

Social Audit: A New Perspective

Dr. Suresh Saini*

Assistant Professor, Faculty of Management Studies, Jagannath University, Jaipur, Rajasthan, India.

*Corresponding Author: drsureshabst@gmail.com

Citation: Saini, S. S. (2025). *Social Audit: A New Perspective*. *International Journal of Advanced Research in Commerce, Management & Social Science*, 08(04(I)), 205–211. [https://doi.org/10.62823/ijarcms/8.4\(i\).8213](https://doi.org/10.62823/ijarcms/8.4(i).8213)

ABSTRACT

Social audit has emerged as a powerful mechanism for enhancing accountability, transparency, and participatory governance across public and private institutions. Traditionally viewed as a tool for evaluating the social performance of development programmes, the concept has now evolved to incorporate broader dimensions such as stakeholder engagement, ethical governance, sustainability reporting, and community empowerment. This new perspective positions social audit not merely as a post-implementation review, but as a continuous process that integrates social responsibility into organisational decision-making. The paper explores contemporary frameworks, methodological advancements, and technological enablers—such as digital platforms, data analytics, and participatory monitoring systems—that are reshaping the practice of social auditing. It also highlights emerging challenges, including capacity gaps, data reliability issues, and the need for stronger institutional support. By providing a holistic understanding of the modern social audit ecosystem, this study emphasizes its potential to strengthen democratic processes, improve developmental outcomes, and foster an inclusive and ethically responsible organisational culture.

Keywords: Social Audit, Transparency, Accountability, Participatory Governance, Community Engagement.

Introduction

The term 'Audit' is derived from the Latin word 'Audire' that means to hear. Audit is a comparison between the performance of a certain activity vis-à-vis some established reasonable norms. The concept of social audit originated in the European and American countries in the middle of the 20th century as a process of monitoring, appraising and measuring the social performance of the business organizations. 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.

Social auditing is the process of assessing and reporting a business's performance in fulfilling the economic, legal, ethical, and philanthropic social responsibilities expected of it by its stakeholders. The social audit provides an objective approach for an organization to demonstrate its commitment to improving strategic planning, including social accountability. There are many reasons companies choose to understand, report on, and improve their social responsibility performance. A social audit looks at factors such as a company's record of charitable giving, volunteer activity, energy use, transparency, work environment and worker pay and benefits to evaluate what kind of social and environmental impact a company is having in the locations where it operates. Social audits are optional-companies

Social Audit gives an understanding of the administrative system from the perspective of the vast majority of people in the society for whom the very institutional/administrative system is being

promoted and legitimised. Social Audit of administration means understanding the administrative system and its internal dynamics from the angle of what they mean for the vast majority of the people, who are not essentially a part of the State or its machinery or the ruling class of the day, for whom they are meant to work. A social audit is a process by which the people, the final beneficiaries of any scheme, programme, policy or law, are empowered to audit such schemes, programmes, policies and laws. A social audit is an ongoing process by which the potential beneficiaries and other stakeholders of an activity or project are involved from the planning to the monitoring and evaluation of that activity or project.

Meaning and Definition of Social Audit

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. Social auditing creates an impact upon governance. It values the voice of stakeholders, including marginalized/poor groups whose voices are rarely heard. Social auditing is taken up for the purpose of enhancing governance, particularly for strengthening accountability and transparency in local bodies.

Some entrepreneurs refer to social audit as a social statement or report, business response to social priorities, report on corporate, societal policies and actions etc. Social audit is a major managerial approach for developing social programmes, as well as for reporting what is being done. Social audit focuses its attention on social performance or social involvement and social responsibility of the activities of a company and is defined as 'a commitment to systematic assessment of and reporting on some meaningful domain of company's activities that have social impact'. A social audit is designed to act "as a guide to internal management", "to balance commitments to social activity against job activity" and "to make sure the company is fulfilling its promises and commitments."

The definition given by **Omani-Antwi (2009)** on social audit is seen to be more of 'cost-saving' activity and in meeting 'social' requirement. To him, social audit concept is meant to cover matters such as workplace health and safety, employee retention, human rights issue and working conditions. He further argues that, both opportunities to save money, enhance work quality, approve employee health and safety, reduce liabilities and achieve business values. He then concludes that, social audit recognizes the fact that the sphere of influence of a company's activities extend beyond the relationship between the directors and shareholders.

D Crowther defines social accounting in this sense as "an approach to reporting a firm's activities which stresses the need for the identification of socially relevant behavior, the determination of those to whom the company is accountable for its social performance and the development of appropriate measures and reporting techniques.

Review of Literature

Crowther (2000) defined social audit as reporting socially relevant behavior, measurement techniques, and accountability determination.

