

SUMMARY REPORT

COMPLIANCE  
AUDIT OF TIMBER  
LEGALITY  
ASSURANCE  
SYSTEM (MyTLAS)  
FOR PENINSULAR  
MALAYSIA

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2021

BY

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## 1.0 INTRODUCTION

1.1 Malaysia has developed the TLAS initiative since 2012 to preparing the industry towards making Malaysia a legal timber producer. The Peninsular Malaysia TLAS has been formulated based on existing laws and regulations and implemented through a base system. MyTLAS is based on 24 Tables centered on six Key Principles. The implementation and monitoring of MyTLAS Peninsular Malaysia is monitor by eight Implementing Agencies, involving six different Ministries.

The third party auditing of MyTLAS is an aspiration for:

- Strengthening the credibility of the national timber legality system;
- Expand of timber legality: access to all international markets;
- Enhancing Malaysia's image as a major producer of 'legal timber' status;
- Maximize sustainable and competitive growth of the timber industry contributes to the national economy in line with the Agri-Commodity Policy (2021-2025) and the National Timber Industry Strategic Action Plan (2021-2025).

## 2.0 COMPLIANCE AUDIT ON MyTLAS SCHEME

2.1 The Compliance Audit on the MyTLAS system was conducted by SIRIM QAS International Sdn. Bhd., as a leading testing, inspection and certification body (CB) in Malaysia providing services to all sectors of the business and industry for over 40 years.

2.2 The terms of reference of the audit include the following:

- i. Using the Guidelines and Checklist provided, undertake a compliance audit and requirements of the MyTLAS, for 24 Tables and covers the entire timber supply chain from harvesting, processing mills to the export point;
- ii. Prepare a report on the audit compliance of the MyTLAS and propose improvement to the documentation and/or of the procedures described in the MyTLAS; and
- iii. Identify and categorize non-compliances and recommend corrective measures for improvement in the implementation of the MyTLAS.

## 3.0 AUDIT METHODOLOGY

3.1 The audit was conducted primarily to evaluate the level of compliance with the MyTLAS system at the State Forestry Department (SFD) and for the relevant downstream factories. The audit activities reviewed all current documentation, Standard Operating Procedures (SOPs) and the actual implementation of the practices (at field) for both the forest management sites and mills. The audit exercise used the MyTLAS verifiers with the details as listed in the MyTLAS checklist and the Verification Procedure stipulated for Peninsular Malaysia.

- 3.2 For each indicator, the auditors had conducted either a documentation review, consultation with the responsible personnel of the SFD or Mill, interview sessions with the implementing agencies or authorities, specific field/site audits or a combination of these methods. Depending on the level of compliance with the verifiers on a particular indicator, the auditors had reviewed, verified and determined the degree of the overall compliance against the indicators. Once a conclusion is made, a finding was raised either a Full Compliance, Partial Compliance or non-applicable.
- 3.3 The audit methodology was to ensure that all the 8 states indicated in the Contract Agreement was audited accordingly. For the SFD's audit, a total of 100% sampling was implemented across all districts. However, for the Primary Processing Mills, Secondary Processing Mills and Trading Companies, the sampling was based on mill process and products.

## 4.0 SCOPE OF AUDIT

- 4.1 The audit conducted on sampled of forests district and selected mills by categories. There are eight states with 30 districts and 56 mills such as sawmill, plywood/veneer, mouldings and furnitures were audited.
- 4.2 Summary of the number of logging licenses and processing mills to be covered in the compliance audit are shown in **Table 1**:

**Table 1:** Details of Harvesting Sites and Mills Audited

No.	State	Number forest district sampled	Number of mills	Details of mills
1.	<b>Kedah</b>	<b>3 Districts</b> Kedah Utara Kedah Tengah Kedah Selatan	6	1 Sawmill 1 Plywood/Veneer 2 Mouldings 2 Furnitures/Others
2.	<b>Kelantan</b>	<b>3 Districts</b> Kelantan Barat Kelantan Timur Kelantan Selatan	6	3 Sawmills 1 Plywood/Veneer 2 Furnitures/Others
3.	<b>Terengganu</b>	<b>3 Districts</b> Terengganu Utara Terengganu Barat Terengganu Selatan	8	4 Sawmills 1 Plywood/Veneer 2 Mouldings 1 Furnitures/Others

