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Environmental Auditing Practices: Understanding the Flow between Two Malaysian Local Governments

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Abstract

In 2015, the United Nation Sustainable Development Goals (SDGs) issued 17 initiatives comprising environmental, social and economic initiatives. It leads to the implementation the environmental auditing practices (INTOSAI, 2006). However, there is no one process for the implementation of environmental auditing practices. The purpose of this study is to highlight the flow of environmental auditing practices (EAP) in two Malaysian Local Governments (MLG). This study used an interpretative qualitative study from two Malaysian Local Governments. This study analysed 272 documents which comprise transcribed interviews, regulatory document and notes from observations. This study concludes that EAP is more dynamic in ALPHA than BETA. It is due to the composition of the audit process and determining the objectives of the EAP. The study showed that the adoption of ISO 14001, the standard for managing the environmental program may ease the operation of auditing environmental programs. This data is mainly derived between 2017 and 2019. Due to the recent changes in the environment, the process may have differences. The findings perhaps give the outlines of the flow of the environmental auditing practices in the other organization. This further research may explore the effectiveness of the environmental auditing practices in MLGs and how the process shaped the character of the organizations.

Keywords: Internal Auditor, Environmental Auditing, Case Study, Qualitative, Local Governments

Introduction

The Malaysian Local Governments (MLG) are the third-tier administration of the Malaysian government that practices parliamentary democracy with constitutional monarchy (Parliament of Malaysia, 2009). The first-tier government denotes the federal government led by the Yang Dipertuan Agong, who serves as the Conference of Ruler. The Conference of Ruler functions as the advisory to the Government of Malaysia. The federal-level manages matters related to financial, defence, education, and foreign affairs, as stipulated in the Federal Constitution (Parliament of Malaysia, 2009). The three administrations at the federal level are executive, legislative, and judicial. The Prime Minister leads the executive authority and is

assisted by the Deputy Prime Minister. In total, 28 ministries are placed under the executive authority, including the Ministry of Urban Wellbeing, Housing, and Local Government.

Initiated on 24th May 1954, the Ministry of Urban Wellbeing, Housing, and Local Government assists the local government to offer quality municipal services, as well as advising both the federal and state governments on matters regarding planning, managing, and developing in line with the national physical planning. This ministry acts as an intermediary among the state governments.

The second-tier government is operated at the state or territory level (Majlis Raja-Raja, 2010). There are nine states and three territories in Malaysia, with each state or territory being led by a Sultan or Yang Dipertuan Negeri assisted by a Menteri Besar. The administration of MLGs manages at the state level. The state has the right to organise the local governments as the representative of the central government for specific communities (Maidin & Ali, 2009).

The MLGs are regulated by the Local Government Act 1976 and Street, Drainage, while the Building Act 1974 for Peninsular Malaysia, Local Authorities Ordinance 1961 (Sarawak) for the State of Sarawak, and the Local Government Ordinance 1996 (Sabah) for the State of Sabah. The local governments are divided into three subgroups: local city, municipal, and district councils.

The first subgroup refers to the local city council. The local city council is awarded to the local government, which is upgraded from municipal council status after meeting several criteria, such as having a population exceeding 500,000 people and annual revenue exceeding RM100 million. The second subgroup is the municipal council. It is the local government in an urban or town centre with the total population exceeding 150,000 people and annual revenue exceeding RM20 million. The last subgroup is the district council with the total population not exceeding 150,000 people and annual revenue less than RM20 million.

The general functions of MLGs are stipulated in the Local Government Act 1976 (Local Government Act, 1976, 1976) for Peninsular Malaysia. As for Sarawak, the MLGs are governed by the Local Authorities Ordinance 1961 (Sarawak) (Local Authorities Ordinance, 1961, 1961); whereas the Local Government Ordinance 1996 (Sabah) (Local Government Ordinance 1996, 1996) administers the MLGs in Sabah. Their focus is placed on managing the welfare of the society, including maintaining public amenities, as well as regulating buildings, transportation, environmental, and social aspects.

As stipulated in PS 3.1 Treasury Circular 2013, MLGs must have an independent audit department to conduct financial and performance audits (Perbendaharaan Malaysia, 2013). Essentially, MLGs are required to manage environmental programmes and to address environmental issues. The auditing process, which is part of the Environmental Auditing Practices (EAP), ascertains that the established environmental programmes are held in place appropriately.

Based on the preceding discussion about poor monitoring of environmental programmes in most MLGs, EAP deployment is integral in MLGs, particularly to ensure that all related environmental programmes are efficiently carried out. Despite the mandatory requirement for MLGs to set up an internal audit department, the EAPs appear to vary across different settings mainly because the structure of the internal audit department depends on the jurisdiction of each MLG. Therefore, this present study sheds light on the process of EAP. The paper will give an idea for the other public institutions to implement the EAPs.

Literature Review

The process of environmental auditing is similar to the process of financial auditing (Maltby, 1995). The main variance between the two is in setting the audit objectives (Goodall, 1997). For EAP, the audit objective focuses on the environmental aspects alone. Prior studies on EAP had listed three stages of EAP, namely planning, evaluation, and post-evaluation (Coyne & Winter, 2006; Moor & Beelde, 2005; Raman et al., 2008).

The first stage, planning, starts when the auditors outline the objectives of the audit process (Goodall, 1997; Maltby, 1995). The objectives usually derive from the existing environmental policies applicable to the organisation. The environmental policies embed environmental statutes, policies or guidelines (Goodall, 1997). According to Vinten (1996), auditing objectives facilitate the auditors to determine the "area to audit".

Upon outlining the audit objectives, the auditors would need to identify the environmental auditing team members (Goodall, 1997; Raman et al., 2008; Vinten, 1996). The environmental auditing team should be composed of interdisciplinary experts (Raman et al., 2008; Vinten, 1996) or internal auditors (Maltby, 1995) within the organisation. Later, this stage demands the auditors to determine other vital details, including time, location, and documents (Vinten, 1996), which facilitate the auditing process. The purpose of acquiring these resources aids the auditors to perform the auditing procedure at the evaluation stage.

The second stage refers to evaluation. This stage is also known as on-site activities where the auditors conduct the evaluation of environmental performance or compliance in an organisation (Goodall, 1997; Raman et al., 2008). The auditors review the existing environmental auditing system in the organisation to decipher the flow of EAP deployed in the organisation (Smith, 1991). After acquiring the understanding, the auditors would then perform the audit procedures.

The evaluation process in environmental auditing is similar to the financial auditing process (Maltby, 1995). The most common auditing procedures in environmental auditing refer to inquiry management, observations on the audit site, and interviews of staff (Maltby, 1995; Raman et al., 2008). The evidence gathered from these auditing procedures must be adequately documented for discussion during the exit conference meeting conducted during the concluding stage (Smith, 1991).

The final stage is reporting, which is the concluding stage where the auditors review the audit documentation. This process determines the adequacy of the audit procedures in EAP (Goodall, 1997; Smith, 1991; Vinten, 1996). Most EAP documentation is standardised as it facilitates self-audit. This EAP is a fraction of the managerial processes. The documentation must be adequately arranged to facilitate a clear conclusion of the audit report. After the audit documentation valuation process, the audit team presents the audit outcomes during the exit conference together with the management. This meeting offers opportunities for the management to justify their actions (Burgham et al., 1998). This meeting is the final process of the EAP.

Methodology

This study analysed from several sources which are interview sessions, informal observations and document analysis from 2017 until 2019. This study utilised the interpretative case study research as it required a detailed investigation over a period considering the phenomena within a context (Hartley, 2004). The internal auditors in MLGs are currently involved in monitoring internal programmes (Iskandar et al., 2014). Therefore, this study focused on how the internal auditors constructed their roles in EAP implementation in MLGs.

The data was gathered through an interview session, informal observation, and document analysis from 2017 until 2019. There were 25 interview sessions conducted by two MLGs using two languages; English and Bahasa Malaysia. The interview session comprised 8 sessions with the internal auditors, 3 councillors or management regulatory and 14 officers from the various audited department. Three sets of interview questions were prepared. The first interview question focuses on the internal auditor viewpoint. The second viewpoint was gathered from the auditee and the last viewpoint focuses on the management regulations.

The researcher recorded and transcribed the interview session verbatim. The data were sent to the respondent before being analysed to ensure reliability of the data. The data analysis used using the ATLAS.ti software were into 50 codes initially.

