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Appreciation Programme

Participatory Social Audit: A Tool for Social Accountability

Module – I

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Participatory Social Audit: A Tool for Social Accountability

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Unit 1: Introduction And Objectives

1.1 Introduction

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.

This Module is divided into four units. The first unit provides an overall introduction to the Module and states its objectives. The second unit focuses on the relevance of social audit in social development. The third unit briefly explains the various types of audits. Finally, the fourth unit outlines the statutory provisions available in India to promote social accountability.

1.2 Objectives

This Module will help learners to:

- Develop a perspective on audits in general
- Understand relevance of social audit
- Understand different types of audits including social audit,

Unit 2: 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.

2.1 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.

2.2 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.

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Unit 3: Social Audit And Its Relevance

3.1 History Of Social Audit

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.

3.2 Types Of Social Audit

Guidelines and circulars of the National Rural Employment Guarantee Act (NREGA) provide an institutional design and create space for the community to participate in ensuring transparency and accountability. However, to make these designs operational and effective, some amount of facilitation is needed. In some states this facilitation has been carried out by government agencies themselves and in others by civil society organisations and academic and research institutions.

During the last five to six years, there have been different approaches to conduct social audit in India. The first one is to conduct it in a campaign mode; this served the dual purpose of raising awareness of the general public, which was then followed by village,

block or district level sharing. For example, the mass social audit that took place in Dungarpur, Rajasthan in April 2006, was used as a learning in Andhra Pradesh, where thirty-one NGOs and CSOs network came together with the Department of Rural Development, Government of Andhra Pradesh to conduct a mass social audit through a *padayatra* (street march) in Ananthapur district of the state in August 2006 (CEC 2006).

The second approach, mainly facilitated by government agencies, is to collect information on the basis of a pre-designed format for all Gram Panchayats of the district. Reports are then read in the Gram Sabha and also consolidated at the block and district level to be transmitted to higher authorities. States like Jharkhand, where Panchayats had not been constituted, adopted this approach.

The third approach, usually facilitated by CSOs, is done in selective Gram Panchayat and Blocks and data is collected with the help of volunteers, largely outsiders, and presented at the block level and district level public hearings attended by government officials. This approach has been adopted by organisations like Astha, MKSS, and activist-academicians such as Jean Dreze etc., during social audits in Uttar Pradesh, Jharkhand, Chhattisgarh, Rajasthan etc.

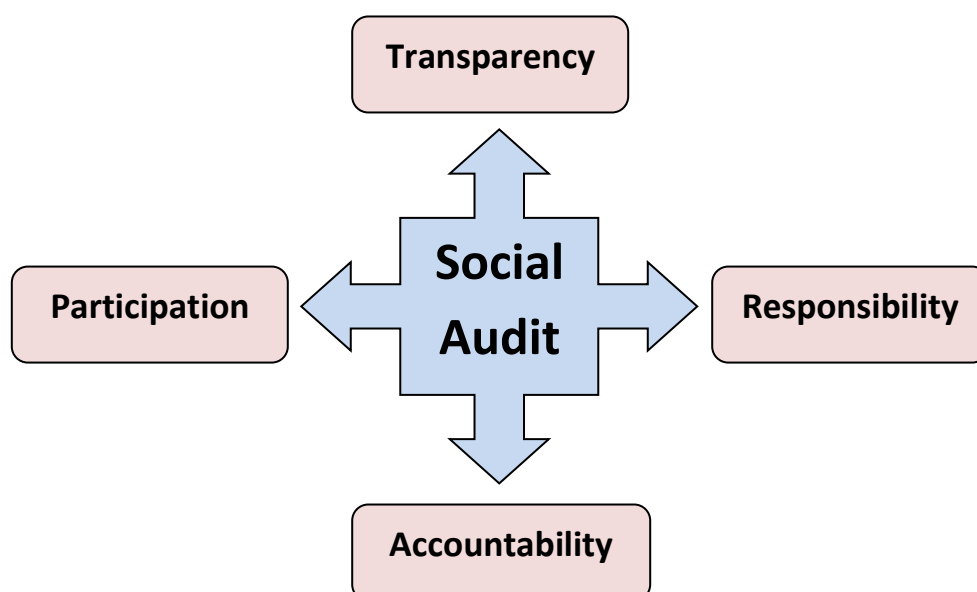
Finally, some groups have adopted an approach where the social audit is initiated by the Gram Panchayat, and facilitated by CSOs. A committee consisting of residents of that Gram Panchayat collects information and presents it in the Gram Sabha. The Rajasthan Government, in its guidelines, has adopted this approach. PRIA too has

