



**DEVELOPING THE METHODOLOGICAL TOOLS OF SOCIAL AUDIT IN  
AGRICULTURAL ORGANIZATIONS**

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### **Abstract**

**Importance.** In today's economic environment, the role and significance of social audit is increasing, especially when analyzing the socio-economic activity of agricultural organizations. In terms of the scope of audit, social compliance audit is a complex phenomenon, and enables to evaluate social conditions of functioning at different levels of government.

**Objectives.** The study aims to substantiate theoretical principles and develop practical recommendations to improve the techniques of social audit in agricultural organizations.

**Methods.** Using the historical and systems approach, methods of induction, deduction, comparison, economic and statistical analysis, systematization and generalization of data, we reviewed modern methods of social audit and offered methodological tools to conduct it.

**Results.** The paper presents basic procedures for conducting the social audit of agricultural organizations under modern conditions, and indicators to be used to monitor the change in the social position of the organization. The findings may be helpful for the theory and practice of audit.

**Conclusions.** The absence of uniform principles and rules of social audit prevents from applying its findings and recommendations to generate corporate social reporting. When developing the techniques of social audit, it is important to take into account industry characteristics of activities, scale of operation and number of personnel, and the geographical location of the auditee.

*Keywords:* social audit, audit procedure, indicator

### *Introduction*

The modern economic environment manifests a significant increase in the role and importance of social audit application for the analysis of socio-economic activity of agricultural organizations. By the coverage of the surveyed objects social audit presents a complex phenomenon and enables to evaluate social conditions of their operating at the various management levels. Social audit is a process of social reporting and social accounting accuracy validation assessment of corporate social responsibility degree aimed at determination of conditions which could be favorable for the development of human resources and meeting of social needs. Socio-economic relations arising within the scope of social development programs implementation, at adoption and implementation of agreements and contracts regulating the socio-economic sphere are the objects of the social audit.



The subject of social audit is a system of reliable information of economic nature provision which is formed in processes of regulatory and information base analysis. The process of the social audit also involves the social and labor relations examination, the directions identification of labor resources efficiency increase, determination of the main evaluation indicators of the company activity, forms and methods of labor relations organization conformity to the current legislation, the development of guidelines on the labor activity organization.

#### *Materials and methods*

Main tasks of the social audit are: determination of the current situation and the strategic objectives of the organization, including its position on the labor market, consistency and integrity of their goals, their understanding of personnel service management (Johnson and Scholes, 1988; Kuznetsov *et al.*, 2015); determination of the external factors influencing the activities of the organization and reflecting the social and economic situation at the micro and macro level (Bertha *et al.*, 2014); determination of internal factors having impact on the socio-economic activity of the organization and are connecting with its activity features; the establishment of organization and management structure, technological features of the organization; Assessment of main indicators in socio-economic reports, such as the principles of labor remuneration, recruitment processes, system of personnel training, personnel development, occupational health and safe working conditions, compliance with labor laws, environmental management and others (Olusanya, 2013; Teixeira, 2013). The main sources of information under the social audit are:

- Formdation documents, job descriptions, regulations, contracts, etc.;
- Conversations and meetings with the leadership of the organization;
- External reports presented in publications, periodicals, statistical and analytical reports, laws and regulations;
- Internal financial and social reporting (Klychova *et al.*, 2014).

In determining the scope of work during the social audit is necessary to develop a questionnaire which will provide information about the social and economic activities of the organization. The present document shall indicate questions on organization of labor at the enterprise as a whole and in its divisions, equipment of the workplace, the organization of workplace care, used techniques and methods of work, the state of work rationing, working



conditions, the system of training and upgrading of workers, planning of labor. After pre-testing the social auditor can make a decision to attract professionals and experts to advise on the complex issues and to assess the internal control and accounting system (Patton, 2002). The next stage of social audit is its planning process when the auditor is developing optimal strategies and tactics of the social audit, taking into account individual characteristics of each object of social audit. The process of social audit planning is aimed at determining the strategy and tactics of social audit, content of the information needed to determine the possibilities of sampling, setting the volume of the audited social and economic information and the monitored period. Qualitative social audit and effective solution of issues facing the auditor is provided by the Standard “Regulations on social audit” developed by the audit firm determining the sequence of actions fulfilled by the auditors since the time of a letter of invitation for the audit receipt and till the audit report issuance.

In general terms, the process of social audit shall specify the following items: the name of the audited company; the audited period; time of the audit; audit risk indicators and materiality level; the audit team membership; audit procedures; the timing of audit procedures; distribution of auditors involved in the audit; working documents of auditors (Arzhenovskiy and Bakhteev, 2014). The social audit is essentially a detailed overall audit plan. The audit procedures, reflected in the plan are detailed in the program (Korsi et al., 2013). In addition, methods for testing may be specified for each sector. The audit program can be used in monitoring of the tasks implementation by the auditors involved in the audit.

The following significant audit areas shall be determined for developing the program of social audit compliance with labor legislation; health care and safe working conditions, personnel training, employment, staff development, socially responsible restructuring, social partnership, environmental management and resource conservation (Cela and Cela, 2013; Gilley et al., 2002).