The informal observation for this study was gathered through observation. The reason of the informal observation to observe the implementation process of environmental auditing practices through flow charts, flyers and notice boards. This study also employed document review methods. This study examined the annual reports, speeches, newspaper cutting, master development plan, and strategic plan. The purpose of the analysis was to understand the organisation process on EAP implementation and the flows of the data.

Then, the data were analysed using thematic analysis. Initially, there are 50 codings were used in this study. This method of analysing the data was guided by the discussion from Attride-Stirling (2001) in which it involve three stages. In stage A, this study breakdown the data based on the stages of EAP. Then, the study determined the flow of the stages in Stage B. In the last stages, this study created a flowchart to interpret the flow of the process.

Alpha: Iso 14001 Malaysian Certified Local Government

ALPHA is situated in Peninsular Malaysia under the administration of State Government K (SGK). Three main standards governed ALPHA namely the Malaysian Local Government Act 1976, Town and Country Planning Act 1976 and Streets, Drainage and Buildings Act 1974 governed the administration of ALPHA. This organization was awarded five ISOs as follows:

Table 1

ISO Standard Code	Name of Standard	Years Awarded
ISO 9001:2008	Quality	2008
ISO 14001:2015	Environmental Management Standard	2013
OHSAS 18001:2007	Occupational Health and Safety Standard	2014
ISO 50001:2011	Energy Management Standard	2014
ISO 27001:2013	Information Security Management	2017

In order to achieve its mission and vision, the organisation developed six objectives in 2017. The first objective was to improve governance and inclusiveness. The second objective was to ensure the ALPHA services were accessible and mobile. The third objective was the services must cater to everybody in the K community. The fourth objective was that participative budgeting must involve all levels of the K community. Equivalent gender responsiveness was the fifth objective, and the final objective was to have universal design services. These objectives were developed based on the consensus given by the advisory section.

ALPHA consisted of two sections; the advisory section and the executive section, as shown in Appendix 1. The advisory section consisted of 24 councillors appointed by the state government. The appointment of councillors in ALPHA was mandatory under the Local Government Act 1976. The function of the councillors in local authority was subject to the prescription of the local governments. In ALPHA, the councillors act as the advisory to the management as stated by the Director of Corporate and International Relations Departments (DCIRD):

“Councillors, they are the policymaker, in full council or the Committee Council, they are not involved in management, they are policymakers.”

The application as a councillor was opened to the public. Interested applicants had to fill in application forms and submit them to ALPHA which later would be to the state government for final evaluation. Once approved, the state government would send the approval letter to the successful councillor. The executive board consisted of one YDP, a Secretary and 20 departments. The YDP was the Chief Executive Officer of the organisation. The Secretary of ALPHA acted as the second-highest reporting person for ALPHA. The summary of the hierarchy is in Appendix 1.

Audit Authority

This stage focused on the process of setting up the audit programme. EAP was implemented due to Award Driven Certification, the influence of NGO Watchdogs, strategic planning to ISO 14001 and succession planning of YDP.

Environmental Auditing Practice and Award-Driven Certification

In ALPHA, EAP started as part of the mandatory requirement by the ISO 14001 Environmental Management System standard certification in 2013. Since then, the flow of internal auditing practices had changed. The purpose of adopting ISO 14001 is to improve the internal environmental management system in the company. The implementation of EAP in ALPHA is adopted from EAP practices in the private sector since most of the top management experienced EAP while they were working in the private sector prior to working with ALPHA. The Director of the Corporate and International Relations Department (DCIRD) said as follows:

[...] Before joining ALPHA, current YDP and I had been working with a factory in Penang for more than 5 years. We learnt from that. The flow of the operation of the factory is managing well. We adopted from that.

Subsequent to the implementation of ISO 14001, the standard gave credit to ALPHA in terms of the SETARA rating performance for the MLGs. SETARA was a 5-star rating performance that evaluated the performance of service delivery in ALPHA. The Head of Internal Audit Unit or Secretariat (HAS) expressed as follows:

[...] these standards (all standards in Table 5.3) will add values for SETARA, 5-star rating performance conducted by the Ministry of Local Government.

Besides that, the state government encouraged all offices to comply with sustainable development practices. This project was handled by the P Green office in the state

government. This office would enrich all stakeholders in the practice of sustainable development through the encouragement of managing the programme by participating offices. As an outcome, P Green Office would award sustainability certifications to the private and public organisations upon completion of the evaluation by the state government.

In order to receive the award, one of the requirements was to conduct EAP. ALPHA adopted the ISO 14001 and ISO 19011:2001 as systems used to benchmark the EAP implementation since 2013. As a result, ALPHA won a significant award for this programme in 2015 and became the pioneer public organization that received the award. The appreciation certificates were displayed in the lobby of the ALPHA main building. The practice of displaying awards helped the organisation to inform visitors and the public about the involvement of the organisation in the environmental programme. It further supported the statement given by the DCIRD as follows:

[...] ALPHA has won an award from P Green Office managed by the P Green Council; you have to look that [requirement] because they give appreciation for the office which able to fulfil those criteria as a green office.

Influence by the NGO Watchdog Group

Through the EAP implementation, ALPHA was able to give feedback to the NGO Watchdog Group (the Watchdog) about the improvement of the environmental programme. Before the implementation of ISO 14001, the Watchdog group was the active group that reported the environmental issues on social media to ALPHA. They demanded explanations from ALPHA on the progress of the report that was highlighted.

During those times, ALPHA took longer time to give feedback on the performance of the environmental programme. By having EAP, ALPHA was able to reduce the duration of giving feedback to the Watchdog. ALPHA was also able to convince the group on the performance of the environmental programme. The DCIRD said as follows:

[...] As for NGO Watchdog Group Watch, it was done by Mr B, an NGO activist. He has been commenting on ALPHA on his Facebook page, and thus we [ALPHA] called him up for discussion. We are trying to help, now we are maintaining instead of them. We cannot be counting on statistics, as any unresolved complaint will appear on the TV screen in the rooms of YDP and secretary. If we notice, we will be called for questioning.

In 2017, there were changes made for the appointment of councillor in Government K. The NGO Watchdog was appointed to be one of the councillors in ALPHA. There was no permanent person appointed to be councillor for the ALPHA. It was more on the permanent post for the NGO Watchdog and their presence is to provide any improvement on the practices. Besides, the implementation of EAP is in line with the strategic planning of ALPHA.

Strategic Planning and ISO 14001

ISO 14001 was a standard that managed the environmental management system, which also managed the environmental programme. The implementation of ISO 14001 was one of the requirements under the ALPHA's strategic plan, derived from the suggestions made by the public as well as the NGO Watchdog Group. Every five years, ALPHA collect suggestions from the public through the survey.

Then, ALPHA calculated the most frequent issues highlighted in the survey. The issues were compiled and presented as part of the content in a strategic plan meeting. The member of the meeting comprised the management of ALPHA, YDP, the representatives from the state government and the councillor of ALPHA. The purpose of the meeting was to approve the Five-Year Strategic Plan of ALPHA. The DCIRD said as follows:

[...] This is our ISO, but in order to achieve the ISO, there are visions, missions and also strategic planning to adhere to. This will be divided into the focus of 2018 or strategic planning. Yes, yes, this will be done by the audit team [it ensuring the success of this planning, the organisation must perform audit]. They will ensure if the processes are correctly done.

In order to accomplish the strategic plan, the management of ALPHA further broke down the goals into a short-term plan, known as ALPHA Focus, which was a one-year plan in managing environmental activities. The plan concentrated on developing the key performance indicators for each planned activity in the current year. The environmental programme was derived from the YDP Focus. YDP Focus was a short-term plan for ALPHA in implementing the environmental programme in a year. The DCIRD said as follows:

[...] We will have to do the planning for the upcoming year, at the end of each year

Later, the YDP Focus will be the main reference in the current year. Based on informal observation by the researcher, it was found that there is a lot of posters hanging around the organisation that inform about the planned activities during the year. Moreover, softcopy of the YDP Focus made available on the website where the public easily accessible to the documents. In order to ensure the continuity of the ALPHA Focus, succession plan of the YDP plays an important role.

Succession Planning of YDP

The continuation of ALPHA Focus would be due to the succession plan of the YDP. The current YDP in ALPHA was appointed internal among the staff the YDP's last position was the Secretary of ALPHA, the second-highest position in ALPHA. He was familiar with the goals and practices of the organisation. There was no limit for the tenure of the YDP. In addition, he was one of the pioneers that involved in the implementation of the environmental management system in ALPHA.

