

# THE SOCIAL AUDITOR

**YOUR INSIGHT JOURNAL**

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**ICMAI Social Auditors Organisation**

**(A Section 8 Company promoted by The Institute of Cost Accountants of India)**

## **Social Stock Exchange**

SEBI vide its notification dated 25th July, 2022 has made amendments in the SEBI (ICDR) Regulations, 2018, and SEBI (LODR) Regulations, 2015. Copies of these amendments are being circulated with this communique. These amendments have been made to provide Social Enterprises with additional avenues to raise funds through the Social Stock Exchange (SSE), which is a novel concept in India. It provides eligibility of organizations to raise funds through Social Stock Exchange, eligibility of entities to be classified as “Not for Profit Organization”, eligibility of entities to be classified as “For Profit” Social Enterprises, means through which Social Enterprises can raise funds, and obligations of Social Enterprises.

Furthermore, to strengthen the governance framework in these entities, & provide better confidence to such investors, SEBI has introduced the concept of Annual Impact Report by a Social Auditor. The purpose of this Social Audit is to ascertain the impact made by the Social Enterprise through its activities, intervention, programs or projects implemented during the reporting period. The annual impact report shall be audited by a Social Auditor.

## **ICMAI Social Auditors Organisation (ICMAI SAO)**

To enroll & regulate the Social Auditors and also to prescribe the Social Audit Standards, the Institute of Cost Accountants of India, in compliance with SEBI Regulations, has incorporated a section 8 company titled ICMAI Social Auditors Organization. The ICMAI SAO will enroll eligible CMAs & others as Social Auditors and focus on their capacity building through continuous professional advancement with emphasis on adherence to the highest ethical standards and compliance with the Social Stock Exchange requirements.



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# FROM THE CHAIRMAN'S DESK

**CMA Vijender Sharma**  
**Chairman**  
**ICMAI Social Auditors Organisation**

The development sector in India is now maturing with thrust coming from the government as well as the corporate sector. With the government realising that it is no longer possible to follow the development agenda given the sheer size and numbers, the corporate sector is also coming forward. The professionalization of this is a natural corollary. Even the way of doing business is undergoing a paradigm change with factors such as sustainability, culture, social responsibility and governance coming to the fore. To manage this transition, there is an increasing demand for people who are educated and possess the right skillset.

Social Science has been keenly working on the dynamics of the processes involved in the transformation of societies as they embark on the road to development. History shows us that the transformation of any society is a process that diverges from a simple task oriented process to a holistic development effort. The transformation of any society is structural, complex, continuous and dependent on a host of factors that fuel the change.

In a structurally diverse country such as India, development is driven through a management process that requires a deeper understanding of the dynamics of a mixed economy with an agenda that is led by populist government policies and intervention . One thing is clear. In development, there is no end game. Transformation is a continuous and cyclical process of change that evolves over a period of time.

# FROM THE CEO'S DESK

**CMA (Dr.) S K Gupta**  
**Chief Executive Officer**  
**ICMAI Social Auditors Organisation**

As per the Human Development Reports (HDRs) published annually by the UNDP since 1991, India has consistently improved on the human development front and is grouped among the countries with 'medium human development'. But, some components of human development indicators for health and education continue to lag behind the improvement in income, and India's rank in terms of Human Development Index (HDI) and Gender Development Index (GDI) continue to be low compared to even some countries of our region.

Sustained economic growth guarantees social sector development in a tangible manner. Adverse macro economic imbalance and high inflation on the other hand affect the poor and vulnerable segments of the population adversely. For Social Sector development, it is, therefore, important that the high growth rate of the economy is sustained over a longer period.

Availability of resources alone can not guarantee social sector development. The efficacy of a large number of government programmes on the ground would have to be vastly improved through various measures. An efficient management and improved delivery of these programmes are essential to implement most social sector programmes through the decentralized system of Panchayati Raj Institutions (PRIs) with full participation of the people. This would also ensure transparency in implementation which would effectively check leakages in these programmes.



## PROFESSIONAL DEVELOPMENT PROGRAMS



**ICMAI Social Auditors Organisation**

**(A Section 8 Company promoted by The Institute of Cost Accountants of India)**

<b>March 2023 to April 2023</b>	
<b>Date</b>	<b>Name of Program</b>
<b>25th March 2023 to 02nd April 2023</b>	<b>1st Batch Preparatory Course for Social Auditors Examination</b>
<b>08th April 2023 to 16th April 2023</b>	<b>2nd Batch Preparatory Course for Social Auditors Examination</b>
<b>22nd April 2023 to 30th April 2023</b>	<b>3rd Batch Preparatory Course for Social Auditors Examination</b>
<b>01st April 2023 to 02nd April 2023</b>	<b>Social Audit Bootcamp</b>
<b>22nd April 2023 to 23rd April 2023</b>	<b>Social Audit Bootcamp</b>

<b>Upcoming Program</b>	
<b>Date</b>	<b>Name of Program</b>
<b>03rd May 2023</b>	<b>Round Table (Professional Opportunities in Social Sector)</b>
<b>04th May 2023</b>	<b>Professional Opportunities in Social Sector</b>
<b>06th May 2023 to 12th May 2023</b>	<b>4th Batch Preparatory Course for Social Auditor Examination</b>
<b>07th May 2023</b>	<b>Impact Assessment of Social Projects</b>
<b>13th May 2023 to 14th May 2023</b>	<b>Practical Aspects of Social Audit</b>

# Articles



# Leveraging Social Audit for Good Corporate Governance

**Dr. S K Gupta**

*Chief Executive Officer*

*ICMAI Social Auditors Organisation*

## **The Perspective**

Corporations around the world are struggling with a new role, which is to meet the needs of the present generation without compromising the ability of the next generations to meet their own needs. Organizations are being called upon to take responsibility for the ways their operations impact societies and the natural environment. They are also being asked to apply sustainability principles to the ways in which they conduct their business.

In today's competitive globalised world, the most commonly discussed terms as a part of viability and credibility of the organisations are sustainability and social responsibility. Improving the performance and creating a clean image in the eyes of shareholders and various stakeholders are becoming more and more relevant goals among organisations. This has enhanced the need for a non- financial audit which takes into consideration the relationship of an organisation with the factors that may affect the reputation of the organisation, they are, environment, health and safety standards, society and governance within and outside the organisation.

## **Social Audit**

A social audit is a formal review of a company's endeavours, procedures, and code of conduct regarding social responsibility and the company's impact on society. A social audit is an assessment of how well the company is achieving its goals or benchmarks for social responsibility.

The “Centre for Good Governance” in its Social Audit toolkit defines “Social Audit” as “an independent evaluation of the performance of an organization as it relates to the attainment of social goals. It is an instrument of social accountability of an organization”. The “World Bank” considers Social Audit as a process “that collects information on the resources of an organization.

## **The Social Audit Process**

The Social Audit process is cyclical, it is made up of four accumulative elements each one following on from the previous one and informing the next element until the audit cycle is completed. The process itself creates a learning culture which grows and strengthens year on year. The four elements of the Social Audit cycle are as follows:



## Corporate Governance

Corporate Governance can be defined as a systematic process by which companies are directed and controlled to enhance their wealth generating capacity. Since large corporations employ vast quantum of societal resources, we believe that the governance process should ensure that these companies are managed in a manner that meets stakeholders aspirations and societal expectations.

### The 4 Principles of Corporate Governance

Four principles lie at the heart of good corporate governance. Accountability, transparency, fairness and responsibility

- **Accountability** : Being able to explain every action you take in your business is vital in building confidence among your stakeholders and shareholders. Accountability is about more than simply understanding where blame or praise lies once something happens. Proactively taking steps to own your decisions means discovering risks and creating solid internal control systems. Understanding and taking ownership of risks is crucial for the success and future of your organization.
- **Transparency** : Transparency, like accountability, engenders confidence. It lets others know that you have nothing to hide while improving accountability for the company's actions. The company's willingness to provide clear information to all shareholders and stakeholders regarding its performance plays a significant role in any decision. Informed decision-making is only possible with systems that provide accurate and reliable information.
- **Fairness** : Good corporate governance requires equal treatment of all stakeholders Fairness is as much about ethics as good business sense. Unequal treatment leads to a lack of support and interest in your company. No one wants to invest in a company that treats some better than others.
- **Responsibility** : You're responsible and accountable for your actions. Poor performance has consequences. This is reflected in everything from the media to share prices. Failing to lead in an informed and reasonable manner hurts your corporation at every level.

### Facets of social audit

Social Audits are needed in corporate organizations as it helps in covering the following areas:

- **Observing and Feedback**: Social Audits help to screen the social and moral effects of organizations performance and provide feedback about the work, meeting the need of the individuals in society.
- **Accountability and Transparency**: Social Audits guarantees accountability and straightforwardness in the working culture of corporate organizations and decrease the trust hole amongst individuals.
- **Ethical Issues**: Social Audit offers a reason for fighting out what is correct and what is wrong as far as a given circumstance. Ethics is best comprehended when we refer to unethical conduct such as unfair trade practices, price discrimination, etc.
- **Equal Opportunity**: Social Audits provide values of treatment in organizations and a reasonable equality framework in the corporate sector creating better human rights conditions in the society.
- **Enhance Quality of Life at Work Place**: Besides the request for protected safe and healthy human work conditions individuals are looking for more significance to their lives, with more growth, freedom, flexibility, and reward system which employees prefer are conditions in equilibrium to human rights conditions.
- **Ecological Protection**: Growing water, air and natural contamination by various organizations and industries have promoted a need for "natural security" and environment protection at any expense.

### Social audit enhances Corporate Governance

Good governance is not only crucial for corporations, it's important for society. There's a growing recognition that there is a close relationship between corporate governance and social responsibility.

The social audit is interconnected with the corporate governance and contributes to the increase of the trust and transparency between stakeholders. Through the auditing process, a firm can demonstrate the positive impact of social responsibility efforts on its bottom line, convincing stakeholders of the value of more socially responsible business practices

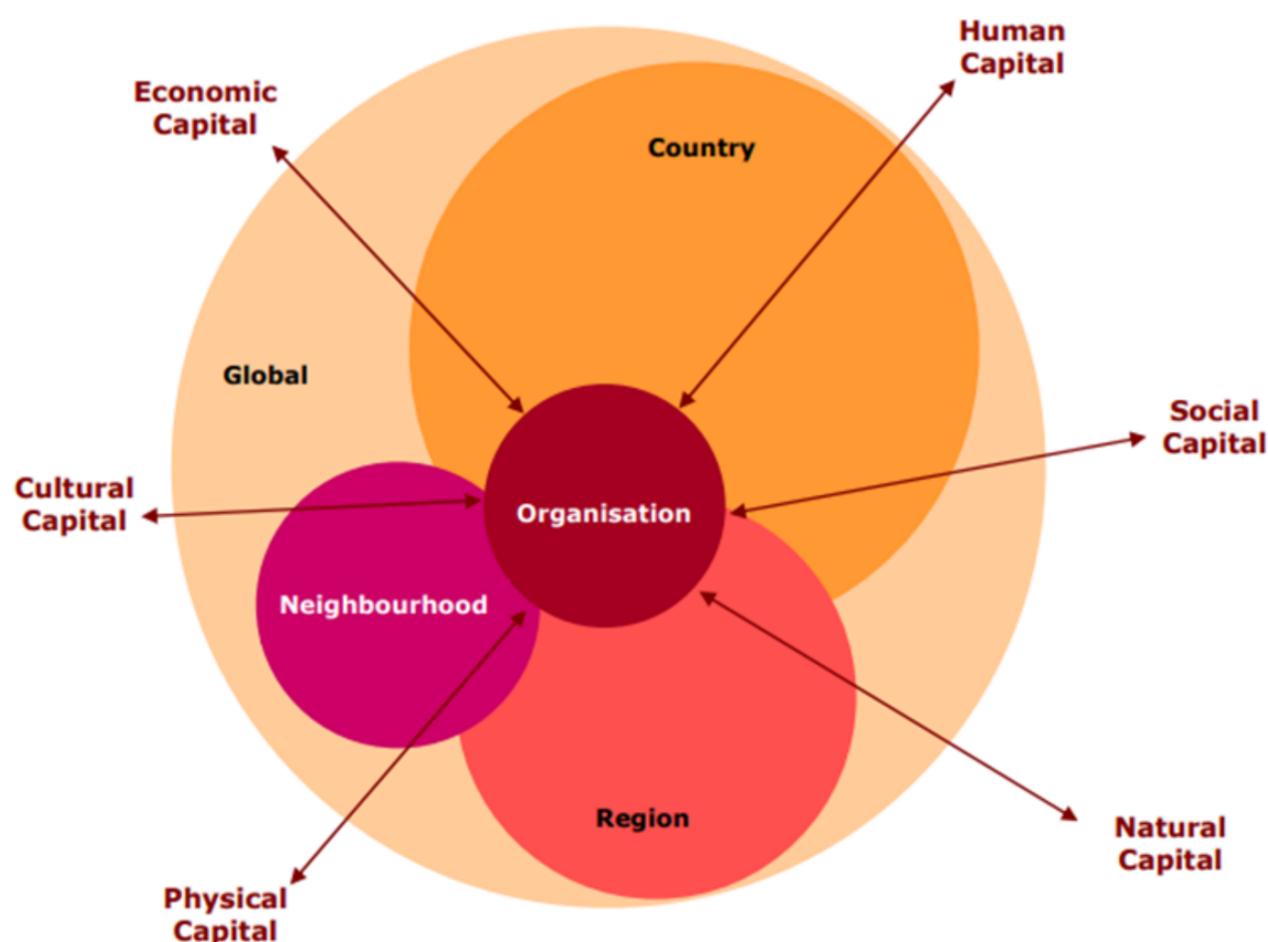
- Social auditing creates an impact upon governance. It values the voice of stakeholders, including marginalized/poor groups whose voices are rarely heard.
- Social auditing is taken up for the purpose of enhancing local governance, particularly for strengthening accountability and transparency in local bodies.
- 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.
- Trains the community on participatory local planning.
- This can allow the business to make better informed decisions about the impact of its activities upon stakeholders.

