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## **PRESENT AND FUTURE OF THE SOCIAL AUDIT IN BULGARIA**

*The article deals with the social audit, its future development and advantages. The role and importance of the social audit for business and society grow globally. This type of audit is a valuable means for protecting society.*

Keywords: social audit, financial audit, definition.

**Introduction.** The role and importance of social audit for business and society grow globally. This fact is not accidental. It is the result of: the benefits provided by social audit; the global socio-economic situation and the aspiration of people for better quality of life. Bulgaria is part of the global family and the processes related to the development of social auditing are not unfamiliar to it. Though the percentage of organizations applying social audit in Bulgaria is still negligible, there are objective prerequisites for its wide dissemination.

**Analysis of recent researches and publications.** In scientific literature there exist various definitions of the social audit nature.

Raymond Vatier, founder of the social audit in France, considers social audit as “a managerial tool for managing and monitoring the company’s ability to manage human or social issues related to the professional activity” [1].

Pierre Candou sees social audit as an independent activity for monitoring, analysis, assessment and presentation of recommendations for the activity based on methodologies and applied methods that which permit, upon comparison with the reference books, to determine first the strengths and problems in the field of using staff in relation to costs and risks. This allows the diagnosing and clarifying the problem causes, assessing their significance and last but not least making recommendations for the implementation of specific activities which are not performed by the auditor himself [2].

Alen Couret and Jacque Igalense propose the following definition: “social audit aims at analyzing each risk factor and provides recommendations on the possible means for their limitation” [3].

**The main aim of the article** is to show the role and importance of the social audit for business and society.

**Results of the research.** Quite often, the various social audit definitions look for similarities and differences with financial audit.

The understanding that social audit is not different from the financial one predominates. Unlike financial audit, however, which focuses on the financial performance of the organization, the social audit focuses on social performance. Therefore, we can conclude that social audit is an independent assessment of the achieved social goals of the organization.

The retrospective analysis of the development of social audit shows that this issue has been under discussion since the early 70’s, 80’s of the 20<sup>th</sup> century.

During the 70s in the USA and Europe, the public non-recognition of war in Vietnam led to boycott of goods and shares of companies that were engaged in the military conflict. A proposition for new ethical standards was made and some companies started applying

accounting for their social activity and social intentions. The elaboration and publication of reports containing information from social nature is presently known as “social audit”,

During the 70s and 80s of the 20<sup>th</sup> century there was a discussion “for” and “against” publishing the reports from social audit. Though not obliged, since the 90s of the previous century up until now numerous companies from various sectors have started to publish annual reports from the carried out social audit. In 1998 Ibase proposed each company which officially published their reports from the social audit to get a stamp, “Ibas / Betinho Social Audit Stamp”. The stamp represents evidence that these companies invest in training, health care, environment, culture (organizational and national), sport. The stamped annual social reports witness the society that the external and internal investments made by the particular company are real and comply with the conduct standards in the social field.

Social audit became especially popular in the early 90's of the 20<sup>th</sup> century. Statistics show that social audit is a well known practice in the U.S., Europe, Russia and India. In the U.S. 40% of the U.S. corporations carry out annual social audit. For Europe the figure is 70%. The reasons for the growing interest in social audit are associated with the current economic situation in the world and the benefits of social audit. The current economic situation shows a drastic increase in social stratification in which the rich get richer and the poor poorer. Negative consequences of this fact are the increasing poverty, human rights violations and increasing corruption.

Bulgarian scholars, non-governmental institutions (NGOs) and trade unions took part in a study of the nature of the “social audit” notion.

In 2003 the foundation “Integra – BDS” developed a manual for ethical code and social audit [4]. It lays down the understanding that “social audit (inspection) is a systematic provable audit, which confirms that a particular company complies with its ethical, social and public promises”.

In 2004 in the BSCI [5] dictionary social audit was defined as “a verification of the company’s indicators against the ethical code of Business Initiative for social consent performed by SAI [6] accredited audit companies that are independent from the company that performs the audit. Social audit could be Primary Audit (first social audit) and/or Secondary Social Audit (verification of applying the Corrective Action Plan – CAP)”.

