)

# Conducting Social Audits.....

- If process of auditing is not being done by SAs or professional auditors.....
  - ▣ then there is a situation wherein a large number of persons who are not familiar with the audit processes are acting/performing as auditors



- Hence it becomes incumbent to control this process .....  
..... and SAs are in the best position to do this
  - ▣ by issuing audit standards, conducting joint audits, capacity building and auditing the social audit process



# Concept of Social Audit

- Social audit goes **beyond realm of traditional financial audit** as it focusses more on issues such as **awareness, physical verification, grievance redressal, feedback** about the programmes
- Pushes the **definition of evidence** to include **oral feedback**
- Community **physical verification of assets and decisions**
- Direct interface **between beneficiaries, implementing agencies, evaluators and citizens**
- Arriving at **evidenced based findings....**
- Finally **SAI India does not do Social Audits..... it causes it to be done**

# SAI India.....the journey so far

- **CAG of India & Ministry of Rural Development** had set up a **Joint Task force on 'Social Audit'**. It had 4 working groups with representatives from C&AG, Ministry of Rural Development, Ministry of Panchayati Raj, State Governments & Civil Society Organizations

## Working Group 3

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Developing social auditing standards

## Working Group 1

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Establishment, roll out & progress of social audit units

## Working Group 2

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Strengthening synergies on social audit

## Working Group 4

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Expanding the scope of social unit

## Our experience

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1. Audit of Social Audit of **MGNREGS**
2. Audit of Waste Management
3. Audit of Water pollution
4. Audit of crime against women and children (JJ & POCSO Act)

# The future....

## For SAI India

1. The base for all Social Audits being conducted should be the **Auditing Standards for Social Audit** developed by SAI India
2. Urgent need to **improve the autonomy, coverage and quality** and ensure a **mechanism to take time bound action of the results of Social Audit**

## For INTOSAI

1. There is an urgent need for **INTOSAI to recognise the power of social audit** and work on a research paper/guidance note to popularise it.
2. Conduct **some joint Audits in a few countries** so that we could learn finer nuances
3. Take up **capacity building within INTOSAI** to popularise the use of social audit

Thank you

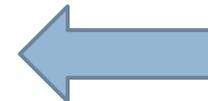
# Highlights of the Social Auditing Standards

- 1. Ethics, Independence, Objectivity and Impartiality**
- 2. Professionalism, Audit team management, skills, Quality Assurance and Control**
- 3. Planning an Audit and availability of records**
- 4. Evidence and Mandatory disclosure of information**
- 5. Documentation and Participation of beneficiaries**
- 6. Reporting, Follow up and Aggregation of data**



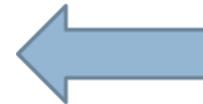
# 1. Objectivity, Ethics, Independence & Impartiality

1. SAU Resource Persons should have **integrity, work with objectivity and due care (2100)**
2. Standard **code of ethics** in clear defined language **(2110)**
3. **Independence** of the Social Audit set up should be guaranteed as envisaged in MGNREG Act, 2005 **(2120)**
4. Conclusions in opinions and reports should be impartial **based exclusively on evidence** obtained and replies received in accordance with the auditing standards **(2130)....**



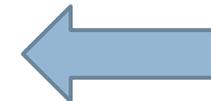
## 2. Professionalism, Audit team management, Skills, Quality Assurance and Control

1. SAU Resource Persons must possess **knowledge, competency, accountability, honesty** and **integrity**. (2200)
2. SAU Resource Persons should **collectively possess/ have access** necessary **skills**. (2300)
3. SAU should establish regularly **review minimum training requirements** for SAU Resource Persons at each level within the organization. (2310)
4. A **quality assurance** & improvement program should be developed & maintained covering all aspects of social audit activities (2400)
5. There should be periodic **internal and external assessments** of the social audit (2410).....



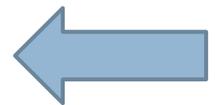
### 3. Planning and availability of records

1. SAU Resource Persons should obtain **understanding of the entity/programme** to be audited **(3100)**
2. SAU shall frame an **annual calendar** which includes coverage of all the Gram Panchayats within a specified period **(3110)**
3. The audit assignment should be planned to reduce **audit risk** **(3120)**
4. State Governments should frame appropriate rules along with punitive action) for fixing **accountability for provision of records** to the social audit teams within stipulated time frame. **(3200)**
5. **Role and responsibilities** of Government/Administration functionaries for providing records to be clearly delineated **(3210)....**



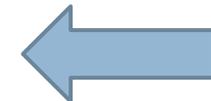
## 4. Evidence & mandatory disclosure

1. Information on implementation to be **proactively disclosed/displayed (3300)**
2. **Audit findings, conclusions, recommendations** be based on **evidence (3400)**
3. SAU Resource Persons should adequately **document the audit evidence (3430)**
4. The Social Auditors should **conduct door to door verification of primary records/ information** to identify entitlement of beneficiaries **(3460)**
5. The Social Auditors should conduct physical **verification at work sites** through measurement of works, quality checks and of usability of works **(3470)**
6. The Social Auditors should also ensure **verification of facts that emerge during Jansunwai** or through complaints received **(3480)....**



## 5. Documentation and participation of beneficiaries

1. SAU Resource Persons should **document what they do in a sufficiently detailed manner** to provide a clear understanding of procedures performed, evidence obtained and conclusions reached **(3500)**
2. **Retention requirements** should be laid down for the audit records, regardless of the medium in which each record is stored **(3510)**
3. Role and Responsibilities of SAU for **maintaining basic records** (e.g. audit frequency, proportions of population giving positive/ negative feedback etc.) should be well defined **(3520)**
4. **Participation of beneficiaries in a collective platform** must be ensured **(3600)....**