A social audit will generally examine the organization's policies and practices in the following key areas:

- **Ethics** : what the organization's policies are, whether or not they are being upheld or undermined by the enterprise's day-to-day activities
- **Staffing** : how the enterprise rewards, trains and develops its staff, as well as the way in which the enterprise ensures that it is non-discriminatory, fair and equitable to everyone working there
- **Environment** : the enterprise's policies relating to caring for the environment, waste management and disposal, and damage reduction, and whether or not the enterprise is adhering to these policies
- **Human rights** : how it ensures that it does not violate human rights, or deal, trade with or support any Organization that violates human rights
- **Community** : the organization's policies relating to the local community, and community involvement; These policies might, for example, cover community partnerships or community projects, and checks will be made during the social audit to ensure that agreements are being upheld
- **Society** : the organization's policies relating to society as a whole, and the way in which the enterprise seeks to improve or benefit society
- **Compliance** : how the organization complies with statutory and legal requirements, such as health and safety, employment law, environmental law, criminal law and, of course, financial and tax laws. All of these policies, ethics, staffing, environment, human rights, community, society and compliance, together, create an enterprise's social policy or mission.

### Social Audit and capitals

Social audit help to assess the extent to which the different types of capitals are preserved and nurtured



- **Natural Capital** - to what extent do the organisation's activities affect the environment? Have measures been taken to ensure that any harmful effects are mitigated or zeroed out? What carbon footprint is being made by the organisation? Is the environment having an effect on the organisation?
- **Physical Capital** - to what extent does the organisation care about its buildings in terms of use, design, materials used, and maintenance? Does it use or support the most efficient and unimposing transport methods?
- **Economic Capital** - to what extent do stakeholders own or want to own the organisation? How are financial profits made and how are they used? Does the organisation support the local economy or does it exploit the local economy for the benefit of other financial gains? And, does the organisation operate a fair trade policy and if so how is it applied to the trading stakeholders, suppliers and customers?
- **Human Capital** - to what extent does the organisation enable stakeholders to improve their skills, confidence and self-esteem?
- **Social Capital** - to what extent does the organisation practice democracy and good governance, and build social capital?
- **Cultural Capital** - to what extent does the organisation support and encourage the arts, leisure and good architecture? Have cultural, ethnic, religious, age and gender considerations been taken on board in ensuring equality of access and use of the services delivered? Will the organisation promote a more equitable distribution of access and benefits?

## Conclusions

Social Audit is based on the need of organisations to create a balance in the way they plan and measure their commercial and non-commercial operations, and to prove that there is consistency between what an organization says it will do and what it actually does. Consistency between plans and results leads to integrity, which provides owners, employees, customers and the general public with the trust and confidence to make the decision whether or not to deal with an organisation. Social Audit in business means looking at an organization's endeavours in improving the general welfare of the entire community and society as a whole. In modern times, the objective of the business is to provide benefits to others and society expects businesses to share the fruits of progress and growth by taking care of the environment, pollution, quality of goods and services and sustainable development. Social audits bring together the voices of all stakeholders, including those that do not often get heard, and strengthen transparency and accountability at all levels,

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- Nithesh R, "A Study of Social Audit on Top Indian and Global Companies" Journal of Emerging Technologies and Innovative Research Vol 6 Issue 2 (2019).
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# Business case for following ISO 26000 - Guidelines on Social Responsibility

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CMA S.Thangavelu

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## Introduction

Social responsibility is the voluntary assumption of responsibilities and the sharing of values that go beyond the purely economic and legal responsibilities of an individual or a business. For any 100 % Export oriented units, social responsibility will have to meet international standards or frameworks. ISO 26000: 2010 is a guidance standard developed by the International Organization for Standardization that provides framework for organisations to operate in a socially responsible manner Its topic covers, including human rights, labour practices, environmental issues, fair operating practices, consumer issues, and community involvement and development.

## Social responsibility vs corporate social responsibility

Social responsibility is about how people manage their lives to produce an overall positive impact on society. Having goals and a vision that go beyond profits is crucial to business success. It also involves putting together a real plan to serve the best interests of society.

Corporate social responsibility is about how companies manage their business processes to produce an overall positive impact on society. Corporate social responsibility is not just about community outreach or the environment. It involves everything your company does and more.

## ISO 26000 Social Responsibilities and SA 8000 Social Accountability

ISO 26000 covers all corporate social responsibility elements (social, economic and environmental) comprising seven core subject in relation to stakeholders' involvement.

Meanwhile, SA 8000 covers the domain of social accountability (labor and working conditions), such as labor practices, discrimination, health and safety, compensation, working hours, discipline and management systems for human resources.

## ISO 26000 Evaluation

**ISO 26000 Evaluation** is the first global standard on social responsibility. It is neither a management system nor is it intended for certification purposes. ISO 26000 can be applied to all types of organizations, regardless of their size, activity or location and helps implement socially responsible activities.

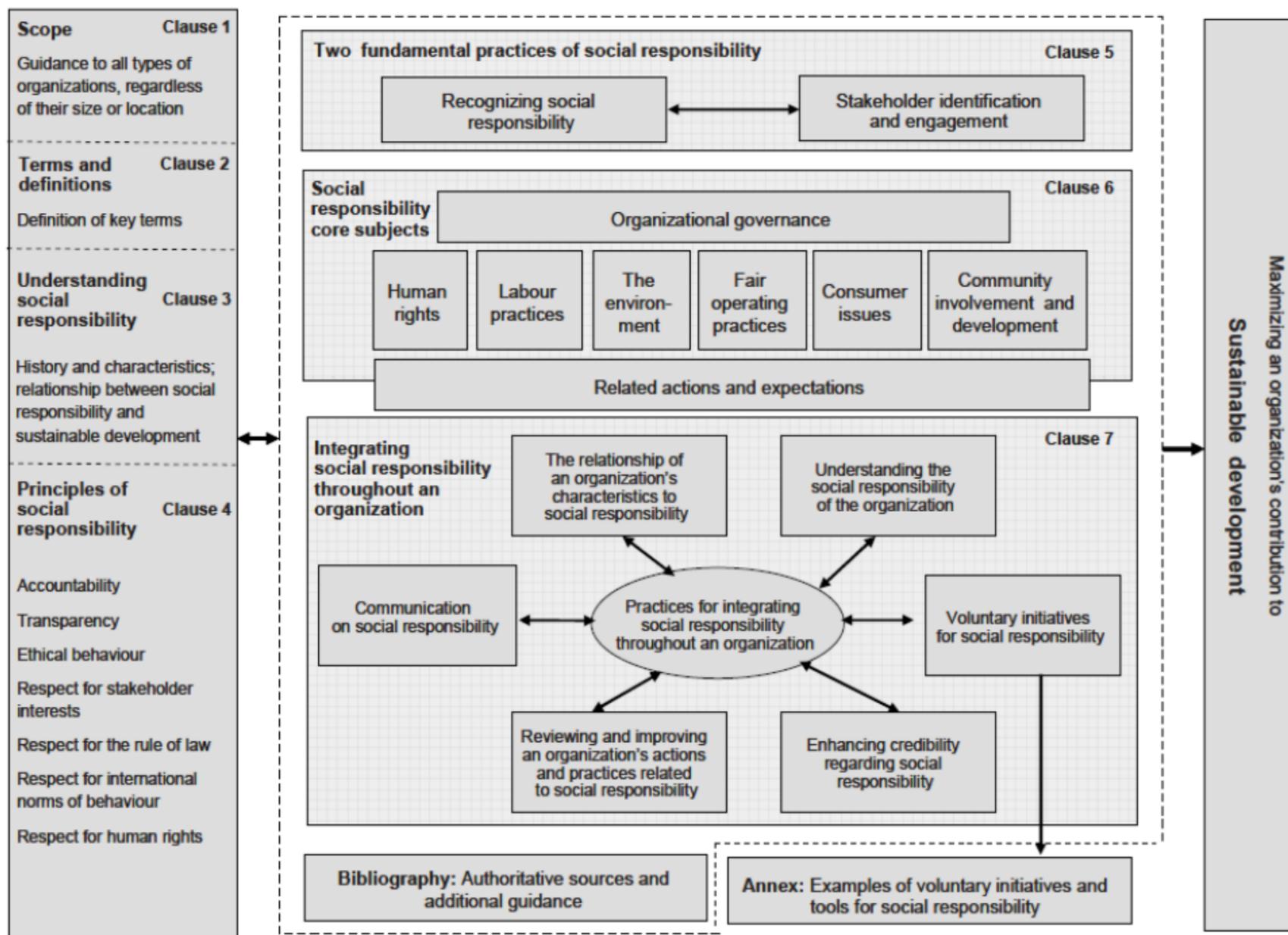
It includes many measurements related to stakeholders' involvement and covers seven core subjects: governance, human rights, labor practices, the environment, fair operating practices, consumer issues, community involvement and development.

This guidance offers a systematic approach to evaluate and assess social responsibility within four fundamental dimensions: integration of corporate social responsibility, stakeholder involvement, communication & transparency and results & progress.

For MSMEs in India, ISO 26000 can be a useful tool to ensure that they are operating in a socially responsible manner. With growing awareness about sustainability and social responsibility, consumers are increasingly looking for businesses that are committed to making positive impact on society and the environment. By implementing the principles outlined in ISO 26000, MSMEs can build their reputation as socially responsible organization and attract customers who value these principles.

In addition, ISO 26000 can also help MSMEs in India to comply with legal and regulatory requirements related to social responsibility. For example, the Companies Act, 2013 in India requires companies spend a certain percentage of their profits on corporate social responsibility (CSR) activities. By implementing ISO 26000, MSME can ensure that their CSR activities are aligned with international best practices and that they are making a positive impact to society.

## ISO 26000 Schematic overview:



Reference: ISO 26000:2010 Guidance on Social Responsibility

### Key steps in ISO 26000 Evaluation process:

- 1- Strategic discovery phase:** After implementing ISO 26000 concepts within the organization, this covers the scope and strategy of on-going sustainable development by conducting an on-site audit, collecting information, validating the strategic approach and preparing the self-assessment.
- 2- Self-assessment phase (voluntary):** This involves the exchange, interview and analysis of documents by use of an adapted questionnaire.
- 3- On-site evaluation phase:** This on-site audit is based on interviews, observations, document analysis and sharing of information. It includes reviews of internal and external stakeholders and an evaluation of the seven core subjects.
- 4- Evaluation phase:** The findings of the auditors are detailed in an evaluation report and inquired after, including a global vision and a comprehensive strategy for sustainable development.
- 5- Reviewing phase:** A voluntary option of either a yearly or 2-year cycle review.

### Benefits of ISO 26000 Evaluations

Its benefits are numerous: Streamlining internal processes and assures the implementation of social responsibility and sustainability, increased customer and employee satisfaction, value creation, attraction of investments, costs reduction, differentiation from competitors, increased profitability, and reputation, among others. There is an emerging phenomenon called “social license”, through which communities can support or disrupt operations that they disapprove of. The importance and prevalence of social media became the bottom line for companies to quickly address behavioral change initiatives. But a quick fix is like a photo that captures a moment. And a photo is not enough. Social responsibility is about the entire film, the trajectory, the long term commitment.

The company may use the following logo:



#### **Linkages with other standards**

ISO 26000 has linkages with various other relevant standards/frameworks viz. Global Reporting Initiative (GRI 4), AA Accountability principle standard, National Voluntary Guidelines, ISO 14001, OHSAS 18001 and SA 8000.

