



## Social Audits in India

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### Abstract

*This article aims at analyzing the current scenario in the field of social audits in implementation of government schemes in India and traces the evolution of the concept over the time span of last 3 decades. Through an example of Andhra Pradesh, Rajasthan and the North Eastern states, it discusses the evolution problems faced while conducting social audits and also suggests measures to improve upon social audits of the various government schemes.*

**Keywords:** Social audits, MGNREGS, accountability, SSAAT.

### Introduction

In India, the Ministry of Rural Development is a portfolio that entails a staggering annual expenditure forming 8% of the government's budget. By the means of the February 2013 budget, the allocation for the rural development ministry has been raised by 46% to Rs. 80,194 Crores. The Mahatma Gandhi National Rural Employment Guarantee programme, which ensures 100 days of employment at the minimum wage rate accounts for majority of the ministry's disbursement.

With India's demographics, management of such schemes is cumbersome. Elements of corruption undermine the idea of social welfare. Everywhere, villagers complain of delayed or no payments, no maintenance of records, no job cards and corrupt officials who don't set the machinery running without bribes. In India, after death of an individual, it isn't the family of the individual which benefits from the myriad pension schemes supported by the government. It is the middle men or public servants who cheat the state subsidy system or swindle wages. This phenomenon is common across all welfare schemes. Welfare schemes whose outlay is around 50% of the government's expenditure!

Social audit assists in verifying the social performance claims of these government schemes and revolves around the principles of equity, social responsibility, trust, accountability, transparency, inclusiveness and community benefit.

As defined by the Grameen Bharat, a monthly newsletter by Ministry of Rural Development (MoRD) 'Social Audit' is "a public assembly where all the details of the project are scrutinized". It is "a way of measuring, understanding, reporting and ultimately improving an organization's social and ethical performance" as per the National Institute of Rural Development (NIRD)

**Discussion:** The concept of Corporate Social Responsibility (CSR) followed by corporations around the world lays the foundation of social audits.

Social audit serves as an instrument for the measurement of social accountability of an organization. It is an in depth scrutiny and analysis of the working of an entity in which the public is involved vis a vis its social relevance. It provides critical inputs to correctly assess the impact of government activities on the social well being of citizens; determines the social cost and gauges the benefit to the society.

**Roots of Social Audit:** 'Audit' is a Latin word which is translated as 'to hear' in English. Audit is not a recent activity but is a practice that was adopted in the ancient time by emperors to analyse the public sentiment towards their rule and policies. The input of masses was then used to alter the policies. Thus encompassing the whole society in the decision making process of matters of governance.

**Global:** The concept of social audit was in its nascent stages in early 1940s when the depression era academician Theodore Kerps called on companies to acknowledge responsibility towards citizens. The term Social was proposed by Howard R. Bowen in 1953, in his article on "Social Responsibilities of a Businessman".

The term social audits emerged in the United Kingdom and Europe in the mid 1970s. It was used to describe evaluations that focused on the likely impact on jobs, community and the environment. The term social audit was used in such evaluations in order to emphasize that these evaluations had a social angle to them and were not concerned with the economic function of government policies, industry trends or actions of trade unions.

**India:** In India, the initiative of conducting social audits was taken by Tata Iron and Steel Company Limited (TISCO), Jamshedpur in the year 1979.

Social audit gained significance after the 73<sup>rd</sup> amendment of the constitution relating to Panchayat Raj institutions. The approach paper to the ninth five year plan (2002-07) emphasized upon social audit for effective functioning of Panchayat Raj institutions. That empowered the gram sabhas to conduct Social Audits in addition to its other functions.

In order to eliminate the loopholes in scheme implementation (contractors and middlemen), the Society for Social Audit, Accountability and Transparency, an autonomous body insulated from government interference, was set up in Andhra Pradesh. The same is discussed in detail in 'statutory mandate'.

