

Business Management Quarterly Review

Institute of Business Excellence



UNIVERSITI
TEKNOLOGI
MARA



WAQF REPORTING TO FULFIL STAKEHOLDER ATTRIBUTION IN WAQF ISLAMIC COUNCILS

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This article discusses the limitations of current theories of arguments which prove not suitable to waqf institute. This articles also redefining specifications of stakeholder theory to fulfill the waqf requirement. A conceptual model of 3ts based on Tawhidic approach is uniquely derived from the basic concept of Muslim responsibility and accountability to Allah. The model identifies the important parties so that adequate and reliable information can identify the suitable reporting among these groups. The current paper integrates accountability theory with stakeholder theory to examine whether the council is performing and fulfilling the intention of interested parties, whilst introducing the “triple accountability” in order to meet the demand of reporting to stakeholders. This article is in different cultural settings, a globally acceptable model is offered, and it draws on and completes existing managerial and some guidelines for the reporting for best practice of waqf governance. This paper also designs solutions through “waqf stakeholder model” which can lead to better guidelines for traditional and contemporary waqf activities (information, interaction, et al.) towards more holistic solution.

Keywords: Accountability, Waqf, Reporting, Stakeholder theory, Islamic councils, Triple accountability

Introduction

Waqf is an instrument for the public benefit especially as solutions to poverty alleviation. There are many definitions of *waqf*. *Waqf* is derived from the root word “*waqafa*” which literally means “confinement and prohibition” or causing a thing to stop or stand still (Sabran, 2002). “...Al-*Wasith* dictionary pointed that al-*waqf* contains the definition of *al-imsak* , (to stop), *al- man’u* (prevent and prohibits)...*waqf* should be refrain from destruction, sales and all other activities that are not suitable with its nature” (Khaf, 2005, p. 45). This means that *waqf* properties cannot be used as either gift nor sold as properties. On the other hand, *waqf* properties should be invested or developed in order to keep them functioning forever. Abu Zahrah (1984) as translated by Sinaga Y. (2007) also supports the above statement by explaining *waqf* definition as to retain or stop the property in their “physical form”, where as the profit or proceeds of its development is used to help the needy. By properly investing and developing *waqf* properties, the benefits



or returns from the investments can be used to fulfil the intentions of *waqif* (donor) and society. *Waqf* has been used especially in the social concern in helping the poor. Generally, *waqf* can contribute to religious aspects (e.g. build mosques), socio-economy, poverty, social problems, perpetual charity, health and education. *Waqf* has tremendous assistance in different approaches such as from the economic, social and even as a great instrument for helping a country. To date, there are no proper disclosures of *waqf* assets and liabilities, revenues and expenses by the council. The worst-case scenario is that these councils do not even keep up-to-date *waqf* accounts (Abdul Rahman et al., 1999). Furthermore, mistakes in recording the financial transactions in religious institutions are not being corrected immediately (Abdul Rahman and Goddard, 2003). A study conducted by Md. Zain (2006) revealed that outdated financial reports and a lack of financial reporting and accounting by Islamic councils as being a key issue. Her study revealed many loop holes on reporting such as the outdated annual reports, where the councils took one to three years to complete the annual report, overdue reports where three to five years are taken and more than half of councils were just ignoring the policies and regulations without being panelised by the authority. Terengganu Islamic council (MAIDAM) also faces the same problem on unsystematic *waqf* data property and record that is not up-to-date because of unsystematic documentation (Mustafa, 2007).

Due to the above problems, there is apparently a lack of reporting among Islamic Religious Councils in reporting their activities. Lack of transparency needs to be properly addressed. A consistent standard is needed for *waqf* reporting in all states of Malaysia. The setting up of the Department of *Awqaf, Zakat and Hajj* in 2004 at the Prime Minister's Department is a right thing to do (Chick, 2007; Ismail 2009; Janib 2009; Dakian, 2009). The Ministry Department of *Waqf, Zakat and Hajj*, has issued financial accounting framework, called "*Waqf Management Accounting*" (Manual Pengurusan Perakaunan, 2007). This framework is intended to provide guidelines for Islamic councils. It is hoped that following the framework will help to improve and standardise *waqf* reporting. Basically, the guideline is about accounting framework that is tailored specifically to the nature of *waqf*. The framework consists of disclosure on *waqf* activities such as distribution channels and investments plus financial statements that meet *waqf* nature from the Islamic perspective (JAWHAR, 2007). The guideline suggested is hoped to help reduce the difference in councils' reporting and provide better disclosure. By preparing financial reporting using the framework as a guideline, all Islamic councils in Malaysia can disclose further qualitative and quantitative (Daud and Abd. Rahman, 2008). Using the guidelines is hoped to reduce the non-standardisation problem (Mohamed et al., 2006) as they found that councils do not transparent in their reporting and faced problems in standardisation. The intention of the framework is to overcome non-standardisation and transparency problems among councils, but most Malaysian Islamic councils have not yet implemented the framework. Some council do provide financial statements while others do not. Thus, this creates problems in transparency which has an impact on governance. As in Malaysia, the state Islamic Religions Council (SIRC) is the sole body trusted of all *waqf* funds



