



Institute of  
Internal Auditors  
Thailand



# ESG AUDIT

IA Clinic 12/2568

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# Is ESG about reporting, or is it about liability?

## If Carbon Emission data is wrong, who is liable?



## Is a beautiful ESG report with false data considered fraud?

Should Internal Audit engage before the report is published, or after the damage is done?



# A Critical Mindset Shift: From PR to Governance

ESG  $\neq$  PR  $\neq$  CSR

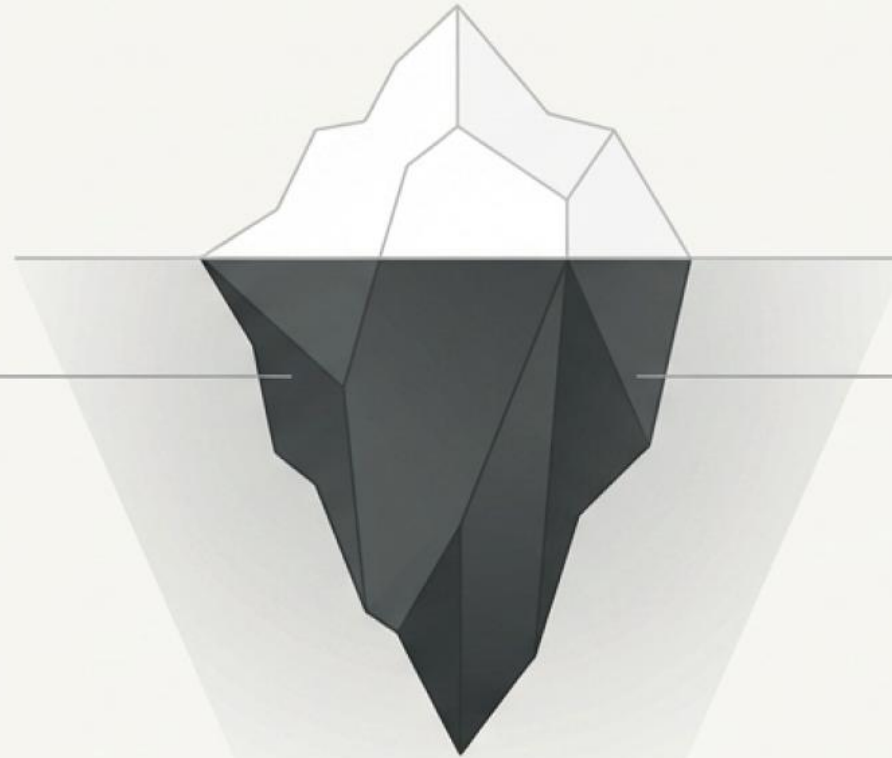
**ESG = Risk + Control + Governance**

This is the fundamental shift. We must move the conversation from corporate reputation to corporate resilience. Internal Audit's role is not to approve marketing claims but to provide assurance on the systems that manage material business risks.

# Greenwashing is an Emerging Audit & Fraud Risk

## What is Greenwashing?

The intentional misrepresentation of ESG performance to mislead stakeholders. It is a failure of governance and a breakdown of internal control.



## When does it become Fraud?

When there is **Intent** to deceive, the information is **Material** to a decision (e.g., investment, loan), and it results in a **Benefit** (e.g., lower interest rates, higher stock price).

## Consequences of Failure

- ▲ Regulatory Sanctions & Fines
- ▲ Investor Lawsuits (for Misleading Disclosure)
  - ▲ ESG Rating Downgrades
- ▲ Irreversible Damage to Board & Market Credibility



# ESG Assurance is a Core Mandate for the Third Line



Our role is to provide **Reasonable Assurance** on the system, not to give a **'Green Approval'** on the report itself.

# The Board needs an independent view on ESG. You are that view.

## ASSURANCE

The Board needs to know if they can trust the information they are given.



- **ESG Data:** Is it accurate, complete, and verifiable?



- **ESG Processes:** Are the underlying processes controlled and effective?



- **ESG Governance:** Is there clear ownership, oversight, and accountability?

## ADVISORY

The Board needs to know if the organization is prepared.

