

# THE INTERNAL AUDITORS' RESPONSES IN ENVIRONMENTAL AUDITING PRACTICES: PROBLEM SOLVERS VS CHECKER

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## Abstract

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This study explored how internal auditors responded to environmental auditing practices (EAP). The study used interpretative research focused on multiple case studies: two Malaysian Local Governments (MLG) with single-case design and environmental auditing. This study utilized 25 interview sessions comprising the internal auditors, executives from audited departments and the Councillor of the Malaysian Local Governments. This study used the framework from Mantere (2008) and Taminiau and Heusinkveld (2017) as guidance during thematic analysis using Atlasti software to conclude. This study concluded that the internal auditors perform six enabler conditions in EAP. This study showed no evidence that the internal auditors performed narration and inclusion during the EAP. The prominent enabler condition was constructing trust by the internal auditors. This study indicated one new enabler condition, selective reporting from the findings. The new enabler helped the internal auditors to expand their role from checkers to problem solvers in EAP.

**Keywords:** Internal Audit, Environmental Accounting, Public Audit

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## 1. INTRODUCTION

The Malaysian Ministry of Finance issued Treasury Circular No. 9, 2004 (Implementation of Internal Audit at Ministry/Department and State Government), stating that all the departments under the jurisdiction, including the Malaysian Local Government (MLG), establish their internal audit department. The internal audit department's

primary role is to oversee the financial management of the MLGs (Ketua Setiausaha Perbendaharaan, 2009). Later, in 2013, this circular has been improved and replaced with Treasury Circular (IPP) PS3.1 — Implementation of Internal Audit at Ministry/Federal Departments and State Governments (Perbendaharaan Malaysia). This circular extends the internal audit role to monitor the operation and compliance issues within the organization.

One of the MLGs' primary responsibilities is maintaining the environment, including conducting environmental programmes. Due to this, the internal audit department must audit all environmental programmes. This auditing process is called environmental auditing practices (EAP). However, the administration of the MLGs is under each state's jurisdiction. Each state has its regulations and laws, the internal auditors' roles differ (Hariz & Bahmed, 2013; Krane, 2019; Hegazy & Farghaly, 2021; Eulerich & Lenz, 2019; Rodakos et al., 2021).

Prior studies had identified that the discussion the internal auditors in EAP cover the roles of internal auditors (Hariz & Bahmed, 2013; Oviir, 2012; Viegas et al., 2013; Anuntaakalakul & Lamberton, 2007) and pressures to perform the EAP (Chiang & Northcott, 2012; Yusoff et al., 2016). There is little discussion on the internal auditors' response in the EAP. This paper aims to answer the following research question:

*RQ1: How do internal auditors respond to environmental auditing practices?*

This paper employed interpretative case studies, one of the existing paper's contributions. The cognitive perspective of role theory guides the discussion of this study as the code during the thematic analysis. This study highlighted the internal auditors' responses in EAP which expanded the discussion of the environmental auditing literature. This paper documented the reaction of the internal auditors in EAP practised by MLG. Later, this study provided evidence of the best practices in a public organization.

This paper is structured as follows. Section 2 discusses this paper's literature review, which comprises past studies on internal auditing. In addition, it elaborates on the cognitive perspective of role theory as the theoretical framework for this study. Section 3 discusses the research methodology, highlighted the interpretative research method. Section 4 presents a discussion of the results. Section 5 concludes the findings of this study.

## 2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

### 2.1. Literature review

Environmental auditing practices are defined based on various perspectives. From the organization's point of view, Maltby (1995) explained EAP based on

the definition used by the Internal Chambers of Commerce (ICC), which described EAP as:

*"A management tool comprising a systematic, documented, periodic and objective evaluation of how well environmental organization, management, and equipment are performing to help to safeguard the environment by 1) facilitating management control of environmental practices; and 2) assessing compliance with company policies, which would include meeting regulatory requirements"* (p. 16).