(Yaacob, 2008; Md. Zain and Abdul Rahman, 2006; Abdul Rahman and Goddard, 2007), and has not made any reporting on *waqf* indicating an important predicament. Apparently, Islamic entities like the one governing *waqf* should be the shining example of transparency to all. Supposedly, formally sanctioned on guidelines of Department of *Awqaf, Zakat and Hajj* (JAWHAR) at the Prime Minister's Department would stand a better chance of acceptance by the councils. Most studies on *waqf* concentrate more on administration and law (Abd. Rahman, 2005), however, only a few studies were concentrated on accounting. Majority of *waqf* accounting studies concentrate on the content or information reported by the councils. For example, Yaacob (2005) studied on information that should be disclosed with the comparison of SORP 2005. While Md. Zain (2006) analysed the existing *waqf* reporting and found that there are different approaches being used by these councils. Mohamed et al. (2006) found no standardisation is attained. Ihsan and Ibrahim (2006) also study on the additional reports that should be included in *waqf* reporting. Yaacob (2008) also discovered some new aspects of information that are deemed to disclose and suit the purpose of *waqf*. Daud and Abd. Rahman (2008) introduced qualitative items that should be included in *waqf* reporting.

The purpose of this present paper is to propose information deemed necessary to meet the requirements of *waqf* stakeholder based on *waqf* accountability concepts. This paper proposes improvements in transparency of the councils. The aim of this paper is to propose ideal *waqf* accountability towards reporting. The function of the board of directors is a principal mechanism for councils. Thus, the roles of the council's Board should extend beyond in ensuring the interests of *waqif* and beneficiaries in reporting. The recent situations in the Islamic councils have resulted in failure in public confidence because of non-transparency. In some cases, management is found to pay little attention to the *waqif*'s intentions (Ihsan and Ibrahim, 2006). In order to meet the interest of stakeholders, it is important for management council to evaluate and supply information and benefits according to the demands especially to the needy users. *Waqf* councils should continually seek ways to manage new and emerging issues with their *waqif* (donor) and beneficiaries while attempting to assess the power of those stakeholders. As a result, information should be provided to the beneficiaries as the main users for *waqf*.

By not being transparent to the public, they do not know what the truth is behind "*waqf*" properties developments. The public do not know what the Islamic councils were doing with those properties. As matter of fact, the public do not want to give any more cooperation nowadays. Rather than reducing the number of donations, they could also create a problem like what happened in Kg Makam (2009), a *waqf* land in Pulau Pinang. Currently, the land is now populated by 140 families. Initially, government has agreed to give away RM40m for *waqf* development and as much as another RM60m of additional cost (used for moving expenses) for those who stay in the land. The medium cost apartments supposedly can provide approximately 500 residential units for each block. The government together with Pulau Pinang Islamic Religious Council have agreed to build as much as 151 residential units for first phase on that site. Unfortunately, the community



staying there did not give their full cooperation. They claim for loss expenses as a government reserve land and refuse to move, but *waqf* land is extraordinary land and is related to religious law. Finally, both Islamic council and government agree not to pursue the development on this land. This is such a huge loss for the public especially the *waqif*, whose intentions cannot be fulfilled. As a consequence, lack of transparency in the management of the councils (Daud and Abd. Rahman; 2008) is an issue that should be totally eliminated.

The absence of reliable accounting information and non-financial information are deemed critical. The lack of transparency and the non-availability of reliable information led to huge investments in unproductive sectors and public support. For this reason, this paper is intended to highlight the important information of *waqf* reporting as mentioned earlier. Subsequently, the next section on literature reviews of *waqf* stakeholder will be explained. The next two sections on findings will be elaborated. The first part of the finding is an overview of ideal *waqf* accountability using the stakeholders' perspective, while the second finding is regarding the ideal reporting for *waqf* councils. This will be concluded with a discussion.

Literature Review

Stakeholder theory is one of a set of theories of the firm used to explain, predict and evaluate a firm's purpose, actions and intentions (Cochran 1994; Donaldson and Preston 1995; Jones 1995). Gray et al. (1987), state that: "Stakeholder (community with respect to social concerns, environmental concerns, employees and consumers) has a right to particular information for a particular decision. This with a "social interest or "stake" in the organisation should be provided with relevant information in social reports" (page 17).

As shown in Figure 1-1 below, generally there are many parties involved or have an interest on an organisation.

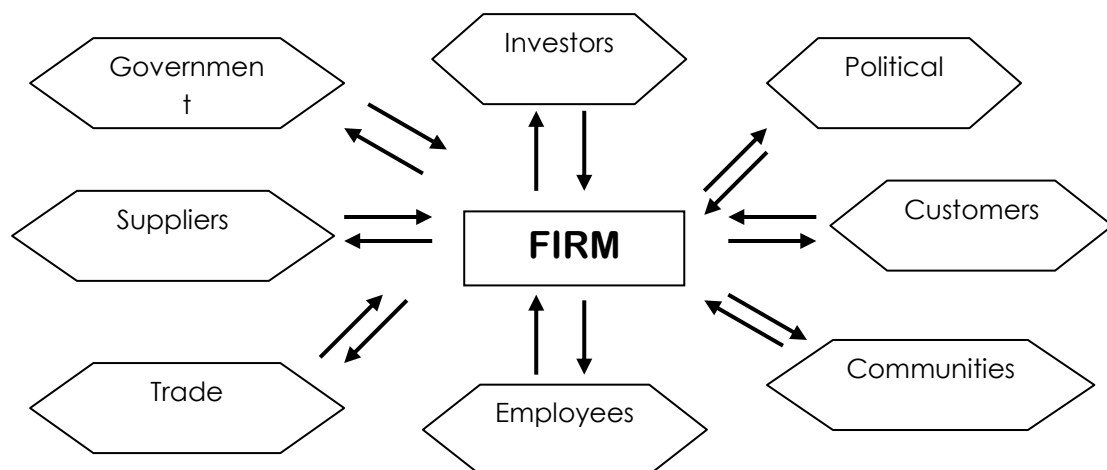


Figure 1: Stakeholders for an Organisational Firm
Source: Donaldson and Preston, 1995