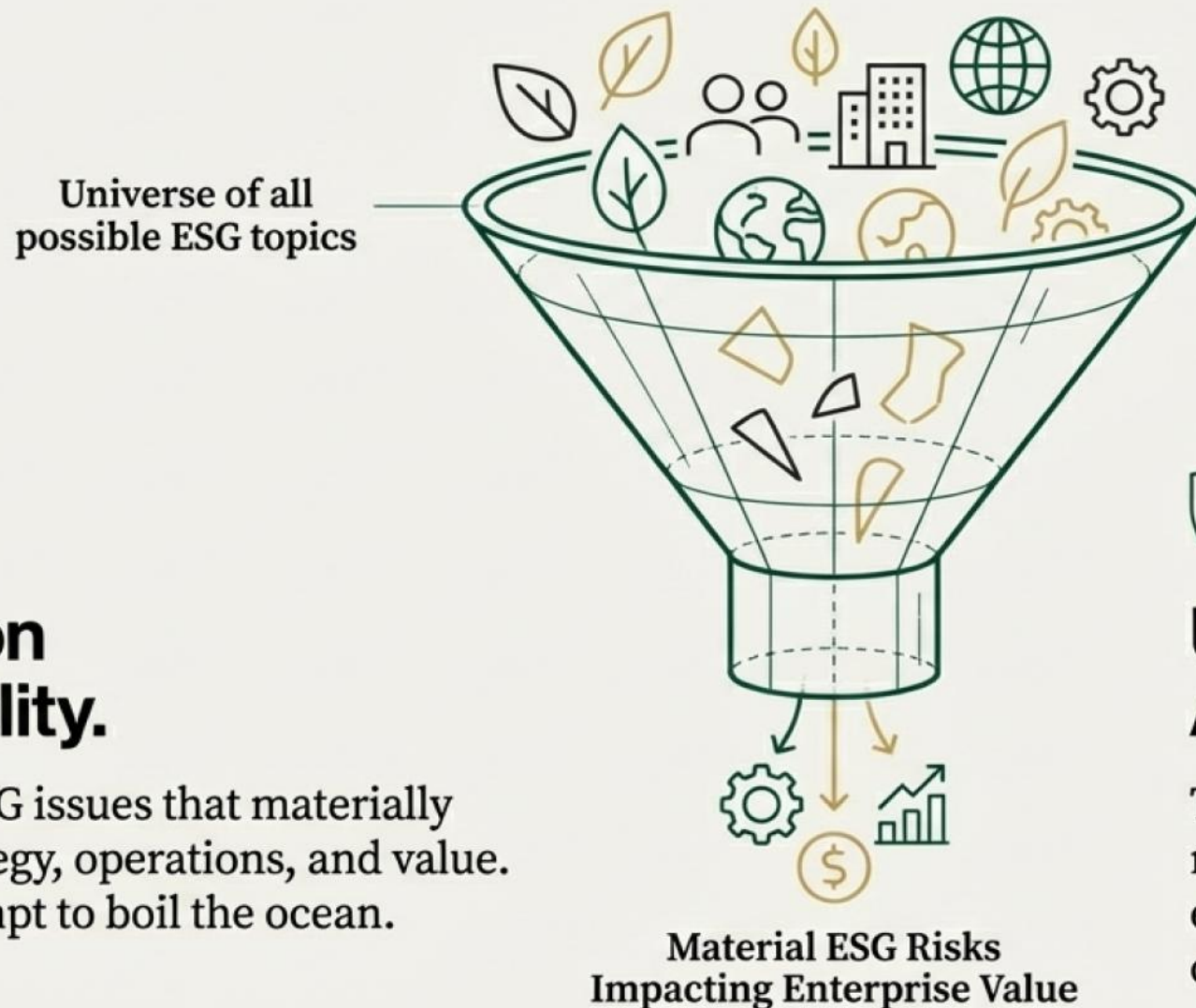


- **ESG Readiness:** How prepared are we for new regulations and investor demands?



- **Gap vs. Standards:** Where are our gaps against key frameworks (e.g., GRI, ISSB, TCFD)?

# Apply the same audit logic you use every day.



## Focus on Materiality.

Audit the ESG issues that materially impact strategy, operations, and value. Do not attempt to boil the ocean.



## Use a Risk-Based Approach.

The question is not 'Did we fill out the report?' The question is 'Are we effectively managing our most critical ESG risks?'



# Three Practical Entry Points for Your First ESG Audit



## 1. ESG Readiness Review (Advisory Focus)

Objective: Assess the maturity of the organization's ESG governance, controls, and data infrastructure *before* a major reporting deadline.

**Best for:** Organizations new to formal ESG reporting.



## 2. ESG Process Audit (Assurance Focus)

Objective: Audit a single, high-risk process from end-to-end, such as GHG data collection or supplier ESG due diligence.

**Best for:** Focusing limited resources on a known area of risk.



## 3. ESG Data Assurance (Limited Assurance Focus)

Objective: Provide limited assurance on the accuracy and controls over a specific set of ESG data points for an upcoming report.

