

Eastern India Regional Council (ICAI) (Since 1952)



Knowledge Sharing
By CA Vishnu Kumar Tulsyan

13th Sept, 2023, (Wednesday)

SOCIAL AUDIT

- HOW TO APPEAR IN EXAM AND KNOW YOUR SUBJECT (KYS)

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National Institute of Securities Markets (NISM)



The National Institute of Securities Markets (NISM) is a public trust established in 2006 by the Securities and Exchange Board of India (SEBI), the regulator of the securities markets in India. The institute carries out a wide range of capacity building activities at various levels aimed at enhancing the quality standards in securities markets.

<https://www.nism.ac.in/about-nism/>

Social Auditors Certification Examination

The examination aims to create a pool of social auditors who would assess the impact of social interventions of various social enterprises who raise funds through the Social Stock Exchange platform

Examination Objectives

On successful completion of the examination the candidate should:

- Know the basics of social auditing, Code of conduct of Social Auditors.
- Understand the general concepts related to social stock exchange, social audit and social impact assessment.
- Know the Social Impact Reporting disclosures and regulations

Assessment Structure

The examination consists of 85 multiple-choice and 3 case-based/case let questions (each case having 5 questions) totaling to 100 marks.

The assessment structure is as follows:

Time : 2 hours

The passing score : 60

Negative marking : 25 percent of the marks assigned to a question.

Multiple Choice Questions [85 questions of 1 mark each]	$85 * 1 = 85$
Case-based Questions [3 cases (each cases with 5 questions of 1 mark each)]	$3 * 5 * 1 = 15$

DOCUMENTS REQUIRED FOR FILLING REGISTRATION FORM

1. Photo ((**File Size should be less than 500kb**)
2. PAN No.: [scanned image of Pan card] ((**File Size should be less than 500kb**)
3. Aadhar No.: [scanned image of Aadhar card] (**File Size should be less than 500kb**)
4. GSTIN No [scanned image of GSTIN certificate] If applicable, (**File Size should be less than 500kb**)
5. Certificate of Membership, if applicable (Attach PDF)
6. Certificate of Practice, if applicable (Attach PDF)
7. Certificate of NISM Series-XXIII: Social Auditors Certification Examination (Attach PDF)
8. Declaration signed and scanned (Attach PDF)

FEES DETAILS

1. The one time enrolment fees for Institute of Social Auditors of India (non-refundable) is ₹ **2000 plus GST**
2. The annual fees for membership of Institute of Social Auditors of India (non-refundable) is ₹ **2500 plus GST**

राष्ट्रीय प्रतिभूति बाजार संस्थान
National Institute of Securities Markets
प्रमाणपत्र Certificate

NISM

श्री / सुश्री Mr. / Ms. VISHNU KUMAR TULSYAN

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(नामांकन क्रमांक Enrolment Number : 2300111643)



ने "रा.प्र.बा.सं.-शृंखला-XXIII: सोशल ऑडिटर संबंधी प्रमाणीकरण परीक्षा" सफलतापूर्वक पूर्ण कर ली है।

has successfully completed the "NISM-Series-XXIII: Social Auditors Certification Examination".

परीक्षा तिथि Test Date	परीक्षा केंद्र Test Centre	भाषा Language	अंक Marks	टिप्पणियाँ Remarks
April 13, 2023	Kolkata - Camac Street - BSE	English	PASS

तारीख Date : April 16, 2023

स्थान Place : Mumbai

कब तक मान्य Valid Till : April 12, 2026

सुनिल कदम, रजिस्ट्रार Sunil Kadam, Registrar

For online verification of this NISM Certificate, please login to NISM Skills Registry at <https://certifications.nism.ac.in/nismskills>

Welcome to Institute of Social Auditors of India (ISAI)

Institute of Social Auditors of India <isai@icai.in>
To: "tulsyanvk@gmail.com" <tulsyanvk@gmail.com>

Fri, May 19, 2023 at 4:36 PM

CA. VISHNU KUMAR TULSYAN

Dear Member,

Greetings from the Institute of Social Auditors of India (ISAI)!

At the outset, we would like to express our sincere thanks for showing interest and applying for the membership of ISAI. This is to inform you that your application for enrolment as Social Auditors with ISAI has been accepted.

Your membership number is **ISAI/SA-073**

The Certificate of Membership shall be issued in due course of time.

सादर,
Regards,

Institute of Social Auditors of India

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1. INTRODUCTION TO SOCIAL SECTOR AND INDIAN FINANCIAL MARKETS



INTRODUCTION TO SOCIAL SECTOR AND INDIAN FINANCIAL MARKET

Section – I Social Sector in India

- Overview of Social Sector in Indian Economy
- Sustainable Development Goals (SDGs)
- Concept of Social Enterprises (SE)
- Taxonomy related to Social Enterprises
- Social Intervention
- International standards applicable for social development organisations
- Challenges of comparability faced by social sector organisations
- Social Sector Landscape in India
- Social Sector Inequities

Section – II Indian Financial Markets

- Indian Financial Markets
- Type of Securities



The Sustainable Development Goals Report 2021 describes 17 Sustainable Development Goals.

The Sustainable Development Goals are:

1. No Poverty
2. Zero Hunger
3. Good Health and well being
4. Quality Education
5. Gender Equality
6. Clean Water and sanitation
7. Affordable and Clean Energy
8. Decent work and economic growth
9. Industry Innovation and Infrastructure
10. Reduced Inequalities
11. Sustainable cities and communities
12. Responsible Consumption and Production
13. Climate Action
14. Life below water
15. Life on land
16. Peace, justice, and strong institutions
17. Partnerships for the goals

Concept of Social Enterprises (SE)



A social enterprise means either a Not for Profit Organisation or a For Profit Social Enterprise that meets the eligibility criteria specified in the SEBI ICDR Regulations.