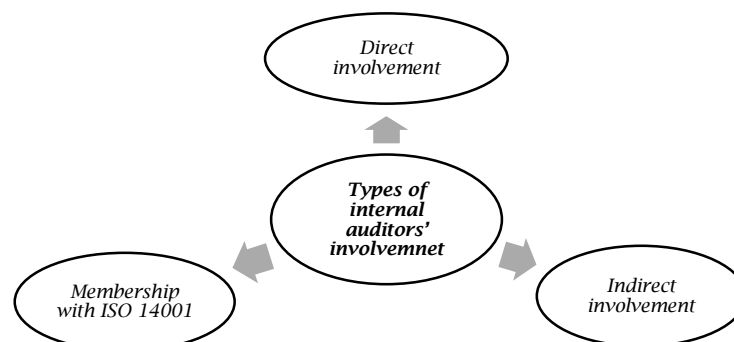
This paper defined the EAP as checking the institution's operation and whether the institution complies with the environmental regulation within the organization or state governments.

Past studies on EAP covered the pressures on EAP implementation (Chiang & Northcott, 2012; Yusoff et al., 2016) and the roles of the internal auditors (Dixon et al., 2004; Soh & Martinov-Bennie, 2015; Byington & Campbell, 1997; Anuntaakalakul & Lamberton, 2007). The discussion on the roles of the internal auditors stipulated within the limitation of internal auditors (Dixon et al., 2004; Soh & Martinov-Bennie, 2015; Byington & Campbell, 1997; Anuntaakalakul & Lamberton, 2007) and the types of internal auditors' involvement (Anuntaakalakul & Lamberton, 2007; de Moor & de Beelde, 2005; Dittenhofer, 1995) in EAP.

There were three types of internal auditors' involvement in EAP: direct involvement, indirect involvement, and membership within the ISO 14001 team. Direct involvement requires the internal auditors to ensure that the organization follows and practises environmental safety (Anuntaakalakul & Lamberton, 2007). Usually, internal auditors are hired by the organization (de Moor & de Beelde, 2005). The internal auditors played roles as the checker, whereby the internal auditors must ensure the reliability and accuracy of the information given to the stakeholders.

Meanwhile, indirect involvement discusses when the internal audit department performs environmental auditing (Anuntaakalakul & Lamberton, 2007; de Moor & de Beelde, 2005). The role of internal auditors is to ensure the programmes in the organization meet their intended objectives. In other words, they played the consulting role where the internal auditors were required to give consultation on whether the environmental programs conducted achieved their goals.

Figure 1. Type of internal auditor's involvement



The last type of internal auditor's involvement is the membership within the ISO 14001 team (Anuntaakalakul & Lamberton, 2007; Soh & Martinov-Bennie, 2015; Heras-Saizarbitoria et al., 2013; Simon et al., 2011; Ruban & Rydén, 2018). It includes the internal auditors involve actively in managing the ISO 14001. This involvement anticipates that the internal auditors will collaborate with other departments in performing EAP.

The involvement of the internal auditors determined the types of roles played between the auditors and the auditees (Bardati, 2006; Cook et al., 2016; Kraus & Platkus, 2007; Lynch, 2007; Nyström et al., 2014; Biddle, 1986; Collier & Callero, 2005). A study discussed the internal auditors' responses to internal auditors' practices (Taminiau & Heusinkveld, 2017). The study focused more on the audit tendering process. However, the study on this issue remained unexplored around EAP. Therefore, this study took opportunities to examine the response of the internal auditors in the EAP practices.

**2.2. Theoretical framework**

This paper utilized the theoretical framework to guide the discussion. Biddle (1986), founder of role theory, was chosen as theory for this study. This study employed one of the perspectives under this theory which is the cognitive perspective. The *cognitive perspective* is the extended discussion of role theory which embedded the psychological process into the discussion (Biddle, 1986; Mantere, 2008; Taminiau & Heusinkveld, 2017).

This perspective extended the discussion on role-playing by including the enabling conditions that lead the actors to meet role expectations (Mantere, 2008; Taminiau & Heusinkveld, 2017). The enabling condition is defined as the behaviour of the actors in fulfilling the role expectation. There are eight managerial enabling conditions: trust, responsiveness, narration, inclusion, referring, contextualization, resource allocation, and respect.

The study by Mantere (2008) discussed these eight enabling conditions among the top management in the strategic process. Meanwhile, Taminiau and Heusinkveld (2017) examined the seven enabling conditions among middle managers in the audit tendering process.