#### **Obstacles:**

If the company does not take social responsibility initiatives, due to:

- Lack of top management commitment,
- Social responsibility comes last in mind because they are busy in doing fire fighting
- Lack of customer demand,
- Lack of know-how
- Lack of budget
- Lack of time and human resources,
- Social responsibility has no economic benefit
- Social responsibility is so expensive;-It does not bring competitive advantage

But the company, can take a conscious decision to implement ISO 26000 guidelines.

#### **Conclusion:**

In conclusion, ISO 26000:2010 is highly relevant for MSMEs in India in the present context, as it provides a framework for operating in a socially responsible manner, which is becoming increasingly important for businesses in the country. By implementing the principles outlined in this standard, MSMEs can build their reputation as socially responsible organisation, comply with legal and regulatory requirements, and make a positive impact on society and the environment.

For corporate, the truth is that social responsibility requires leadership. It is not about establishing a couple of programs executed towards a specific audience, or about funding a worthwhile social cause. It is much more than that. It requires education, guidance and expertise to be effective.

But as a responsible person, anyone can practice social responsibility in his/her everyday life. It includes:

- Buy the food you will really eat. We tend to buy more food than we can actually use.
- Use laundry machines with full load. You will save energy.
- Turn off lights as you exit a room regardless of how soon you'll be back
- Recycle. Separate papers, metals, plastics, glass and organic waste
- Reduce the use of plastic or paper bags. Buy a few eco-friendly bags that you can reuse and bring with you every time you go shopping.
- Replace traditional light bulbs at home for low consumption ones.
- Try to use the car less so walk everywhere you can. You save fuel, carbon emissions and it is excellent exercise.

Learn to live differently doing more with less, Buy less and try to buy local products.

**\*\* This concept article was earlier disseminated in a ICAI (CBE) House E-Magazine – a decade back.**

**\*\*\* ISO 26000 assessment was done for a MSME in the year 2015, with the author's consultancy services.**

# Shareholder Primacy to Stakeholder Capitalism

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## Mr. Rakesh Tayal

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The Social Stock Exchange (SSE) concept is gaining popularity as a new way to connect socially responsible investors with companies prioritising social and environmental impact over financial returns. Unlike traditional stock exchanges, the SSE evaluates companies based on social and environmental criteria and allows investors to invest in businesses that align with their values. This article explores the benefits and challenges of the SSE model, including the need for standardized impact measurement and reporting and a critical mass of impact-driven enterprises. Finally, the article concludes that SSEs have the potential to shift the focus of the financial industry from **shareholder primacy to stakeholder capitalism**, leading to a more sustainable and equitable economy.

### Stakeholder's Capitalism

The traditional stock exchange model has long prioritised maximising shareholder value over other considerations and thus follows the shareholder primacy model as Prof. Milton Friedman advocated. However, this focus on financial returns has led to several negative consequences for society and the planet, such as social inequality and environmental degradation.

Recently, the Concept of a Social Stock Exchange (SSE) has turned into reality in India, paving the way to move from Shareholder capitalism to Stakeholder capitalism. If supported by Legislation, Social Stock Exchanges will gain momentum and is an innovative way to connect impact-driven enterprises with investors who prioritise social and environmental impact over purely financial returns.

The SSE model flips this paradigm by placing social and environmental impact at the forefront of investment decisions. Companies that list on the SSE are evaluated based on social and environmental criteria, such as their impact on climate change, social justice, and community development. This allows investors to make informed decisions about where to allocate their funds based on the social and environmental impact of the companies they invest in.

In India, the Social Stock Exchange idea was first mooted by Mrs. Nirmala Sitaraman in her budget speech in 2019. Quoting the words from her budget speech, “It is time to take our capital markets closer to the masses and meet various social welfare objectives related to inclusive growth and financial inclusion. I propose to initiate steps towards creating an electronic fundraising platform- a Social Stock Exchange (SSE) -under the regulatory ambit of the Securities and Exchange Board of India for listing social enterprises and voluntary organisations working for the realisation of a social welfare objective so that they can raise capital as equity, debt or units like a mutual fund.” – gave a clear indication that India will head towards stakeholders capitalism in an organised and structured way.

Within two months of its launch, 11 NPOs registered on NSE and BSE's Social Stock exchange segment.

### Is the way to Stakeholder Capitalism so smooth?

The Social Stock Exchange (“SSE”) came into existence in 2003 when the first Social Stock Exchange was introduced and launched in Brazil. Since then, Six other Social stock exchanges have been established in different countries of the world, including South Africa (2006), Portugal (2009), Canada (2013), Singapore (2013), the United Kingdom (2013), and Jamaica (2019). However, most stock exchanges are inactive, and only three Canada, Singapore, and Jamaica out of the seven Social Stock Exchanges that were set up still survive and function.

Before discussing the challenges that can be foreseen to Social Stock Exchanges in India, Let us try to understand the reason for the failure/inactiveness of most Social Exchanges globally.

### **1. Limited to a particular type of organisation**

Social Impact can be driven by both, Not for profit organisations, who mainly work for a social cause. These are typically Charitable trusts, Charitable societies and can be in any other form, and For-profit organisations are mostly corporates. Worldwide, mainly where the Social stock exchanges are inactive, it has been observed that these are matchmaking platforms that cater only to For Profit Enterprises (FPSEs) or Not-for-Profit Organisations (NPOs). Still, there is yet to be a comprehensive solution for both categories in the inactive Social Stock Exchanges. For example, Brazil's Socio-Environmental Impact Exchange (BVSA) and South Africa's SASIX cater to NPOs, while UK's Social Stock Exchange and Canada's Social Venture Connexion cater to FPEs.

### **2. Adoption of the Social Stock Exchange Model**

Social Stock Exchanges operate on Matchmaking platform Model or alternative investment instruments listed on an existing stock exchange. A hybrid model is not available in the inactive social stock exchanges. A matchmaking platform is a dedicated platform set up separately from the existing exchanges with the purpose of bringing together investors and investees.

In the case of Alternative Investment Instruments, securities can be traded on stock exchanges like Singapore's Impact Investment Exchange impact-related securities, such as the Women's Livelihood Bonds, are traded. These impact-related securities are not strictly a pay-for-success structure, as they promise a financial return even if social impact is not created. However, Singapore Stock Exchange does not provide structured instruments for NPOs. Thus, a one-stop solution is unavailable for all kinds of enterprises globally in the Social Stock exchanges.

In the Indian Context, the social stock exchange is designed to be a Hybrid model, i.e., providing a platform to both NPOs and FPEs and a mix of matchmaking platforms and Alternative investment instruments. For example, NPOs can register on Social Stock Exchange and may not be listed or raise funds by issuing securities. At the same time, different instruments or funding structures have been designed to raise funds by NPOs and FPOs through the issue of Zero coupons, Zero Principal bonds for NPOs, and the issue of Equity or debt securities or mutual funds for both NPOs and FPEs.

Though most of the Social Stock Exchanges have been inactive, we are hopeful that In India, these will be successful and role models for other countries. Though it is an evolving concept, measures have been taken for social stock exchanges' key challenges. Through learning from the other social stock exchanges, India has taken steps to meet the critical challenges as discussed one by one below:

- **Lack of Investor Interest** : If investors are not interested in socially responsible investing or do not see the benefits of an SSE, the exchange may not attract enough investors to be active. Thus, measures to be taken to keep the same attractive for investors, Though it has been done through disclosure norms of publishing Audited Annual impact reports to bring awareness and submission of statements of the utilisation of funds where money has been raised from Social Stock exchanges, This will help investors to connect themselves with the social impact and a contributory to the positive change in Society.
- **Limited Number of Impact-driven Enterprises** : If not enough impact-driven enterprises meet the SSE's social and environmental criteria, the exchange may need more companies to list and may not be active. Awareness is to be brought in among corporate houses, and several benefits are to be given to increase the number of impact-driven enterprises. Though there is 1 NGO for every 400 Indians, a transparent and accountable structure is missing.
- **Inadequate Regulatory Support** : An SSE may not be able to operate effectively without regulatory support. Regulatory bodies must provide clear guidelines for the operation of SSEs to ensure that they are not disadvantaged compared to traditional stock exchanges. In India, merging disclosure requirements for for-profit enterprises with their regular disclosure requirement is a welcome move in this direction. Still, there are a lot of other questions wherein the clarifications are yet to come.

- **Lack of Standardized Impact Measurement and Reporting** : Investors may struggle to compare companies' social and environmental impacts without a standardized framework for impact measurement and reporting. This can make it difficult for SSEs to attract investors and be active. In India, Self-Regulatory organisations develop Standard audit Standards and Regulatory authority for Social Stock Exchanges, i.e. as a result, the Securities and Exchange Board of India (SEBI) has created standard disclosure requirements.
- **High Listing and Compliance Costs** : If the costs of listing and compliance are too high for impact-driven enterprises, they may be unable to afford to list on an SSE. This can limit the number of companies listed on the exchange and their activity. However, this has also been mitigated because the Social Stock exchanges are part of existing recognised stock exchanges where infrastructure and cost can be shared.
- **Limited Access to Capital** : Impact-driven enterprises may need more access to capital, making it difficult to grow and expand. This can limit the number of companies listed on an SSE and its activity. However, by providing an alternative funding structure, this risk is tried to mitigate, but still, many clarities are to come for the practical applicability.
- **Limited Investor Awareness and Education** : If investors are unaware of the benefits of socially responsible investing, they may not be interested in investing in SSEs. Without investor interest, the exchange may not be active. This is an area where more work needs to be done. In the times to come, one has to see the effect of standardization of the impact reports and public awareness campaigns towards achieving sustainable development goals and motivating people to come forward to support stakeholders' capitalism.
- **Limited Market Liquidity** : Limited liquidity in the market may make it difficult for investors to buy and sell shares on the SSE. This can limit the activity of the exchange and make it less attractive to investors. This is the risk that needs to find its way dealt with.
- **Limited Infrastructure** : SSEs require a significant amount of infrastructure to operate effectively, including technology, staff, and regulatory support. Without adequate infrastructure, an SSE may be unable to operate effectively or be inactive. Being part of the recognised stock exchange, basic infrastructure can be provided, but at the same time, focus on the Social Stock Exchange can be diverted in case a proper response is not received.
- **Lack of Political Will** : Finally, if there is a lack of political will to support SSEs, they may need to be able to operate effectively. Governments must support SSEs through policies and programs that incentivise socially responsible investing and provide regulatory support. Government has to announce various incentives to the organisation registered or listed on the stock exchange, like preference in grants, linking of CSR spent with the purchase of securities listed on the Social stock exchange, announcing deductions in corporate taxes, etc.

From the above, it is clear that Indian Social Stock exchanges are more equipped and ready since regulations are designed to overcome most of the challenges other Social Stock exchanges face worldwide. Further, the timing of introducing the Social Stock Exchange is also in favor of their success in the backdrop of meeting the 2030 agenda, where Member of United Nations State have adopted 17 Sustainable goals.

### **How Are Indian Social Stock Exchanges Different?**

The Indian Social Stock Exchange (SSE) differs from other global social stock exchanges in several ways.

Firstly, the Indian SSE is specifically designed to cater to social enterprises' needs, which aim to create social or environmental impact rather than maximise profits. This focus on social impact is unique to the Indian SSE and distinguishes it from other global stock exchanges, which primarily focus on financial returns.

Secondly, the Indian SSE operates not-for-profit, meaning it does not charge listing or transaction fees from its listed companies. This contrasts with other global stock exchanges, which typically charge fees for listing and trading securities.

Thirdly, the Indian SSE is regulated by the Securities and Exchange Board of India (SEBI), the main regulatory body for the securities market in India. This provides oversight and protection for investors and ensures that companies listed on the SSE comply with regulatory requirements.

Finally, the Indian SSE has a strong emphasis on transparency and disclosure, with a requirement for listed companies to report on their social and environmental impact. This enables investors to make informed decisions based on the social implications of the companies they invest in rather than just financial metrics.

Overall, the Indian SSE is unique in its focus on social impact, not-for-profit model, regulatory oversight, and emphasis on transparency and disclosure. These factors make it an attractive option for social enterprises looking to raise capital and investors looking to support socially responsible investments.

### **The Way ahead**

Though The Social Stock Exchanges in India are designed keeping in view the challenges faced by Social Stock exchanges around the globe, to ensure their success, more clarity in functioning and robust support is required from the legislation. Investors are looking at Ease of doing socialism and priority to be given in connected areas, the announcement of tax incentives for contributing to NPOs / FPSEs or trading via SSE, routing CSR through SSE, Security or indicative reward to social enterprises making subsidised or government partnership with the private sector, providing easy tool/model for compliance and impact assessment.

