

# Social Audit in Practice for Non-profit Organisations: a Case Study of United Nations Development Programme (UNDP) Indonesia Country Office

Chaela Rachmawati<sup>a</sup>, Basuki<sup>b\*</sup>, <sup>a,b</sup>Faculty of Economics and Business, Universitas Airlangga, Indonesia, Email: [a](mailto:rachmachaela@gmail.com)[rachmachaela@gmail.com](mailto:rachmachaela@gmail.com), [b\\*](mailto:basuki@feb.unair.ac.id)[basuki@feb.unair.ac.id](mailto:basuki@feb.unair.ac.id)

This study examines the practice of social audit performed by non-profit organisations in Indonesia. Beside of conducting audits for financial statement, the researcher believes that conducting audits on social aspects to keep the sustainability. This study was done by using qualitative research on one of The United Nations Development Programme (UNDP) Indonesia Country Office's project, Reducing Emissions from Deforestation and Land Degradation (REDD+), as a case study. Since the project will affect indigenous society, social audit practices are necessary to be done on this project and suitable for research purposes. This finding contributes to the literature by showing the appropriate practice of social audit held by the public sector, more specifically by a non-profit organisation.

**Key words:** *Non-profit Organisation, Social Audit, United Nations Development Programme.*

## Introduction

Since Sustainable Development Goals (SDGs) were officially declared in United Nations Conference 2012, all developed and developing countries are racing to achieve the goals. It becomes the focus of all countries as a social responsibility for its citizen, either for the public and private sector. In the case of the public sector, it had been motivated by multiple cases of private sectors that handle their social responsibility through Corporate Social Responsibility (CSR) programmes and be audited by public auditors. The public sector has started to get interested in the public to be audited according to its programs and projects.

Non-government non-profit organisations are becoming more notable social factors in today's world. This development of the non-governmental sector, as an alternative to market and public institutions, prompts the need of an analysis of the functionalities and eventual non-functionalities featuring their financing process (Bibu *et al.*, 2013). The global economic situations, the changing funding structures of public sector organisations, the marketisation of public services, the introduction of charging for public services, and the issue of economic sustainability are the five economic factors that inevitably play a part in the provisions of public services by public sector organisations (Brown and Osborne, 2005). The public sector is comprised of central and local government departments, agencies, trading funds and public corporations and usually associated with bureaucratic and hierarchical structures (Carter *et al.*, 1992).

The public sector represents an important part of economic activities as an organisation in this sector has special characteristics than any other organisations, which develops public goods or services. The public sector comprised of central and local government departments, agencies, trading funds and public corporations, and such organisations are usually associated with bureaucracy and hierarchical structures (Carter *et al.*, 1992). One of the organisations that are part of public sector organisations is a non-government organisation. Non-government organisations are known as 'the third sector', which are concerning about the problems of global poverty, social justice, and primarily work in the developing world. The public might link non-government organisations to the concept of charity, while others understand them in more political terms as 'civil society organisation'. It means that they are groups of organised citizens, independent from the government or business sectors, tend to go about their works either directly through the provisions of services to people in need, or indirectly through partnerships, campaigning work and policy advocacy living in poverty (Lewis, 2001).

For accountability to the public and stakeholders directly or indirectly, some organisations have implemented a public reporting and mostly have a covert motive to increase the interest from communities and stakeholders, either it is direct or indirect control. Private sectors have largely done this matter that the stakeholders are becoming their source of income. Nowadays, it is also a big issue for companies that adopt and run the concept of public reporting through a continuous report, meanwhile, in the public sector, governance related to the ways by which goals are established and accomplished. It also includes activities that ensure a governments' credibility, establish equitable provisions of services, and assure appropriate behaviour of government officials and reducing the risk of public corruption (Ngoran and Xue, 2017).

