

**FINANCIAL ACCOUNTABILITY OF THE HOMES OF THE ORPHANS IN
THE STATES OF JOHORE AND MALACCA**



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Abstract

Charities and voluntary organisations represent an increasingly important sector of the Malaysian economy. In 2003, there are about 96,579 non-profit organisations (NPOs) or non-governmental organisations (NGOs) registered with the Registry of Societies (ROS) in Malaysia. They are established to help the poor, the orphans, the religious causes and others who are in need of social and charitable support. NPOs deal with huge resources of the public, donor agencies and the government. They raise and utilise funds to work for various social issues. They play crucial roles in sustaining vibrant and caring society as well as promoting social reforms and protecting our well being. Because of this, they need to operate effectively and maintain high standard of accountability and transparency in their activities and financial matters.

However, despite their economic and social importance, there has been comparatively little attention paid to the provision of an adequate monitoring and control system, which would enable the performance of individual NPOs and charities to be effectively evaluated and inter-charity comparisons to be made. Concerns have been raised about the accountability of NPOs and charities particularly the adequacy of current financial reporting and oversight mechanism. Therefore this study forwards a proposal on the NPOs model of accountability.

In Malaysia there is no regulatory framework or established generally accepted accounting practice (GAAP) on charity sector. The only available information on the NPOs that may be accessible by the public, are the Annual Returns excluding the financial statements. These returns can be obtained from the ROS at a certain fee.

This study focuses on a selected type of NPOs namely the Homes of the Orphans in the states of Johore and Malacca. They are Pertubuhan Anak Yatim dan Miskin Sungai Udang, Malacca (PAYASUM) and Pertubuhan Kebajikan Anak-anak Yatim Islam (PKAYIS) Segamat, Johore. The functions of the Registry of Society (ROS) in administering the NPOs and enforcing the Society Act 1966 are also included in this study.

The study recommends that the Society Act 1966 should be reviewed to allow accessibility of financial statements though they are not publicly published, this would improve transparency and accountability of NPOs. There should also be an oversight mechanism founded by the government to ensure NPOs practice good governance.