

The Importance of Sustainability Audit Report in Go Public Companies Sector, in Indonesia

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ABSTRACT

Sustainability is considered new for Indonesian state-owned enterprises, also has become an obligation since two years ago. More and more people are aware of the environment for the next generation, the survival of mankind in the future. Sustainability issues are no exception in Indonesia. Companies publish sustainability reports as well as financial and annual reports. This sustainability report creates a need, namely the need for audits for sustainability reports. This is often referred to as a sustainability audit or assurance report. It is a qualitative descriptive survey. Researchers collect data from the literature and study observations as well as from interviews with stakeholders. The results of our study were obtained because the increasing number of public companies reporting on sustainability requires sustainability reporting audits in Indonesian public companies. The advantage of a sustainability audit report is that, in addition to its reputation or image, it can also add value to the company's planning, structure and accountability. Brand name of the listed company. However, there are weaknesses, the weakness lies in comparability and costs.

1. Introduction

The issue of sustainability in accountability is an absolute mandatory when relying on business decisions to participate in nature conservation. There is an important reporting requirement to support this accounting report, because it requires hard work and the role of companies that integrate accounting and environmental assessment into their work for the sustainability of their profession. Sustainability accounting was an approach or method used in organizations to increase sustainability. Sustainable development was defined in 1987 by the United Nations Commission on Brundtland [1].

One of the main challenges in the field of accounting is sustainability, which began with a lack of understanding of the definition of sustainable development [2]. Another challenge is that it is difficult to combine control and the enterprise as the ultimate goal, since, as it has always been, usually as a traditional enterprise, it should achieve profit maximization, so that it can be seen as an investment in modal capital for the benefit of understanding. While some research has shown that sustainable business practices can catch up to promote greater long-term profitability, maintain the apparent real relationship, and that approval is important, both organizations need to consider factors that are considered increasingly important.

To report on their efforts, companies can demonstrate their commitment to corporate social responsibility (CSR) by the following means: High-level participation (CEO, Board of Directors), investment policy, program, signatories to voluntary standards, principles (UN Global Compact - Ceres Principles), reports (Global Reporting Initiatives) [3].

The triple bottom line concept requires that corporate responsibility is based on the importance of stakeholders in understanding. In this case, the term "stakeholders" refers to those who are directly or indirectly affected by the actions of the company [4]. Employees, customers, suppliers, local residents, government agencies and creditors are examples of key stakeholders. The audit should also be able to provide stakeholders with a post-implementation assessment, as in the research conducted by [5].

One of the analytical works is the sustainable balanced scorecard model. In a study carried out by [6], based on both popular BSC practices and the latest BSC developments, the BSC strategy was implemented to measure and support sustainable practices in a company, which is why the concept is called BSC sustainability. This means that not only finances are at the core of an organization's central BSC strategy, but also social and environmental objectives are integrated (like the former GRI concept, but their measurement and strategy through the BSC approach), or in other words, BSC sustainability is integrated.

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Relationships based on the creation of economic value and environmental impacts added by the assessment form: Life Cycle Investments and Life Cycle Impacts. This evaluation links the Balanced Scorecard to the environmental systems of the companies' environment by integrating them in different ways. In Indonesia, the form and reports are influenced by accounting standards established by various global experts. In Indonesia, the form and format of the reports are influenced by accounting standards established by various global experts [7].

This national and international phenomenon clearly implies that today's companies can no longer focus solely on profits. In 1988, the concept of Triple Bottom Line (TBL or 3BL) or 3P - People, Planet and Profit - was introduced. In short, the three pillars that measure the value of business success using three criteria: economic, environmental and social.

In fact, this approach has been widely used since the beginning of 2007, as the development of the full cost accounting method has become widespread in public sector companies. In private sector companies, the application of corporate social responsibility (CSR) is also a form of implementation of the CTA. The concept of TBL implies that companies give priority to the interests of stakeholders (all parties affected and concerned by the company's activities) over the interests of shareholders (the shareholders [4]. It was designed in the minds of companies to make them aware of the need for non-market valuation factors, i.e. the integration of natural capital into their business capital [8].