A corporation's continued existence and success need the constant support of the stakeholders. Since it is the stakeholders who hold the power over the company's resources, it is therefore crucial that the approval of stakeholder is obtained and the corporation's activities need to be adjusted to gain that approval. Stakeholder in *waqf* council also has the same effect on councils' achievement in fulfilling its objective. Even though the objective is slightly different compared to conventional organisations where they are more profit oriented and earnings performance, while *waqf* council aims for giving more benefits to the public as it is non-profit oriented and has important obligations towards beneficiaries and at the same time safeguard *waqf* assets towards fulfilling the *waqif's* intention. In *waqf* council there are few parties interested in *waqf* activities. According to Ihsan and Ibrahim (2006), stakeholder of *waqf* is anyone who has an interest in *waqf*; i.e. *nazr* (trustee), *waqif* (donor), *waqf* board and regulators.

Discussions

Ideal Governance for Waqf Institute – Accountability Element

As mentioned, the aim of this paper is to propose ideal *waqf* accountability towards reporting. It is hoped that by implementing this ideal *waqf* governance using *Tawhidic* concept and abiding *syariah* guidelines will promote better disclosure and responsibility in council activities, council relations with the society, and as a whole how they report to significant stakeholders.

Kooskora (2008) studied these issues in Estonian. The paper revealed that holder interests and corporate relations with society and environment in business are not yet considered important issues by business organisations. This is just like the case of what happened in Islamic councils, where they think that reporting to the public is not important. Whereas as a trustee, the Islamic councils should consider *waqif* and beneficiaries as the most important parties especially when it comes to matter on transparency. Bessire (2005) also supports that transparency enhanced better corporate governance and finally ensure moralisation of business life. Since the donors have entrusted to council to safeguard, invest, manage and to disburse their proceeds in accordance with the terms and conditions set by the *waqif* (endowers/ donors), council should perform in conformity with Islamic *syaria* principles, which strictly adheres to all its activities.

Allah (s.w.t) has said in the *Al-Qur'an*:

وَمَا مِنْ دَابَّةٍ فِي الْأَرْضِ وَلَا طَائِرٍ يَطِيرُ بِجَنَاحَيْهِ إِلَّا أُمَّمٌ أُمَّتَالِكُمْ مَا فَرَّطْنَا فِي الْكِتَابِ مِنْ شَيْءٍ ثُمَّ إِلَىٰ رَبِّهِمْ يُحْشَرُونَ (٣٨)

“There is not an animal in the earth, nor a flying creature flying on two wings, but they are peoples like unto you. We have neglected nothing in the Book (of Our decrees). Then unto their Lord they will be gathered”. (38) (*Al-An'am* :38)

From verse above, Islam has a comprehensive set of rules and procedures of accountability especially in the conduct of human life, ranging from the daily activities of cleaning oneself to the complexities of running any organisations. The



Quran also stated that every individual is accountable for his or her undertakings. Allah SWT says to the effect:

لِيَجْزِيَهُمُ اللَّهُ أَحْسَنَ مَا عَمِلُوا وَيَزِيدَهُم مِّن فَضْلِهِ وَاللَّهُ يَرْزُقُ مَن يَشَاءُ بِغَيْرِ حِسَابٍ (٣٨)

“That Allah may reward them with the best of what they did, and increase reward for them of His bounty. Allah giveth blessings without stint to whom He will”. (38) (*Al-Nur*: 38).

Based on the axiom of *Tawhid*, the main objectives of responsibility and accountability should be to demonstrate responsibility not only to Allah and human beings, but also to the environment. *Tawhid*, which signifies the acceptance of unity of Allah Almighty, provides one single direction in guaranteeing a unified spirit in adhering to *syariah*. The concept of *Tawhid* also signifies man’s role that as Allah’s *khalifah* (vicegerent) on earth. Allah says:

وَإِذْ قَالَ رَبُّكَ لِلْمَلَائِكَةِ إِنِّي جَاعِلٌ فِي الْأَرْضِ خَلِيفَةً قَالُوا أَتَجْعَلُ فِيهَا مَن يُفْسِدُ فِيهَا وَيَسْفِكُ الدِّمَاءَ وَنَحْنُ نُسَبِّحُ بِحَمْدِكَ وَنُقَدِّسُ لَكَ قَالَ إِنِّي أَعْلَمُ مَا لَا تَعْلَمُونَ (٣٠)

“Behold thy Lord said to the angels: "I will create a vicegerent on earth." They said "Wilt thou place therein one who will make mischief therein and shed blood? Whilst we do celebrate Thy praises and glorify Thy holy (name)?" He said: "I know what ye know not." (30) (*Al-Baqarah*: 30)

