Indian Journal of Economics and Financial Issues
Volume 7; Numbers 1-2, 2026, pp. 27-40
ISSN: 2582-5186
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https://DOI:10.47509/IJEFI.2026.v07i01-02.02

ARF INDIA
Academic Open Access Publishing
www.arfjournals.com

INSTITUTIONALIZING SOCIAL AUDITS IN INDIA: EVOLUTION, EFFECTIVENESS AND FUTURE PROSPECTS

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Received: 14 April 2026; Revised: 15 May 2026;
Accepted 25 May 2026; Publication: 30 October 2026

Abstract: Social audits have emerged as a key institutional innovation in India's public accountability framework, embedding citizen participation within the oversight of development programmes and welfare schemes. Originating from civil society initiatives in the 1990s and subsequently formalised through statutory mandates, particularly under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), social audits signify a shift towards participatory governance. This paper examines the evolution, effectiveness and future prospects of social audits in India, focusing on their institutional architecture and operational practices. Drawing on policy documents, audit reports and academic literature, the study assesses the contribution of Social Audit Units (SAUs) to transparency, detection of irregularities and beneficiary awareness, while identifying persistent challenges such as uneven institutional independence, capacity constraints, limited urban coverage and weak follow-up on findings. The paper also explores the scope for convergence between social audits and statutory audits conducted by the Comptroller and Auditor General of India, arguing that structured integration can enhance accountability while preserving institutional autonomy. It argues that a carefully designed institutional interface between these accountability mechanisms can enhance transparency, improve corrective action processes, and strengthen public financial governance while preserving the participatory character and independence of social audits. The study concludes by outlining policy directions for consolidating the institutional framework of social audits and expanding their role within India's broader accountability ecosystem.

Keywords: Social audits; public accountability; participatory governance; MGNREGA; Social Audit Units; statutory audit

To cite this paper:
C. Dheeraja (2026). Institutionalizing Social Audits in India: Evolution, Effectiveness and Future Prospects. *Indian Journal of Economics and Financial Issues*. 7(1-2), 27-40.

1. INTRODUCTION

Social audits are participatory accountability mechanisms that enable citizens to directly examine, verify and assess the implementation of public programmes and the use of public resources. Unlike conventional audits that rely primarily on official records and institutional checks, social audits place communities particularly beneficiaries at the centre of oversight by combining public disclosure of information, field verification and collective scrutiny in open forums such as Gramsabhas or public hearings. The core objective of social audits is to enhance transparency, accountability and responsiveness in governance by ensuring that programme entitlements, expenditures and outcomes correspond to what is reported by implementing agencies.

In India, social audits have acquired particular significance following their statutory recognition under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), which mandates regular social audits through independent Social Audit Units. By generating grassroots-level evidence on service delivery and empowering citizens to question authority, social audits complement formal audit and administrative oversight systems and contribute to strengthening democratic governance.

2. CONCEPT AND DEFINITION OF SOCIAL AUDITS

The term social audit refers to a participatory process in which programme performance is verified through community engagement, public scrutiny of records, and direct observation of outcomes. Social audits seek to ensure that public resources are used efficiently, transparently and in line with entitlements defined in law or policy.

Widely used definitions include: Auditing Standards developed for social audit of Mahatma Gandhi National Rural Employment Guarantee Scheme, defines social audit as "conducted by the people, especially by those people who are affected by, or are the intended beneficiaries of, the scheme being audited and facilitated by the Government." This is done by comparing official records with ground realities, with the participation "of the community in verification exercise and sharing the findings in the public platform (Auditing Standards)

According to the UN Department of Economic and Social Affairs, a social audit is "an approach to build accountability and transparency by involving citizens in monitoring programme performance and resource use" (UNDESA, 2013).

Academic literature describes social audits as "citizen-driven oversight mechanisms that combine rights-based mobilisation with verification of programme delivery at the grassroots" (Aiyar & Samji, 2009).