1.1. Research Problem

Based on the context, the following problems can be formulated in this study

- What are the obligations of undertakings to make public offers in to report on sustainability reporting?
- Why is a review of the sustainability report necessary?
- What does the verification of a sustainability report look like?
- What are strengths and weaknesses of the sustainability audit?

1.2. Purpose and Benefit

The objective of our study was to provide information on the reports of operating companies, and thus to determine why an audit is necessary to test the quality of sustainability reporting. The benefits of this research are as follows:

Theoretical benefits; the document should increase knowledge and references concerning the image of sustainability reports.

Practical benefits: The document should be useful to companies in improving the quality of sustainability reports and can be considered.

2. Theoretical Framework

2.1. Sustainability Reporting

The quality of the presentation of the information compiled by management is a crucial factor in building trust and relationships with stakeholders. The sustainability report [9] has a positive influence, not only on the stakeholders, but also on the www.astesj.com

management and the company internally. [10] states that sustainability reports are media and a means for management to show stakeholders the company's performance and results.

An audit on sustainability reports is carried out to show the different perspectives of companies by showing that companies are involved and participate also in the context of sustainability. Auditing is an important factor in ensuring that the information presented is relevant and responsible both financially and non-financially. According to [11], management should not only focus on priorities financial activities, but should also be able to focus on the social and environmental activities of the company. In this way, the scope of the audit becomes broader, which has an impact on increasing the added value of the company.

The attention of public entities on the importance of sustainability reporting should be done through the GRI assessment. Companies must be able to assess the implementation and validity of sustainability reports. [12] which argue that honest and transparent disclosure of information on social and environmental activities impacts on the value of the company so that it influences business decisions made by stakeholders.

2.2. Triple Bottom Line Concept

TBL focuses on all aspects of business, not only profit, but also on preparing and preserving the earth's ecosystems for the future [4]. The description of TBL includes:

1. People. Focus on human resources through the protection of labor rights and duties and compliance with applicable labor regulations. Companies must be able to offer decent wages and working hours and provide health and education services for the workforce.

2. Planet. Problem area related to energy saving. It is also a matter of minimizing waste by treating it in advance in such a way that it does not harm the environment and ecosystems that can affect the quality of human life and flora and fauna.

3. Profit. It is emphasis that these companies should not only strive for profit, but also create fair and ethical trade in their business activities.

2.3. Sustainability Auditing

The world of auditing has, of course, been challenged by the evolution of processes in the industry; auditors must begin to understand the use of technology in order to be able to verify all the claims made in the company. New technologies that can defuse the audit work are beginning to evolve. One of them is continuous auditing, in which audits are conducted in real time without disrupting business operations and by reducing the time between initial reports and audit results [13].

However, the audit continued to identify various problems in its performance, with samples being taken for comparison in Brazil, South Africa, China and the United States for some of the studies. It has given the constraints that emerged in the conduct of the ongoing audits, the need for equal treatment in several countries [14].

Sustainability auditing involves the collection of automated audit indicators and evidence of company transactions, processes,

controls and IT systems by internal or external auditors at specified intervals or to ensure continuity. The information obtained makes it easier for auditors to ensure that they are not in breach of the law [15]. Sustainability auditing can be used as an early warning system to detect control deficiencies earlier than audits using traditional approaches.

Sustainability auditing differs from continuous monitoring. Continuous monitoring is the automatic feedback mechanism for management to ensure that controls and systems are functioning properly in accordance with design and transaction processes [16]. Management can use this information to make new arrangements for new audit activity by using analysis to identify performance gaps or unusual transactions that may indicate a control failure. Ongoing monitoring is beneficial in providing benefits to management and in developing the business by increasing the ability to monitor and manage the environment without compromising the optimal performance of the business.

2.4. Sustainability Auditing in Indonesia

In Indonesia, there are regulations for business activities related to environmental and social issues, including the Partnership for Environmental Development. To this end, the company has begun to produce a sustainability report to demonstrate its responsibility in the development of social and environmental activities and its ability to be accountable to stakeholders [17].

According to [18], the Certified Sustainability Reporting Specialist (CSRS) is also used as an additional infrastructure for sustainability reporting. The CSRS is responsible for preparing a sustainability report by presenting the actual activities of the company.