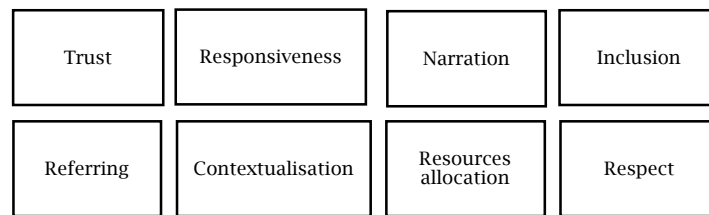
The first enabling condition is *trust*. Trust develops when the managerial level, the top managers (Mantere, 2008) and middle managers (Taminiau & Heusinkveld, 2017) encourage new ideas concerning the success and failure of the process. The *responsiveness* is explained in two ways. First, the top management can give feedback (Mantere, 2008), and the middle managers respond to openness in the networking process (Taminiau & Heusinkveld, 2017).

The third enabling condition is *narration*, defined as the top management's ability (Mantere, 2008) and middle managers (Taminiau & Heusinkveld, 2017) to develop the logical order of the process focal person. The following enabling condition is *inclusion*, where the middle managers invite the top management to participate in the planning process (Mantere, 2008).

The fifth enabling condition is *referring*. The top management reacts to new ideas by referring to middle managers' views (Mantere, 2008). However, the middle managers defined the procedures' ability (Taminiau & Heusinkveld, 2017). The following enabling condition is *contextualization* in this part; the top management (Mantere, 2008) and middle managers (Taminiau & Heusinkveld, 2017) link the strategies to work-related processes.

The following enabling condition is *resources allocation*. In this condition, middle managers utilize organizational resources (Mantere, 2008; Taminiau & Heusinkveld, 2017). The middle managers can make any changes to the work plan. The last enabling condition is *respect*. The top management (Mantere, 2008) and middle managers (Taminiau & Heusinkveld, 2017) accept the other parties' judgment in the organization.

**Figure 2.** Enabling condition of cognitive perspective



This perspective highlights the relationship between behaviours and expectations (Biddle, 1986). After all, expectations consist of norms, preferences, and beliefs directly associated with actions. This perspective allows the actors to discuss their thoughts about their involvement in a specific process.

**3. RESEARCH METHODOLOGY**

This study utilized interpretative case study research as it required a detailed investigation of the phenomena within a context (Hartley, 2004).

The internal auditors in MLGs are monitoring internal programmes (Iskandar et al., 2014). Therefore, this study focused on how internal auditors constructed their roles in EAP implementation in MLGs.

The data was gathered through interview sessions from 2014 until 2018. There were 25 interview sessions conducted by two MLGs using English and Bahasa Malaysia. All interview sessions were conducted face-to-face and on the premises of the interviewee. The interview questions are depicted in Appendices; the details of the interview session are depicted in Table 1.

Table 1. List of the interview session

No.	Position	Date	Duration	Recorded (Y/N)
<b>ALPHA</b>				
1	Head of the Internal Auditor Department (HIA) 1	23 October 2014	60 minutes	N
2		23 September 2016	30 minutes	Y
3	Auditee 1	27 December 2017	35 minutes	Y
4		22 December 2018	30 minutes	N
5	Auditee 2	27 December 2017	95 minutes	Y
6	Auditee 3	27 December 2017	45 minutes	Y
7	Internal auditor 1	27 December 2017	45 minutes	Y
8	Auditee 4	23 February 2018	30 minutes	Y
9	Internal auditor 2	23 February 2018	30 minutes	Y
10	Auditee 5	23 February 2018	30 minutes	Y
11	Auditee 6	23 February 2018	30 minutes	Y
12	Internal auditor 3	23 February 2018	30 minutes	Y
13	Councillor	22 December 2017	30 minutes	Y
14	Auditee 6	22 December 2017	15 minutes	N
15	Auditee 7	23 February 2018	30 minutes	Y
<b>BETA</b>				
16	Head of the Internal Auditor Department (HIA) 2	22 March 2017	90 minutes	Y
17	Internal auditor 4	22 March 2017	60 minutes	Y
18	Internal auditor 5	27 March 2017	30 minutes	Y
19	Auditee 8	23 March 2017	30 minutes	Y
20	Auditee 9	27 March 2017	60 minutes	Y
21	Auditee 10	27 March 2017	60 minutes	Y
22	Audit committee 1	13 December 2017	75 minutes	Y
23	Audit committee 2	27 January 2018	75 minutes	Y
24	Audit committee 3	27 January 2018	45 minutes	Y

