

**GUIDELINES FOR SARAWAK TIMBER
LEGALITY VERIFICATION SYSTEM (STLVS)
AUDIT**

12.7.2021 (Version 1)

Forest Department Sarawak

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1.0 INTRODUCTION

The Sarawak Timber Legality Verification System (or in short the STLVS) is a legality system governing the process of licensing, harvesting, transporting, manufacturing and trading of logs and timber products in accordance with the existing laws, regulations and procedures governing forests and timber trade in Sarawak. For the reason of good governance, the State Government took the initiative to come out with a Standard to verify compliance with the requirements of the STLVS based on the “*Inter-Agency Standard Operating Procedures (SOP) for Performance of Forestry Functions in Sarawak*”. There are Six (6) Principles in the STLVS Standard as follows:-

- Principle 1 - Right to Harvest
- Principle 2 - Forest Operations
- Principle 3 - Statutory Charges
- Principle 4 - Other User Rights
- Principle 5 - Mill Operations
- Principle 6 - Trade and Customs

The Forest Department Sarawak was entrusted by the Ministry of Natural Resources and Urban Development (MUDeNR) to implement the STLVS Standard together with other Forestry Agencies. In 2016, the STLVS Standard was structured into a formal due diligence system and gone through field testing in forest areas and mills. It aims to support the control of forestry operations and supply chain of forest products based on a formal due diligence system to monitor and document compliance against STLVS Standard.

The principle objective of these Guidelines in this document is to provide adequate explanations and guidance to assist competent Company to apply and register as STLVS Audit Firm and on the implementation of STLVS audit.

2.0 INTERPRETATION

- 2.1 “Audit Firm” means an independent third party firm registered with the STLVS Panel as the case may be, to carry out the STLVS Audit based on the STLVS Standard and in accordance with the provisions of these Guidelines;
- 2.2 “Certificate of Compliance for Principles 1 to 4” means a certificate issued by the Department upon the issuance of the Statement of Compliance issued by an Audit Firm to demonstrate compliance with STLVS Audit for Principles 1 to 4.
- 2.3 “Certificate of Compliance for Principles 5 to 6” means a certificate issued by the Corporation upon the issuance of the Statement of Compliance issued by an Audit Firm to demonstrate compliance with STLVS Audit for Principles 5 to 6.
- 2.4 “Certificate of Registration” means a certificate issued by the Director to any applicant upon successful registration as an Audit Firm with the STLVS Panel.
- 2.5 “Company” means forest timber licensees, timber operators, timber processors and timber exporters which involve in harvesting, manufacturing and trading of logs and timber products.
- 2.6 “Corporation” means Sarawak Timber Industry Development Corporation;
- 2.7 “Department” means the Forest Department Sarawak;
- 2.8 “Director” means Director of the Department;
- 2.9 “General Manager” means the General Manager of the Corporation;
- 2.10 “Statement of Compliance” means a statement issued by an Audit Firm to confirm that a Company had demonstrated compliance with STLVS Standard.
- 2.11 “STLVS” means a legality system governing the process of licensing, harvesting, transporting, manufacturing and trading of logs and timber products in accordance with the existing laws, regulations and procedures governing forests and timber trade in Sarawak;
- 2.12 “STLVS Audit” means an official verification and inspection process by an Audit Firm registered with the STLVS Panel on the logs and timber products exported based on the STLVS Standard and in accordance with these Guidelines;
- 2.13 “STLVS Panel” means the panel established under Guideline 3.0 below;
- 2.14 “STLVS Standard” means a verification standard for STLVS that consists of 6 Principles (18 criteria and 94 indicators) that reflect the regulatory requirements and industry standards which include management of forest resources, community recognition and benefits, environmental protection and traceability of material from the forest to the mill and/or export point. The 6 Principles are as follows:

- Principle 1 - Right to Harvest
- Principle 2 - Forest Operations
- Principle 3 - Statutory Charges
- Principle 4 - Other User Rights
- Principle 5 - Mill Operations
- Principle 6 - Trade and Customs

STLVS Standard Principles 1 to 4 are under the jurisdiction of the Department and STLVS Standard Principles 5 to 6 are under the jurisdiction of the Corporation.

