JASa (Jurnal Akuntansi, Audit dan Sistem Informasi Akuntansi)
Vol. 7 No. 3 / December 2023
ISSN 2550-0732 print / ISSN 2655-8319 online
DOI;10.36555/jasa.v7i3.2300

THE ROLE OF INTERNAL AUDITORS IN IMPLEMENTATION SOCIAL ENVIRONMENTAL GOVERNANCE

Yanuar Ramadhan[1], Wahyu Ramzy[2], Faridatul Munawaroh[3]*, Dadi Sunardi[4]
Universitas Esa Unggul, Indonesia*[1234]
yanuar.Ramadhan@esaunggul.ac.id*[1], wahyuramzyy@student.esaunggul.ac.id[2], ridhafirdha23@student.esaunggul.ac.id[3] , dadisunardi70@student.esaunggul.ac.id[4].

Abstract: The aim of this study is to know how big the role of the auditor is in raising awareness of the application of sustainability reporting and the extent to which information is disclosed on the aspects of Environment, Social and Governance (ESG). Several previous studies were used as objects reviewed. The result underscores the multifaceted contributions of internal auditors, ranging from providing assurance on ESG disclosures and conducting due diligence on business partners to engaging in consulting activities and fostering a sustainable supply chain. This practice emphasizes that ESG-related expertise within Internal Audit Functions (IAFs) is crucial for promoting ESG maturity and effective reporting. Collaboration between internal and external auditors is vital to maintain independence and objectivity, ensuring the quality and reliability of ESG-related information. The trend of integrating ESG considerations into audit processes aligns with the broader global shift toward responsible business practices, and it positions internal auditors as valuable contributors to corporate governance and stakeholder trust. As ESG gains prominence, the internal auditor's ability to navigate the complexities of ESG metrics and controls becomes a competitive advantage, reinforcing their role as a key player in achieving sustainable and responsible business outcomes
Keywords: Environmental Social Governance; Internal Auditor; Sustainability

INTRODUCTION

The world's population growth continues to increase which has led to an increase in development economic growth in many countries as well as Indonesia. This is also followed by the development and increase of various industries in the business world which of course have an important role in fulfilling the economic feasibility of the people. In fact, all areas of any business cannot be separated from responsibility, be it towards the environment, society, and corporate governance itself. While it is true that increasing profits as high as possible can help a company achieve its success, it will not necessarily make the company sustainable.

Accordingly, the world of financial investment may undergo significant changes, which take into account the sustainability criteria, or ESG – Environment, Social and Governance. This standard is premised on the premise that companies will increasingly need to continuously generate indicators and demonstrate that they are monitoring the performance of their measures in order not to expose themselves to new ESG scenarios. In this scenario, audit will play an important role in the context of the new corporate sustainability and his ESG. In fact, audits should enhance their communication role to increase their support for corporate governance (Lopes da Silva & Onome Imoniana, 2021).

Submitted: July 11, 2023; Revised: December 28, 2023; Accepted: December 28, 2023; Published: December 29, 2023; Website: http://journalfeb.unla.ac.id/index.php/jasa

JASa (Jurnal Akuntansi, Audit dan Sistem Informasi Akuntansi)
Vol. 7 No. 3 / December 2023
ISSN 2550-0732 print / ISSN 2655-8319 online
DOI;10.36555/jasa.v7i3.2300

If the company ignores just one aspect of this responsibility, then the company must be prepared to face the consequences that arise. According to a CFA Institute report, 85% of investment professionals in Europe, the Middle East and Africa consider.

ESG issues most frequently in their research and investment decisions, followed by 81% in Asia Pacific and the Americas. 68% of it's a percentage. While ESG investing is already mandatory for many institutional investors in Europe, a PwC report found that Asian institutional investors are "increasingly seeking managers with ESG capabilities." He also noted a growing body of research showing companies with strong ESG certification outperform underperforming companies. Additionally, companies are becoming better at disclosing their ESG performance.

Based on data from the Directorate of Law Enforcement in 2022 regarding the LHK Performance Report of the Ministry of Environment and Forestry, it was conveyed that various crimes against the environment and forestry have occurred since the establishment of the Directorate General of LHK Enforcement in 2015. Based on the typology, it can be categorized, namely the problem of burning forests as well as land with the number 2 %, illegal logging with a rate of 15%, cases regarding the distribution of TSL with a rate of 9%, environmental damage with a rate of 1%, encroachment and mining with a figure of 14% as well as pollution of the environment at 57% (Gassman et al., 2021).