**Best for:** Responding to an immediate Board request for confidence.

## The Most Important Analogy for Your Team and Stakeholders

# ESG Data = The New Financial Data

It is being used for capital allocation, financing, and valuation decisions.  
Therefore, it requires the same level of:

- **Governance:** Clear ownership and Board-level oversight.
- **Internal Control:** Documented processes, reviews, reconciliations, and system controls.
- **Assurance:** Independent verification of its integrity.



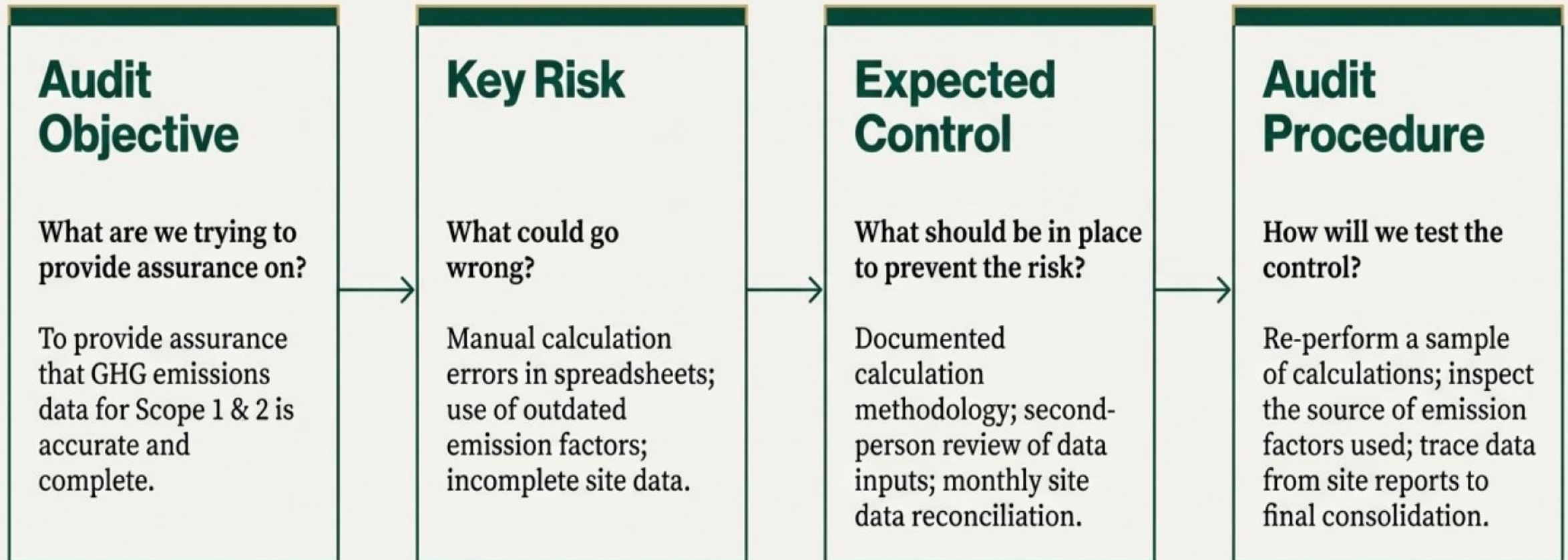
# The Accountability Matrix: Who is Liable When ESG Data is Wrong?

Role	Primary Responsibility
<b>Board / CEO</b>	<b>Ultimate Accountability:</b> For overall governance and system adequacy.
<b>ESG / Data Owner</b>	<b>Data Accuracy:</b> For correct calculations, factors, and completeness.
<b>Finance / IR</b>	<b>Disclosure Integrity:</b> For the accurate presentation and reporting of data.
<b>External Verifier</b>	<b>Professional Opinion:</b> According to the agreed-upon assurance scope.
<b>Internal Audit</b>	<b>System Evaluation:</b> For assessing the adequacy of internal controls.

Internal Audit is not the owner of the data, but the evaluator of the system that produces it.