The interviewee consisted of 7 internal auditors, 4 councillors and 14 auditees from various departments. The researcher recorded and transcribed the interview session verbatim. The data were sent to the respondent before being analyzed to ensure the reliability of the data. The leading interview question is based on their feelings on environmental auditing practices. It is a tour-type question whereby the next question will be based on the responses of the internal auditors on the leading questions. The data were gathered from two MLGs described in the following discussion.

This study used the Express Scribe Transcribe Software to transcribe the interviews. This software helped the researcher to speed up the process of transcribing the narratives of the interview with an accurate outcome. The researcher chose this method rather than the native recognition software because the interviews were conducted in mixed languages, Bahasa Malaysia, with varying dialects and English language.

After the interview session, the transcribed data was sent to the interviewees for verification. After verification, the data was sent to a licensed translator for translation purposes — most data comprised a mixed language between Bahasa Malaysia and English. The purpose of the translation was to ensure that the translation achieved the described content.

Later, the data were analyzed using a thematic analysis defined as identification through coding and categorization. Coding is labelling units to categorize the data (Attride-Stirling, 2001). The purpose of coding was to help identify significant conclusions which would be portrayed in charts or visual presentations. This study used Atlasti software to ease the process of creating codes for this study.

Attride-Stirling (2001) identified three stages in deriving the thematic analysis. The first stage is the breakdown stage; the patterned sentences are categorized into a similar code group. The second stage is the exploration stage, where the researcher

arranges the code based on a theme. The last stage is the integration stage, where the researcher discusses the pattern of sentences.

Fifty codes were generated from the data and were further classified into five stages of the audit process: auditing authority of the audit programme, establishing the audit programme, implementing the audit programme, monitoring and reviewing the audit programme, and improving the audit programme. These stages were built based on the auditing requirements of the ISO 19011 standard (International Organization for Standardization [ISO], 2011).

After being classified into five stages, the codes were further refined to cognitive perspectives. The researcher consistently compared the results with past studies (Bechky, 2006; Fondas & Stewart, 1994; Mantere, 2008; Taminiau & Heusinkveld, 2017). Later, the number of codes reduce to 8 principles following the framework by Taminiau and Heusinkveld (2017) and Mantere (2008). In other words, the researcher used the previous framework as guidance in the current study. The following discussion illustrated the case institution in this study.

### 3.1. ALPHA as first case institutions

ALPHA is MLG in State A. The ALPHA implemented ISO 14001 in managing the environmental programs starting in 2014. Due to that, the environmental auditing process performs yearly for these organizations. The company formed the Audit Secretariat to achieve the EAP. The Audit Secretariat comprise the Head of the Internal Auditor Department, internal auditors and selected member of the audited department.

The selection of a member of the audited department is based on two criteria. The *first criterion* was that the member was in a senior position. The *second criteria* were the member attended the internal audit training. The member is appointed based on the contract with an additional

allowance of RM 1,000 per month. They are also known as the internal auditor in their department.

During the EAP process, the audited department members will form into small groups between two and three. They were forbidden to audit their department. At the end of the EAP process, the findings were reported to the Head of the Internal Audit Department.

### 3.2. BETA as second case institutions

BETA is the MLG in State B. The Head of the Internal Auditor Department (HIA) performed EAP based on the annual work plan and the Audit and Management Committee (AMC) request. The HIA drafted the yearly work plan based on BETA's previous complaints. The HIA had chosen the frequent issue raised inside the complaints system. The HIA tabled the problem and received the Chairman of BETA's approval to perform EAP in that particular year. The AMC can request the internal audit section to perform the EAP. The EAP performed by the internal auditors is the permanent staff in the inner audit section. The internal auditors have the same qualifications and background. The findings were reported to HIA as the audit findings.

## 4. RESULTS AND DISCUSSION

The findings from these two MLGs were analyzed using the framework done by Mantere (2008). These findings focused on how the internal auditors respond to EAP implementation. The results show that the internal auditors performed several management skills such as respect, contextualization, trust, referring, responsiveness, and reporting to ensure EAP success.

