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Social audit as a tool of civil society aimed at ensuring the sustainability

I Sysoieva¹, N Pozniakovska², O Mikluha², A Pukas³ and V Roleders¹

¹ Vinnytsia Institute of Economics, West Ukrainian National University, 37 Honty Str., Vinnytsia, 21000, Ukraine

² National University of Water and Environmental Engineering, 11 Soborna Str., Rivne, 33028, Ukraine

³ West Ukrainian National University 8, Chekhova Street, Ternopil, 46000, Ukraine

E-mail: n.m.poznyakovska@nuwm.edu.ua

Abstract. A theoretical justification of the conducting a social audit was carried out, which involves the following stages: familiarization stage - to determine the expediency of the procedure; the initial stage is necessary to determine the executors; the organizational stage involves coordination between the contractor and the customer; during the experimental stage, the necessary information is collected; at the analytical stage, indicators of compliance of the state of the objects with the standards are compared; at the final stage, reporting documentation is prepared; at the completion, there is a meeting with the customer and a discussion of the results. The specified stages systematize the organizational process and contribute to the qualitative implementation of the social audit procedure as a whole. The definition of “social audit” has been clarified as a set of control measures in the form of monitoring, audits, inspections, surveys, questionnaires, which are carried out by stakeholders in order to determine the degree of social responsibility of the enterprise. The main criteria for the classification of social audit are summarized and systematized, namely: its functional purpose (social audit of compliance, efficiency audit). Characteristic features, advantages and disadvantages of auditing procedures performed by external and internal auditors are given.

1. Introduction

The global economic space in the 21st century is in a state of permanent crisis caused by insufficient of social responsibility of government and business. The calls of the UN for cooperation with non-governmental organizations are related to the intention to transform the modern world economy model to fulfill the goals of the sustainable development strategy, which is impossible without taking into consideration social values. The social interaction of the community, government institutions and business appears in the modern world as a necessary factor in the development of the economy of each country and the world. The search for opportunities to balance the interests of the government, business and community is a sign of changes in the world economy, a departure from the old paradigm of irresponsible exploitation of resources, an understanding of the need to take into account the interests to all the economic process participants.

Thus, government and business, having joined the contract in cooperation with other social partners, will be able to promote the idea of forming a sustainable and open global economy.



The Global Treaty is a system of relationships as a network organized on the basis of the Global Treaty Bureau and six UN institutions and all joining members, undertaking its principles in their development strategy and practical activity [1].

2. Research Methodology

This research is qualitative descriptive research. Our method is to conduct a literature research on civil society, its impact on ensuring sustainability, social audit and their development. The method of data collection consists of literature research, observations, surveys, interviews with parties involved in social audit and sustainability [2-10, 17-22].

We study statistics data of the World Bank obtained during the global research Governance Matters. Within the World Bank project, since 1996 aggregate and individual indicators have been determined success of Governance and business environment in some countries of the world according to the key management ratings (indices): Rule of Law; Government Effectiveness; Control of Corruption; Regulatory Quality; Voice & Accountability; Political Stability; Competitiveness; Civil liberties; other (Table 1).

Table 1. Some European countries Governance and business environment Indicators, 2019-2021*.

Indicators	Countries	Rank 2021	Rank 2020	Rank 2019	
Rule of Law	<i>Finland</i>	2.06	2.07	2.05	
	Norway	1.95	1.97	1.98	
	Denmark	1.94	1.85	1.87	
	UK	1.43	1.49	1.6	
	Estonia	1.43	1.37	1.27	
	Lithuania	1.11	0.99	1.02	
	Latvia	0.98	0.95	1.01	
	Poland	0.44	0.53	0.41	
	Ukraine	-0.66	-0.69	-0.72	
	<i>Belarus</i>	-1.1	-1.05	-0.84	
	Government Effectiveness	<i>Finland</i>	1.96	1.95	2
		Norway	1.84	1.94	1.85
		Denmark	2	1.89	1.9
UK		1.28	1.38	1.48	
Estonia		1.38	1.34	1.17	
Lithuania		1.06	1.06	1.04	
Latvia		0.87	0.88	1.1	
Poland		0.29	0.38	0.54	
Ukraine		-0.41	-0.36	-0.31	
<i>Belarus</i>		-0.77	-0.73	-0.13	
Voice and Accountability		<i>Norway</i>	1.75	1.72	1.66
		Finland	1.62	1.61	1.56
		Denmark	1.56	1.52	1.55
	UK	1.3	1.25	1.26	
	Estonia	1.19	1.17	1.18	
	Lithuania	1.04	1.01	1	
	Latvia	0.91	0.87	0.86	
	Poland	0.59	0.62	0.67	
	Ukraine	0.08	0.09	0.02	
	<i>Belarus</i>	-1.58	-1.45	-1.41	

* -2.5 weak; 2.5 strong

Source: based on [2].