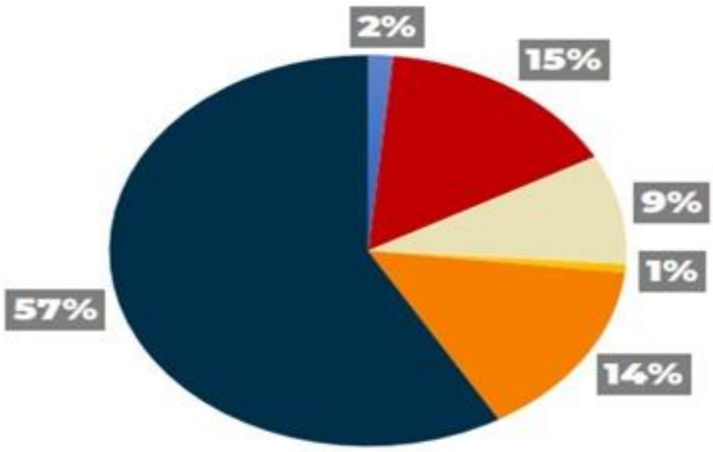

Figure 1. Various crimes against the environment and foresty
Sources: (Gakkum, 2022)

The disclosure of environmental, social and governance (ESG) information is increasing due to the growing demand for information that understands how corporate activities affect society. As the pace and impact of social and environmental disruption increases, companies are increasingly seeking ESG certification. These problems make us more aware of the importance of implementing responsibility towards the environment, society and corporate governance. This has also become the government's attention by issuing a copy of POJK No. 51/POJK.03/2017 Concerning Sustainable Finance for Financial Services Institutions, Issuers and Public Companies which has also become a mandate in Law no. 32 of 2009 concerning Environmental Protection and Management. However, in environmental, social and governance disclosure and assurance.

Submitted: July 11, 2023; Revised: December 28, 2023; Accepted: December 28, 2023;
Published: December 29, 2023; Website: http://journalfeb.unla.ac.id/index.php/jasa

JASa (Jurnal Akuntansi, Audit dan Sistem Informasi Akuntansi)
Vol. 7 No. 3 / December 2023
ISSN 2550-0732 print / ISSN 2655-8319 online
DOI;10.36555/jasa.v7i3.2300

ESG reporting first emerged in the 1970 as a stakeholder-driven strategy including non-governmental organizations, consumers and ethical investors to strengthen corporate accountability for the social and environmental impacts of company behavior. The rise of the global reporting initiative: A case of institutional entrepreneurship (Brown et al., 2009) As ESG grows, initiators are increasingly focusing on the expertise of financial accountants to increase their ESG reporting capacity to reach investors because from an investor's point of view, they are very interested in companies that care about ESG. Investor interest in ESG is underscored by the fact that in 2019 alone, 300 ESG-focused mutual funds received a total of $20 billion in net inflows, four times the 2018 total (Gillan et al., 2021) Financial accountants are trained to measure and communicate the financial information of listed companies to reduce information asymmetries between investors and their investees and increase market efficiency. (C. Gregory rogers, 2005). To ensure that the measurement and communication of financial information are comparable across organizations, financial accountants rely on reporting standards based on financial reporting models (Reformed Conceptual Framework for Financial Reporting).

This model uses the concepts of 'materiality' and 'cost-effectiveness' to attempt to set thresholds for information disclosed in financial statements that is considered 'very useful'. Financial information helps investors make decisions when it is important to them. In other words, removing financial information from financial statements affects asset allocation. On the other hand, the “cost-effectiveness” rule helps limit the amount of information by stipulating that the benefits of disclosure must outweigh the costs to investors and producers (Thistlethwaite, 2015). Applying this expertise to his ESG disclosures, financial accounting expertise helps align her ESG information with the financial reports investors use to determine portfolio asset allocations. There is a role of accounting standards in it which helps investors make an assessment of the company. Therefore, this research was conducted to find out the role of accountants and auditors in implementing ESG in companies. In a company, there is an accountant as well as an auditor with the task of monitoring the company's activities. Between the auditor and the accountant must be held together and held together due to differences. In fact, for some companies, these two positions are handled by independent parties. Aired 23 Sep 2021 by Alifia Seftin Oktriwina. According to Investopedia news, an accountant is defined as a person who is professional in performing accounting functions including auditing, analyzing accounts, or analyzing financial reports. Accountants are generally in the finance department of a company. Accountants may also work for an independent accounting firm or open an independent accounting practice on their own. A new professional accountant can provide his services after receiving education and being certified which is recognized by the state. According to Investopedia, an auditor means someone who is authorized to review and verify the accuracy of records on the company's operations and administration. In addition, the auditor has a duty to ensure that the company being audited complies with the laws in force in the country where its operations are running. Another responsibility of the auditor is to protect the company from fraud and assist the organization in finding solutions to increase operational efficiency. Like accountants, auditors can work internally or independently. The company accountant is responsible for the following tasks: compiling financial reports, ensuring that existing financial documents are in accordance with the truth, maintaining existing financial reports, In carrying out their duties, an accountant will certainly work and support each other with the people in charge of the financial unit company. Meanwhile, an auditor has responsibilities with duties including: Carrying out

