



ESG Auditing (Environmental, Social and Governance)

Why you should attend

- Sustainable business practices and transparent ESG reporting are getting an increasingly high profile.
- A growing number of businesses are recognizing that adopting ESG best practices can be an important business differentiator.
- In addition, more and more investors are imposing sustainability-related requirements on organisations seeking financing.
- This course provides an overview of the role of Internal Audit in reviewing these crucial activities
- The potential impact and implications of environmental, social and governance (ESG) developments, and value creation through ESG will be explored and discussed during the course.

Who should attend?

- Heads of Internal Audit
- Audit Managers and those about to be appointed to that role
- Lead Auditors
- Senior auditors
- Other assurance professionals that need a greater understanding of ESG assessment techniques

Course Level

- This is an intermediate level course and delegates should ideally have at least 12 months experience in Internal Audit (or other assurance roles) to attend.
- Delegates should have a good educational standard and ideally a professional qualification
- No advance preparation is required
- Delivery method – On-line-live (with exercises and case studies to provide practical application of the tools and techniques)

After completing this course you will be able to

- Audit Environment, Social responsibility and Governance with confidence
- Review the effectiveness of the overall ESG environment
- Meet stakeholder expectations regarding ESG

- Help the business deliver benefits from environmental, social and governance management
- Ensure that ethics and sustainability receive more attention
- Assist the Board in their ESG oversight

CPE credits

- Participants will earn 9 CPE credits (6 in the Auditing field of study and 3 in the Management Advisory Services field of study)

The Pillars of ESG

- Environmental, Social and Governance responsibility
- The need to demonstrate responsible business processes
- The ESG cycle
- The benefits of ESG
 - Improved environmental performance
 - Improved employee health and wellbeing
 - Increased stakeholder engagement
 - Access to additional funding
 - Improved transparency of supply chain risks
 - Attracting 'ethical consumers'

The Internal Audit role in ESG

- Raising ESG risk awareness with audit committees and boards.
- Promoting opportunities to improve efficiency and effectiveness.
- Assisting the organisation to achieve its strategic ESG goals
- Assisting delivery of risk management solutions in the ESG arena
- Promoting awareness of transition risk to assist the organisation to beat the curve as ESG policy implications become more apparent.
- Ensuring climate-related risks receive attention
- Meeting with functional management to discuss the ESG audit
- Determining sources of information
- **An ESG audit checklist will be shared**

Exercise 1 – Pre-Meeting with management: Role Play

The Environmental audit

- Overview of current environmental thinking
- Structure and requirements of ISO 14001
- Key environmental concepts and essential terminology
- Key focus areas for auditing core environmental processes
- Overview of current environmental legislative requirements and relevance to auditing
- Objectives and types of environmental audits

- Processes and techniques for planning, conducting & reporting audits
- Ensuring consistency
- Is there a Departmental Environmental Policy?
- Has a Department Environmental Coordinator been formally appointed?

Exercise 2 –Challenges of environmental audit

Energy and Water management

- Are there defined maintenance programmes to ensure all equipment is operating at optimum efficiency?
- Is there a written commitment to reduce energy use?
- Are there formal arrangements to replace energy inefficient equipment/fixtures?
- Are there formal procedures to consider energy efficiency when purchasing new equipment?
- Are there records of energy use for the Department's premises (e.g. break down by floor)?
- Have there been reviews undertaken to identify energy use and minimisation opportunities?
- Water management and economy of use
- Is any wastewater recycled? If so, describe briefly (i.e. treatment and use).
- Licences or applications on file pertaining to water pollution control regulations
- Criteria for reviewing the premises discharge strategies

Exercise 3 –The energy/water management audit

Waste management

- Dangerous waste
- Chemical waste
- Biological/infectious waste
- Solid waste (including obsolete equipment)
- Radioactive waste
- On-site waste or disposal systems
- Waste recycling programmes
- Off-site facilities used for waste treatment and storage

Ethical and sustainable purchasing

- Are key suppliers located in emerging markets with high social, human labour, environmental risks?
- Is the supply chain part of an industry with high social and, environmental responsibility?
- Does the business have a responsible purchasing policy/Code of Conduct for suppliers?
- Are ESG criteria included in the selection and monitoring of key suppliers?