Key features of social audit include participatory methodology, accountability and transparency, verifies both processes and outcomes, generates corrective action and community learning and strengthens trust and democratic oversight. Social audits use public records, beneficiary testimony and community inspection to: (i) expose leakages and irregularities, (ii) promote public accountability, and (iii) strengthen citizens' knowledge of entitlements and grievance redress

3. HISTORY AND EVOLUTION OF SOCIAL AUDITS IN INDIA

Although informal community monitoring traditions existed earlier, formalisation began in the early 1990s through civil society organisations in Rajasthan (notably the Mazdoor Kisan Shakti Sangathan). The Jan Sunwai (public hearing) model, where public records were read out and discrepancies were publicly interrogated became the foundation for modern social audits.

Key milestones:

Early 1990s – Civil society–led public hearings in Rajasthan demonstrated the effectiveness of social auditing to expose corruption in works and public distribution systems.

2005 – MGNREGA institutionalised social audits in law, making India one of the first countries to legally mandate social auditing.

2011 – Social Audit Rules under MGNREGA were notified, requiring states to establish independent Social Audit Units (SAUs).

2014 onwards – Several states created robust SAUs with trained resource persons and MIS systems.

2016- Auditing Standards was issued by MoRD highlighting the social audit methodology and institutionalisation of social audits

2015-2020- Several Legislations and judicial interventions mandated social audits. Social Audit has also been mandated by National Food Security Act (NFSA), 2013 and the Rights of Persons with Disabilities Act, 2016. The Supreme Court has ordered Social Audit in the implementation of

Juvenile Justice (Care and Protection of Children) Act, 2015 and The Building and Other Construction Workers Act, 1996. The Supreme Court has also said that the Social Audit Unit facilitating Social Audit of MGNREGS should facilitate the audit of NFSA.

2020s – The idea of extending social audits beyond MGNREGA gained traction in housing, pensions, PDS, Samagra Siksha Scheme, Jaljeevan Mision, DAY-NRLM, DoSJ&E schemes like pre- matric and post metric scholarships, PMAJAY, COVID relief measures urban housing, DAY-NULM scheme etc.

Meghalaya and Kerala states came out with Social Accountability Acts mandating social audit for all welfare programmes of the state

4. SOCIAL AUDIT RULES, STANDARDS, GUIDELINES AND MANUALS

The effective institutionalisation of social audits requires a clear and well-defined framework of rules, standards, guidelines and operational manuals. In India, this framework has evolved progressively to provide legal backing, methodological clarity and institutional accountability for the conduct of social audits across public programmes.

In August 2005, the Indian Parliament passed the National Rural Employment Guarantee Act, which mandates the provision of 100 days of guaranteed employment (unskilled manual work) to any rural household in India. Section 17 of the Act says that the Gram Sabha shall conduct Social Audit of all the projects taken up under the scheme within the Gram Panchayat.

To ensure social audits are done well, Ministry of Rural Development (MoRD) in consultation with Comptroller and Auditor General (C&AG) of India, notified the Mahatma Gandhi National Rural Employment Guarantee Audit of Scheme Rules in 2011. These rules clearly specify the responsibilities of the facilitating organisation (Social Audit Unit), the social audit pre-requisites, social audit process to be followed, the roles and responsibilities of officials at different levels, responsibility of the state government to take follow-up action and of the State Employment Guarantee Council to monitor the action taken and place it before the State Legislature. (MGNREGS Audit of Scheme Rules 2011).

In June 2015, MoRD in consultation with the C&AG constituted a Task Force for looking into all aspects of Social Audit and advising the Ministry on making the Social Audit exercise more effective. The recommendations of the four working groups which included 'Auditing Standards for Social Audit' were examined and duly accepted. MoRD forwarded the Auditing Standards to all states for necessary action and compliance in December 2016.(Auditing Standards 2016)

NIRDPR has been publishing a report on the status of social audits in India. The first was published in April 2018 and the second was published in 2019. Third report in continuation was brought out in 2021 (NIRDPR Social Audit Status Reports)

The Ministry of Rural Development released the Social Audit Assessment Index in November 2020, a tool to measure the performance of social audits. States were requested to use this index to do an honest self-assessment and develop a plan to address the issues revealed by the index.