JASa (Jurnal Akuntansi, Audit dan Sistem Informasi Akuntansi)
Vol. 7 No. 3 / December 2023
ISSN 2550-0732 print / ISSN 2655-8319 online
DOI;10.36555/jasa.v7i3.2300

and monitoring the audit cycle in the company, Analyzing and evaluating financial and operational documents or files of the company, Developing the company's annual plan, participating in the development of ongoing knowledge about rules, regulations, company best practices, tools, techniques, and performance standards. In order for the work to run well, the auditor will work closely with all internal elements in the company. Because, an auditor needs to ensure that the company has followed and complied with regulations appropriately and runs with the principle of efficiency.

M. Eulerich et al., 2022 Found a significant positive relationship between environmental, social, governance (ESG) assurance and Internal Audit Function (IAF) Participate in ESG processes and emphasize IAF contributions to promote safety. Additionally, these results provide evidence of the value of internal audit organizations through their support of ESG security. Furthermore, we found a significant positive association between ESG safety and high relevance of the environmental pillars, whereas there was a significant correlation between ESG safety and high ratings of the social or governance pillars. No relationship has been substantiated. These results suggest that rating environmental issues as highly relevant helps companies get their ESG reports audited. The auditor's ability to review and evaluate processes and controls for generating, collecting and disclosing information can provide a competitive edge in ESG assurance. In complex his ESG efforts, internal auditors have a good understanding of the processes and processes specific to risk firms and the controls to achieve goal-oriented alignment of his ESG-related activities, so they can act as a valuable stakeholder. (Hassan & Meyer, 2022), (A. Eulerich & Eulerich, 2020), (MFlood, 2014). This demonstrates that internal audit supports governance elements and monitoring and control activities through independent and objective review and advice. In this way, internal audit has become widely accepted as an important element of corporate management (as of 2020). This result suggests that collateral growth has lagged relative to sustainability reporting (Alsahali & Malagueño, 2022).

Both survey and interviews with practitioners show that internal auditors lack supportive guidance, but are willing to work in this area. Taken together, these findings have implications for audit professionals as they highlight the need for action to educate and advance existing policies (Treadway Commission (COSO) and WBCSD – (Sustainable Organizing Committee sponsoring the World Business Council for Possible Development) .WBCSD), unconfirmed), (M. Eulerich & Lohmann, 2022).

From research (Lopes da Silva & Onome Imoniana, 2021). Regardless of whether the investigation is internal or external, audit must be integrated into the corporate governance environment, ensuring hierarchical independence of auditors and reporting directly to the board of directors, for example. Auditors should be as knowledgeable about the subject of the audit as they are about the company being audited(chambers, 2017). LST is very important nowadays. The internal audit process has changed significantly and is receiving a new focus internationally. Organizations implementing an IAF are required to disclose their processes for evaluating and improving the effectiveness of risk management and internal controls (Soh & Martinov-Bennie, 2015). He also has a growing awareness of the role the IAF can and should play in contributing to better ESG governance and reporting as companies understand and respond to the risks associated with non-financial disclosure. 2010). Due to its unique position within the organization and its shift to a more strategic approach, the IAF will play a key role in the transition to integrated reporting (Druckman, 2013). Research on IAF's ESG Engagement Shows Growing

Submitted: July 11, 2023; Revised: December 28, 2023; Accepted: December 28, 2023;
Published: December 29, 2023; Website: http://journalfeb.unla.ac.id/index.php/jasa

JASa (Jurnal Akuntansi, Audit dan Sistem Informasi Akuntansi)
Vol. 7 No. 3 / December 2023
ISSN 2550-0732 print / ISSN 2655-8319 online
DOI;10.36555/jasa.v7i3.2300

Evidence of Internal Audit's Growing Focus and Role, Means Much of IAF's Work Is Now Focused on Non-Financial Issues It is therefore timely (IIA's International Conference).