Key features of social enterprises include:

- Main aim of social enterprise is a social or environment cause
- It has a revenue generating model where profits are earned through sale of products or services.
- Revenue generated is invested back for a social cause.
- These enterprises operate like companies and have enterprise orientations.

Trust

Society

Section 8 Co.

Social Intervention Methods



Social Sector Inequities

1. **Sectoral Thrust**
2. **Geographical Thrust** – Niti Ayog
3. **Technological Thrust** – STEM & JAM

Financial Market Regulators



Ministry of Finance

Ministry of Corporate Affairs

Reserve Bank of India

Securities and Exchange Board of India

Insurance Regulatory and Development Authority of India

Challenges of Comparability Faced by Social Sector



Social sector organisations in India vary in terms of registration and regulation. With changes in registration their objective, sources of funding, utilization of funds, and activities vary.

Hence it is difficult to compare the outcomes and impact created by social sector organisation. Outcome and impact of social initiatives also depend on the service users.

Social interventions often look at changes in behaviour, attitude, habits, and value which cannot be measured with quantitative indicators.

Indian Financial Markets

The financial markets enable efficient transfer and allocation of resources for productive activities in the economy.

Users of funds include **governments, businesses and households** who seek funds to run their activities. Governments, businesses and households also act as providers of surplus funds.

Sample Question

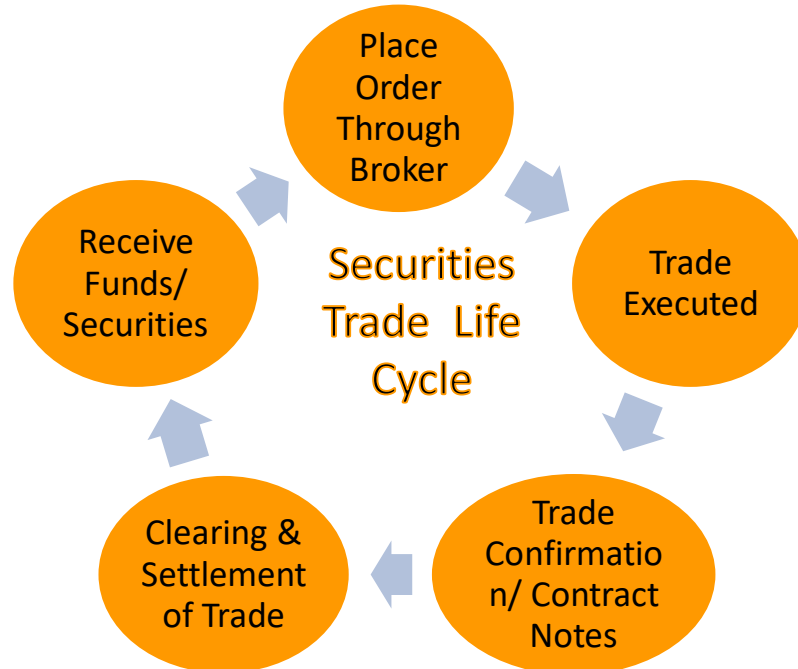
1. To be identified as a social enterprise, a Not for Profit Organisation or a For Profit Social Enterprise, shall establish primacy of _____.
 - a. **social intent**
 - b. social outcome
 - c. social impact
 - d. social activity

2. INTRODUCTION TO TRADING, CLEARING, SETTLEMENT AND RISK MANAGEMENT ON STOCK EXCHANGES MARKETS



A. Trading Mechanism

A securities trade life cycle starts with the placing of order on the Exchange, its conversion into a trade and finally the trade being settled after securities/funds pay-in and pay-out.



B. Clearing, Settlement and Risk Management

Clearing Process

Clearing is the process of determination of obligations, after which the obligations are discharged by settlement. It refers to the steps and procedures that ensure the smooth and efficient settlement of trades between buyers and sellers.

Settlement Process

The settlement process in the stock market refers to the final step in a securities transaction where the actual transfer of securities and funds between the parties involved takes place.

Risk Management

A Risk Management Framework (RMF) is a structured process that organizations use to identify, assess, prioritize, and mitigate risks associated with their operations, projects, or systems.

A comprehensive Risk Management framework is the backbone of the Clearing Agency/Corporation/house.

Market Order

A market order is where a trader purchases or sells their security at the best market price available across the market depth to complete the order quantity. In the market order there is no need to specify the price at which a trader wants to purchase or sell.

Limit Order

Limit orders is when the trader sets the entry or exit price and then aims to buy at or below the market price or sell at or above it. The trader needs to specify the price.

Stop order

The type of order that allows the Trading Member to place an order which gets activated only when the market price of the relevant security reaches or crosses a threshold price. Until then the order does not enter the market.

Immediate Or Cancel (IOC) order

Once the order is entered and confirmed by the client/dealer at his trading terminal, the order is routed to the Exchange for its execution. The Exchange system allots a unique order number for all orders received in the system. This is given as order confirmation along with the time stamp to the broker system.

Clearing Bank(s) acts as an important intermediary between a clearing member(s) and the clearing corporation.

- Every clearing member needs to maintain an account with any of the empanelled clearing banks at the designated clearing bank branches.
- The clearing accounts are to be used exclusively for clearing & settlement operations.
- It's the function of the clearing members to ensure that the funds are available in his account with the clearing bank on the day of pay-in to meet the funds obligations.
- In case of a pay-out clearing member receives the amount on pay-out day. All transactions of pay-in/pay-out of funds are carried out by these clearing banks.
- The pay-in obligation details are passed on to the clearing banks by clearing corporation, who then debit the clearing member account and based on pay-out instruction from clearing corporation the clearing bank will credit the receiving member clearing account.
- **In the case of the cash market this happens on T+2 and / or T+1 day.**

Role of Custodians



Custodians are institutional intermediaries, who are authorised to hold funds and securities on behalf of large institutional investors such as banks, insurance companies, mutual funds, and foreign portfolio investors (FPIs). They settle the secondary market trades for institutional investors. Several custodians are also clearing members and clearing banks of the exchange and manage both funds and securities settlement.