### 4.1. Showing the respect

The HIA can show respect in understanding the plan. They can translate the direction from those charged with governance in their annual work plan. In ALPHA, the HIA handles audit matters in all aspects. The HIA incorporates the activities from the annual work plan in each department's annual work plan to be audited by the internal auditors. It is based on the statement by the HIA 1 stated that:

*"[...] The annual work plan is based on the strategy drafted by the directors [in ALPHA]."*

In BETA, HIA 2 can show respect by reducing the number of complaints in the organization. The HIA 2 is selective in choosing the topics to participate in the next audit plan. The HIA 2 prepared the annual work plan based on the previous complaints. It is based on the statement by the HIA 2 as follows:

*"[...] For that, we have a meeting called the annual work plan and yearly workload target. Once approved by the YDP [Yang di-Pertua or CEO] and his deputy, we will present that. We will proceed."*

These findings align with Mantere (2008), who stated that respect is the ability to accept other people's judgement. These findings contribute to the literature on how the Head of the Internal Auditor Department can show respect in EAP.

### 4.2. Strategy contextualization

During the establishment of the audit programme, the internal auditors can apply the expectations of ISO 14001 as part of the audit objectives in ALPHA. Internal auditors can draft the audit objectives based on the expected outcome of the environmental programme (Vinten, 1996). It is based on the statement given by auditee 3 as follows:

*"[...] We [internal auditors] develop the checklist based on the YDP [Yang di-Pertua or CEO] focus."*

In BETA, contextualization is portrayed when the HIA can prepare the audit objectives from the circular or the direction from the CEO to solve them. The internal auditor 4 claimed that:

*"[...] The audit objective is determined from the circular every year. Often, there will be a circular direction from the YDP [Yang di-Pertua or CEO]."*

The contextualization approach allowed the internal auditors to customize their audit procedures according to the environmental programme in ALPHA. Each department has a different environmental programme flow. Therefore, the internal auditors must customize the audit programme depending on the environmental agenda. This practice gives flexibility to the internal auditors to have their audit programme.

The findings are in line with the earlier discussion. The internal auditors could customize their audit programme (Taminiau & Heusinkveld, 2017). In this study, the ALPHA internal auditors could perform their jobs as the resource allocator for this stage. They were able to provide the objective of the audit programme for each designated department. These findings show evidence that the internal auditors can contextualize the goals of the environmental agenda in EAP.

Contextualization refers to the management's ability to link strategy with relevant works (Mantere, 2008). In the context of an audit is a process where the internal auditors can connect the system with auditee situations (Taminiau & Heusinkveld, 2017).

### 4.3. Developing trust

The staff in both organizations have known each other. They are usually involved in the program conducted by various departments. Consequently, trust developed among them through the process of attending those programs. The Yang Dipertuan (CEO) is the primary person responsible for forming cooperation among the staff. The equal treatment given to all the staff in both MLG strengthens the concept of trust.

As discussed in the previous study, trust is related to a person's ability to communicate the success or failure of the practice (Mantere, 2008; Taminiau & Heusinkveld, 2017). In the implementing stage, the concept of trust developed after several rounds of EAP. In both MLGs, the EAP has been performed every year. The internal auditors are customized with the process of EAP.

At the same time, internal auditors maintain trust with the auditee when the top management can accept objectives set up by them. They also provide checklists to the auditees to clear the direction of the audit programme. The following confirms the abovementioned statements.

"[...] He has consulted with me on matters that need to be observed and items that require auditing. So, they have done all" (Auditee 2, ALPHA).

"[...] We will go together as a team; we have usually informed them [auditee], too, as they are aware of the procedures" (HIA 2, BETA).

While performing the audit programme, the internal auditors accept feedback from the auditees. The auditees then clarify with the internal auditors the reasons for ALPHA's non-compliance issues or the complaint made for BETA. Their statements are as follows:

"[...] So far, there have been no issues. Once we come across subjects, we will inquire about the auditee" (Internal auditor 2, ALPHA).

"The process is like this. Sometimes, internal auditors understand the constraints, especially concerning the public" (Auditee 8, BETA).