Omani-Antwi (2009) saw social audit as a cost-saving and compliance-enhancing system addressing workplace safety, human rights, and working conditions.

Social Audit in Public Governance

PRIA (2009) and CEC (2006) highlight the role of social audits in identifying gaps in developmental schemes, increasing participation, and strengthening democratic governance.

Indian Context – MGNREGA Social Audit Model

The Andhra Pradesh Social Audit Society (APSAS) model is internationally recognized for:

- Empowering local communities
- Reducing fraud and irregularities
- Enhancing community ownership

Existing Gaps

Studies underline persistent issues:

- Lack of community awareness

- Absence of trained personnel
- Bureaucratic resistance
- Inadequate follow-up actions

Objectives of a Social Audit

- Assessing the physical and financial gaps between needs and resources available for social aims and objectives.
- Evaluation of the prospect cost for stakeholders of not getting timely access to public services.
- Creating awareness among beneficiaries and providers of local social and private services.
- Inspection of various policy decisions, keeping in view stakeholder interests and priorities, particularly of rural poor.
- Increasing efficacy and effectiveness of local development programmes.

Benefits of Social Auditing for Government Departments

The following are the benefits of Social Audit:

- **Improves Reputation:** A Social Audit generates valuable insights into how a department or institution performs ethically and how citizens view the services it delivers. The social dimension of service delivery whether actual or perceived plays an important role in shaping the public image of government bodies and their officials. With increasing service benchmarks and growing citizen awareness through tools like citizens' charters, government agencies strive to enhance their credibility. Social Audits help both the legislature and executive pinpoint areas of concern and offer an opportunity to take proactive measures and develop effective solutions.
- **Helps Policymakers Track Stakeholder Trends:** Social Audits enable administrators to understand, anticipate, and respond to stakeholder concerns. They provide vital information on the expectations, interests, and viewpoints of different groups, strengthening the interconnected relationship between government and the community.
- **Drives Positive Organizational Change:** By identifying specific areas that need improvement and tracking progress toward those goals, Social Audits promote constructive change within institutions. When integrated into existing management practices, they allow staff involved in daily operations to better factor in stakeholder expectations and concerns.
- **Strengthens Accountability:** With growing emphasis on transparency in government functioning, information shared must be accurate and trustworthy. Social Audits rely on external verification to ensure that the process is comprehensive and unbiased. This independent validation enhances the credibility of the department's efforts. Ultimately, the true value of a Social Audit is reflected in how effectively the department improves its performance in alignment with its mission, values, and objectives.
- **Helps Realign Priorities:** Social Audits can guide departments in reshaping their priorities to better reflect the needs and aspirations of the public.
- **Boosts Confidence in Social Initiatives:** By highlighting neglected or low-priority social areas, Social Audits encourage departments and institutions to engage with greater assurance and commitment in these fields.

Major Areas of Social Audit

The National Association of Accountants Committee on Accounting for Corporate Social Performance (1974) outlined four key domains for social audit reporting. These major areas include:

(i) Community Development, (ii) Human Resources, (iii) Physical Resources and Environmental Contribution, and (iv) Product or Service Contribution. A brief explanation of each area is given below.

- **Community Development**

This area focuses on the influence of an organization's activities on individuals and groups beyond its direct business operations. It reflects a shift in corporate philosophy, as funds allocated for community-oriented activities go beyond the traditional objectives stated in a company's Memorandum of Association. Common initiatives under community development include:

- **Housing:** Construction of residential units, financial support for housing, and improving living standards of employees by offering essential amenities.
- **Transportation:** Providing free or subsidized transport facilities.
- **Health Services:** Supporting healthcare initiatives to reduce illness and promote well-being among the community.
- **Planning and Development:** Activities related to area development, social planning, and crime reduction.
- **Food and Education:** Supplying food grains, refreshments, and offering educational assistance to the public and employees' dependents either free or at concessional rates.
- **Human Resources**
This dimension covers the organization's commitment towards the welfare and development of its employees. It includes policies and practices related to recruitment, orientation and training, working conditions, transfers and promotions, job security, workforce stability, and procedures concerning layoffs.
- **Physical Resources and Environmental Contribution**
This area highlights the organization's efforts to protect the environment and manage physical resources responsibly. It involves initiatives to control pollution, reduce environmental degradation, and enhance product designs to minimize harmful environmental impacts.
- **Product or Service Contribution**
This dimension relates to the quality and integrity of products and services offered by the organization. It involves aspects such as product safety, durability, honest advertising, accuracy of labeling, service guarantees, and overall customer satisfaction.