The current YDP is passionate about the implementation of EAP as the idea was initiated by him. The idea started with the adoption of the ISO 14001 standard and used to actively manage the operational flow of the environmental management system. He ensured that there is continuity between previous and current ALPHA Focus. He was very passionate about getting support from all member and management under ALPHA to commit in achieving the mission and vision of the organisation. The YDP said the following:

[...] The focus of the ALPHA 2017 is the continuation of the ALPHA Focus 2016. A total of 97 programmes and 151 activities and 155 KPIs have been designed to be implemented this year. I hope that all MPs [Councillors], members of

ALPHAs and residents in SP will be committed to implementing this focus to achieve Cleaner, Greener, Safer, Healthier and Happier SP.

In sequence to that, ALPHA had established the clear direction on the flow of the environmental program, and in order to fulfil the compliance requirements the process of preparing the EAP was started then.

Establishing the Audit Programme

Every audit process begun with the development of the audit programme. It started with the preparation of annual work plan, the arrangement of quality control, creation of the internal auditors, training based on "Training of Trainers" concepts, and brainstorming meeting among internal auditors. This stage was concluded by the preparation of audit checklists.

Multilateral Preparation of Annual Work Plan

The annual work plan comprised of the activities that had been planned in a particular year. The director had to conduct a meeting with the staff to determine the activities and estimation time to complete the programme. Upon the agreement by the staff, the director compiled the outcomes in Gantt Chart format before the meeting. It was based on the statement given by DICRD as follows:

[...] For each and every system, a Gantt chart will be prepared.

The meeting was known as the annual work plan meeting. Usually, the meeting would be conducted in December every year. The purpose of the meeting was to approve the annual work plan for the following year. The meeting would be chaired by the YDP, the Secretary of the ALPHA and Directors of all Department. Later, the YDP approved the annual work plan, witnessed by the Secretary. The task of the Secretary was similar to the task of the company secretary in a private organisation. She was responsible for maintaining a smooth operation in case the YDP was absent.

The Heads of each department in ALPHA had to disseminate the content of the annual work plan to each staff in their department. Each staff was responsible for fulfilling their duties, as stated in the annual work plan. In order to ensure all staff, comply with their work each department was required to appoint a quality officer.

Arrangement of Quality Officer

There are two main criteria in appointing the Quality Officer in each department. The Quality Officer was appointed from the staff in the supervision line who had good performance records. The officer must also work in that department for more than five years. It was to ensure the Quality Officer understood the workflow process in their department. A Quality Officer was a representative appointed from a department. Hence, he or she was responsible for the tasks assigned in the department as well as tasks as Quality Officer. The DCIRD supported as follows:

[...] There are 15 departments in ALPHA, and each has its own quality officer. He maintains the quality of the department, but we guide them. We tell them our expectations and they will follow.

The quality officer was responsible for ensuring the approved work plan was implemented within the deadline. In order to facilitate the implementation of the approved work plan, the quality officer would use flowchart with deadline as reminder to all staff in his or her department to provide the required feedback. Meaning, the quality officer acted as an intermediary between staff in the department and management. The practice on the flow of the EAP was confirmed by the researcher during the informal observation was made. It was clearly shown that the staff would paste the relevant flowchart on their dashboard within individual cubicles to serve as reminder the commencement and completion of the EAP within respective department.

The quality officer was required to collect the daily reports from the staff and compiled all the reports required, including the monitoring of day-to-day process whether the process was in line with environmental standard operating procedures for the department or not. The quality officer acts as assessor for any reports submitted by the staff. A statement from the quality officer from the Community Service Department (CSD) indicated the following:

[...] First, we check the documents, and then we inspect the field. We will then countercheck against what is stated in the documents.

Besides, the quality officer was responsible for answering any queries by the internal auditor. This included the process of providing documents for internal auditors' inspection. Occasionally, the quality officer was required to clarify some process which the internal auditors might not be familiar since the internal auditors came from various departments.

Creation of the Office of Internal Auditors

Secretariat audit was established for the purpose of the EAP implementation. Members of the secretariat audit comprised of internal auditors that were appointed from the various departments. The secretariat was chaired by the HAS. Each department must appoint one staff as a member of the Secretariat Audit. The duration of the appointment was usually for two years. On top of this appointment, the appointed member would still have to perform their existing tasks in the department. In order to compensate for the performance of dual-task, an allowance of RM 1,000 was given to the appointed member of the secretariat audit. The DCIRD said follows:

[...] They [internal auditor] are given RM 1,000 as an allowance for each audit performed

There are two main criteria in appointing a member for the Secretariat Audit, the appointed member must be from the senior functional level in the department, and they must be familiar with the environmental management system. There was a total of 20 members, 15 members are the representative from each department, and another five members are the HAS and four staff of the Internal Audit Unit. Later, the 19 members would be further grouped into a small team excluding the HAS. The small group would comprise of three to four members that would perform the audit in one or two departments during the EAP. The internal auditor from the CSD said as follows:

[...] there is a committee [Secretariat Audit], a leader, internal audit unit. They will discuss and allow the duties of each group. We will follow them, all audit program, there are about 15 departments, including the units.

The quality officer from CIRD expressed the same opinion as follows:

[...] Besides them, staffs from our department and other departments will be elected to join the EMS audit. Each department consists of an internal audit staff as well.

It further supported by the Statement from DCIRD as follows:

[...] The committee is similar to a secretariat whereby members of the quality unit and auditors will be chosen from a few departments. We will meet before an audit session to form a proper grouping. We work together as a group.

Since the internal auditors were from various departments, training was conducted to enhance the internal auditors' competency.

Training based on "Training of Trainers" Concept

ALPHA used the concept "train of trainer" for the training provided. The ALPHA CIRD created a small team known as the trainers. Usually, they appointed the HAS and several members in Secretariat Audit to be part of the trainers' team. This team had to attend training workshops conducted by SIRIM. SIRIM is the certification body for the ISO 14001 certification standard. If there is a change in the certification standard, SIRIM will conduct training to update the information to the applicants of the standard.

The outcome for this training workshop was the trainer's team had to retrain the whole group of the internal auditors for the audit process. Every year, the training would be on the auditing process and report preparation. The quality officer of CIRD stated as follows:

[...] Now, training is available. Each year, the training will be on the auditing processes and report preparation.

The Head of CIRD stated that the success of the EAP depends on how the trainer delivered the training to the internal auditors. If the trainer delivered the wrong information to internal auditors, the whole process of the EAP failed. He stated as follow:

[...] If the trainers wrong [delivering information in training], the whole process [EA process] is wrong.

During the training sessions, there was a slot known as a brainstorming meeting, which further explained in next section.

Brainstorm Meeting among Internal Auditors

In a brainstorming meeting, the HAS further divided them into small groups. Usually, there were three to five members. In total, there were five to six small groups that help the Secretariat Audit to audit 15 departments. They were required to perform the audit in other

departments. Each group was led by a leader. They were not allowed to audit their own department in order to ensure an independent in being observed in delivering the outcome of the practice at the end of the audit procedures. The Head of CIRD stated as follows:

[...] Each group is led by a leader; however, the main person-in-charge would be the audit committee member or chief internal audit.

A meeting would be conducted after the formation of the small groups. The meeting acted as the place where the members got to know each other. The members of the small groups prepared the objectives of the audit practices, which would set the parameter of the auditing process.

In order to set the objectives of the EAP, the small group members conducted a meeting with the quality officer of each department. The purpose of the meeting was to list the environmental activities of the department as well as the outcome of the activities. The quality officer from Urban Service Department (USD) stated as follows:

[...] He [internal auditor] has consulted me on matters which needs advice, elements to be audited, then the checklist will be prepared, and time they will conduct the audit.

The outcome from the meeting with a quality officer acted as inputs for the preparation of a checklist for EAP.

Preparation of Checklist

Usually, the quality officer clarified the objectives from the annual work plan during the meeting with the internal auditors. After the clarification, the assigned group of internal auditors developed the checklists. Later, the checklist was presented to the HAS for her approval. The HAS reviewed the checklist by looking at previous audit reports. If there were any unsettled issues from the previous audit, she added the criteria into the checklist. The internal auditor from the Licensing Department (LD) said as follows:

[...] Before we start an audit, we will usually prepare a checklist. In our group, we will discuss the ISO of that particular department, the types of questions to be asked, their work procedures, work instructions and ask questions based on the list, it is more organised, and we can ask one by one.

