

The Methodological Instruments of Social Audit in the Agricultural Companies Development

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Abstract: The aim of the study is to study the development of theoretical guidelines and practical recommendations for improvement of the social audit methods in agricultural organizations. Research tasks of the study: the study presents the examined and clarified theoretical concepts of economic essence, main functions, forms, objects, methods of social audit as well as the determines main indicators of the social activity efficiency assessment for the agricultural companies. Modern general scientific methods of social audit such as: historical method, systematic approach, inductive and deductive methods, comparison, economic and statistical methods, systematization and generalization of data-has been studied in the research work and the methodological support of the work has been suggested. The study presents the basic procedures for social audit of agricultural organizations activity in modern conditions, offers indicators applied to monitoring of changes in the social status of the organization.

Key words: Social audit, audit procedures, audit plan and program, indicators of social-economic record, Russia

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

Theory: 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

Table 1: Questionnaire for the system of internal control evaluation and metering of socio-economic activity

List of questions for the internal control evaluation	Options of the answer		
	Yes	No	Not to the full extent
Do all employees have rights to the fair and just working conditions?	+		
Do all employees have rights to the safe and healthy working conditions and social insurance?	+		
Do all employees have rights to equitable remuneration sufficient for the decent way of life level of employees and their family members?	+		
Do all employees enjoy freedom of public association to protect their economic and social interests?	+		
Do all employees have rights to conduct collective negotiations?		+	
Do the working women, mothers have rights to special protection?	+		
Do all employees have right to use any opportunities in vocational field for jobs selection which corresponds to their interests and skills		+	
Do all employees have rights to vocational training?	+		
Do all employees who do not have sufficient money, have rights to medical and social assistance?		+	+
Do all employees have rights to the services of social facilities?		+	+
Do disabled persons have rights to social integration, independence and participation in the public life?			+
Do children and youngsters have rights concerning the respective social, legal and economic safety?			+
Do all employees have rights to equal opportunities at the selection of the activity field without discrimination racial and sexual character?			+
Do all employees have rights to information and consultation services within the scope of the company?	+		
Do all employees have rights to participation in the process of determination and improvement of labor conditions in the business performance?	+		
Do all employees have rights to protection in case of unemployment occurrence?			+
Do all employees have rights to protection of their claims in case of the company bankruptcy occurrence?	+		
Do all employees have rights to protection of their honor and dignity in the process of business performance?	+		
Do representatives of employees in the company have rights to protection from factors which are hazardous to them?	+		
Do all employees have rights to information and consultation services within the process of the collective dismissals?	+		
Do all employees have rights to protection from poverty and social inequality?	+		

management and others (Olusanya, 2013; Teixeira, 2013). The main sources of information under the social audit are:

- Foundation 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.*, 2014a)

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 (Table 1). 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 (Table 2). 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:

Table 2: Main audit procedures fulfilled within the social audit

Directions of audit	Procedures
Distribution of business duties in the company	Documents study, control of the applied accounting methods compliance with labor legislation requirements
Diversity and depth degree of business activity	Documents study, requests and confirmations. Control of the applied accounting methods compliance with labor legislation requirements
Positions and professions overlap-ping	Labor agreements analysis, local documents audit
Distribution and authorities volume	Labor agreements analysis, local documents audit
Pressure of work of the company employees	Labor agreements analysis, local documents audit
Working place at the company audit (major equipment, supporting equipment, external and internal planning, operational comfort)	Workplace inspection, documents of labor safety compliance analysis
Work place servicing management audit	Audit of equipment servicing documents, subjects of labor, energy and economic control, amenity services
Applied techniques and methods of work audit	Labor conditions audit, control of the applied accounting methods compliance with labor legislation requirements
Labor rating condition analysis	Audit of the labor effort norms validity, timeliness of setting and revision of labor efforts
The system audit concerning selection, training and upgrading personnel qualification	Analysis of documents concerning selection, training and upgrading of personnel of qualification
Layout of work analysis	Labor intensity of production program determination, necessary staff number of the company, tests analysis concerning selection, training and upgrading of personnel qualification and labor efficiency increase. Business-plan analysis
Labor discipline audit in the company and its subdivisions	Collective and labor agreements study, audit of compliance with the office procedures, their correspondence to the labor legislation, duty regulations approved by the company head and signed by the employees

