

# The Impact of Social Auditing on the Responsibility of the External Auditor

**Mohammed Olewi kanoa Al chlahawi<sup>a</sup>, Hussein Hoshan Jarullah<sup>b</sup>, Alaa Saleh Abdallah<sup>c</sup>**, <sup>a</sup>Department of Accounting , college of Economics & Administration , university of AL Qadisiyah , Iraq, <sup>b,c</sup>General Directorate for Education of Thi - Qar, Email: <sup>a</sup>[mohammedali300058@gmail.com](mailto:mohammedali300058@gmail.com), <sup>b</sup>[hussenalkezy@gmail.com](mailto:hussenalkezy@gmail.com), <sup>c</sup>[mcomalaa59@gmail.com](mailto:mcomalaa59@gmail.com)

The aim of the present research is to define the concept of social auditing, to identify the principles, procedures, and indicators that underpin social auditing, and to shed light on legislation and laws that provide for social areas and the external auditor's responsibility towards them. The researchers relied on a descriptive approach and data analysis in order to determine the impact of the external auditor on social auditing. This type of audit added more work to the external auditor, which impacted his work. The researchers reached a set of results. The most important of which is the need to disclose social performance and establish the foundations necessary to measure the effectiveness of social programs and the social performance of business units, as well as the need to include financial reports regarding the results of social performance. This is necessary to identify the extent of their social contribution and the size of their association with the surrounding environment. The most important recommendations of the research were the need to disclose social performance and lay the foundations necessary to measure the effectiveness of social programs and the social performance of business units. It also disclosed the need for financial reports, including the social performance results of the units, to determine the extent of their social contribution and the extent of their connection to the surrounding environment.

**Key words:** *Social auditing, responsibility, external auditor.*

## Research problem

The research problem is summarised by the absence of sufficient indicators for social auditing followed by the external auditor. Units need to evaluate their social performance

represented in social welfare, the quality of the product or service, the protection of the environment, as well as an explicit international standard stipulating the external auditor's responsibility for social auditing other than the standard related to environmental auditing.

### **The Importance of Research**

The research derives its importance from the importance of social auditing to monitor social performance, which contributes to enhancing and improving indicators of efficiency, effectiveness, and economics in spending on social activities and the effects of that on society and the environment. The research also acquires its importance from the role that electric energy plays in the lives of societies as well.

### **Research Objectives**

The research aims to introduce the concept of social auditing, and to identify the principles, procedures and indicators that underpin social auditing, and to shed light on legislation and laws that stipulate social areas and the external auditor's responsibility towards them.

### **Research Hypothesis**

The research is based on the main hypothesis that a social audit is important and necessary because of the positive results and information it provides to the economic unit and society, and for its contribution to raising the efficiency of human resources and achieving social welfare.

### **Previous Studies**

- 1- Study (1996) Lee Burke and Jeanne M. Logsdon: In a study entitled "Social Responsibility," the two researchers attempted to present social responsibility from a comprehensive perspective as a behaviour that the organisation must pursue at various levels and in the long term. The study showed that there is a true enrichment of the dimensions of the organisation's strategy, which was measured by adopting positive behaviour by the organisation's senior management with regard to social responsibility.
- 2- A study by (2000) Abigail McWilliams and Donald Siegel entitled "Social Responsibility And Financial Performance" pointed out that the results of the research differed on the relationship between the social responsibility of the unit and its financial performance. Although most research supports a positive relationship between social responsibility and financial performance, the researchers tried to prove that this positive relationship is misleading due to the inaccuracy in distinguishing the relationship between the

measurement indicators for dimensions of social responsibility on the one hand, and financial performance on the other.

### **External Auditor and Professional Conduct Rules**

- 1- The external auditor is a neutral person who performs the auditing process for the status of the financial unit and the fairness of photographing the final accounts of its business results for the financial period in question (Abdullah, 2004)

The external auditor serves several parties and his work is determined according to the appointment order or the prevailing custom and the standardised auditing standards and what is stipulated by legislation and laws (2003).

The external auditor is a person who performs the process of auditing the economic units and submits a report on their financial and administrative status in accordance with the laws and instructions followed by these units.

- 2- The bodies that perform the external audits: The bodies that perform external audits in Iraq are the auditors and the supreme financial control bodies.
- 3- The rights and duties of the external auditor: In order for the auditor to perform a task in the best way, he must be given the powers and rights to enable him to reach his goals.

Auditor Rights: The auditor has the right to :

A- Right of access: It is the auditor's right to view all the books, records and documents of the unit that he audits (Al-Alousi, 2003).

B- The right to request data and clarifications: The auditor has the right to request data and clarifications that he deems necessary to assist him in carrying out his work and the Board of Directors must provide him with this (Abdullah, 2004).