The internal auditor from CSD further supported as follows:

[...] Before we start an audit, usually we will prepare a checklist. Our group, together with the other internal auditor here will discuss the matters relating to the ISO of the chosen department, a list of prepared questions, their procedures and work order they adhere to

After the finalisation of the checklist, the internal auditors were ready for the next stage, that is implementing the audit procedures based on the audit programme.

Implementing the Audit Programme

This stage of the audit process will explain on the audit procedures that are commonly being performed in the fieldwork stage. In this stage, the process that need to be performed would include releasing a notice of audit, compilation of online reports by the quality officer and performance of field audit.

Release Notice of Audit

After the approval of the checklist, HAS prepared a letter which acted as the notification to the auditee on the commencement of the audit process. The letter would state the purpose and coverage of the audit process as well as the commencement date of the audit process. The audit process would normally take place around one week to a month depending on the scope of the audit. The checklist is enclosed together with the notification letter as to facilitate the preparation of the auditee. This notification letter is addressed to the Director of the department that will be audited. The Director will then send the confirmation letter to the quality officers to commence the auditing process. The sample of the notification letter was shown by the HAS to the researcher regarding the notice of audit.

Compilation of Online Reports by the Quality Officer

The compilation documents included the hardcopy report as well as online reports. This process was performed by the quality officer. The quality officer usually performed this process daily. In between the acceptance of the notice and commencement of the audit process, the quality officer would conduct the review or update the system. This was to ensure the documents were in place. The audit procedures involved checking the availability of the documents and on-site observation. The DCRID said as follows:

[...] We usually update the system once the audit is nearing.

It further supported by the quality officer from CSD, who said:

[...] Once we receive orders notifying, there will be an audit, we will conduct a touch-up session on work matters according to the proper system. It does not mean that we do not follow procedures, but we ensure that they follow the correct system.

The internal auditors arranged with the quality officers from each department about their availability to review the documents. After four years of ISO 14001 implementation, the quality officers transformed the documentation into digital view. The digitisation of the documents would definitely ease the process of compilation, monitoring, reviewing and maintaining records for future reference. The staff were given the password to review and maintain the documentation. The Information Technology Department was responsible for maintaining the online documentation system. The DCIRD said as follows:

[...] Once there are any amendments in the hard copies, they become protected documents. Not everything is changed; it is quite hard to control, and some photocopies them. Now, we provide the password, and they are responsible for that.

Moreover, the staff in ALPHA were required to adapt to the changes in technology. They were always being reminded by the YDP about their responsibilities. The YDP kept mentioning that the staff chose their position, so they were responsible for adapting to the changes in ALPHA. The researcher noticed that the reminders given by the YDP also appeared in the speech of the YDP to the employees during the employees' gathering. The DCIRD said as follows:

[...] Once a person joins ALPHA, he has to adapt to the technology and quality practised here. This is because they chose to be part of ALPHA and not the other way around. Since you requested to be part of ALPHA, then you have to learn to adapt. The YDP always reminds on this aspect.

This practice of information technology improved the process of implementing the audit procedures in ALPHA. The internal auditors would check the system before proceeding with the checking process on the documentation and audit site. The internal auditor from the LD said as follows:

[...] The internal auditors will recheck the system in case there are any issues. We do not have any issues, as right now we have our own system.

The performance of the fieldwork audit is done after the internal auditors reviewed the documentation of the audit programme in the digital format.

Performing Field Audit

After the internal auditors reviewed the documents and system, the internal auditors performed field works on the respective departments. The internal auditors would not reveal the time of the field audit in order to evaluate the real situation. This is similar to the statement given by the internal auditor from CSD as follows:

[...] let I take an example as we also audit OSHA since we have 7 certifications. I will monitor the use of protective equipment for our department, such as whether staffs are wearing PPE (personal protection equipment). I have to conduct a surprise check for a proper inspection. If staffs are informed earlier, they may be prepared by wearing the equipment. I mean, following our SOP, we have to inform a particular department that we are coming for audits. Another procedure is more like a mystery, like a supermarket that gives mystery gifts, we usually go anytime to check to discover if the staffs are working in a proper way. If we were to wait for the audit, every process and procedures would be 'cleaned'. 50% of the inspection must be in the form of surprise checks.

The internal auditor from the Urban Services Department also expressed the same point about the audit procedures:

[...] There are surprise checks, but during field visits, we usually do not inform us we would like to monitor. For example, we inform the supervisor, but we do not inform the workers. As regarding the safety wears, we will only inform the area

we are going for an inspection. Once we are invited, we will conduct a check on the safety wears of the workers.

The internal auditors had to compile and document all the evidence obtained during the audit process. Upon completion, they had to submit the documentation to the HAS for the monitoring and reviewing of the execution of the audit programme.

Monitoring and Reviewing the Audit Programme

This stage involved the process of final checking on the completion of the audit programme by the HAS. The process was cross-checking information during exit meetings, the right to explain by the quality officers and review by the HAS.

Cross Checking Information during Exit Meetings

After the field audit, the internal auditors reviewed and discussed the findings based on the audit procedures performed with the HAS. The reviewing of the audit procedures took place to evaluate the depth and coverage of the audit procedures. If she was not satisfied, the internal auditors had to visit the on-site for the second time. This is based on a statement given by the quality officer from CSD:

[...] Before we conduct the exit conference, we usually talk with Mrs A [HAS], if she said the audit only cover small scope, you [internal auditor] have to look further, so we [internal auditor] will go again

After the HAS agreed with the coverage of the audit procedures, the internal auditors had to conduct an exit conference for each department. During the exit conference, the internal auditors highlighted the audit findings to the directors of each Department. The Directors of the department and the quality officers were among the attendees for that meeting. During the meeting, the quality officers had the right to explain the preliminary findings and issues based on the audit programme.

Right to Explain by the Quality Officer

The quality officer had the right to explain any issues as reported in the audit findings in ALPHA. Normally, it involved about non-compliance matters. In this meeting, the internal auditors discussed their suggestion with the quality officers for the improvement. The statement was given by the quality officer from CSD as follows:

[...] In the exit conference meeting, we will be informed fully on the reprimands, so in those situations, we can fight back if we are not happy with the report. We have fought before, and it is not because of standard issues, but instead on the different understanding of things.

Sometimes, the suggestions from the internal auditors cannot be implemented due to unsuitability of the recommendations to be executed in the practices. This is supported by the statement from a quality officer from USD who stated that:

[...] Mostly when we argue, we have to explain again whether a task is feasible or not.

After the internal auditors conducted the exit conference meeting, the internal auditor will present and discuss the reports from the exit meeting with the HAS. Then, for the purpose to prepare the final report, the HAS performed compilation of reports from all audit programmes gathered subsequent to the exit meetings.

Meticulous Review of Audit Report by HAS

The HAS compiled all the reports from all the small groups of internal auditors and performed the overall review process. She reviewed whether the audit improvement suggested by the internal auditors were sufficient to overcome the identified issues. In addition, HAS also examined the severity of the issues, as issues that required the upper-level management attention will be gathered and documented in the overall final report. Typically, the overall report comprised of significant findings for each department, which would be presented in the later stage of review meeting, that would further discuss the improvements required.

Improving the Audit Programme

This stage discussed the process of improving and solving issues found in executing the audit programme earlier on. In ALPHA, the suggested recommendations for improvement process were usually discussed in Review Meetings.

Collective Decision Making in Review Meeting

Attendees for the Review meeting comprises of all the Directors from each audited department, the YDP, and the Council Secretary. The DCIRD stated as follows:

[...] There must be YDP, the management and revision meeting. The management and head of the department, secretary and YDP have to participate, to discuss on the shortcomings.

In this meeting, the HAS presented significant audit findings and suggested recommendations. The attendees for the meeting discussed together the possible solutions to solve the significant audit findings or issues. For example, for any major audit findings in respective department will need to consider the budget required to implement the proposed recommendations. If the particular department did not have any budget allocation, the attendees of the meeting would have to find a solution to resolve this otherwise the proposed recommendations will be carried forward to the next year budget allocation.

In the review meeting, they also amended any objectives or outcome for the current environmental management system. Usually, the amendment of existing environmental management system was due to the changes in regulations. Any amendment for the current environmental management system must be approved from the YDP. The quality officer from CIRD stated as follows:

[...] Each and every report presented in the Review Meeting will go through quick prose, but all the integrated processes have to signed by Dato and the secretary. For example, Ms R prepares the document, Mr W verifies it and finally checked and approved by Dato [YDP] and secretary.