# Building a Repeatable ESG Audit Program

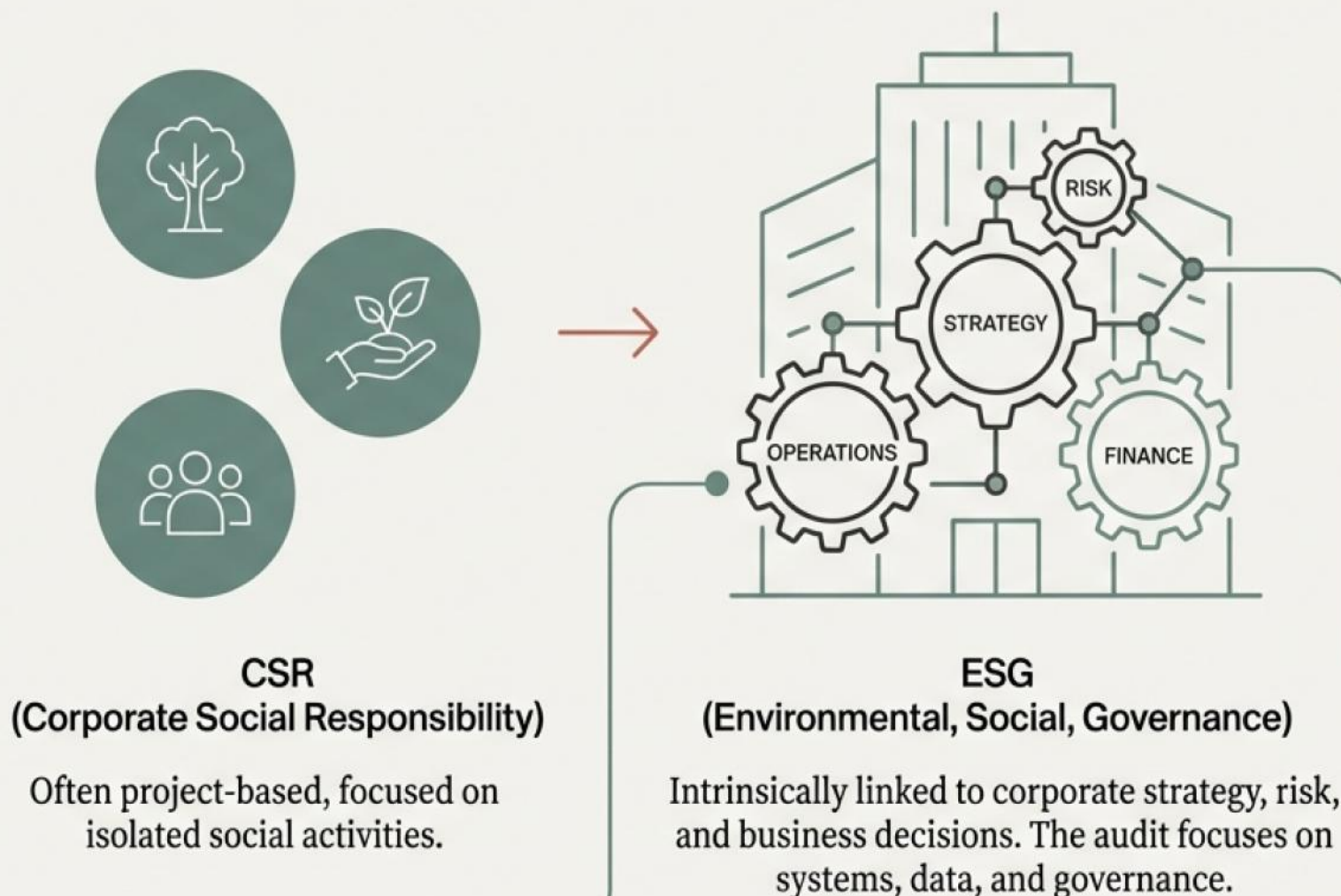


# THE LANDSCAPE HAS CHANGED: ESG IS NOW CORE TO STRATEGY AND RISK

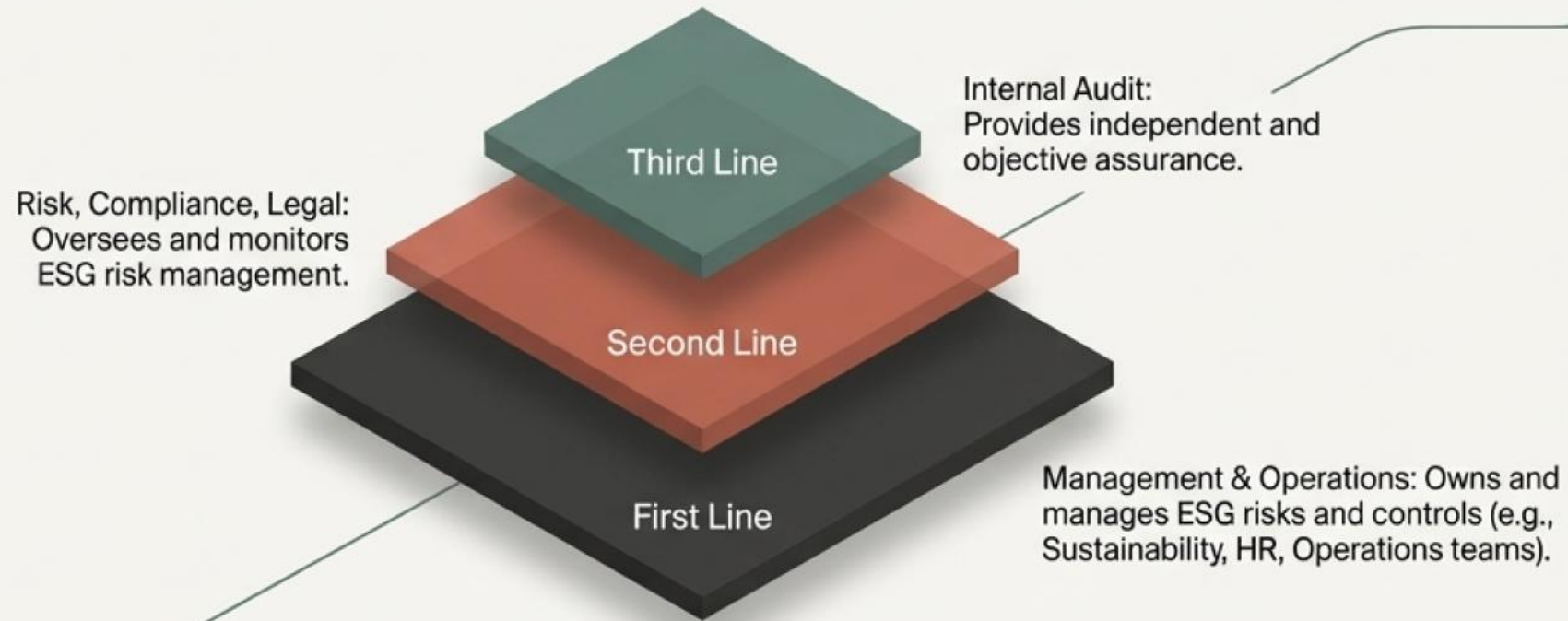
## What is an ESG Audit?

An evaluation of the adequacy and effectiveness of governance, risk management, and internal controls related to Environmental, Social, and Governance issues. It critically assesses the reliability of data reported to stakeholders.

## Core Distinction: ESG is Not CSR



# YOUR POSITION IS CLEAR: THE INDEPENDENT THIRD LINE OF ASSURANCE



## Key Responsibilities of the Third Line (IA)

- Provide independent assurance, not own the ESG strategy.
- Assess the reliability of ESG data and reporting processes.
- Evaluate if ESG governance is effective.
- Report findings directly to the Audit Committee and senior leadership.



# THE VALUE OF THE JOURNEY: BUILDING TRUST AND DRIVING STRATEGIC INSIGHT



## Mitigates Greenwashing Risk

Provides an independent check against exaggerated or misleading sustainability claims.



## Enhances Credibility

Increases trust in non-financial data for investors, customers, and regulators.



## Supports Strategic Decisions

Gives leadership reliable information to make informed choices, turning ESG from a perceived “cost” into a “value driver”.



## Ensures Future Readiness

Prepares the organization for evolving regulations and stakeholder expectations.

# THE JOURNEY'S STARTING POINT: BEGIN WITH GOVERNANCE AND DATA

The 'Crawl' Phase — For Organizations Not Yet Ready for Full Assurance



## GOVERNANCE

- Verify the existence of core policies (ESG/Sustainability, Climate, Human Rights, Ethics).
- Assess the clarity of roles and responsibilities—who owns ESG?
- Start with an advisory role to help establish a sound governance structure before moving to assurance.



## DATA READINESS

- Assess the state of ESG data. Is it scattered? Who are the data owners?
- Recommend establishing 'minimum controls' for data even if a full system isn't in place (e.g., clear data owners, review/approval process, basic audit trails).

## KEY ACTION

Conduct an ESG Maturity Assessment to establish a baseline.