No.	State	Number forest district sampled	Number of mills	Details of mills
4.	<b>Perak</b>	<b>5 Districts</b> Kinta Manjung Hulu Perak Kuala Kangsar Larut Matang Perak Selatan	8	4 Sawmills 1 Plywood/Veneer 1 Moulding 2 Furnitures/Others
5.	<b>Negeri Sembilan</b>	<b>3 Districts</b> Negeri Sembilan Timur Negeri Sembilan Barat Negeri Sembilan Utara	6	2 Sawmills 1 Moulding 3 Furnitures/Others
6.	<b>Selangor</b>	<b>3 Districts</b> Selangor Tengah Hulu Selangor Klang	6	2 Sawmills 1 Moulding 3 Furnitures/Others
7.	<b>Pahang</b>	<b>6 Districts</b> Jerantut Kuantan/Pekan/Maran Kuala Lipis Raub/Bentong Temerloh Rompin	10	5 Sawmills 1 Plywood/Veneer 2 Mouldings 2 Furnitures/Others
8.	<b>Johor</b>	<b>4 Districts</b> Johor Timur Johor Tengah Johor Selatan Johor Utara	6	2 Sawmills 1 Plywood/Veneer 2 Mouldings 2 Furnitures/Others

## 5.0 AUDIT FINDINGS

5.1 From the 24 MyTLAS Tables audited, there are 14 tables reaching Full Compliance level, seven Partial Compliance tables and three tables with Not Applicable status. A summary of the findings is as in **Table 2**.

**Table 2:** Level of Compliance on the 24 MyTLAS Table Audited

PRINCIPLE	CRITERION/ TABLE	COMPLIANCE LEVEL		
		COMPLY	PARTIAL	N/A
<b>1. RIGHT TO HARVEST</b>	1. Approval of harvesting area by state authority		√ Auditor found certain contractors who were involved with harvesting in State Land and Alienated Land is not included in the state list of registered logging contractors. Another issues found one of the registered logging numbers were used by two (2) different contractors.	
	2. Issuance of harvesting license	√		
	3. Consent by owner to remove logs and wood residues from rubber smallholding/ estate	√		
	4. EIA Requirements	√		
	5. EIA Requirements (Rubber Estates)	√		
	6. Plan preparation and registration of classification mark	√		

PRINCIPLE	CRITERION/ TABLE	COMPLIANCE LEVEL		
		COMPLY	PARTIAL	N/A
<b>2. FOREST OPERATIONS</b>	7. Area demarcation	√		
	8. Pre-F inventory	√		
	9. Pre-F removal assessment		√ A Pre-removal assessment has been carried out in all SL and AL together with the plans of the approved licensed areas in all the states. However, Audit sampling found in certain state, Pre-Removal Assessment Report were not available in License Files and the map of Pre-Removal Assessment was not attached in the Licensed Document.	
	10. Tree marking	√		
	11. Control of timber production		√ Auditor found in certain state the tree logs moved from the felling area to the log yard was not marked with the classification mark and also found that there were no records on monitoring reports.	

PRINCIPLE	CRITERION/ TABLE	COMPLIANCE LEVEL		
		COMPLY	PARTIAL	N/A
	12. Log transportation		<p style="text-align: center;">√</p> <p>Auditor found records of the logs which is transported to another mill, the application on Exchange Removal Pass was not fully implemented. Information in the removal pass was not written correctly. Removal passes record at the mill was also not cancelled by the Forest ranger or Forester.</p>	
	13. Worker safety and health		<p style="text-align: center;">√</p> <p>All the logging contractors have paid the insurance premium or given the SOCSO contribution for all their workers. However, in certain states, the Insurance Policy or SOCSO documents was not available for contractors and the Insurance Policy did not indicate numbers of workers covered. Also no records to show that SOCSO and DoL have conducted inspections in the forest operation site to verify and confirm on the Insurance and SOCSO information.</p>	
<b>3. STATUTORY CHARGES</b>	14. Royalty and fees	√		



