

Social Audit in Panchayat

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Abstract

With growing availability of information, people in different parts of the globe want to become part of the governance in their respective country and area. They want accountability in all service delivery systems and establishments made to deliver the services, for which expenses are being made from the exchequer. Currently, social audit is considered an important tool to ensure accountability and transparency in the system of governance. In this context many people consider social audit as a panacea for every kind of economical misuse. However, there are many people who are ignorant of the procedures for conducting a social audit successfully; there exists a lot of confusion, chaos and even manipulation in its process.

The term social audit has been frequently in news. Few Years ago, a Parliamentary Standing Committee on Rural Development had recommended strengthening of comprehensive Grievance Redressal Mechanism, Social Audit from grassroots with periodic reviews to be conducted for timely follow-up. The committee has recently expressed dissatisfaction over the progress. The Government says that only ten states viz. Andhra Pradesh, Chhattisgarh, Gujarat, Karnataka, Mizoram, Sikkim, Telangana, Tamil Nadu, Tripura and Uttar Pradesh have operationalised social audit units as laid down in Social Audit Rules 2011 and states of Madhya Pradesh, Odisha, Manipur, Meghalaya, Rajasthan and Jammu and Kashmir are in the process of doing it. This monograph studies the Social Audit in detail.

Keywords: Social Audit, Accountability Transparency, Social and Ethical Performance Responsibility

Introduction

Audit is a word associated with the notion of accountability. The government spends huge sums of money and considerable resources on public welfare through various centrally and state sponsored programmes and schemes. Every public institution is accountable for the money and resources utilised to achieve the intended objectives. Audits examine this accountability. However, audits in common parlance usually refer to – and are restricted to – the inspection of the finances of the institution by an authorised body or department. These financial audits differ from social audits. Social audits examine the social accountability of public institutions from the perspective of the user community. This simply means the Social Audit examines whether the programmes implemented by the institution are effective, useful and relevant to its mandated target groups. Social accountability depends crucially on whether the two sides – the user community and the governing or implementing agency – are prepared to engage with each other in undertaking a social audit. For this, the community should be prepared to ask questions about the implementation of the programme and possess the will and ability to do so. On their part, the officials of the institution concerned should be prepared to respond to the demands and queries of the user community. Usually, the regular audit is a top down process where larger focus is on adherence to set procedures, rules and appropriateness of expenditure. On the contrary, social audit is a process to understand the efficiency of services from perspective of the users. Therefore, it is a bottom up process. Social audits examine social accountability in government programmes. They are ways to understand, measure, and consequently, improve an institution's social and ethical performance. They help foster a culture where processes are transparent, ethical and accountable, with inputs (financial, material, etc.), outcomes (physical, developmental, etc.) and procedures verified in public. The phrase, 'Hamara Paisa, Hamara Hisaab', aptly captures the spirit of a social audit. Simply stated, it means the community has the right to know whether the money collected in taxes has been used for its mandated objective. That makes a social audit a community-centric process where the community



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verifies the expenditure and output of a programme on the basis of feedback collected from the beneficiary groups. The mandated objectives of the programme may be provision of physical infrastructure (such as a school building or road) or services (such as vaccination or distribution of mid-day meals). Social audit examines the social accountability of the programme. It helps foster a culture where processes are transparent, ethical and accountable, with inputs (financial, material, etc.), outcomes (physical, developmental, etc.) and procedures verified in public. It leads to higher efficiency and effectiveness. It is also an empowering process that engages the community in implementing programmes, thereby strengthening its ownership of the programmes

What is Social Audit?

Social auditing is a process by which an organization / government accounts for *its social performance to its stakeholders* and seeks to improve its future social performance. The concept was pioneered by Charles Medawar in 1972.

A social audit helps to narrow gaps between vision/goal and reality; and between efficiency and effectiveness. It allows us to measure, verify, report on and to improve the *social performance* of any government effort or organization.

Social Audit is different from the development audit. The key difference between development audit and social audit is that a social audit focuses on the neglected issue of social impacts, while a development audit has a broader focus including environment and economic issues, such as the efficiency of a project or programme.

Review of Literature

Charles Medawar pioneered the concept of social audit in 1972 with the application of the idea in medicine policy, drug safety issues and on matters of corporate, governmental and professional accountability. So the concept of social audit originated from the concept of Corporate Social Responsibility (CSR) followed by corporate entities around the globe. The term social audit refers to the audit of the social responsibility role performed by a corporate entity. Social auditing provides an assessment of the impact of an organisation's non-financial objectives through systematically and regularly monitoring its performance and the views of its stakeholders. Again, if we take examples from India, there are number of documents that talks about social accountability, especially after independence. Ashok Mehta Committee (formed in December 1977) made 132 recommendations in its report (submitted in August 1978). One of the recommendations was related to establishment of a cell (comprising of a district level agency and a committee of legislators) to conduct social audit on a regular basis, to assess whether the funds allotted for the vulnerable social and economic groups are actually spent on them. Defining social audit, the committee said that the audit would not be in nature of financial audit or even of general programme discussions. Making it more specific, the committee emphasised that records would be subjected to close scrutiny and the criterion would be not financial disbursement but whether the intended benefits had reached the target groups. In India, civil society organisations (CSOs) like Mazdoor Kissan Shakti Sangthan (MKSS), Parivartan, etc. facilitated people's audit or public audit, particularly of some developmental schemes, in the last decade of the 20th century. These audits played a crucial role in educating people and enabled them to put pressure on the political parties and the administrative system to take corrective measures. The response of the administration varied, as these audits did not have legal sanctions. Nevertheless, these early processes paved the way for the introduction and acceptance of social audit.