In addition, as a *khalifah* (vicegerent), mankind has to observe and act within the *vicegerency* relationship which entails fulfilment of the duties and obligations due directly to Allah (*haqqu*-Allah) and duties and responsibilities to oneself and to fellow beings and His creations as well as being accountable to Allah with what man have been trusted with on the Day of Judgement (*Al-An'am*:165; *Al Hadid*: 7). Thus, meeting the requirement of *waqf* nature will certainly create a better effort for council as *nazr* or trustee, as a verse from the *Quran* indicates:

وَقُلِ أَعْمَلُوا فَسَيَرَى اللَّهُ عَمَلَكُمْ وَرَسُولُهُ وَالْمُؤْمِنُونَ وَسَتُرَدُّونَ إِلَىٰ عِلْمِ الْغَيْبِ وَالشَّهَادَةِ فَيُنبِّئُكُم بِمَا كُنتُمْ تَعْمَلُونَ (١٠٥)

“Soon will God observe your work, and His Messenger, and the believers: soon will ye be brought back to the Knower of what is hidden and what is open: then will He show you the truth of all ye did” (*At Taubah*: 105).

From the above verse, Allah Almighty is concerned about how the work is done, in this case, how the accountability of *waqf* matters has been put into practice. This verse clearly explains the need of both accountability and transparency in achieving *taqwa*. Previous studies done on accountability on *waqf* such as by Ibrahim (2000), Yaacob (2006), Ihsan and Adnan (2009) and Osman (2010) promote dual accountability for *waqf* council. Even a framework done by Ihsan and Adnan (2009) produce an extension from Ibrahim (2000) explaining the need of *waqf* council to utilise dual accountability. To solve the attributes of non-reporting, this paper would like to introduce “triple accountability” for *waqf* sector rather than “dual accountability”. The paper found that to be fully accountable in undertaking *waqf* activities, triple accountability seems to suit to *waqf* nature better.



Accountability in *waqf* councils is quite different from ordinary organisations where they have to provide long-term benefits to the beneficiaries, and should maximise the profits from invested *waqf* properties as well as to fulfil the *waqif*'s (donors) intention. Consequently, these are the fundamentals to fulfil:-

1. Accountability to Allah SWT
2. *Waqif*'s intention
3. Investment management of *waqf* properties (meant for the beneficiaries intended)

