

Internal control over sustainability data: summary report.

The concept of internal control is fundamental to establishing and maintaining trust over financial data. As entities increasingly bring sustainability-related objectives into their performance management and external reporting systems, so the requirement to ensure trust in such data requires the application of the concepts of internal control beyond the traditional.

Drawing on the opinions of approximately 50 ACCA and Institute of Internal Auditors (The IIA) members together with over 900 survey respondents, this report considers how this is progressing and the state of play.

ACCA



Three key messages from this research:

- The nature of the process flows related to sustainability data require a reappraisal of the accepted internal control concepts to ensure that they can be applied appropriately.
- A successful implementation of internal control over sustainability data fundamentally relies upon the executive and management of the entity establishing sustainability objectives as core strategic objectives monitored by robust key performance indicators (KPIs).
- Data ownership that embraces internal control must be established, especially in areas where control consciousness is not fundamental to personal conduct and all those involved in internal control need the appropriate skill sets.

The strategic importance for action

There is a real opportunity for accountancy, finance and internal audit professionals to engage in the sustainability-related agenda and to deliver strategically important and meaningful work and make a strong contribution to sustainable businesses which are essential for the future of the capital markets, the global economy and the planet.

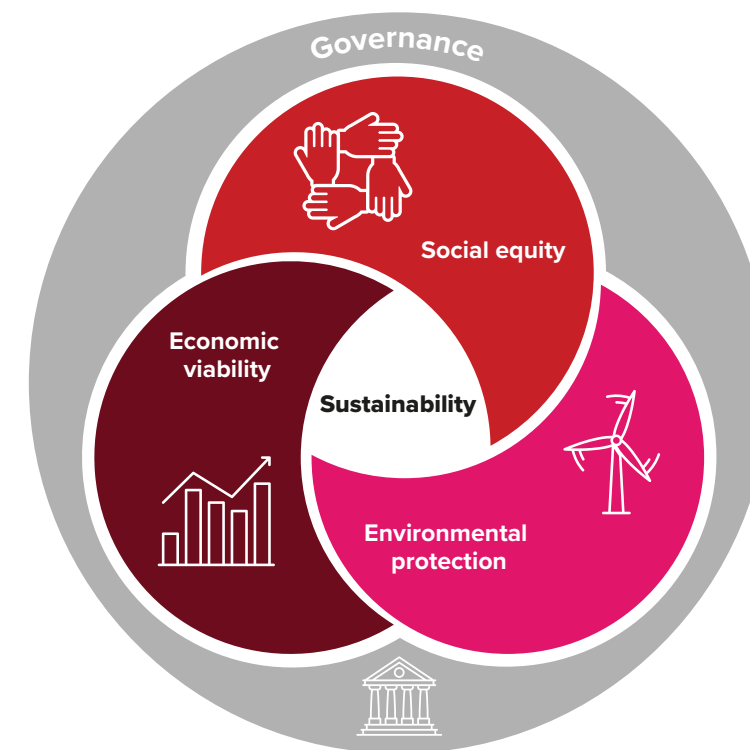
How we see it now

2025, as with some of the preceding years, has been a time of great uncertainty and challenge for many entities. The short-term nature of many of the challenges may well have relegated some of the more medium-term issues, including sustainability-related risks and opportunities, to a less strategic focus. These issues remain pressing, and entities need to grasp them.

Sustainability is a multi-dimensional issue. It represents three interconnected domains, environmental protection, social equity and economic viability each surrounded by governance in a transition to a sustainable business model that ensures that nobody is left behind.

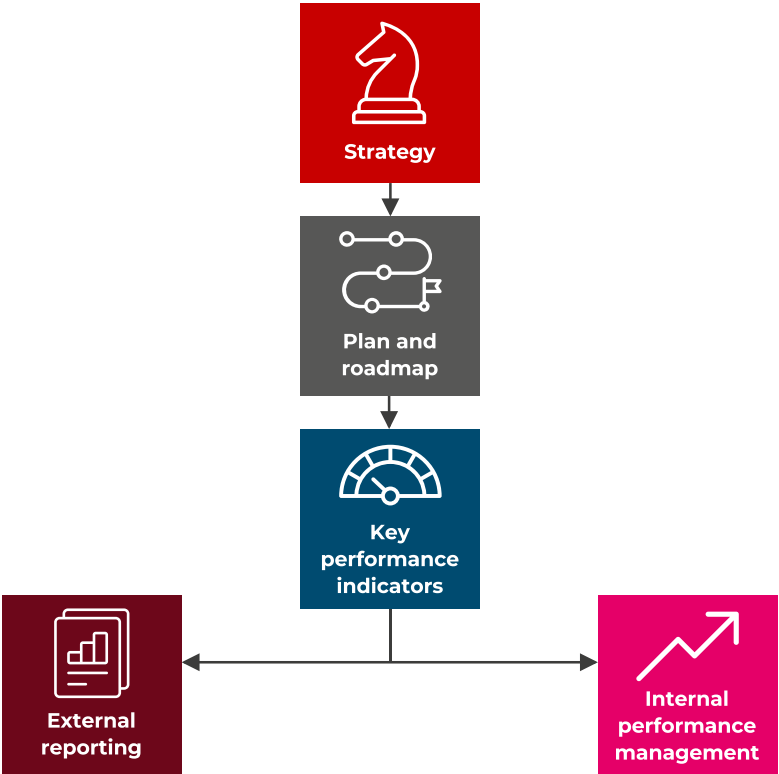
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Figure 1: Dimensions of sustainability



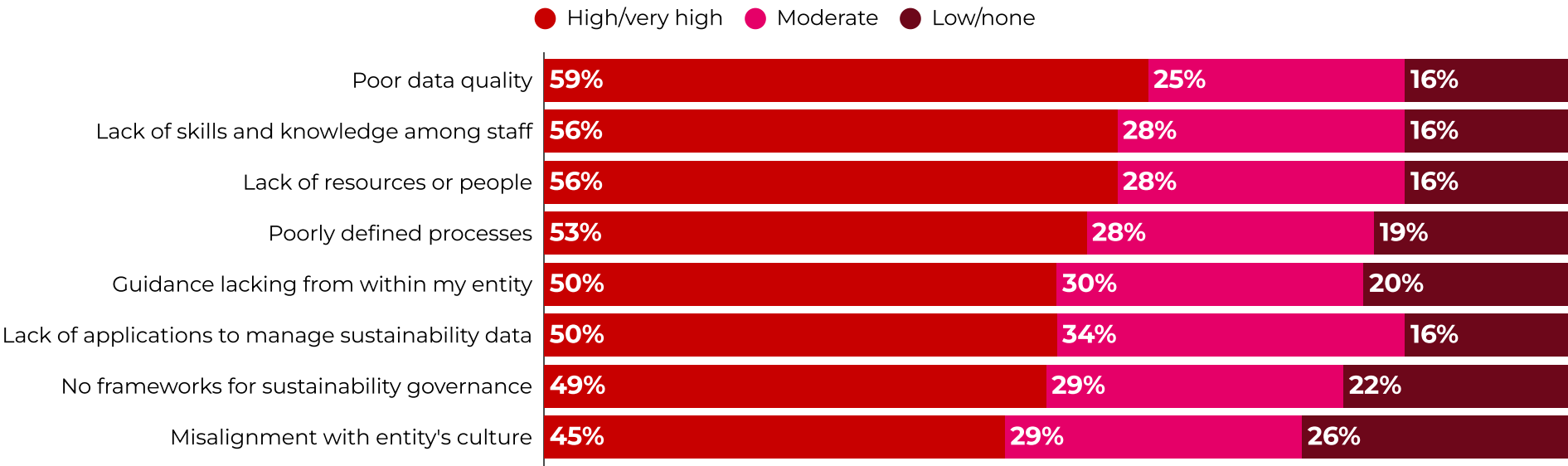
The reality that sustainability is an issue that must be addressed from an entity-wide strategy which cascades through key performance indicators which deliver both performance management and external reporting outcomes.

Figure 2: Alignment between performance and internal control over sustainability data



For either, or both, performance management and external reporting to be effective the data upon which they are based must be trusted and reliable. The necessity of establishing effective internal control. That this is a requirement was reflected in the survey results in this research with 63% of the respondents indicating a high or very high requirement, which contrasted with 49% who gave a similar rating to the existence of leadership support for this and 29% who felt that there was an adequate level of internal control at present.

Figure 3: How much impact do these potential challenges have on internal controls over sustainability data at your entity? (n=843)



The challenges in establishing effective internal control

The survey respondents indicated that there were several significant challenges in establishing internal control over sustainability-related data. They ranked a series of potential challenges as shown below.

The roundtable participants shared a similar view. They cited an immaturity of data which was frequently being used for purposes for which it was not originally intended with data owners who were less conversant with the requirements of the role and the consequent importance of internal control than would be expected for those who look after financial data.

A lack of skills and knowledge was perceived by the roundtable participants to be a factor across all areas of an entity. From the board and executive level who frequently did not appreciate the true nature of the sustainable business transition, to those with responsibilities in each of the three lines of The IIA's [model](#); the governing body, management and internal audit. This problem was exacerbated by many entities having only one or two people with responsibility for sustainability-related issues who were, as a result, frequently overstretched.

Of the issues where more than 50% of the survey respondents felt that there were either high or very high degree of challenges, poorly defined processes reflected a view that sustainability-related data often had data flows which differed in nature from financially related one.

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Implementation

The combination of each of these challenges means that the application of internal control over sustainability-related data represents a journey, one which accountancy and finance in conjunction with internal audit professionals are well placed to advise and assist with. The nature of internal control over this data is subtly different from that in relation to financial data. This difference requires the expertise and experience of the professionals of ACCA and The IIA to examine and interpret the data requirements to achieve effective internal control.

An action plan is available in the main report which suggests potential strategies that can be adopted at each level of the internal control framework which was developed by the Committee of Sponsoring Organizations of the Treadway Commission (known as COSO). There is an imperative for action by accountancy, finance and internal audit professionals if entities are to achieve their sustainability-related goals.

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