In [19], the assessment of the quality of sustainability reporting in Indonesia shows that investors feel that the company's efforts to disclose non-financial information have not been fully implemented.

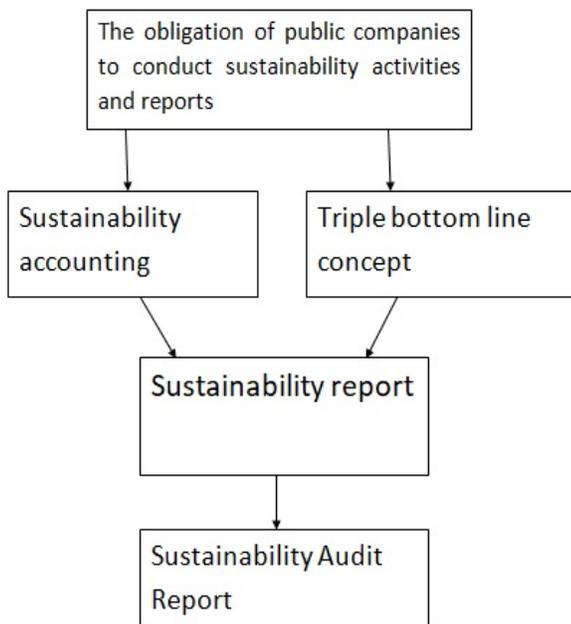


Figure 1: Research Framework

In Indonesia, there is one organization that is active in the field of sustainability reporting, namely the NCSR or the National Center for Sustainability Reporting. The main activity of NCSR is to advocate for reporting in accordance with the guidelines established by the Certified Public Accountants Association (ACCA) by working with the Indonesian Ministry of Environment.

The novelty of our research is the review of an audit of sustainability reporting in Indonesia. This is a new concept for developing countries that, like Indonesia, thus we connected our sustainability report with point of view of OJK. Here is an overview of the theoretical framework of this research

3. Research Methodology

This research is qualitative research, qualitative descriptive research. Qualitative because the researchers want to describe or paint facts or a visible condition or symptoms. Qualitative descriptive research is research that describes or depicts the objects of the researchers based on facts that appear or are as they are.

Our method is to conduct a literature research on sustainability reporting, sustainability auditing and their development in Indonesia. We try to illustrate the phenomenon of auditing sustainability reports in Indonesia. The method of data collection consists of literature research, observations and interviews with parties involved in sustainability auditing. We conducted in-depth interviews with various departments; public enterprises, state supervisory authorities and also auditors of auditing companies.

4. Research Analysis

4.1. Reporting Obligations of Go-Public Companies Sustainability Report

The business is the place where the activities of producing goods or services are carried out. In principle, the main objective of the enterprise is to achieve maximum profit. However, in order to achieve these objectives, companies often also ignore the environmental and social impacts of environmental or economic activities.

Some recent companies in Indonesia are beginning to balance the benefits of environmental orientation and improvement. The 3P (Triple Bottom Line) concept is seen as a pillar in the development of sustainable businesses and the achievement of sustainable development. Growing with these 3P concepts by encouraging companies to adopt CSR and thus become an integral part of the future survival of business [20].

With the development of CSR, companies began to realize that they had to publish a report based not only on financial conditions, but also on the provision of social and environmental information, and this report was then called a sustainability report. This sustainability report is based on the guidelines of the Global Reporting Initiative (GRI) and is prepared separately from financial reports or annual reports.

In Indonesia, the sustainability report is still voluntary and is in the process of being introduced; there are still a few companies that are interested in disclosing the sustainability report. In 2016, the number of listed companies that disclosed their sustainability report to ISRA was only 31, representing 7.35% of all IDX-listed

companies [20]. This is due to the fact that the company is not aware of the benefits of sustainability reporting disclosure.

The company is still not aware of the disclosure of sustainability reports. Out of the 438 companies, only 25 have produced such reports. Several factors make companies reluctant to produce sustainability reports. The first company is not transparent in the way it conducts its business and has no obligation to be a company with good corporate governance.