Based on the results of a global internal audit survey, internal auditors believe that in the near future, less emphasis will be placed on operational audits, compliance audits, and financial risk audits, and more emphasis will be placed on corporate governance and corporate governance. reportedly expected. The focus will be on risk management and strategy verification, social audits and sustainability, and ethical audits (Soh & Martinov-Bennie, 2015). According to the Institute of Internal Auditors, when alluding to internal auditors, They must have the fundamental information, abilities and other competencies to perform their obligations. Generally, internal audit must have or have obtained the information, abilities and other aptitudes fundamental to perform the work. However, auditors who have the necessary training on ESG issues, who are strategically aligned with the company's business, and who adhere to best practices in risk analysis, audit planning and business conduct will work effectively for communication with stakeholders. Improving audit quality also goes hand in hand with efforts to improve audit communication and transparency (Lopes da Silva & Onome Imoniana, 2021).

ENVIRONMENTAL ACCOUNTING

Based on (Ikhsan, 2008) the definition of environmental accounting is as a precaution to avoid environmental impacts and moves in several ways, from correcting disaster-causing events to activities carried out. The research conducted (Suaidah, 2018) shows that the implementation of environmental accounting has a significant impact on the value of a company as well as ownership of equity has a significant impact on company value. Ownership of shares also has a significant influence on firm value.

(Effendi, 2021) Research and show that the application of environmental accounting has a positive influence on company value through the material input side. The research conducted (Sawitri & Setiawan, 2019) found that environmental performance has no effect on the value of a company and environmental accounting has a significant impact on the value of a company. This may be due to the paradigm shift between investors and companies (Azra sahira et al., 2022).

Accounting and environmental revenue and cost information help companies clearly understand the relationship between business and the environment. Moreover, it enhances the company's reputation and image among domestic and foreign partners (Dang & Nguyen, 2020). Accounting, both social and environmental, has long been given attention by accountants. How important is this accounting where companies must communicate news about social activities and environmental protection to company stakeholders.

The benefits of management accounting for companies include e.g. 1. Facilitate supervision and control of business activities. 2. As a reference in the company's business operations. 3. As a decisive aid to improve company performance. 4. Enter the correct information.

The role of management accounting must be a tool for the appropriate, fair and efficient allocation and distribution of public funds to the public. The cost of providing services can be calculated using management accounting. The application of green accounting encourages the ability to reduce corporate environmental problems. The purpose of implementing environmental accounting is to increase the management of environmental problems by implementing environmental activities from the perspective of existing costs and their uses and impacts (santi gopal maji, 2023).

Submitted: July 11, 2023; Revised: December 28, 2023; Accepted: December 28, 2023;
Published: December 29, 2023; Website: http://journalfeb.unla.ac.id/index.php/jasa

JASa (Jurnal Akuntansi, Audit dan Sistem Informasi Akuntansi)
Vol. 7 No. 3 / December 2023
ISSN 2550-0732 print / ISSN 2655-8319 online
DOI;10.36555/jasa.v7i3.2300

Environmental accounting serves as a reference point for measuring what costs a business takes out of costs associated with the environment. Starting with the cost of waste management and environmental protection. Operational costs can be saved with environmental management accounting. The effect of environmental problems on production costs is often unpredictable. 2. Environmental accounting can assist in decision making. Profitable decisions must be based on a large amount of important information.

Why are accountants and accounting seen as causing social and environmental crisis problems?

Accounting is accused of triggering an ecological and social crisis, because it encourages the state and economic actors to behave greedily and languidly in pursuing economic activities. Not all companies have to carry out environmental assessments in their companies. Therefore, this environmental assessment must be carried out by companies engaged in sectors regulated by special ministerial regulations. The concept of social and environmental accounting is a process of accounting measurement and recording that takes into account the company's social and environmental aspects.

What obstacles are faced with the implementation of social and environmental accounting in Indonesia?

There are two obstacles that make it difficult to implement social accounting in Indonesia. First, the lack of strong social pressure that demands corporate social responsibility. Second, there is a lack of awareness among Indonesian entrepreneurs about the importance of corporate social responsibility. The primary function of management accounting in the public sector is to produce accounting information that public managers can use in their organizational planning and control tasks. Management accounting is part of a unified management control system. With the existence of environmental accounting, a society that is more critical of the environment appears, and the community can play a direct role in controlling the waste produced by the company. The state also plays an active role in monitoring the environment. Green accounting or environmental accounting is the incorporation of information about environmental benefits and costs into various accounting practices and the incorporation of environmental costs into business decisions (Karino et al., 2004). This concept began to develop since the 1970.

PROPER is part of the board's policy, which aims to improve environmental management of companies in accordance with the law. Then PROPER is a symbol of transparency and democratization in environmental management in Indonesia. The Corporate Performance Evaluation Program in Environmental Management (PROPERA) is intended to carry out monitoring activities and implement incentive programs and/or incentives in the form of awards to those in charge of companies and operations.

