

CHAPTER-11

SOCIAL AUDIT & OTHER MISCELLANEOUS AUDITS

11.01 Social Audit

11.01.01 Introductory

The concept of social audit has been accepted as a powerful way of securing accountability. Social audit is a scrutiny and analysis of working of a public utility vis-à-vis its social relevance from the perspective of the vast majority of the people in the society in whose name and for whose cause the very institutional system is promoted and legitimized. In other words, it means an independent evaluation of the performance of the local bodies by the people.

11.01.02 The Ministry of Rural Development (MoRD) has issued instructions, which stipulate that the Gram Sabha should be specifically empowered to conduct social audit or collective audit into all public works and beneficiary oriented programmes implemented at the village level under various schemes of the MoRD. These instructions also require that the completion certificate for all village level public works should be awarded by the Gram Sabha, and such a certificate of completion can be awarded by the Gram Sabha only after conducting social audit of the work in question.

11.01.03 Certain States like Rajasthan have made social audit mandatory and it is hoped that in future more States would make it mandatory. The experience gained from the experiment on Jan Sunvais (Public Hearings) in Rajasthan is instructive in this context, where a local Non Government organisation played an important role in conducting social audit and bringing in greater transparency and accountability.

11.01.04 Whenever audit parties come across social audit reports, they should take into account the findings of such social audits and may point out the pending action to be taken on such reports. Also in case the social audit reports point out gross mismatch between the expenditure on village works and the actual work done/assets created, the audit report should recommend physical verification by an appropriate authority of the State Government.

11.01.05 Audit parties should call for social audit reports, along with minutes of the meeting wherever it is mandatory and see the following:-

- (a) Number of meetings prescribed & actually held and the quorum for the meeting. The cases where the participants raised doubts about the existence and quality of work(s) may be examined in detail.
- (b) The labour and the material components (in some of the schemes wage material ratio is prescribed) and their break up were mentioned and full disclosures were made to the members.
- (c) Bills, voucher, muster rolls, UCs, MBs and other documents were displayed

- for public scrutiny.
- (d) Appropriate action was taken on time where the reports point out mismatch between expenditure on village work and actual valuation of the work/assets created or cases where no assets were created. In such cases if no physical verification of the works has been done, the same may be recommended in the audit reports; and
 - (e) Where the social audit is not mandatory, the party should call for the minutes of the Gram Sabha/Ward Sabha and examine the cases of mismatch referred to in point (d) above in detail.

11.02 Loans raised by Local Bodies

11.02.01 When loans are raised by Local Bodies for execution of any specific activities or for any other purpose in accordance with the provisions of Local Bodies Act concerned or Notifications issued thereunder, it should be seen in audit that-

- (i) the financial position of the Local Bodies was such that it had to raise the loan up to the level raised;
- (ii) the purpose for which loan is to be raised is determined and loan is utilized for that purpose;
- (iii) loan is not raised far ahead of the schedule or in excess of needs, resulting in diversion of loan for other purposes(for purchases or for investing);
- (iv) capacity of Local Bodies to repay the loan has been duly assessed with reference to source of income from which repayment is to be made and the source becomes actually available for the purpose;
- (v) repayments of loan and interest are not met by obtaining grants for the purpose, unless it is specifically authorized by the grant sanctioning authority;
- (vi) the terms and conditions of the loan are clearly determined and a copy of document is available with the loanee;
- (vii) interest payable is correctly worked out and is duly indicated in accounts whether actually paid or not;
- (viii) the loan is utilized for the specified purpose and any excess is duly refunded, if it is permissible;
- (ix) a proper record of the loan is kept for watching timely repayment and the record is duly reviewed; and
- (x) all matters relating to raising of loan, utilization, finalization of terms and conditions, position of repayment, etc., are duly brought to notice of the main governing body and other connected committees from time to time.

11.02.02 In auditing accounts of **Sinking Fund** created by a Local Bodies under the relevant provisions of Act and Rules for the redemption of loans raised, within the periods prescribed, the following points should be verified :-

- (a) A separate account is maintained.
- (b) The Fund is sufficient to repay the principal and interest by the prescribed due date.
- (c) Credits to the Fund are made in installments regularly from the Local Bodies funds debiting Revenue in accordance with the prescribed procedures.

- (d) Payments from the Fund are made only for the purpose for which it is created.
- (e) Accumulations in the Fund are invested in such securities as may be prescribed and such investments are sound.
- (f) A Register for sinking fund is maintained, posted up to date and the balances as per the Register agree with account balances.

11.02.03 Investment of Funds: Where funds of Local Bodies as required under law or rules/regulations issued by the competent authority are to be invested in securities, it has to be seen in audit that:-

- (i) the amount allocated is in accordance with rules governing the fund and is permitted where no surplus is left;
- (ii) the fund is being accumulated in accordance with prescribed scales and not in excess of ceilings prescribed;
- (iii) investment is resorted to in accordance with rules with the specific sanction of the competent authority and the allocated fund is not out of any loan raised for specific purposes;
- (iv) the investment is duly authorized and conforms to the prescribed pattern and it does not result in any avoidable loss;
- (v) a watch is kept on the realization of interest and interest realized is not appropriated to revenue unless it is out of general income, but is allowed to swell the fund balance only;
- (vi) accumulations in funds invested are duly matched with fund balances and where required, the shortfall in funds is duly made good;
- (vii) excess receipt of Government grant/loan or receipts in advance is not diverted towards investments; instead, they should be paid back to Government for release when necessity arises.
- (viii) a Register of Investments is properly maintained in the form and manner prescribed by rules; and
- (ix) securities (Investment documents) are kept in safe custody and their existence checked periodically with Investment Register and certificate of verification is recorded in the Register.