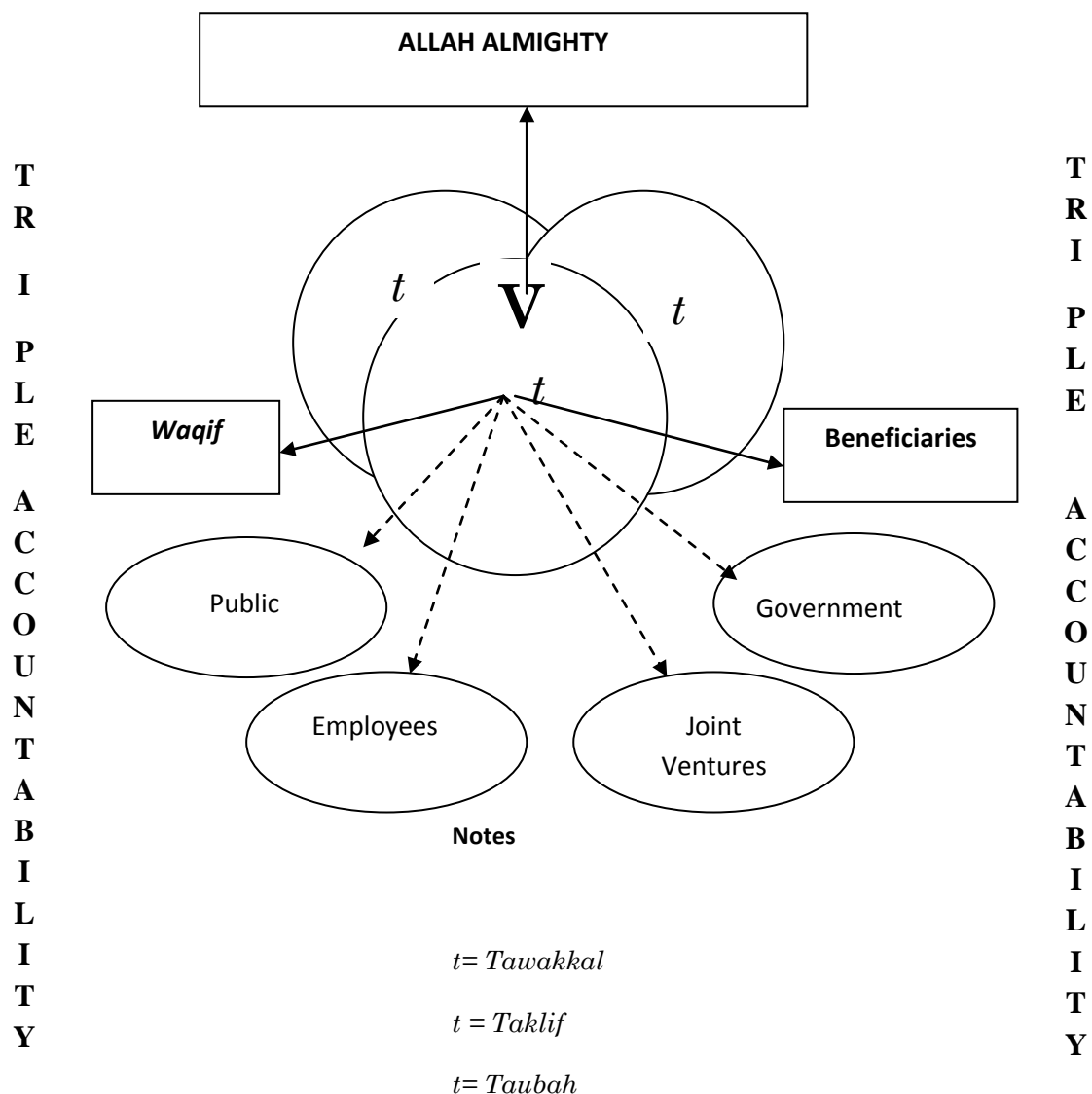


Figure 3: Relations in *Waqf* Governance using Vicegerency Element



This is why the researchers assume that “triple accountability” is more suitable as this comprise of three definitions of accountability which better meets the objectives of *waqf*. The first accountability is to Allah SWT, which is interrelated accountability to human beings. Second is the responsibility to beneficiaries. Third, the council is accountable to fulfil the *waqif*'s intention. Sadly, the “beneficiaries” should have been given the utmost attention, yet, the reporting on this is limited. To illustrate further, diagram below will show clearly what it meant:

The triple accountability would certainly suit the three important roles of Islamic councils in relation with *waqf*:

- i. Religious duty to protect and maintain *waqf* asset - implementation of *waqif*'s intention, gather profitability results, and distribute *waqf* result to beneficiaries.
- iii. Controlling function - updating all records on *waqf*, *waqf* property documentation, care for an audited *waqf* account, appointment of *nazr* and *waqf* administrator and property management.
- iii. Commercial function - project management, *waqf* property management, *waqf* property lease management, *waqf* investment and *waqf* development.

In order to implement the triple accountability to the three most important parties, ‘3t concept’ is suggested to promote better governance and achieve effectiveness in Islamic council. The 3ts are Islamic values of *taklif*, *tawakal* and *taubah*.

In Figure 3, the 3ts have been added to show that both triple accountability and 3ts should be used simultaneously in order to achieve better governance. The first concept of 3ts is *taklif*. *Taklif* by definition is broader than accountability. It covers accountability, trust and responsibility. This concept explains the vicegerent status of man in the world, in which Allah has given *amanah* or trust of the earth to man.

هُوَ الَّذِي جَعَلَكُمْ خَلَائِفَ فِي الْأَرْضِ فَمَنْ كَفَرَ فَعَلَيْهِ كُفْرُهُ وَلَا يَزِيدُ الْكَافِرِينَ كُفْرُهُمْ إِلَّا مَقْتًا وَلَا يَزِيدُ الْكَافِرِينَ كُفْرُهُمْ إِلَّا خَسَارًا (٣٩)

“He it is Who hath made you regents in the earth; so he who disbelieveth, his disbelief be on his own head. Their disbelief increaseth for the disbelievers, in their Lord's sight, naught save abhorrence. Their disbelief increaseth for the disbelievers naught save loss”. (39) (Fatir: 35-39)

This command then is detailed in another verse of the *Quran* that man should fulfil (every contract) because every contract will be questioned on the Day of Judgment.

وَلَا تَقْرَبُوا مَالَ الْيَتِيمِ إِلَّا بِالَّتِي هِيَ أَحْسَنُ حَتَّىٰ يَبْلُغَ أَشُدَّهُ وَأَوْفُوا بِالْعَهْدِ إِنَّ الْعَهْدَ كَانَ مَسْئُولًا



“Come not near the wealth of the orphan save with that which is better till he come to strength; and keep the covenant. Lo! of the covenant it will be asked”. (34) (Al-Quran 17:34).

Taklif also obliged the practitioners to present a truthful transparency in their reporting. The second *t* is *tawakkal*, which is to believe that all matters are in the hands of Allah. Everything in the will of Allah will happen. After the council performs transparency as best as they can, they should rest their actions to their Lord Allah SWT, entrusting matters to Him completely. Allah SWT says (which means);

قَالَ رَجُلَانِ مِنَ الَّذِينَ يَخَافُونَ أَنَّ اللَّهَ عَلَيْهِمَا ادْخُلُوا عَلَيْهِمُ الْبَابَ فَإِذَا دَخَلْتُمُوهُ فَإِنَّكُمْ غَالِبُونَ وَعَلَى اللَّهِ فَتَوَكَّلُوا
إِنْ كُنْتُمْ مُؤْمِنِينَ (٢٣)

“Then out spake two of those who feared (their Lord, men) unto whom Allah had been gracious: Enter in upon them by the gate, for if ye enter by it, lo! ye will be victorious. So put your trust (in Allah) if ye are indeed believers”. (23) (Al-Maa'idah: 23)

Based on the above verse, it is important to have trust to rely on Allah Almighty in order to achieve what it wants and reject the things that are not favoured with confidence based completely on Allah. The problem of fear of public perceptions and criticism from reporting can be assured. As long as *waqf* council has done their job as a trustee, which includes providing enough disclosure, they have acted to their best abilities. Then, they have to put their trust in Allah. Finally, the last *t* is *taubah* (repentance). In disclosing more information on *waqf* to the public will reflect on the Islamic councils sincerity especially being sincere to Allah (SWT) in their actions and avoid falsehood, which they attached to truth by being transparent will do well to the public's acceptance. Allah (SWT) Most High says in Noble *Qur'an*, "Ask your Lord for forgiveness and then turn in *taubah* (repentance) to Him..." (Hud:3)