The WGI aggregates combine the views of large number respondents from more than 30 organizations, institutions and experts, using more than 40 data sources, covering almost 200 countries and updated annually since 2002 [2].

Therefore, strengthening of public policy standards, promotion civic and corporate cultures are mandatory for profound transformations in the world system of values, in particular sustainability. Simultaneously, it is important to increase citizens' awareness of the value civil society and the role of its tools as a social audit. Social audit becomes especially important in the period when the world is suffering from pandemic, wars and other threats. People's awareness of rights, state and non-state programs, responsibilities, community priorities, identification of new problems and their solution are currently acquiring vital meanings.

At the micro level, based on the essence of social audit, we distinguish corporate audit, the purpose of which is to study the social sphere of the company, the consistency of the main directions of development of the latter with the goals and strategy of social responsibility.

The KPMG Survey of Sustainability Reporting finding that assurance of sustainability information has now become standard practice for large and mid-cap companies worldwide. Now 80 percent companies and over 90 percent among the largest companies in the world published sustainability reports [3]. In 2020 over two-thirds (69 percent) of the N100 and almost three-quarters (72 percent) of the G250 represented their business activities in sustainability reporting.

The 17 SDGs were introduced by the UN as a blueprint to achieve sustainable future for all by addressing global challenges including poverty, inequality, climate change, natural disasters, disability, accessibility and sustainable urban development, environmental degradation, peace and justice [3].

3. Results

The Global Treaty is based on 10 principles of social responsibility, which, in turn, are developed on the basis of generally accepted human values: respect for human rights, achievements in the field of labor relations, preservation of the environment and combating corruption (Table 2).

The social audit methodology have to provide the basis for organizations to set their own priorities, outline strategic plan and determine the performance measurement criteria, and then control and decide how to maintain or improve their activity. The social audit organizations should consider this process as an opportunity to learn more about their own organization and, if necessary, manage changes.

This distinguishes this type of social audit among other types of evaluations and surveys. Social audit has several goals, objectives and advantages (Table 3). One of them is the assessment of social and environmental impact that the company causes in the local community.

Another goal is estimation of material and monetary shortcomings and nonconformity of the needs of the community and the property available for the development of the local community. Other goal of social inspections is to inform local social service providers and other beneficiaries about the needs of the community.

The technology of social audit performance regardless of the used methods has a logical system of sequence of action and consists of separate stages. As a rule, enterprises on a regional and branch levels should undergo external social audit conducted by an independent disinterested party. The management addresses the subject of social audit with the request to conduct a social expertise, for example, at the need for a dramatic solution to social issues in the introduction of new technology, enterprise reshaping, structural reorganization, creation of temporary or operational creative groups, resolving conflict situations between employees and finding out the causes of employees' discontent.

The social auditor performing such a work must have expertise only in social policy but also in finance, management ethics, social and psychological aspects of management, know labour and administrative law.

Table 2. Principles of the UN Global Treaty.

The principles of the UN Global Treaty	Components	The essence of the principles of the UN Global Treaty
Principle 1	Human Rights	Business communities must support and respect the protection of human rights declared at the international level
Principle 2		Business communities must not be involved in violation of the human rights
Principle 3		Business communities must support the freedom of associations and genuine right recognition to conclude collective agreements
Principle 4	Labour Relationship	Business communities must object to all forms of forced labour
Principle 5		Business communities must demand complete elimination of the child labour
Principle 6		Business communities must call for elimination of discrimination in the sphere of labour and employment
Principle 7		Business communities must support an approach to environmental issues based on the principle of prevention
Principle 8	Environment	Business communities must introduce initiatives aimed at increasing responsibility for the environment
Principle 9		Business communities must contribute to the development and spreading of environmentally friendly technologies
Principle 10		Business communities must fight against all forms of corruption, including extorting and bribery
	Anti-corruption	

Source: based on [1, 3, 5].