Despite various challenges, and measures taken by the Government to overcome expectations from stakeholders, the SSE model can potentially transform the financial industry by shifting the focus from shareholders to stakeholders.

Furthermore, by prioritising social and environmental impact, the SSE model can create a more equitable and sustainable economy that benefits all members of society. As more investors and businesses embrace this model, we can build a future where finance serves the common good and supports the creation of a more just and sustainable world.

### **Conclusion**

The emergence of the SSE model represents a significant shift in the financial industry toward stakeholder capitalism. By prioritising social and environmental impact over financial returns, the SSE model offers a new way to invest in companies that positively impact society and the planet. However, for the SSE model to become a viable alternative to traditional stock exchanges, several challenges must be addressed, such as standardized impact measurement and a critical mass of impact-driven enterprises. Nevertheless, with continued innovation and collaboration, the SSE model has the potential to transform the financial industry and create a more just and sustainable future.

# Theory of Change : An Important Aspect of SIA

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## What is theory of change:

A theory of change describes the logical sequence of steps expected to lead to a desired outcome or impact. It is a way of thinking about and planning for change. It helps organizations clarify their goals and strategies, identify the resources and interventions needed to achieve them, and measure progress over time. Theory of Change (ToC) is a framework for planning, implementing, and evaluating social impact programs

## Key principle for development of TOC:

- It should be developed to reflect the understanding of all relevant stakeholders;
- It should be tested with, and revised based on robust evidence at all stages; and
- It should support continuous learning and improvement from programme design to closure.

## TOC maps out your initiative through 6 stages:

- Identifying long-term goals
- Backwards mapping and connecting the preconditions or requirements necessary to achieve that goal and explaining why these preconditions are necessary.
- Identifying your basic assumptions about the context.
- Identifying the interventions that your initiative will perform to create your desired change.
- Developing indicators to measure your outcomes to assess the performance of your initiative.
- Writing a narrative to explain the logic of your initiative.

## Stages of theory of changes:

**1) INPUTS** - Inputs are the resources that go into the project or programme to carry out the activities which include human, financial and material resources such as money, raw material, training material, technology .

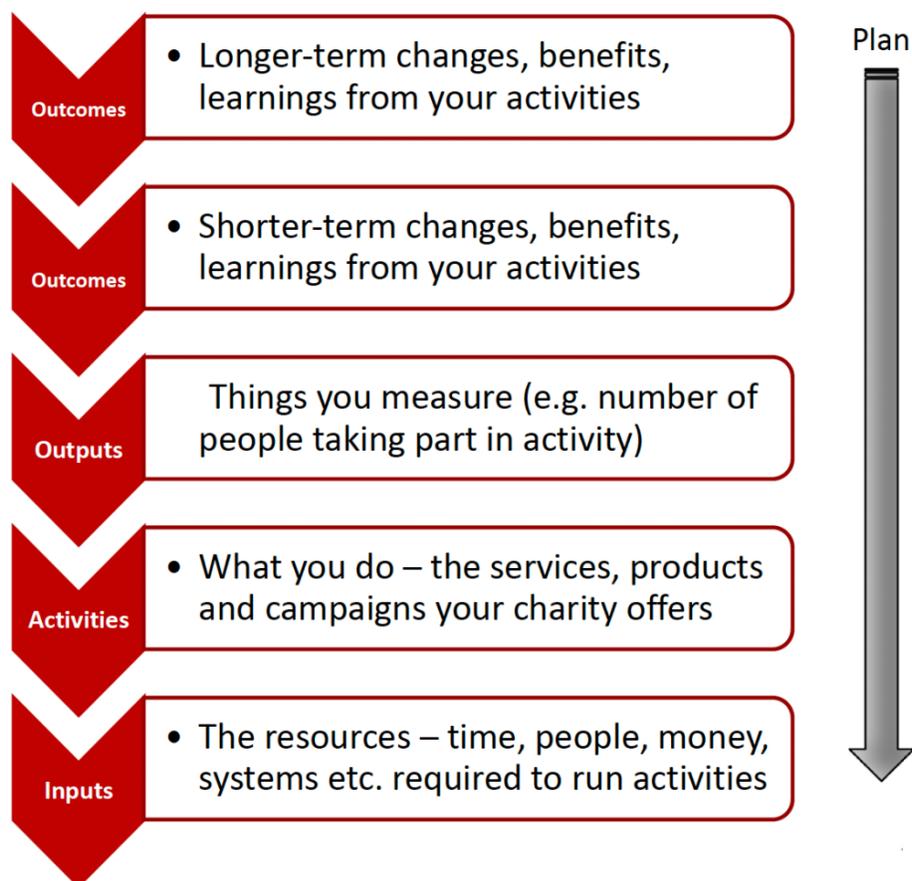
**2) ACTIVITIES** - The initiatives that an organisation or project undertakes to achieve the desired goal; for instance, providing vocational training to women to achieve financial empowerment of women, providing financial aid to poor patients to improve their health and productivity and so on.

**3) OUTPUT** - Outputs are products, services or facilities that immediately result from an organisation or project's activities. These are often expressed quantitatively; for example, number of women who attended vocational training, number of vocational training sessions conducted, number of patients

**4) OUTCOME** - The short-term changes, benefits, learning or other effects that result from what a project or organisation does which are qualitative in nature and are an anticipated effect of the intervention. To take forward the previous example, an outcome of the women empowerment project could be an increase in the savings in banks of the women, or greater confidence to access credit from financial institutions.

**5) IMPACT** - Impact is a long term or ultimate goal which is achieved. It includes positive negative, intended and unintended long-term effects commonly capturing changes in social behaviours, social norms etc. For example, development of self confidence and self-esteem amongst women, improved productivity of patients after improved health conditions

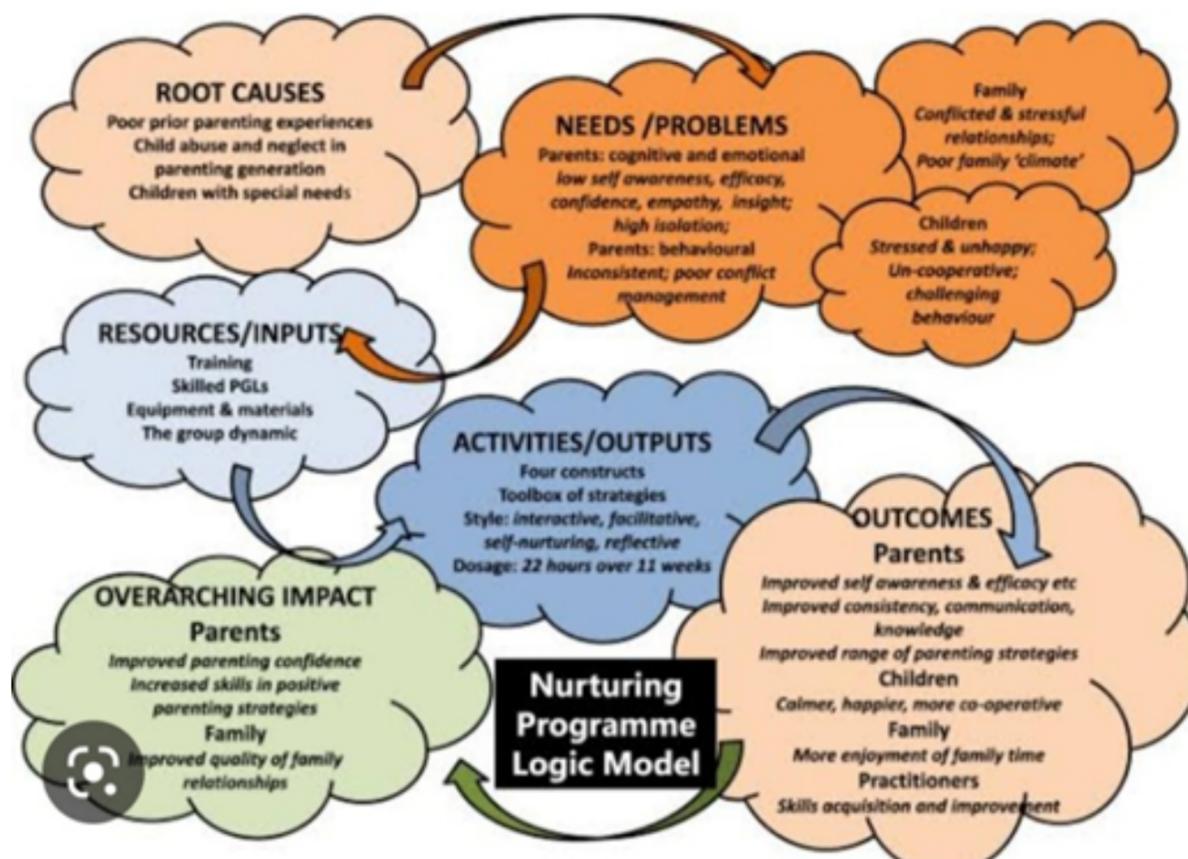
# What's in a Theory of Change



## Importance of theory of changes:

- Theory of Change leads to better planning.
- Helps us to grab detailed understanding of how change actually happens through the planned activities
- TOC provides a basis for evaluation.
- Theory of change explains how the activities undertaken by an intervention contribute to a chain of results that lead to the intended or observed impacts.
- To measure progress towards achievement of long-term goals
- A good theory of change encourages a deep observation of the system.
- It helps to identify and open up the “black boxes” in our perspectives.
- It focuses on the importance of working with “non-usual” suspects.
- It helps to answer the importance and requirement of strategic partnerships to complete a task.
- A Theory of Change examines our ideas or assumptions of how change is expected to happen.

## An example as illustrated below:



**Conclusion:**

Developing a Theory of Change is essential for any organization looking to create impact. By clearly defining the change you want to create, you can ensure that your programs are effective and impactful. However, developing a Theory of Change can be challenging, especially considering the numerous stakeholders and variables involved in social impact work. Theory of change is the key foundation of non-profit performance management and use of key data towards effectiveness on the given task or mission .Social Impact Strategy application makes developing a Theory of Change a breeze. You can easily create actionable steps toward impactful change with access to a library of strategies, training, and examples, from mapping out your goals to tracking progress

# Social Audit Report – Essence and contents

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## Mr. Prabhakar Pramod Jha

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### The Perspective

In the modern era of corporate social responsibility, there is a growing expectation for organisations to provide value to consumers and shareholders as well as meet environmental and social standards. Social audits have gained recognition in critical development programmes in recent times. The evolving belief in government departments is that such audits improve effectiveness and efficiency in programme delivery by empowering the community and facilitating its ownership of development programmes. A social audit is an internal or external examination of how a particular business is impacting society and is a way of measuring, understanding, reporting and ultimately improving an organisation's social and ethical performance. One noticeable outcome of this process is that service delivery institutions are now becoming more transparent and accountable in implementing these programmes.

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 verifies the expenditure and output of a programme on the basis of feedback collected from the beneficiary groups.

### Objectives of Social Audit

1. To promote transparency and accountability in programme implementation.
2. To inform, educate, engage and empower people about their rights.
3. To provide a platform for people to express their grievances and needs.
4. To promote people's participation at all stages of programme implementation.
5. To strengthen grassroots democracy and grassroots institutions.
6. To build up the capacity of people participating in the social audit.
7. To strengthen programmes by improving planning based on feedback from social audits.

A social audit is an empowering process where the user community validates the usefulness and quality of the programme by engaging in the monitoring process.

### What does the social audit report include?

The social audit report details the facts and findings of the social compliance audit, which could include:

- An overall score of the audited facility
- A narrative breakdown of what the auditor finds on-site concerning the assessment criteria
- Any non-compliances found, with applicable ratings and standards or laws breached
- Any good examples found at the site
- A detailed corrective action plan with actionable items and deadlines
- Acknowledgement of the facility owner/person in charge, representative from workers and auditor

### **Essentials of a Good SA Report**

The report, therefore, is one that encourages rapid reading, quick comprehension of major findings and prompt understanding of the implications of these findings and recommendations. However, it should also take especial care for the accuracy of the data. In particular, the report carries these characteristics

**Readability :** Readability is one consideration in writing the social audit report. Readability means the writing conformation is at the level that is appropriate to the recipients' reading abilities

**Comprehensibility :** Comprehensibility is another consideration in writing the social audit report. In its dictionary meaning, comprehensibility means clearness, distinctness and explicitness. The social audit report by design is to convey information of a precise nature. Thus, the report is, and should be, in straight prose and of plain discourse.

**Tone :** Tone refers to the way the prose sounds and the mode it imparts. The report should convey sincerity, warmth and involvement. There is no place for negative phrasing in the report.

