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Social Audit – A case study of Andhra Pradesh

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ABSTRACT :

Social Audits are an important mechanism to address corruption and strengthen accountability in government service delivery. 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. Social audit should be carried out at every stage of the programme: planning, implementation, monitoring and evaluation. This paper focuses on the form of social audits and on the way they are conducted, the institutional architecture needed for undertaking audits of this scale, and the challenges faced and draws on Andhra Pradesh's experience to identify key design principles that need to be considered when developing an institutional architecture for implementing social audits.

INTRODUCTION :

Social audit may be regarded as being at the extreme end of the spectrum of audit functions. Over the centuries, audit functions have grown and evolved starting from the most ancient kind which may be called vigilance audit which was concerned mainly with the detection of frauds. Then came, in more or less chronological order, regularity audit, propriety audit, value for money audit, performance audit and lastly social audit. The last three of these audit functions represent economy, efficiency and effectiveness audit. Social Audit is concerned, in value for money audit and performance audit; it examines areas internal to government agencies and examines the impact of specific governmental activities on certain sections of the society which are in contact with the government agencies.

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.

OBJECTIVES:

- To understand Social Audit.
- To evaluate the methodology to carrying out Social Audit.
- To examine the challenges faced in the process of Social Audit.
- To look into the practicality of implementing Social Audit.

RESEARCH METHODOLOGY:

The study is purely based on secondary data from various research papers, reports, books and online data bases.

HISTORY OF SOCIAL AUDIT :

The word '**audit**' is derived from Latin, which means '**to hear**'. In ancient times, emperors used to recruit persons designated as auditors to get feedback about the activities undertaken by the kings in their kingdoms. These auditors used to go to public places to listen to citizens' opinions on various matters, like behaviour of employees, incidence of tax, image of local officials, etc. **Charles Medawar** pioneered the concept of social audit in 1972 with the application of the idea in medicines policy, drug safety issues and on matters of corporate, governmental and professional accountability.

SIGNIFICANCE OF SOCIAL AUDIT :

Accountability and Responsibility in Economic Development :

Obviously, the human nature is to commit mistakes and when there is an easy flow of funds, there are greater chances of misuse. Hence, it is necessary to monitor his activities. It was in this background that the bureaucratic pyramid was developed in public services and special check measures were initiated through exercising a control, particularly in financial matters. Thus a system of audit was introduced in accounting system. However, this system did not suit with the democratic planning and particularly decentralized governance. In a democratic system of governance people are masters. The government exists to serve the people. It is the primary duty of any master to take a look at the accounts of the servants at regular intervals and hold them accountable. Social audit is a step in that direction. People use **Right To Information** to obtain details of the works carried out by a government

department or the manner in which the money was spent by that department. This information contained in records is compared with field reality. This is public or social audit and it is a very important tool in the hands of the people to hold the government accountable. A public audit creates a lot of public pressure on the legislative wing of the government to take corrective steps.

PREREQUISITES FOR CARRYING OUT A SOCIAL AUDIT :

- State should have faith in participatory democracy
- An active and empowered civil society
- State should be accountable to the civil society
- Congenial political and policy environment

FEATURES OF SOCIAL AUDIT:

- The areas for social audit include any activity which has a significant social impact, such as activities affecting environmental quality, consumerism, opportunities for women and other disadvantaged people in society and similar others.
- Normally, the social audit is that it can determine only what an organisation is doing in social areas, not the amount of social good that results from these activities. It is a process audit rather than audit for results.
- Auditing social performance is very difficult because most of the results of social activities occur beyond the companies limit.
- Both quantitative and qualitative data are essential for social audit to evaluate the organisations social performance.

ADVANTAGES OF SOCIAL AUDIT :

- Trains the community on participatory local planning.
- Encourages local democracy.
- Encourages community participation.
- Benefits disadvantaged groups.
- Promotes collective decision making and sharing responsibilities.
- Develops human resources and social capital.

RIGHTS OF A SOCIAL AUDITOR:

- Seek clarifications from the implementing agency about any decision-making, activity, scheme, income and expenditure incurred by the agency.
- Consider and scrutinize existing schemes and local activities of the agency; and
- Access registers and documents relating to all development activities undertaken by the implementing agency or by any other government department.