C- Determining the time of inventory of the unit's property and obligations in order to ensure fairness in depicting the financial statements of the unit's reality (Jaber, 2004).

W - The right to attend general assembly meetings and obtain a copy of the notifications sent to shareholders in order to be informed of the content of these notifications (Al-Alusi, 2003).

C- The right to discuss his dismissal proposal: The auditor has the right to attend the meeting in which his arbitrary dismissal will be discussed because this will damage his reputation if he does not discuss it (Thomas et al. 1996) .

H - The right to call the general assembly to convene: Some legislations grant the right of the external auditor to invite the general assembly to shareholders if he is found to be an agent of the shareholders.

G- The right to refrain from expressing an opinion on the financial statements: In the event that the auditor did not obtain the data that he deems necessary to carry out his work, or that the clarifications were insufficient to conduct his work, or in the event of committing many errors, or the irregularity of the books and records, he is entitled to refrain from expressing his opinion on the financial statements (Thomas et al. : 1996) .

The duties of the auditor: The most important duties of the auditor are the following:

Take into account the principles of the profession: This is a truism, as stipulated by the laws in terms of performing the professional part and practicing in the profession (Jaber, 2004).

A- Carry out the necessary professional care during the auditing process, collect sufficient evidence and select the necessary samples that enable him to express his opinion (Thomas et al., 1996).

B - Develop an annual report: The auditor submits a written report to the General Assembly on the state of the unit and its budget (Jaber, 2004).

C- Monitor the correctness of the procedures for establishing the economic unit, its functioning and auditing its accounts (Abdullah, 2004) .

W - Attend the General Assembly meeting (Al-Alousi, 2003).

C- Inform the Chairman and the Registrar of Companies about any violation of the law or the system of unity, and in the case of serious violations, it is his duty to submit a report to the General Assembly (Thomas et al., 1996) .

### **Ethics and Rules of Professional Conduct**

There are five concepts in the etiquette of professional behaviour: (Al-Sabban and Ali, 2002)

A- Independence, impartiality and objectivity: This requires the auditor's independence when expressing opinions on the financial statements of the unit.

B- Capacity and Technical Standards: This means that the auditor should not accept the audit when he is unable to complete the audits, and that he adheres to the technical standards and accounting principles and avoids predicting the future.

C- Responsibilities to Clients: They relate to the auditor's relationship with his clients and their confidence in him.

D- Responsibilities towards colleagues: The auditor is responsible to colleagues in the profession, and he must adhere to the profession standard of ethics towards them.

E- Responsibilities and other actions: This includes breaches, defections, advertising, commissions, competing and conflicting jobs, and the form and name of the audit office.

Through the above points, it can be said that the external auditor's responsibility towards the ethics and rules of professional conduct obliges him to enjoy independence and integrity and to be transparent and responsible towards the relevant parties by providing information that serves them in making their decisions.

### **Responsibility of the External Auditor**

The external auditor must exert adequate professional care, as he is responsible for any negligence in currency. Professional trust requires the auditor to practice his profession carefully, cautiously and efficiently (Othman, 1999).

The types of responsibilities that the auditor is practicing is divided into:

- 1- Criminal responsibility: The determination of the criminal responsibility of the auditor is an important necessity to preserve the dignity of the profession and maintain the confidence of the beneficiaries of the audit process (Hebron, 2006).
- 2- Civil Liability: The external auditor, when material or moral damage is experienced by any party using the financial statements as a result of his negligence, must pay compensation to the affected party that relied on the auditor's opinion (Hebron, 2006)
- 3- Disciplinary responsibility (professional): The auditing profession is a high profession in which the auditor is supposed to show the highest levels of sophistication in his actions, and he must exert adequate professional care when carrying out any process. He also must examine the accounts and obtain the information he deems necessary and clarify in his report what must be disclosed and that the task entrusted to him is very good (Osman, 1999)
- 4- In terms of the parties to which the auditor is responsible:
  - Auditor's responsibility towards customers: This includes maintaining data confidentiality and not contacting the customer regarding wages that are conditional, as per the agreed terms (Al-Alousi, 2003).
  - Auditor's responsibility towards his colleagues: This includes that the auditor not submit offers to his colleagues to appoint them only after informing his colleague first (Abdullah, 2004)

Auditor's Responsibility towards Society: Auditors are required to adhere to behavioural rules and principles that govern their professional behaviour due to the importance of their role towards society, as the auditing profession has become related to the interest of society in general (Rikan, 1997)

### ***Fifth: The Social Responsibility of the Economic Units***

#### ***Social responsibility***

Social responsibility is a mixture of deference to laws and regulations, as well as the awareness of the unit regarding its responsibility towards society and its stakeholders, and economic goals (its responsibility towards owners and towards society) (Al-Tuwaijri, 1988).