Settlement Obligations

- Clearing Corporation receives the details of trades and prices from the Exchange.
- Settlement obligations are computed **using predefined methodology** specified for the segment/product.

Novation

It means the act of Clearing Corporation interposing itself between both parties of every trade, being the legal counter party to both.

Sample Question

1. _____ are institutional intermediaries, who are authorised to hold funds and securities on behalf of large institutional investors.
 - a. Insurance companies
 - b. Registrar and Transfer Agents
 - c. **Custodians**
 - d. Stock Exchanges



3. SOCIAL STOCK EXCHANGE



“Social Stock Exchange” means a separate segment of a recognized stock exchange having nationwide trading terminals permitted to register especially Not for Profit Organizations (NPOs) and to list their securities in accordance with the provisions of the SEBI regulations.

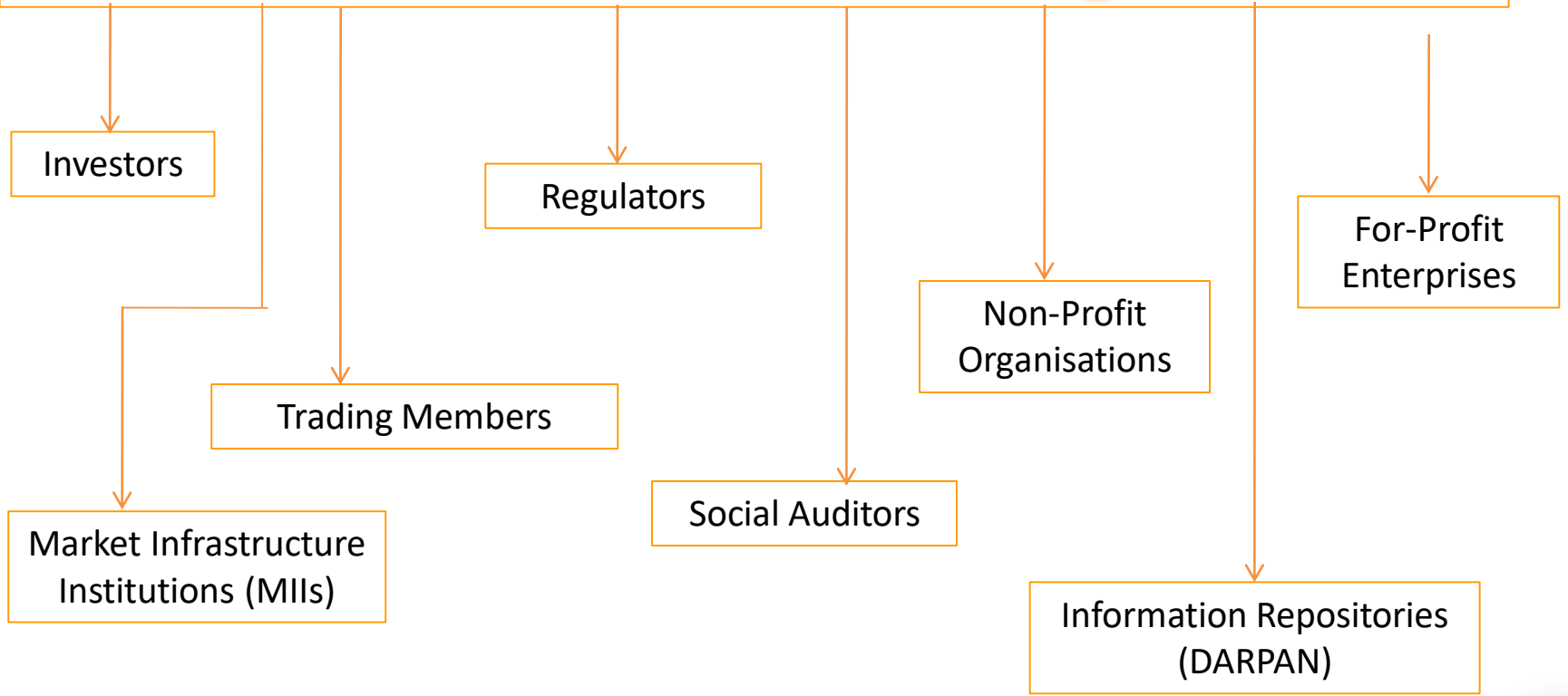
Objectives

- The SSEs shall aim at unlocking a large pool of social capital, and encourage blended finance structures, so that conventional capital can partner with social capital to meet the concerns and challenges of the society.
- Objective of SSE is to act as a bridge between social and environment organisations and investors looking to support social impact on a platform that provides transparency.

Functions of Social Stock Exchange

- *The SSE lists funding channels which contribute towards the social sector, and provides a set of procedures and guidelines that act as a filter, letting in only those social organisations that are creating measurable/demonstrate social intent and reporting of such social intent.*
- *The standardisation of procedures in the sector could be a key basic function of SSE.*
- *The secondary function of SSE must be the set of framework of procedures, guidelines and code of conduct of the organizations that are aimed towards social intent.*

Stakeholders of Social Stock Exchange



While both FPEs and NPOs are concerned with social impact, the type of funding avenues open to them are fundamentally different given the nature of their legal structures and expectations of their “fund providers”.

Specifically, FPEs can raise equity while all NPOs cannot.

Primary Stakeholder: Communities/target groups

- a) eradicating hunger, poverty, malnutrition and inequality
- b) promoting health care including mental healthcare, sanitation and making available safe drinking water
- c) promoting education, employability and livelihood
- d) promoting gender equality, empowerment of women and LGBTQIA+ communities
- e) ensuring environmental sustainability, addressing climate change including mitigation and adaptation, wildlife conservation
- f) protection of national heritage, art and culture
- g) training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports
- h) supporting incubators of social enterprises. etc.