METHODS

This research method is to use litelature studies supported by access to several related journals, as well as research conducted from various countries. The literature review in this research includes a series of activities regarding library data collection methods, reading and note-taking methods, handling research data objectively, systematically, analytically and critically regarding the role of the auditor in carrying out environmental, social and governance disclosures. The search for these journals was carried out using searches related to ESG and the role of internal audit in implementing ESG based on articles

Submitted: July 11, 2023; Revised: December 28, 2023; Accepted: December 28, 2023; Published: December 29, 2023; Website: http://journalfeb.unla.ac.id/index.php/jasa

JASa (Jurnal Akuntansi, Audit dan Sistem Informasi Akuntansi)
Vol. 7 No. 3 / December 2023
ISSN 2550-0732 print / ISSN 2655-8319 online
DOI;10.36555/jasa.v7i3.2300

published online. This research also analyzes various journals and articles from several international sites, so that the discussion in this article is not only related to one country.

RESULTS AND DISCUSSION

M. Eulerich & Lohmann, 2022. found a significant positive relationship between environmental, social and governance assurance and IAF's participation in the ESG process, emphasizing that IAF's contribution drives assurance. In addition, these findings provide evidence about the value of internal audit organizations through supportive ESG assurance. Furthermore, a clear positive correlation was found between ESG safety and the perceived high relevance of the environmental pillars, whereas high ratings of ESG safety and the social or governance pillars relationship has not been substantiated. These comes about recommend that rating natural issues as exceedingly important makes a difference companies get their ESG reports examined. The auditor's capacity to survey and assess the forms and controls utilized to create, collect and uncover data can give a competitive advantage in ESG affirmation. In complex ESG activities, inside inspectors are really important since they have a intensive understanding of not as it were the controls to realize goal-oriented arrangement of ESG-related exercises, but too hazard company-specific forms and controls. (M. Eulerich et al., 2022), (M. Eulerich) In general, the starting point for value-added IAFs is provided by this three-factor model (M. Eulerich) The model states that internal audit supports governance bodies and oversight and oversight activities through independent and objective examination and advice. As a result, internal audit has become widely accepted as an integral part of good corporate governance (M. Eulerich & Lohmann, 2022).

Research carried out by Rakipi & D'Onza, 2023, which held to 15 large public companies in europe stated that internal auditors play a pivotal role in ensuring the accuracy of environmental and social information presented in public sustainability reports, serving as a vital assurance mechanism to prevent the occurrence of misreporting. The Internal Audit Function is mandated to conduct due diligence on key business collaborators, encompassing suppliers and subcontractors, with the aim of fostering the establishment of a sustainable supply chain. Notably, there has been a recent uptick in the proportion of audit efforts allocated to verifying adherence to human rights and environmental protection standards. Engaging in consulting activities associated with ESG, constituting approximately 40% of the audit plan, offers advantages to internal auditors by enhancing their business acumen and providing them with the capability to comprehend the business from the perspective of managers. This, in turn, elevates managers' perception of internal audit as a value-enhancing endeavor.

This result suggests that the growth of guarantees has lagged that of sustainability reporting (Alsahali & Malagueño, 2022). Both overviews and interviews with professionals appear that internal auditors need steady direction, but are willing to work in this zone. Collectively, these discoveries have suggestions for review experts as they show a require for assist preparing and expanded back for existing rules (Treadway Commission Sponsoring Organizing Committee).

Research conducted by M. Eulerich et al., 2022, stated that Internal auditors are encouraged to allocate resources for ESG training and professional development to elevate the maturity level of the Internal Audit Function (IAF) in ESG matters. This effort aims to actively support and encourage the company's commitment to ESG disclosure

Submitted: July 11, 2023; Revised: December 28, 2023; Accepted: December 28, 2023;
Published: December 29, 2023; Website: http://journalfeb.unla.ac.id/index.php/jasa

JASa (Jurnal Akuntansi, Audit dan Sistem Informasi Akuntansi)
Vol. 7 No. 3 / December 2023
ISSN 2550-0732 print / ISSN 2655-8319 online
DOI;10.36555/jasa.v7i3.2300

because ESG-related expertise on part of IAFs is essential to promote ESG maturity and thereby ESG reporting. Conversely, the intricacy and authenticity of the environmental aspect have been underscored in both practical applications and academic discourse. This is due to the diversity of associated metrics and the general absence of comparability, leading to additional fragmentation of ESG, extending beyond environmental risk factors. Given the outlined disparity in ESG-related assurance and consulting tasks, it is advisable for internal auditors to leverage the expertise gained from consulting engagements to expand assurance activities. However, caution should be exercised regarding potential conflicts of interest, as these are noted to be particularly significant in this domain. The audit of ESG disclosures presents an appealing prospect for major auditing firms, particularly the Big Four, allowing them to broaden their operational reach. This expansion not only brings in substantial earnings but also offers an opportunity to refurbish the image of a profession often marred by scandals. Consequently, it is essential to underscore the significance of ESG and its associated activities, emphasizing the potential for the Internal Audit Function (IAF) to be recognized as an indispensable asset in the realm of ESG. There is a need for clarification on how internal auditors can actively participate in ESG initiatives while maintaining their independence.