### **Contents of Social audit report**

The social audit team leader should report the audit conclusions in accordance with the audit program. The audit report should provide a complete, accurate, concise and clear record of the audit, and should include or refer to the following:

1. A title that clearly indicates the report is an independent audit report.
2. Social audit report is ordinarily addressed to the engaging party, but in some cases there may be other intended users
3. audit objectives;
4. audit scope, particularly identification of the organization (the auditee) and the functions or processes audited;
5. identification of the audit client;
6. identification of audit team and auditee's participants in the audit;
7. dates and locations where the audit activities were conducted;
8. audit criteria;
9. audit findings and related evidence;
10. audit conclusions
11. a statement on the degree to which the audit criteria have been fulfilled;
12. Any unresolved diverging opinions between the audit team and the auditee;
13. The audit report can also include or refer to the following, as appropriate:
  - the audit plan including time schedule;
  - a summary of the audit process, including any obstacles encountered that may decrease the reliability of the audit conclusions;
  - confirmation that the audit objectives have been achieved within the audit scope in accordance with the audit plan;
  - any areas within the audit scope not covered including any issues of availability of evidence, resources or confidentiality, with related justifications;
  - a summary covering the audit conclusions and the main audit findings that support them;
  - good practices identified;
  - agreed action plan follow-up, if any;

# Activating Social Audits in Orissa

## A case Study



**ICMAI Social Auditors Organisation**

**(A Section 8 Company promoted by The Institute of Cost Accountants of India)**

# National Rural Employment Guarantee Act

## Purpose of the Act

The National Rural Employment Guarantee Act 2005 (NREGA) is an ambitious and visionary step towards ensuring the fundamental right to life with dignity in the rural areas of India. The Act is expected to enhance peoples' livelihoods on a sustained basis by developing economic and social infrastructure in rural areas. It also empowers ordinary people to 'monitor the execution of works' through a village level social audit<sup>1</sup>.

Employment generation under NREGA has the potential to significantly contribute towards poverty alleviation in rural India. The following are the main objectives of the Act:

- Provide livelihood security to households in rural areas by providing at least one hundred days of guaranteed wage employment in a financial year to households whose adult members volunteer to do unskilled manual work.
- Create durable economic assets and strengthen the livelihood resource base of the rural poor.

## Rights based development

The legislation marked a paradigm shift from previous wage employment programs, due to the adoption of a rights-based approach. In particular, the Act provides for employment on demand, payment of minimum wages within fifteen days of completion, and basic worksite facilities. In addition, the government is legally accountable for providing employment to those who demand it.

## Role of the State

On the basis of the provisions set out in the Act, the states in the India Union are required to develop a state level Rural Employment Guarantee Scheme. In Orissa, the provisions of the NREGA are being implemented through the Orissa Rural Employment Guarantee Scheme (GoO 2006). At the local level, the scheme is implemented by the elected local government bodies. Rural households have a right to register themselves with the local government bodies to seek employment.

## Importance of Social Audit in NREGA

### Significance

Social audit is an ongoing process aimed at deepening beneficiary engagement at all stages of local level implementation, including planning, monitoring and evaluation. This process helps to ensure that the project is designed and implemented in a manner that reflects the prevailing local conditions and priorities.

### Benefit of the Act

Corruption and inefficiency are alleged to have prevented many Government schemes in India from fulfilling their potential. Mindful of this, the National Rural Employment Guarantee Act included the provision for social audits to be carried out by the village assembly (Gram Sabha) to promote transparency and public accountability.

Until the Act came into effect, the community members could only lodge a complaint to report issues or concerns. From this perspective, the right of an ordinary citizen to conduct a social audit on development work under the NREGA is a revolutionary step forward in Indian democracy. The Act empowers people to play an active role in promoting transparency through village meetings and participatory planning, and seeks to regulate the process of monitoring through the establishment of Social Accountability Committees and Vigilance and Monitoring Committees. Once the NREGA came into force, the Government of India issued operational guidelines that provided a broad operational framework for these provisions.

### **Community monitoring**

Social Audits in NREGA share much in common with the concept of participatory evaluation in that it aims to supplement monitoring by external facilitators with community driven monitoring. Local monitoring strengthens the community's capacity and promotes participation in development programmes. It brings ownership and facilitates more inclusive decision making on issues important to the community members. It is also an important tool to generate awareness as well as generate demands from the community.

### **Local Governance**

Local level government institutions (Panchayati Raj Institutions or PRIs)<sup>2</sup> have been given a key role in implementing the Orissa Rural Employment Guarantee Scheme (OREGS). The effectiveness with which local government bodies fulfil their role largely depends on their ability to manage development projects and to make them responsive to local needs. In addition, grassroots institutions such as beneficiary committees, self-help groups and user groups can play a vital role in spreading awareness, mobilizing workers and in monitoring the implementation of the scheme. The village governments (Gram Panchayats)<sup>3</sup> play a critical role in scheme implementation at the local level.

## **Activating Social Audits in Orissa**

### **Context**

#### **Earlier Approaches**

Various approaches have been developed to promote the social audit process in Orissa. These included information dissemination by the government and the high-impact approach of non-governmental organizations (NGOs). Dissemination of information by the government generates information and presents data on job registration and worksite facilities under the scheme. The high impact approach of NGOs is two-pronged; the mechanism hinges on information collected from beneficiaries, Gram Panchayat members and the members of the Block<sup>4</sup>; and a 'public hearing' is carried out in the presence of Government officials and Panchayat members to lend transparency to the process.

#### **Issues with earlier approaches**

These approaches were only partially successful in terms of improving implementation during the first year of the scheme. Social audits were largely driven by civil society organizations, and the OREGS faced a great deal of criticism that claimed widespread irregularities and misappropriation of funds. In particular, the engagement of contractors was highlighted, despite the fact that private contractors were banned under the scheme. The contractors were often found to be acting in collusion with local political leaders to divert funds. Social audits highlighted a range of other issues, including: nonregistration of workers, discrepancies in labour records (known as 'muster rolls'), submission of incorrect and inflated utilisation certificates and lack of grievance redressal. These irregularities highlighted implementation failures, as well as more fundamental issues related to design.

Under the 'high impact' auditing approach, public hearings have tended to be viewed as a one-time event rather than an institutionalized process. Government and local government functionaries were often absent during the process and the participation of beneficiaries was often limited. Lack of awareness among communities regarding the audit process further undermined the potential for positive change. Rather than being a community driven process, social audits tended to be a technical processes led by external actors, most commonly non-governmental organizations or researchers. The post-implementation audit approach to detecting corruption was limited in terms of offering suggestions for follow up activities. This approach often led to opposition from local actors, and in some cases conflict.

The following year, investigation and corrective action by the state government showed some improvement in its performance indicators. However, gaps still existed and the implementation was particularly dismal in the poorest districts<sup>5</sup> of Orissa. Due to the failure of these approaches, the Centre for Youth and Social Development (CYSD)<sup>6</sup> felt the need to replace the postimplementation audit approach with preventive measures to establish a more sustainable process of community driven accountability and transparency at the local level.

## Challenges

In the course of designing this new approach a number of key challenges were recognised.

- **Inconsistent Process**

There was no standard approach and central directives on procedures for social audits of OREGS, or any of which could be drawn from the national level Act. Rather, processes had evolved to reflect the needs and priorities of various actors. The guidelines prescribed the desirable outcome without specifying benchmarks. The official versions have been predisposed to meet statutory requirements rather than to enable communities to undertake social audit throughout the implementation of the project. The guidelines lacked the common understanding of forming an audit committee, its structure, composition, function and operations.

- **Weak Community Awareness and Participation.**

Public indifference becomes a major bottleneck where there is a lack of clarity regarding the role of the community. There was little understanding and appreciation of the preventive role of social audits in minimizing corruption and upholding accountability. Limited community capacity, inadequate orientation to OREGS provisions, poor attendance in village meetings held by the local government body (called Gram Sabha)<sup>7</sup> and a lack of clarity regarding new institutional structures pose a challenge to spearheading the social audit exercise at the grassroots.

- **Opposition**

Violent opposition by powerful interest groups supported by local government functionaries was identified as another key challenge. The informants hesitated to provide accurate information for fear of reprisal. In general, record keeping at the local government level was irregular, which further accentuated the problem of ensuring availability of information to the public.

- **Access to information**

The Right to Information Act is considered to be a powerful tool in the hands of the community to ensure the proper implementation of the Employment Guarantee Program (Box 1). Prior to passing this landmark Act, information disclosure in India was restricted by the Official Secrets Act<sup>8</sup>, and there was a tendency by the administration to use such provisions to restrict access to information. The greater the access to information, the greater is the responsiveness of government to community needs. The Right to Information (RTI) Act was believed to be an important instrument, which could enable communities to demand information from the Gram Panchayats and hold them accountable. However, there has been little integration of the Right to Information Act in the social audit initiative resulting in reluctance to share information records unless district functionaries insist and issue directives.

### Box 1: Right to Information Act 2005

The Right to Information Act (RTI) 2005 is a law enacted by the Parliament of India based on the citizen's right to know, which is a fundamental right enshrined in the Constitution of India. Under the provisions of the Act, any citizen may request information from a "public authority" which is required to reply expeditiously within thirty days. The Act also requires every public authority to computerise their records for wider dissemination and to proactively publish certain categories of information so that the citizens need minimum recourse to request for information formally.

## Approach

The objective of this project was to explore ways to change the emphasis of social auditing, from the identification of malpractice to improving implementation. To do so, CYSD<sup>9</sup> with support of the World Bank designed an incremental process-driven and community-led social audit model capturing the diverse dynamics and challenges of the scheme. This interactive pilot was aimed at improving community participation, establishing rapport with government agencies and strengthening the capacity of the community to supervise OREGS works. Most importantly, the project set out to demonstrate a sound mechanism to address gaps in community development initiatives that in turn helps the State to institutionalize the social audit process.

The Gram Panchayat (GP) is the lowest planning and administrative unit for development programs and schemes. Empowering and entitling communities with the provision of social audit can play a vital role in ensuring improved implementation at the GP level across the state. With this in mind CYSD aimed to promote a vision for social auditing that was oriented towards bringing about social accountability by institutionalizing the identification of implementation and developing the capacity for mid-course corrections through local level participatory review and oversight.

The initiative was based on the activation of two important instruments of local oversight that are suggested in the Act. The first of these is the Social Audit Committee (SAC) at the Panchayat level that has been given the mandate for overall oversight of implementation at the local level. The second is the Vigilance Monitoring Committees (VMCs) that are intended as watchdogs of project level implementation<sup>10</sup>. Of the two, the VMCs were found to be largely dormant, and in need of strengthening based on a clear definition of their role and relationship to the SAC.

The formation of the SACs at the Gram Panchayat level, combined with an on-going approach of monitoring the activities of the VMC, has immense potential to improve both accountability and the active engagement of beneficiaries. The activation of these provisions can significantly contribute towards overcoming some of the failures of the earlier approaches and enhancing outcomes of the OREGS.

## **Implementation**

In order to institutionalize social audit as an effective tool of social accountability, the World Bank in collaboration with the Centre for Youth and Social Development piloted this experimental structure of accountability, the Social Audit Committee, in six GPs, selected from the three districts of Koraput, Keonjhar and Sundergarh. Since a post implementation audit draws unfavorable reactions, the pilot proposed to focus on new projects to enable the social audit process to be applied from the inception of the activity.

The social audit pilot study was conducted in three stages namely Pre-Audit, Social Audit and Post Audit in the course of which the SAC was formed to supervise OREGS works.

### **Stage – I: Pre Audit or the preparatory phase**

#### **Information Dissemination**

As the first step, information was made widely available to GP, block<sup>11</sup> and district level officers and other key stakeholders, including the local Government representatives and the local non-governmental organizations (NGOs). All stakeholders were encouraged to participate in the pilot from the outset, and to play an active role in proposing improvements. This served to surmount any reluctance to grant the SAC and the local NGOs access to official records. This provided an important means to develop corrective action on issues arising out of the audits. Local programs were made more relevant and focused at raising awareness levels and educating the rural masses on OREGS, social audit and the right to information.

To deal with the challenge of illiteracy, awareness programs were first aimed at the illiterate population to seek endorsement. Their agreement inspired trust, thus encouraging the illiterate segment of the village to join the process. The key message that illiteracy was not an impediment to access the “beneficiary” status, and the prioritization of message from the outset was found to be important in ensuring broad-based inclusion at the grass root level.

#### **Environment Building**

A capacity building program was organized to develop a set of social audit facilitators identified among the local leaders and village youth volunteers. This followed a training of trainers (TOT) approach. Two or three facilitators for each pilot GP were given training in social mobilization and understanding local causes and concerns relating to the OREGS. To enable a favorable environment for social audit implementation, the facilitators were provided with information on the detailed provisions of the NREGA, RTI Act, OREGS and an initial toolkit on the social audit process. This toolkit was developed by CYSD, drawing on emerging good practice in India.