Audit and Its Types

The word 'Audit' came from the Latin word audire, which means "to hear". The general definition of an audit is an evaluation of a person, organization, system, process, enterprise, project or product. The term most commonly refers to audits in accounting, but similar concepts also exist in project management, quality management, and energy conservation. Today, social audit refers to an inspection of financial statements to ensure that they are genuine. It also informs the stakeholder whether her financial statement complies with the accepted accounting standards. There are, basically, two types of audits - internal audit and external audit. In the Indian context, audits can be broadly divided in terms of whether it is (a) Government audit (b) People's audit. A government audit is conducted by government agencies or an agency empanelled by the government (e.g. the Institute of Chartered Accountants of India). Here it is useful to mention that the Comptroller and Auditor General (CAG) of the Government of India is the central government agency for conducting audits. The CAG conducts two types of audits – Regulatory and Performance audits. Countries like Nepal, Pakistan, Sri Lanka, Philippines, Finland, South Africa, Zimbabwe all have Auditor Generals, as the central government agency for conducting audits; , in Bangladesh and Indonesia the agency is the Comptroller and Auditor General, who have similar provisions, as the Auditor General, through which they conduct regulatory audits in their respective countries.

Regulatory Audits occur in two systematic steps. First, the compliance audit ascertains whether the expenditure was authorized, whether it was in conformity with the prescribed rules and regulations for spending public money and whether it was done with the approval of the concerned authority. In the second step, the financial audit analyses the financial statements to establish whether acceptable accounting standards for financial reporting and disclosure have been met.

Performance Audit is to assess that the programmes or schemes have achieved the objectives envisaged, at the lowest cost, and have given the intended benefits. It may be observed that, as audits conducted by government agencies do not have any role for people affected by the project/ schemes/ programmes audited. There emerged a demand for participatory audit (or people's audit), along similar lines to participatory monitoring. 2.3 People's Audit is based on the principle that people's participation can enhance systems of good governance. People's audit is therefore a process and not an end in itself. In any democratic system, public funds ultimately belong to the people and people should have a large role to play in their utilization. The government machinery must be held accountable for the manner in which it spends public money. People's audit provides a way to measure, understand, report and improve the social and ethical performance of the system. Social Audit is based upon this approach.

Objectives of the Study

The primary objective of a social audit is to ensure greater transparency and accountability in the delivery of development programmes. It also enhances community participation and ownership of the programmes. The implementing agency becomes more accountable and the community becomes more responsible for achieving the developmental goals. The vulnerable groups in the community get a chance to express their concerns and give their perspective on programme implementation. New strategies are visualised to speed up programme implementation to achieve the desired goals.

1. To assess the physical and financial gaps between needs and resources available for local development.
2. Creating awareness among beneficiaries and providers of local social and productive services.
3. Increasing efficacy and effectiveness of local development programmes.
4. Scrutiny of various policy decisions, keeping in view stakeholder's interests and priorities, particularly of rural poor.
5. Estimation of the opportunity cost for stakeholders of not getting timely access to public services.

Implications of Social Audit

1. Social auditing creates an impact upon governance. It values the voice of stakeholders, including marginalized/poor groups whose voices are rarely heard.
2. Social auditing is taken up for the purpose of *enhancing local governance*, particularly for strengthening accountability and transparency in local bodies.
3. Social Audit makes it sure that in democracy, the powers of decision makers should be used as far as possible with the consent and understanding of all concerned.

Social Audit in Panchayat

In India, social audits were first made statutory in a 2005 Rural Employment Act and government also issued the Social Audit Rules in 2011 under the MGNREGA Act.

Important Facts about Social Audit:

1. Social audits are generally supervised by autonomous bodies consisting of government and nongovernment representatives.
2. The 73rd Amendment of the Constitution empowered the Gram Sabhas to conduct Social Audits in addition to other functions.
3. Kindly note that CAG not empowered to conduct Accounting Audit of PRIs in the whole country.
4. No central policy or regulation making accounting audit and social audit mandatory.

The most appropriate institutional level for social audit is the *Gram Sabha*, which has been given 'watchdog' powers and responsibilities by the *Panchayati Raj Acts* in most States to supervise and monitor the functioning of *panchayat* elected representatives and government functionaries, and examine the annual statement of accounts and audit reports. These are implied powers indirectly empowering *Gram Sabhas* to carry out social audits in addition to other functions. Members of the *Gram Sabha* and the village panchayat, intermediate *panchayat* and district *panchayat* through their representatives, can raise issues of social concern and public interest and demand an explanation.