In September 2019, MoRD released social audit guidelines for conduct of PMAY-G and NSAP. In June 2021, the Ministry of Panchayati Raj released social audit guidelines for the social audit of Fifteenth Finance Commission Grants to Panchayati Raj Institutions. The Ministry of Education has prepared social audit guidelines for the social audit of its flagship programme, Samagra Shiksha Scheme. Several Ministries and Departments brought out social audit manuals, protocols/ guidelines for conduct of social audits of their respective schemes of the departments

NIRDPR and other state level training institutes have developed training modules for conduct of trainings on social audit

5. INSTITUTIONALISATION OF SOCIAL AUDITS

Under the MGNREGA statutory framework, States are required to facilitate social audits of works in each Gram Panchayat at least once in six months. The MGNREG Audit of Scheme Rules, Auditing Standards and the Annual Master Circular specify that the State government should set up an SAU that is independent. Several states have institutionalised Social Audit Units (SAUs) that conduct audits, prepare calendars, and publish findings. However, the quality, frequency, and independence of social audits vary widely. Urban areas largely lack structured social-audit mechanisms.

6. STATUS OF SOCIAL AUDITS

The current status of social audits reflects both substantial progress and persistent challenges. States such as Andhra Pradesh, Telangana, Meghalaya, and Odisha have demonstrated relatively robust systems with independent SAUs, a trained cadre of social auditors, and regular audit cycles. However, many other states continue to struggle with irregular audits, limited mobilisation of Gram Sabhas, insufficient training of audit personnel, and inadequate documentation and follow-up of findings.

The MIS reports of MGNREGS give more details of the performance of social audits done. The details of social audits of 2024-25 are presented graphically at Annexure- I. The state-wise data on Gram Panchayats audited at least once in 2024-25 shows wide disparities. Some states like Telangana, Andhra Pradesh, and Odisha have achieved near-complete audit coverage, while others have yet to institutionalise regular, full-cycle audits. This inconsistency affects the overall reliability of national-level audit findings, particularly when audits are not conducted uniformly.

The total number of issues reported across all states exceeds 12.3 lakh, indicating that social audits remain a crucial tool for detecting leakages, errors, and procedural lapses. Process violations form the largest share of issues reported nationally, followed by financial deviations, financial misappropriations, and grievances. This trend underscores that most issues arise from weaknesses in governance systems, such as improper maintenance of records, non-adherence to guidelines, or irregularities in administrative processes, rather than purely financial fraud. However, several states, including Telangana, Uttar Pradesh, Karnataka, and Andhra Pradesh, show very high absolute numbers of issues, suggesting deep systemic challenges as well as higher audit intensity.

In contrast, a few states and UTs such as Goa, Ladakh, Andaman & Nicobar Islands, and Puducherry reported zero issues—an indication not of perfect implementation but of non-existent or very weak audit systems. Gujarat, despite having an established SAU, reports extremely low issue counts, pointing again to issues in audit quality or coverage rather than scheme performance alone. Moreover a large proportion of social audit reports identify recurring issues like delayed payments, incomplete assets, misreporting of work demand, irregularities in beneficiary selection, and poor maintenance of records. Despite this, enforcement of corrective actions remains weak, primarily because

programme authorities often lack systems for timely response, and SAUs do not always possess the autonomy required to escalate non-compliance.