The DCRID further testified the following

[...] Any objectives or procedures cannot be omitted as it is a continuous process. In case you committed into removing any of the procedures, the matter has to be brought into a meeting to study, and that can take a long time up to year-end.

They also revised any policies which seemed not workable with the current practices. The YDP or Secretary of ALPHA would conduct a follow-up discussion if there was no improvement being made. The frequency of the review meeting is based on the number of issues raised during the exit meetings. It might be every week or month which was also depending on the seriousness of the issues.

Overall, the implementation of EAP in ALPHA found to be organised in a structured and comprehensive manner due to greater support from the YDP and pressure for effective monitoring by the Watchdog. Moreover, wide-ranging involvement by other employees, such as quality officers and representative internal auditors from various departments, also able to enhance greater awareness on the importance of the EAP in ALPHA. The internal audit teams were also being taught on the proper conduct of the EAP through Train of Trainers session. HAS in ALPHA also played her significant roles in guiding and monitoring the implementation of EAP throughout the audit planning, fieldwork and communicating the audit findings and issues. Effective communication by the HAS would able to ensure the implementation of recommended improvements in order to ensure efficient conduct of environmental programs in future. A summary of the EAP is depicted in Appendix 2:

Beta: Mergers of Several District Council

BETA is the second institution that serves as a case for this study. BETA was established on 1st January 1997 under the administration of State Government M (SGM). It was also established after a series of mergers from several district councils in the M district. BETA covered 54.5 km² which comprised three areas with a total population of 560,630 people in 2016.

BETA formulated the following six objectives. The first objective was to improve local government services. The second objective was to manage the maintenance of the infrastructure. The next objective was to plan and monitor the town development. The latter objective was to establish the concept of the "Town Inside the Park". The next objective was to improve the unity among the public, and the last objective was to assist the state government in terms of providing services in the development of industry, low-cost houses, and tourism.

The structure of BETA is illustrated in Appendix 3. This organisation was headed by the YDP and advised by the councillor; a committee appointed by the State Government. The councillors were assigned to several the portfolios. One of the portfolios was the Audit and Corporate Management Committee (ACMC). This portfolio consisted of five members as generated from the website as per below:

"Councillor divided into some portfolio. For the ACMC consist of five members."

The EAP included the process of monitoring the environmental program. Similar to other MLGs, the main service in BETA was managing the society's welfare, including managing public amenities, regulating buildings, transportation, environmental and social aspects. Although BETA did not subscribe to any of the specific standards in respect of environmental

management system, for the purpose of ease to explain the findings of EAP implementation in BETA, the overall five stages of audit process are still similar to ALPHA. Therefore, the following section is aligned in accordance to the five stages of the audit process.

Audit Authority

There were several processes involved in the audit authority stage in BETA. The processes to determine the audit universe were mainly based on the previous unresolved complaints, complaints driven by councillors, the appointment of ACMC and authority of YDP.

Unresolved Previous Complaints

EAP in BETA started through the construction of internal audit practices known as the annual work plan, which was derived based on the frequency of complaints on EA in previous years. The Head of Internal Audit Section (HIA) stated as follows:

[...] I am drawing an example from drainage, garbage and as such. Or perhaps complaints from staffs of panel clinics. Such aspects are included in my yearly plan draft.

The complaints were gathered in three ways which are direct complaint via phone, email or walk-in to a corporate department or councillors. Internal Auditor 1 stated as follows:

[...] Complaints are formalised through three methods; online, handphone and email.

The Director of Solid Waste Management and Public Cleansing Department (DSW) agreed on the earlier statement which stated as follows. He also added that, the audit department will perform the audit procedures when there are instructions from Councillors and Officers:

[...] She [HIA] determines Annual Workplan and they will proceed according to Annual Workplan. Audits are run based on Annual Workplan, and secondly based on instructions from either Councillors or Officers.

The earlier statement is further supported by the Administrative Officer (AO) from the Management Department (MD) as follows:

[...] For example, if there is a complaint about garbage, such as not being collected, we will forward this to the related department, audits will be coming to check of garbage collection under the robust waste department.

Later, the corporate department forwarded the complaint to the respective department to solve the issues.

Complaints Driven by Councillors

The audit procedures performed based on the complaints made by the councillors, and the political representatives in particular districts. They were responsible for their assigned areas. Due to this, they represented BETA to handle public issues in their assigned areas. This is

similar to the statement given by the Audit and Corporate Management Committee (ACMC) 1 as follows:

[...] One of the main aspects is definitely complaints. If the councillors did not bring up and resolve complaints, he or she does not fit to be a councillor, in my opinion. Maybe before the year 2008, it is not done, but since this case came..... I think we manage cases not lesser than 15.

ACMC 2, further supported by stating the following:

[...] The complaints come from our office (Councillor's Office), we forward them to the committee. So, in the meeting, we will request for the audit team to investigate the report. How long it takes for the complaint to be taken and resolved.

The statements by ACMC 1 and ACMC 2 were confirmed by an indirect observation done in one of the office tours as well as representation made in an unrecorded interview with the staff in ACMCs' office. Both ACMC members agreed that they can request for an audit process if they see the complaints did not resolve within the stipulated times. The councillors later were further divided into several committees, including the ACMC.

Appointment of ACMC

The instruction to set up the ACMC was issued in 2004 after there were changes in SGM administration. They came from various background of experience and education. Previously, they had worked in a private organisation and held professional qualifications. Usually, they were appointed as the representatives to the Members of Parliament in particular districts. The DSWG said:

[...] The councillors come from various professional backgrounds. We are grateful that although some councillors are politically inclined, there are many who are professional, especially those coming from private sectors who refuse to mix work with politics.

BETA provided each councillor with an office and staff that assisted office operations. The contract of the councillors would be renewed every four years, depending on their performance. The appointment of councillor was made through BETA and the list of the candidates was then being sent to the state governments for approvals.

In general, HIA would have dual reporting line, first reporting line would be done to the ACMC while second reporting line would be done to the management. They were also responsible for reporting any misconduct of the YDP to ACMC. The DSWG stated as follows:

[...] Their SOP and annual work plan calendar, they may receive instructions from the audit committee or from the YDP. Both can be accepted.

It was a mandatory requirement by the state government that the YDP could not be a member of ACMC as to maintain the component of independent committee in BETA. Indeed,

this would enhance their ability to decide any suggestion to improve the operation in BETA independently. ACMC 2 said:

[...] The audit committee is a mandatory committee set by the state authority, an independent committee which cannot be chaired by any of the high-ranking attorneys. BETA should ensure that the execution of post [auditing]... Controlling performance, financial audit management and others in good condition, it means it needs to be an independent body that does not have any interest.

However, one of the members of ACMC refuted the earlier statement whom stated that the ACMC was not independent. He further stated that the ACMC was just like a puppet for the organisation as in most situations, YDP ruled out the proposed suggestions. Even though the member of ACMC had the freedom to suggest any solution, but it depended on the YDP in BETA to implement or reject the suggestion. In return, the ACMC did not have the power to enforce any suggestion. His statement is as follows:

[...] Supposedly, the audit committee should be the highest committee as even the YDP has no authority to interrupt them. If he would like to call and make the decision, he may request for the case to be brought into the disciplinary committee. When an interruption occurs at the exit conference, let's say we just handed a letter of a position change for management, it would be all right. In reality, it is not over, and I would say that the audit committee is merely a puppet.

Authority of the YDP

The YDP in BETA was appointed from the SGM civil services. The minimum tenure of the YDP was two years, and the maximum tenure is four years. It was noted that the tenure of the YDP seemed to affect the implementation of EAP as the continuity of the EAP would largely determine by the interest of the YDP. The implementation of EAP would continue if only the YDP valued the importance of EAP in the organisation. The HIA expressed as follows:

[...] for state appointment, the contract ends every two years. If the state decides to change, then they will, and if they decided to maintain, they will as well. However, it cannot remain forever as the maximum period is 4 years, 2 terms, and every term is equivalent to two years. It will be changed then.

The coverage and implementation of the EAP depended on the attitude of the YDP. If the YDP valued the importance of EAP in BETA, EAP would be extended the coverage of the EAP. The ACMC expressed the following:

[...] The attitude of YDP can be the cause for every matter. One of the most significant matters I can see if no matter how serious issue in the environmental program, it depends on how our YDP handle the issue [EAP]

Besides, in BETA, the coverage of the EAP is also determined by the complaints gathered during the year. Based on the received complaints and report from various

parties, the HIA would establish the audit programmes which further explained in subsequent section.