A Not for Profit Organization may raise funds on a Social Stock Exchange (SSE) through:

- i. Issuance of Zero Coupon Zero Principal (ZCZP) Instruments to institutional investors and/or non-institutional investors (Min size – Rs 1 Cr , Min Application size – Rs 2 lacs , Min Subscription – 75% of the fund proposed)
- ii. Donations through Mutual Fund schemes as specified by SEBI
- iii. Any other means as specified by SEBI from time to time

Social Impact Funds

Social Impact Fund (SIF) means an **Alternative Investment Fund** which invests primarily in securities, units or partnership interest of social ventures or securities of social enterprises and which satisfies the social performance norms laid down by the fund.

According to 2012 Government estimates:

31 Lacs NPOs,

Which is **two times** of number of Schools

250 times of Government Hospitals

1 NPO for every 400 citizens

Funding gap of **Rs. 4.20 Lacs Crores** annually for meeting 5/17 SDGs by 2013

Sample Question

1. The _____ is measured by an independent third-party evaluator.
 - a. social impact
 - b. social outcome**
 - c. social intent
 - d. social activity

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4. REGISTRATION AND LISTING ON SOCIAL STOCK EXCHANGES



Registration process on Social Stock Exchanges

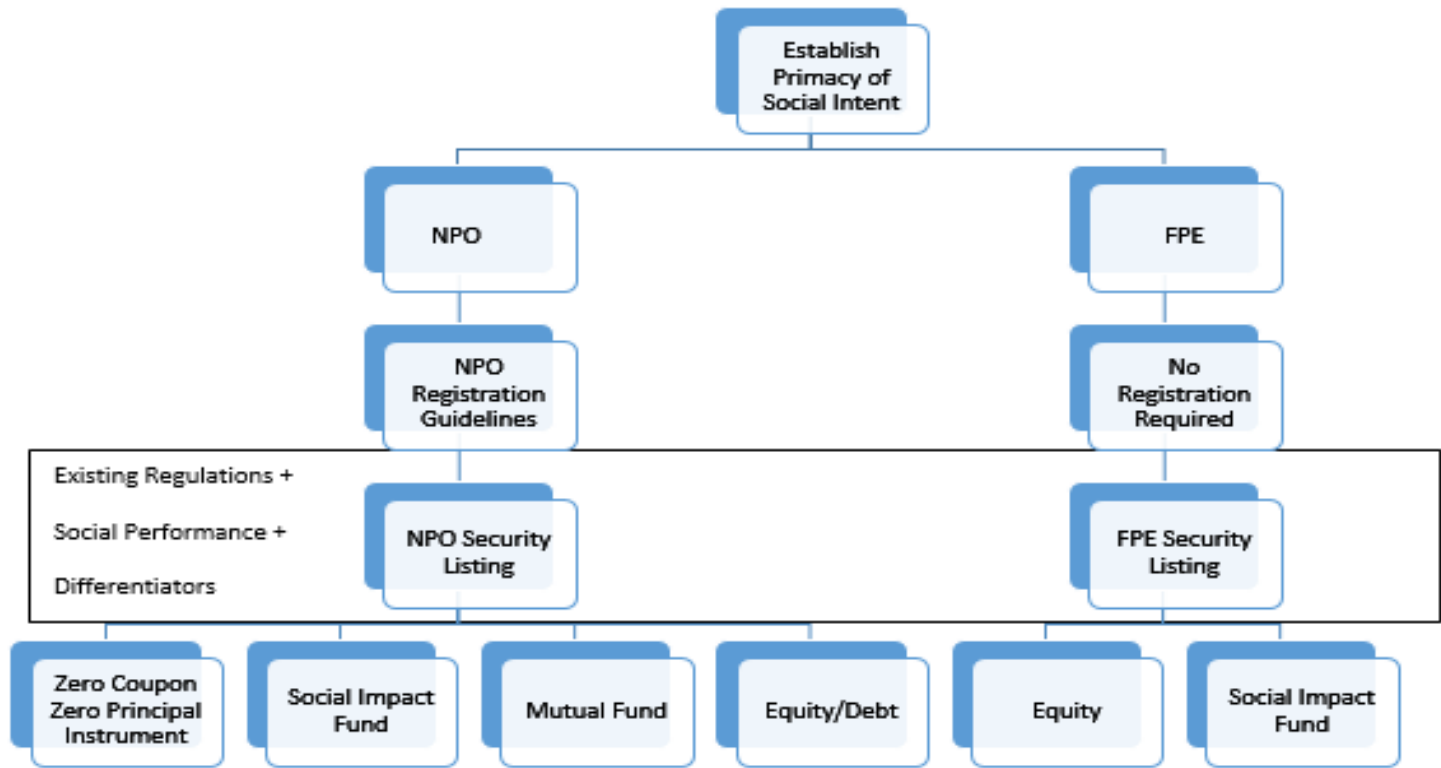
For the purpose of registration, the Social Stock Exchange shall notify the conditions as applicable on social enterprise as on the date of filing of documents with the SEBI.

SSE shall also direct social enterprises to follow the rules and principles framed by the Social Stock Exchange Governing Council.

On Boarding Process for NPOs

- **Firstly**, it shall bring interested NPOs onto a common platform of legal requirements for the purposes of accessing the SSE.
- **Secondly**, it shall inculcate a cultural shift in NPOs and enable transition towards a disclosure driven fund raising system.
- **Thirdly**, it shall provide a means for NPOs (and especially, smaller NPOs) to signal the primacy of social impact and the quality of their governance, transparency even if they wish to not list any security at the present moment.

Process Flow for on boarding Social Stock Exchange by Social Enterprises



Eligibility requirements for Social Enterprises

- (a) Establish the primacy intent of social impact (as per the **17 Social Development Goals (SDG)** for being eligible to qualify for on-boarding the Social Stock Exchange (SSE) and access the SSE for fund-raising.
- (a) The activities as specified for the social enterprises must **focus on underserved or underprivileged populations** or geographic areas or regions that have recorded lower performance in the development priorities of national/state governments.
- (b) Social Enterprise shall have **at least 67%** of its activities qualifying as eligible activities to the target population.