The main objective of the public sector is to satisfy public interests and needs through activity beneficial to society. To determine the needs of the public, five functions of

characteristics have been distinguished, which are the function of distribution, regulation, redistribution, creation of institution, and provision of public services. Therefore, it could be concluded that the main activity of public sector organisations is to provide the social, educational, scientific, cultural, sport, and other paid or free services specified in the legal acts to the residents according to the set terms and conditions. As all the functions of public sector organisations are inter-related and oriented for the satisfaction of public needs and interests, it may depend on the capacity of the plans, preparations, and the control of the implementation of such decisions. Thus, in order to determine whether the subjects of the public sector could control their functions well, it is important to measure their performance from the controlled for the aspect of social, economic, and environmental benefit and limitations.

Throughout its history, auditing has served accountability functions. It is first developed as a risk-reduction strategy for the owner (principal) who entrusted assets into the custody of an agent. The agent responsibility was to make an accounting back to the principal as to the proper application of the assets. Some scholars have argued that since social and environmental disclosure is predominantly a voluntary practice, there is a need for mandatory regulation to reinforce this practice to preserve its existence.

In the public sector, auditing is a cornerstone of good public sector governance. By providing an unbiased and objective assessment of whether public resources are managed responsibly and effectively to achieve intended results, the audit on public sectors helps the organisation achieve accountability and integrity, improve operations, and instil confidence among citizens and stakeholders. Since the existence of non-government organisations is widely spreading through scales and other measurements, the auditing supports the governance responsibilities of oversight, insight, and foresight. Public sector auditing has caught the attention because it is considered that government agencies are not open to the public about the actual financial condition, and public sector institutions are vulnerable to misuse of funds so that strict rules are required and independent audits of audit financial statements of government agencies. This argumentation purpose is to support the success of public sector organisation, and the organisation's finances must be managed in an orderly, law-abiding, efficient, economical, effective, transparent and accountable manner with due regard to justice and decency (Bastian, 2010).

On performing audit, there are some practical guidelines to performance auditing. It focuses on auditing methods and practices that facilitate economy, efficiency, and effectiveness in the delivery of government service and the requirements to ensure that performance audits can be used by legislatures, civil society, and the managers of the audited organisation or program to improve outcomes. Since the framework of the environment and purposes from the definitions between public and private organisations are already different, conducting the audit



for both organisations and institutions has each guideline and key frameworks. For public sector institution, in which includes non-government organisation, the need for a third party to attest the believability of the financial reporting, performance results, compliance, and other measures arises from several factors inherent in the relationship between the principal and its agent. (Goodson *et al.*, 2012).

Accountability is conceived of as relating to the rights to information of a participatory democratic society which is conceived of as neo-pluralist democratic accountability (Rodrigue, 2014). The accomplishment of the organisation to provide accountability are valued for their social and educative contributions. On that purposes, it has become an issue since in the middle 1990s while the citizens have a high demand for accountability on the non-government organisation through the mechanism of a public hearing. Social audit is specialised and established for public sector institutions and widely accepted as an important mechanism to address corruption and strengthen accountability in government service delivery. Despite conducting audits by the external parties to determine the accuracy of financial and statistical statements or reports and the fairness of the facts they present, non-government institutions should conduct a social audit to prove more comprehensively in the internally generated process whereby the organisation itself shapes the social audit process according to its stated objectives. In particular, it aims to involve all stakeholders in the process and measures social performance in order to achieve improvement as well as to report accurately on what has been done.

Throughout some research that had been studied, the implementation of social audit has been developed by various organisations in many countries. In Indonesia, the standard has been implemented. However, there is a lack in the implementation, especially in reporting prevention and maintenance of environmental activities. (Suaryana, 2011). Indonesia consists of heterogeneous communities with total diversity of 1,340 tribes and spread across the Indonesia archipelago. Being the largest amount of ethnic groups make the policymaker need to adapt the accounting and auditing standard based on the geographical, sociological, and psychological conditions of Indonesia itself. Including accounting that should pay attention to this matter and play a role in addressing social and environmental issues (Suaryana, 2011).