Table 3. Goals and advantages of social audit.

Goals of social audit	Advantages of social audit
Assessment of physical and financial discrepancies between needs and resources available for local development	It teaches a community to participate in local planning
Increase of awareness among beneficiaries and suppliers of local social and industrial services	It encourages local democracy
Increase of the efficiency and effectiveness of local development programs	It encourages community involvement
Verification of different political decisions, taking into account interests and priorities of stakeholders, especially rural poverty	It examines the problems of socially vulnerable population groups
Assessment of alternative expenses for stakeholders for non-timely access to government services	It promotes collective decision-making and division of responsibilities

During the direct social audit, the main stages of the social auditor's activity include:

- familiarization with the tasks;
- determining the boundaries of their actions;
- study of social balance and other documentation on the object of social audit (entity, industry, region) and regulatory documents;
- making questionnaires and interviewing;
- preparation of work program;
- realization of work;
- reporting.

Social audit is a real diagnostic system of social economic relationship in an enterprise, in a branch or in a region, as well as analysis of the activity effectiveness of executive bodies. So, in fact, social audit is an analysis of the factors of unbalanced social criteria and development of proposals to reduce their impact and rectify the situation. According to the concept, social audit is a way of comprehensive and objective assessment of the state of social relations at different levels (corporate, municipal, sectoral, regional, national), which enables detection of potential threats to worsening social climate, reveals reserves for human resources development [10].

The conformity audit includes areas such as staff schedule analysis; the assessment of its validity, availability of development plan; the assessment of compliance of position descriptions with the qualification characteristics of employees; the assessment of staff recruitment and hiring; the analysis of the implementation of the staff promotion plan; the analysis of the implementation of the Professional Qualification Program, the cost of advanced training; an analysis of the accounting size of employees by age, educational, gender, natural losses and its compliance with the organization; the analysis of work and safety conditions; analysis of labour relations in the team (analysis of conflicts, resistance of changes, psychological compatibility of employees, psychological climate), an assessment of interaction of the organization with employment services, educational institutions, local authorities, competing organizations.

The efficiency audit (management audit) evaluates the compliance of the internal management methods of its goals and the possibility of their improvement. In order to develop and justify the proposals, the auditor must study not only the achieved results, but also the whole array of procedures leading to it. The effectiveness audit begins with the audit of procedures and answers the questions of compliance with the results and procedures of internal control of the organization of the set goals, the availability of facilities facilitating or improving management procedures to achieve the goals easily.

The importance of the "regional" component of the social audit is explained, above all, by the fact that the regions are responsible for the social status of the population. Social audit makes it possible to obtain objective and reliable information about social climate at enterprises and organizations, allows to identify significant and potentially possible social risks, thus contributing to effective regulation of social relations. It is well known that there is significant differentiation of countries regions in terms of living, income, wages, working conditions, so the audit examination will objectively evaluate the social situation on the territories. At the same time, social audit enables the regions to attract the attention of government authorities to their social needs and to achieve the approval of social justice. The level of social protection of the population is dependent on the state, but not only its, the enterprise is responsibility on social defence too. This indicates the increasing importance of social security of the enterprise and thus the corporate level of social audit. There are the main levels of its implementation in Fig. 1.

For the business environment, social audit can become a tool for influencing local authorities (municipal level of social audit), as well as a mechanism guarantees that protects against bureaucratic pressure and corruption policy by individual state structures or officials. In addition, social audit enables to monitor internal organizational relations, create conditions for diversification of business structures and explore new technology market and distribution [11; 12; 13].

