

## THE IMPACT OF SOCIAL AUDIT IN HUMAN RESOURCES MANAGEMENT

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### **Abstract**

*General research area of this article is the impacts of social audit in human resources management, in full compliance with the identification of social risks that may threaten the proper functioning of the economic entity.*

*An essential tool used in human resource management is social audit, which provides a balance between the economic entity's financial results and its social results. Social audit is at the same time, an instrument of leadership and management interference in internal audit and financial audit and pursues an economic entity management capacity on the part of human problems and on the other hand the social problems generated by a continuously changing environment.*

*This article is part of a broader research and through it we tried to address a topical issue, ie the impact of social audit and its consequences on economic and financial development level of economic entities.*

**Keywords:** social audit, human resources, research, accounting, tax, audit report

**JEL Classification:** M20, M21

### **1. Introduction**

Under a market economy based on free enterprise, economic entities won the emergence of a new modern forms of control that is adapted to the evolution of social management, trying to shift the incentive to coercive style. This modern form of social audit control is allowing employees to participate increasingly more including the management of the entity being considered a resource of great importance and even indispensable in the economic activity of the entity.

Social audit concept is closely related to the concept of social enterprise. The concept of social enterprise was first used by Spreckley Freer in 1978 and then introduced his "social audit a management tool for cooperative work type" paper published by Beechwood College in 1981.

Freer's vision, social audit is the tool that social enterprises should use it to prove that they really social purpose. [5]

Freer describes social enterprise as "a business that is owned by those who work in it, is located in a particular locality, aims to establish and control systems both social objectives and commercial objectives". [5]

The general objective of this paper is connecting to current trends show that more intense national and examining the essential elements of economic and social reality fully reflect the processes undertaken within an economic entity, identifying social risks that may threaten the proper functioning of the entity.

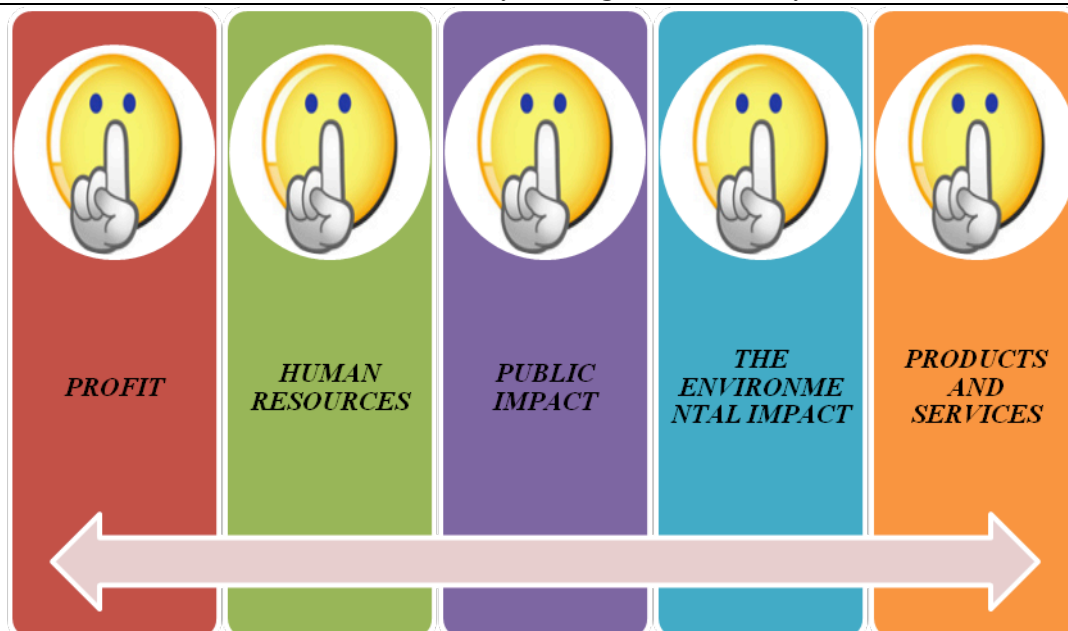
### **2. Research methodology**

In the context of a topical issue, the challenge starts at the initiative to help develop the social audit process improvement efforts for social reporting information.

Research methodology used in this paper respects the principle of unity of quantity and quality, combining qualitative research with quantitative research in order to increase efficiency results. The research is based on deductive approach, based on existing concepts and models outlined in terms of references including publications in the literature, into customized, at the national and international levels. The purpose of theoretical research is the knowledge of concepts related to the issue, in this case social audit, taking into account the various opinions issued by experts in the field.