وَأَنِ اسْتَغْفِرُوا رَبَّكُمْ ثُمَّ تُوبُوا إِلَيْهِ يُمَنِّعْكُمْ مَتْلَعًا حَسَنًا إِلَىٰ أَجَلٍ مُّسَمًّى وَيُؤْتِ كُلَّ ذِي فَضْلٍ فَضْلَهُ وَإِن تَوَلَّوْا
فَإِنِّي أَخَافُ عَلَيْكُمْ عَذَابَ يَوْمٍ كَبِيرٍ (٣)

The process of transparency in reporting is a continual improvement. From the above verse, it shows that if the councils do make mistakes, but by *taubah* (repentance) they will analyze their mistakes and take positive actions to correct them, which is the last “t”. This examination is critical for creating purity in council's every action. In this way, the Islamic council will develop a lifestyle which is firmly grounded in the principles of faith, and as loved by Allah and His Noble Prophet Muhammad (pbuh). Allah (SWT) Most High says in Noble *Qur'an*, "O you who believe! Turn (in repentance) to Allah with sincere *taubah* (repentance); Perhaps your Lord will remove your evil from you..." (At-Tahrim: 8)



يَا أَيُّهَا الَّذِينَ ءَامَنُوا تُوبُوا إِلَى اللَّهِ تَوْبَةً نَّصُوحًا عَسَىٰ رَبُّكُمْ أَن يُكَفِّرَ عَنْكُمْ سَيِّئَاتِكُمْ وَيُدْخِلَكُم جَنَّاتٍ تَجْرِي مِن تَحْتِهَا الْأَنْهَارُ يَوْمَ لَا يُخْزِي اللَّهُ النَّبِيَّ وَالَّذِينَ ءَامَنُوا مَعَهُ نُورُهُمْ يَسْعَىٰ بَيْنَ أَيْدِيهِمْ وَبِأَيْمَانِهِمْ يَقُولُونَ رَبَّنَا أَتِمِّمْ لَنَا نُورَنَا وَآغْفِرْ لَنَا إِنَّكَ عَلَىٰ كُلِّ شَيْءٍ قَدِيرٌ (٨)

O ye who believe! Turn to Allah with sincere repentance: in the hope that your Lord will remove from you your ills and admit you to Gardens beneath which rivers flow— the Day that Allah will not permit to be humiliated the Prophet and those who believe with him. Their Light will run forward before them and by their right hands, while they say "Our Lord! Perfect our Light for us, and grant us Forgiveness; for Thou have power over all things."

Thus, by practising 3ts, automatically *vicegerency* is implemented in governance of Islamic councils would succeed as it is being promised by Allah SWT, in his command;

وَعَدَ اللَّهُ الَّذِينَ ءَامَنُوا مِنكُمْ وَعَمِلُوا الصَّالِحَاتِ لَيَسْتَخْلِفَنَّهُمْ فِي الْأَرْضِ كَمَا اسْتَخْلَفَ الَّذِينَ مِن قَبْلِهِمْ وَلَيُمَكِّنَنَّ لَهُمْ دِينَهُمُ الَّذِي ارْتَضَىٰ لَهُمْ وَلَيُبَدِّلَنَّهُم مِّن بَعْدِ خَوْفِهِمْ أَمْنًا يَعْبُدُونَنِي لَا يُشْرِكُونَ بِي شَيْئًا وَمَن كَفَرَ بَعْدَ ذَلِكَ فَأُولَٰئِكَ هُمُ الْفَاسِقُونَ (٥٥)

“Allah has promised to those among you who believe and work righteous deeds that he will assuredly make them succeed (those who rule) and grant them *vicegerency* in the land just as He made those before them succeed others”. (Al Nur, 24:55).

Ideal Reporting for *Waqf* Institute

Better transparency had been done from the olden days. Developments and profits generated from *Baitulmal*'s property and used for the charity of the country had been disclosed. After the increase in amount of the financial resources, *Saidina Umar* holds responsible various posts to manage respective departments. All states revenue was recorded apart from all names of his officials and eligible and deserved receiver list. The concept of *ummah* demonstrates that society has a right and stake in whatever a Muslim owns. In Islam, councils are considered as human institution which is part of the *ummah*. As a result, councils have to promote transparency. This view is equivalent with what has been described by Allah:

﴿لَيْسَ الْبِرَّ أَنْ تُوَلُّوا وُجُوهَكُمْ قِبَلَ الْمَشْرِقِ وَالْمَغْرِبِ وَلَكِنَّ الْبِرَّ مَنْ ءَامَنَ بِاللَّهِ وَالْيَوْمِ الْآخِرِ وَالْمَلَائِكَةِ وَالْكِتَابِ وَالنَّبِيِّينَ وَءَاتَى الْمَالَ عَلَىٰ حُبِّهِ ذَوِي الْقُرْبَىٰ وَالْيَتَامَىٰ وَالْمَسْكِينِ وَابْنَ السَّبِيلِ وَالسَّائِلِينَ وَفِي الرِّقَابِ وَأَقَامَ الصَّلَاةَ وَءَاتَى الزَّكَاةَ وَالْمُؤْفُونَ بِعَهْدِهِمْ إِذَا عَاهَدُوا وَالصَّابِرِينَ فِي الْبَأْسَاءِ وَالضَّرَّاءِ وَحِينَ الْبَأْسِ ۗ أُولَٰئِكَ الَّذِينَ صَدَقُوا وَأُولَٰئِكَ هُمُ الْمُتَّقُونَ (١٧٧)﴾