Establishing the Audit Programme

In order to prepare the audit programme, several processes such as preparation of the annual work plan, assigning staff for the environmental auditing, training for internal auditors and drafting an audit working paper were required to be done by the HIA.

Unilateral Preparation of Annual Work Plan

Prior to the implementation of the annual audit plan, the HIA reviewed the complaints received. Eventually, the implementation of the EAP and identification of specific areas would be based on the frequency and severity of the gathered complaints. The objectives of EAP usually were based on the standard operating procedures for monitoring the environmental programme. The HIA would then draft an annual audit work plan which normally would be tabulated in the form of a Gantt chart. The work plan was later presented to the YDP for approval. The work plan would start once the work plan was approved. Her statement was as follows:

[...] For that, we have a meeting called the annual work plan, yearly workload target. We will then present that and once approved by the YDP and his deputy. We will proceed.

Internal Auditor 1 and Internal Auditor 2 further supported by claiming the following:

[...] The audit will usually prepare annual work scheme. The audit director will schedule us to conduct the audit (Internal Auditor 1).

[...] She will decide on a plan (annual work plan), and we will follow. Audits are done based on the annual work plan (Internal Auditor 2).

In addition to that, the HIA would also review previous audit working papers and aligned the respective audit procedures to the present context of audit. Furthermore, the previous step was also to ensure that any outstanding issues were still pending or have been overcome. Given the situation that current issues were actually prolonged issues from prior years, the internal auditors would rather focus on solving those issues. Hence, the identified audit areas would be on hold for a later conduct of audit procedures. The HIA said as follows:

[...] We assume it to be more like annual work plan (annual work target), for example, I would have prepared my draft for 2018 towards the end of 2017 itself, in terms of what audits to be conducted. How and on what basis it will be done as well. For instance, when the management makes noises on late payments, I would include that as one of the agendas to be audited. Then, perhaps I would take in issues such as complaints on drainage, garbage to be included in the audit list.

The annual work plan was presented for the approval of the YDP and later delegated to the internal auditors in the Internal Audit Section (IAS) for their further actions. The internal

auditors would oblige to follow the approved annual work plan in the organisation. The HIA stated as follows:

[...] We usually conduct a meeting known as the annual work plan (annual work plan), present them, approved by the YDP and his deputy. We will then proceed according to the arrangement made, we, of course, do not follow monthly basically. But we go based on aspects, such as when we are auditing the infrastructure department, are we going to focus on drainage, street lights or earthworks?

One Discipline of the Internal Auditors

Once approved by the YDP, the annual work plan was distributed to the internal auditors. The HIA would form a small group of internal auditors to some projects or tasks which would normally comprised of a small group that consist of two or three members. The work plan was prepared in the form of a Gantt chart and usually distributed at the beginning of the year and in most cases, the internal auditors would follow to perform the audit work in accordance to the Gantt chart.

Internal auditor that performed the EAP are all the permanent staff to the IAS, which comprised of 10 members. Most of them possessed the audit knowledge and financial qualifications. Junior internal auditors would be grouped together with the senior internal auditors in order to ensure the audit programmes were appropriately addressed. Internal Auditor 1 stated:

[...] For the audit, we [permanent staff in IAS] perform the audit procedure. We do not engage with any outsider.

Training from Various Agencies

The staff in the IAS also had to attend training conducted by various agencies. The training providers included in-house training, Malaysian Institute of Accountant, the Institute of Internal Auditors and the National Audit Department. Normally, in December, the HIA would draft the training schedule for the following year. Some auditors were invited to the training. The HIA evaluated the relevance of training and sent the internal auditors to attend the training. In order to ensure full participation, it is also part of the key performance indicator for the internal auditors. The HIA said:

[...] Usually, every year, we [BETA] send our staff from training. Sometimes, there are training conducted by the NGO, such as the National Audit Department (NAD). I [HIA] will evaluate the relevance of the training before send them [internal auditors] to attend.

Crafted Audit Programme Based on Previous Audit Working Paper

The internal auditors in charge drafted the audit programme based on the previous audit working paper or circular on the environmental programme. The internal auditors had the freedom to assess those documents. In preparing the objectives of the audit programme, the internal auditors would first examine previous working papers at first in order to ensure all the issues were addressed. Later, the internal auditors would review any updated circulars

about the projects. Finally, the internal auditors constructed the objectives based on those circulars. The internal auditor claimed that:

[...] The audit objective is determined from the circular every year. Often, there will be a circular or direction from the YDP

After the objectives were constructed, the objectives of the audit programme were presented in the draft of the working paper to the HIA for the approval. Once it was approved, the audit programme was ready to be executed by the internal auditors which further explained in the subsequent section.

Implementing Audit Programme

In this stage, the internal auditors would perform the audit procedures. It comprised the releasing of the memorandum of audit and reviewing the audit evidence.

Release Memorandum of Audit

Once the approval was obtained, the internal auditors in-charge prepared the memorandum of the audit (MOA). The MOA was a paper that informed the auditees on the purpose, duration and checklists of the audit practices. Later, the internal auditors in charge would send the MOA to the audited department.

The MOA acted as the tool to inform the audited department about preparation of particular documents that are required for the course of EAP. Usually, the MOA would be given 14 days before the commencement of the EAP as mentioned by internal auditor 1:

[...] I will prepare MOA [memorandum of audit], pass it to the audit department and state the purpose of the audit. If it has been stated there itself, it will be easier for the auditee to prepare audit objectives.

Reviewing the Audit Evidence

The assigned group of internal auditors would conduct review of the standard operating procedures in the audited department mainly for the purpose to examine the root cause of the complaints. Sample for the identified issues were taken and further documents were gathered as evidences. After reviewing the documents, the internal auditors in charge conducted site visits in order to examine whether or not the good practices had been done. The HIA said as follows:

[...] From the sample, we will request the file from the department, and we will check the proses from the initial complaints to site observation, appointing contractor until the light is repaired and payment. We will check those processes.

Internal Auditor 2, further supported by saying:

[...] Usually, we will ask for a sample, for example, if we were to conduct audits on street lights, we start by looking at complaints. Sometimes we will try to get them from the corporate as they handle complaints. We will have to determine our scope; for example, we will ask them to print complaint reports in the year 2016 from the first until the twelfth month.

The internal auditors would document any findings from the auditees. The internal auditors then sent the reports to HIA. This process concluded all activities in the second stage. The EAP continued to the third stage, monitoring and reviewing the audit programme.

Monitoring and Reviewing the Audit Programme

In this stage, the process involved was the discussion on audit process coverage and performing the exit conferences.

Unilateral Discussion on the Audit Process Coverage

The monitoring of the audit programme was solely under the responsibilities of the HIA. She reviewed the paperwork of the internal auditors from time to time. The selection of the significant audit findings was derived from her based on the audit standard operating procedures. Internal Auditor 1 said the following:

[...] After we [internal auditor] completed the audit procedure, we will send the report to the HIA for review purpose

After the HIA was satisfied with the coverage of the audit programme, the internal auditors prepared a memo that stated the audit findings. The internal auditors handed over the memo to the Director of the audited department within 14 days after the audit programme. The audited department then had 14 days to give feedback to IAS about the audit findings. If the audited department was reluctant to answer the audit findings, the HIA would minute the audit findings during the exit conference meetings. The HIA stated as follows:

[...] Once the audit is over and the report has been prepared, we will meet the staffs from that department, declare our findings, like this showing report with pictures about the late rubbish collection), these have to be declared first.

It further supported by Internal Auditor 1 as follows:

[...] We will ask for feedback from the respective department to be passed to the audit team 14 days before the exit conference.

Sole Power of the YDP in Exit Conference Meeting

upon completion of the 14 days, the internal auditors held the exit conference meetings chaired by the YDP. In the meeting, the director of the audited department had to explain and substantiate the audit findings. Moreover, the internal auditors had the right to discuss their suggestions with the Director of the audited department on the issues arose. Subsequently, the internal auditors and the auditees would also discuss the feasibility of the suggested improvements to be implemented. The HIA said:

[...] We will conduct an audit conference meeting, chaired by YDP and then we will need to declare to the management on our audit findings. The department would have known, so we need to declare with them. During declaration with the management, they may suggest other plans, for instance, in audits, there

are suggestions to replace staffs or to take in more staffs. It depends on the YDP if the has other plans, then we will change accordingly.

The YDP had the power to accept or reject any decision to decide during the exit conference meetings. Later, the EAP continued to the last stage, improving the audit programme.

Improving the Audit Programme

In the final stage, the ACMC will make a decision on how to improve the audit program that used in the EAP.