4.2. Need of Sustainability Audit Report

The Sustainability Report is a report prepared by a company to measure, disclose and report on the company's efforts to measure, disclose and report on how it is accountable to all stakeholders in the company's work for sustainable development. Bapepam-LK (OJK/Similaires predecessor of the SEC in Indonesia) has published regulatory activities in its reports. By implementing the sustainability report, it is expected that companies will be able to develop sustainable growth based on business ethics.

The process of sustainability reporting is implemented through 5 mechanisms [21], namely

- Compilation of corporate guidelines. In this case, the company creates policies related to sustainable development and then publishes the policies as they appear.
- Pressure on the supply chain. The public's expectation that the company will provide environmentally friendly products and services also puts pressure on the company to produce performance standards and sustainability reports for its suppliers and their livelihoods.
- Stakeholder involvement. The need for the involvement and support of all relevant stakeholders
- Voluntary codes. In this mechanism, the Community encourages companies to develop aspects of sustainability performance and requires companies to report on the implementation of sustainability. If the company has not yet implemented, it must make a statement.
- 5 Other mechanisms include rating and benchmarking, taxes and subsidies, tradable permits, and commitments and limitations.

Sustainability reports can be published separately from the integration into annual reports. Below are some of the reasons why companies report on sustainable development separately from annual reports:

- a. The sustainability report is a means of communicating with stakeholders to convey the message that the company has achieved sustainable development.
- b. To maintain a good (positive) image of the stakeholders.
- c. Strive for legitimacy from stakeholders.

The audit of the sustainability report aims to provide a comprehensive picture of corporate governance, focusing on corporate management, performance and reporting in the context of sustainability [13]. The corporate sustainability audit report has the following specific objectives

- a. Assess how the organization identifies sustainability issues that are consistent with the organization's activities,

- b. To see how companies, respond to management on other issues related to the company's operations
- c. Conduct assessments of the sustainability information and disclosures provided by management.

The subsequent audit report is not only used to assess the sustainability information provided by management, but may also be useful for internal company processes [13]. Advantages of auditing corporate sustainability reports for internal company processes, namely

- a. Improving sustainability and business performance
- b. Evaluation of the commercial activities of enterprises in relation to the effects caused by commercial activities.

4.3. Advantage of Sustainability Auditing

1. Compare your practices with industry best practices

This is perhaps the most obvious benefit of a sustainability audit. There is no chief sustainability officer or sustainability manager who has the time to keep up with the latest developments in the world of sustainability [20]. Proper sustainability audits should provide this benefit. It is very important that the working framework and categories of sustainability are comprehensive. If this is the case, your organization should be able to compare them with industry leaders in sustainability.

2. Planning, structure and accountability

The big challenge facing many organizations is that they want to implement a comprehensive sustainability plan, but ongoing initiatives are often integrated into operational initiatives, facilities or information technology. The sustainability audit identifies these initiatives and provides an opportunity to explain them in the sustainability program. This enables effective planning, a structured approach and accountability that extends beyond organizational boundaries.

3. Identifying the new sustainability initiative

One of the most outstanding benefits of SIAs is that it allows a tactical organization to identify tithing initiatives in areas that were not previously considered. This increased awareness is translated into enthusiasm, innovation and unexpected benefits throughout the organization

4. Time periods and business-to-business tracking

One complaint about sustainability management is the lack of "time frame" and "tracking and accountability" of companies. After an ongoing review, your organization will have a comprehensive picture of all your green activities. If your organization has several awards, you now have the opportunity to compare them using the same criteria. The same applies to comparing operations from period periods.

5. Improved sustainability performance

An ongoing audit can enable your organization to improve its continuous overall performance. You have all the information you need to improve the planning, implementation and follow-up of various initiatives. In this way, you will be prepared to realize the key benefits of sustainability listed below.