Following this first round of training, the local NGO facilitators served as resource persons, assisting and training the village social audit committees in gathering and analyzing information, physical verification and other associated activities. To counter opposition, a communications campaign was developed in local languages, which aimed to clarify key messages, and develop support and consent at the local level. The facilitators mobilized communities to participate actively and exercise their rights in the social audit process. One of the most important challenges of the environment building process was to clarify the institutional process for social auditing. In particular, emphasis was given to ensuring that the SAC emerges as a higher working group at the GP level that would draw representatives from the VMCs and facilitate their operations.

## **Baseline Survey**

A baseline survey was conducted to provide a detailed account of the prevailing OREGS scenario of the GPs. The survey examined awareness levels, flows of benefits to the community, and the total number of eligible job cardholders in the sampled area. In addition, the baseline examined the target groups for the project by focusing on issues of vulnerability and the overall socio-economic environment that facilitated or prevented participation of the villagers in the scheme. The local baseline studies used both primary and secondary sources and participatory discussions with community groups.

The village committees were assisted in collecting information for the baseline, including information from the GP and government offices. This approach was revealing in that it underlined the types of barriers that villagers faced in accessing information. In some cases, local government functionaries had to be persuaded to provide records and certificates of engineering works. Other documents such as sanction letters, resolutions, estimates, work orders, muster rolls, bills and vouchers were compiled. The data was classified and analyzed to develop a status report for the GP. For instance, muster rolls in weekly or fortnightly format were converted into worker-wise records to enable individual verification. With the limited data in hand, the social audit facilitators helped the village auditors assess the extent and instances of corruption.

The following key observations were noted during the study:

- Poor work site facilities such as rest room, first aid, drinking water and childcare
- Delayed or under payment of wages
- Low level of participation of women
- Non-compliance to statutory processes for employment application
- Dysfunctional VMCs
- Involvement of external contractors
- Incomplete muster rolls

Absence of postal accounts for workers

- Fictitious applications for employment
- Lack of grievance redressal system
- Low levels of community participation in monitoring
- Inadequate local communication of basic scheme provisions

This information was shared at the GP level, which provided an opportunity for further physical verification of works and checking documents. This process of participatory verification was found to be important in instilling trust and developing confidence in the community to participate more actively in the process.

## **Stakeholder Analysis**

The findings from the baseline survey provided a basis for a mapping of stakeholders to understand their role in implementation. The analysis helped identify people, groups and organizations that had a legitimate interest in the success of the scheme and to anticipate stakeholder concerns. This process acted as a tool to provide essential information about the interests, perspectives and expectations of stakeholders. This process driven approach aided in strengthening the design processes, as well as deepening rapport and trust with key local stakeholders.

## **Stage – II: Social Audit**

### **Forming Social Audit Committees at the Gram Panchayat level**

SACs consisting of ten to fifteen members were constituted with representatives from a wide range of stakeholder groups, including beneficiaries, self help groups, village level organizations, community leaders, youths, marginalized sections (especially scheduled castes, scheduled tribes, women and persons with disabilities) and existing VMC members. In forming these committees, emphasis was given to ensuring representation of vulnerable groups.

During the course of implementation, it was found that genuinely interested people were already playing some role in monitoring OREGS works. In Meghdega GP in Sundergarh district, the SAC was an inactive body and hence the approach taken was to reconstitute the committee with a view to replace the dormant members with new active members who were interested in participating.

### **Orienting the Social Audit Committee**

The SAC members were sensitized in terms of their roles and responsibilities (Box 2) and given training regarding the social audit process. The training sessions provided an understanding of the Right to Information Act, and the process for public access to key project-related records and information. They were also familiarised with key aspects of OREGS implementation, including preparation of technical estimates, project approval, job distribution, execution and monitoring, wage distribution, measurement of work, verification and the public hearing procedure.

### **Community Construction Works: Technical Manual**

In order to assist the VMC and SAC in monitoring project level activities, a Community Construction Works manual was developed (CYSD 2009c). The manual provides information on different types of civil works, details of estimation procedures, and quality control benchmarks. In order to make these technical processes accessible, illustrations were included to describe the construction process or various important civil works, such as building construction, road construction, water-bound macadam roads, cement concrete roads, bridges and culverts, tanks, ponds, stop dams, soak pits, masonry check dams, earthen embankments, land treatments and contour trenches.

The SAC members were trained to use the manual

that provided a structural estimate in a comprehensible and accessible format. The manual was in turn circulated to the VMCs to help them validate estimates.

### **Implementation and supervision of works**

The SACs were expected to supervise and monitor community construction works, as well as ensure the condition for broad based participation from potential employment seekers. On the whole it was found that, even in divided communities, villagers were united by the committee under the common agenda of employment generation. This was possible only by ensuring that all potential beneficiaries were made aware of their rights to demand employment, which in turn put pressure on the GP to respond.

An important innovation of the CYSD pilots was to initiate social audits only for new projects. This was important in terms of overcoming the potential stalemate in terms of rectification of legacy implementation issues. In the pilot areas, new sanctioned projects were to be carried out with the full participation of the SAC and VMCs. The implementation task was delegated to the VMCs, thereby ensuring transparency in the participatory work projects. The social audit committees were accountable for their effective implementation and regular monitoring. In many cases, the SAC was successful in promoting the streamlining of wage payments and unemployment allowance, and in organizing a public display of muster rolls at worksite for the first time. The SAC presented the deviations in works and pointed out improvement measures to the GP and Block representatives and functionaries, demanding the required information through RTI.

#### **Box 2: Role of Social Audit Committee in the Process**

The SAC acts as a facilitator and helps in compilation. It does not take decisions or influence public opinion. It plays the following roles:

- Build an environment conducive for social audit
- Collect and make information available to public
- Facilitate collection of information from departments, offices or agencies using the RTI Act.
- Facilitate transparency in scheme implementation (display of information, maintenance of records for public inspection and collection of feedback)
- Transcribe information in a comprehensible medium for public
- Sort, analyze and present information
- Share findings and seek feedback, individually or collectively.
- Compile all findings from consultations
- Engage with implementing agencies to build rapport, discuss concerns and resolve conflicts
- Present findings (presentation to the implementing agency, administration, representatives and other stakeholders. This is called Social Audit day.)
- Record views and suggestions and helps the implementing body to modify the process when required and sort out discrepancies.

### **Activation of public vigilance and monitoring**

SACs were responsible for activating nonfunctional VMCs and forming new ones where needed. The major role of the VMCs was to validate estimates and project plans and ensure that quality parameters were adopted. A final report was presented by the VMC along with the completion certificate during the village assembly (Gram Sabha). The technical manual provided the guidelines for ensuring the benchmark standards for various works to be undertaken in the six GPs. Members of the VMC were trained to use the technical manual while undertaking projects to ensure a check on corruption and quality. The SAC trained new VMCs on monitoring guidelines and provided a thorough knowledge of the audit process and its expected outcomes.

The pilots underline the definite need for VMCs as a part of the social audit process. For instance, in one of the pilot GPs that did not have a VMC, the quality of work suffered and the wage payment was irregular. The timely intervention of VMCs had a vital role to play in monitoring local issues closely when supported by the SAC.

### **Relationship Building**

Establishing relationships with all stakeholders was considered crucial in the facilitation process. When GP members, block functionaries and PRI representatives came in the way of access to project related documents, the SAC promoted dialogue and discussion to air concerns, to engage these key persons more actively in the activities of the SAC and build rapport. In times of need for higher level intervention, the district functionaries were persuaded to put pressure on the local administration to concede and facilitate access to documents. In the Ghumar GP, it was found that Government functionaries and GP members were not cooperating with the SAC, seeing them as adversaries rather than partners. Building rapport and relationships at that stage helped to change these perceptions, resolve conflicts and ensure the mutual benefit of the social audit process. While public meetings were called to engage the village community at large, public relations and communication with government bodies and the panchayat were stressed upon equally. A cooperative environment conducive to the audit process was fostered through regular meetings and discussions at the panchayat level that led to recognition for the SAC at higher levels of administration.

### **Stage – III: Post Audit**

#### **Community Sharing**

The SAC members presented their findings in a multi-stakeholder community level meeting conducted at the village level. The findings included analysis of the status of registration of families, distribution of job cards, receipt of work applications, project preparation and selection of sites, development and approval of technical estimates, work orders, individual allotment of work, implementation and supervision of works, payment of wages and unemployment allowance, and evaluation of work. Marginalized segments, especially women, were encouraged to voice their opinions. Officials were urged to respond and take disciplinary action to overcome delays in implementation, the most important of which were found to be the delayed payment of wages, and investigate allegations of corruption where they were found.

#### **Public Hearings**

Public hearings, called social audit forums, were held at the village assembly for all completed works. The forum provided an opportunity to the public to review compliance with the requirements of transparency and accountability. This also served as a forum where people could raise concerns and issues that had not been addressed in the audit. Discussions tended to focus on the lack of availability of complete and relevant information, failure to enforce accountability of officials, overdue entitlements, community involvement, and the lack of an effective system to resolve grievances in a timely manner.

#### **Documentation**

The experiences of the social audit were documented by the NGO facilitators and shared at the block and district level. Experience sharing events were organized at the GP, district and state level involving community leaders, local government representatives, OREGS implementing officials, policy makers, media and civil society organizations. The meetings were aimed at creating pressure to institutionalize social audit in implementation. In order to help others replicate and institutionalize the social audit process, a comprehensive handbook on the social audit process was developed and published at the end of the pilot (CYSD 2009a).

## **Conclusion**

### **Formation of Social Audit Committees**

The SAC at the GP level has emerged as a successful model for replication and as a benchmark that could be effectively embedded in the social audit planning process. Based on this emerging institutional design, a sustainable and effective approach to social audit could be developed.

### **Training and capacity building**

Mainstreaming social audit requires systematic and sustained training and capacity building support for stakeholders. It is important that implementation mechanisms are strengthened to achieve its full potential. Local community, user groups, village-level organizations and local government bodies need to know their rights and understand their own roles and responsibilities in the implementation of OREGS and social audit. Training modules focusing on social audit for each category of stakeholders will strengthen the monitoring and social audit process.

### **Simple technical manuals**

A technical manual is helpful to enable ordinary citizens monitoring the process of planning, design and execution in local level civil works. Simple technical handbooks prepared in a user-friendly format with simple text, sketches and checklists bring uniformity and help check corrupt practices in projects.

### **Building coalitions at all levels**

While community mobilization forms the foundation for social audit, there is a need to build coalitions at the higher level to create a framework that is supportive to the objectives of social auditing. There is a need to involve all stakeholders to create an enabling environment and for working together for robust results.

### **Public awareness and communication**

The success of social audits in OREGS largely depends on social mobilization and active involvement of stakeholders. Public participation is vital in planning, mobilizing demand, vigilance, social audit, monitoring and implementation. To raise awareness, intensive communication campaigns, tailored to local conditions, are needed. This would help the communities understand their rights and entitlements, the role of the implementing agencies and government functionaries and monitoring and grievance redressal mechanisms.

### **Institutionalizing grievance redressal**

There is consensus that community engagement can play a role in demanding greater responsiveness, accountability, and transparency through watchdog committees like SACs, right to information and other mechanisms. An institutionalized and community-based grievance redressal system should be a permanent measure at the local government level.

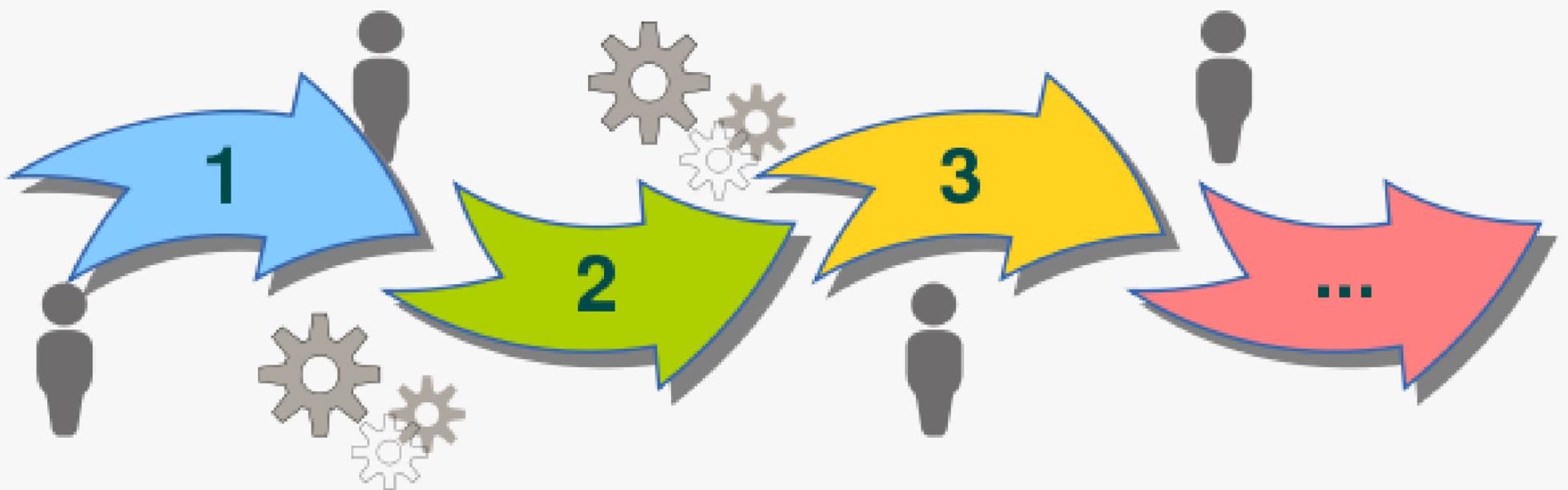
### **Long-term process**

The social audit approaches so far have been one-time methodologies to detect corrupt practices and present facts as opposed to creating a watchdog committee like SAC to identify gaps and make mid-course corrections through a participatory review.