These findings emphasize that trust enhances the EAP implementation in ALPHA and BETA. The results also show how internal auditors can develop confidence in the auditee.

#### 4.4. Application of the concept of refereeing

In this study, the internal auditors in both organizations utilize the refereeing concept. The refereeing concept is related to the manager refereeing to new ideas and reacting to new ideas (Mantere, 2008; Taminiau & Heusinkveld, 2017). In this study, the internal auditors in both MLGs must follow the decided annual plan set up earlier.

Besides, the internal auditors use the refereeing concept by following the previous year's audit reports. In both organizations, the internal auditors have done EAP beforehand. They understood how EAP reports are prepared. They follow the standard operating procedures designed earlier and imitate the required standard. It is based on the following statements as follows:

"I [HIA] will review the previous year's annual work plan while developing the following year's annual work plan" (HIA 2, BETA).

"[...] 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" (Auditee 2, ALPHA).

The evidence aligns with the refereeing concept stipulated by previous studies (Mantere, 2008; Taminiau & Heusinkveld, 2017), which specified that the internal auditors apply the idea of refereeing by assessing and documenting the audit procedures in EAP.

#### 4.5. Giving a response

The internal auditors can provide recommendations to the review committee or AMC. They can justify any advice based on the audit findings derived from the audit programme. Based on previous studies, internal auditors can react to responsiveness by giving recommendations and negotiating for improvement (Anuntaakalakul & Lamberton, 2007; Soh & Martinov-Bennie, 2015). Responsiveness refers to responding to the actions and feedback for past actions (Mantere, 2008; Taminiau & Heusinkveld, 2017). All these are based on the following statements.

"[...] We conduct audits for improvement purposes, and if we come across aspects which can be improved, we will suggest them during that time itself. If they do not do any compilation, we will only issue a non-observance report. That is our intention. If there is room for improvement, we will suggest it. It is not proper to complain, saying things are not rightfully done, as we also have to consider their method" (Internal auditor 4, ALPHA).

"[...] Usually, we will pass them the audit warning or suggestions after an audit, and everyone will be busy amending" (HIA 2, BETA).

"They [internal audit section] should advise when needed. Although other departments are not in favour of what the internal audit team is doing, the audit team usually shares with us that when we get into action, there are departments that think that we are purposely disturbing their bread and butter. We usually advise we do not take action, straightforward advice for improvement purposes, but some take it hard and refuse to accept it as they might feel we are purposely finding faults. We are not here to look for faults but for improvement; perhaps the other departments did not fully understand the role of audits. That alone might have made them feel threatened with audits, whilst audit happens internally" (Auditee 9, BETA).

#### 4.6. Selective reporting

This study found a new enabler for internal auditors is selective reporting. The internal auditors in ALPHA use this concept when they prepare reports. The report highlights significant audit findings in the practices of both organizations. The selection of significant audit findings is based on the members' experience. Moreover, they choose the significant audit findings if they believe the practices need urgent improvement (Anuntaakalakul & Lamberton, 2007; Soh & Martinov-Bennie, 2015). They ignore the insignificant audit findings, which only comprise simple audit matters. For example, the department demands a budget for improvement. Internal auditor 3 said:

"[...] As an auditor, we strive for improvement. If we see any room for improvement during the inspection, we will inform you on the spot. If they do not do complications, the non-compliance report will be written. We check for areas which can be improved and not merely accuse things of being wrong".

In this situation, EAP's audit findings helped management focus on the areas required for immediate attention and improvements. In return, this EAP also facilitated management in justifying the need for budget allocation to be improved to execute the suggested recommendations. This statement was based on the information given by auditee 4 as follows:

"[...] When there is no evidence, they will have no proper documents for improvement purposes, which needs financial support. If no funds remain in their department, the bursary will try to find ways to help. Supporting documents are thus needed. It [significant audit findings] (is) very important".