When states are grouped by the average number of issues reported per audit, further patterns emerge. A cluster of states, including Jharkhand, Telangana, Karnataka, Kerala, and Uttarakhand, report more than 10 issues per audit, reflecting strong audit rigor or deeper governance problems. Meanwhile, states such as Rajasthan, Madhya Pradesh, Punjab, and Maharashtra fall into the moderate range of up to five issues per audit. States reporting zero to very few issues per audit are mostly those with weak audit processes, indicating that audit quality.

The financial dimension is reflected in the Total FM (Financial Misappropriation) amounts reported and the corresponding amounts recovered. While the substantial sums identified through audits, recovery rates remain low in several states. This reinforces a recurring challenge: the social audit process is strong in diagnosing irregularities but weak in ensuring corrective action and enforcement.

Transparency and accountability indicators reveal additional concerns. Only 11 SAUs maintain a public-facing website with audit reports, while 17 do not, limiting public oversight. Similarly, only 16 SAUs submit quarterly reports to the Principal Accountant General (PAG). A majority of SAUs lack a Code of Ethics or Conduct, have no system to receive complaints against SAU personnel, and do not prepare annual reports summarising their work. Quality assurance mechanisms such as test audits and independent monitoring are absent in most states. Together, these factors weaken institutional integrity and reduce trust in the social audit mechanism.

7. CONVERGENCE WITH CAG AUDITS

A significant emerging area is the convergence between CAG audits and social audits. The CAG, as the Supreme Audit Institution (SAI) of India, traditionally conducts compliance, financial, and performance audits. Social audits, on the other hand, are community-centric and participatory. Over time, it has become clear that the two approaches can complement each other. Social audits generate rich, ground-level insights into service delivery, citizen grievances, and frontline realities and such information can enhance CAG's performance audits. Similarly, CAG audit findings can help SAUs identify

systemic risks and strengthen the evidence base for community verification. The convergence framework proposed by various committees suggests that SAUs should systematically document cases of procedural violations and financial irregularities in formats usable for statutory audits. At the same time, CAG field observations can be shared with SAUs to improve the relevance of social audit checklists and tools. Such alignment will not only strengthen public accountability but also create a more integrated audit culture in the country.

8. KEY CHALLENGES

Despite these promising developments, several systemic challenges need sustained attention. A critical challenge in the effective functioning of social audits is the uneven institutional capacity and independence of Social Audit Units (SAUs) across States. While the MGNREGA framework mandates that SAUs function independently of implementing agencies, in practice their degree of autonomy varies considerably.

In several States, SAUs continue to be administratively housed within the Rural Development Department, with key decisions relating to staffing, budgeting and operational approvals routed through the same authorities responsible for programme implementation. This structural proximity can dilute functional independence and may inhibit rigorous scrutiny, particularly in cases involving senior officials or politically sensitive works.

Many SAUs operate with inadequate sanctioned strength, Staffing constraints like high turnover of contractual personnel, low remuneration and limited career progression for trained social audit resource persons further undermine audit quality. As a result, institutional memory is weak, repeated capacity building is required, and audit cycles are often delayed. Capacity building remains a critical component, with structured 30-day training for SAU staff and five-day training for Village Resource Persons (VRPs). The reliance on short-term contractual Village Resource Persons (VRPs), though effective for community mobilisation, also leads to variability in audit quality due to differences in experience, training and documentation skills.

Resource limitations compound these challenges. Many SAUs lack dedicated budgets, leading to delays in audit cycles and insufficient coverage. Although the Ministry of Rural Development (MoRD) provides 0.5% of the previous year's

MGNREGS expenditure directly to SAUs, delays in fund transfers, inadequacy of funds, restrictive expenditure norms, and MIS-related challenges hinder efficient functioning. Inadequate investment in digital infrastructure and data management further affects the credibility and usability of audit outputs.

Technology adoption is uneven especially updation of MIS, usage of Panchayat Nirnay App and only a few states have fully digitised their processes. Furthermore, community participation which is central to social audits, has weakened in some regions due to inadequate mobilisation, lack of awareness, and, at times, resistance from local elites or officials. Strengthening Gram Sabhas and creating safe spaces for citizens to voice concerns is therefore critical for the credibility of the audit process.