PART 1 – REGISTRATION OF AN AUDIT FIRM

3.0 ESTABLISHMENT OF STLVS PANEL

- a. The STLVS Panel shall consist of 5 members:
 - i. Chairman – is the Deputy Director of the Department; and
 - ii. 4 Members – 1 representative each from the MUDeNR and the Department and 2 representatives from the Corporation.
- b. Roles and responsibilities of the STLVS Panel include:
 - i. considering the application forms submitted for registration as an Audit Firm;
 - ii. making recommendation to the Director on the approval of an Audit Firm for registration as an Audit Firm to carry out STLVS Audit ;
 - iii. reviewing the performance of an Audit Firm;
 - iv. updating the Director, General Manager, General Manager of Harwood Timber Sdn. Bhd. and Chief Executive Officer of Sarawak Timber Association regularly on all matters related to STLVS Audit such as audit programmes, audits reports, any complaints received, etc.
- c. The STLVS Panel shall meet at least twice a year or as and when it deems necessary by the Chairman
- d. All Audit Firm approved for registration to conduct STLVS Audit based on the STLVS Standard shall be listed in both the official websites of the Department and the Corporation.

4.0 APPLICATIONS FOR REGISTRATION OF AN AUDIT FIRM

- a. A firm wishing to be registered as an Audit Firm shall follow the following requirements:
 - i. Fill in the application forms in **Appendix 1**.
 - ii. Duly completed application forms must be forwarded in hardcopy (either by courier, mail or hand) in an envelope and addressed to:

The STLVS Panel
c/o The Secretariat
Forest Department Sarawak
15th Floor, East Wing, Baitul Makmur II Building
Medan Raya, Petra Jaya 93050 Kuching, Sarawak
Office Tel: +6082-495111, Faks No.: +6082-495200
Website: www.forestry.gov.my
 - iii. The lower right corner of the front envelope shall be written clearly the following words: “Application as an Audit Firm ”
 - iv. Certificate of Registration will be given to the applicant upon successful registration.
- b. The STLVS Panel may require the authorised personnel of the applicant to attend an interview if they deem it to be necessary
- c. Approved applicant: will be informed in writing by the Director
- d. Declined applicant: In the event the any application is declined , the applicant will be informed in writing by the Director

5.0 REGISTRATION OF AN AUDIT FIRM

- a. The STLVS Panel, after examining the application forms may recommend to the Director to approve a qualified audit firm to be registered as an Audit Firm after considering amongst others the criteria listed in 5.0 (b) in these Guidelines.
- b. Criteria to be considered by the STLVS Panel in recommending an applicant for registration as an Audit Firm in accordance with these Guidelines are as follows:
 - i. Must have a branch office registered in Sarawak/Malaysia;
 - ii. Proven track auditing records in relevant schemes and/or legality systems such as Malaysian Timber Certification Council, Forest Stewardship Council, Programme for the Endorsement of Forest Certification, Due Diligence System and others;
 - iii. Conversant with STLVS and STLVS Standard; and
 - iv. Must have at least 2 full-time auditors who have successfully attended training on STLVS Standard.

- c. The Director shall issue Certificate of Registration to the approved applicant to be registered as an Audit Firm with the STLVS Panel-

After registration as an Audit Firm with the STLVS Panel, the Audit Firm is obliged to notify the STLVS Panel, as the case may be, from time to time in the event of any changes to its firm structure and its individual auditors recruited by the Audit Firm to carry out STLVS Audit.