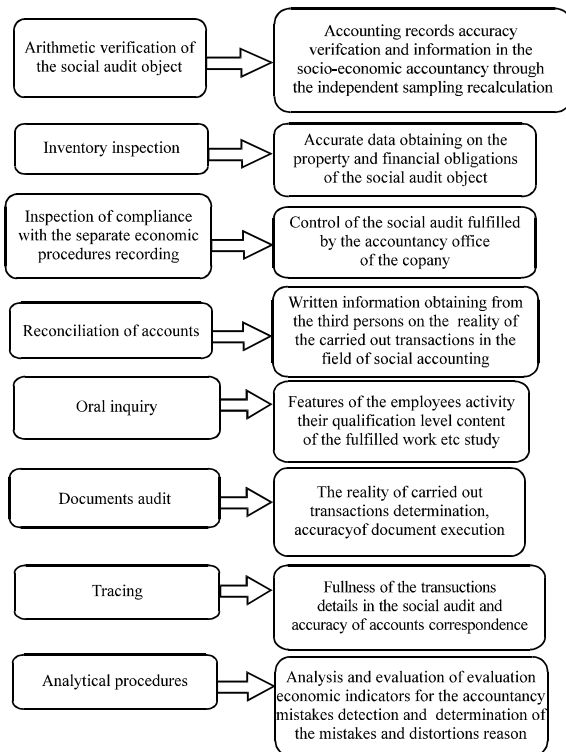


Fig. 1: Methods of auditors evidence obtaining in the process of the social audit

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).

Significant sectors of the socio-economic reporting shall be controlled using more detailed methods and techniques of verification. Social auditor determines the reason for the audit procedures, audit valid test (detailed tests, analytical or intersecting procedures), screening or sampling inspection (Mukhina, 2015). Methods for obtaining audit evidence in the process of social audit are presented in Fig. 1.

Certain rules of drawing up the working documents shall be followed in the process of the social audit. The working documents must reflect information regarding the nature, timing and the extent of procedures subject to performing; record the actual data used as evidence in the process of drawing the conclusions and recommendations as well as formulate substantiated opinion and conclusions made by the auditors. The working documents list of social audit may include the following forms:

- 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 own 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.*, 2014b, c). 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 studys 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)