Another major limitation is the near absence of institutionalised social audits in urban governance. Unlike rural development programmes under MGNREGA, urban schemes lack a clear statutory mandate for social audits and do not have an equivalent of the Gram Sabha as a legally empowered forum for public verification.

Urban Local Bodies (ULBs) implement a wide range of schemes involving significant public expenditure such as housing, livelihoods, sanitation, solid waste management and infrastructure development, but citizen oversight mechanisms remain weak. Factors contributing to limited adoption of social audits in urban areas include fragmented communities, weaker associational structures, limited awareness of entitlements, and the absence of standard operational guidelines.

Moreover, ULBs often face capacity constraints and competing administrative priorities, making it difficult to institutionalise participatory audits. Where pilot initiatives exist, they are typically project-based, donor-driven or civil society–led, lacking continuity and formal integration with municipal accountability systems. The absence of social audits in urban contexts represents a significant accountability gap, particularly as urbanisation accelerates and public expenditure in cities increases.

The effectiveness of social audits depends not only on the identification of irregularities but also on timely and credible follow-up action. Across States, however, there is a persistent gap between detection and enforcement. Action Taken Reports (ATRs) are often delayed, incomplete or inadequately monitored. In many cases, responsibilities for follow-up are diffused across multiple administrative levels, leading to weak ownership and poor accountability.

Recovery of misappropriated funds remains particularly low relative to the scale of irregularities identified. Administrative hesitancy, legal complexities, lack of clear recovery protocols and weak incentives for enforcement contribute to this problem. Additionally, penalties and disciplinary actions against erring officials are inconsistently applied, reducing the deterrent effect of social audits.

The absence of publicly accessible, real-time dashboards tracking follow-up actions in many schemes further weakens transparency. Without systematic monitoring of recoveries and corrective measures, social audits risk being perceived as procedural exercises rather than effective accountability instruments. Addressing the challenges requires structural reforms, clearer mandates, sustained capacity building and stronger integration with statutory audit and administrative accountability systems.

9. RECOMMENDATIONS TO STRENGTHEN SOCIAL AUDITS

9.1. Strengthening SAU Independence and Capacity

Ensuring the functional and financial independence of Social Audit Units (SAUs) is critical to preserving the credibility of social audits. SAUs should be institutionally insulated from implementing departments through autonomous legal status, independent governing boards and predictable, untied funding arrangements. Staffing norms must be strengthened by creating dedicated cadres, reducing reliance on short-term contractual arrangements and providing clear career pathways for trained personnel. Regular capacity-building initiatives, coupled with adequate logistical and technological support, are essential to enhance audit quality, institutional memory and continuity.

9.2. Provide Adequate and Predictable Funding

A major constraint identified in the NIRDPR status report is irregular and inadequate financial support for social audit activities. Dedicated budget allocations and timely fund release mechanisms should be ensured so that SAUs can recruit staff, organise social audits regularly, and conduct capacity-building activities without interruptions.

9.3. Improve Access to Records and Transparency

Implementation agencies must provide timely access to official records, financial documents, and worksite information to social audit teams. Rules

should clearly fix responsibility and prescribe penalties for non-submission or delayed submission of records.

9.4. Extending Social Audits to Urban Schemes

The expansion of social audits into urban governance represents an important frontier for participatory accountability. Given the scale of public expenditure in urban development schemes, a formal mandate for social audits should be introduced for selected urban programmes such as housing, livelihoods, sanitation and municipal infrastructure. Adapted institutional models like ward committees, areasabhas and resident associations can serve as urban equivalents of Gramsabhas. Pilot initiatives in selected cities can help develop context-specific methodologies before scaling up across urban local bodies.

