

The Relevance of Social Audit and Social Performance in Organization

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Abstract: This article is going to discuss about social auditing that has been done to a social organization that is performing services to communities. Through a social audit, it is believed that, an organization will be able to measure, verify, develop and report on its performance in a more accurate way. It is also described among other things, the method, technique, and format of how social audit is constructed as well as number of issues and constraints happened during the auditing process and ultimately alternative solutions to be applied for a proper social audit conduct.

Keywords: Social auditor, social audit program in social performance

INTRODUCTION

Social audit can be regarded as an extreme way of performing audit functions. Over centuries audit functions have grown and evolved. It started from the most ancient kind referred to as vigilance audit which was concerned mainly with the detection of frauds (Parthasarathy, 1988). Then more or less in chronological order, came the regularity, propriety, value for money, performance and the last one, social audit. The last three are meant to be conducted for economy. The values for money and performance audits are considered as an examination on internal affairs of government.

Social Audit is meant to cross beyond. As it will examine the impacts of specific activities over particular field related to society. These activities are performed by an organization appointed by the government.

Social audit as a term was used as far back as the 1950s. There has been a flurry of activity and interest in the last seven to eight years in India and neighboring countries. Voluntary development organizations are also actively concerned.

Social audit is based on the principle that democratic local governance should be carried out, as far as possible, with the consent and understanding of

all concerned, It is thus a process and not an event. (Srivastava, 2004).

METHODS

Social auditing is a process that enables an organization to assess and demonstrate its social, economic and environment benefits and limitations. It is a way of measuring the extent to which an organization lives up to the shared values and objectives it has committed itself to. (Boyd, 1998).

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. (Srivastava, 2004).

Social auditing provides an assessment over the impact caused by non-profit objectives organization not only by monitoring its performance the organization but also involving the stakeholders and other parties with their view and opinion which should be done regularly and systematically.

As mentioned on the previous section, the social auditing requires the involvement not only the stakeholders, but also funders, employees, volunteers, vendors, contractors, suppliers and clients as well as local communities who are basically get a direct influence and related to the audited organization. A clear commitment on time, efforts and cooperation should

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also be given by the involved parties. These involvements will ensure an accuracy and objectivity of the auditing process.

There will be a need for assisting to coordinate, gather and analyze all relevant information and documentation within the organization. This is needed in order to design a technique and method which is best suited to the auditing process.

The Social Economy Agency (Northern Ireland) began promoting social auditing in 1996. The first social audits involved training and mentoring 10-organizations. External consultants were used to design the social audit method, and provide training and support to auditors within each organization. This process took between 18 to 24 months of decreasing level of support. (Boyd, 1998).

The trained social auditors are very important to get everything done in a 12-month cycling time to establish the method that includes social book keeping and generating annual social audit report and other documentation. The experienced social auditors could be of help in assisting the social auditing process for the following years.

RESULTS AND DISCUSSION

Social Duties and Welfare Program. For the sake of having prosperous life, the good governance has duties to be performed. One of them is to perk up the welfare of the communities. Practically, it should be started with a clear and clean commitment to improve "quality of life" by improving standard of living that includes good education, health; earning and take home pay capacity of the communities.

The warning signs that indicate a social problem could be seen and they are influencing one another by forming many levels accidentally. For example the first level indicates the disease caused by a poor condition of living environment which includes the sanitary facilities. This will lead us to the next level of fact that it actually caused by a bad financial condition, insufficient income to support a proper place to live. Why the last thing happens will then lead us to another fact that the human resources, in this case the head of the family is lacking of education and training to obtain a decent job and good income. There is a parallel linkage seen in the above social issues, which is finally lead us to a link of facts of destructed environment, namely polluted air, bad water supply, unavailability of nutritious food, etc.

What has to be said for the social duties and welfare program is that the program has to be integrated that is formed by understanding the above, level by level facts in order to design a good method

for improvement of life of the communities.

Social duties in public facilities. Public facilities are built not only as part of duties and obligations that the government has to do, but they are as much as to meet the standard needs of communities. Electricity, Water, and Transportation, are facilities that organized by government and inevitably some private companies are now has to be involved for a support and improvement. This condition in some parts caused constraints with the communities, therefore it needs to be audited, in this case, it is the duty of normal commercial, value for money and performance audit.

When there is a need to use land of water in the territory where some communities live, to establish, for example, the tower for electricity, some issues may arise.

The performance of the organization/undertakings who provide the public utility may have to be audited as well. Not only about how they operate the business but also what are the impacts that the communities may get. The stability of local employment levels; local taxes paid; contribution to local charities; labour relation; hiring, promotion and pay practices; air, water, and noise pollution; power and water consumption; landscaping; traffic flow; impact on local politics; contribution to research and import substitution, support to local industries etc.

These are the various internal and external social duties which should come under the scrutiny of social audit. Social audit of public facilities or a public undertaking is thus considered as a one step ahead to effectiveness audit which would be concerned mainly on assessing how effectively the main function of an organization is being performed.

In every part of a process, there is always a problem. It emerges not only as an effect of internal issues but many times it comes from something that is beyond control.

The on going program should not be designed only by calculation or estimation of input and output. A social auditor should have a thoughtful and considerate approach. He can not see the issues based on one point of view. If he does, then he will fail to handle and understand why there are non-achievement targets in the program.

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 program that all of which the designers of the program may not have been in a position to envisage and allow the executors to deal with it. This is like in a nut-shell and that is the reason

why it is difficult to prepare a social audit report which will be considered a fairness to the society, the executors and the designers of the program.

When the social auditor has to face several problems which are beyond his control, he must be aware that not all social welfare programs are well designed or based on valid assumptions.

Some programs may not be successful at the first level of the problem but at some points they achieve a moderate success. Ignorance of advice suggested by the programs can simultaneously worsen a variety of related unsatisfactory social situations.

For instance, a program for the improvement of rural areas has been well designed, which is including related issues of rural housing, water supply, education, nutrition, pollution, trade and industries, communities income etc. However, a social auditor, when preparing audit report may still face difficulties if he is not monitoring closely the progress of the program.

One most difficult issues could be the absence of a well conceived information system that belongs to a package of welfare program.

Government agencies who designed the program often only blame the error on the old and traditional information system. This will cause difficulties on monitoring the progress of the designed program.

This situation may not help them to take stock, speed up, apply corrective measures when it is required for the report. In any case, the system can give no information on the achievement of social changes nor on how other related program may be successful.

Thus a fundamental defect in the design of most social welfare programs is laid on the fact that they do not provide the measurement or assessment of the social changes. In other words, they do not provide an internal evaluation mechanism, and methods to evaluate the impact of the program. There is no way that a social auditing can be performed properly when the methods is considered not worthwhile.

In the mean time, there is still more problems faced, for example, a program for vaccination for the people against a certain disease may show measurable effect only several years after it is implemented. The same thing happens on a program of adult illiteracy in rural areas that cannot be evaluated fairly unless information is available on the migration of educated villagers to urban areas. Almost every social welfare program will bring specific impact that has to be fully grasped by the social auditor.

Social audit on and public facilities and enterprises face their own problems. The one that is mostly known is the unreliable information system. Public

facilities usually maintain detailed records of the operations but they don't have records how the facilities affect the communities.

They have records of services offered but hardly any of services refused. Whenever such records are maintained, still, they do not give a complete picture. For instance, a telephone company may maintain records of how many people applied for a telephone connection and how many applications could not be served. But they cannot and do not keep any record of how many people who wished to have a telephone did not even take the trouble of giving an application knowing that they were unlikely to get a quick response.

The concept of social accounting, which is briefly explained subsequently, hardly exists even in technologically-advanced countries. In the absence of such, an accounting system, a social audit with well-planned work and the greatest care can create clean economy and efficient audit.

Social Audit Method. It is better to speak about social audit method than social audit techniques. Techniques of audit evaluation and analysis are not special to social audit and more or less they are the same everywhere, notably in economy and efficiency audits. But social audit method has to be devised keeping in view all the various general problems as well as those which are specific to the program audited.

Let us begin with how a social auditor gathers background information. What survey was made before the social welfare program was drawn up? What was the state of affairs when the program 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 method was provided? Was any internal evaluation made and if so were any policy changes made? What are the other linked programs which could affect the effectiveness of the program to be audited? How are those programs progressing? On all these questions, social auditor should gather the necessary information and literature before he ever sets out to do his audit.