Table 3: Indicators applied for control of the company social status alteration

Analyzed indicators	Method of settlement	Research area
$\Sigma C_{1 emp}$ -Sum of costs per one employee which are effected regularly in kind and money terms, thousand rub	$\Sigma C_{1 emp} = \Sigma Z_{general} \div N$, where $\Sigma Z_{general}$ -total sum of costs for all employees, which are effected regularly in kind and money terms, thousand rub. N-number of employees, people	System of interconnected and mutually supportive activities, including the development of strategy, forecasting and planning of the necessity in personnel, personnel and professional training, organization of adaptation, education, training, high level of corporate culture formation
Q_{nminot} -Share of employees whose salary is below the minimum subsistence level in the region, (%)	$Q_{nminot} = N_{nminot} \div N \times 100\%$, where, N_{nminot} - number of employees, whose salary is below the minimum subsistence level, people, N-number of employees in the company, people	
$U_{for educ}$ -Level of costs for education, thousand rub. per a person	$U_{30} = (\Sigma Z_{educ} - \Sigma Z_{comp.educ}) \div N$ where, ΣZ_{educ} -total sum of costs for education in the reporting period, thousand rub., $\Sigma Z_{comp.educ}$ -sum of costs for compulsory education, thousand rub., N-number of employees in the company, people	System of interconnected and mutually supportive activities for development of highly qualified personnel formation strategy, for determining the necessity of personnel training, right choice of methods and forms of personnel retraining and upgrading, installation of equipment and material hardware and software procurement for good quality education, financing of diverse education
ΣZ_{PKLr} -costs for retraining and upgrading of one employee, thousand rub. per one person L_n -industrial injuries level, people per 100 of employees	$\Sigma Z_{PKLr} = \Sigma 3PPK \div N$ where $\Sigma 3PPK$ -total sum of costs for retraining and upgrading, thousand rub., N-number of employees in the company, people $L_n = N_n \div 100$ where, N_n -number of persons injured as a result of an industrial accident and later lost their working ability, per one work day and more, people	System of interconnected and mutually supportive activities fulfilled in the process of production and business activity and rendering impact on human health and working ability of the employee The level of hazardous or harmful production factors' impact is eliminated or their impact level does not exceed the set standards.
V_{prot} -Sum of costs for labor protection, rub. per one person,	$V_{prot} = \Sigma Z_{prot} \div N$, where, ΣZ_{prot} -volume of funds spent for labor safety, thousand rub., N-number of employees in the company, people	
Q_{kd} -Share of employees working under the collective agreement (%)	$Q_{kd} = N_{kd} \div N \times 100\%$, where N_{kd} -number of employees working under the collective agreement, people, N number of employees in the company, people	System of interconnected and mutually supportive coordination activities of the production process participants: employees, employers, which is basing on the equal cooperation.
$V_{retrain}$ -Volume of funds allocated by the company for retraining of employees, rub. per a person	$V_{retrain} = \Sigma 3_{retrain} \div N_{ppr}$, where $\Sigma 3_{retrain}$ -Volume of funds allocated by the company for retraining of employees thousand rub., N_{ppr} -number of retrained employees, people	System of interconnected and mutually supportive activities concerning the intended alteration of relationship between the company subdivisions which implies application of different methods of all parties' interest accounting, including personnel of the company.
V_{trudur} -value of funds allocated by the company for the support of the dismissed workers employment rub. per one person	$V_{trudur} = \Sigma Z_{trudur} \div N_{ur}$ where ΣZ_{trudur} -value of funds allocated by the company for the support of the dismissed workers employment, thousand rub., N_{ur} -number of dismissed workers, people	
V_{ebpp} -value of funds allocated by the company for organization of ecologically safe production activity, thousand rub. per one unit of product	$V_{ebpp} = \Sigma Z_{ebpp} \div q$, ΣZ_{ebpp} -value of funds allocated by the company for organization of ecologically safe production activity, thousand rub., q-volume of manufactured products	System of interconnected and mutually supportive activities fulfilled under the initiative of the company and aimed at the decrease of hazardous impact on the environment
V_{pen} -value of funds allocated for the support of unprotected population segments, thousand rub. per one unit of product	$V_{pen} = Z_{pen} \div q$, Z_{pen} -value of costs allocated for the support of unprotected population segments, thousand rub. q-volume of manufactured products	System of interconnected and mutually supportive activities aimed at uniting the people living in one territory and forming their feeling of one social group with common interests, as well as the development of social infrastructure, which implies the creation of work places, education and health systems development care ent for provision of comfortable dwelling of people on their respective territory.
V_{ba} - value of funds allocated for charitable activity, thousand rub. per one unit of product	$V_{ba} = Z_{ba} \div q$, Z_{ba} -value of costs allocated for the charitable activity, thousand rub. q-volume of manufactured products	

- Comparison with the socio-economic indicators in previous years (Table 3)

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. Table 4 shows a positive trend in

Table 4: Indicators characterizing social-economic activity of the Agricultural Enterprise “Ibragimov and Co” LLC in the Apastovskiy district of the Republic of Tatarstan

Analyzed indicators	Years			On the average in the district
	2013	2014	2015	
$\Sigma Z_{1 emp.}$ value of costs per one employee, paid regularly in kind and in money terms (thous. rub.)	154.00	172.00	198.00	223.00
Q_{unprot} share of employees whose salary is below the minimum subsistence level in the region (%)	21.50	20.70	18.10	15.70
$U_{for educ.}$ value of costs for education (thous. rub. per one person)	4.60	5.20	5.90	9.20
ΣZ_{ppkhr} value of costs for retraining and upgrading of one employee (thous. rub. per one person)	3.87	4.13	4.86	7.98
L_{tr} injury level at the production site (people per 100 employees)	0.04	0.02	0.02	0.02
V_{prot} value of costs for labor protection (thous. rub. per one person)	524.00	510.00	650.00	710.00
Q_{col} share of employees working under the collective agreement (%)	96.00	96.00	98.00	94.00
$V_{retrain}$ value of funds allocated by the company for the employees retraining (thous. rub. per one person)	24.00	27.80	29.10	45.70
V_{indur} value of funds allocated by the company for the employment support of the dismissed workers (thous. rub. per one person)	4.12	5.54	5.87	12.30
V_{ecoo} value of funds allocated by the company for organization of ecologically safe production activity (thous. rub. per one unit of product)	9.80	14.20	17.80	23.90
V_{pen} value of funds allocated by the company for the support of the socially unprotected population sectors (thous. rub. per one unit of product)	21.40	23.80	26.70	32.70
V_{cha} value of funds allocated by the company for the charitable actions (thous. rub. per one unit of product)	12.40	13.10	14.70	26.80

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

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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