Principles of Social Audit

Over time, various institutions and experts have identified common principles that define an effective social audit. A robust social audit process typically demonstrates the following attributes:

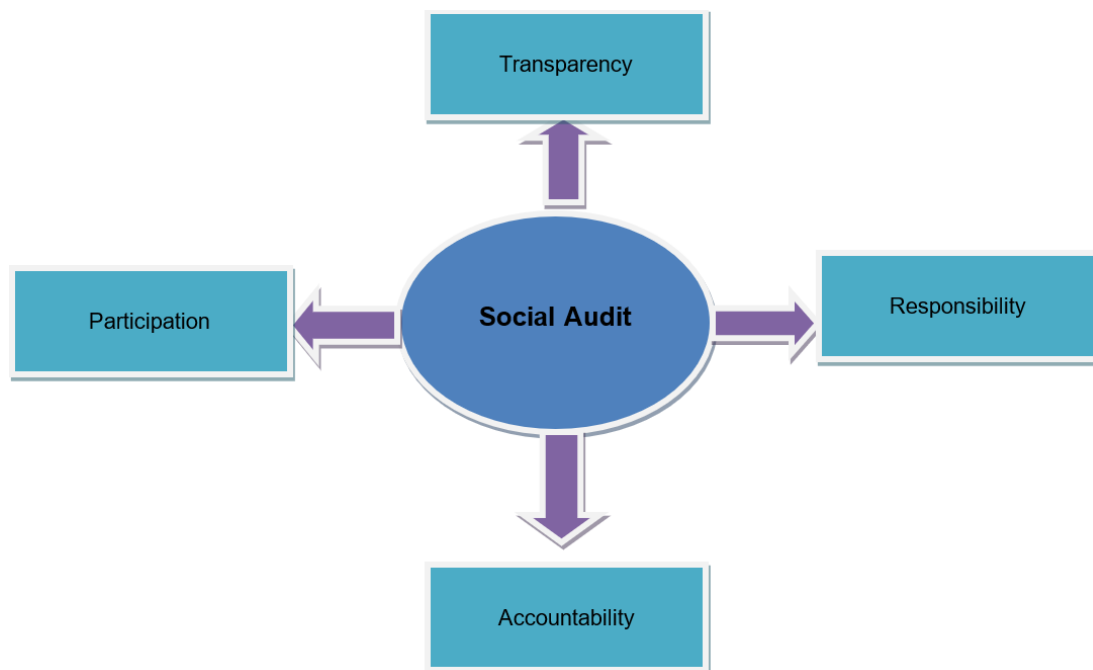
- **Improvement in Social Performance:** The fundamental purpose is to promote ongoing enhancement in an organization's social achievements in line with its defined objectives.
- **Multi-Perspective Approach:** All stakeholders—those affected by the organization and those who influence it—should be actively engaged in the audit process.
- **Comparability:** The audit should allow comparisons across different periods, with similar organizations, and among various stakeholder groups.
- **Comprehensiveness:** The process must ensure that all relevant areas are assessed and no significant concern is ignored due to organizational preference.
- **Regularity:** Conducting the audit at fixed intervals (preferably once every two years) strengthens consistency and credibility.
- **Verification:** Independent external verification enhances reliability and trust in the reported findings.
- **Publication:** Sharing the audit results or a summary with stakeholders promotes transparency and accountability.
- **Continuous Improvement:** Feedback from stakeholders should be incorporated to refine the audit process and improve reporting standards.
- **Integration:** The social audit mechanism should be embedded within the organization's broader information and management systems for better alignment and effectiveness.

Relevance of Social Audit

Social audit represents a collaborative mechanism through which citizens, in partnership with local administrative authorities, review the utilisation of public resources. It involves the systematic disclosure of financial and non-financial information related to development programmes on an open public platform. By making such information accessible, social audits enable community members to critically assess the implementation of development activities.

This process enhances transparency and strengthens accountability by allowing beneficiaries to question, validate and verify the actions of public agencies. It also reinforces downward accountability by ensuring that the concerns of disadvantaged, poor and marginalised groups are prioritised in the evaluation of public initiatives. The exercise draws participation from multiple stakeholders, including community members as direct beneficiaries, officials from concerned departments, representatives of implementing organisations, and elected members of local governance institutions.

Overall, social audit serves as a vital instrument for promoting responsible governance. It encourages citizens' participation, fosters openness in administrative functioning, and clarifies the roles and responsibilities of various actors involved in development processes.



Transparency

Social audits play a crucial role in strengthening transparency within administrative systems. By mandating the proactive disclosure of relevant financial and non-financial information, public institutions enable citizens to access essential data without formal requests. This open flow of information fosters trust, reduces information asymmetry, and supports more informed public engagement in governance processes.