### **3. Typology directions in achieving social audit**

Freer has identified five main areas that a company has in mind to be able to measure the results of activities undertaken with the social audit. These main directions are shown in **Figure no. 1**.



Source: own interpretation

Figure no. 1 DIRECTIONS FOR THE ACHIEVEMENT OF SOCIAL AUDIT

We can not move forward without this in our scientific approach, each element identified by Freer.

✚ **PROFIT**

In the literature the concept of profit is often replaced by the concept of financial surplus. Profit is a synthetic indicator representing earnings of an economic entity as a result of effective activity as an economic and financial point of view.

✚ **HUMAN RESOURCES**

Employees should not be regarded as a cost, but as a resource in the true sense of the word, and thus could be verified and quality of work. On this aspect, we can measure the impact of the economic entity on labor used in special training impact.

✚ **PUBLIC IMPACT**

According to the directions suggested by Freer (1981), the management entity must consider its involvement in community development in which economic entity operates not only create jobs and pay all fees to the various budget categories.

✚ **THE ENVIRONMENTAL IMPACT**

According to the directions, have had the impact that they have the resources used by the entity on the environment and the economic entity's contribution to environmental protection and pollution prevention.

✚ **PRODUCTS AND SERVICES**

Economic entity's management should pursue consistently the quality, utility and necessity made products and services, their impact on consumer health and safety.

#### 4. Social audit in Romania

In Romania, the concept of social audit is relatively new, it was enacted in 2011 by the Parliament, the government's initiative in social law.

According to the regulations in force in Romania (*Law 292 of 20 December 2011*), social audit procedures can be initiated by *private providers of social services, contracting authorities and other natural or legal persons that finance social services, and may require independent evaluation of contracts for the provision social*. [6]

The social audit is conducted by a **social auditor**. Social auditor is someone who is qualified and who is mandated by the economic entities to perform an audit components, not invested with any power to control or sanction. [6]

In conducting a social audit process the auditor should consider the following issues (*Law 292 of 20 December 2011*): [6]

- ✦ verification plans and procedures established social service providers funded services;
- ✦ evaluate the efficiency and effectiveness of social services contracts;
- ✦ verify the accuracy of information used;
- ✦ recommending operational improvements.

We note that all the audit the auditor's office and social status are determined by laws.

According to Iulia Chivu (*Chivu, 2003*), methodology of social audit involves the following steps: [2]

- ✦ *define the mission of social audit;*
- ✦ *diagnosis of human resources;*
- ✦ *establishing the work program of the auditors;*
- ✦ *effective implementation of social audit;*
- ✦ *drafting and presentation of the audit office.*

The first step in the process of social audit, social audit generically define the mission is accomplished by the following (*Chivu, 2003*): [2]

- ✦ *objectives of the analysis that the principal axes of social audit;*
- ✦ *social audit scope, and the level to which it shall carry out;*
- ✦ *methods of analysis and control.*

A successful social audit depends largely on prior definition of the mission established by the entity, together with the auditor.

The diagnostic phase of human resources, the auditor should be familiar with the work that is to perform, in order to determine the significant elements to developing an audit program focused on the topic. It is necessary to note that the auditor should focus its efforts and to effectively allocate time for an efficient audit process. The auditor should also carry out a SWOT analysis, trying to identify strengths, weaknesses and potential risks that may arise in the work of human resource management.

The third step is the establishment of the work program of auditors. The structure of auditors' work program must specify the following (*Chivu, 2003*): [2]

- ✦ *people to discuss the auditors;*
- ✦ *findings and / or determinations to be made;*
- ✦ *documents required to be analyzed;*
- ✦ *budget and timeline for carrying out the actions.*

The actual implementation stage of social audit performs the actual control based on questionnaires with which collects the necessary information. These questionnaires should be developed in line with the social audit.

In the final stage the most important social audit ie audit report writing and presentation of social, information synthesized by the auditor during several chapters.

Chapters to be taken into account in drafting the audit report are shown in **Figure no. 2**.



Source: own interpretation

**Figure no. 2 OVERVIEW OF CHAPTERS SOCIAL AUDIT REPORT**

## 5. Conclusions

In our opinion, the most important chapter of the social audit report is the presentation of the mission as social audit results can be used to present the social balance of the economic entity and the entity to contract growing concerns social services managers and its employees.

In conclusion, social audit is a motivating factor in analyzing, improving and providing solutions to enhance the efficient use of human resources and not least an essential tool in ensuring a balance between the economic entity's financial results and social results of it.

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