- Compliance with health and safety regulations and/or Departmental guidelines
- Packaging materials (quantity, biodegradability, recyclability etc.)

Exercise 4 –Ethical and sustainable procurement

Other key environmental topics

- Air emissions and indoor air quality
- Noise Control
- Transportation and travelling practices
- Environmental information publicity
- Dangerous goods
- Environmental site audit
- Sustainability audit
- Environmental emergency prevention and preparedness

Exercise 5 – Select a topic and brainstorm the issues

Auditing Reputation

- The rise of reputation as a key risk
- The increasing importance of a positive image – the need to be admired
- Where does reputation come from?
- How do you measure it?
- The magnifying effect on reputation of business failures
- How to judge reputation
- Identifying Reputational Risks
- **A checklist for reviewing reputational risk will be provided to all delegates**

Day 2 Social responsibility and Governance

Social Responsibility and ethics

- The increasing importance of Corporate Social Responsibility (CSR)
- IIA standard 2110 re auditing of ethics
- What constitutes CSR
- The wider aspects of CSR and the implications for IA
- Doing responsible things responsibly
- **A paper on auditing ethics will be provided**
- Redefining IA role with CSR in mind
- An audit framework
- How to audit CSR – key steps
 - Is communication with main stakeholders taken seriously?
 - Are the expectations of these stakeholders accurately understood, and what are the risks that these will not be met?

- Are opportunities taken to develop the ethical reputation of the business?
- How do we ensure that staff have and display the right attitudes?
- Has the business assessed its reputation for social responsibility and its impact on our business prosperity?
- Is the Board, and in particular the Chief Executive, sensitive and responsive to the concerns of customers

Exercise 6 – CSR the audit challenges

Social Responsibility evaluation

- How are social responsibility issues identified and incorporated into the organization?
- Review current applications/systems used, including spreadsheets, data files and automated controls
- Determine how management oversight is incorporated into the process
- Determine what controls (manual & system) are in place to avoid unauthorized purchases and spending limit workarounds
- Determine if internal controls are in place throughout the process
- Determine if proper segregation of duties exists
- Meet with the third-party charitable organization receiving the funds, resources or actions to determine the impact.
- Evaluate the impact of the company's social efforts with recipients, local news organizations and the charitable community (trade publications).
- Ensuring social responsibility considerations incorporated into the corporate code of conduct
- Ensure public relations have effective procedures to respond to social responsibility issues.
- **2 CSR checklists will be provided**

Exercise 7 – CSR key aspects (Moonshot)

The key aspects of Corporate Governance

- The key aspects of Corporate Governance
- 6 core principles of governance
- Governance warning signs
- New corporate governance insights paper will be shared
- How the organisation is managed on behalf of the stakeholders
- Governance statements highlighting ESG maturity
- The key parties within Governance
 - Audit Committee
 - The Board
 - Regulators
 - Customers

- Suppliers
- **A Governance toolkit will be shared**

Exercise 8 – Corporate Governance challenges

Corporate Governance and the Internal Audit Role

- Meeting Stakeholder requirements
- How the organisation is managed on behalf of the stakeholders
- Developments in CG – new paper
- The audit role in the CG process
- The risk focus of the function (and the relative roles of other assurance providers)
- Coordination with other assurance providers
- A guidance paper on assessing organisational governance will be provided
- ESG Trigger events

Exercise 9 – Determining the Governance ESG issues

Analysing and assessing the effectiveness of Governance

- Business process analysis techniques
- Process objectives and risk
- The need to understand the business objectives
- Developing a programme to reflect these objectives
- Defining and measuring strategic objectives
- Determining process components
- The link between ESG objectives and risk
- The link between risks and controls
- Process and business system controls
- The link between inputs and outputs

Meeting Stakeholder expectations

- Who are the stakeholders?
- Are stakeholders' expectations known?
- Are the expectations clear?
- How can you meet the widely differing expectations?
- Are there any areas where expectations could be exceeded?
- Are there any quick wins?
- What reports should IA provide to stakeholders?
- A new paper on working with stakeholders will be shared
- New advice on auditing ESG strategy

Exercise 10 – Meeting the ever expanding needs of stakeholders – what should the IA role be?