A report on the socio-economic development of the region and the industry where the company fulfills its activity:

- A report containing data on the legal form and organizational structure of the audited object;
- A report containing the important socio-economic indicators of the audited company activity and the dynamics of their changes;
- A report containing information about the nature, timing and the extent of audit procedures, the list of participating auditors, the results of their activity;
- Conclusions made by the auditors on the most significant issues of the audit;



- Reports of the general, analytical and preliminary character generated throughout the social audit procedure;
- Copies of the protocols, agreements and other legal documents, socio-economic reports, messages directed to the experts, contractors and other third parties;
- Briefing notes containing data on the volume and nature of conducted audit procedures, the data arising during the interviews and inquiries of employees of the audited company;
- Conclusions and recommendations included in the audit report.

Social auditor must exercise due diligence and analyze all the documents being a source of socio-economic information. Having studied all the documents, the auditors begin collecting audit evidence, determine their sources and consistency of documents registration.

#### *Results and discussion*

Obtaining comprehensive evidence in the process of social audit is essential in the preparation of conclusion on the socio-economic situation and possibilities of the audited object. Audit evidence present information obtained by auditors in the process of social audit in the form of documentary evidence of socio-economic and other types of records, expert opinions, information from other sources. Analyzing the evidence the auditors draw conclusions and express their O\VII opinions on the subject of social audit. In the process of social auditing it is necessary to obtain information provided by the object of audit, its representatives in writing or orally; information from the third parties; information obtained from the audited company and verified by the third party. The process includes a survey fulfilled by the auditor, a workers poll, social balance, social development plans and the collective agreement study. Analyzing the socio-economic reports the auditor shall: determine the qualification level of the company employees, their work experience which is essential in the evaluation of their behavior and adaptation abilities as part of the social policy conducted in the company; determine the risk of occupational diseases, industrial injuries, examine working conditions and labor safety organization, planning and working hours; explore the behavioral aspect of the employees which is a significant element of social problems identification when compared with the living conditions and structural characteristics of population in the region (Klychova et al., 2014). The process of social audit shall render special attention to the collective agreements audit in terms of the mutual obligations fulfillment by the employees and employers subject to the following provisions:

- Forms, systems and volume of wages, remuneration, allowances, compensations;



- Regulating mechanisms of remuneration systems defined by the collective agreement;
- Employment, retraining, labor saving conditions;
- Working conditions and compliance with labor safety and environmental safety;
- The office hours and rest time duration;
- Voluntary and compulsory health and social insurance.

The social audit can be applied as a sampling inspection, including: introductory talk usually held by the leading social auditors, during which all employees of the departments are notified of the aims and objectives of the social audit; interviews with the staff members at their workplace in order to confirm the assumptions made in the process of work with the documents; definition of objects for the sampling inspection; sampling inspection procedures, including the social interviews data and the results of the preliminary examination of documents audit; finalizing the main outcomes of the audit, evaluation of deviations and their substantiation. One of the important activities fulfilled by the social auditors is the study of constituent documents of the company which include studies of incorporation, by laws, registration documents, etc.

At the same time, the social auditor can perform the following basic procedures: analysis of the activity subject of the company; the collection of information on the founders; validation of timely and correct character of changes representation in the constituent documents; evaluation of management structure; verification of compliance with the formation of different funds; validation of correct profit distribution. The next step is the processing and analysis of socio-economic information for detecting of critical and unusual situations in social policy. Analytical work of the social audit shall be conducted in the following areas:

- Comparison of information received and planned results of the audited object activity;
- Comparison of the obtained information with the average industrial and the average regional data (for example, the staff turnover rate);
- Comparison of the socio-economic indicators with the results in the leading companies and established norms (for example, the average salary of employees benchmarking with the highest indicators by the industry or statutory minimum wage index).

One of the most effective tools used in the audit process is the application of analytical procedures explaining significant fluctuations in the values of indicators in the social reporting documents and ensuring the accuracy of these indicators. The obtained results may be reflected in the working document of the auditor. Let us analyze the dynamics of indicators characterizing



social-economic activity of a separate agricultural company. A positive trend in almost all indicators characterizing the social-economic activity of the company. In particular, we can observe the growth of training and upgrading costs, development of environmental activities and charity. However, it should be noted that these figures are significantly lower than those of the district average indicators. The process of social audit has revealed the relationship between information of the social and financial nature and those having a socio-economic nature both corresponding to the plans of the audited object. The social audit results in the collection of documents, the formation of folders and files and drawing a report containing a detailed analysis of the social orientation principles, definition of responsibility of individual groups of employees and measures of stimulating character.

### *Conclusion*

Thus, the social audit is a modern innovative procedure contributing the development of social partnerships. The results of the audit can be used to adjust the administrative solutions process for improvement of social and labor relations during the economic crisis. Recommendations formulated by the results of the social audit shall serve the improvement of human resources quality. The social audit carried out in the agricultural companies on a permanent basis can give qualitative and prompt analysis of the social and labor relations, eliminate emerging conflict situations and offer efficient solutions on human resources management.

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