This can be ascertained by one or more of the following:

- (i) **Revenue** – At least 67% of the immediately preceding 3-year average revenues should have come from providing the eligible activities to members of the target population;
- (i) **Expenditure** – At least 67% of the immediately preceding 3-year average of the SE's expenditure has been incurred for providing the eligible activities to members of the target population;
- (i) **Customer base/ beneficiaries** – Members of the target population to whom the eligible activities have been provided constitute at least 67% of the immediately preceding 3-year average of the SE's customer base/ beneficiaries. Provided that the corporate foundations, political or religious organizations or activities, professional or trade associations, infrastructure and housing finance Companies, except affordable housing, shall not be eligible to be identified as a Social Enterprise.

Following are not Eligible for Social Enterprise:

1. Corporate Foundations
2. Political Organisations
3. Religious Organisations
4. Professional/Trade Associations
5. Infrastructure and Housing Finance Companies (except affordable housing)

Mandatory Criteria for NPO Registration:

Refer **Regulation 292F** (1) of SEBI (LODR) Regulations 2018

Listing for FPSEs and NPOs

Existing SEBI regulations set the requirements for eligibility and governs the listing of equity and debt securities issued by FPEs. These regulations include SEBI (Issue of Capital and Disclosure Requirements) Regulations and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

- ✓ **For Profit Enterprises (FPEs)** shall list their securities on their appropriate existing boards of stock exchanges.

For example, debt securities shall be listed on the main boards, while equity securities shall either be listed on the main board (NSE/BSE), or on the SME platform (NSE-EMERGE/BSE SME) or Innovators Growth Platform (IGP).

Sample Question



1. Who has prescribed minimum requirements for registration of a Not for Profit Organization on a Social Stock Exchange?
 - a. RBI
 - b. SEBI**
 - c. ICAI
 - d. NISM

5. SOCIAL AUDIT AND SOCIAL AUDITORS



*A social audit is a systematic and comprehensive evaluation or assessment process conducted by **organizations, governments, or other entities** to measure and report on their social and ethical performance and impact. The primary purpose of a social audit is to assess an entity's activities, policies, practices, and outcomes in relation to social and environmental responsibilities and objectives.*

Scope of Work for Social Auditors

- Communicate the relevant parts of the audit programme, including the risks and opportunities involved, to relevant interested parties and inform them periodically of its progress, using established external and internal communication channels.
- Define objectives, scope and criteria for each individual audit.
- Select audit methods- The audit methods chosen for an audit depend on the defined audit objectives, scope and criteria, as well as duration and location .

Difference between Social Audit and Financial Audit

Features of Financial Audit:

- Involves Audit of financial statements and transactions.
- Covers nonfinancial matters limited only to those aspects that provide additional information to stakeholders of the business who are mainly interested in the entity's financial status.
- Financial Audits are done keeping in mind the objective of issuing an opinion on the state of financial affairs.
- Deals mainly with the study of financial data.

Features of Social Audit:

- Looks at the impact caused on the society by the organization.
- Takes an "outside in" approach of looking at organization, dealing more with how the non-financial stakeholders view the business rather than how the managers/ owners of the organization plan it to be.
- Deals with the study of social impact parameters, most of which can be gathered from outside the organisation which is being audited.
- Involves the stakeholders of the enterprise and adopts a triple bottom line approach.

MNREGA

CSR U/S 135 of the Companies Act, 2013

Public Utility vis-à-vis its Social Relevance – Lake Constructions





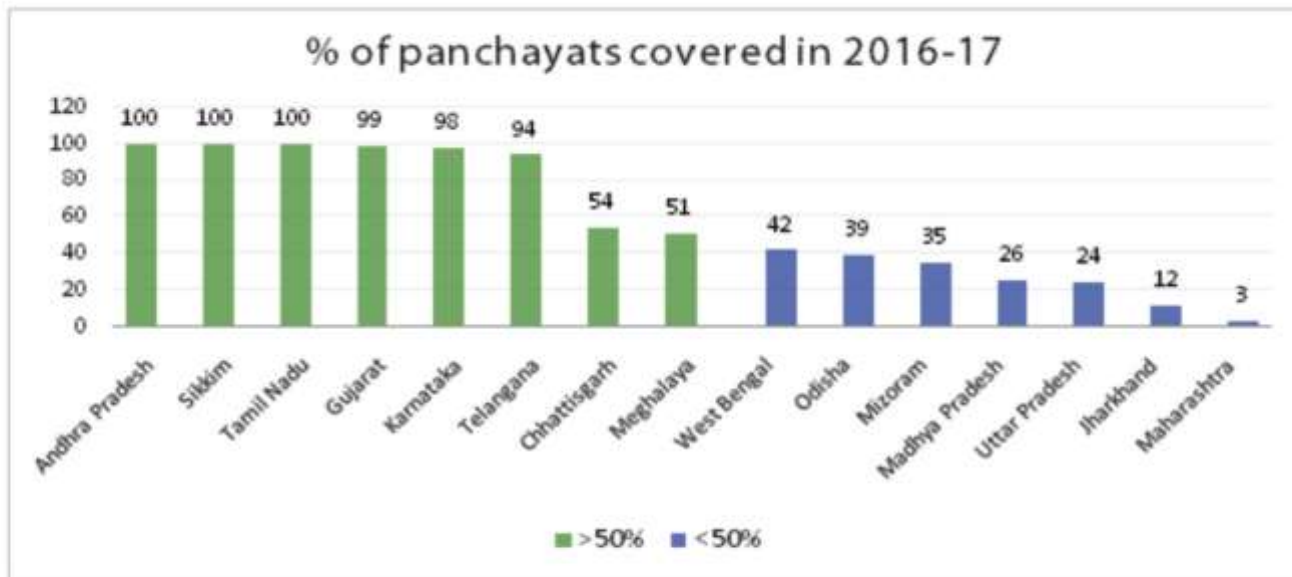
Tamil Nadu-Social Audit Activities (Door to Door Verification)



मजदूरों का सत्यापन करते हुए सामाजिक अंकेक्षण टल के सदस्य
ग्राम पंचायत - खपरी, ब्लाक - नवागढ़, जिला - वैशाली



Tamil Nadu-Social Audit Special Gram Sabha Meeting



Karnataka and Gujarat are the only two States doing two audits in a year in each panchayat.