In fact, the social responsibility of the economic unit centres on nothing but achieving a balance between the goals of the unit and its responsibility towards the community through the activities that contribute to achieving the growth and welfare of the community. There is a big gap between what the community expects from these and the units and what is planned by its owners. Lavesores believes that it is possible to reduce this gap by increasing the mutual trust between business organisations and society by increasing the transparency of the activities of the economic units in society (Lavesores, 2007)

Dimensions and importance of social responsibility:

There are three basic dimensions of social responsibility, each with its own goals. We know these dimensions and their importance.

**Table 1:** Dimensions and objectives of social responsibility

Dimensions	Its goals
The Economic Dimension	Fair competition, preventing monopolies and not harming consumers, respecting competition rules and not harming competitors, technology, benefiting society through technological progress and the services that it can provide, using technology to tackle damage to society and the environment.
Legal dimension	Adherence to consumer protection laws, not trading in harmful substances of all kinds, protecting children in terms of both health and culture, protecting the consumer from counterfeit materials, protecting the environment and preventing pollution of water, air and soil, incorrect disposal of products after their consumption, maintaining and developing resources, preventing discrimination on the basis of race or gender or religion.
Moral dimension	Applying ethical standards, observing ethical aspects of consumption, observing the principle of equal opportunities in employment, observance of human rights, customs and social values, respect for customs and traditions, drug control and unethical practices.

**Source:** (Al-Azzawi, 2009)

Commitment to these dimensions achieves many economic benefits to the economic units (improving their image in society and consolidating the positive appearance of their customers, workers, and members of society in general) and in terms of social responsibility as represented by the voluntary initiatives of the unit towards multiple parties (Al-Azzawi, 2009). The importance of social responsibility is encapsulated by the improvements it creates to the prevailing business climate in business units and the spread of cooperation and interdependence between the various parties. It also represents an effective response to the changes taking place in the needs of society and its transmission to social needs and the fulfillment of an individual and the group (Abdel Rahman, 1997)

### ***Elements of social responsibility***

The elements of social responsibility are the people and entities that are concerned with the activity of the economic unit from internal or external parties. This includes owners, workers, customers, suppliers, competitors, society, environment, government. Each of these parties have goals that they seek to achieve. (Al-Ghalibi and Al-Amri , 2007)

### ***Audit and social welfare***

- 1- Social welfare: Social welfare means a sustainable increase in living standards that includes material consumption, education, health, environmental protection and equality of opportunities and knowledge. These are considerations related to meeting the needs of current generations in the best possible way without harming the rights of future generations and focus on meeting basic needs (health, nutrition, education, culture, housing, transportation and equality). and the need to participate in development and justice in employment opportunities and the redistribution of incomes to narrow the differences between classes, state support and social security policies (Al-Oqbi, 2000)
- 2- Social audit: It is the systematic examination of social policies and environmental contributions of the economic unit in order to ensure the extent of its fulfillment and the achievement of its own performance standards, measure its progress, achieve its set goals, as well as find measures for its success and raise the level of its strategic goals (www.Account Ability. Org). Social auditing is an ongoing and permanent process for examining events within the unit to reveal strengths and weaknesses using a general methodology and diagnosis to provide recommendations to address weaknesses and reinforce strengths, as it determines the extent of the unit's ability to control social problems through the professional examination process to express opinions regarding the participation of the human component and diagnose Strategic Social Performance (Allam, 1991)
- 3- The importance of social auditing and its goals

A - The importance of social auditing: The importance of social auditing can be illustrated by the following points:

- 1- A way to improve the social performance of economic units.
- 2- A way to assess social impact and ethical behaviour in an economic unit in relation to its goals and those of the shareholders.
- 3- Evaluating and preparing reports similar to traditional financial audits, but their repercussions are social (Al-Tamimi, 2006).
- 4- It helps the unit to effectively supervise, direct and improve social performance in an implicit, participatory, clear and measurable manner, and enables it to report on its social performance and achievements.
- 5- It allows the audience of the unit to influence its performance and behaviour and influence its future policies (Al-Aqdah and Saadeh, 2007).
- 6- Achieving additional value in social, cultural and environmental terms ([www.acc4arab.com](http://www.acc4arab.com)).
- 7- Providing a high degree of confidence in social lists as audited by a neutral person (Al-Samarrai, 2005).