6.0 DEREGISTRATION OR SUSPEND THE REGISTRATION OF AN AUDIT FIRM

- a. The Director may suspend or deregister the registration of any Audit Firm as the Director deem appropriate on the advice of the STLVS Panel, if the Audit Firm:
 - i. breached any terms and conditions stipulated in these Guidelines;
 - ii. breached any of the codes of conduct and responsibilities of an Audit Firm prescribed under Guideline 7.0 and such other requirements set by the STLVS Panel;
 - iii. falsely declared any information in the application form;
 - iv. is found to have submitted the audit report containing facts, data or information, which is knowingly or has reason to believe, it is false or calculated to deceive the Director;
 - v. provides facts, data or information which is knowingly or has reason to believe, is false or calculated to deceive the STLVS Panel;
 - vi. upon reviewing the Audit Firm's performance, the Director are satisfied that the Audit Firm should not remained to be registered with the STLVS Panel;
 - vii. committed any offence relating to fraud, corruption or dishonesty whether by its individual auditors or by the Audit Firm itself;
 - viii. is in a liquidation process or wound up; and
 - ix. other reasonable grounds.

- b. In the event an Audit Firm :
 - (i) is suspended according to Guideline 6.0(a) above, the Audit Firm shall be reinstated to its registered position after consultation with the STLVS Panel, the Director, as the case may be, is satisfied that the Audit Firm has remedied its situation provided it is capable of remedy. Should the Audit Firm fails to remedy its situation within the time frame stipulated by the Director, as the case may be, the Audit Firm shall be deregistered in accordance with Guideline 6.0(a) above; or
 - (ii) is deregistered according to Guideline 6.0(a) above;then the Audit Firm shall have the recourse as provided in Guideline 6.0(c) below.
- c. The Audit Firm may appeal to the Director to reconsider the deregistration with written justification provided always after due consideration of the Audit Firm's appeal, the decision of the Director, as the case may be, shall be final.
- d. The Director shall cause all name(s) and record(s) of a deregistered Audit Firm to be removed from the official websites of the Department, as the case may be, and the deregistered Audit Firm shall not be permitted to carry out any STLVS Audit in whatsoever and howsoever manner as provided in these Guidelines.
- e. Upon deregistration of an Audit Firm, the Statement of Compliance shall remain valid unless the deregistration is due to the matter stated in Guideline 6.0 (a)(iv) or the Company holding the Statement of Compliance is guilty of an offence for any relevant laws stipulated in the criteria under STLVS, then the Statement of Compliance shall be suspended or revoked in accordance with Guideline 13.0 below.

7.0 CODES OF CONDUCT AND RESPONSIBILITIES OF AN AUDIT FIRM

- a. An Audit Firm shall ensure all its auditors exercise discretion, confidentiality and take full responsibility of the STLVS Audit including but not limited to compilation of audit reports, audit findings and audit conclusions
- b. An Audit Firm and all its auditors shall follow the following codes of conduct in carrying out the STLVS Audit:
 - i. to act professionally, be unbiased with no conflict of interests;
 - ii. to be honest and truthful in carrying out STLVS Audit and preparing STLVS Audit report;
 - iii. to conduct STLVS Audit diligently with professional judgement;
 - iv. to undertake STLVS Audit only if competent to perform;

- v. to work as a team with other team members and leader for attainment of STLVS Audit objectives;
 - vi. to disclose any potential conflict of interests to the Director, as the case may be, when an auditor is appointed;
 - vii. not to accept bribes, inducements, commission, gifts or other benefits from auditee's representatives or their employees or other interested parties;
 - viii. not to represent conflicting or competing interests at all times;
 - ix. not to intentionally communicate false or misleading information that may compromise the integrity of STLVS Audit;
 - x. not to act in any way that would jeopardize or prejudice the reputation of the Department, the Corporation or the STLVS Panel and to cooperate fully with any inquiry in the event of any breach of these codes; and
 - xi. not to use any information obtained directly or indirectly during the process of STLVS Audit for any purposes other than STLVS Audit.
- c. An Audit Firm must notify the STLVS Panel in the event any major gaps are found during the audit process. The notification to the STLVS Panel shall be made using the form attached herewith and marked as **Appendix 2**.