The *Gram Sabha* should have the mandate to

1. Inspect all public documents related to budget allocations, list of beneficiaries, assistance under each scheme, muster rolls, bills, vouchers, accounts, etc., for scrutiny
2. Examine annual statements of accounts and audit reports
3. Discuss the report on the local administration of the preceding year
4. Review local development for the year or any new activity programme
5. Establish accountability of functionaries found guilty of violating established norms/rules
6. Suggest measures for promoting transparency in identifying, planning, implementing, monitoring and evaluating relevant local development programmes
7. Ensure opportunity for rural poor to voice their concerns while participating in social audit meetings.

Social Audit Committees

Social audit can also be used for auditing the performance of all three PRI tiers with a social audit committee at each level. These committees should not be permanent, but can be set up depending on the nature of programmes/schemes to be audited.

Social audit committee members can be drawn from among programme stakeholders. It is advisable to use the services of retired functionaries of different organizations, teachers or persons of impeccable integrity living in the Zila *panchayat* / Block Panchayat / Gram *Panchayat* jurisdiction. Both facilitators and social audit committee members can be trained by social audit experts.

Steps in Social Audit in Local Bodies

1. Clarity of purpose and goal of the local elected body.
2. Identify stakeholders with a focus on their specific roles and duties. Social auditing aims to ensure a say for all stakeholders. It is particularly important that 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.
3. Definition of performance indicators which must be understood and accepted by all. Indicator data must be collected by stakeholders on a regular basis.
4. Regular meetings to review and discuss data/information on performance indicators.
5. Follow-up of social audit meeting with the Panchayat body reviewing stakeholders' actions, activities and viewpoints, making commitments on changes and agreeing on future action as recommended by the stakeholders.
6. Establishment of a group of trusted local people including elderly people, teachers and others who are committed and independent, to be involved in the verification and to judge if the decisions based upon social audit have been implemented.
7. The findings of the social audit should be shared with all local stakeholders. This encourages transparency and accountability. A report of the social audit meeting should be distributed for Gram Panchayat auditing. In addition, key decisions should be written on walls and boards and communicated orally.

Key Factors for Successful Social Audit

1. Level of information shared with and involvement of stakeholders, particularly of the rural poor, women, and other marginalized sections.
2. Commitment, seriousness and clear responsibilities for follow up actions by elected members of the *Gram Panchayat*.
3. Involvement of key facilitators in the process.

How to Enhance Local Capacities for Social Audit?

1. Organization of a mass campaign to increase public awareness about the meaning, scope, purpose and objectives of social audit.
2. Establishment of a team of social audit experts in each district who are responsible for training social audit committee members (stakeholders).
3. Implementation of training programmes on social auditing methods conducting and preparing social audit reports, and presentation at *Gram Sabha*

Social Development Monitoring (SDM): A Social Audit Process

SDM is a periodic observation activity by socially disadvantaged groups as local citizens who are project participants or target beneficiaries. It could also take the form of action intended to enhance participation, ensure inclusiveness, articulation of accountability, responsiveness and transparency by implementing agencies or local institutions, with a declared purpose of making an impact on their socio-economic status.

To be effective, the social auditor must have the right to:

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

Conclusion

The overall feature of Social Audit in the country is not so inspiring whether in public or private sector. Being a welfare state, government has the main responsibility to take care of its people, the society and the environment. Undoubtedly, we are unable to resolve even the prime social issues affecting the development of the nation after 69 years of independence. Still, 21.9% (rural poverty: 25.7%, urban poverty: 13.7, according to 2011 census) population in the country are living below the poverty line who are directly

dependent on the government for fulfilment of their basic needs. The Gram Panchayats at local level in rural areas and Urban Local Bodies in urban areas are engaged in providing basic amenities and employment to the underprivileged along with infrastructural development. Social Audit in MGNREGS alone may not result a good example unless the implementing institutions could be brought under the purview of Social Audit on regular basis. Secondly, application of Acts and Rules need to be properly implemented and it is only possible when there is strong political and bureaucratic willingness. Today, in spite of the provision of Social Audit and Audit Rules in respect of MGNREGS, the progress and quality of Social Audit is not satisfactory as reflected in NREGA website and in case of different studies.

Gradual urbanisation and the global market competition promote socio-economic vulnerabilities along with continual degradation of environment, a threat for next generations. In the mixed economy, government alone can't address these serious issues. Alike TATA Steel, the companies should come forward to partake in CSR activities as their business commitment. The NGOs, CSOs and other organisations should take a proactive role for holding their Social Audit reports. Panchayati Raj Institutions should undertake Social Audit at regular intervals. Most importantly, a genuine demand for accountability and mass consciousness are required in the country to make larger passage for Social Audit.

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