This requires transparency in the decision-making and activities of the implementing agencies. In a way, social audit includes measures for enhancing transparency by enforcing the right to information in the planning and implementation of local development activities

SOCIAL AUDIT AND ITS RELEVANCE TO AUDIT OF PUBLIC UTILITIES -

Social Obligations and Social Welfare Programmes :

In a welfare State, the government has a total obligation for the well-being of the people. This is translated in practical terms into a concern for the improvement of the "quality of life" through improving standards of living, health, education, earning capacity etc. for the people. While each individual social welfare programme has its specific goals, it should also ensure that it does not come in the way of the Government's efforts in other areas. No social welfare programmes can succeed in isolation but can do so only as a part of a total package of welfare activities undertaken by the government arising from its concern for improving the quality of life of the people.

Social Obligations of Public Utilities :

Utilities are set up to meet certain social obligations by offering certain public services such as water, power transport etc. which are essential to meet the totality of social obligations. As going concerns, their responsibility is to function economically and efficiently and generally along accepted commercial lines. The fact that their activities might be subsidised by the state in order to reach the services to the public at reasonable rates does not in any way mitigate the need to function economically and efficiently within the constraints under which they have to function. Normal commercial audit, built round value for money audit and performance audit deals with these areas. There are the various internal and external social

obligations which should come under the scrutiny of social audit as distinct from economy and efficiency audits. Social audit of a public utility or a public undertaking is thus one step ahead of effectiveness audit which would be concerned mainly with assessing how effectively the main function of the undertaking is being discharged.

SOCIAL AUDIT METHODOLOGY :

Techniques of audit evaluation and analysis are not special to social audit and are the same as employed elsewhere, notably in economy and efficiency audits. But social audit methodology has to be devised keeping in view all the various general problems as well as those which are specific to the programmes audited.

To begin with, the social auditor has to gather background information. What survey was made before the social welfare programme was drawn up? What was the state of affairs when the programme was taken up? What assumptions were made and on what basis? How was the quantum of thrust of inputs determined to achieve the necessary effect? In other words, what was the projected cost to social change ratio? What internal monitoring machinery and methodology was provided? Was any internal evaluation made and if so were any policy changes made? What are the other linked programmes which could affect the effectiveness of the programme to be audited? How are those programmes progressing? On all these questions, social auditor should gather the necessary information and literature before he ever sets out to do his audit.

Constitutional and statutory provisions place a severe restraint in many countries on the social auditor approaching the beneficiaries of a social welfare programme and making his own measurement of the impact of the programme. But where this direct method is available to him, he should work out in advance a detailed questionnaire and determine the analytical and statistical methods he will adopt to reach necessary conclusions.

Where such access to the beneficiaries is not available, social audit can none the less be performed, at least to some useful extent, by means of comparisons in space and time. Performance comparison of a programme can be made at the same time in several geographical areas, or in a country such as India, in the several states. Likewise, the impact of the programme in the same area from year to year can be made. Such an audit, while not wholly as satisfactory as what can be done if access to beneficiaries is available, will none the less give sufficient indication of the satisfactory or unsatisfactory progress of the programme.

Social audit of Public utilities or public undertakings would be greatly facilitated if the undertaking prepared a social accounting document. Several models of social accounting and reporting have been tried out in a number of countries but efforts at standardising the models have not borne fruit. Even simple reporting systems devised will enable the social auditor of public utilities or undertakings to draw conclusions about the social benefits and social detriments arising from the operation of a public utility over and beyond the quality of service rendered by it for which it is set up.

Even where there is no established system of social accounting or reporting, the social auditor can himself prepare a social balance sheet or a statement of social benefits and detriments. He should also prepare, especially in the case of social welfare programmes, a statement of social benefit to social cost analysis. A study of marginal social benefit to cost ratio is an important part of the social auditor's work. In some cases, the benefits bear a fixed relation to the costs, that is to say, the relationship is linear.

Another aspect to look into when conducting social audit of utilities is that of safety standards. The social auditor should discuss with the undertakings safety experts, list out the possible hazards, the measure taken to prevent them, the actual occurrence of accidents and other hazards and determine how the safety measures have performed in relation to the safety standards of other undertakings placed in similar situations.

Contributions to research and import substitution are areas to be looked into by the social auditor at least in the case of larger public utilities. In the former case, it is an investment for the future with which society is concerned. In the latter case, it not only strengthens the economy by saving foreign exchange but also gives a boost to the local industry. Support to local industry activity can take many forms. It can take the form of concessional supply of the principal service offered by the utility or the undertaking.