The objectives of social audit are

- 1- Ensure that the data and information of the social performance list are correct and accurate in light of the criteria for its preparation and express an opinion on the level of social performance through the auditor's report on the social performance list ([www.accounting.net](http://www.accounting.net)).
- 2- Examining social performance and ensuring the appropriateness of disclosing financial statements and social reports and their adequacy in expressing the extent of the economic unit's implementation of its social responsibility.
- 3- Preparing a comprehensive report on the results of social activity that includes accurate data that can be trusted by the beneficiaries in society.
- 4- Verifying the extent of the units' compliance with the approved laws, regulations, standards and specifications related to social activity.
- 5- Evaluating the social performance of the economic unit and the effectiveness of social programs and evaluating the control system for these programs (Al-Tamimi, 2002).
- 6- Achieving a better understanding of how the unit operates and its endeavour to achieve the values and objectives of its audience and bring about change, improvement and development for its work (Al-Aqdah and Saadeh, 2007)
- 7- Increasing reliance on social lists and reports and encouraging interest in activities with social content to create an integrated system consisting of financial, administrative and social activities and the ability to determine the unit's progress in social performance and social responsibility (Al-Jawhar, 1999)

### ***Types of social audit***

**Performance auditing:** Performance auditing is a type of control to identify strengths and weaknesses by comparing the actual performance achieved with predetermined plans and standards for its various financial, administrative, technical, social and environmental activities, and proposing the necessary solutions to overcome these failures to reach the required level of performance. The National Association of Accountants (NAA), the American Association of Accountants (AAA), and the American Institute of Certified Accountants (AICPA), emphasise the importance of disclosing social performance and laying the foundations necessary to measure the effectiveness of social programs and the social performance of business units.

**Compliance Auditing:** It examines administrative and legal obligations, the integrity and validity of management, financial systems, administrative control, and control systems (Alliance, 2008).

***Auditing Standards:*** Auditing standards include the following:

#### ***A- Social Auditing Standards***

In order for the external auditor to perform his duties with high quality and accuracy in the results represented in his report and what effect this has on many parties, basic ingredients and what is known as the auditing standards are required. The first person who worked hard to develop was part of the American Institute of Certified Public Accountants. In 1954, he included a booklet entitled “Common Auditing Standards” (Abdullah, 2004)

Auditing standards guide the auditor in assessing his work to ensure that his professional performance is consistent with the levels of performance that receive general acceptance among members of the profession. These standards have great importance because they indicate the general goals of each independent auditor, as they are measures to judge the quality of an auditor’s performance (Al-Alusi, 2003).

Auditing standards are a set of foundations that the auditor must follow when measuring the quality of performance and the goals envisaged in the vocational auditing process and the practice of his field work and the preparation of the final report. These standards aim to make the auditing profession enjoy independence. Determining whether or not the auditor has followed them and what qualities the auditor has is imperative (Thomas et al., 1996).

As for the standards of social auditing, numerous writings in the field of social auditing did not bother to define standards for this type of auditing, which requires a search for standards that are compatible with this field (Al-Tamimi, 2002).

Auditing standards can be explained as follows, while acknowledging the most important criteria that are compatible with the nature of the social audit:

### ***B - Field Work Standards***

These standards are related to the audit process and include three criteria:

- 1- Planning and Supervision: In order to ensure the proper progress of work, it is necessary that the proper planning related to the audit task provides a correct organisation in the auditor's office and between the staff working for him. The greater the number of owners, the greater the need for accurate identification of powers and responsibilities. Every audit should be conducted under the supervision of the auditor (Abdullah, 2004).
- 2- Study the internal control system: The auditor studies and evaluates the existing internal control system in a suitable way to determine the extent of dependence on him and determines the appropriate range of necessary tests that will be followed by the auditing procedures (Al-Alusi, 2003).
- 3- Evidence: The evidence that the auditor collects or obtains is appropriate, sufficient and efficient (Abdullah, 2004)

### ***C - Report Preparation Criteria: It Includes Four Criteria***

- 1- The report should clarify whether the financial statements have been photographed and presented according to the accounting rules and principles.
- 2- The extent of the unit's consistency in following these accounting principles and rules.
- 3- The financial statements must disclose financial position and the result of the activity in an appropriate manner, otherwise the report must include the necessary clarifications.
- 4- The report express opinions on the financial statements as one unit (Al-Saban and Ali, 2002)

As the auditor's report represents the primary material product of the audit, it must be formally complete in accordance with the form that he usually follows in the auditing profession and fulfil the objective aspects by providing all the necessary information for such a report clearly (Al-Alusi, 2003)

### ***Seventh: Social Audit Requirements***

The success of the social audit process focuses the attention of those involved in this process and requires the availability of some basic requirements, including:

A- Laws and regulations for the protection of the environment and society, and international and domestic standards.

B- Social indicators that help the social auditor in revealing the strengths and weaknesses. These indicators will be presented later.

C- The administration's conviction of the importance of social auditing.

