

**ENVIRONMENTAL REPORTING OF THE MALAYSIAN
LOCAL GOVERNMENTS**



**RESEARCH MANAGEMENT INSTITUTE (RMI)
UNIVERSITI TEKNOLOGI MARA
40450 SHAH ALAM, SELANGOR
MALAYSIA**

BY :

**CHE KU HISAM CHE KU KASSIM
SURAYA AHMAD
NOOR EMILINA MOHD NASIR
WAN MOHD NAZIF WAN MOHD NORI
NUR NARIZA MOD ARIFIN**

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(Rektor Universiti Teknologi MARA Cawangan Terengganu)

Dr. Hj Rosman Mahmood
(Timbalan Rektor, Penyelidikan, Jaringan Industri dan Alumni)

Ts Dr. Nurulnadwan Aziz
(Koordinator Research Management Unit)

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5. Report

5.1 Proposed Executive Summary

Environmental reporting (ER) concerns with the disclosure of environmental performance information to a multitude of stakeholders. Of late, there have been international trends calling for greater accountability and environmental responsiveness from the public sectors particularly at the local government (LG) level. However, within the context of LG in Malaysia, ER is still a voluntary engagement although there exist some pressures from the stakeholders to provide environmental disclosures (EDs) due to the heightened awareness on the impact of organisational operations on the natural environment. The purpose of this study is to examine the ER practices of the LGs in Malaysia. Specifically, it intends to examine the extent and patterns of EDs provided by the LGs. In addition, it attempts to examine the driving motives for ER and also the underlying reasons for a lack of EDs provided by the LGs in Malaysia. A paucity of research on this area is observed in the literature. Hence, it contributes to a limited understanding on the extent of LGs' involvement in ER within a developing perspective. This study is hoped to provide some insight that may be beneficial to the state and/or federal governments in any policy changes that can further improve the extent and quality of EDs made by the LGs. To achieve the objectives of the study, a method triangulation is to be employed and it involves two phases. In phase one, a descriptive content analysis will be performed in examining the level and types of EDs. The scope of the study is related to only EDs made accessible in the LGs' websites. A disclosure index will be used for this purpose. The second phase will involve a self-administered mail survey to all LGs in Peninsular Malaysia. The purpose of this survey is to solicit the responses of the accountants in the LGs on the influential drivers that motivate them to provide EDs in the absence of statutory requirements and the challenges that they have to confront in providing the disclosures.

5.2 Enhanced Executive Summary

Environmental-related information is increasingly demanded due to the heightened expectations from the stakeholders who require more transparent organisational impacts on the natural environment and sustainability issues. Prior research examining ER practices in the private sector is well documented in the literature. However, little has been researched on ER practices of the public sector within the perspective of developing countries. The research attempts to bridge the gap in the literature by providing empirical evidence on the ER practices of Malaysian LGs. The objectives of the research are three-fold. First, it examines the extent of EDs made by the Malaysian LGs' websites. Although annual reports are the common medium used to supply EDs, details uploaded on the websites have offered an avenue for the stakeholders to experience the different medium of environmental messages reporting. Second, the research intends to examine the patterns of EDs provided on the websites. Examining the patterns, in the form of the nature and type of information, may provide evidence on the motive of disclosure. Third, since ER is a voluntary engagement in the public sector in Malaysia, the research seeks to examine the driving motives for ER and also the underlying reasons for lack of disclosures in an array of reporting media. The research employed method triangulation in its two-phase data collection processes. The first phase involved a descriptive content analysis to measure the EDs. In the second phase, a mail survey to all LGs' accountants in various geographical locations in Peninsular Malaysia was conducted to examine the motive for ER and also the plausible reasons for lack of environmental disclosures by the Malaysian LGs. The results suggest that the EDs are very much descriptive in nature. In relation to the motive of disclosures, the ER practices of the Malaysian LGs appear to be driven by the need to portray good and responsible organisational image in the eyes of the relevant public. Moreover, the underlying reason for a lack of EDs is due to the shortage of staff that can recognise and report environmental disclosures. The results highlight the important role of education in providing relevant knowledge and training to the existing and future accountants to deal with emerging and complicated environmental issues affecting the LGs.

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