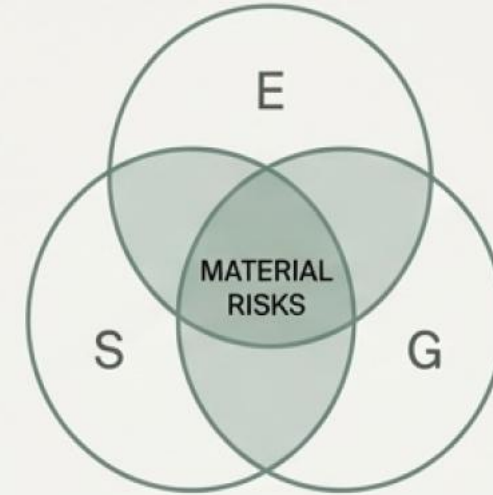


# BUILDING A REPEATABLE PROCESS: INTEGRATING ESG INTO YOUR AUDIT UNIVERSE

## The 'Walk' Phase — Developing the Audit Program

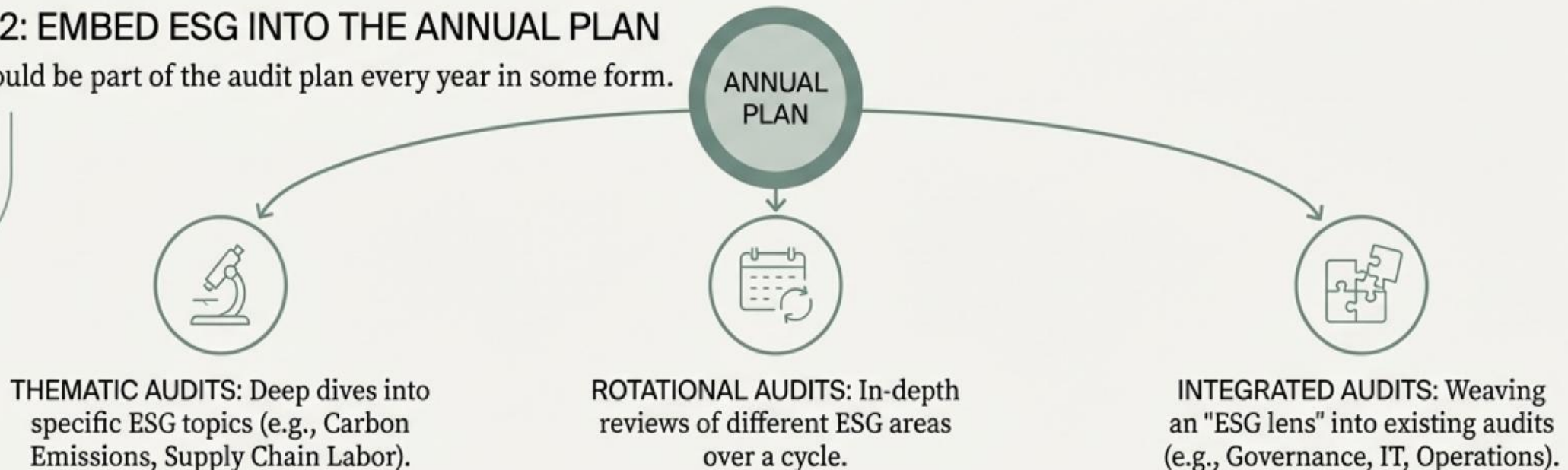
### STEP 1: USE A RISK-BASED APPROACH

- Incorporate ESG risks into the enterprise risk universe.
- Prioritize audit topics based on materiality. E, S, or G is not one-size-fits-all; it depends on the business context (e.g., Finance: G & S; Manufacturing: E).