“It is not righteousness that ye turn your faces towards East or West; but it is righteousness—to believe in Allah and the Last Day and the Angels and the Book and the Messengers; to spend of your substance out of love for Him, for your kin, for orphans for the needy, for the wayfarer for those who ask and for the ransom of slaves; to be steadfast in prayer and practise regular charity; to fulfil the contracts



which ye have made; and to be firm and patient in pain (or suffering) and adversity and throughout all periods of panic. Such are the people of truth the Allah-fearing”. (177) Al – Baqarah: 177.

To perform *waqf* reporting, the concept of transparency in Islam should be included in a different set of requirements from the conventional western format. The main objective of *waqf* reporting is to show compliance with *syariah*, i.e. to demonstrate accountability to Allah. Other objectives may include those known in Western model, such as assisting decision makers in making economic decision, but from an Islamic perspective, this is not the primary objectives. Disclosure from an Islamic perspective of reporting means disclosing information that would aid economics as well as religious decision-making. The information has to have the qualities of being relevant, objective and material. Full disclosure does not mean that councils need to disclose everything, while of course is impractical. It means disclosing any information deem relevant and should be rightfully given to members of the *ummah* to facilitate their economic and religious decision-making. The implication of this position is that council should disclose all information necessary to advise the Islamic *ummah* about their operation, even if such information would be against the council. Allah says:

وَلَا تَلْبِسُوا الْحَقَّ بِالْبَاطِلِ وَتَكْتُمُوا الْحَقَّ وَأَنْتُمْ تَعْلَمُونَ (٤٢)

“And cover not Truth with falsehood, nor conceal the Truth when ye know (what it is)”. (42) (Al- Baqarah: 42).

The foundation of any Islamic council activities is the “bond” which may be defined as “a promise to fulfil the *waqif* (donors’) intention. The relationship between the council and beneficiaries may be in the form of a signed document with the obligations being clearly spelt out (either in writing or orally). The aim is to ultimately accomplish donors’ expectation and promises to develop the *waqf* properties in order to successfully accomplish the donors’ intention. To better explain this issue, stakeholder theory is chosen to show how important transparency in councils’ reporting. Currently, public, government, beneficiaries and *waqif* are the main *waqf* stakeholders (Inatul and Ibrahim, 2006 and Inatul and Adnan, 2009). There is not much information to these stakeholders as far as their reporting is concerned. Islam is very much concerned with the fair presentation of rights and obligations as evidenced by the following verse (An-Nisa’: 135)

﴿ يَا أَيُّهَا الَّذِينَ ءَامَنُوا كُونُوا قَوَّامِينَ بِالْقِسْطِ شُهَدَاءَ لِلَّهِ وَلَوْ عَلَىٰ أَنفُسِكُمْ أَوِ الْوَالِدِينَ وَالْأَقْرَبِينَ إِن يَكُنْ غَنِيًّا أَوْ فَقِيرًا فَاللَّهُ أَوْلَىٰ بِهِمَا فَلَا تَتَّبِعُوا الْهَوَىٰ أَن تَعْدِلُوا وَإِن تَلَوْا أَوْ نَعَرَضُوا فإِنَّ اللَّهَ كَانَ بِمَا تَعْمَلُونَ خَبِيرًا (١٣٥) ﴾

“O ye who believe! Be ye staunch in justice, witnesses for Allah, even though it be against yourselves or (your) parents or (your) kindred, whether (the case be of) a rich man or a poor man, for Allah is nearer unto both (them ye are). So follow not passion lest ye lapse (from truth) and if ye lapse or fall away, then lo! Allah is ever informed of what ye do”. (135)



Waqf users, in particular, may require different types of information, or may have a different perception of the displayed information. From an Islamic perspective, the information what users' need should be addressed in the financial or non-financial *waqf* reports. This is to show if there is any *waqf* properties investments activities that fall under the category of *mandub* (ambiguous/doubtful) or any transactions that are non-*syariah* compliant. Similarly, activities, services and percentage of profit from properties or any activities that have the elements of *haram* (illegitimate) including *riba* and doubtful transactions that are beyond control and how council have been handled, must be fully disclosed. In addition to the needs are outlined below; users' needs may include the following:

i. *Waqif.*

Even though *waqif* present their property as *waqf* with the intention to being blessed from Allah SWT, it is still the councils' responsibility to produce reports. As a human being, *Waqif* would want to know whether their properties are compliant with *syariah* percepts or not. They should also be able to find out how the council manage and safeguard their properties, so that their intentions are fulfilled.

ii. *Employees.*

Council employees would be interested in the permissibility of the activities that give rise to their remuneration, retirement, benefits and employment opportunities. Potential employees may also wish to know if council offers a working environment that is conducive to practising their faith.

iii. *Joint Ventures.*

Muslim ventures and private enterprises may like to know whether the council is good for them to do a business with. One of the distinctive features of council is the nature of the services they offer, which has to be *halal* (legitimate) and this should be fully disclosed in the annual reports.