## **References**

- CYSD 2009a 'Guidelines for carrying out Social Audits in NREGA', Centre for Youth and Social Development
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- CYSD 2009c, 'Construction works: Community Procurement Manual', Centre for Youth and Social Development
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- Natural Resource Management and Livelihood Unit, 'An Ecological Act: A backgrounder to the National Rural Employment Guarantee Act (NREGA)', Centre for Science and Environment, New Delhi

# PROCEDURE FOR REGISTRATION OF A MEMBER WITH ICMASAO



**ICMAI Social Auditors Organisation**

**(A Section 8 Company promoted by The Institute of Cost Accountants of India)**

# PROCEDURE FOR REGISTRATION OF A MEMBER WITH ICMAI SAO

## Eligibility Criteria for Social Auditor

### A. An Individual if he

- holds the required qualification and experience;
- have attended a course at the National Institute of Securities Markets (NISM) and received a certificate of completion after successfully passing the course examination; and
- is registered with a Self-Regulatory Organisation (SRO) [e.g., ICMAI Social Auditors Organization]

B. A Firm/Institution that has partners/employees who meet with the criteria for being a social auditor and has a track record of minimum three years for conducting social impact assessment.

## Eligibility Qualification & Experience for Social Auditor

- Post-graduates from universities recognized by the University Grants Commission (UGC) with a minimum of 3 years of experience in the development sector, or
- Graduates from universities recognized by the UGC with a minimum of 6 years of experience in the development sector, or
- Cost and management Accountant, Chartered Accountant, or Company Secretary holding valid Certificate of Practice.

No individual shall be eligible to be registered as a Social Auditor if he:-

- is a minor;
- is not a person resident in India;
- does not have the qualification and experience specified in SEBI notification;
- has been convicted by any competent court for an offence punishable with imprisonment for a term exceeding six months or for an offence involving moral turpitude, and a period of five years has not elapsed from the date of expiry of the sentence.

Provided that if a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more, he shall not be eligible to be registered;

- he is an undischarged insolvent, or has applied to be adjudicated as an insolvent;
- he has been declared to be of unsound mind; or
- he is not a fit and proper person.

Explanation: For determining whether an individual is fit and proper ICMAI SAO may take account of any consideration as it deems fit, including but not limited to the following criteria-

- integrity, reputation and character,
- absence of convictions and restraint orders, and
- competence,

## Procedure for Enrolment as a member

**Entry of Application :** Entry for application received for registration of social auditor is to be made in a register maintained by ICMAI SAO followed by stamping of application mentioning date of reception it.

**Acknowledgement of Application :** Every application received is to be acknowledged to the applicant within 7 working days of its receipt via mail.

## Internal Verification of application along with fee and supporting documents as mentioned in enrolment Form.

- Registered form – duly completed
- Passport-size photo
- Copy of proof of residence
- Self – attested copy of Aadhar card, PAN card and Passport (if available).

- Copies of documents in support of educational qualifications, professional Qualification, Experience, and Social Auditors examination
- Copy of proof of payment of Admission/Enrolment Fee and Annual Fee
- Copy of Self Declaration, the format of the same is annexed with the Enrolment form (Annexure – 1).

### Verifying Qualification and Experience

Copies of documents demonstrating qualification, employment and practice as –

- Cost and Management Accountant enrolled with the Institute of Cost Accountants of India.
- Company Secretary enrolled with the Institute of Company Secretaries of India,
- Chartered Accountant enrolled with the Institute of Chartered Accountants of India and/or empaneled with the Comptroller & Auditor General of India.
- Graduate / Post-Graduate from universities recognized by the University Grants Commission (UGC).
- Requisite experience of minimum of 3/6 years in the development sector
- Copies of certificate of employment from the employer(s), specifying the period of such employment.

### Before registering a person as its Member ICMAI SAO is required to verify the following:

- Whether the applicant holds requisite qualifications & experience as indicated above.
- Whether the applicant holds valid Certificate of Practice if he is a Cost and management Accountant, Chartered Accountant, or Company Secretary.
- Whether the applicant have attended a course at the National Institute of Securities Markets (NISM) and received a certificate of completion after successfully passing the course examination.
- Whether the individual/firm/institution holds requisite social sector experience in providing assurance of non-financial information. (e.g., nutrition, education, health, water & sanitation, energy conservation, environment and climate change, etc.)
- Whether the firm/institution has required number of partners/employees meeting the criteria for being social auditor and has a track record of minimum three years for conducting social impact assessment.
- Whether any disciplinary proceedings are pending, or any disciplinary action has been taken at any time in the preceding three years against the professional member or firm/institution by the ICMAI, ICAI, ICSI, any SRO or any other regulator.
- Whether ICMAI, ICAI, ICSI, any SRO or any other regulator has initiated any criminal proceeding against the professional member or firm/institution and is pending for disposal?
- Whether the professional member/ person had an unblemished service with the last employer if he was in employment? The applicant must submit a conduct certificate from his last employer.

### External Verification

The applicants' particulars are sent to verifying authority (ICMAI / ICAI/ICSI) to verify the following:

- Confirmation on verification of Membership Number provided by the Member
- Date of enrolment as member
- Number of years as member, whether he is continued to be member since his enrolment
- Information on whether the Member has ever been found Guilty of Misconduct. If his Membership was removed.
- COP Date
- COP Number
- Firm No.
- Firm Name
- Years of Experience in Practice
- Whether the member is in full-time practice or part-time practice?
- Whether the Member has been in Practice continuously? If not, please mention the block of period during which the Member was in practice and the block of period for which Practice was discontinued

- (e) After examination of the application, ICMAI SAO shall give an opportunity to the applicant to remove the deficiencies, if any, in the application.**
- (f) ICMAI SAO may require an applicant to submit additional documents, information, or clarification that it deems fit, within reasonable time.**
- (g) ICMAI SAO may reject an application if the applicant does not satisfy the criteria for registration or does not remove the deficiencies or submit additional documents or information to its satisfaction, for reasons recorded in writing.**
- (h) The rejection of the application shall be communicated to the applicant stating the reasons for such rejection, within thirty days of the receipt of the application, excluding the time given for removing the deficiencies or presenting additional documents or clarification by the ICMAI SAO, as the case may be.**
- (i) The acceptance of the application shall be communicated to the applicant, along with the registration number.**

### **Issuance of Certificate of Enrolment/Registration**

**Upon successful registration, Applicant is issued certificate of registration within 7 working days from the date of registration with ICMAI SAO (through courier and via mail)**

# DETAILS REGARDING SOCIAL AUDITORS EXAMINATION CONDUCTED BY NISM



**ICMAI Social Auditors Organisation**

**(A Section 8 Company promoted by The Institute of Cost Accountants of India)**

# Social Auditors Certification Examination

The examination aims to create a pool of social auditors who would assess the impact of social interventions of various social enterprises who raise funds through the Social Stock Exchange platform.

## Examination Objectives

On successful completion of the examination the candidate should:

- Know the basics of social auditing, Code of conduct of Social Auditors.
- Understand the general concepts related to social stock exchange, social audit and social impact assessment.
- Know the Social Impact Reporting disclosures and regulations.

## Assessment Structure

The examination consists of 85 multiple-choice and 3 case-based/caselet questions (each case having 5 questions) totaling to 100 marks. The assessment structure is as follows:

**Multiple Choice Questions[85 questions of 1 mark each]**

**85\*1 = 85**

**Case-based Questions[3 cases (each cases with 5 questions of 1 mark each)]**

**3\*5\*1 = 15**

The examination should be completed in 2 hours. The passing score for the examination is 60. There shall be negative marking of 25 percent of the marks assigned to a question.

## Test Details

**Name of Module: NISM Series XXIII: Social Auditors Certification Examination**

**~ 85 multiple-choice and 3 case-based/caselet questions (each case having 5 questions) totaling to 100 marks.**

**\* Negative marking – 25% of the marks assigned to the question.**

**+ Payment Gateway Charges extra.**

**# Passing Certificate will be issued only to those candidates who have furnished/ updated their Income Tax Permanent Account Number (PAN) in their registration details.**

# Frequently Asked Questions (Social Auditors)

## 1. Who can take NISM-Series-XXIII: Social Auditors Certification Examination?

The following persons can take NISM-Series-XXIII: Social Auditors Certification Examination:

- Individuals registered as social auditors
- Employees of Social audit firm
- Students pursuing social work and interested in gaining more knowledge in Social Audit

## 2. How can I register for NISM-Series-XXIII: Social Auditors Certification Examination?

Candidates can register at <https://certifications.nism.ac.in/nismaol/>

After successful registration, candidates may select a test centre, date and time slot of their choice on the Test Administrator website. Candidates are required to follow further instructions available on the Test Administrator websites.

## 3. What is the fee structure?

The fees for “NISM-Series-VIII: Social Auditors Certification Examination” is Rupees One Thousand Five Hundred only (Rs. 1500/-) plus applicable GST.

## 4. What is the assessment structure?

The examination will be of 100 marks, will have 100 questions, and should be completed in 2 hours. There will be negative marking of 25% of the marks assigned to a question. The passing score for the examination is 60%.

## 5. Is there a study material available for preparing for this examination?

You will receive a soft copy of the workbook/study material after enrolment for the examination. For non-receipt of a soft copy of the workbook/study material, you may contact NISM at: [certification@nism.ac.in](mailto:certification@nism.ac.in)

## 6. Do I have to pay for the study material?

You will receive a soft copy of the workbook/study material free of cost after enrolment for the examination. Candidate can buy printed workbooks from Taxmann Publications Private Ltd.

Visit <https://www.taxmann.com/bookstore> to place your orders for NISM workbooks.

If you prefer to order by phone, please call your nearest store directly to place your order. Click here to get the details of your nearest store.

## 7. I have passed NISM Social Auditors Certification Examination, when will I receive the certificate?

Only the candidates who have produced their Income Tax Permanent Account Number (PAN) during registration would receive the NISM Certificate within two weeks of appearing for the examination.

Candidates who produced other identification proofs would not receive the NISM certificate. They would receive only the temporary mark sheet at the end of the examination.

## 8. I have not provided my PAN information at the time of taking the certification examination. How do I obtain the certificate?

Candidates who have not provided their PAN information during registration may upload the same from their candidate dashboard from NISM's portal. After receiving and verifying PAN details, the candidate will receive the certificate from the Test Administrator they have registered with. No additional payments are necessary for obtaining the certificate.

**9. I have passed NISM Social Auditors Certification Examination and also provided PAN details, however I have not received a certificate. Whom should I contact?**

For non-receipt of certificate contact: [certification@nism.ac.in](mailto:certification@nism.ac.in)

**10. What is the validity period of the certificate?**

The certificate will be valid for 3 years from the date of the examination.

**11. Can I request for re-evaluation of NISM Certification Examinations?**

NISM Policy on Re-evaluation of performance of candidates appearing for Certification Examination and resolution of doubts about the questions forming part of such examination, if any.

“No re-evaluation of the performance of candidates appearing for Certification Examination conducted by NISM (Mandatory & Non-Mandatory examination) is permitted since the assessment of answers, with respect to Certification Examinations questions which are in the nature of the selection of only one correct answer from multiple choices offered, is carried out in an objective manner by in-built system architecture created for Certification Examination without any scope for human intervention and subjectivity element. Also, considering the examination structure, no disclosure of the questions and/or answers is permitted as it will violate the confidentiality of the question bank, which is the essence of the examination.

In view of the above, no communication regarding re-evaluation, etc. will be entertained/serviced by NISM.” Subject to the above request/s received from a candidate for resolution of doubts about a question forming part of such examination will be considered as per the following policy.