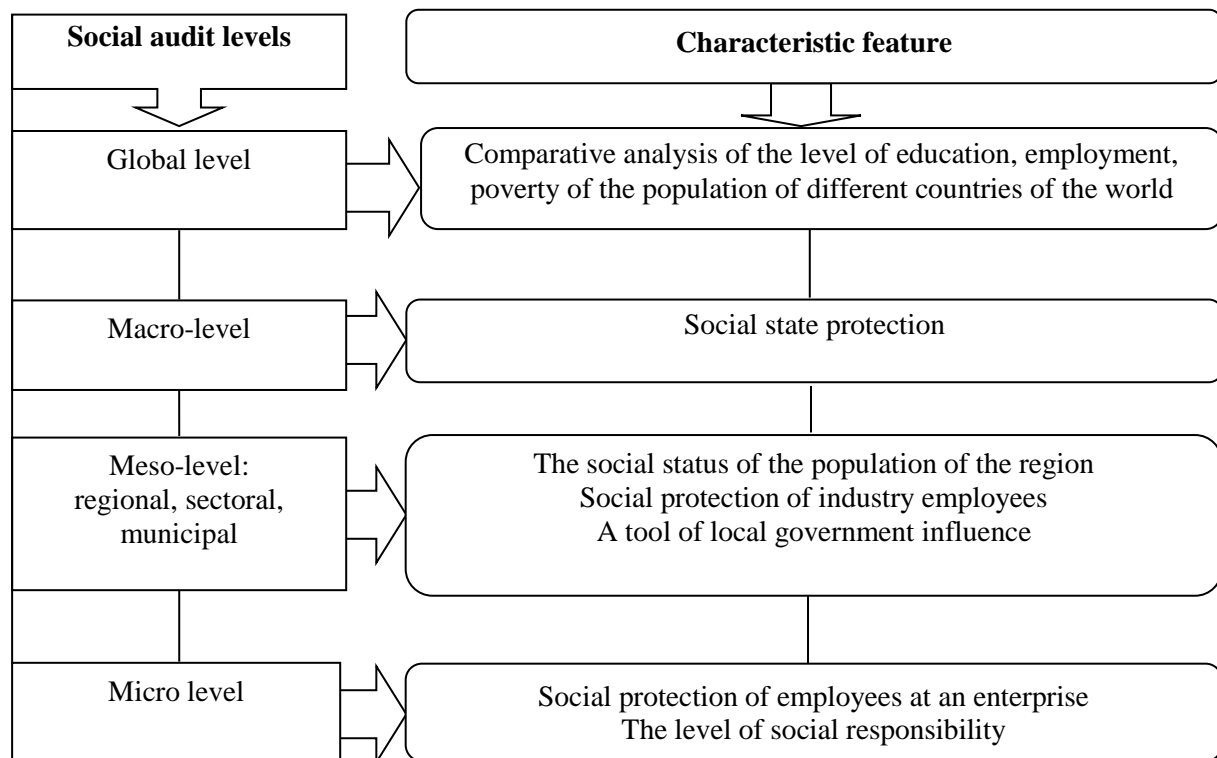


Figure 1. Social audit levels.

For Ukrainian social audit in the context of strengthening the requirements for corporate social responsibility, the research should focus on human resources, inefficient use of which in the last quarter of a century has caused political, criminal, material and moral responsibility of officials at different levels of management. Social audit is, first and foremost, prompt assistance for human resource management in order to ensure the effective implementation of social policy, and is later regarded as a method of confirming the level of corporate social responsibility [14]. We consider it is advisable to further research into this issue in order to develop the regulatory framework of social audit, to promote knowledge about it and to clarify its importance for the population of Ukraine and to actively involve Ukrainian public in social audit, which will significantly increase the social consciousness of the citizens and corporate social responsibility for the modern and next generations of the Ukrainians [5, 15].

The experience of the “Big Four” is successfully adopted by other audit firms, which are members of professional networks or associations, constantly expanding the list of services and offering the client comprehensive service and strengthening their positions in the services market of social and consulting activity, tax consulting staff administration and social audit. The largest world companies offering social audit services are presented in Table 4.

One of the most successful firms is ALGI International Inc, registered in 1994, which was one of the first to determine the definition of corporate social responsibility by a third party audit firm. The result of the work is provided by experts with more than 25-year experience in carrying out assessments and certification in the field of social and environmental stability, as well as with great staff potential in various fields that carry out more than 3000 audits a year according to the international standards (Sedex, BSCI, Wrap, SA8000, SLCP) and is constantly growing.

In the context of increasing competition, business development becomes possible mostly due to the effective management of tangible assets and human resources. One of the management strategies is reduction of the enterprise’s staff, while most responsibilities including regular ones are relayed on external employees [6, 16].

