

**“The Possibility of Formulating
An Approach Framework for Social Auditing”.**

ABSTRACT

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ABSTRACT

Business units are creature of society and must respond to social demand, contribute much to society.

Corporation business entities are created to look after interests of various segment of society in which they exist.

Social audit is concerned with social performance of an organization .

Social audit concept as first developed by Bowen in USA IN Nineteen Fifties.

Social Audit is a systematic approach for business to account for their social impact and the extent to which they discharge their responsibilities. It recognizes the right of all who have a stake or interest in a business to information of all who have a stake or interest in a business to information about its social impact and ethical performance and responsibility of the organization to provide regular accounts. A business using the social accounting methodology need to:

1. Identify the social objectives and the ethical values of the organization against which its activities are to be assessed.
2. Define the stakeholder, key groups who have an interest in the organization and who can influence or be affected by its activities. The Audit examines the impact of the business on each stakeholder group from the stakeholder point of view.
3. Establish social performance indicators as well as providing information about its activities the organization will measure performance against agreed targets and established norms. Since the assessment is from the different stakeholders' perspective, they define appropriate indicators for measuring performance.

4. Measure performance – the accounts will contain comparative, normative and subjective data.
5. Keep Records – internal production of accounts is the normal practice where possible using a social bookkeeping system to record performance against the indicators continuously?
6. Prepare accounts – as far as possible preserving the authentic voice of the stakeholder. Generally accepted audit principles apply – relevance, Understandability reliability, completeness, objectivity, timeliness and consistency.
7. Submit the accounts to independent audit-the accounts are independently verified by a suitable qualified social auditor. Internally to begin with and later on externally. A Social Auditors Report is published with the accounts.

The Social Audit process has a two stage approach-First; an external person develops a methodology with the organization and stakeholders, and monitors the preparation of the social accounts.

The Social Audit is in the public domain because its results are disclosed to the stakeholders, as well as other groups. The publication of Social Audits offers the opportunity for stakeholders to pressurize the organization to change its practices, or at least to amend its declared principles in line with its practice.

Key Issues

Keeping in view the main objectives of the study the following key issues are to be addressed:

1. To study the need for Social Auditing practices.
2. To understand the key issues of social Auditing and analyzing Social Auditing framework.
3. To investigate into emerging trends in Social Auditing practices.
4. To study Social Auditing practices in selected organizations in India.

Research Methodology

Since the purpose of the proposed research study is explanatory in nature, hence both primary and secondary information have been used to achieve the above objective.

Procedure For Data Collection

The secondary data have been collected on the basis of the Director's Report and financial statement of companies and other relevant books and journals.

To obtain primary information for the proposed work, business executives, managerial personnel, accounting personnel, accounting experts and consultants have been contacted, with a suitably designed questionnaire.

Information so collected has been used to complete the work.

Scope

The study is based on the case study of two public and two private sector companies in India.

The present work has been completed with its division in to 6 chapters **The first chapter, Introduction** related to introduction of the topic, literature review, key issues to be addressed and research methodology, etc.

Chapter two, conceptual framework of social auditing has been designed to present a brief account of a social responsibility, concepts of social audit, purpose and used of social audit, benefits and snags, scope of social auditing, a comprehensive list of areas of social responsibility of business, and social audit in India.

Chapter three financial auditing and social auditing represented brief account of G.A.A.S in social auditing, audit performance, social report, relationship between financial auditing & social auditing and a clear picture of the difference between financial a auditing & social auditing

Chapter four Approach framework of social auditing several researchers approaches, companies of social audit models along with four an other approaches like integral welfare theoretical approach, social indicator approach, social income statement& balance sheet approach, descriptive approach, etc

Chapter five case studies of related organizations has been designed to have an two organizations in public sector – Coal India Ltd and ONGC and two organizations in private sector CCI and TISCO. A complete overview of these companies selected to social auditing has been presented in a questionnaire

Chapter six is concerned with conclusions and suggestions.

Coal India Ltd.

is a holding company with the responsibility for management of entire coal mines owned by central government Social accounting finds place as an item in the profit and loss account of the organization. The details of social expenditure are given in the schedules of expenditures of profit and loss account.

The schedule consists of social benefit to the employees such as- retirement benefits, medical benefits, stipend to trainees and staff welfare expenses such as interest concessions, training and career development, clothing and uniform, holiday benefits, concessions transport, educational facilities, canteen facilities at subsidized rate, and medical benefits in excess of statutory requirements, etc. Social investment includes, townships, buildings and other related expenditures. Benefits to the community consist of environmental improvements, generation of job and generation of business opportunities.