Certification requirements for Social Auditors

The Non-Financial Audit (Social Audit) can be conducted by the following:

- Chartered Accountant (CA); or
- Company Secretary (CS); or
- Cost and Management Accountants (CMA); or
- Post-graduates from universities recognized by the University Grants Commission (UGC) with a minimum of 3 years of experience in the development sector; or
- Graduates from universities recognized by the UGC with a minimum of 6 years of experience in the development sector; or
- Any other persons with suitable accreditations with a minimum of 6 years of experience in the development sector.

ICAI has developed a **Code of conduct for Social Auditors (SAs)** based on international and Indian practices.

Code of Conducts

Integrity

Objectivity

Confidentiality

Professional behavior

Professional Competence and Due care

Independence

Empanelment of Social Auditors with SROs



- ❑ All SAs shall be empanelled with a Self-Regulatory Organization (SRO) viz. Institute of Social Auditors of India.

The empanelment process shall consider the following criteria:

- Experience of the individual/firm/institution in assuring non-financial information
- Number of partners/employees meeting the criteria for being social auditor (in the case of firm/institution)
Disciplinary cases/sanctions against the individual/firm/institution would carry a negative weight in such consideration
- With the advent of time, more parameters will be considered for empanelment -e.g. size, nature/complexity, and scale of operations of the funders/projects; the possession of specific social sector expertise

Challenges Related to Social Auditing

- Capturing (Software Data)
- Capturing Social and Economic Impact
- Traceability of certain Stakeholders Group – Adult Learners
- Access to appropriate data – Height
- Overclaiming of Impact
- Multi-dimensional Project – Rural Health Intervention
- Lack of Social Auditor – Equipped

Sample Question

1. Which of the following is not a feature of social audit?
 - a. Evaluating the impact caused on the society by the organization
 - b. Issuing an opinion on the state of financial affairs**
 - c. Being a multi perspective in nature
 - d. Adopting the triple bottom line approach

6. SOCIAL AUDIT STANDARD FRAMEWORK



Social Audit Standard (SAS)

The Social Audit Framework **developed by ICAI** provides a social auditor guidance for conducting a social audit.

The social audit framework is applicable from the date of its hosting on ICAI website.

ICAI Social Audit Standard (SAS) Framework provides guidance for the elements and objectives of a social audit performed by Social Auditors.

It provides a frame of reference for:

- Social Auditors when performing social audits.
- Responsible party, engaging party and other stakeholders who are the intended users of social audit report.

List of Social Audit Standards (SAS)

The SAS has **sixteen** thematic areas which is listed below:

- SAS 100:** Eradicating hunger, poverty, malnutrition, and inequality.
- SAS 200:** Promoting health care (including mental health) and sanitation; and making available safe drinking water
- SAS 300:** Promoting education, employability, and livelihoods
- SAS 400:** Promoting gender equality, empowerment of Women and LGBTQIA+ communities
- SAS 500:** Ensuring environmental sustainability, addressing climate change including mitigation and adaptation, forest.
- SAS 600:** Protection of national heritage, art, and culture
- SAS 700:** Training to promote rural sports, nationally recognised sports, Paralympic sports, and Olympic sports
- SAS 800:** Supporting incubators of social enterprises
- SAS 900:** Supporting other platforms that strengthen the non-profit ecosystem in fundraising and capacity building
- SAS 1000:** Promoting livelihoods for rural and urban poor including enhancing income of small and marginal farmers and workers
- SAS 1100:** Slum area development, affordable housing, and other interventions to build sustainable and resilient cities
- SAS 1200:** Disaster management, including relief, rehabilitation, and reconstruction activities
- SAS 1300:** Promotion of financial inclusion
- SAS 1400:** Facilitating access to land and property assets for disadvantaged communities
- SAS 1500:** Bridging the digital divide in internet and mobile phone access, addressing issues of misinformation and data protection
- SAS 1600:** Promoting welfare of migrants and displaced persons

- Compliance with SAS is a **mandatory requirement** for social audit conducted for social enterprises listed on social stock exchange.
- Social auditors should ensure that guidance available in SAS are followed while conducting social audits.
- Social Auditors are expected to follow SAS in the social audits commencing on or after the effective date specified in the SAS.

Objective of the SAS Framework

- a. To provide guidance for social audit of projects/ programs/ project-based activities of a social enterprise registered/ listed on the Social Stock Exchange
- b. To provide related guidance on matters relating to preparation of Social Audit Report, in accordance with the Social Auditor's findings based on the social audit procedures performed and evidence obtained.

There are **FIVE** elements of a social audit engagement which are:

1. Three Party Relationship involving a social auditor, a responsible party, and intended users
2. Social Project/ Program/ Intervention scope
3. Social Project Monitoring Framework
4. Audit Evidence
5. Social Audit Report or Social Impact Assessment Report

- Social Audit Report
- Social Audit Scope
- Social Audit Planning
- Field Level Research – Documentation, Materiality, Internal Control, Sampling and data collection
- Use of Technology n Social Audit

Sample Question



1. The Social Audit Framework in India has been developed by _____ to provide a social auditor guidance for conducting a social audit.
- a. SEBI
 - b. ICAI**
 - c. RBI
 - d. UNDP

7. SOCIAL IMPACT ASSESSMENT



Social Impact Assessment is a process of research, planning and the management of social change or consequences (positive and negative, intended and unintended) arising from policies, plans, developments and projects.

Steps in conducting Social Impact Assessment

1. • Setting objectives (defining the scope of impact analysis, the level and the desired social change to be achieved).
2. • Analyzing stakeholders (identifying potential stakeholders which need to be involved to these processes).
3. • Measuring (setting relevant parameters by which SE will plan its intervention, and how the activity achieves the outcomes and impacts; identifying measurement tools; measuring the targeted outcomes and impact).
4. • Verifying and valuing Impact (verifying that the logical implications are strong enough and that the impact is valued by the key stakeholders);
5. • Monitoring and reporting (integrating this information into the management system and reporting data to relevant stakeholders).

Importance of conducting social impact assessment for different stakeholders

- (a) It helps the management of the organisation to understand whether projects are being conducted effectively.
- (b) It helps the management to understand whether the social intervention is resulting in any change amongst the target group
- (c) It helps the organisation use the SIA report as evidence to advocate their inventions and secure future funding.
- (d) It helps donors/ investors to ensure timely and effective achievement of predetermined targets.
- (e) It enables organisations to collect data that track successes and failures and helps to build strong data management systems
- (e) Concrete evidence of impact can motivate internal as well as external stakeholders to contribute in future as well.

Advantages and Disadvantages of Integrated Social Impact Assessment

Advantages

- Social Impact Indicators are developed based on objectives and interventions of the organisation.
- It provides benchmarks to track progress of interventions.
- Comparable data is available from time periods, different projects.
- Impact Assessment can be done at any time as per requirement of stakeholders.
- Provides standard format for generating impact reports for all the projects.

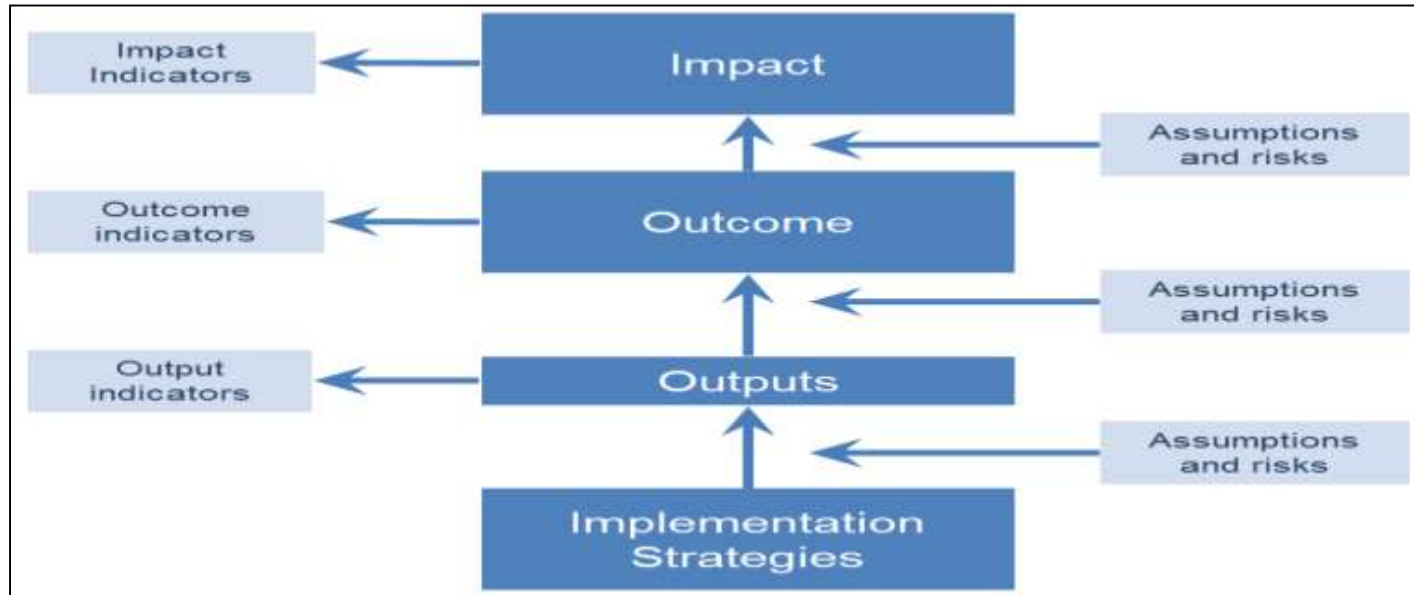
Disadvantages

- Requires financial and technical resources to develop an integrated system.
- Requires expert human resource to develop, operate and generate impact reports.
- It is difficult to incorporate new tools or indicators in future if the existing tool is not flexible.

Theory of Change

*Theory of Change is a **structured and systematic approach** to link activities to their impact. Social Change is a composite array of cultural, demographic, economic, environment, political, religious, scientific and technological forces; which is not a simple process. Theory of Change is an outcome-based method with participatory approach which applies critical thinking to design, implementation and evaluation of intervention.*

Process of Theory of Change



Process – Problem - Output – outcome

Example: Toilets in School and Drainage System

Aavishkar – India's micro venture capital fund started in 2001 with the vision to provide leadership in Rural Regions of India

Indicator of Social Performance in selected sectors:

1. Livelihoods
2. Health
3. Education

Issues or Challenges in Conducting Social Impact Audit:

1. Lack of standard use of Technologies
2. Lack of Standard decision of Reporting Framework
3. Lack of common measures within the sector
4. Unavailability of accurate and reliable data
5. Assumptions
6. Independencies
7. Timeframes

Sample Question



1. Pertaining to the advantages of the Integrated Social Impact Assessment, which of the following are NOT true:
 - a. It provides benchmarks to track progress of interventions.
 - b. **Requires expert human resource to develop, operate and generate impact reports.**
 - c. Impact Assessment can be done at any time as per requirement of stakeholders.
 - d. Comparable data is available from time periods, different projects.

8. SOCIAL IMPACT ASSESSMENT (CASE STUDIES)



Learning Objectives
of this Chapter are:

Practical insight of Social Impact

Aspects related to Social Audit Report

- Case Study on Draft **Social Audit Standard (SAS) 500**: Ensuring environmental sustainability, addressing climate change including mitigation and adaptation, forest and wildlife conservation.
- Case Study on Draft **Social Audit Standard (SAS) 200**: Promoting health care including mental healthcare, sanitation and making available safe drinking water.
- Case Study on Draft **Social Audit Standard (SAS) 400**: Promoting gender equality, empowerment of women and LGBTQIA+ communities.
- Case Study on Draft **Social Audit Standard (SAS) 1300**: Promotion of Financial Inclusion
- Case study on Affordable Housing on Draft **Social Audit Standard (SAS) 1100**: Slum area development, affordable housing and other interventions to build sustainable and resilient cities.

Contents of Social Audit Report:

- *Context*
- *Scope of Social Audit*
- *Approach and Methodology*
- *Key Findings*
- *Gaps/Challenges*
- *Recommendations*
- *Stakeholders speak*
- *Annexures*
- *Signature*

9. DISCLOSURE NORMS, REPORTING REQUIREMENTS BY SOCIAL AUDITORS AND PENALTIES

*Social enterprises (both NPOs and FPEs) that are listed on the **Social Stock Exchanges (SSEs)** are required to **disclose social impact reports**, which shall cover several aspects such as strategic intent, planning, approach, impact scorecard etc.*

- NPOs that are either registered or listed on SSE shall have to disclose on general, governance and financial aspects.
- In addition to social impact reporting requirements, FPE's that have listed their equity/debt instruments are required to comply with the **disclosure requirements according to their applicable segment.**

The disclosure requirements are:

- Disclosures as per SEBI ICDR Regulations
- Disclosures norms under SEBI LODR Regulations
- Penalties as per the SEBI Act, 1992
- Different books to be maintained as per SC(R)R, 1957

Disclosures by For Profit Social Enterprise



For Profit Social Enterprise whose designated securities are listed on the Stock Exchange(s) shall comply with the disclosure requirements contained in these regulations with respect to issuers whose specified securities are listed on the Main Board or the SME Exchange or the Innovators Growth Platform, as the case may be.

Disclosure to SSE:

1. Annual Disclosure – within 60 days from the FY
2. Event based Disclosures – 7 days from Event
3. Audited impact Report – 90 days from FY
4. Utilisation Certificate – Quarterly within 45 days Reg 91F
5. Penalty – 1 Lac + 1 Lac per day max. 1 Crore

Disclosures by a Not for Profit Organization



A Not for Profit Organization registered on the Social Stock Exchange(s), including a Not for Profit Organization whose designated securities are listed on the Social Stock Exchange(s), shall be required to make following annual disclosures to the Social Stock Exchange(s) on matters specified by the SEBI, **within 60 days** from the end of the financial year.

Disclosures on General aspects

- i. Name of the organization
- ii. Location of headquarters and location of operations
- iii. Vision / Mission / Purpose
- iv. Organizational goals, activities, products and services
- v. Outreach of organization
- vi. Scale of operations
- vii. Details of top donors or investors of organisation
- viii. Details of top 5 programs in disclosure period

Disclosures on Financial aspects

- i. Financial Statement, also program wise fund utilization for the year
- ii. Auditors report and auditor details

Disclosures on Governance aspects

- i. Ownership and legal form
- ii. Governance Structure
- iii. Details of governing body
- iv. Executives with key responsibilities
- v. Number of meetings by governing body
- vi. Organisation level potential risks and mitigation plan
- vii. Reporting of related party transactions
- viii. Mechanisms for advice and concerns about ethics, along with conflict of interest
- ix. Remuneration Policies
- x. Stakeholder grievance, process of grievance redressal and number of grievance received and resolved
- xi. Compliance management process
- xii. Organisation registration certificate and other licenses

SSE may specify additional parameters that may be required to be disclosed by NPO on an annual basis.

10: TAXATION

Social Stock Exchange (SSE) provides means for social enterprises (both for profit and non-profit organizations) to raise funds through a regulated mechanism.

*Fund raising through SSE also ensures **accountability, transparency and periodic reporting** of impact.*

Thus, in order to provide an impetus for such fund raising mechanisms and create a vibrant, deep and liquid market for social investments, it will be paramount to provide certain tax incentives to investors making investments for various social causes.

Various taxation aspects applicable for Social Sector are discussed in the following sections:

- Securities Transaction Tax
- Capital Gains Tax
- Deduction under section 80G of Income Tax Act
- Exemptions for Social Enterprises

Capital Gains Tax

Type of Securities	Long-Term Capital Asset	Short-Term Capital Asset
Equities/ Funds	Held for more than 12 months	Held for 12 months or less
Debt/ Debt-oriented Funds	Held for more than 36 months	Held for 36 months or less

Sample Question

1. Holding period of listed debt securities to be classified as long-term capital asset is _____.
 - a. More than 1 year
 - b. More than 2 years
 - c. **More than 3 years**
 - d. More than 1.5 years

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11: KEY REGULATIONS



Various regulations relevant for the knowledge of social auditors are:

- Securities Contracts Regulation Act (SCRA 1956)
- SEBI Act 1992
- Depositories Act, 1996
- SEBI (Stock Broker) Regulation, 1992
- SEBI (Prohibition of Insider Trading) Regulations, 2015
- Prevention of Money-Laundering Act, 2002
- SEBI Prevention of Fraudulent and Unfair Trade Practices Regulations, 2003

Sample Question



1. The _____ provided code of conduct for stock brokers.
 - a. SEBI Prohibition of Insider Regulations
 - b. PMLA
 - c. Securities Contracts Regulation Act
 - d. **SEBI (Stock Broker) Regulation**

THANK YOU



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