Basically, the urgency of conducting a social audit on performance has been high, due to the public demands on the performance of non-government institutions on doing public activities. Social audits have been done in some other countries. During the late 90s, many of the above organisations continued to develop and practices social audit. In 1997, the Social Enterprise Partnership developed the first European Social Audit programme, involving groups from Ireland, Spain, Finland, Sweden, Denmark, and England. For other developing countries in Asia, only India who has a significant implementation on doing social audit since the 1900s. In Indonesia, the implementation of conducting social audit performance is still low. The

government institution and non-government organisations still have not been fully conducting social audit performance.

Non-governmental Development Organisations have seen turbulent times over the decades; however, recent years have seen them grow to occupy high-profile positions in the fight against poverty and environmental damages. They are seen as an important element of 'civil society' (Lewis, 2001). As in Indonesia, UNDP conducts the project by using the resource in Indonesia, while the responsibility for member countries is the responsibility of funding which has been donated by each country members. For the statement above, the author considers the importance of implementing the social audit performance to government institution and non-government organisation as the responsibility to stakeholders. Therefore, the author evaluates one of the United Nations Development Programme (UNDP) Indonesia Country Office's project, which is Reducing Emissions from Deforestations and Land Degradations (REDD+). As a global non-profit organisation, United Nations Development Programme (UNDP) has been expected to conduct social audit performance based on UNDP Accountability Framework and Oversight Policy, stakeholder regulations in Indonesia, and Social Audit Tools and guidance, for responding to public Indonesia and other country members.

### **Theoretical Framework**

Stakeholders are defined as any groups or individuals who can affect or are affected by the achievement of the organisation's objectives. For the general concept is a redefinition of how it should be conceptualised. The organisation itself should be thought of as a grouping of stakeholders, and the purposes of the organisation should be to manage the interest, needs, and viewpoints of the organisation itself (Friedman, 2006). This paper uses stakeholder theory by choosing three different perspectives to study how stakeholder interests affect the characteristics of the firm and multi-dimensional performance, namely explained below:

"... how the stakeholder theory concepts correspond in reality; instrumental, what are the configurations of manager decisions regarding stakeholder interest in corporate social responsibility; normative, how managers should deal with stakeholders concerns' regarding the corporate social responsibility activities and their motivations for it." (Donaldson and Preston, 1995).

Stewardship theory is used to describe a situation in which managers are not motivated by individual goals but instead aim at the main goals for the benefit of the organisation. The benefit has a connection with psychology and sociology base that has been designed where executives as stewards are motivated to act on principals. The managers act as a 'servants' in a situation that they act in the best possible way with their principle. (Donaldson *et al.*, 1997).

Stewardship theory has been assigned as the closest theory to explain about non-profit organisations' aims. It is interested in developing goal convergence, organisational success, openness, fund, trust, and service attitude towards clients (Kluvers & Tippett, 2011).

On conducting social audits, the process is enabling an organisation to assess and demonstrate its social, economic, and environmental benefits and limitations. It is a way of measuring the extent to which an organisation lives up to the shared values and objective it has committed itself to society. Social auditing provides an assessment of the impact of an organisations' non-financial objectives through systematically and regularly monitoring, each performance and the views of its stakeholders (Boyd, 1988).

It is based on the decisions made or goals by the legislature (Waring, 2007). The social audit process provides a tool for organisations to use, if they choose, to measure how well their social goals are achieved. The social audit process can be used as in viewing and assessing development outcomes optimally because social audit includes the assessment of procedural aspects, the achievement of objectives and describing benefits of the program comprehensively. The audit activity must be empowered to act with integrity and produce reliable services. At a minimum, doing non-government activities need:

**Table 1:** Process of Conducting Social Audit by Centre for Good Governance

No.	Key Steps	Indicators
1.	Preparatory Activities	<ul style="list-style-type: none"> <li>a. Understand key principles of social audits.</li> <li>b. List core values of department/programmes.</li> <li>c. List down social objectives the department is working towards or programmes it aims to contribute.</li> <li>d. Match activities with objectives.</li> <li>e. List current practices and delivery systems.</li> <li>f. Fix the responsibility for doing social audits in the department.</li> <li>g. Budget for social audit.</li> </ul>
2.	Defining Audit Boundaries and Identifying Stakeholders	<ul style="list-style-type: none"> <li>a. Elaborate key issues for social audit based on the social objectives.</li> <li>b. Prepare a statement of purposes, objectives, key issues and activities for social auditing.</li> <li>c. Identify key stakeholders for consultation.</li> <li>d. Forge consensus on audit boundaries; identify stakeholders and formalise commitments.</li> </ul>
3.	Social Accounting and Book-	<ul style="list-style-type: none"> <li>a. Select performance indicators for social accounting.</li> <li>b. Identify which existing records can be used.</li> <li>c. Identify what additional data to be collected, who would</li> </ul>

	keeping	<p>collect the data, when and how.</p> <p>d. Identify when stakeholders would be consulted and the purposes.</p> <p>e. Prepare a social accounting plan and timeline.</p> <p>f. Plan for monitoring social accounting activities.</p>
4.	Preparing and Using Social Accounts	<p>a. Prepare social accounts using existing information, data collected and views of stakeholders.</p> <p>b. Identify key issues for action.</p> <p>c. Take stock of objectives, activities and core values.</p> <p>d. Set targets for the future.</p>
5.	Social Audit Dissemination	<p>a. Present social accounts to social auditors.</p> <p>b. Social auditors verify data used, assess the interpretation and comment on the quality of social accounting and reporting.</p> <p>c. Social accounts revised in accordance with social auditors' recommendation.</p> <p>d. Social auditors have to collect information from the stakeholders regarding programme implementation and benefits accrued to them.</p> <p>e. Disseminate social auditors' consolidated report to the decision-making committee that includes stakeholders.</p> <p>f. Disseminate report to civil society.</p> <p>g. Begin the next cycle of social accounting.</p>
6.	Feedback and Institutionalisation of Social Audit	<p>a. Feedback for fine-tuning policy, legislation, administrative functioning and programming towards social objectives.</p> <p>b. Follow-up action.</p> <p>c. Reviewing support to civil society for its participation.</p> <p>d. Institutionalisation of the process.</p>

**Source:** Centre for Good Governance (2005)

### Research Methodology

The researchers use qualitative research that attempts to broaden and/or deepen our understanding of how things came to be the way they are in our social world. Previous studies explain whether the researcher chooses to use qualitative research methods if research questions involve exploring how people experience something, or their views, exploring new areas where issues are not understood or correctly identified, assessing whether a new service is applicable, looking at a 'real-life' context, or a sensitive topic where you need the flexibility to avoid trouble (Hancock *et al.*, 2009).



The research used an exploratory single case study since the study aimed to gather a detailed understanding of the findings (Yin, 2010). The addition of an explorative study component is made if not much is known about the situation at hand, or no information is available about how similar problems or research issues have been resolved in the past (Sekaran, 2000). An exploratory study was also conducted based on a further desire to get an explanation of why something happened. In addition, Basuki (2016) also explains that exploratory research is research that seeks to explore the phenomena studied in order to answer the problems that have been formulated.

## **Discussion**

Referring to India as the first country that implemented and initiated of conducting a social audit for non-profit organisations, it has announced and legalised the tools and guidance to public sector organisation in its country. The tools itself is a function based on social responsibility to some groups or individuals to ensure the organisation rights and the participation in the decision making, as it is stated on stakeholder theory.

The first procedure to conduct a social audit is preparatory activities. This activity is to understand the key principle of social audit. UNDP is also obligating an activity in terms of social audit, which is known as UNDP Indonesia Country Office Social and Environmental Screening (SES). This process was known by both parties, which are Reducing Emissions from Deforestation and Land Degradation (REDD+) Project's team as the auditee, also QARE Unit of UNDP Indonesia Country Office's team. It can be clarified on this interview by both parties:

"Social and environmental audits become one unit. The impact on the environment will be directly related to the society. Because in Reducing Emissions from Deforestation and Land Degradation (REDD+) Project itself has no specific social audit process. It is done by Monitoring and Evaluation (Monev) mechanism, which we conclude as a social and environmental audit." (interview The Head of National Project Officer of UNDP Indonesia Country Office's Reducing Emissions from Deforestation and Land Degradation (REDD+) Project).

"The process of preparatory has been done since project design, which means the beginning process of Reducing Emissions from Deforestation and Land Degradation (REDD+). When preparing the project document, there is a so-called Social and Environmental Screening which should be done first which will be part of the project document" (interview with the Head of QARE of UNDP Indonesia Country Office).



The next procedure is about defining audit boundaries and identifying stakeholders. In the United Nations Development Programme, there is a specific division for conducting social audits to each project which is held by UNDP in the Environmental Unit. The division is QARE Unit:

"The unit who has an obligation to do Monitoring and Evaluation (Monev) is Mr Rahmat's unit. He can answer anything related to it. Because we are in the project as an auditee, while Mr Rahmat as his auditor team" (interview The Head of National Project Officer of UNDP Indonesia Country Office's Reducing Emissions from Deforestation and Land Degradation (REDD+) Project).

Based on the step that has to be followed, the third procedure is about analysing the social account and book-keeping by selecting performance indicators for social accounting. According to social accounts and social aspects, which is referring to the indigenous people in Reducing Emissions from Deforestation and Land Degradation (REDD+) 's project place, this project was already established in the project design. It has been regulated in UNDP Social and Environmental Standards guidance book. Unfortunately, the project document is a confidential project that could not be shared in public. This regulation is also clarified with this short conversation below:

"This step has been formulated since Project Design discussion. When preparing the Project Document, there is a thing called Social and Environmental Screening which should be done first, which will be part of the Project Document. It contains some aspects of social and environmental aspects to be monitored. Then, from there, the Project Document, along with the Social and Environmental Screening results, will be appointed on the Project Appraisal Committee to be discussed further. To reassure if the risks that occur there are already mitigation action. Then, there is also the name Project Quality Assurance to ascertain how many aspects have been met for that aspect. For example, whether Social and Environmental Screening has been done, then such a national project will be done, then there is also what the Fund and Tax Partnership and Sustainability Design. Well, for what I mentioned about Social and Environmental Screening was done in the beginning only. Then, there is Project Quality Assurance, which is divided into three stages. The first one is design, implementation, and closing project. The aspect is also quite extensive. It could be about whether a project design like this is designed by applying Theory of Change." (interview the Head of QARE of UNDP Indonesia Country Office).

From the short conversation above, it can be understood that it has also included identifying the existing records, what kinds of additional data that should be collected, additional data collecting methods, preparing a social accounting plan and timeline, and planning to monitor social accounting activities. The Project Document of Reducing Emissions from



Deforestation and Land Degradation was formulated by the Project Officer and also forwarded to the QARE Unit.

Preparing social accounts using existing information data collected and views of stakeholders. Referring to Appendix 1 about Donor Report – Norway Government, the report used a 'New Accounts' by modifying the name account name to specify a certain fund. The account that is used in this report will be used for all Donor Report – Norway Government and made by the Project Officer of Reducing Emissions from Deforestation and Land Degradation (REDD+) as long as the grants managed by UNDP Indonesia Country Office. The short conversation below will be explained about the preparation of social accounts for Reducing Emissions from Deforestation and Land Degradation (REDD+):

"Because all funds are managed by UNDP for the first stage, the reporting will adopt UNDP Indonesia Country Office's system. Starting from the administrative process, finance, procurement, and all will follow the system in UNDP." (interview The Head of National Project Officer of UNDP Indonesia Country Office's Reducing Emissions from Deforestation and Land Degradation (REDD+) Project).