Exclusive Decision Making by ACMC

After the exit conference meetings, the HIA conducted a meeting with the ACMC, which was made mandatory in every three months. The meeting was chaired by the ACMC Chairman who was appointed by the members of ACMC. He was also one of the councillors in BETA. The meeting was attended by the members of the Audit and Corporate Management Committee, the HIA and the Directors of all Departments.

The HIA reported the audit findings as well as feedback from the audited department. The members of the ACMC were able to ask any questions that arose to the audited department and gave suggestions on the possible solution for any significant audit findings. However, the suggestions were not being made mandatory for the audited department to ensure the subsequent implementation is being taken up. The HIA stated as follows:

[...] We will bring this to the ACMC in which its chairperson it the committee member. The management does not get involved, this is a committee member, he has a team, and there are four committee members. We will present the exact aspect; it is just that this time around, we included feedbacks from the department. During the ACMC meeting, we will verbally mention our findings if the feedback report is not ready yet.

This is further supported by Internal Auditor 1, who stated:

[...] We will bring that forward to an audit committee and corporate management chaired by the councillors. At this stage, the management is not involved anymore as the councillors have their own team comprising of 4 members. We will present the same aspect; it is just that during the presentation, there will be some feedback from the department. During the ACMC meeting, since we would not have received feedback, we will verbally declare our findings.

On overall basis, the implementation of EAP in BETA was part of the annual internal audit work plan and the implementation of the EAP were executed but the internal auditors from the internal audit department itself. Inputs for the environmental audit were mostly prepared based on the complaints gathered, the previous audit working papers as well as YDP and ACMC. Internal auditors in BETA have no specific training prior to the implementation of the EAP and are mostly acquired from the external training providers. The execution of the audit programme was aligned to the common internal audit practices and finally, communication of the audit findings was mostly done in the exit meeting. Notably, audit findings or

recommendations were not being made mandatory for subsequent implementation and review. The summary of the EA process in BETA is depicted as in Appendix 4:

Discussion and Conclusion

The findings showed that stages of the EAP are similar between the ALPHA and BETA. It has concurred with the previous studies (Coyne & Winter, 2006; Moor & Beelde, 2005; Raman, Makode & Devotta, 2008). However, different practices are being implemented in the respective stage. In general, there are five stages of EAP and the first stage is audit authority. The implementation of EAP was established based on the Treasury Circular and notably, the enforcement for structured and comprehensive implementation was observed to occur in MLG that subscribed to the ISO requirements.

Due to compliance requirements, the EAP is implemented properly in ALPHA. Moreover, the implementation of EAP was greatly influenced by the support and initiative of the leaders such as the YDP. In addition to that, for the ALPHA, other factors such as the presence of the NGO Watchdog Group and MLG's sustainability vision also influence the EAP implementation. However, in the case of BETA, EAP is mainly initiated by the ACMC.

In the second stage, establishing the annual audit plan, EAP is often formed as part of the annual workplan in ALPHA and BETA. In terms of the composition of audit team members, notably the practices between ALPHA and BETA are different. In ALPHA, the secretariat audit team is comprised of members, i.e., quality officers, from different departments across ALPHA. The quality officer is an official appointment that acts as a representative for the audited department (or auditee). Whilst, in BETA, the audit team members are mainly derived from the internal audit department. Therefore, since the secretariat audit team in ALPHA is comprised of members from various backgrounds, specific training (i.e. Training for trainers) is provided by the relevant staff.

While in the third stage, implementing the audit programme, there is no difference between EAP between these two MLGs. In the next stage, the monitoring and reviewing stage, the Quality Officer have the right to explain the audit findings in ALPHA. Another different practice found was that in EAP, the YDP did not involve in the Exit Meeting whilst the YDP involved in the Exit Meeting for BETA. The findings in BETA also reflected the decisions might be ruled out by the presence of the YDP in the meeting.

In the last stage, there are different practices between ALPHA and BETA. In ALPHA, the councillor did not involve in the Review Meeting. The attendees are only the Director of the audited department, the Secretary of ALPHA and YDP. Meanwhile, in BETA, ACMC plays important role in EAP.

In summary, the implementation of EAP in ALPHA seemed to be more structured and organised despite the involvement of representatives such as quality officers and other employees from various departments. Despite having internal auditors with different backgrounds and expertise, the tasks of EAP were able to be implemented successfully due to proper training were provided through the conduct of Training for Trainers by SIRIM. Furthermore, the support from the YDP to exercise continuous monitoring on environmental programs along with the pressure from the NGO Watchdog Group has further set up good momentum to implement EAP. Moreover, guidance from ISO 14001 on auditing the environmental management system also has further facilitated the implementation of EAP in ALPHA in a more guided manner.

On the other hand, EAP in Beta was most likely formed part of the annual audit work plan which not many resources being allocated specifically for EAP as internal auditors or time slots

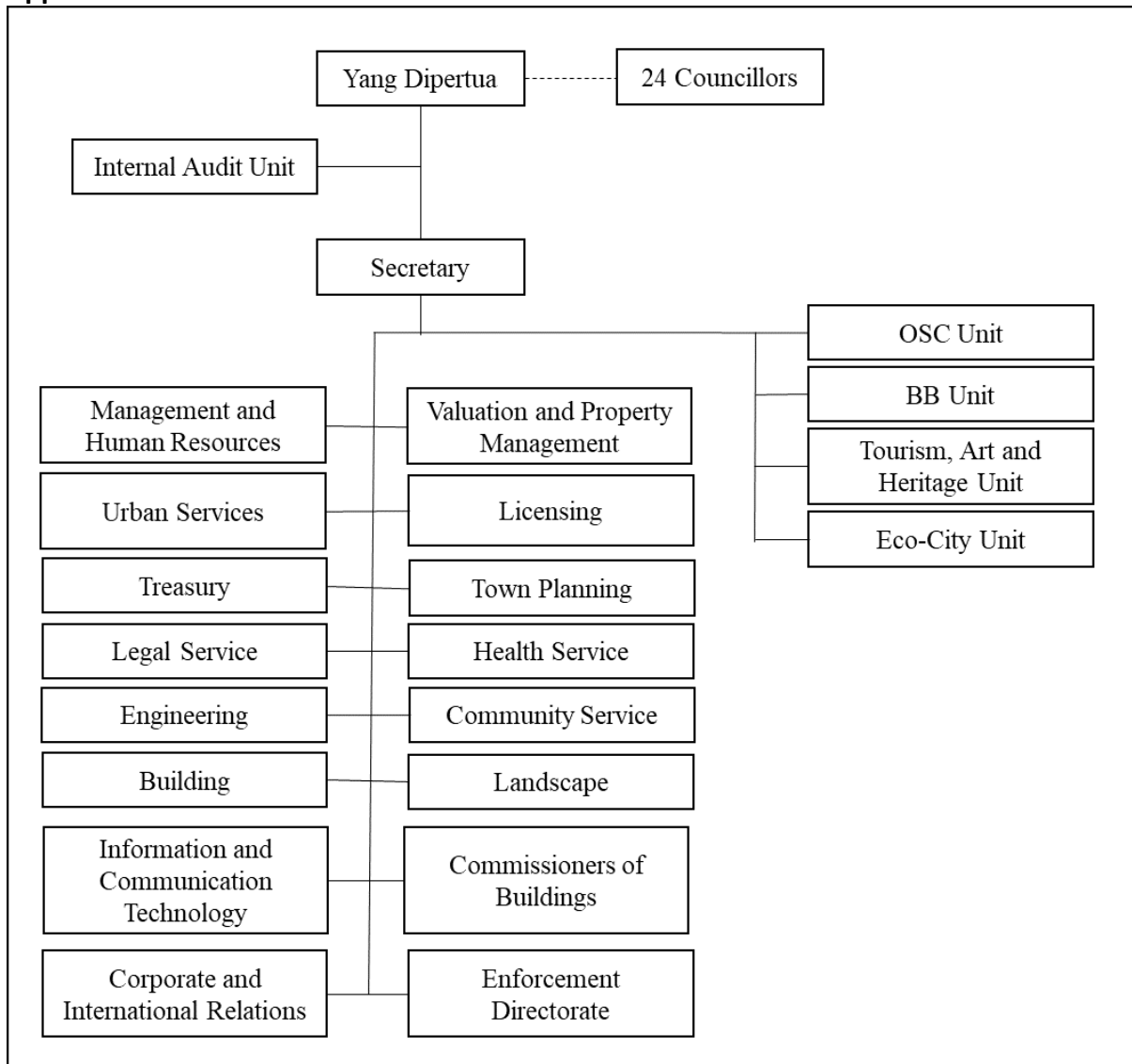
are being allocated for other audit tasks as well. The insights were also highlighted on the importance of leadership in ensuring continuous implementation of the EAP which did happen in the case of BETA due to the short tenure of the YDP. On top of a factor related to the tenure of the YDP, lack of alignment to the strategic objectives may also prevent greater emphasis on EAP were being allocated during the annual budget and resources allocation.