W - The presence of persons with experience and competence to perform the audit and who have sufficient independence and impartiality.

C- Existence of a system for the accounting of social responsibility and measuring social costs and specific criteria for social performance so that the auditor can express the opinion of the neutral professional (Al-Samarrai, 2005).

A- Determine the philosophy of unit management towards social responsibility which must carry out and set goals commensurate with that philosophy in order to prepare a program of social action to achieve the goals (Al-Jawhar, 1999).

B- Existence of a plan for social goals in the form of total or detailed goals.

C- Existence of an accurate organisational structure by providing an accurate organisational structure that includes the inventory and organisation of the sub-units responsible for social activities, which requires careful consideration of job descriptions at various levels, and facilitates the task of auditing social performance.

W - An effective information system that facilitates access to data on social programs from the social auditor.

C- Having a working group that includes various specialisations in computing, chemistry, environmental, medical, and engineering fields (Al-Tamimi, 2002).

H- Environmental matters have become important for an increasing number of units and may have a material impact in certain cases on their financial statements. It is the responsibility of the administration to disclose these matters, so it requires compliance with the environmental policy of the unit and the provision of an environmental information system. It requires the presence of multidisciplinary persons qualified to carry out the environmental audit. It is carried out based on management request and for internal benefit (International Standard Auditing No. 1010 of the International Federation of Accountants 2001 guide).

The researcher believes that it is necessary to implement laws related to the environment and society such as Public Health Law No. 89 of 1981 and its amendments based on Article 2 and Article 71 of the Financial Supervision Bureau Law No. 6 of 1990, the Law of the Ministry of Environment No. 37 of 2008, and the Penal Code No. 111 of 1969 AD.

### ***Eighth: Social Audit Procedures and Steps***

- 1- Defining social activities or what are called areas of social performance. These activities are divided into the following groups:
  - A- Activities belonging to the field of internal social performance and the main beneficiary of it, which are the owners of the unit and society indirectly. These activities include training, transport services, health, food, residential and sports services, and child custody services.
  - B- Activities that belong to the areas of external social and environmental performance and include protecting the environment from noise, pollution and industrial waste and improving the aesthetic form of the environment.
  - C- Activities belonging to the field of social performance related to the product or service and include monitoring the standard specifications for quality and ensuring safety from product damages and providing data on the date of production and the validity of the product, how it is used and its negative effects.
- 2- After determining the social activities of the economic unit, the social auditor undertakes the initial and general survey to obtain information about the nature of the work of the economic unit subject to social performance control and the nature of the environment in which it operates from various sources, including interviews, field examination and the basic documents of the unit (Al-Tamimi, 2005)
- 3- Examining and evaluating the social internal control system in the unit. This auditor assists in carrying out his work, identifying the strengths and weaknesses of this system, and verifying the correctness of the system procedures and the extent of the response of the administrative apparatus to this system.
- 4- Examining the economic unity policy towards its social responsibilities, the extent to which it takes into account the interests of the various parties in society, the extent of its interest in social priorities and its observance of social aspects when making decisions and the extent of the unit's commitment to the applicable legislation and social laws (Al-Samarrai, 2005).
- 5- Examining and evaluating the adequacy and effectiveness of social programs and activities through the number of programs and activities carried out by the unit, the amount of resources spent on them, and the number of individuals benefiting from them so that the auditor can identify excessive and inefficient use of these resources and diagnose defects or deficiencies in implementing programs (Al-Samarrai, 2005).
- 6- Preparing the social audit report so that the audit process ends with preparing information on the areas of social activity for the unit under audit.

The audit report on social performance is presented either separately and independently of the financial audit report, or the auditor discloses his opinion on the social performance of the economic unit in the financial audit report, and it is preferable to prepare a separate report on the financial audit report (Al-Tamimi, 2002).

The social audit report can be issued in two types:

The first / clean, unrestricted, or unreserved report (Friday, 2005)

It is issued in the absence of restrictions on the scope of the examination carried out by the auditor for social activities and programs, as well as in the absence of criticism or observations on social activity reports regarding the extent to which these reports and lists express the truth and clarity of the social performance of the unit.

The Second / Restricted Report on Reservations (Muhammad and Abdel Majid, 1992)

The auditor issues this report when there are some restrictions on the scope of the examination of social activities and programs such as the unit or the entity subject to the audit refraining from examining the auditor on technical studies, or not facilitating his task in exploring the unit owners about their benefits from social programs, or that the auditor discovered violations that affect the environment and contravene laws And regulations.