(1) Candidate’s request/s will be considered only when he/she specifically mentions particular question or two which he/she thinks contain errors. Claims/ to recheck more than two questions shall normally be not permitted unless substantive material is provided by the candidate as to why he/she considers errors in such questions. In no case, claim/s to recheck all the questions appeared in his/her question paper shall be entertained.

(2) No request/s to disclose/discuss question/s and/or their answers shall be entertained as disclosure of the question/s will violate the essence of the question bank viz. breach the confidentiality/secretcy of the Question bank.

(3) Only those request/s made on-the-spot (before leaving the test center) will be considered for verification.

(4) When a valid request is received from a candidate at the Test Centre, it shall be forwarded by the respective TA to NISM. NISM’s team will look into claim relating to the contested question/s to verify whether there is a mistake in the question or answer. If it is prima facie found that the question or answer contains a mistake, no score will be computed and consequently no score card will be issued then at the Test Centre.

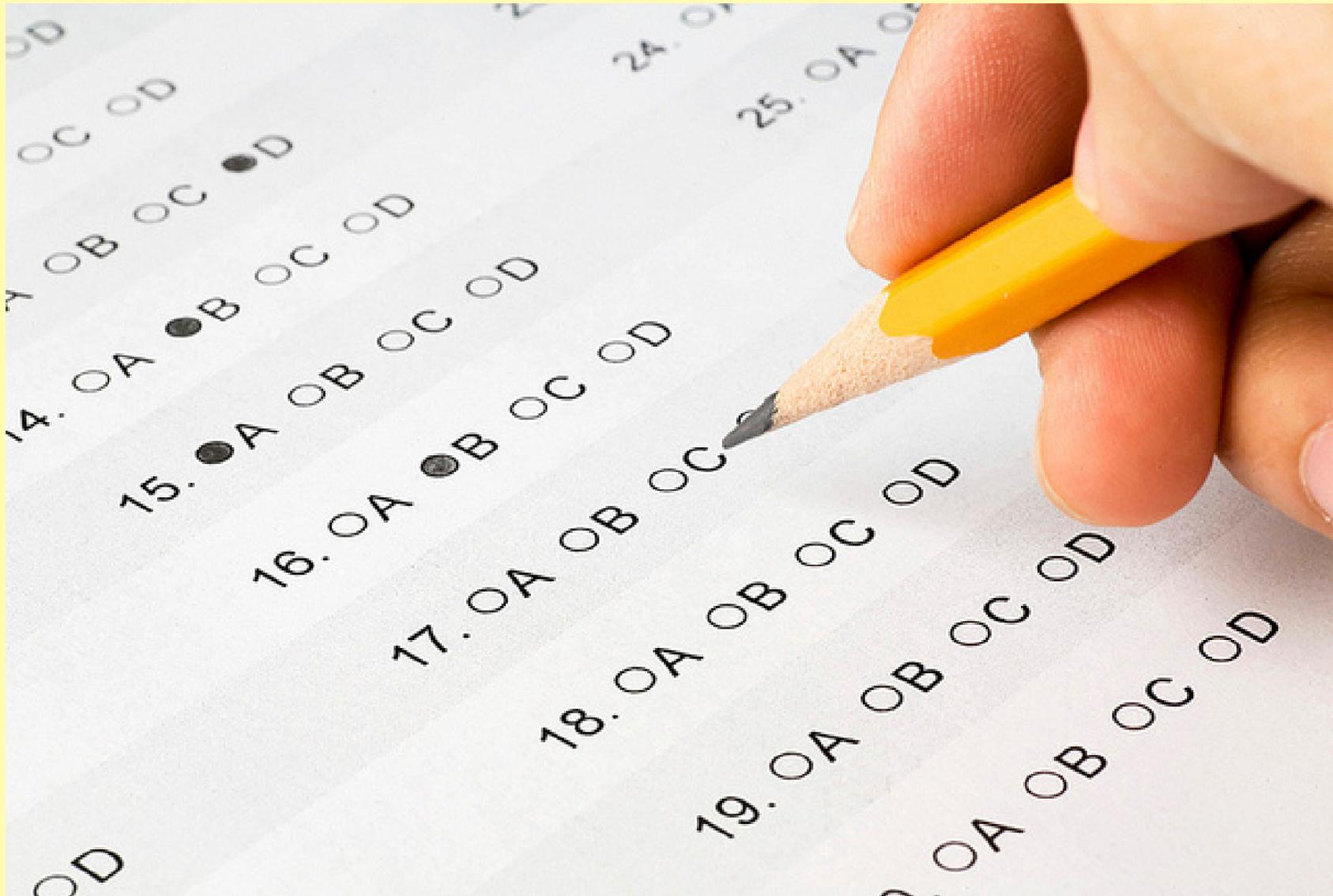
(5) Such matter will then be escalated with the question / answer to the Committee with the details of the nature of error, the correct version of the question or contested correct answer and system recognized correct answer. The Committee, after due diligence and proper scrutiny, will arrive at a conclusion whether the claim made by a candidate in relation to a question or answer is right. Such conclusion will be recorded in writing and put up for formal approval to the authority of NISM.

(6) Score computation, kept in abeyance as per point 4, shall be carried based on the approval as per point – 5. Such score card will then be issued to the candidate by TA/NISM.

**(7) Even though NISM endeavours best efforts and has put in place a robust mechanism to review its question bank intermittently, attributable to continuous changes taking place emanating from dynamics of the market, encompassing products and features, and its regulatory framework, there is a possibility of inadvertently escaping some updation and/or escaping indirect impact on some question/answer. Therefore, to take care of such eventuality, the above process of entertaining request from the candidate in relation to the question/answer is put in place.**

**(8) The above policy and process will be subject to review from time to time and shall be binding and final in relation to any claim and/or matter when disposed off with the approval of the authority of NISM.**

# MULTIPLE CHOICE QUESTIONS



**ICMAI Social Auditors Organisation**

**(A Section 8 Company promoted by The Institute of Cost Accountants of India)**

# MULTIPLE CHOICE QUESTIONS

Compiled & Contributed by CMA Jacky Singh (Cost Accountant & Social Auditor)

Question 1 – Every member of RSE maintain book of account and other document as specified in

- A. SC(R)R- 1957
- B. SEBI(LODR) Regulation 2015
- C. SEBI Act 1992
- D. SCRA 1956

Answer- A. SC(R)R- 1957

Question 2 – Primary objective of the Depositories Act

- A. Dematerialisation of Securities
- B. Making Securities freely transferable subject to certain exception
- C. Providing for maintenance of ownership record in a book entry form
- D. All of the above

Answer- D. All of the above

Question 3 – Disclosures by a Not for Profit Organisation on General aspects

- A. Detail of TOP 5 donors
- B. Detail of Top 5 Programs
- C. Detail of Top 3 donors
- D. Detail of Top 3 programs

i. A, B, C & D

ii. A & B

iii. A & D

iv. B & C

Answer- ii. A & B

Question 4 – If more than one order at the same price is received on the exchange trading system , they are matched in ..... time order .

- A. Ascending
- B. Weighted Average
- C. Mean Average
- D. Descending

Answer- A. Ascending

Question 5 –

Minimum Initial Disclosure Requirement for NPOs raising funds through the issuance of ZCZP instruments in terms of

- A. Regulation 292J (1)
- B. Regulation 292J (2)
- C. Regulation 292K (1)
- D. Regulation 292K (2)

Answer- C. Regulation 292K (1)

Question 6 – A market order is where a trader purchases or sells their security at the best market price available across the market depth to complete the order quantity.

- A. True
- B. False

Answer- A. True

Question 7 - In the Indian equities market SEBI has given options to Exchanges/Clearing Corporations to settle trades on ..... basis

- A. Trade+2 day
- B. Trade+1 day/Trade+2 day
- C. Trade+1 day
- D. All of the above

Answer- B. Trade+1 day/Trade+2 day

Question 8 - ..... are the primary goals of the Social Enterprise

- A. Social Intent
- B. Social Outcome
- C. Social Impact
- D. Social Intent & Impact

Answer- D. Social Intent & Impact

Question 9 - The approaches of social sector aim at:

- A. Conducting research based advocacy
- B. Forming think tank organization with a right based approach
- C. Addressing the gap in sectors like health & energy

i. A, B & C

ii. B & C

iii. C & A

iv. None of the above

Answer- i. A, B & C

Question 10 - 1. Data analysis is the process of collecting, modelling, and analysing data to extract insights that support decision making

2. Data cleaning is to be done to check if the data is duplicate, erroneous or incomplete and identify any outliers within the data sets.

- A. 1. True & 2. False
- B. 1. False & 2. False
- C. 1. False & 2. True
- D. 1. True & 2. True

Answer- D. 1. True & 2. True

# MULTIPLE CHOICE QUESTIONS

Compiled & Contributed by CMA Jacky Singh (Cost Accountant & Social Auditor)

Question 11 – A. ZCZPs shall have Zero coupon and no principal payment at maturity.

B. Post registration, NPOs can directly list on SSE through issuance of ZCZP.

1. A & B – True
2. A – True & B – False
3. Only B- True
4. A & B – False

Answer- 1. A & B – True

Question 12 – 1.The Social Auditor should check data quality based on the following indicators:

- A. Completeness
- B. Integrity
- C. Reliability
- D. Timeliness

- i. A & D
- ii. A, B & D
- iii. A, B, C & D
- iv. B, C & D

Answer- iii. A, B, C & D

Question 13 – Eradicating hunger, poverty, malnutrition, & equality

- A. SAS 1100
- B. SAS 1000
- C. SAS 100
- D. SAS 600

Answer- C. SAS 100

Question 14 – SIFs or schemes of SIFs, launched exclusively for registered or listed NPOs, may invest ..... of its investible funds in securitised of NPOs registered or listed on a social stock exchanges

- A. 25%
- B. 50%
- C. 75%
- D. 100%

Answer- D. 100%

Question 15 – Mandatory Criteria for NPO Registration in relation Age of the NPO

- A. 5 yr
- B. 2 yr
- C. 1 yr
- D. 3 yr

Answer - D. 3 yr

Question 16 – Which approach of social impact assessment is used for analysing target set of data

- A. Qualitative
- B. Case study
- C. Quantitative
- D. Monetary Approach

Answer- C. Quantitative

Question 17 - 1. The Social audit framework is applicable from the date of its hosting on SEBI website

2. The Social audit framework developed by ICAI/ICMAI/ICSI provides a social auditor guidance for conducting a social audit.

- A. 1 & 2 – True
- B. 1 – True & 2 – False
- C. 1 & 2 – False
- D. 1- False & 2- True

Answer- C. 1 & 2 – False

Question 18 - The review process should answer the how much unintended impact..... happened due to the project based activity.

- A. Positive
- B. Positive or Negative
- C. Positive and Negative
- D. Negative

Answer- C. Positive and Negative

Question 19 - A listed Not for Profit Organization shall submit to the Social Stock Exchanges the statement in respect of utilisation of the funds raised , on a .....basis

- A. Monthly
- B. Yearly
- C. Annually
- D. Quarterly

Answer- D. Quarterly

Question 20 - Following disclosure shall be made by the NPO in respect of Financial Aspects .

- 1.Breakup of organizational budget and expenditure
- 2.Split of the budget across partners of the project is being jointed executed
- 3.Program wise fund utilization certificate
- 4.Percentage of organizational budget this issue represents

- A. 1, 2 ,& 4
- B. 1, 3, & 4
- C. 1, 2, 3 & 4
- D. 2,3 & 4

Answer- C. 1, 2, 3 & 4



## ICMAI Social Auditors Organisation

(A Section 8 Company promoted by The Institute of Cost Accountants of India)

### GUIDELINES FOR ARTICLES

The articles sent for publication in the journal “The Social Auditor” should conform to the following parameters, which are crucial in selection of the article for publication:

- The article should be original, i.e. Not Published/ broadcasted/hosted elsewhere including any website.
- A declaration in this regard should be submitted to ICMAI-SAO in writing at the time of submission of article.
- The article should be topical and should discuss a matter of current interest to the professionals/readers.
- It should preferably expose the readers to new knowledge area and discuss a new or innovative idea that the professionals/readers should be aware of.
- The length of the article should not exceed 2500-3000 words.
- The article should also have an executive summary of around 100 words.
- The article should contain headings, which should be clear, short, catchy and interesting.
- The authors must provide the list of references, if any at the end of article.
- A brief profile of the author, e-mail ID, postal address and contact numbers and declaration regarding the originality of the article as mentioned above should be enclosed along with the article.
- In case the article is found not suitable for publication, the same shall be communicated to the members, by e-mail.

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## **ICMAI Social Auditors Organisation**

**(A Section 8 Company promoted by The Institute of Cost Accountants of India)**

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