From research (Lopes da Silva & Onome Imoniana, 2021) Audit needs to be embedded in a corporate governance environment that maintains hierarchical independence of auditors, both internally and externally, for example reporting directly to the board of directors. I have. Auditee (chambers, 2017) and her knowledge of ESG are very important today, as the auditor must also have knowledge of the focus of the audit topic. ESG reporting may be a one of a kind region of private administration, molded and executed by universal and national accounting standards, proficient accounting organizations and specialists within the monetary and accounting industry. They point to a trend for accounting firms to use their expertise to prepare audits of corporate social and environmental reports by assessing whether the information disclosed is consistent with the objectives of the report (Thistlethwaite & Paterson, 2016). However, the study also explained that the measurement of ESG information is very complex, and contrasts with accounting logic designed to streamline the measurement and communication of financial information. The company may not have the relevant expertise and it will be very challenging for the company to find the right size to audit the reporting framework.

There is research by (M. Eulerich et al., 2022). Researching the role of internal auditors on ESG disclosure and assurance. In that study, a survey was conducted of 107 internal auditor participants who were at the ESG event. Where the results obtained a significant positive relationship between ESG disclosure and the maturity level of the ESG Internal Audit Function (IAF). These results indicate that IAF's ESG maturity encourages disclosure of ESG through public accounting standards, public accountants, in this case auditors, are able to firmly reject certain specific requests from clients if they are believed to violate or mislead (Benston, 2005). This makes investors believe that if a company has good performance and worthy of investment without having to question the truth of the resulting performance.

In completing their duties, auditors from public accountants need to work closely with the company's internal auditors. There is research that tests the level of dependence of external auditors on internal audit work in a company. The results reveal that, external auditors are concerned about internal audit practices and their scope of work due to lack of independence and objectivity, so these factors lead to poor quality of work of internal

Submitted: July 11, 2023; Revised: December 28, 2023; Accepted: December 28, 2023; Published: December 29, 2023; Website: http://journalfeb.unla.ac.id/index.php/jasa

JASa (Jurnal Akuntansi, Audit dan Sistem Informasi Akuntansi)
Vol. 7 No. 3 / December 2023
ISSN 2550-0732 print / ISSN 2655-8319 online
DOI;10.36555/jasa.v7i3.2300

auditors. In fact, external auditors consider the role of internal auditors to potentially add value to their company. (Al-Twaijry et al., 2004). Internal audit functions (IAF) advisory activities now dominate ESG efforts. This indicates that the growth of assurance has lagged the growth of sustainability reporting by participating auditors, indicating that ESG engagement has not been demanded by stakeholders so far. These stakeholders are unlikely to have requested such participation, as they are unaware of the appropriateness and benefits of such participation. Therefore, clarifying the suitability and scope of the potential scope of internal auditor involvement is likely to result in increased stakeholder demand.

CONCLUSION

In conclusion, the role of internal auditors in implementing Environmental, Social, and Governance (ESG) practices is paramount for organizations seeking to enhance sustainability and transparency. The findings underscore the multifaceted contributions of internal auditors, ranging from providing assurance on ESG disclosures and conducting due diligence on business partners to engaging in consulting activities and fostering a sustainable supply chain. The research emphasizes that ESG-related expertise within Internal Audit Functions (IAFs) is crucial for promoting ESG maturity and effective reporting. Moreover, the collaboration between internal and external auditors is vital to maintain independence and objectivity, ensuring the quality and reliability of ESG-related information. The trend of integrating ESG considerations into audit processes aligns with the broader global shift toward responsible business practices, and it positions internal auditors as valuable contributors to corporate governance and stakeholder trust. As ESG gains prominence, the internal auditor's ability to navigate the complexities of ESG metrics and controls becomes a competitive advantage, reinforcing their role as a key player in achieving sustainable and responsible business outcomes.