### ***Ninth: Social Indicators Used in Auditing Social Performance***

Social indicators are a tool for formulating goals that measure the level of social welfare, and social indicators are descriptive more than they are quantitative, especially with regard to the value of benefits achieved from social activities and that reflect the achievement of performance and they differ according to the nature of the units and their goals and activities (Al-Tamimi, 2002). and social indicators which measure the effects of unit performance in achieving the well-being of society (Al-Jawhar, 1999)

At the behest of the researcher, social indicators based on the three elements or axes (operating staffs of the unit, society and environment, and the product or service) can be provided: (Al-Ghalibi and Al-Amri, 2007)

First / indicators for the owners of the economic unit:

The following factors are required by the owners of the economic unit:

- 1- Training and development: the economic unit provides training and development opportunities for its owners and sets plans and programs that contribute to raising their competencies and productivity.
- 2- Transportation services: staffing services are provided and appropriate in providing convenience to beneficiaries.
- 3- Housing services and a nursery for children: It clarifies the provision of housing services for working owners and a nursery for their children.
- 4- Medical care and life insurance: the provision of occupational safety measures show the unit's interest in this.
- 5- Food services: The extent of providing food services to the staff is measured.
- 6- Social and sports services: These entertainment programs provided by the unit are measured by providing the social club and making recreational trips.
- 7- Determine salaries, bonuses, incentives, subsidies, advances and financial support in accordance with fair rules, laws and administrative procedures.

Second / indicators that relate to society and the environment and include:

- 1- Contribution of the unit in providing services to hospitals, roads, schools, kindergartens, factories, and commercial centres.
- 2- Contribution of the unit to increasing local production and providing financial support to charitable organisations and societies.
- 3- Contribution of the unit in providing public service to the community, eliminating unemployment and employing disabled members of the community to work in the unit.
- 4- The environmental suitability of the site of the economic unit to prevent environmental pollution and noise, and the unit's procedures for the disposal of waste and gaseous emitters.
- 5- The extent of the unit's contributions to improving the aesthetic appearance of the environment and developing the geographical region in which the unit is located through programs dedicated to preserving the environment, and the extent to which the unit uses waste recycling techniques.

Third / product and service indicators

These include indicators that show how the unit contributes to providing the basic needs of the consumer and providing the product and service at the right price and at a high quality.

Based on the following, the importance of using social indicators to the external auditor and economic unit when conducting social auditing is clear, as the auditor should set his auditing program according to those indicators and percentages, which provide important information that shows the extent of the economic unit's contribution to achieving social welfare and

improving its image and social status and the extent of the economic units' commitment to the law. Legislation and regulations related to social areas, and economic unity are required to expand the base of their goals and not only achieve financial goals.

- Study and analyse the financial statements of the directorate and extract social indicators from them.

In this part, financial statements are discussed, and social indicators are extracted through studying the financial statements of the General Directorate for Electric Energy Production for the years 2011, 2013, 2012.

#### C- Social services

The entertainment programs provided by the unit are measured by providing the social club and making recreational trips, and within the formations of the Ministry of Electricity, the Electricity Club, to which the working staff of the Ministry of Electricity, including the General Directorate for Electric Energy Production, contribute, as it deducts the amount of (2000) dinars per month from the salary of each associate. As a participant in the Electricity Club and its financing, researchers believe that the amount is high and should be directed to broader areas to contribute to improving the level of satisfaction of workers and the public about work and the establishment of educational, development and entertainment programs. The shelf of the directorate during the year 2016 involved an amount of 4610000 for the account of an entertainment program for workers. Awareness for the public in the year 2017 was an amount of 4710000 for the account of supporting the environment and the national product, which is the entertainment activity carried out by the directorate. However, in the year 2018, an amount of 5450000 was spent on advertising to reduce pollution, energy consumption, and improve environmental support projects.

H- Determining salaries, bonuses, incentives, subsidies, advances and financial support: The directorate issues salaries, bonuses, incentives and overtime wages according to the controls, laws and administrative procedures indicated in Table 5. As for subsidies, advances and financial support, the financial statements did not include this as it is based on instructions to work it out.

#### 1- Environmental and social areas

These areas relate to the Directorate's contribution to protecting and improving the environment and reducing its pollution from gas emissions from chimneys and turbines as well as audio pollution through noise and soil and river pollution. It also relates to the extent of its contribution to improving the aesthetic form of the environment and developing the geographical region in which it is located through programs dedicated to the preservation of

the environment. Based on the Directorate's use of waste recycling technologies, the researcher can explain the industrial gases emitted to be a result of the production of electrical energy as follows:

- 2- Carbon monoxide: It results from incomplete combustion of hydrocarbons and leads to a reduction in the ability to carry oxygen in the blood for its association with blood hemoglobin (Hb). resulting in human deaths or suffocation when exposed to a high concentration of it (m<sup>3</sup> / 250mg). It is used to measure the deviations between the actual and standard measurements (Environmental Inspection Form for Power Plants) which were not approved by the Directorate during the time limits of the research.
- 3- Nitrogen oxides:  
It is formed at high temperatures and the environmental limitation of this gas is m<sup>3</sup> / 300mg.
- 4- Sulphur dioxide (SO<sub>2</sub>): It is produced by burning fuel or sulfuric materials and the environmental limitation for this gas is m<sup>3</sup> / 1000mg.
- 5- Sulphur trioxide: The environmental determinant for this gas is m<sup>3</sup> / 50mg.