The independent trade unions also supported the efforts for determining the nature of social audit and its practical application in Bulgaria. In 2007 the Institute for Union and Social Studies at CITUB [7] (Confederation of the Independent Trade Unions in Bulgaria) performed a review of the social audit development and indicated its advantages. The definition that they agreed on is that within the wider sense of the word social audit is “an approach for in-depth study of the management of a particular organization from the point of view of its external and internal social impacts”. Furthermore, “audit is an aggregation of techniques which facilitate the analysis and assessment of the company’s methods. Put simply, audit stands for establishing discrepancy among the findings and one or several reference frames through compliance, aptitude, accordance, effectiveness and other indicators” [8].

In 2010 the Economic and Social Council in the Republic of Bulgaria performed an analysis of the social audit perspectives in Bulgaria. Part of the definitions for social audit in this document are that “social audit provides an assessment of the impact of the non-financial organizational goals through systematic and regular observation of its achievements and the opinion of its stakeholders” [9]. There is also another definition found in the document stating that “social audits are performed both by organizations themselves and those that are directly involved. A person or a group of people, external to the organization, perform verification of

the accuracy and objectivity of the social audit”.

Unfortunately, the majority of the definitions are either incomplete or manifest unfamiliarity of the methodology and method of audit as means for independent control or the perceptions are limited to re-telling definitions already provided by foreign authors. Without any claims of being complete I consider social audit as a systematic process through which an independent assessment on the provided by the company statements related to the completion of its social goals is secured. I believe that the key goal of social audit is to provide an independent standpoint of the availability or lack of compliance between accepted standards for socially responsible attitude and their realization. Moreover, goal of the social audit is assessing the impact of the non-financial organizational goals over all stakeholders. I accede to the understanding that social audit has many common traits with financial audit. But I am likely to state that the difference between both is that social audit is way more comprehensive as it refers to the measurement, understanding and development of organizational social activities.

**Reasons for applying social audit.** The negative consequences from the growing social stratification of the society are already a fact.

From 1990 to 2008 as a result of poverty 270 million people (approximately the U.S. population) died, most of them women and children. According to the World Health Organization (WHO) each year over 10 million children die due to hunger, poverty and treatable diseases. These are approximately 30,000 children per day or 1 child every 3 seconds!

According to the National Statistical Institute over one and a half million Bulgarians in 2008 were poor. Over 21% or 1.6 million Bulgarians lived below the poverty line. The poverty line in Bulgaria back then was 276 BGN. In 2010 the poverty threshold was 211 BGN. The percentage of people who are below this minimum ranks Bulgaria on the third place in poverty in the EU. Our country ranks one of the first in terms of social stratification. This means that the difference between the incomes of the poorest and those of the richest is very high.

Donation on behalf of firms is still slightly developed in Bulgaria, but there is evidence of growth. Since 2005 the number of contributors for the benefit of society has increased. In 2005 the percentage of companies that engaged in donations ranging from 5 to 50 000 BGN was between 1 and 3%. In 2006 this percentage was between 10 and 16%.

In 2010 a report by the European Commission for Gender Equality showed that Bulgaria is among the 7 countries with the greatest difference in pay between men and women for equal work.

This statistics explain the reasons for the high expectations towards social audit as the role of social audit is not manifested only in increasing the reputation of the company but also in studying the socio-economic circumstances in society. It is necessary to add the development of social economy which also requires specific control mechanisms. The number of social enterprises in Bulgaria is still small. Social entrepreneurship is underdeveloped. And yet, social entrepreneurship occupies a significant place in the strategic objectives of the Operational Program “Human Resources Development”, which aims to effectively absorb the funds from the European Social Fund and to improve the quality of life in Bulgaria.

**Present of social audit in Bulgaria.** Regarding the present condition of social audit in the Republic of Bulgaria there could be highlighted three issues: lack of database for performed social audits, lack of scientific theory in the field of social audit, poorly developed social audit.

The lack of database for performed social audits deprives us from the possibility to carry out an in-depth analysis. It would good if a register is set up which to indicate: the name of companies where social audits were performed as well as the professional competence of the persons who performed the social audit. In this way the right the right of the owner to keep in secret the information received from the social audit is not violated as the results will not represent an element of the database. An exception could be made for the organizations of public interest and this would be only in the event a legislative provision exists.