The Head of National Project Officer of UNDP Indonesia Country Office's Reducing Emissions from Deforestation and Land Degradation (REDD+) Project's statement above is strengthened with this short statement below:

"The head and other associates of Finance Resource Management Unit (FRMU) 's Country Office team, also in each program and project have their own finance team. Because Finance Resource Management Unit (FRMU) Indonesia Country Office takes care of all finance activities in Indonesia, so in the FRMU provided vouchers that have been so and Mrs Linda as people who accept tenders and others. The person in charge of the program which also conducts assessment as well. And the finance's team in each project will prepare the report and everything about finance controlling" (interview Communication Officer of United Nations Development Programme (UNDP) Indonesia Country Office's Reducing Emissions from Deforestation and Land Degradation (REDD+) Project).

For the last stage of conducting social audit based on Centre For Good Governance, it presents social accounts to the social auditor. For Reducing Emissions from Deforestation and Land Degradation (REDD+) Project, also for UNDP, social auditor function was substituted with QARE Unit who always conduct social audit periodically. In this stage, it includes verifying the used data to the social auditor, revising the social accounting for accordance with social auditor's recommendation, and collecting information from stakeholders regarding programme implementation and benefits accrued to them. This statement is strengthened with this short statement below:

"For all projects in Indonesia Country Office, the QARE of UNDP Indonesia Country Office team is the one who do the monitoring and evaluating. He could answer all the question about this. As the project officer, we are the auditee, and his team is the auditor." (interview The Head of National Project Officer of UNDP Indonesia Country Office's Reducing Emissions from Deforestation and Land Degradation (REDD+) Project).

As the internal audit for Reducing Emissions from Deforestation and Land Degradation (REDD+), this statement will clarify the social audit or Monitoring and Evaluation (Monev) activity:

"... in side of Quality Assurance itself to conduct monitoring program. From Head Quarters, there is a Project Management Module. There, we monitor what outputs will be generated in a project, what are the indicators for monitoring all of which serve as guidance in intervening and annual targets. The target becomes something that, "Are we on the right track or not". Each year should be recorded by each project in which each project also has different indicators and targets. When an output already exists, then does the proof that the output is what we are looking for? It is seen from the indicator. If the indicator is met, it can be concluded that the project is achieved with targeted output. Therefore, the indicator must be very relevant to the output stated in the project document. [...] Here, I will continue that the Quality Assurance team also has its own indicator named Quality Monitoring Report (QMR) and Internal Project Assurance Report (IPAR). Quality Monitoring Report (QMR) serves to monitor an actual basis rather than annually. There to see if really achievement can be achieved. There are several aspects that can be seen from QMR, namely Financial Delivery, which aims to monitor the budget costs with actual expenses that have been issued. For example, this project gets donors at the cost of one hundred million rupiahs. In the first quarter, it turned out that the new one was spent only one million rupiahs, which is only a fraction of a per cent. In fact, should be able to spend 2.5 million dollars more or less at that time. Apparently, it can be concluded that the Financial Delivery aspect is very low. So, Quality Assurance Unit suspects that this project has an indication that it is not working properly. Program manager who becomes Project Assurance must go down to the field and make sure this bad action happened where. For example, whether from a partner who does not follow up, whether the process is delayed, or is there anything else that should be resolved immediately. That's in terms of QMR. Also, in the QMR, there are many aspects, such as the gender aspect, the resultant aspect and all sorts of things that should be noted as they are there. So, a program manager who designed a project at first—after designing, then submitted to the project manager. The project manager will implement with the implementing partner or the relevant ministry. The program manager switches the function of designing to supervise, or commonly referred to as project assurance. That is where the project assurance functions to monitor whether the project is executed according to his or her design. And that's what QMR is to report for the project manager to the program manager. Well, for the