Moreover, the internal auditors keep reminding the auditees that the EAP is meant to improve environmental activities. It is not about highlighting the weakness of the department but helping

the department. After several years of implementation, both auditees and the internal auditors understood the importance of EAP. The respondent regards EAP as a routine activity in ALPHA. Auditee 5 said as follows:

*"[...] We assume what we are doing to be something ordinary that needs to be completed. However, they [auditee] will regard our job as complicated for external individuals, e.g. certification, EMS, internal audits, and integration. They assume it to be difficult, but it is considered normal since we have been doing it for a long time".*

To summarise, the internal auditors in ALPHA use selective reporting to report the audit findings in EAP. The internal auditors will choose serious issues that need more attention to be registered. There was no documentation of the selective reporting for EAP in BETA. Hence, the study's findings show that internal auditors in the ALPHA act as problem-solvers rather than gatekeepers.

## 5. CONCLUSION

The findings of this study concluded that the internal auditors responded to their roles in EAP in seven conditions. Based on Mantere's (2008) and Taminiau and Heusinkveld's (2017) framework, this study concluded that the internal auditors did not perform narration and inclusion conditions. This two-condition involved the top management. This study depicted that the internal auditors uphold the concept of independence even in EAP.

Out of another six responses condition, this study indicated that the construction of trust is the significant response. This process improves the relationship between the internal auditors and the auditee. The construction of the trust started with the adoption of ISO 1400 in ALPHA. The internal auditors are formed from several departments within the ALPHA. The varied background of the internal auditors contributes to the harmonious process of EAP. The findings agreed with the earlier studies stated that the role of internal auditors can be performed by people with different backgrounds (Anuntaakalakul & Lamberton, 2007; Soh & Martinov-Bennie, 2015; Heras-Saizarbitoria et al., 2013; Simon et al., 2011; Ruban & Rydén, 2018; Krane, 2019). Due to that, communication exists between the internal auditors and the audited department, which may reduce the number of conflicts.

After several years of the EAP implementation, the Head of the Internal Audit Department in ALPHA was able to draft the broader scope of EAP. It enhanced the purpose of the EAP because the Head of the Internal Auditor Department can show respect or appreciate the practices in the audited department. Compared to the traditional methods of forming internal auditors, the coverage of the EAP merely surrounds the reduction in the number of complaints.

Trust strengthens the process when the internal auditors can contextual the idea of EAP

in developing the audit strategy. In this case, the relationship between the management and internal auditors in the ALPHA is strong. As a result, the audit strategy in the ALPHA had enriched by incorporating the new changes done in the audited departments. The process helps boost the audited department's confidence level in the importance of the EAP. It refers to the concept of refereeing discussed by Mantere (2008).

This study contributed a new enabler (responses) which is selective reporting. The goal of the involvement of the internal auditors in EAP can give responses to the audit process. In this study, it was found that internal auditors can deliver their opinion. The weight of view is a crucial issue that the auditors must be careful of. In deriving the solution, the idea of the audited department needs to be considered. If the considerations are not careful, such action destroys the *trust* established by the audited department in BETA.

Besides the construction of trust towards implementing EAP in ALPHA, selective reporting is another essential attribute of the EAP's success. This practice is only in ALPHA. With the heterogeneous background of internal auditors, the mindset of the audited departments is changed. They perceived the EAP implementation might help them demand an additional budget to correct the issues. Moreover, the audited department perceived that EAP implementation might help them strengthen their roles in performing the EAP. The audited department perceived that the EAP is part of their routine to correct any loopholes in their department. It is a form of unification among members of ALPHA within the organizations.

This paper gives new insights into the construction of the behaviour of internal auditors. The organization may focus on constructing trust as the initial and essential character in performing its function. Those practices help to enhance the role of the internal auditors as problem solvers rather than checkers roles (Krane, 2019; Hegazy & Farghaly, 2021; Eulerich & Lenz, 2019). This result helps the internal auditors concentrate on developing trust to perform their duty.

This paper can also be regarded as a tool to improve the delivery process of the audit opinion. The internal auditors should focus more on the reporting mechanism and explain to the audited department the needs of the internal audit process. It may reduce the misconception of the "audit" perceived by the auditees as the process of fault findings on auditees' works.

The limitation of this study is the data gathered between 2014 and 2018. The ALPHA may improve its system after 2019. The internal auditors' responses may change when they are familiar with the system. Future studies demand to explore this theory in other institutions. Moreover, future research may incorporate the external regulations or society's actions on how they perceive EAP in MLGs.