PRINCIPLE	CRITERION/ TABLE	COMPLIANCE LEVEL		
		COMPLY	PARTIAL	N/A
<b>4. OTHER USERS' RIGHTS</b>	15. User rights by Aborigines (Orang Asli)			√ No harvesting activities was conducted at the gazetted aboriginal area or Aboriginal Reserve. This was confirmed during the consultation process with JKOA at each relevant State.
	16. Community Benefits			√ No minor license issued for the collection of non- timber forest produce for commercial purposes from the communities.
<b>5. MILL OPERA- TIONS</b>	17. Issuance of mill licence and conditions for operation		√ Auditor found in certain states, that the mill address in the forest license was found to be outdated, the information of the cancelled removal pass (RP) was incorrect (the cancelled RPs destination was for another mill), Forester did not inspect and cancel all the removal pass at certain mill, the volume and tree species were not written correctly in the Shuttle Return reports and log book.	
	18. Issuance of mill licence/ approvals and conditions for operation (secondary processing mills)	√		

PRINCIPLE	CRITERION/ TABLE	COMPLIANCE LEVEL		
		COMPLY	PARTIAL	N/A
	19. Issuance of mobile sawmill/ chipper licence			√ No mill licence approved for mobile sawmill/chipper for cutting/chipping of Rubber wood logs.
	20. Worker safety and health		√ It was noted for some of the mills, there was no periodic inspections being carried out by the DOSH officers. This raises concern on the implementation of the mills in relations to safety and health requirements. In addition, the implementing agencies of SOCSO and DOL has not been making regular periodic inspection on these mills.	
<b>6. TRADE AND CUSTOMS</b>	21. Registration of companies for export	√		
	22. Export regulations	√		
	23. Import regulations	√		
	24. Transportation of imported logs	√		
<b>SUMMARY</b>		<b>14</b>	<b>7</b>	<b>3</b>

5.2 The overall compliance of the MyTLAS system in terms of the timber legality assurance process was found to be in place and consistent across all the eight states that were audited for this project. The implementation of the legality assurance process was reviewed and audited from the registration and issuance of harvesting licensees for all logging contractors until the purchase and sale of the timber products by the downstream industries and up to the local deliveries and export and import activities.

- 5.3 The findings showed an efficient traceability of the timber legality from the Forest Management Units until the Downstream Factories. In addition to this, the audit also observed that majority of the SFD's were certified with the MC&I standard and most of the timber factories adopted the practice of the Chain of Custody Standard. The implementation of this system has also contributed in ensuring an effective traceability process for all the relevant activities, such as ensuring proper Standard Operating Procedures, effective generation and maintenance of records and good awareness and understanding for all the personnel involved.
- 5.4 The compliance audit noted for eight State Forestry Department of Kedah, Kelantan, Perak, Terengganu, Pahang, Selangor, Negeri Sembilan and Johor found that there were good compliance practices against the verification requirements.

## 6.0 GENERAL CONCLUSION

- 6.1 Overall from the results of both the Mill and Forest Operations, the activities have been implemented accordingly and this has contributed to ensuring an effective legality process which can trace the wood produced by the Harvesting Contractors from the Forest activities to the Transportation of the Timber at the Forest Checking Station, to the Mill Operations for further processing and finally to the delivery and exportation of the timber at the various ports of exits. Review of the records show that Proper and Standardized Procedures are critical for an effective implementation in order to achieve consistency in this process. Also, constant training and briefing is required to be given to all relevant personnel as currently this industry is heavily dependent on manpower.
- 6.2 In order to improve the system and to upgrade the standard level of the process, digitalisation is the main key to be implemented. It would improve efficiency, reduce error and increase the output of the process. The areas that could be enhanced is:
- (a) To convert all the hardcopy-based manuals and Procedures to an online system as to ensure that the procedures are easily updated and accessible for all parties involved;
  - (b) To implement a digital code scanner or coding system from the Forest Checking Station for the Removal Passes to the Office at SFD, as this could be captured for data collection and improvement; and
  - (c) A code reader to be provided for all the Foresters during their visits to the Mill for inspection and cancellation of the Removal Passes. The use of the code reader is to upload and send the cancellation information to the main drive.