program manager itself, there are reports that he must fill, which is IPAR. In the report, the program manager expressed his opinion regarding the project done by the project manager. The project manager will implement the design of the Program Manager with the Implementing Partner or the relevant ministry. The program manager changes the functionality of the designer to the supervisor. Form a report from the project manager to the program manager in the form of QMR in which there is a section for program manager named IPAR. That is where the program managers give their opinions. Whether this project is working properly, is there any issues that need to be raised to senior management levels to be resolved [...] If the social and environmental audits become one. Because if the impact on the environment, must also be directly related to the community. Because in REDD + itself there is no specific social audit process, which is done monitoring and evaluation mechanism. So, that's a money procedure, not a special audit procedure. Thus, the aspects of social and environmental safeguards are monitored areas where there are already checklists." (interview with the Head of QARE Unit).

Disseminating social auditor's consolidated report to the decision-making committee that includes stakeholders, disseminating the report to civil society, beginning next cycle of social accounting, and assessing the interpretation and comment on the quality of social accounting and reporting.

"Then, there is called the Program Manager Visit, the program manager came to the field to see if the reality on the field according to what was reported. The program manager who does the Visit Program Manager will create a report called Back to Office Report. Especially for Reducing Emissions from Deforestation and Land Degradation (REDD+) supervision is quite strict because it is held every week with the senior management meeting at that time. If another project makes its Annual Report, if Reducing Emissions from Deforestation and Land Degradation (REDD+) makes an update report on a weekly basis. Because Reducing Emissions from Deforestation and Land Degradation (REDD+) project is quite highlighted by President Susilo Bambang Yudhoyono." (interview with Communication Officer of UNDP Indonesia Country Office's Reducing Emissions from Deforestation and Land Degradation (REDD+) Project).

As the last step of social audit, the activity is about feedback for fine-tuning policy, legislation, administrative functioning and programming towards social objectives, following-up to the projects related, reviewing support to civil society for its participation, and institutionalisation of the process. The statement is proven by this conversation below:

"We still have no tools that can measure it. As to whether they are happier after REDD +, or whether they are getting richer with REDD +, but clearly in REDD +, through our activities, some community groups have been made aware of the importance of forests and how to

safeguard them. That the forest can provide benefits beyond the benefits of wood. That forests also play an important role in their lives and livelihoods. It could be that they are now farming far away from the forest sector. But, if the forest runs out, there is no water source, where the farm. From there, it is the influence of the forest for them. Which was originally only looking for rattan, if there is no forest, rattan from where. As well as conflicts between tigers and communities in Riau because the tiger will be in hunger because they could not find prey." (interview with The Head of National Project Officer of UNDP Indonesia Country Office's Reducing Emissions from Deforestation and Land Degradation (REDD+) Project).

The application of Reducing Emissions from Deforestation and Land Degradation (REDD+) in a forest area will likely encounter long-standing community groups in the forest, and their livelihood depends on the land and forest resources that they traditionally manage based on traditional knowledge and customary laws prevailing in the community. Alternatively, on the landscape of forest areas, there are already communities whose generations live and depending on existing forest land and resources; but they do not use customary law in their daily life so that they can no longer be called customary law community. Therefore, they have no right to forest management, even though they have occupied and worked on the land long before the forest area was appointed or determined by the government. Historically they can not be said as forest encroachers, because they are not migrants and generally they have an emotional bond with the land. In forest administration, this community is often called the local communities. Other community groups that need to be considered in Reducing Emissions from Deforestation and Land Degradation (REDD+) implementation in forest areas are migrant community communities that are not included in both communities. This community lives and exploits land and forest resources, with no emotional connection to the land or community. Implementation of Reducing Emissions from Deforestation and Land Degradation (REDD+) in an area needs to be explained first to each component of the community mentioned above, so that they can freely accept (free and prior informed consent) and subsequently participate in Reducing Emissions from Deforestation and Land Degradation (REDD+) planning and implementation.