## 6. Reporting, Follow up & Aggregation of data

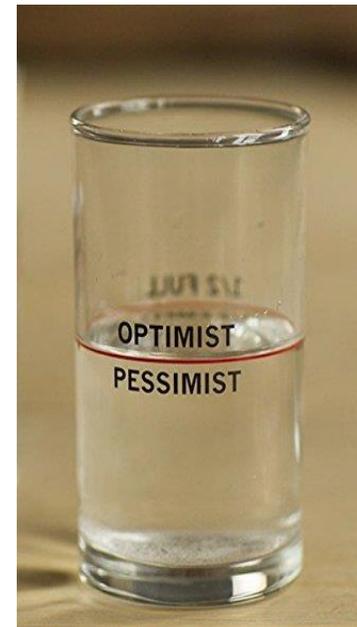
1. Reports to be **accurate, objective, clear, concise, complete** (3700)
2. Reports should be in a **standardised format** (3710)
3. **Reports** of each GP in states should be in **public domain** (3720)
4. **Reports** be **prepared in local language also/ displayed on notice board** (3730)
5. **Follow-up mechanism** be established to monitor/ ensure action (3800)
6. **Responsibilities/timelines** be assigned for corrective actions (3810)
7. **Collective platform** be established for sharing the follow up (3820)
8. State Government should leverage IT & develop **MIS** at State Level to facilitate data capture/study deviations. (3900)....



# Progress made by Working Group I

## Establishment, roll out & progress of Social Audit Units

1. **Establishing Social Audit Units:** In 2017-18, 26 out of 29 states have formed SAUs. 3 states (Rajasthan, Haryana and Goa) have SAUs working under Rural Development Department hence not independent.
2. **Appointment of Director:** Only 6 out of 26 Directors have been appointed as per due process.
3. **Coverage of Gram Panchayats (villages):** 23 % (62187 out of 262474 in 29 states) in 2017-18.
4. **Direct transfer of wages in bank accounts..... A great positive.**
5. **Financial Misappropriation, Financial Deviation and Recovery:** Misappropriation: Rs.95 crore (Marginal amounts recovered), Deviation Rs.1119 crore (Zero Recovery)
6. **Disclosure:** In 24 out of 29 states, Social Audit Reports/Action Taken Reports are not in the public domain.
7. **Follow up:** 6 out of 29 states, Social Audit Reports are submitted to State Legislature.



# Progress made by Working Group 2

## Strengthening synergies on Social Audit

- Social Audit Standards were issued in 2016.
- Other synergies like:
  - ▣ SAU and AG Audit Plan for the year should be shared for increasing synergy
  - ▣ Joint training/capacity building
  - ▣ Joint Social Audit campaigns to be taken up between CAG and SAUs
  - ▣ Local Fund Audit to incorporate findings of Audit Report
- Move towards a **National Social Audit Advisory Board** with representatives from Govt, CAG, eminent jurists and CSOs



# Progress made by Working Group 4

## Expanding the scope of Social Audit

- From Social Audit in MGNREGS, areas in which Social Audit has now been mandated are:
  - ▣ National Food Security Act 2013
  - ▣ Persons with Disabilities Act 2016
  - ▣ Guidelines of the Nation Social Assistance Programme, PMGSY, PMAY, SBM
  - ▣ Meghalaya Community Participation & Public Services Social Audit Act 2017 (included Social Audit in 21 schemes)
  - ▣ Supreme Court orders for Juvenile Justice Act and Building & other Construction Workers Act ....



# Our experience during field audit of MGNREGS

	Audit done by CAG in Rajasthan in 2015	Audit done by CAG in Rajasthan in 2017/18
Creation of an independent Social Audit Unit (society)	<b>Rajasthan: Not independent (SAU created since 2009)</b>	<b>Rajasthan: Same position</b>
Directors	<b>Rajasthan: Not Independent</b> Under Rural Development Department	<b>Rajasthan: Not independent</b> Under Rural Development Department
Coverage of GPs	<b>58%</b> of the 9177 GPs (villages)	<b>92%</b> of the 9894 GPs (villages)
Quality of Social Audit	<b>Average</b>	<b>Continues to be average</b> In most of the test checked GPs we found numerous deviations but Social Audit Reports had very few deviations
Reports in Public Domain	<b>No</b>	<b>No</b>



# How we engage with stakeholders

- Stages in which we can engage with stakeholders at various stages
  1. **Selection of topics** for Audit examination in Audit Advisory Board
  2. **Selection of risk areas** in these topics
  3. **Framing audit questions** in the study design matrix by separate engagement (if necessary)
  4. Being passive **observers during Social Audits** at field level
  5. **Dissemination** of Audit findings



# Engagement with stakeholders

## ➤ Stakeholders to our audit reports are many

1. **Legislature/Parliament & Public Accounts Committees** (meetings, briefings)
2. **Audited Department/ Governments** (entry/exit conferences, audit committee meetings)
3. **General public** (taxpayer and beneficiary: advertisements, social audits)
4. **Civil Society Organisations** (working in that area)
5. **Policy makers, policy analysts, think tanks, academicians, researchers**
6. **Media**

Engaging with them at various stages is important for bringing in more focus to the audit process/audit findings