Participation

A key feature of social audit mechanisms is their inclusive and participatory character. They create structured opportunities for all stakeholders—particularly those directly impacted by developmental interventions—to engage in each stage of planning, decision-making, implementation, and review. This participatory environment ensures that diverse voices contribute to the validation and refinement of public programmes.

Responsibility

Through their collaborative approach, social audits promote a sense of collective ownership over developmental initiatives. When community members are actively involved in monitoring and assessing ongoing activities, they develop a stronger sense of responsibility regarding the success of these interventions. This shared responsibility extends across the entire project cycle, from pre-implementation planning to post-implementation follow-up.

Accountability

Enhancing accountability is one of the core objectives of social auditing. The process compels elected representatives, government officials, and implementing agencies to justify their decisions and actions in a public forum. By making information accessible and enabling community scrutiny, social audits strengthen downward accountability and ensure that the consequences of administrative decisions are openly examined. This ultimately safeguards the interests of intended beneficiaries and promotes ethical governance practices.

Research Methodology

Research Design

Descriptive and empirical design using mixed methods.

Data Sources

- **Primary Data:** Surveys of 200 beneficiaries across 4 districts (Jaipur, Ajmer, Bhilwara, Alwar)
- **Secondary Data:** Reports from CEC, PRIA, MGNREGA social audit units

Tools & Techniques

- Percentage analysis
- Mean score analysis
- Likert scale perceptions
- Comparative analysis across districts
- Trend analysis (5-year period where applicable)

Data Analysis & Interpretation

Beneficiary Perception on Effectiveness of Social Audit

Table 1: Perception Scores (Likert Scale: 1=Very Low, 5=Very High)

Factor	Jaipur	Ajmer	Bhilwara	Alwar	Mean
Transparency	4.2	4.0	3.8	4.1	4.02
Accountability	4.1	3.9	3.7	4.0	3.93
Participation	3.8	3.7	3.5	3.9	3.72
Reduction in Corruption	3.9	3.6	3.3	3.8	3.65
Service Quality Improvement	4.0	3.8	3.6	3.7	3.78

Interpretation

Transparency scored the highest (Mean = 4.02), indicating social audits significantly improve visible access to information. Reduction in corruption scored lowest (3.65), suggesting room for strengthening enforcement.

Impact on Leakages in Welfare Schemes

Table 2: Comparative Reduction in Leakages (Before vs. After Social Audit)

District	Leakage Before (%)	Leakage After (%)	% Reduction
Jaipur	18	7	61%
Ajmer	22	10	55%
Bhilwara	25	12	52%
Alwar	20	9	55%

Interpretation:

Overall leakage reduction averages 55.75%, confirming social audits significantly curb misappropriation.

Awareness Levels

Table 3: Beneficiary Awareness Regarding Social Audit Process

Awareness Component	Aware (%)	Not Aware (%)
Social Audit Meetings	64	36
Access to Documents	48	52
Grievance Mechanism	55	45

Interpretation:

The public has limited awareness of documentation and grievance redressal systems, requiring more community mobilization.

Challenges Identified**Table 4: Challenges Ranked by Respondents**

Challenge	Rank
Lack of awareness	1
Political interference	2
Untrained staff	3
Poor follow-up action	4
Bureaucratic resistance	5

Conclusion

Social audit has emerged as a transformative instrument for strengthening transparency, accountability, and participatory governance across public institutions. The findings of this study reaffirm that social audits are not merely evaluative tools but powerful mechanisms that place citizens at the core of developmental processes. By ensuring open access to information, encouraging community involvement, and compelling public officials to justify their actions, social audits reinforce democratic values and help bridge the gap between policy intent and ground-level outcomes.

The empirical analysis across four districts demonstrates that social audits significantly enhance transparency, improve service quality, and reduce leakages in welfare schemes. A notable reduction of more than 55% in financial leakages highlights their effectiveness in minimizing corruption and misappropriation. At the same time, the data indicates persistent challenges—particularly limited awareness, political interference, and insufficient follow-up mechanisms—which must be addressed to strengthen the long-term impact of social audits.

This study shows that social audits function most effectively when supported by trained personnel, institutional commitment, and active community participation. Their true value lies in fostering a culture of shared responsibility where citizens and administrators work collaboratively toward development. As governance systems evolve and the demand for public accountability grows, social audits offer a sustainable pathway for achieving inclusive growth, ethical administration, and greater public trust. Strengthening capacity-building efforts, enhancing awareness, and integrating technology-driven monitoring can further deepen the effectiveness of social audits and ensure that benefits reach the most vulnerable sections of society.

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