## **Conclusion**

Based on this research, there are some conclusions according to the social audit practice by UNDP Indonesia Country Office's for Reducing Emissions from Deforestation and Land Degradation (REDD+) below:

1. UNDP has been implementing and practising social audit by using another term, which is UNDP Social and Environmental Standard (SES) and UNDP Social and Environmental Screening for all projects.



2. Regarding the audit report for UNDP Indonesia Country Office's Reducing Emissions from Deforestation and Land Degradation (REDD+) Project, it is being disclosed by UNDP Head Quarter and also being chosen as Indonesia Country Office's project to be disclosed to the public.

The auditor for this project was from three stakeholders, which are the internal auditor of UNDP Indonesia Country Office from QARE Unit, and two stakeholders and becoming external auditors, which are UNDP Head Quarter and Norwegian Government. All of them are also implementing social audits, beside of conducting financial audits.

## REFERENCES

- Bastian, I. (2010). *Akuntansi Sektor Publik*. Surabaya: Penerbit Erlangga.
- Basuki. (2016). *Metode Penelitian Akuntansi dan Manajemen*. Surabaya: Airlangga University Press.
- Bibu, N. Lisetchi, M. and Brancu, L. (2013). Particularities of non-governmental organisations' financing: The case of Romania. *Journal of Social and Behavioral Sciences*, Vol. 92, No. 16, pp. 480-489.
- Boyd, G. (1998). *Social Auditing – A method of determining impact*. Glasgow: Glasgow Caledonian University.
- Brown, K. and Osborne, S. F. (2005). *Managing change and innovation in public sector organisation*. London: Taylor and Francis.
- Carter F. Klein, R. and Day, P. (1992). *How organisations measure success: The use of performance indicators in government*. London: Routledge.
- Centre of Good Governance, (2005). *Social audit: A toolkit a guide for performance improvement and outcome measurement*. Hyderabad: Centre of Good Governance
- Donaldson, T. and Preston, L. E. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. *Journal of Academy of Management Review*, Vol. 20, No. 1, pp. 85-91
- Donaldson, L. Davis, J. H. and Schoorman, F. D. (1997). Toward a stewardship theory of management. *Journal of Academy of Management Review*, Vol. 22, No. 1, pp. 20-47.
- Friedman, A. L. and Miles. 2006. *Stakeholders: Theory and Practice*. Oxford: OUP Oxford.
- Goodson, S. G. Mory, K. J. and Lapointe, J. R. (2012}. *Supplemental guidance: The role of auditing in public sector governance*. The Institute of Internal Auditors
- Hancock, B. Ockleford, E. and Windridge, K. (2009). *An introduction to qualitative research*. Nottingham: The National Institute for Health Research.
- Kluvers, R. and Tippett, J. (2011). An Exploration of Stewardship Theory in Not-For Profit Organisation. *Journal of Accounting Forum*, Vol. 335, No. 31, pp. 275-284.
- Lewis, D. (2001). *Non-Governmental organisations, management, and development*. London: Routledge.





- Ngoran, S. D. and Xue, X. (2017). Public sector governance in cameroon: A valuable opportunity or fata aberration from Kribi Campo Integrated Coastal Management. *Journal of Ocean and Coastal Management*, Vol. 138, No. 16, pp. 83-92.
- Rodrigue, M. (2014). Contrasting realities: Corporate environmental disclosure and stakeholder-released information. *Journal of Accounting, Auditing, and Accountability*, Vol. 27, No. 57, pp. 119-149.
- Sekaran, U. (2000). *Research Methods for Business 5<sup>th</sup> Edition*. New Jersey: John Wiley and Sons.
- Suaryana, A. (2011). Implementasi Akuntansi Sosial dan Lingkungan di Indonesia. *Jurnal Ilmiah Akuntansi dan Bisnis ISSN 2303-1018*.
- Waring, C. G. and Morgan, S. L. (2007). Public sector performance auditing in developing countries. Washington DC: The World Bank
- Yin, R. K. (2010). *Qualitative Research from Start to Finish*. New York: The Guilford Press