Auditing Corporate Social Responsibility

"A Corporate Social Responsibility audit aims at identifying environmental, social or governance risks faced by the organization and evaluating managerial performance in respect of those."

Corporate Social Responsibility ("CSR") is a broad term however, for the purpose of addressing the scope of a CSR Audit, CSR is about managing and taking into consideration organization's operational, processes and behavioral impact on society and stakeholders from a broad perspective. Contrary to common belief CSR is more than basic legal compliance and is highly connected with and affects organization's bottom line.

In order to ascertain an organizations effective CSR policy, practices and culture, the notion of auditing CSR in organizations is becoming key. However, this requires a substantial shit in the audit profession to include beyond the traditional lines of finance and information technology to wider operational practices that respond to client and professional pressures brought about by a growth in the practice of risk management.

Audits and the process of auditing as we commonly know it is focused on the organizations achievement of its stated and communicated objective; its compliance with rules, regulations and legislation; the reliability of its records and information accessible to the public or communicated to the public; the safeguard of its assets.

This does not address CSR or CSR related risks.

The risks of not paying adequate attention to CSR is clear – reputation damage, lawsuits, and government scrutiny. Internal audit should focus on these risks and assist management to identify appropriate actions.

This called for a different approach to audit and in particular an audit that takes into consideration health, safety, environmental, reputational and business probity not to mention CSR governance.

The CSR audit, is a tool for decision making and for strategic management.

The question is how can we integrate the needs of a CSR review with the classical scope of audit? What are the standards against which auditing professionals can benchmark an organizations performance or behavior?

Just like a financial audit, there are various CSR standards against which a CSR Audit can take place such as:
- Global Compact
- Global Reporting Initiative
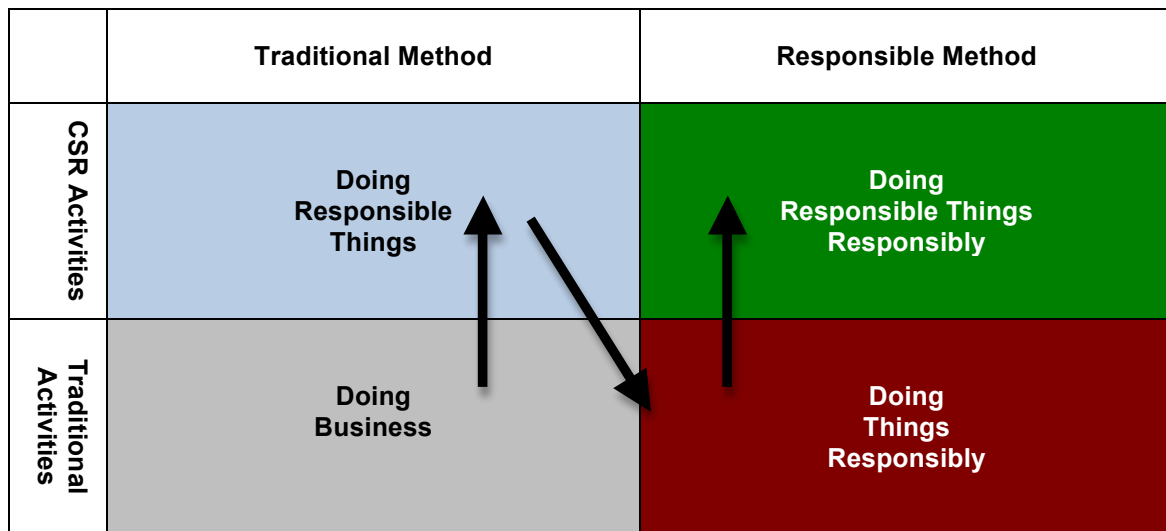- Good Business Framework
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These standards although vary in style and depth cover the basics of CSR and enable organizations to be audited against them. However, for the purpose of being generic, we will address organizations different approaches to CSR and how a CSR audit can facilitate a better understanding of an organization's:
- CSR goals and objectives;
- CSR practices, policies and culture; and
- Approach to CSR related issues with respect to its internal decision making process;

Traditionally organizations prime focus is to do business. With the increased hype of CSR, organizations started to undertake certain CSR related activities whereby they undertake responsible activities independent of their business operations, their impact on society and how they affect society or can be affected by society at large.

Good example is Qatar Financial Authority were its CSR activities are related with the financial know-how of society. Their CSR activities are increasing awareness with respect to financing and investment ensuring a better caliber professionals and a more conscious investors.

This evolved into a more integrated approach of CSR in organizations whereby organizations started to do what they do but doing it in a more responsible manner i.e. embedding societal considerations in their decision making process etc. A higher evolution finally led organizations to doing responsible things in a responsible manner a closer definition to what we now call today "sustainability". Its no longer simply a matter of doing good things to society, or operating ones organization in a responsible manner but a further step of integrating CSR with the organization's objectives, creating a 'virtuous circle' for all the stakeholders. This is a highly sustainable model as the success of the business is integrated with the CSR initiatives and there is high commitment from the business at all levels.

	Traditional Method	Responsible Method
CSR Activities	Doing Responsible Things	Doing Responsible Things Responsibly
Traditional Activities	Doing Business	Doing Things Responsibly

Developing a CSR Audit Program

An internal audit that is intended to cover CSR should start by creating an understanding of the social responsibility issues that affect the organization and its industry. Following that, the audit should review how management reconciles these sometimes-contrary needs.

A CSR audit program can cover all or any of the following risks:
- Effectiveness of the operating framework for CSR implementation
- Effectiveness of implementation of specific, large CSR projects
- Adequacy of internal control and review mechanisms
- Reliability of measures of performance
- Management of risks associated with external factors like regulatory compliance, management of potential adverse NGO attention, etc.

What are the CSR issues that a CSR Audit should cover?

Human Rights: Fundamental Human Rights, Freedom of association and Collective bargaining, Non-discrimination, Forced labor, Child labor	**Business Behavior:** Relations with clients, suppliers and sub-contractors, Prevention of corruption and anti-competitive practices
Human Resources: Labor relations, Working conditions, health and safety, career development and training, Remuneration system	**Corporate Governance:** Board of Directors, Audit and internal controls, Treatment of shareholders, Executive remuneration
Environment: Incorporation of environmental considerations into the manufacturing and distribution of products, and into their use and disposal	**Community Involvement:** Impacts on local communities, contribution to social and economic development, General interest causes.

Total Word Count:	**875**
Breakdown	
Text:	752
Info Graph word count:	20
Table word count:	103

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Maali Qasem is the CEO and founder of Schema. Over the years Maali has been a driving force in influencing the corporate culture of the region.

Maali initiated and continues to run under Schema the bi-annual Corporate Governance and Responsibility ("CGR") Forum. The CGR Forum is a unique knowledge-generating platform created to identify, address and enable development in the areas of Corporate Governance and Corporate Social Responsibility, while building an awareness of the importance of Sustainability. For more information please visit: http://www.cgrforum.com

About Schema:

Schema is established to play an advisory practice to provide advice on corporate governance and corporate responsibility practices and principles. Schema is committed to promote value by interactively providing innovative advice on corporate governance and corporate responsibility frameworks and infrastructure tailored to each client and to the regional environment thereof.

For more information please visit: http://www.schematt.com