Through field visits, it became clear that the incomplete combustion of the thermal stations that cause these industrial gas emissions from the chimneys cannot be controlled, and when the inquiry is directed it is found that there are idle systems and that the cost of their purchase equals the cost of the electrical station. The generation stations produce levels of noise for workers inside the obstetric unit and the surrounding residential units, as suggested by the Water and Environmental Treatment Department in cooperation with the environmental committees for on-site examination. The following table shows the amounts.

**Table 2:** The amounts of fuel used by the Directorate for the production of electrical energy

Fuel type	2016 dinars	2017 dinars	2018 dinars
Oil materials	89558357	309604178	371037821
Gas	8941940	93911895	82740935
Oils and greases	359187890	487143619	672224713

As for fuel stocks, its ratio to total stocks can be shown in the following table:

**Table 3:** The ratio of fuel stocks to total inventory

	2016 dinars	2017dinars	2018 dinars
Fuel stocks	389212270	689679482	5936696634
Total inventory	11811688254	59003953982	327481867811
The ratio	2.46	2.13	2.82

### Table of Researcher Numbers

It is noted that the highest ratio of fuel stocks to total inventory amounted to 2.82 in the year 2018 due to the increase in the balance of fuel stocks and the increase in the volume of purchases of the Directorate of fuel.

As for the directorate's contribution in providing services to hospitals, roads, schools, kindergartens, factories, commercial centres and contributing to increasing local production and providing financial support to charitable organisations and societies, the number of persons with disabilities working in the directorate with the salaries paid to them is shown in Table 4.

**Table 4:** Number of handicapped persons and the salaries paid to them

	2016	2017	2018
Number of people with disabilities	13	10	17
The salaries paid to them	189000000 dinars	102350000 dinars	231890000 dinars

### Table of Researcher Numbers

- 1- It is clear that the directorate's contribution is weak in employing people with special needs, and that this did not cost the directorate high salaries, as a result of procedures and conditions that require the safety of applicants according to the nature of the work. That number is limited to administrative services.
- 2- A proposed (general) template for the social audit program  
In order to implement the process of auditing the social and environmental activities of the economic units, a pre-prepared plan is required which is a social audit, and a program that shows the procedures for auditing, the sample size, and the name of the auditor.

From the above, the theoretical and applied aspects of the research, with the aim of proving or denying the hypotheses that the research was based on, is encapsulated by the following:

- 1- The social audit is important, and it is necessary for its positive results and information that serve the economic unit and society, and for its contribution to raising the efficiency of human performance and achieving social welfare.
- 2- The external auditor is responsible for auditing and evaluating social performance.

## Conclusions

- 1- The audit is one of the most important means aimed at the economic and financial revival of the country. The auditor practices a high profession that requires him to undertake adequate professional care, otherwise he is responsible for the work assigned to him.
- 2- The external auditor is accountable to the parties and she considers the auditor accountable to them, so responsibilities can be classified into three: The auditor's responsibility is towards customers, colleagues, and society as a whole.
- 3- Social responsibility is a social contract between the economic unit and society considering that there is a strong relationship between them. Social responsibility has major economic, moral, and legal dimensions.
- 4- There are three types of social responsibility which are economic responsibility and social style, while the third is socio-economic.
- 5- The importance of disclosing social performance and laying the necessary foundations for measuring the effectiveness of social programs and the social performance of business units and the need to include financial reports in social performance results to identify the extent of their social contribution and the size of their association with the surrounding environment.
- 6- Social auditing is a continuous and dynamic process for examining events within the unit to reveal strengths and weaknesses by using a methodology and a general diagnosis for them to provide recommendations to address weaknesses and strengthen strengths.
- 7- The internal system of the directorate did not include social activities by specifying social responsibility or organising the work of the departments and their employees. Taking into account social areas, the financial and administrative aspect was the most important at the expense of the social side.

