

ICAI publishes exposure draft on social audit standards

1.0 Background

On 25 July 2022, the Securities and Exchange Board of India (SEBI) notified the 'Issue of Capital and Disclosure Requirements (Third Amendment) Regulations, 2022.' Accordingly, the concept of 'Social Stock Exchange' and 'Social Enterprise' came into existence. Further, SEBI entrusted 'The Institute of Chartered Accountants of India' (ICAI) with the responsibility of being a self-regulatory organisation (SRO) for regulating the profession of 'social auditors.'

On 5 August 2022, The Sustainability Reporting Standards Board of ICAI developed an exposure draft of the social audit standards (SAS) seeking responses from the public till 29 August 2022.

The exposure draft sets out the scope of the social audit, ethical principles, and in-depth guidance for the auditors in performing social audits. It sets out a total of 16 standards which need to be applied while performing social audits of any of the notified activities.

2.0 Important points

1. Scope of SASs:

The SAS apply whenever an independent social audit of a for-profit or not-for-profit social enterprise is carried out.

2. Social auditors' duty:

Social auditors are duty-bound to adhere to the SASs and material departures from the SASs must be reported. Also, adherence to SASs is mandatory while carrying out social audits for social enterprises (SEs) listed on the social stock exchange (SSE).

3. Framework for SASs:

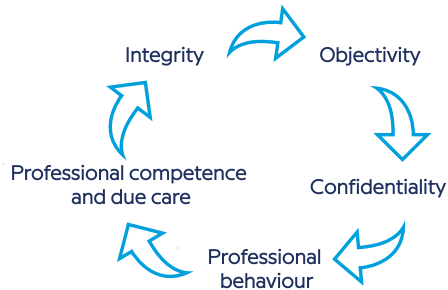
The framework sets out the objectives of social audit, and provides a frame of reference for:

- a. social impact assessment while conducting a social audit,
- b. 'Responsible party' i.e., a social enterprise (SE), 'Engaging party' (either an SE / any other person) and the *stakeholders* who are the intended users of the social audit report.

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4. Driven by ethical principles:

In addition to the framework defined in the exposure draft the social auditors also need to adhere to the Code of Conduct of the ICAI which sets out the following fundamental ethical principles:



5. Quality control for the social auditor:

The social auditor and the firm should establish a system of quality control to ensure adherence to the professional standards, legal/regulatory requirements, and also for ensuring the appropriateness of the audit reports.

6. Proforma social audit report:

ICAI has published an indicative format of the social audit report to ensure coverage of the essential elements.

7. Draft SASs:

A total of 16 exposure drafts of the SASs are framed covering each of the broad categories of social activity.

Weblink

https://www.icai.org/new_post.html?post_id=18491

<https://resource.cdn.icai.org/71191srsb57193.pdf>

Therefore

Like any other corporate entity, a social enterprise can now access public money through the social stock exchanges. Also, many companies contribute their CSR funds to social enterprises (big NGOs, societies, trusts, etc.) involving the deployment of public money for social causes. Making social audits mandatory will make the social enterprises responsible and accountable to the public and will also provide assurance to the stakeholders involved.