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**APPENDIX A. INTERVIEW QUESTIONS FOR INTERNAL AUDITORS**

Interview protocol — Understanding the environmental auditing practices (EAP) in Malaysian Local Governments

Time/Date of the interview \_\_\_\_\_  
 Place/Department \_\_\_\_\_  
 Interviewee \_\_\_\_\_  
 Position of interviewee \_\_\_\_\_  
 Years in service \_\_\_\_\_  
 Contact information \_\_\_\_\_  
 Research objectives \_\_\_\_\_

Question	Justification
1. Do you perform environmental auditing practices? 2. To what extent is the practice being conducted? 3. How many departments are involved in environmental auditing practices?	To understand the flow of the EAP being implemented.
1. Who initiates the EAPs? 2. Why does that department involve? 3. How do you conduct EAPs? Why do you do so? 4. Is there any standard you follow? 5. If yes, why do you follow the standard?	To have an in-depth understanding of EAP.
1. What do you expect from the auditees? 2. What do you regard as the most important activity in EAPs? 3. What is the impact of audits on environmental practices? 4. Please rank the impact of these practices. One is the lowest, and nine is the highest.	To understand how do internal auditors perceived the role of auditees in EAP.
1. How do you perceive the roles of councillors? 2. What is the task of councillors? 3. Do you have the audit committee? 4. What do you expect from the audit committees? 5. Is the audit process conducted effectively? Why do you say so? 6. How happy are you with your interaction with the auditee? Why do you say so? 7. How happy are you with your interaction with the audit committee?	To understand how do internal auditors perceived the role of councillors in EAP.

**APPENDIX B. INTERVIEW QUESTIONS FOR AUDITEE**

Interview protocol: Understanding the environmental auditing practices (EAP) in Malaysian Local Governments

Time/Date of the interview \_\_\_\_\_  
 Place/Department \_\_\_\_\_  
 Interviewee \_\_\_\_\_  
 Position of interviewee \_\_\_\_\_  
 Years in service \_\_\_\_\_  
 Contact information \_\_\_\_\_

Question	Justification
1. What do you feel about the EAPs? 2. When did the environmental auditing practices start in your department? 3. Do you receive any letter before the audit process?	To understand the flow of the environmental auditing practice being implemented.
1. How do you prepare for the audit process? 2. How do you handle it? 3. In what way does the auditing department help your environmental program? 4. What is the content of the letter?	To have an in-depth process in each stage of environmental auditing practice.
1. What do you expect from the internal auditors in the environmental program? Why do you say so? 2. What if there is no internal audit function? What is it that you most value? 3. Is environmental auditing differ from traditional audit? 4. Do you think the internal auditor can conduct environmental auditing practices? Why do you say so? 5. Is the internal audit do a good job? Why do you say so?	To understand how auditees perceive the role of internal auditors in environmental auditing practice.
1. What do you think about the involvement of the audit committee? 2. Why do you say so?	To understand how auditees perceive the role of Councillor in environmental auditing practice.

**APPENDIX C. INTERVIEW QUESTIONS FOR COUNCILLORS/AUDIT COMMITTEE**

Interview protocol — Understanding the environmental auditing practices (EAP) in Malaysian Local Governments

Time/Date of the interview \_\_\_\_\_  
 Place/Department \_\_\_\_\_  
 Interviewee \_\_\_\_\_  
 Position of interviewee \_\_\_\_\_  
 Years in service \_\_\_\_\_  
 Contact information \_\_\_\_\_

<b>Question</b>	<b>Justification</b>
1. What are your roles as the councillors? 2. Are you on audit committees? 3. What are your roles as audit committees?	To understand how councillors perceive their roles in environmental auditing practice.
1. What do you expect from the internal audit? 2. Why do you say so? 3. Are you satisfied with the involvement of the internal auditor in the environmental program? 4. Why do you say so? 5. How do you perceive the current internal audit function? 6. Are the internal auditors doing the right job? Why do you say so?	To understand how councillors perceive the role of internal auditors in environmental auditing practice.
1. What do you expect from the auditees? 2. Why do you say so?	To understand how councillors perceive the role of auditees in environmental auditing practice.
1. When do you involve in environmental auditing practice? 2. What do you do? 3. Are there any issues during the environmental auditing practice? Why do you say so?	To understand how the councillors involving in environmental auditing practice.