ONGC

Oil and National Gas Commissions –ONGC work in oil sector the objective of ONGC to help the country in conservation of oil, efficient use of energy and, lastly, the environment protection. The Commission prepares

social income statement and social balance sheet; following are the features of social accounting:

1. **Social benefit and social cost to the employees**, which shows “net social income” to employees, such as medical facilities, educational facilities, housing and township including water supply, confessional transport, training and career development, welfare facilities including clubs and canteens, and other etc. **Social cost to employees includes extra hours put in by executives and other costs.**
2. **Social benefits** include local tax paid to municipality, environmental protection, and generation of job potential to locals and generation of business of opportunities. **Social cost** to the community is represented by increase in the cost of living of local population and other etc. Excess of social benefits over social costs shows net social income to the community.
3. **Social benefits** to the general public include difference between international price and price received by commission for crude oil and natural gas, tax and duties paid to central and state governments and electricity generated, etc. **Social cost** to general public includes electricity consumed, and central services consumed, etc.net social benefits is depicted here.
4. The commission also prepares social balance sheet depicting social assets and social liabilities. Social assets include township, land, residential, fixtures electrification, water supply, furniture, fixtures dispensary, school building, hospital and school equipments and human assets. Social liabilities consist of social equity in form of contribution by employees.

The findings of the study are as follows:

1. Social accounting is done as supplementary information in annual reports
2. Except ONGC, all other organizations are not conscious and elaborative in this regard.
3. ONGC prepares social income statement, and social balance sheet adopting the cost –benefit analysis approach. In other organizations social accounting done as a part of the item,” employee salary and benefits”, in profit and loss account, and the details are given in the annexure of schedules.
4. The forms of accounting and various components of accounting are not uniform in all the originations.
5. The models, used for calculation are not mentioned by any of the organizations. In most of cases accounting is done on the basis of historical cost.
6. Investment in the area of environmental protection, ecological conservation and pollution control is deficient in all the units, except ONGC.

CCI

CCI has been making efforts to bring out”SocialAccounting”by drawing upon the guidelines of Abt.Associate Annual Report 1972 with such modifications as considered suitable. The Social Income statement **comprises three sub- statements each showing Company s social impact separately on staff, community and the general public comparing the benefits vis-à-vis the detriments (Costs) to the society.**

In this doctrine one shortcut total social benefits drawn by the society from the Company. as well as the detriments developed on the society due to the Companies activities.

TISCO

TISCO is the first company in India, which got its social activities, audited by outsiders and published its Social Audit Report in 1980. The first step towards this was the amendment of the Articles of Association by the company in 1970, by introducing Clause 3A,

Report in 1980, which was published by TISCO under a separate cover and not as a part of the annual report for the year.

The social audit report of TISCO is very exhaustive and contains **eleven chapters**. The concept and the justification of social audit has been explained in the first chapter. The remaining chapters have been devoted to the **evaluation of the performance of TISCO in relation to the development of Jamshedpur city as the first steel city of Asia, works and mines, pollution control, employer-employee relations, consumers, shareholders, community development and society welfare, rural development and society.**

It is heartening to note that TISCO has been the first company in India which got its social performance audited by a committee of **outside experts** and that the committee rates its social performance of a very high order. On the basis of the critical appraisal of the social audit report of TISCO, the following comments may be made:

- 1.The social audit committee claims to have followed Linowes, and Abts' models in conducting the social audit of TISCO. **However, it may pointed out that these models have emphasized on the**

preparation of quantified social performance statement, i.e., “Socio- Economic Operating Statement” (SEOS) and “Social Balance Sheet”. TISCO’s special audit lacks quantification. It is more in the descriptive form with financial and non-financial data.

2.The audit committee appointed by TISCO TISCO’s report seems to be inadequate in this regard.

3.One point is very significant in the social audit report of TISCO all identified its “social objectives” by amending its articles ,social audit from outside expert So it can be said that the company has followed the **“programme Management Approach”**.

The company got its social audit conducted only once

The professional accounting institutes in India have not yet issued any guideline on the subject .The institutes should issue guidelines and should also include this emerging subject in their curriculum

SRA is also important in the background of the **“New Economic Policy;”** because should not be determined on the basis of **financial profit a; one. Social profit** is equally important. Secondly, under ‘**open market economy**’, there must be an overall control on the corporate sector .**SRA is one of the important tools of control in this direction.**

The government of India should come forward with an appropriate enactment on SRA.