9.5. Harmonising National and State Standards

The absence of harmonised social audit standards across States leads to variability in audit quality, documentation and reporting. A nationally endorsed framework aligned with existing MGNREGA rules and auditing principles should define minimum standards for planning, sampling, evidence collection, documentation, reporting and ethical conduct. States may retain flexibility for adaptation to various welfare programmes and contextual specifications. But core methodological requirements must be uniform to ensure comparability, credibility and wider usability of social audit outputs, including by statutory audit institutions.

9.6. Establishing Structured Data-Sharing Frameworks with CAG

Systematic convergence between social audits and statutory audits requires formal data-sharing arrangements between SAUs, line departments and the Comptroller and Auditor General of India. Clear protocols should be developed to govern the nature, frequency and format of data exchange, while safeguarding institutional autonomy and confidentiality. Social audit findings such as issue registers, high-risk indicators and follow-up status can inform CAG's risk-based audit planning and field selection, enhancing audit effectiveness without compromising independence.

9.7. Developing Interoperable MIS and Public Dashboards

Technological integration is central to strengthening the impact of social audits. Interoperable Management Information Systems (MIS) should link social audit databases with departmental and audit platforms, enabling real-time access to findings, action taken reports and recovery status. Public dashboards displaying audit outcomes, recoveries and corrective actions can significantly enhance transparency, deter malpractices and reinforce citizen trust. Standardised data architecture and protocols are essential to ensure scalability and analytical utility.

9.8. Introducing Joint Training and Methodological Alignment

Capacity building must be approached as a collaborative exercise involving SAUs, line departments and statutory auditors. Joint training programmes can foster a shared understanding of audit methodologies, evidence standards and verification techniques. Exposure to social audit processes can enrich statutory auditors' appreciation of community-level realities, while SAU personnel can benefit from training in documentation, sampling and analytical rigour. Methodological alignment will improve the reliability and admissibility of social audit findings in formal accountability processes.

9.9. Setting Clear Timelines for Corrective Action and Follow-up

The effectiveness of social audits ultimately depends on robust follow-up mechanisms. Clear, time-bound protocols for responding to audit findings covering administrative action, financial recovery and grievance redress must be institutionalised. Responsibilities for follow-up should be explicitly assigned at appropriate administrative levels, with escalation mechanisms for non-compliance. Periodic monitoring of action taken reports and public disclosure of follow-up status can strengthen enforcement, enhance deterrence and ensure that social audits translate into tangible governance improvements.

9.10. Establish Quality Assurance and Periodic External Assessment

SAUs should adopt quality assurance mechanisms, including periodic internal and external assessments of the social audit process, to maintain professional standards and improve credibility.

Collectively, these recommendations underscore the need to move from isolated social audit exercises towards an integrated accountability framework.

By strengthening institutional capacity, expanding coverage, harmonising standards and fostering convergence with statutory audits, social audits can evolve into a durable pillar of democratic governance and public financial accountability.

10. WAY FORWARD

Going forward, social audits must expand beyond MGNREGS to cover a broader range of social sector schemes, including PMAY-G, NRLM, ICDS, the National Health Mission, and urban development programmes. This expansion should be supported by legal backing, adequate financing, dedicated manpower, and strong monitoring by state governments and central Ministries and other Departments. The integration of social audits into state audit cycles, cross-learning between SAUs, and continuous capacity building for district and block officials will further institutionalise the system. In addition, convergence with CAG audits should be operationalised through structured data sharing, joint training modules, and the development of a common repository of audit findings.

11. CONCLUSION

In conclusion, the status of social audits in India reflects an evolving but highly promising accountability mechanism. While progress has been uneven, the foundations for strong, standardised, community-led audits have been laid. With improved institutional support, adoption of social audit standards, and deeper linkages with statutory audits, social audits can significantly enhance the transparency, efficiency, and integrity of public expenditure. They represent not just a tool for oversight but a transformative approach to governance, the one where citizens are empowered as active auditors of democracy.

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