



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

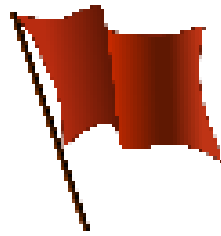
or
- Social audit is **an assessment of how well a programme or project or activity is performing from the beneficiary point of view**
 - Can be better evaluated by the beneficiaries or society who are supposed to benefit/benefitting from it.
 - Broader definition in the context of Nations/States

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

Developing social auditing standards

Working Group 1

Establishment, roll out & progress of social audit units

Working Group 2

Strengthening synergies on social audit

Working Group 4

Expanding the scope of social unit

Our experience

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

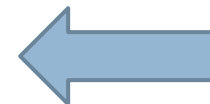
Highlights of the Social Auditing Standards

- 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**



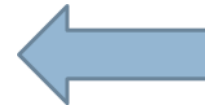
1. Objectivity, Ethics, Independence & Impartiality

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)....**



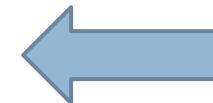
2. Professionalism, Audit team management, Skills, Quality Assurance and Control

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).....



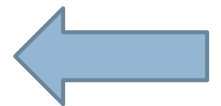
3. Planning and availability of records

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)....



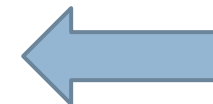
4. Evidence & mandatory disclosure

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)....**



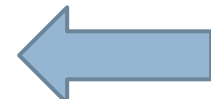
5. Documentation and participation of beneficiaries

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

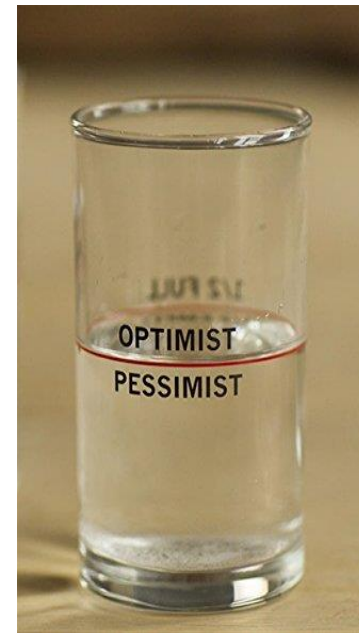
1. Reports to be **accurate, objective, clear, concise, complete** (3700)
2. Reports should be in a **standardised format** (3710)
3. **Reports** of each GP in states should be in **public domain** (3720)
4. **Reports** be **prepared in local language also/ displayed on notice board** (3730)
5. **Follow-up 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)	Rajasthan: Not independent (SAU created since 2009)	Rajasthan: Same position
Directors	Rajasthan: Not Independent Under Rural Development Department	Rajasthan: Not independent Under Rural Development Department
Coverage of GPs	58% of the 9177 GPs (villages)	92% of the 9894 GPs (villages)
Quality of Social Audit	Average	Continues to be average In most of the test checked GPs we found numerous deviations but Social Audit Reports had very few deviations
Reports in Public Domain	No	No



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