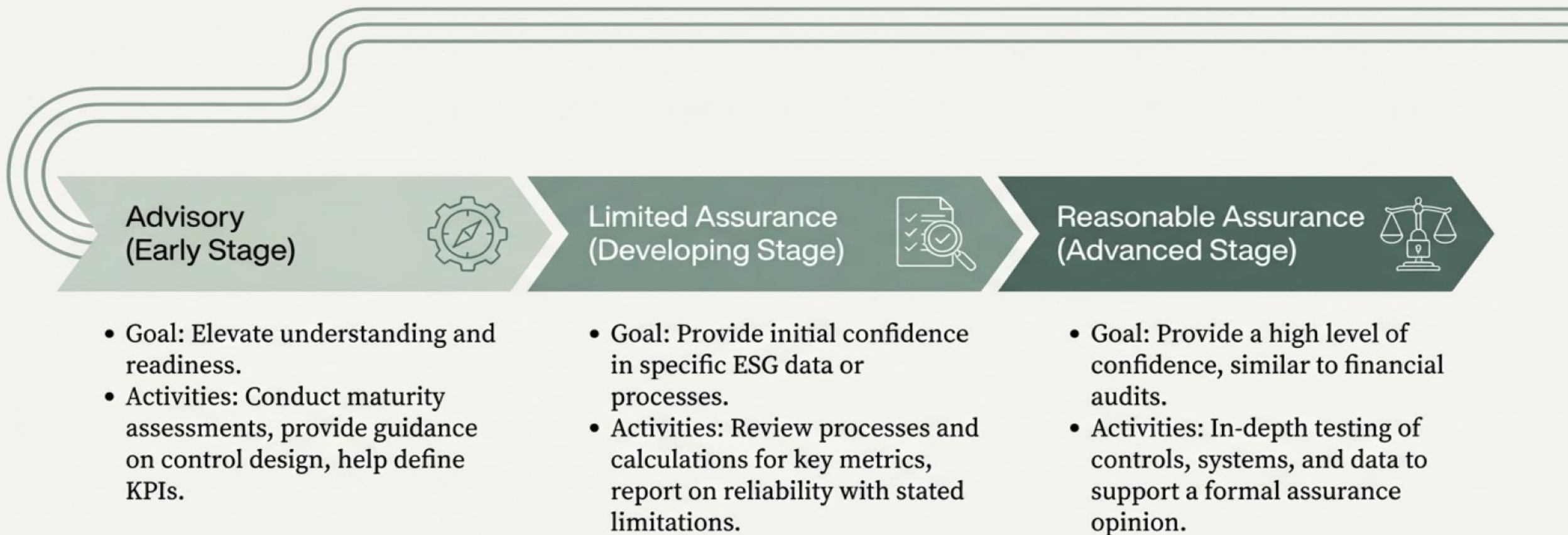
### STEP 2: EMBED ESG INTO THE ANNUAL PLAN

ESG should be part of the audit plan every year in some form.





# A PHASED APPROACH TO ASSURANCE: MATCHING YOUR WORK TO ORGANIZATIONAL MATURITY



# THE DESTINATION: EVOLVING INTO A STRATEGIC ASSURANCE PROVIDER



**FROM**

Backward-looking,  
compliance-focused,  
checklist auditor.



**TO**

Forward-looking,  
value-based, trusted  
advisor.

*“ESG Audit is not a new task, but an evolution of the IA role, transforming the auditor into a Strategic Assurance Provider who links sustainability, strategy, and corporate value.”*

## Provide Early Warnings

Identify emerging ESG risks before they become critical issues.