Occasionally some voluntary agencies or academic institutions will study the impact of a program. For their own reasons they do so over areas that are much smaller than those on which the social auditor has to "cover". Nevertheless their findings are of value and the social auditor should obtain access to their findings.

Much has been said and written about the use of

social indicators. There are in fact, a few indicators and these have been developed by academic institutions who are doing research in a very narrow area and in highly artificial environmental models. Or else, these have been developed by industrially advanced countries.

It is necessary therefore that before any use is made of the so called social indicators, their relevance to the context of the program audited has to be determined or, if it is at all possible, they should be appropriately modified. Excessive reliance on social indicators can lead to accountant's measurement of the state affairs rather than an intelligent auditor's evaluation.

It should also be kept in mind that social welfare programs are not aimed in achieving absolute standards but in introducing social changes at predetermined cost and effort. If a program includes within itself the means for an assessment, achievement and details the quantum of change expected in relation to the quantum of thrust given, then in itself there should be the frame of reference for social audit.

Constitutional and statutory provisions place a severe restraint in many countries on the social auditor in approaching the beneficiaries of a social welfare program and making his own impact measurement of the program. But where this direct method is available to him, he should work out in advanced 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 program can be made at the same time in several geographical areas, or in a country such as India, and in other several states. Likewise, the impact of the program 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 program.

Social audit of Public utilities or public enterprises would be greatly facilitated if the organization 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. A reading of such reports over a time period of few years can provide the basis for judging whether the net social benefit is growing in acceptable proportion to the encroachments made by the utility on the resources of the society.

Social audit of utilities/facilities starts with the construction phase of the utility as it is at that stage that the greatest incursion is made upon the environment of the locality. Land values go up, water hitherto available to the public and agriculture gets diverted for the use of the utility. Landscape is damaged and scarred and debris accumulates. Roads have to carry heavier traffic than they are designed for. Noise and dust pollution reach very high levels. To these social damages must be added the cost of any delay in making the intended service available. A social benefits to detriments analysis at the construction stage will invariably show that the detriments outweigh the benefits. It is the duty of a good management to keep the difference within acceptable and projected limits and the duty of the social auditor to point it out when these limits are transgressed.

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 programs, 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.

For instance one might say that if the expenditure on certain kind of immunisation program is doubled, twice the number of people could be covered. The eradication of small pox was a case in point where each quantum of additional input produced additional rewards in proportion.

In fact it was more than in proportion with the result that the disease has been eliminated as a health hazard. But there are other programs where beyond a certain level of achievement, the benefit to cost ratio becomes smaller and smaller which is clearly indicating the need for a shift in strategy. Often the social auditor, is the first one to realise that while the output to input ratio may remain constant, the benefit to cost ratio may be going down.

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 mea-

sure 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.

For instance, electricity tariffs for small and medium industries and for commercial activities can be substantially lower than for domestic consumption or for larger industries. In India, agriculturists get power supply at a rate which has facilitated the widespread use of electrically operated tube-wells. The support can take the form of financial, consultancy and quality control assistance to set up industries with guarantees to purchase the whole or part of the output.

The support can also be in terms of extra price incentives. All these concessions do not directly benefit the utility or the undertaking but contribute towards the well being of the people in the locality. Likewise a large utility would be expected to play an enlightened part in activities, such as running schools, in cultural activities, in promoting public health etc. In examining such social activities of an undertaking, the social auditor will not only measure the social changes brought about with reference to costs but will also fall back on traditional techniques and verify whether or not these social activities are undertaken in accordance with a well conceived policy based on a proper survey and valid assumptions.

CONCLUSION

The concept of integrated social audit does not merely extend horizontally in the sense of extending to peripheral events which impinge on the social welfare activity under evaluation. Ideally, the social

auditor should be associated at the time of program design, so that with his background and field experience, he might recommend the appropriate method 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 program or its evaluation.

He might also 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 program document and design.

All this is a far cry from what can be done in practice today. 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, as has been highlighted earlier, is the non-existence of appropriate social accounting and reporting systems or even a rudimentary system of evaluation of the social changes created. Why not then make this the central thrust of the first attempt at social audit by examining a number of programs from the point of view of a lack of monitoring and evaluation machinery and method? This surely is a straight forward way of gaining acceptability for social audit as an important tool in the management of national affairs.

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