

# TECHNICAL NEWSLETTER



Issue 3

7 November 2025

## Practical Application of the IIA Sustainability Questionnaire (For Internal Auditors and Chief Audit Executives in Malaysia, aligned with COSO ERM and the Global Internal Audit Standards™)

### Purpose

This practical guide supports Chief Audit Executives (CAEs) and internal auditors in Malaysia in using the IIA's Questionnaire for Understanding Your Organisation's Strategic Approach to Sustainability. It provides a structured method to assess the readiness, governance, and maturity of an organisation's sustainability initiatives and to align internal audit activities with:

- The COSO ERM Framework,
- The Global Internal Audit Standards (GIAS), and
- Malaysian sustainability governance expectations under Bursa Malaysia, Securities Commission Malaysia (SC), and Bank Negara Malaysia (BNM).

The IIA Sustainability Questionnaire Tool, developed by The Institute of Internal Auditors (IIA Inc.), supports internal auditors in evaluating how sustainability is embedded within their organisation's governance, strategy, and operations. Complementing the IIA Guide Assessing Sustainability Readiness, it provides structured questions and examples to help auditors engage management and the board in identifying sustainability risks, opportunities, and areas where internal audit can add value.

### 1. Governance and Culture

(COSO Component 1 | GIAS Domain I: Purpose and Domain III: Governing the Function)

**Objective:** To evaluate how sustainability responsibilities, accountability, and culture are structured and practiced within the organisation.

#### Practical Application for CAEs:

**i. Assess governance structure:** Confirm whether sustainability oversight resides with the Board or a designated committee (e.g., Sustainability/ESG Committee) and whether this structure aligns with **Bursa Malaysia Listing Requirements (Practice Note 9)**.

**ii. Evaluate executive accountability:** Determine if roles such as Chief Sustainability Officer or CFO are clearly assigned sustainability KPIs linked to performance.

**iii. Review The Three Lines model:** Validate clarity of sustainability roles across management (first line), risk/compliance (second line), and internal audit (third line).

**iv. Engage with stakeholders:** Assess how stakeholder feedback (investors, regulators, employees, customers) influences sustainability priorities – consistent with **Bursa's Sustainability Reporting Framework (2025)** expectations for stakeholder inclusiveness.

**v. Monitor regulatory scanning:** Ensure management maintains active monitoring of **global and local sustainability regulations**, such as the **ISSB Standards (IFRS S1/S2)**, **EU CSRD**, and **BNM's CRMSA**.

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## Audit Deliverables

- Sustainability Governance Review Report
- ESG Accountability Mapping
- Board Oversight Maturity Assessment

## 2. Strategy and Objective Setting

(coso Component 2 | GIAS Domain IV: Managing the Function)

**Objective:** To evaluate how sustainability responsibilities, accountability, and culture are structured and practiced within the organisation.

### Practical Application for CAEs:

**i. Link sustainability to strategy:** Examine how sustainability goals contribute to long-term value creation and are reflected in the corporate scorecard or strategic pillars.

**ii. Assess ERM integration:** Validate that sustainability risks (climate change, social impact, governance lapses) are incorporated within the **Enterprise Risk Management (ERM)** framework and **risk appetite statements**.

**iii. Review policies and procedures:** Ensure policies support sustainability disclosure and compliance obligations under **Bursa Malaysia's Reporting Guide (3rd Edition)**.

**iv. Evaluate risk identification:** Confirm that materiality assessments include environmental and social risks, stakeholder concerns, and industry benchmarks.

**v. Consider supply chain maturity:** Verify that upstream and downstream sustainability data is accurate and complete for disclosure purposes.



## Audit Deliverables

- Sustainability Risk Integration Review
- Materiality Assessment Validation
- Sustainability Policy Effectiveness Audit

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## 3. Performance

(coso Component 3 | GIAS Domain V: Performing Internal Audit Services)

**Objective:** To assess how sustainability performance is measured, monitored, and managed through data, technology, and compliance processes.

**Practical Application for CAEs:**

**i. Evaluate data reliability:** Assess the robustness of sustainability data systems ("golden source") and data governance structures to prevent greenwashing.

**ii. Review performance metrics:** Verify the presence of measurable sustainability KPIs such as energy efficiency, GHG emissions, diversity, and responsible sourcing.

**iii. Audit technology enablement:** Review tools and automation used for sustainability tracking and reporting.

**iv. Ensure compliance:** Validate conformance with **ISSB reporting standards, Bursa Malaysia's sustainability disclosure requirements**, and any **voluntary frameworks** (e.g., GRI, TCFD).

**v. Test contract sustainability clauses:** Confirm adherence to sustainability commitments in contracts with suppliers, financiers, and partners.

**vi. Assess contingency preparedness:** Review sustainability-related business continuity and crisis management plans (e.g., supply chain disruptions due to climate or geopolitical events).



## Audit Deliverables

- ESG Data Integrity Assessment
- Sustainability KPI Validation Report
- Regulatory and Voluntary Framework Compliance Review



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## 4. Review and Revision

(cOSO Component 4 | GIAS Domain V: Performing Services and Domain IV: Quality and Continuous Improvement)

**Objective:** To evaluate how sustainability processes and assurance mechanisms are reviewed, updated, and continuously improved.

**Practical Application for CAEs:**

- i. Coordinate assurance providers:** Apply **Assurance Mapping** to align sustainability reviews across Risk Management, Compliance, and Finance, minimising duplication.
- ii. Leverage combined assurance:** Collaborate with **external auditors, sustainability consultants, and regulators** to ensure holistic assurance coverage.
- iii. Provide sustainability assurance:** Conduct independent audits to verify the accuracy and completeness of sustainability data and disclosures.
- iv. Assess internal audit capability:** Identify skill gaps in sustainability auditing and develop a **Sustainability Competency Framework** for audit staff.
- v. Integrate sustainability into the audit plan:** Treat sustainability risks as part of the **annual risk-based audit plan**, not as standalone initiatives.



## Audit Deliverables

- Combined Assurance Sustainability Map
- Sustainability Audit Competency Gap Analysis
- Independent ESG Assurance Report

## 5. Information, Communication, and Reporting

(cOSO Component 5 | GIAS Domain V: Performing Services and Domain III: Governance)

**Objective:** To assess how sustainability performance is measured, monitored, and managed through data, technology, and compliance processes.

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## Practical Application for CAEs:

- i. Assess data accuracy and control:** Test controls over sustainability data collection and validation to mitigate risks of **misstatement or greenwashing**.
- ii. Review reporting consistency:** Ensure sustainability disclosures are aligned across internal (Board, management) and external (investors, regulators, public) reports.
- iii. Evaluate external assurance:** Assess the scope, methodology, and findings of external sustainability assurance providers to ensure credibility.
- iv. Enhance combined assurance:** Integrate sustainability reporting within the organisation's combined assurance framework under **The IIA's Three Lines Model**.
- v. Monitor emerging ESG risks:** Identify new sustainability trends (e.g., biodiversity reporting, AI in ESG analytics, or carbon pricing mechanisms) for inclusion in audit planning.



## Audit Deliverables

- Sustainability Reporting Controls Audit
- ESG Data Assurance Review
- Sustainability Disclosure Alignment Matrix



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## 6. Summary Mapping to Global Internal Audit Standards (GIAS)

GIAS Domain	Sustainability Assurance Focus	Malaysian CAE Application
<b>Domain I – Purpose</b>	Define internal audit's sustainability assurance mandate	Embed sustainability in the Internal Audit Charter
<b>Domain II – Ethics</b>	Maintain independence, integrity, and competence	Train auditors on sustainability and ESG frameworks
<b>Domain III – Governance</b>	Strengthen Board oversight and CAE accountability	Integrate sustainability into governance reporting
<b>Domain IV – Management</b>	Manage resources and planning for sustainability audits	Include ESG in the annual risk-based audit plan
<b>Domain V – Performance</b>	Deliver effective and relevant sustainability assurance	Validate data, processes, and reporting accuracy

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## Key Takeaway for Malaysian CAEs

By applying this questionnaire using the COSO ERM and GIAS frameworks, **CAEs in Malaysia** can transform sustainability into a **core assurance dimension** — not just a compliance exercise. This approach enables internal audit to:

- Provide **credible assurance** on sustainability governance and performance,
- Strengthen **stakeholder confidence** in sustainability disclosures,
- Support the organisation's **alignment with regulatory and global frameworks**,
- Advance the internal audit function's role as a **strategic partner in sustainable value creation**.

For small or medium-sized internal audit functions, the IIA Sustainability Questionnaire Tool offers a practical and scalable approach to integrating sustainability into audit planning and discussions. It helps internal auditors efficiently assess their organisation's sustainability readiness, identify key risks and opportunities, and provide valuable insights to management and the board — even with limited resources or specialised expertise.

## References:

**Author:** The Institute of Internal Auditors (IIA Inc.)

<https://www.theiia.org/en/standards/2024-standards/standards-knowledge-center/tools--resources/ii-audit-tool-assessing-sustainability-readiness/>