PART 2 – IMPLEMENTATION OF STLVS AUDIT

8.0 STLVS AUDIT TO BE CARRIED OUT BY AN AUDIT FIRM

- a. Audit Firm conducting STLVS Audit shall register with the STLVS Panel.
- b. All Audit Firm mentioned in Guideline 8 (a) above shall be listed in the official website of the Department.
- c. Audit Firm shall notify the STLVS Panel of the appointment by the Company to carry out STLVS Audit.
- d. The Audit Firm appointed by the Company shall only carry out the STLVS Audit, details of which are described in Guideline 9.0 below.

9.0 STLVS AUDIT PROCESS

a. AUDIT FIRM

Immediately upon appointment by the Company, the Audit Firm shall:

- i. work with the Company to prepare audit plan, logistic and other necessary arrangement;
- ii. carry out the audit plan by conducting document review, on-site inspection

- and verification, interview, etc based on the STLVS Standard;
- iii. fill-in the description and actions required in the Gap Agreement & Close-Out Record based on the form prescribed in **Appendix 3** for each major gap found during the audit in the closing meeting;
- iv. extend the Gap Agreement & Close-Out Record to the Company for corrective action;
- v. prepare audit report documenting compliance or non-compliance for each applicable criterion under STLVS Standard to the Company and extend a copy to the STLVS Panel;
- vi. carry out post-audit site verification to ensure the major gap(s) identified for non-compliance in the Gap Agreement & Close-Out Record is closed;
- vii. extend a copy of the Gap Agreement and Close-out Record to the Company and STLVS Panel;
- viii. issue a Statement of Compliance to the Company;
- ix. submit the Statement of Compliance (copy), Summary Report and Audit Report together with the Gap Agreement & Close-Out Record to the STLVS Panel through email or other means within one (1) week after closing the major gap(s)
- x. publish the summary of the audit report and Statement of Compliance on their website.

b. COMPANY

Immediately upon appointment of an Audit Firm, the Company shall:

- i. work with Audit Firm to prepare audit plan, logistic and other necessary arrangement;
- ii. render their support and cooperate with the Audit Firm to ensure the conduct of the audit in accordance with these Guidelines
- iii. make available the relevant documents, site for inspection and verification, and their personnel for interview; and
- iv. take all necessary actions to close any gap(s) identified within the timeframe stipulated in the Gap Agreement and Close-Out Record extended to them

10.0 AUDIT FEES

The Company shall bear all fees and expenses for the conduct of the STLVS Audit.

11.0 CERTIFICATE OF COMPLIANCE

The Department and Corporation shall issue their respective Certificate of Compliance within one (1) week after receiving Statement of Compliance, Summary Report and Audit Report together with the Gap Agreement & Close-Out Record, if any, from the Audit Firm to the Company to demonstrate compliance with STLVS Audit.

12.0 VALIDITY PERIOD OF STATEMENT OF COMPLIANCE

The Statement of Compliance issued by Audit Firm shall be valid for ONE (1) year.

13.0 SUSPENSION AND REVOCATION OF CERTIFICATE AND STATEMENT

In the event of a Company is found guilty of an offence for any relevant laws stipulated in the criteria under STLVS Standard during the validity period of Statement of Compliance, then the Statement of Compliance shall be:

- i. suspended if the offence is compoundable until full payment of such compound;
- ii. revoked if the Company and its Director is convicted in court

Appendix 1



SARAWAK TIMBER LEGALITY VERIFICATION SYSTEM (STLVS) PANEL

c/o Forest Department Sarawak
 15th Floor, East Wing, Baitul Makmur II Building
 Medan Raya, Petra Jaya 93050 Kuching, Sarawak
 Office Tel: +6082-495111 Faks No.: +6082-495200
 Website: www.forestry.gov.my