**Need for Social Audit:** The main reason for the push for social audit is the huge disconnect between what people want and what people get. This is mainly because of the game of bribes and swindling of public fund for vested interest as shown in figure 1. Programmes are developed by the politicians and implemented

under the guidance of the bureaucrats for development of the society. However, the play of margins, cuts, commissions and bribes deflect the public funds from the direction of the intended beneficiaries figure-1.

The total outlay for welfare schemes as per the information given by the PIB amounts to at least Rs. 1,78,896 Crores (table 1). In short, the amount infused into the vicious cycle of corruption discussed above runs into lakhs of crores of Rupees.

As soon as social audit kicks in, it exercises its control over the policy developers and implementers in the following manner: i. It measures social benefit, ii. Monitors social and ethical impact of an organisation's performance, iii. Serves as the basis for framing the management's policies in a socially responsible and accountable manner, iv. Boosts accountability, v. Increases transparency, vi. Assesses social cost.

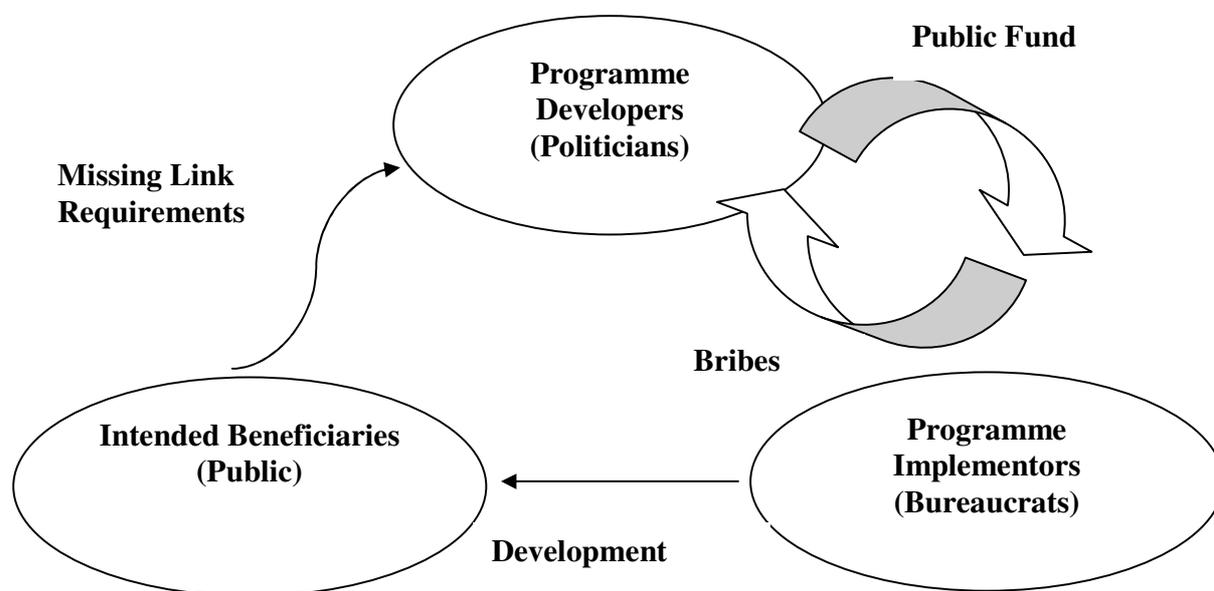


Figure-1

Table-1

The following table showcases the proposed fund outlay for the Year 2013-14 as per the Union Budget

S. No.	Programme / Ministry	Funds Allocated (Rs. in Crores)
1	Rural Development Ministry	80,194
2	National Food Security Incremental Cost	10,000
3	Drinking Water and Sanitation Projects	15,260
4	Health and Family Welfare Ministry	37,330
5	National Health Mission	21,239
6	JNNURM	14,873

**Social Audit Vs Other Audits:** Social Audit is often misinterpreted as another form of audit to determine the accuracy of financial or statistical statements or reports and the fairness of the facts they present. As we have seen from the definition and context of introduction of social audits, we can conclude that social audit covers a wider spectrum.

**Financial audit** aims at commenting on the fairness of the financial statements prepared by an entity along with the truthfulness of such statements. It is conducted with a view to provide reasonable assurance that the financial statements are presented fairly, in all material respects, and/or give a true and fair view in accordance with the financial reporting framework.

**Operations audits** involve establishing standards of operation, measuring performance against standards, examining and analyzing deviations, taking corrective actions and reappraising standards based on experience are the main focus.

**The major difference between social audits and other forms of audits is** that it is an internally generated process whereby the organisation shapes the social audit process according to its stated objectives. Social audit covers a wide horizon of stakeholders as its reports revolve around ethics, labor, environment, human rights, community, society and statutory compliances.

**Statutory Mandate:** As on date, in India, there is no blanket statutory mandate for social audits of various organizations / departments / welfare schemes. The issue is being fervently pursued by the Minister of Rural Welfare, Mr Jairam Ramesh, in regard of welfare schemes.

There are mandates with regards to social audits in certain schemes. One of such mandates is given under The Social Audit (Transparency and Accountability) Rules and Manual (Draft) (30<sup>th</sup> March 2007). The draft specifies a set of rules which are required to be followed in various stages of the NREGA in order to promote transparency and accountability.

An integral part of the Mahatma Gandhi National Rural Employment Guarantee Act pertains to the role of the 'Social Audits' as a means of continuous public vigilance (MGNREGA, Section 17) for ensuring public accountability and transparency in the implementation of projects, laws and policies.

With the setting up of The Society for Social Audit, Accountability and Transparency (SSAAT), the state of Andhra Pradesh has escalated to the level of a role model for all the other states as far as implementation of the above section is concerned. The main aim of the SSAAT is to uphold the concept of eternal vigilance by the people, facilitated by social activists and Government acting in conjunction. It aims at empowerment of the rural population covered by welfare schemes such as MGNREGS and minimization of leakage and wastage of public funds. Public vigilance, verification of the

various stages of implementation and 'Social Audit Forums-Public Hearings' are important components of the social audit process followed by SSAAT. At the Social Audit Public Hearing Forums information is read out publically and people are given an opportunity to question officials, seek and obtain information, verify financial expenditure, examine the provision of entitlements, discuss the priorities reflected in choices made and critically evaluate the quality of work as well as the functioning of the programme staff<sup>1</sup>.

Thus, the Social Audit Public Hearing proves to a platform for in dept scrutiny of MGNREGS work that has been conducted in an area and gives the people an opportunity to review compliance with the requirements of transparency and accountability.

**Social Audits across the Country: Andhra Pradesh:** The year 2006 marked the starting of social audits in the state of AP. From the observations of the surveyors it could be concluded that out of 22 gram panchayats in which social audits were conducted, 17 reported mis- utilization of funds. The survey was conducted over a period of over 8 days by a team of twenty district resource persons, two state resource persons, and 31 village social auditors (VSAs). The audit report highlighted dishonesty and inefficiency of field assistants, who were the main implementers of the program in a village. The field assistants were charged with assigning less work to the beneficiaries, making mistakes in filling out attendance in worksite muster rolls, failing to issue job cards to all applicants, measuring the work improperly and demanding bribes. By the end of the initial set of audits, the district collector had dismissed all field assistants in 12 GPs and warned the rest<sup>2</sup>.

Social audits conducted afterwards revealed that after the initial set of audits, the discrepancies in procedures had reduced. A cross section of stakeholders including worksite beneficiaries was aware of the audit and its findings. Interaction with the laborers revealed that after the after the first social audit, wages were being paid on time. The only problem that still troubled the villagers was the weak follow up action in retrieving the swindled sums and poor enforcement of rules.

After the introduction of SSAAT, the social audit scenario in AP changed. Set up by the Department of Rural Development, Government of Andhra Pradesh, the Society for Social Audit, Accountability and Transparency (SSAAT) majorly concerns itself with the audits of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). As per the Act, social audits of MGNREGS have to carried out every six months.

The reason for the success of SSAAT's work has been a very strong administrative and political will which is necessary for any kind of work on transparency and accountability. Three reasons that especially make it successful are i. Setting up an

independent society backed with very strong rules, ii. It has an independent budget; iii. Complete autonomy from government control. This also gives them an ability to accept a non-government person as director.

**Rajasthan:** In the year 2009, under the initiatives of Member of Parliament, Mr. C.P. Joshi, social audits were conducted in the Bhilwara region of Rajasthan. From October 1 for 12 days 135 teams of social auditors went to 1,000 villages in 381 panchayats to find out how NREGA was being implemented. Eleven teams were chosen by Mr. CP Joshi through a lottery to conduct a social audit in 11 panchayats. These were Govardhanpura, Para, Tasvariya, Tirodi, Sangwa, Baran, Khachrol, Devariya, Lakhola, Dabla Kachra and Budliyas<sup>3</sup>. The exercise in social audits not only brought to light the loopholes in scheme implementation but also served as a training ground in auditing for the local population.

Nikhil Dey, activist with the Campaign for Right to Work and Information, laid down some ground rules before the audit's commencement. Practices such as not accepting any special food and hospitality from the sarpanch ensured minimal contact with the sarpanch. Also, the villagers with whom the group ate proved a more balanced source of information.

In response to a public interest litigation (PIL) filed by sarpanches from 16 villages in which social audits were conducted, a division bench of the Rajasthan High Court stayed NREG social audits in sixteen villages. An informal ban was imposed on taking help from the NGOs with respect to social audits in Jhalawar and Bhilwara districts because of this dispute.

The Rajasthan Government however has taken up the issue of social audits seriously in the recent past and it is following an approach different from the Andhra Pradesh model. The difference between the two approaches is that in Rajasthan, people are auditing MGNREGA works with the help of NGOs whereas in Andhra Pradesh the SSAAT (set up by the state government) is responsible for auditing the public welfare schemes.

Why SSAAT is present only in AP and not others because it is a state government initiative and not the government of India (GOI) initiative. AP was one of the first states to set up an independent body to conduct social audits of the MGNREGS which has been followed by the conduct of social audits of many more schemes. It is the only state to have passed social audit rules in the year 2008, based on which the GOI issued rules in the year 2011<sup>1</sup>.

**North – Eastern States:** Through the letter of the MGNREGA Director, to the Ministry of Rural Development dated 5th July 2012, an appraisal of the MGNREGS in the North Eastern states was presented along with suggestive measures to improve the implementation of the scheme, which are as under: i. Selection

of master trainers/ resource persons, ii. Identification of blocks for pilot social audit, iii. Training of master trainers at NIRD, iv. Preparation of state specific manuals, v. Setting up of social audit units

This hints at efforts being made in the north eastern states to improve social accountability through the means of social audits.

## Conclusion

Social activist Aruna Roy had criticized the government's move to allow procurement of materials for MGNREGS work from unregistered trading companies. A few years ago, during a social audit, it was found that a person running a cycle puncture shop had been given an order for material worth crores. 'It is unfortunate that despite having brought about 1,000 cases of irregularities and corruption before the Government, no action was taken against them', Roy pointed out. (Financial Express, 10th Oct, 2010).

Here are some of the suggestions that could be used to make the social audits more effective and efficient: i. While conducting a social audit, it is required that the purpose is clearly defined. ii. The stakeholders should be properly identified. iii. A note should be made of whether marginalized social groups, which are normally excluded, have a say on local development issues and activities and have their views on the actual performance of local elected bodies. iv. The auditor must obtain information from reliable sources. After the introduction of Right to Information Act in 2005, the task of obtaining statistics and other information from the government departments had become a lot easier than before. v. The performance indicators adopted by the society at large should be taken as standards in order to judge the performance. vi. Regular meetings and follow ups must take place in order to ensure the continuity and effectiveness of audits. vii. Proper mechanisms must be set up in order to recover the swindled money from the corrupt officials. viii. Substantive procedures are required to be devised instead of compliance procedures to gauge the performance. ix. Hierarchy needs to be defined for conducting social audits. x. External Parties such as NGOs should be involved in conducting audits.

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