The finding of the study is based on the data collected between 2017 and 2019. There is the possibility of a change in the flow. The future avenue may grant to study the EAP implementation in different institutions.

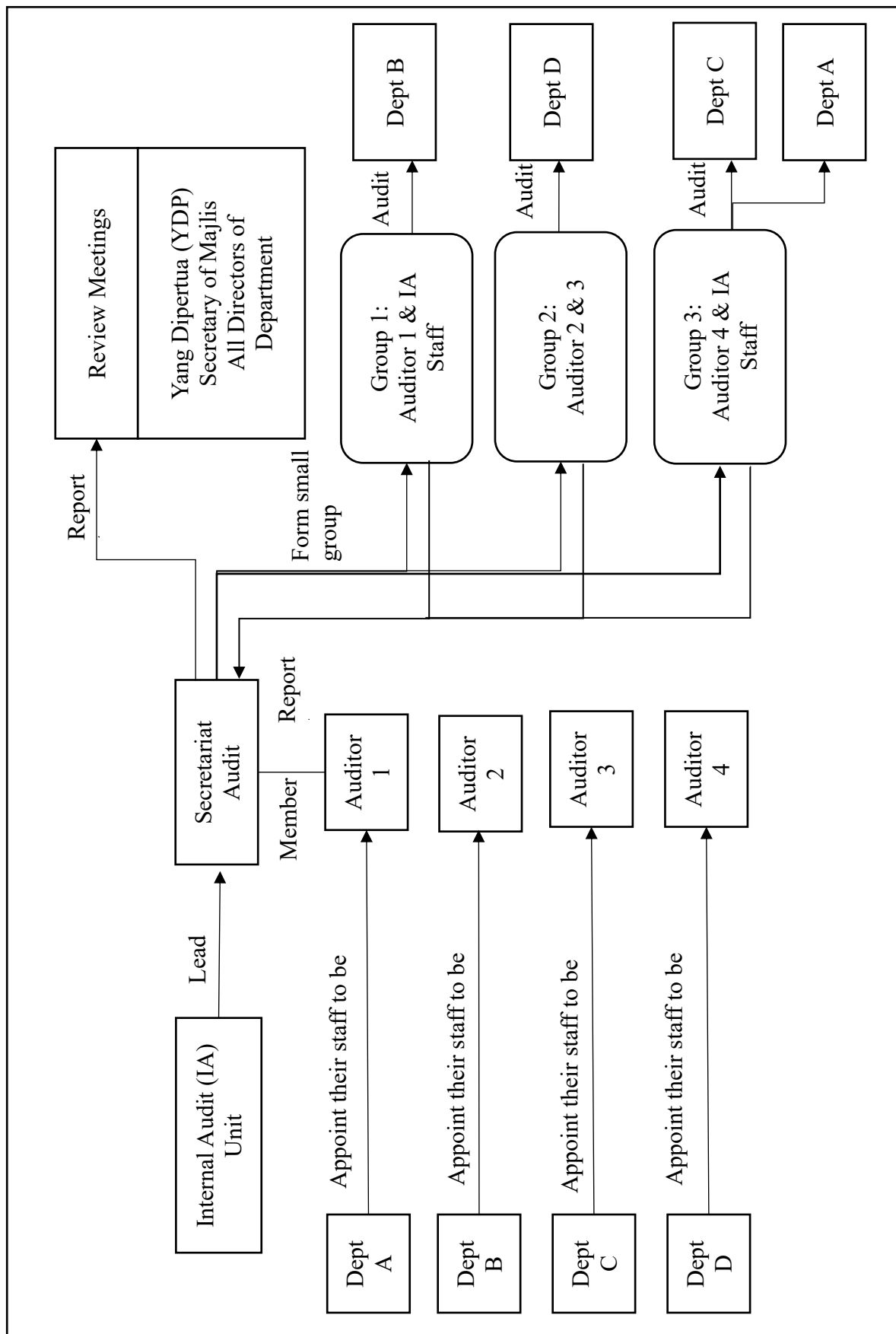
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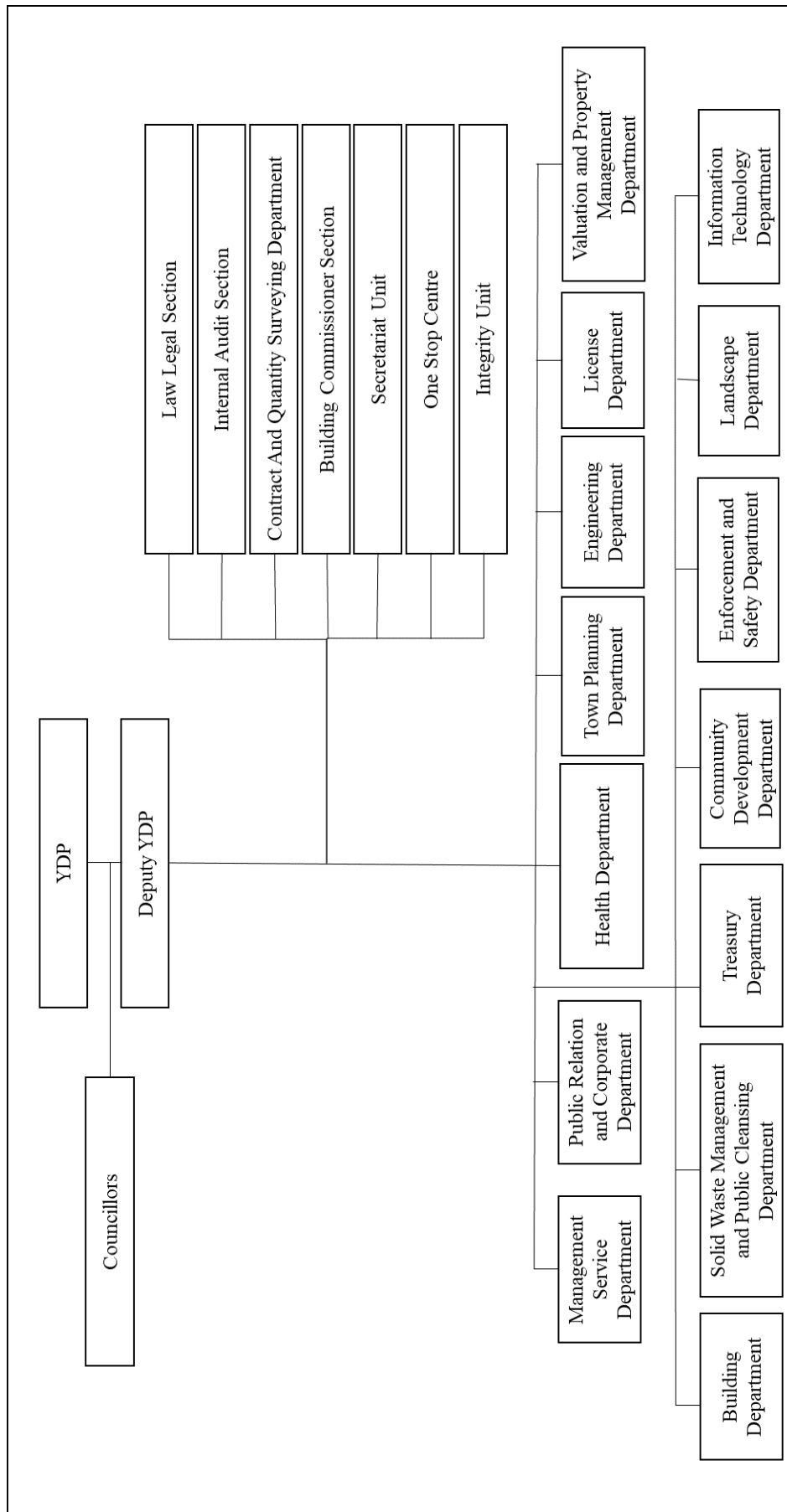
Appendix 1



Appendix 2



Appendix 3



Appendix 4