## Recommendations

- 1- Reshaping the rules of professional conduct in a manner that suits the radical changes and developments facing the auditing profession and whoever practices it.
- 2- Issuing an international or domestic standard that includes the intellectual and practical framework for external auditing, with an indication of the external auditor's responsibility for auditing social areas or activities.
- 3- Disclosure of social performance and laying the foundations necessary to measure the effectiveness of social programs and the social performance of business units, and the need to include financial reports as a result of the social performance of units to know the extent of their social contribution and the size of their association with the surrounding environment.
- 4- Take into account social activities within the directorate's internal system and reformulate duties and responsibilities according to considerations of social responsibility.



- 5- We recommend higher departments find appropriate solutions to reduce pollution of all kinds and to take measures to protect the environment from industrial gas emissions by setting systems that reduce environmental pollution, and applying international quality standards and environmental standards.
- 6- Extending the responsibilities of the external auditor to include social responsibility and defining the necessary procedures for conducting social and financial audits together.
- 7- The interest of the finance department in the directorate in preparing special records for social responsibility through social responsibility accounting and preparing appropriate reports in these areas and limiting social costs and benefits, to be audited by the internal audit department in the directorate based on the audit procedures.

## REFERENCES

- Abbas, A. (2005). Administrative Control of Money and Business, 1st edition of Zarqa University, Al Ahlia Publishing.
- Abdul Majeed, M. (1992). On the social activities of business organizations, a study presented to the Faculty of Commerce to obtain a master's degree - Cairo.
- Abdul Rahman, A. (1997). Social Responsibility of Business Organizations, An Applied Field Study / Journal of Contemporary Commercial Research, Volume 11, No. 2. pp. 123-145.
- Abdullah, K. (2004). Theoretical account auditing, Wael Publishing Amman.
- Al-Alusi, H. (2003) The Path to the Science of Auditing and Auditing, Part One, Theoretical Review, National Library of Books, Libya- Benghazi, First Edition,.
- Al-Aqabi, T. (2000). Structuring of Human Development Indicators in Iraq, Bayt Al-Hikma, Baghdad.
- Al-Azzawi, (2009). Editing of Environmental Control Facility. An applied research submitted to the Arab Institute of Certified Accountants to obtain a Certificate of Legal Accounting.
- Al-Ghalbi, T. and Al-Amri, S. (2007). Social Responsibility for Business Organizations and Transparency of the Information System, An Empirical Study of a Sample of Jordanian Commercial Banks.
- Al-Halfi, A. (2008). Environmental Performance Assessment from a Financial Perspective / Research submitted to the Council of the Higher Institute to obtain a doctorate in legal accounting.
- Al-Jawhar, K. (1999). Financial Control, Baghdad National Library.
- Allam, M. (1991). The Limits of Social Responsibility An Intellectual Framework for Reviewing the Social Performance of Business Organizations in Developing Countries, Journal of Economic Research - Egypt No. 72.
- Al-Okdah, S. (2007). The extent of Jordanian auditors' awareness of the concept of social auditing, a study presented to the Council of the Faculty of Commerce and Economics - Jordan.
- Al-Sabban, M. and Ali, A. (2002). External Review, University House of Alexandria, Egypt.
- Al-Samarrai, H. (2005). Disclosure of Social Responsibility under the Accounting Rule (10). a study submitted to the Council of the Higher Institute of Accounting and Financial Studies for a PhD in Legal Accounting.
- Al-Tamimi, H. (2002). Social Control and its Role in Evaluating the Performance of Economic Units, Ph.D., College of Administration and Economics / Al-Mustansiriya.
- Al-Tuwaijri, M. (1988). Social Responsibility in the Private Sector in the Kingdom of Saudi Arabia, Arab Administration Press
- Arens, A. and Loebbecke, J. (2000). Auditing An Integrated Approach .8ed Hall inc 2000
- Jaber, A. (1999). Financial Control and Controller, Cairo, the Arab Renaissance House, 2004.



- Jum`a, A. (2005). Introduction to Modern Auditing, National Publishing Amman - Jordan.
- Lavesores , B. (2007). Social Audit Manual . Mc Graw hill international . new York
- Manhal, M. (2000). Internal Social Performance and its Relation to Work Circulation, A Field Study in the South Oil Company and the General Iron and Steel Company, Master's Thesis in Business Administration, University of Basra, Iraq, , An Exploratory Field Study, Arab Journal of Management, Volume 18, No. 2, pp. 147-158 .
- Othman, A. (2002). Origins of Auditing and Internal Control / Edition of the National Library, Baghdad.
- Rikan, G. (1997). the auditor's responsibility and its relationship to the reliability of the financial statements. Research submitted to the Arab Institute of Certified Accountants to Obtain a Certificate of Legal Accounting.
- Thomas, W. and Emerson H. (1996) The Review between Theory and Practice, Arabization and Review, Ahmed Hamid Hijazi and Kamal Al-Din Saeed, Dar Al-Merikh Publishing Riyadh, Saudi Arabia.