At present there is no scientific theory in the field of social audit in Bulgaria. This fact poses many questions regarding the level of professional competence of the persons performing the social audit. When a scientific theory is not at place the principle of self-education is applied. This principle is well known in theory and educational practice but it is only effective and efficient when the self-educated person has good theoretical background with regards to a specific field. Otherwise, there exist risks from incorrect perception and application of the received information.

The only data that we dispose of related to social audit are the results from the international study carried out by the International Labor Organization (ILO) in 2005. They give rise to claims that social audit in Bulgaria is poorly developed.

The study was carried out in Bulgaria, Romania and Turkey. 400 companies in the field of textile, footwear, wood processing, leather and other industries were chosen for each country. The number of the Bulgarian study respondents was 274. On average the number of personnel in the companies was 202. The study shows that from 22 companies with personnel of over 500 employees social audit was performed in 45% of them. The number of companies with personnel of up to 500 employees was 252. The percentage of social audits performed there was 17%. In 32% of the companies with personnel over 500 employees, the performed social audit was made at the request of buyers, while the companies with personnel of up to 500 employees this percentage was only 12.

Practically the study in Bulgaria also shows that it is performed predominantly by foreign companies which have their branches in Bulgaria.

***Future of social audit in Bulgaria.*** Social audit is a valuable means for protecting society. Its future in the Republic of Bulgaria, however, depends on three key factors: the statutory regulation of the social auditor profession, the conduct of the social audit implementers towards the service and the development of the scientific theory in the field of social audit.

Social audit is not mandatory in nature. Probably this is one of the reasons a statutory regulation of the social auditor profession in Bulgaria to be non-existing. The lack of a certification regime for social auditors gives rise of many risks. The major risk among them is with regards to the professional competence of social auditors. There exists a real danger of incompetent performance of social audit. The manifestation of professional incompetence will negatively affect social trust towards social auditors. It is important to introduce sanctions for incompetent performance of engagements on behalf of social auditors because the auditor's profession stands above all for responsibility. That is why actions for certifying the persons who want to perform this service should be taken and/or scientific major in social audit in universities should be introduced.

For the future of social audit in Bulgaria it is important to consider the conduct of social auditors towards the service. Social audit represents a social guarantor for socially responsible conduct of employers. Unfortunately, there exists a risk the idea of social audit to turn into commercial one and hence be vitiated. Similar to finance audit, the expectations for this service are to be well paid. In the event the price of social audit turns into leading argument

for providing the service, social audit will no longer be useful.

Good theory is a prerequisite for qualitative performance of each activity. No exception to this is the social audit activity. Unfortunately, as the carried out analysis shows, presently in the Republic of Bulgaria there does not exist any scientifically based theory for social audit. It is true that many efforts for interpreting the notion and looking for good practices for its application are made. At present, this is probably enough. But if this practice gets imposed in future the risks from double standards in performing social audit will become evident.

**Conclusion.** It could be concluded that there exist prerequisites for the development of social audit in Bulgaria. More efforts for developing the scientific theory in the field of social audit as well as for the professional training of internal staff performing social audit are needed. Moreover, more bravery, confidence and persistence are required in order to take full advantage of this socially important service.

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***Мірослава Пейчева***

**Сучасний стан та майбутнє соціального аудиту в Болгарії**

*Стаття присвячена соціальному аудиту, його майбутньому розвитку і перевагам. Роль і значення соціального аудиту для бізнесу та суспільства зростають в усьому світі. Цей вид аудиту є цінним засобом для захисту суспільства.*

Ключові слова: соціальний аудит, фінансовий аудит, визначення.

***Мірослава Пейчева***

**Современное состояние и будущее социального аудита в Болгарии**

*Статья посвящена социальному аудиту, его будущему развитию и преимуществам. Роль и значение социального аудита для бизнеса и общества растут во всем мире. Этот вид аудита является ценным средством для защиты общества.*

Ключевые слова: социальный аудит, финансовый аудит, определение.

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