Besides increasing the company's profit as high as possible, basically the company also needs to pay attention to the environment and other non-financial aspects in order to be able to help the company achieve its success, and make the company sustainable. Emerging the increased demand for information that captures how company actions affect society has strengthened the disclosure of environmental, social and governance (ESG) information. The expertise of the company's financial accounting and internal auditors can actually help align ESG information because there is a role in accounting standards that help companies consider decisions that are taken and so can help investors make an assessment of the company. The auditor has one of the roles and responsibilities, namely to participate in the process of continuous improvement in knowledge of company rules, regulations, best practices, tools, techniques and performance standards so that practices that are detrimental to society and the surrounding environment can be overcome. Therefore, the emphasis of the auditor should not only focus on financial aspects, but also focus on non-financial aspects. To achieve this, internal audit must completely possess, or obtain, the knowledge, skills and other skills needed to carry out its responsibilities.

The auditor's capacity to survey and assess the forms and controls utilized to create, collect and uncover data can give a competitive advantage in guaranteeing natural, social and administration necessities. Internal auditors serve in governance, oversight and oversight activities through independent and objective judgment and advice. Internal audit has therefore become widely recognized as an essential component of good corporate

Submitted: July 11, 2023; Revised: December 28, 2023; Accepted: December 28, 2023;
Published: December 29, 2023; Website: http://journalfeb.unla.ac.id/index.php/jasa

JASa (Jurnal Akuntansi, Audit dan Sistem Informasi Akuntansi)
Vol. 7 No. 3 / December 2023
ISSN 2550-0732 print / ISSN 2655-8319 online
DOI;10.36555/jasa.v7i3.2300

governance. However, practitioners point out that while internal auditors lack supporting guidelines, there is a great need for motivation and willingness to work in this area. Audit professionals therefore need to act in terms of further training and strengthening the promotion of existing guidelines. This research has limitations in collecting sharper literacy, especially the search for companies that have functioned their auditors to support the application of ESG, so that it can be a thought for further researchers.

REFERENCES

Alsahali, K. F., & Malagueño, R. (2022). An empirical study of sustainability reporting assurance: current trends and new insights. In *Journal of Accounting and Organizational Change* (Vol. 18, Issue 5, pp. 617–642). Emerald Publishing. https://doi.org/10.1108/JAOC-05-2020-0060

Al-Twaijry, A. A. M., Brierley, J. A., & Gwilliam, D. R. (2004). An examination of the relationship between internal and external audit in the Saudi Arabian corporate sector. *Managerial Auditing Journal*, *19*(7), 929–944. https://doi.org/10.1108/02686900410549448

Azra sahira, Naz aina, Hilmi, & Dy ilham satria. (2022). 8930-26110-1-PB. *Jurnal Akuntansi Malikussaleh*.

Benston, G. J. (2005). ACCOUNTING AND CORPORATE ACCOUNTABILITY *. In *Organizations and Society* (Vol. 7, Issue 2).

Brown, H. S., de Jong, M., & Lessidrenska, T. (2009). The rise of the Global Reporting Initiative: A case of institutional entrepreneurship. *Environmental Politics*, *18*(2), 182–200. https://doi.org/10.1080/09644010802682551

C. Gregory rogers. (2005). *Financial reporting of environmental liabilities and risk after sarbanes oxley*. gramedia.

chambers. (2017). *The german chambers of commerce and industry* (eberhard & sasse, Eds.).

Dang, T. L., & Nguyen, T. M. H. (2020). Liquidity risk and stock performance during the financial crisis. *Research in International Business and Finance*, *52*. https://doi.org/10.1016/j.ribaf.2019.101165

Druckman, P. (2013). *The Routledge hanbook of Integrated Reporting*. Routledge.

Dyah Utami Larasati. (2021). *KLHK sanctions PT TPL*.

Effendi, B. (2021). *Copyright@2019. P2M UNIVERSITAS BINA INSANI*. *6*(1), 125–138.

Eulerich, A., & Eulerich, M. (2020). What is the value of internal auditing? – A literature review on qualitative and quantitative perspectives. *Maandblad Voor Accountancy En Bedrijfseconomie*, *94*(3/4), 83–92. https://doi.org/10.5117/mab.94.50375

Eulerich, M. (n.d.). *The new Three Lines model for structuring corporate governance-A critical discussion of similarities and differences*. https://ssrn.com/abstract=3777392

Eulerich, M., Bonrath, A., & Lopez Kasper, V. I. (2022a). Internal auditor's role in ESG disclosure and assurance: An analysis of practical insights. *Corporate Ownership and Control*, *20*(1), 78–86. https://doi.org/10.22495/cocv20i1art7