PROBLEMS FACED BY SOCIAL AUDITOR :

The problems faced by the social auditor are partly of his own making and partly beyond his control. It should never be forgotten by him that social welfare programmes are intended to bring about social changes. Mere measurement of inputs or outputs cannot meet the demands of effective social audit. Often he may even be unable to justify criticism of non-achievement of targets laid down in the programme. He has to look at the positive social changes brought

about and in some cases their costs. When scrutinizing short-falls and non-achievements, he has to take into account the efforts of events beyond the boundary of the programme all of which the designers of the programme may not have been in a position to envisage and allow for the implementors to deal with. This in a nut-shell is the reason why it is difficult to prepare a social audit report which will be fair to the society, the implementors of the programme and to its designers.

The social auditor has to face several problems which are beyond his control. Not all social welfare programmes are well designed or based on valid assumptions. And when a programme is well designed, it does not make the social auditor's task any easier because, in preparing the social audit report on a programme, he has also to consider how the related programmes are progressing.

Perhaps the most serious difficulty faced by the social auditor is the absence of a well conceived information system as part and parcel of a social welfare programme. Government agencies which design programmes often commit the error of relying on traditional government systems of information such as government accounts and government methods of reporting for conveying a picture of how a programme is progressing. This kind of hazy and incomplete system does not help them to take stock, speed up, slow down or apply corrective measures as and when required. In any case, the system can give no information on the social changes achieved nor on how other related programmes have affected a programme. Thus a fundamental defect in the design of most social welfare programmes is the fact that they do not provide for the measurement or assessment of the social changes, that is to say, they do not provide for an internal evaluation machinery, in terms of men and methodology, for evaluation of the impact produced by the programmes. Apart from these problems of a general kind, individual programmes pose their own specific problems to the social auditor. Social audit of public utilities and public undertakings faces its own problems the most important of which is again a reliable information system. Utilities maintain detailed records of what they do but hardly any of how their functioning influences society. They have records of services offered but hardly any of services refused. Even where such records are maintained they do not give a complete picture. The concept of social accounting, hardly exists- even in technologically advanced countries. In the absence of such an accounting system, social audit can become, unless the auditor plans his work with the greatest care a straight forward economy or efficiency audit.

CONCLUSION:

The concept of social audit does not merely evaluate on the social welfare activity under evaluation. Ideally, the social auditor should be associated at the time of programme design so that, with his background and field experience, he might recommend the appropriate methodology to evaluate the social changes and the machinery in terms of staff and resources to monitor them. He might be able to point out peripheral factors which might distort the programme or its evaluation. He might help in making a projection of the benefit to cost ratio and give valuable advice on how long to continue the inputs and when to switch strategy. In other words, the ideal social audit will start with a preaudit of the programme document and design. The difficulties which face social audit will appear to be insurmountable and many a State Audit Organization is deterred by them and do not undertake any worthwhile social audit. In fact, however, social audit is an immediately result oriented exercise and even a report prepared tentatively and with a lack of self-assurance will have something to contribute. The principal difficulty is the non-existence of appropriate social accounting and reporting systems or even a rudimentary system of evaluation of the social changes created. Social audit should be a straight forward way of gaining acceptability as an important tool in the management of national affairs.

Social Audit – A case study of Andhra Pradesh

Across all 13 districts of Andhra Pradesh under NREGA, 54 social audits were conducted every month starting from July 2006. The scale and frequency of social audits on NREGA works in Andhra Pradesh are the first in India. Section 17 of the NREGA mandates the regular conduct of social audits on all aspects of the scheme. Initially, in collaboration with [[Mazdoor Kisan Shakti Sangathan|MKSS] and Action aid] , the Department of Rural Development (DoRD) of Andhra Pradesh assisted the social audit process through the Strategy and Performance Innovation Unit (SPIU). Since May 2009, the Society for Social Audits Accountability and Transparency (SSAAT), an autonomous body, is responsible for the conduct of social audits in the state. While the director of the SPIU was a civil servant, the director of SSAAT is an activist. In January 2011, Andhra Pradesh introduced a separate vigilance cell in the Rural Development Department to ensure follow up and enforcement of social audit findings.

In Andhra Pradesh, after DoRD and SSAAT, the management structure consists of state resource persons (SRPs), district resource persons (DRPs), and the village social auditors (VSAs). The SRPs identify and train the DRPs who in turn identify and train the VSAs. While the SRPs manage daily activities like scheduling the social audit, contacting district officials, ensuring follow up and enforcement of social audit findings, the DRPs manage the actual conduct of the social audit, for instance, filing RTI applications, and contacting the 'Mandal' level officials to organise logistics and public hearing. To conduct the actual social audit, the volunteers among the NREGA beneficiaries are selected from 'gram sabhas' or village assemblies by DRPs.