- Cost - The natural outcome of most sustainability initiatives is cost reduction. Look for ways to reduce consumption (raw materials, energy), increase the efficiency and effectiveness of business practices, and explore new and innovative products and services that all lead to operational performance.
- Compliance - Compliance risk is a growing challenge for companies. The number and complexity of international, national and regional regulations that address the environmental impact of products, services and business activities is increasing. Companies can make them take enough risk by not managing these issues effectively.
- Reputational risk - Reputational risk can be defined as an action, event or situation that may have a negative or positive impact on a company's reputation. Non-compliance, unethical conduct, and the perception of having to address all these issues are representative of the ways in which the organization can have a negative impact on its reputation. Apart from financial risks and litigation, reputational risk in the global marketplace is the biggest risk for the long-term organization.
- Competitive advantage - Sustainable practice can provide organizations with significant competitive advantages in the form of reputation, lower costs, better compliance, higher levels of innovation and many others.
- Innovation - One of the key benefits of embarking on sustainability activities is innovation. At the heart of the process leading to better sustainability, organizations need to see that newcomers are running their businesses, what goes into their products and how their products impact the environment and the society they sell.

4.4. Disadvantage of Sustainability Auditing

1. Comparability

Comparative challenges include assessing and measuring the appropriate environmental and social activities of the company, how to integrate the information into financial measurements, and then effectively reporting to investors and other stakeholders.

2. Costs

The weakness of both is the additional time and cost involved in collecting information, organizing and reporting. The company may need to use additional equipment to meet CSR reporting requirements.

3. Contradiction of the critics

These challenges may be small, as the trend continues to grow in popularity, and anyone who makes sense should recognize the potential ethical problems of the past that have been identified by the company and the corrective actions taken.

4.5. Proposed sustainability report audit form

One of the forms is to use the form of an independent declaration of assurance where the declarations containing the assurance provider's statement on the content of the sustainability report of the audited company. This declaration is independent and can be justified [21]. The declaration should contain related information, some of which is

The intended stakeholder classifies this report as a decision support tool; the first information to be included in the independent statement of assurance is usually an independent statement of assurance addressed to the management of the audited undertaking.

The client depends on the presentation and the auditors on the audit; the next information that has to be included in the independent statement of assurance is the obligation of the audited company and the obligations of the assurance provider (auditor).

An explanation of everything, such as the attestation service regarding the sustainability report; free of bias, the scope should be indicated, including the type and level of audit that has been carried out. The determination of the scope, type and level of the audit should be made prior to the audit activities and constitutes an agreement between the audited.

Description of disclosures covered; the following information is a description of the scope of the disclosure, methodology; the information that must also be included in the independent assurance is the technique or methodology used by the assurance provider in performing the audit activities.

Any limitations; assurance providers must disclose any limitations encountered in performing the audit activities. It may also be explained how assurance providers can be assured that the impact of any limitations encountered will be minimized.

5. Conclusion and Suggestion

5.1. Conclusion

Sustainability accounting is the result of the process and measurement of the accounting system to communicate how the financial system is managed and takes environmental sustainability into account. However, in order for the report to be considered, it must be subject to a sustainability audit, which examines and assesses whether the report presented is consistent with the actual activities of the company.

Continuous reviews have many benefits in terms of reducing the time it takes to complete financial and reporting in different countries, speeding up the review process and facilitating the work of the auditors, but conducting continuous reviews requires an awareness of the challenges and their own challenges, based on different research reports, speeding up the review process and facilitating the review process, and the highest priority in the system.

5.2. Proposal

The accounting sustainability report is very important for the company, because with its introduction, the information of a company or an audit will be really transparent in the current *Otoritas Jasa Keuangan* (OJK), the OJK; similar to the SEC, which has required a sustainability report from every company to avoid undesirable things like fraud etc. So if every company in Indonesia, especially those that go public, is required to submit sustainability reports, there is no reason why this should not be the case.

Disclosure of sustainability reports is still voluntary in most countries, including Indonesia, and last year a few companies still wanted to disclose sustainability reports. Sustainability reports are becoming increasingly important in global business practice and are one of the criteria for assessing a company's social

responsibility. Managers in the global economy are increasingly aware that more comprehensive reporting (not just financial reporting) will support corporate strategy. They can also demonstrate their commitment to sustainable development. Sustainability reporting can also improve the financial performance and legitimacy of companies. We suggest that public companies should be able to publish sustainability reports in accordance with the applicable standards and that auditors should be able to conduct audits in accordance with the applicable auditing standards, so that the process of sustainability reporting is not just a formality but actually benefits the industry in Indonesia.

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