Table 4. The largest world companies as subjects of social audit.

Association/ companies	Activity characteristic	Features of activity
<i>Verisio Great Britain and Verisio Asia</i>	<i>Verisio</i> has a team of specialized auditors on compliance with social standards and explores the issues of risks for employees	The auditors interview the management and workers, check the payroll/working hours, employee training records and current documentation
<i>A network of responsible suppliers (Responsible Sourcing Network) (RSN) Berkeley, USA</i>	Charity organization that opposes human rights violation and the use of forced labour	Human rights audit. Collaborates with different stakeholders: investors and human rights defenders
<i>TÜV SÜD, Munich, Germany (about 25,000 employees and about 1000 offices and offices)</i>	Internal audit Suppliers' audit Process audits Manufacturer audit Focus audit	That evaluates the management system, with a mandatory report That includes a detailed analysis of the supply chain, providing a stable transparency for companies Stability and efficiency of processes, subprocesses and corporate systems. The results serve as a basis for future quality management decision Evaluates compliance with standards for specific industries (for example, for the needs of the military) Health Care specialized audits in relation to compliance with the regulatory requirements and quality of services with the involvement of technical experts and specialists
<i>ABS Quality Evaluations (ABS QE), USA (over 1000 specialists in more than 20 countries)</i>	ABS group serves marine, oil, gas and chemical, government and industrial sectors. It performs a remote audit	ABS group, Inc. offers data-based risk and reliability decisions and technical services for confirm the safety, integrity, quality and efficiency of assets and operations

Source: based on [3, 4, 9, 11].

This approach has a lot of advantages: saving for social contributions for wages, sick-leaves, holiday pays penalties for refusing to employ the persons with disabilities and more.

The tools of conducting such personnel policy at the enterprise are usually referred to as:

- outstaffing is the removal of employees from the staff of the enterprise, although they actually remain in their workplace and perform their duties pre-assigned to them;
- freelancing is an involvement of a particular specialist (freelancer) to perform work without being in the territory of the enterprise;
- outsourcing is the implementation of a third-party organization (outsourcer) of certain tasks or some business processes of the enterprise;
- crowdsourcing is performing of the required work for free or by volunteers for a small remuneration.

To perform social audit, a determining factor will be to compare the economic efficiency of these options, to analyze their advantages and disadvantages. Table 5 shows the characteristic features, advantages and disadvantages of the audit procedures to external and internal auditors.

Table 5. Advantages and disadvantages of internal and external social audit.

Characteristic features	Internal social audit		External social audit	
	Advantages	Disadvantages	Advantages	Disadvantages
Degree of informativeness	The complete information about the organization; ability to start working without preliminary familiarizing with the organization	Requires constant training and advanced training	Work experience gained at some enterprises; initial professional development	Need for extra time and resources to receive information about the organization
Degree of interest		Dependence on management and other groups and employees	Objectivity, independence, lack of personal interest	
Degree of trust	Confidential information is entrusted			Unwillingness to provide the necessary information
Communicative connections	Communicative connections		Available image expert on social issues	
The level of public coverage		Results are used only for management needs	The results are published in the media	
Degree of responsibility	A high degree of responsibility		A high degree of responsibility	

It should be noted that external social audit has a number of advantages: for example, limitation of the enterprise's personnel for the enterprise to preserve the status of a small one; cost savings for wages including the cost of paying the involved works or services can be much lower than the cost of building of your own personnel structure.

4. Conclusion

Social audit as a mechanism of the regulation and ensuring social justice is becoming more and more widespread in the world as a tool of public control and as a tool that promotes business responsibility. Global challenges make social audit indispensable for conflict prevention. Social audit provides an opportunity for the public to influence on the world economy and politics sustainability and to adhere to ethics in solving national problems. The importance of social audit is found in ensuring the openness and transparency of governments and corporations the activities, as well as the availability of information.

Differences in national models of social audit limit opportunities for sharing experience and using best practices for countries that are beginning to form own social audit models. We consider that social audit can be an effective tool only when it identifies the risks and challenges inherent in local communities and mentality.

The classifications of goals, levels and subjects of social audit carried out in this case will contribute to further scientific investigations and the development of its most effective models.

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