APPLICATION AS AN STLVS AUDIT FIRM

(Instruction: type or write clearly in black colour; leave no blanks. Write N/A for non-applicable. Incomplete, wrong or vague information could subject to rejection)

Type of STLVS Audit Applied:

[Please mark with (√)]

Audit Firm for STLVS Principles 1 – 4

Audit Firm for STLVS Principles 5 – 6

Audit Firm for STLVS Principles 1 – 6

PART A – AUDIT FIRM PARTICULARS

Full Name of Audit Firm	
Registered Address	
Company Registration Number (for Sarawak)	
Email Address	
Office Phone Number	
Office Fax Number	
Website Address	
Previous Track Auditing Records of the Audit Firm (use separate sheet if required)	
Audit Firm Profile (e.g. extract of business registration, annual return, etc)	<i>Please attach together in this Application Form</i>

PART B – LIST OF INDIVIDUAL AUDITOR

Auditor Name and Curriculum Vitae <i>(use separate sheet if required)</i>	a.
	b.

PART C – DECLARATION

I am duly authorized by the Audit Firm to complete this application and I hereby declare and confirm that the details in this application are true and correct.

Signature : _____

Full Name : _____

Designation : _____

Stamp : _____

Date : _____

PART D – RECOMMENDATION BY THE STLVS PANEL

- The applicant has fulfilled all the criteria and requirements to be registered as STLVS Audit Firm for STLVS Principles 1 - 4
- The applicant has fulfilled all the criteria and requirements to be registered as STLVS Audit Firm for STLVS Principles 5 - 6
- The applicant is not qualified as STLVS Audit Firm

Remarks:

Signed by:

 (-Chairman STLVS Panel-)

Date: _____

PART E – APPROVAL BY THE DIRECTOR

Audit Firm for STLVS Principles 1 – 4	Audit Firm for STLVS Principles 5 – 6
<input type="checkbox"/> Approved	<input type="checkbox"/> Approved
<input type="checkbox"/> Not approved	<input type="checkbox"/> Not approved

Director of Forests
Date: _____

Audit Firm Letter Head

Gaps Identification Record

Organization Details	
Company:	Report #:
Appointment reference no	
Company Address:	
Contact Person:	Email:
Tel:	Fax:

Audit Details	
Audit Firm:	Audit Date:
Lead Assessor:	
Audit Area:	

Gap Summary	
Major Gap: x	Checklist:
Minor Gap: x	Checklist:

Gap #	Type	Major/Minor	Date Issued
Description			
Actions Required			
Actions Taken			
Submitted by		Date	

DocumentControl			
Doc #:	Title: GAP Identification Record	Issue:	Date:

Audit Firm Letter Head

Gap Agreement & Close-Out Record

Organization Details	
Company:	Report #:
Company Address:	
Contact Person:	Email:
Tel:	Fax:

Gap Agreement		
<p>Company Name hereby agrees with the Gaps identified during the assessment that are described in this document and agree to take the required actions to address the gaps within the time allotted.</p>		
Company Representative	FDS Staff	Lead Assessor

Gap #	Type	Major	Date Issued
Description	<p><u>Checklist 1.2.4:</u> Significant oil and fuel spillages and/or lack of containment were observed at the workshops, fuel depot and fuel drum storage/dispensing area of the Belaga Camp. Collection, labelling, storage and disposal of Scheduled Wastes are inadequate.</p>		
Actions required	<ul style="list-style-type: none"> ▪ Clean up all fuels and oil spillages at workshop and fuel depots and storage areas. Collect contaminated material in leak proof containers in an appropriately covered and contained storage area. ▪ Label SW containers using the appropriate Scheduled Wastes (SW) Code as defined by DOE regulations. 		
Actions taken			

Checked by		Date Closed	
Approved by		Date	

Document Control			
Doc #:	Title: GAP Agreement & Close-out Record	Issue:	Date: