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Finance vs Sustainability:
The Audit Requirements for Data

This short guide focuses on data preparation, and reviews what auditors look for in financial audits as compared to sustainability audits.

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Finance vs Sustainability Audits

Sustainability audits are fairly new, and sustainability teams need to communicate to finance and compliance teams what is different about a sustainability audit. Use this guide to answer everyone's questions about what is required.

Note: Sustainability has two types of external reviews. Reasonable assurance is very much like a financial audit and is covered here. Limited assurance is a smaller audit, and it's scope is negotiated with the auditors. This guide may help in those negotiations.

THE BOTTOM LINE

- Sustainability audits are very much like financial audits, *but harder.*

- Sustainability data is messy and requires more effort to get into audit-ready status.

Finance vs Sustainability: The Checklist

	Data Preparation for Financial Audits (IAAS, IFRS, GAAS)	Data Preparation for Sustainability Audits (ISO 14064-3 and ISSA 5000)	Why is Sustainability Different?
1 **Audit Objective**	Verify accuracy and completeness of financial records to ensure truthful financial reporting and compliance with accounting standards.	Verify sustainability data for completeness, accuracy, transparency, and compliance with the body of sustainability standards.	Global reporting standards for financials are a settled matter. Sustainability standards remain fragmented, always changing.
2 **Data Types**	Monetary transactions, ledgers, invoices, contracts, reconciliations.	Activity data (fuel use, energy consumption, waste removal certificates, direct emissions logs), emission factors, and environmental metrics from business systems and direct monitoring. Metadata from other business systems.	Sustainability audits include more varied data types, and unless these are documented and streamlined audit expenses will be high.
3 **Data Accuracy**	High precision on monetary values and classification per accounting principles.	High precision on activity data, with energy and emissions reporting tied to physical assets, as well as classification and consistency with reporting standards (GHG Protocols, SBTi, GRESB, CSRD, and so on).	This key audit requirement is much harder in sustainability. Sources are more varied, file types and layouts are more varied, workflows are not standardized. Without proper documentation, and prebuilt audit archives, audit costs will be high.
4 **Data Completeness**	Complete financial data for the reporting period across all relevant accounts and entities.	Complete GHG inventory data for the reporting period for all emission sources and sinks.	Missing files are common in sustainability, and without a focused process – and time to find missing files – there will be gaps in reported data or a reliance on estimated data. The data may pass the audit, but business users, investors, and customers want actual data.
5 **Standardization**	Use of appropriate accounting standards (e.g. IFRS, GAAP), consistent currency and date formats.	Use of standardized activity data, emission factors, units, and reporting formats compliant with ISO 14064 and the GHG Protocols.	Sustainability data is even messier than financial data. Rigorous data standardization is a must-have as reports and business decisions rely on a clean, unified view.

Finance vs Sustainability: The Checklist

	Data Preparation for Financial Audits (IAAS, IFRS, GAAS)	Data Preparation for Sustainability Audits (ISO 14064-3 and ISSA 5000)	Why is Sustainability Different?
6 Data Cleaning	Removing duplicates, correcting misclassifications, filing missing entries.	Removing duplicates, correcting misclassifications, correcting errors, normalizing data across sources.	Duplicates are plentiful in sustainability data, and must be weeded out to prevent over-reporting of emissions. Misclassifications are also frequent, leading to unreliable reporting and stalls in financial decision making.
7 Data Validation	Reconciliations, cross-checking with original documents, analytical reviews.	Cross-verification with meter readings, activity logs, third-party data, and emission factor validation.	Sustainability data that is not verified and reconciled can lead to poor business decisions, and this is a hot area for auditors. Example: without validation, projections of future energy savings can exceed current energy spend. This happens far too frequently!
8 Handling Estimates	Use of accruals and provisions with proper disclosure.	Use of estimated emission factors, use of estimated activity data, assumptions made, and the quantification of uncertainty in estimates, with proper documentation.	Sustainability uses estimates for activity data, emissions factors, and conversion factors. The level of embedded assumptions is high. Expect to provide a great deal of evidence on these items.
9 Documentation of Process	Detailed transaction logs, change history, and authorization trails.	Documentation of data sources, calculation methodologies, measurement techniques, and assumptions. Also add in change logs and data handling!	There is no difference between financial audits and sustainability audits in this regard. And because sustainability data is pulled from many systems, and reflects the constant change of business, automation and documentation are more important than ever.
10 Tools & Automation	Accounting software, ERP systems, data reconciliation tools.	Sustainability data preparation & management service, ESG and sustainability software (with or without data preparation and management).	Financial data systems have rigorous documented methods and automated tools to back them up. Sustainability data systems should be no different. Reliance on spreadsheets is a significant audit risk.

Finance vs Sustainability: The Checklist

	Data Preparation for Financial Audits (IAAS, IFRS, GAAS)	Data Preparation for Sustainability Audits (ISO 14064-3 and ISSA 5000)	Why is Sustainability Different?
11 Confidentiality & Security	Protection of sensitive financial data per regulations, including when data is used in AI.	Protection of sensitive financial data per regulations, including when data is used in AI.	There is no difference between financial audits and sustainability audits in this regard. But the continued use of spreadsheets puts the sustainability audit at risk.
12 Archive of Documentation, Files, Reports & Data Backups	Policies, control procedures, accounting manuals, data preparation steps.	GHG protocols, data collection procedures, calculation worksheets, uncertainty assessments.	Financial data and reporting systems have end-to-end documentation and archives, speeding audits and reducing expense. Sustainability archives should be the same.
13 Stakeholder Collaboration	Finance audit teams, compliance, and external auditors.	Environmental managers, sustainability, finance, IT, operations, compliance, industry consortia and external auditors.	Sustainability requires an even larger cross-functional team than finance. Conquer this challenge or risk incomplete and inaccurate data.
14 Timeliness	Aligned with financial reporting cycles and audit deadlines. Schedule trial runs and internal reviews to test readiness. Allow time for feedback and corrections.	Aligned with verification schedules, reporting periods, and certification timelines. Schedule trial runs and internal reviews to test readiness. Allow time for feedback and corrections.	There is no difference between financial audits and sustainability audits in this regard. Build schedules with time for multiple internal reviews and then the formal audit.
15 Regulatory Compliance	Compliance with financial regulations, tax laws, and standards. Additional requirements regarding the use of AI and specific AI tools, with a focus on privacy, security, bias and reliability of the data preparation method.	Compliance with reporting requirements, financial standards, market programs (e.g. carbon markets) and customer requests. Additional requirements regarding the use of AI and specific AI tools, with a focus on privacy, security, bias and reliability of the data preparation method.	Once disclosed, sustainability data and reports are used everywhere. CFOs have the same level of disclosure risk as for financial data. AI is a broader compliance, privacy and security concern, there is no difference between financial and sustainability audits in this regard.

Stop the Last-Minute Audit Scramble

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Thank You!