adopted this approach in those Gram Panchayats where it is working intensively (PRIA 2007).

3.3 Relevance Of Social Audit

The people in coordination with the local administration conduct social audits. It is a process in which the details of resources, both financial and non-financial used by public agencies for development initiatives are shared with the people. The sharing takes place through a public platform. The process provides users an opportunity to scrutinise developmental activities and allows people to enforce transparency and accountability in those activities. Social audit strengthens downward accountability and helps in prioritisation of voices of the poor and marginalised. Different stakeholders, like community people (the primary beneficiaries), department officials, representatives of implementing agencies, office bearers of the institution of local government etc. participate in this audit.

Social audit is an important tool to promote accountability. Moreover; it promotes participation of the people, transparency of the system and responsibility of different stakeholders.



Transparency– Ensuring transparency in the administrative system and all its decisions is an ideal situation that can be promoted through the social audit. Public institutions can provide full access to all the relevant information to common people on a *suo moto* basis.

Participation– Social audit provides space to all the affected persons, including their representatives, to participate in all the phases of decision making and its validation.

Responsibility– Social audit increases a sense of ownership related to the activities, along with participation in the processes that are being carried out for development.

This ownership ultimately increases the sense of responsibility of the community members, before, during and after implementation of the projects.

Accountability– The ultimate objective of social audit is to enhance the level of accountability among all stakeholders. This also demands and fixes accountability of the elected representatives and government functionaries, along with the representatives of implementing agencies. The community now has open access to all the information regarding the consequences of the actions of these people that affect the intended beneficiaries.

Social audit also works as a monitoring tool. Monitoring is defined as checking, collecting and analysing information about a particular activity to improve the performance and result of that activity. It also enables project managers and members of the project team to take appropriate actions, so as to ensure the implementation of project according to the action plan. The involvement of the community in the monitoring process makes it more participatory. Social audit is a critical monitoring tool and can be taken up at any point of time, during and after the completion of the activity, to assess the end results of the activity.

Social audit can also be used as an evaluation tool. In general, the exercises related to evaluation are conducted by external agencies to ensure the unbiased and objective assessment of processes and outputs/outcomes. The involvement of local people in the process makes the exercise participatory. Social audit carried out jointly by external facilitators and by local communities could be termed as participatory evaluation.

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Summary

We have seen the ways in which social audit can be an improvement upon conventional audit methods, in, that it is more participatory, and hence more democratic. If the developmental projects are initiated for intended beneficiaries, it is important that these beneficiaries have a say over the audit of these projects.

Audits that are usually conducted by the government are inadequate because they exclude the concerned people in most steps. Therefore, the people remain unaware of details of the expenditure of money assigned for projects affecting their lives. Social audit attempts to pull them into the gambit of the functioning of audits and transfer to them a sense of ownership over the information collected.

Collaboration between the people and civil society groups like NGOs and CSOs, providing people with the required skills to successfully conduct a social audit would enhance the efficacy of the process.

Social audit then becomes a tool in the hands of the beneficiaries to monitor and evaluate the schemes undertaken by the Government for their benefit. It, consequently, pushes for systematic functioning without any manipulation on the part of the Government.

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