An application under the RTI to access relevant official documents is the first step of the social audit. Then the management personnel of the social audit verify these official records by conducting field visits. Finally, the 'Jansunwai' or public hearing is organised at two levels: the Panchayat or village level and the Mandal level. The direct public debate involving the beneficiaries, political representatives, civil servants and, above all, the government officers responsible for implementing the NREGA works highlights corruption like the practice of rigging muster rolls (attendance registers) and also generates public awareness about the scheme.

To assess the effectiveness of the mass social audits on NREGA works in Andhra Pradesh, a World Bank study investigated the effect of the social audit on the level of public awareness about NREGA, its effect on the NREGA implementation, and its efficacy as a grievance redressal mechanism. The study found that the public awareness about the NREGA increased from about 30 per cent before the social audit to about 99 per cent after the social audit. Further, the efficacy of NREGA implementation increased from an average of about 60 per cent to about 97 per cent. Finally, the effectiveness of the social audit as a grievance redressal mechanism was measured. The Andhra Pradesh model is undoubtedly a success, with more than 3,200 social audits and more than 38,000 disciplinary cases brought against officials involved with the jobs scheme. Hundreds have been suspended or punished. In the past three years, the team has been able to recover almost a quarter of the \$24m of irregularities detected.

Analysis of data from official audit reports of almost 100 mandals during 2006-10, however, shows that repeated social audits of MGNREGA projects did not reduce the number of corruption-related labour complaints, while there was a substantive rise in material-related complaints. While a modest decline in administrative complaints related to the non-provision of work was observed, there was an increase in complaints of missing records on material expenditures. The impact of audits on other programme outcomes — employment generation, targeting of the SC/ST population — was absent. Increase in local stakeholders' awareness levels or in the number of MGNREGA projects, selective repeated audits in the more corrupt mandals and possible biases in complaint registrations do not explain this.

The findings suggest that, despite increasing awareness of beneficiaries and the greater capacity of the audit process to detect irregularities, the overall social audit effect on reducing easy-to-detect malpractices was mostly absent. One can interpret the rise in irregularities as an underlying change in the anatomy of corruption and a failure of the social audit process to deter leakage of programme funds.

What explains the apparent lack of effectiveness of social audits in reducing malpractice? The analysis of administrative data on social audit findings in Andhra Pradesh suggests that follow-up and enforcement of punishments was weak. While it is possible that this weakness has been mitigated by the establishment of vigilance cells post-2010, less than 1 per cent of irregularities, for which one or multiple functionaries were held responsible, ended in dismissal, removal or criminal action. Even modest punishment — such as suspension, show-

cause, or being deemed ineligible for contractual work — was meted out for less than 3 per cent of detected irregularities. Further, 87 per cent of the missing amount was yet to be recovered. The responsibility for the implementation of a project under MGNREGA is held collectively by grassroots and block-level functionaries. Yet, the responsibility for most irregularities was pinned on a single gram panchayat level, contractual functionary — the field assistant, typically a resident of the panchayat. “Naming and shaming” might act as an effective deterrent for this particular functionary. However, social sanctions are unlikely to curtail malpractice among other functionaries, who often escape responsibility.

The effectiveness of social audits in deterring theft and other malpractices may thus be undermined by a single design weakness or slip-up. A key lesson from the data analysis would thus be to ensure social audits culminate in the type of enforceable and credible “contract” that allocates responsibilities, defines timelines and ensures that those found guilty are promptly penalised. The credibility of the social audit rests ultimately on the ability and willingness of the political and bureaucratic establishment to take effective remedial action against offenders.

A second, critical takeaway is that, without sufficient institutional support, the expectation that beneficiary-led audits should spontaneously arise is unsustainable. Systematic and regular audits with beneficiary participation have not taken off in other parts of the country. To ensure effective bottom-up involvement, beneficiary participation must be induced and strengthened through a combination of top-down and grassroots approaches. While the potential benefits of public programmes are large, the costs of ensuring that those benefits are realised through beneficiary-led audits are low. But before community monitoring can be scaled up in other parts of the country or for other public programmes, we must strengthen its credibility.

The social audit process was recently endorsed by the public finance watchdog, the Comptroller and Auditor General of India. Vinod Rai, head of the CAG, says: "All over the world, there is a growing perception among the supreme audit institutions that it is important to partner with civil society to ensure the latter's participation in service delivery and public accountability." A quieter revolution is taking shape not just in Indian cities, but in hundreds of villages in the form of **Social Audit**.

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