Eulerich, M., Bonrath, A., & Lopez Kasper, V. I. (2022b). Internal auditor's role in ESG disclosure and assurance: An analysis of practical insights. *Corporate Ownership and Control*, *20*(1), 78–86. https://doi.org/10.22495/cocv20i1art7

Eulerich, M., Bonrath, A., & Lopez Kasper, V. I. (2022c). Internal auditor's role in ESG disclosure and assurance: An analysis of practical insights. *Corporate Ownership*

JASa (Jurnal Akuntansi, Audit dan Sistem Informasi Akuntansi)
Vol. 7 No. 3 / December 2023
ISSN 2550-0732 print / ISSN 2655-8319 online
DOI;10.36555/jasa.v7i3.2300

and Control, *20*(1), 78–86. https://doi.org/10.22495/cocv20i1art7

Eulerich, M., & Lohmann, C. (2022). Information Asymmetries and Intra-Company Monitoring: an Empirical Analysis of Nonlinear Relationships Between Company Characteristics and the Size of the Internal Audit Function. *Schmalenbach Journal of Business Research*, *74*(1), 103–127. https://doi.org/10.1007/s41471-021-00128-2

Gakkum. (2022). *Laporan kinerja tahunan 2022*.

Gillan, S. L., Koch, A., & Starks, L. T. (2021). Firms and social responsibility: A review of ESG and CSR research in corporate finance. *Journal of Corporate Finance*, *66*. https://doi.org/10.1016/j.jcorpfin.2021.101889

Hassan, A. S., & Meyer, D. F. (2022). Does countries' environmental, social and governance (ESG) risk rating influence international tourism demand? A case of the Visegrád Four. *Journal of Tourism Futures*. https://doi.org/10.1108/JTF-05-2021-0127

Ikhsan, A. (2008). Akuntansi lingkungan dan pengungkapannya. *Yogyakarta: Graha Ilmu*.

Karino, S., Yumoto, M., Itoh, K., Uno, A., Matsuda, M., Yamakawa, K., Sekimoto, S., Kaneko, Y., & Kaga, K. (2004). Magnetoencephalographic study of human auditory steady-state responses to binaural beat. *International Congress Series*, *1270*(C), 169–172. https://doi.org/10.1016/j.ics.2004.05.072

Lopes da Silva, W., & Onome Imoniana, J. (2021). Auditing as an effective mean of communication on environmental, social and governance issues in Brazil. *Entrepreneurship and Sustainability Issues*, *9*(1), 103–122. https://doi.org/10.9770/jesi.2021.9.1(7)

MFlood, J. (2014). *AU-C 610 The Auditor's Consideration of the Internal Audit Function in an Audit of Financial Statements AU-C EFFECTIVE DATE AND APPLICABILITY*.

Rakipi, R., & D'Onza, G. (2023). The involvement of internal audit in environmental, social, and governance practices and risks: Stakeholders' salience and insights from audit committees and chief executive officers. *International Journal of Auditing*. https://doi.org/10.1111/ijau.12341

santi gopal maji, prochi lohia. (2023). *environmental,social governance (ESG) performance and firm performance in india*. *18*(1).

Sawitri, A. P., & Setiawan, N. (2019). Analisis Pengaruh Pengungkapan Sustainability Report, Kinerja Keuangan, Kinerja Lingkungan Terhadap Nilai Perusahaan. *Journal of Business & Banking*, *7*(2). https://doi.org/10.14414/jbb.v7i2.1397

Soh, D. S. B., & Martinov-Bennie, N. (2015). Internal auditors' perceptions of their role in environmental, Social and governance assurance and consulting. *Managerial Auditing Journal*, *30*(1), 80–111. https://doi.org/10.1108/MAJ-08-2014-1075

Suaidah, Y. M. (2018). PENGARUH MEKANISME GOOD CORPORATE GOVERNANCE DAN PROFITABILITAS TERHADAP MANAJEMEN LABA. *Jurnal Riset Akuntansi Dan Keuangan Dewantara*, *20*(2).

Thistlethwaite, J. (2015). The politics of experimentation in climate change risk reporting: the emergence of the Climate Disclosure Standards Board (CDSB). *Environmental Politics*, *24*(6), 970–990. https://doi.org/10.1080/09644016.2015.1051325

Thistlethwaite, J., & Paterson, M. (2016). Private governance and accounting for sustainability networks. *Environment and Planning C: Government and Policy*, *34*(7), 1197–1221. https://doi.org/10.1177/0263774X15604841

Submitted: July 11, 2023; Revised: December 28, 2023; Accepted: December 28, 2023; Published: December 29, 2023; Website: http://journalfeb.unla.ac.id/index.php/jasa