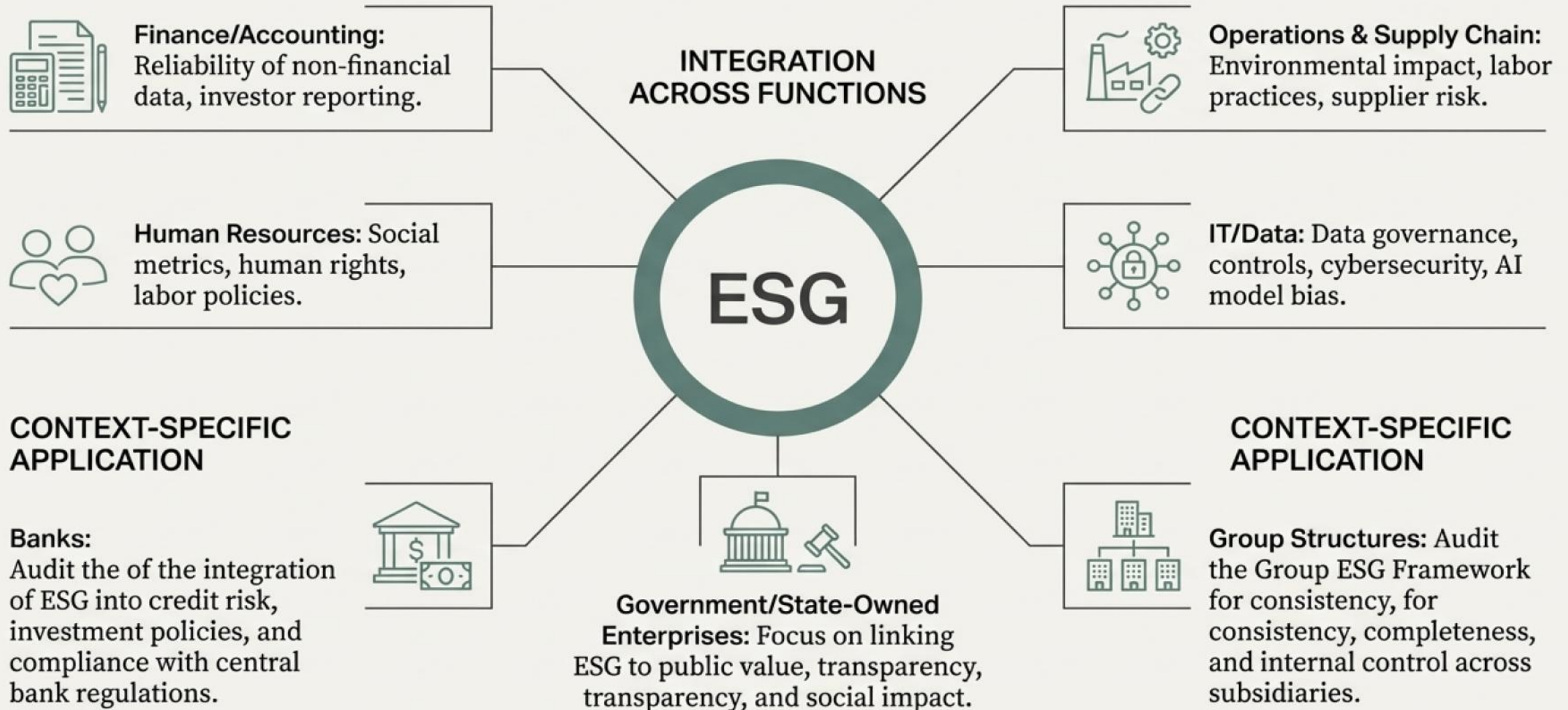
## Connect ESG to Strategy

Demonstrate how sustainability performance links to business objectives and value creation.

## Deliver Actionable Insights

Go beyond reporting exceptions to provide recommendations that improve systems and decision-making.

# ESG IS AN ENTERPRISE-WIDE LENS, NOT A SILO





# YOUR FIRST STEPS ON THE JOURNEY



**1.**

## UPSKILL YOUR TEAM

Invest in training on ESG concepts, frameworks (GRI, ISSB), and data analytics.



**2.**

## MAP ESG TO YOUR RISK UNIVERSE

Formally identify and incorporate material ESG risks into your organization's risk assessment process.



**3.**

## INITIATE THE DIALOGUE

Proactively communicate with the Audit Committee and senior management about ESG risks and the role of IA.



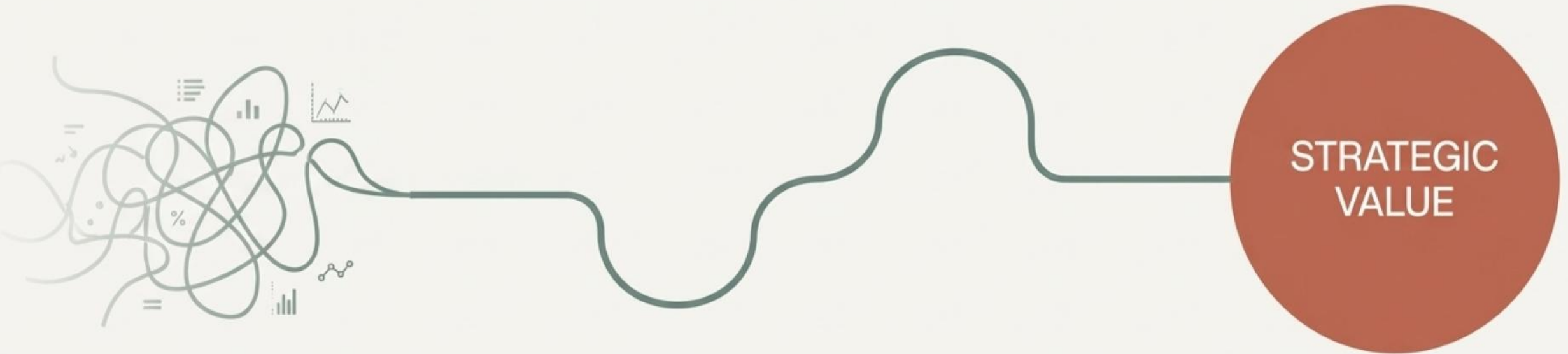
**4.**

## ADJUST YOUR AUDIT UNIVERSE & PROGRAM

Begin integrating ESG considerations into the annual audit plan and existing audit programs.

Do not wait for regulations to force action.  
Start now with an advisory and readiness review.

# THE NEW DEFINITION OF VALUE: FROM COMPLIANCE TO STRATEGIC CONTRIBUTION



The ultimate goal of ESG Audit is not simply to verify data, but to provide the independent assurance that gives leadership the confidence to build a more resilient, sustainable, and valuable organization.

- ESG is a driver of competitive advantage and long-term resilience.
- Your role is to connect sustainability, strategic goals, and enterprise value.
- You are not just an auditor; you are a trusted advisor shaping the future.



THANK YOU