iv. *Beneficiaries.*

The beneficiaries are the ones that need the information most in order to identify any conveniences intended for them from the councils. Information about councils may influence them to make decisions. For example, users may not wish to use facilities or services from a council that also operates *haram* activities.

v. *Government and their Agencies.*

State or Federal government may wish to monitor the level of permissible and non-permissible income and activity of councils. The government also would like information pertaining on how councils use the funds provided in developing *waqf* properties.

vi. *Public.*

Muslim members of the public may require information on the council's contribution to their community, and how accommodating they are to Islamic



religious sensibilities. The public would also like to know what properties in the councils and what are the *waqf* activities being conducted by councils especially activities for the public. The best way of achieving the objective of council reporting depends on who are the key users of those reports. The researcher considers that stakeholders constitute a wide group. Stakeholders in a council include its intended beneficiaries, the society in which it operates, and potentially many other interest groups among others. Although the *waqf* reporting can be an important means of communication, some stakeholders may find it difficult to read and make use of accounts. Other stakeholders, such as *waqif*, may not be financially aware, or may not be interested in accounts, preferring instead a description of the council's activities and achievements and how these are to be sustained in the future. Information in the *waqf* reporting cannot meet the needs of all stakeholders. However, it is still a responsibility of the council to disclose the best. One way for the councils to express or show their accountability to the public is by disclosing a better report. Thus, it will enhance the practitioners to be professional and more efficient. It concerns the relationship between groups, individuals, public and the rights to inform such relationships.

Accountability is the duty to provide an account of the actions for which one is held responsible. As a verse implies on the obligation to report where the act of transparency is deemed critical and even disclose mentioned in a part of a verse 14, in chapter Al-Hijr;

وَلَوْ فَتَحْنَا عَلَيْهِم بَابًا مِّنَ السَّمَاءِ فَظَلُّوا فِيهِ يَعْرُجُونَ (١٤)

And even if We opened unto them a Gate of heaven and they kept mounting through it, (14)

Thus, council Board should also acknowledge the concept of *waqf* reporting in congruence with Islamic values. It would indeed be commendable for this entity to provide information that is important to the society in which it operates, and to whom it has a social responsibility. In consequence, the Board may also issue pronouncements to provide guidance on the additional disclosure of information deemed worthy from an Islamic perspective. It is believes that by providing and presenting information in a manner that *waqf* users ought to want, such as current value balance sheet, a value-added statement, social reporting, properties' assessment and other pertinent non-financial information has given the meaning of total disclosure which promotes transparency. Examples of non-financial information that councils can include are compliance with or departure from *syariah* or other regulations, staff welfare, aspects of community involvement, and other information on its discharge of *waqf* reporting, would keep with the concept of true and fair representation. However, these reports are not explained in detail here as it is different issue from the paper. However, it is important to mention as it promotes transparency. A related *Quranic* verse reads:

وَنَضَعُ الْمَوَازِينَ الْقِسْطَ لِيَوْمِ الْقِيَامَةِ فَلَا تُظْلَمُ نَفْسٌ شَيْئًا وَإِنْ كَانَ مِثْقَالَ حَبَّةٍ مِّنْ خَرْدَلٍ أَتَيْنَا بِهَا وَكَفَىٰ بِنَا حَسِيبِينَ (٤٧)



And We set a just balance for the Day of Resurrection so that no soul is wronged in aught. Though it be of the weight of a grain of mustard seed, We bring it. And We suffice for reckoners. (47) (Al-Anbiya: 47)

Conclusion

Situations in the councils, however expressed with a rationally-led expectation that such form of accountability will not quite improve on disclosure part. Having just control and monitor through meetings and restricted documentations, public credibility is not achieved, thus councils do not perform efficiently. Current practice of governance is not sufficient enough for a wider understanding as to what accountability is (as governance) need to perform a good Islamic governance practice. It is not enough just by performing through the current practice of monitoring and controlling through meetings, but extra accountability of 3ts should be implemented. Directors should not have a problem in promoting a socialising form of accountability if they experience this concept. Thus, *waqf* Board should bear in mind that it is their responsibility to ensure that the *waqf* could be sustained for years to come.

M. Zein et al. (2008) emphasis that by having greater transparency it will automatically achieve both *amanah* and justice. By implementing *syura* and abiding to *syariah* rules will it solve public problems in fulfilling the *waqif*'s intention. This is because *waqif*'s intentions are usually in promoting the economic social issues. Thus, to have effective governance in Islamic council, especially *waqf* unit, the council should be managed with full responsibility and transparency as well as the existence of "check and balance". A conceptual model of 3ts based on *Tawhidic* approach is uniquely derived from the basic concept of Muslim responsibility and accountability to Allah. In short, the council must make every effort to be an excellent council. An excellent council is defined as a council whose efficiency is always rising, and all the stakeholders of the council are always contented. To summarise the development of 3ts concept, each activity conducted by councils must be based on three relationships of *waqf*. Thus, classifications will be used as a guideline for them to demonstrate and fulfil their obligations (responsibility and accountability) to Allah, other human beings and the environment while operating council activities. In terms of disclosure and transparency, *waqf* should be alert with matters regarding councils and social situation and act according to the Islamic principles that are accountable with *syariah* compliance, socio-economic objectives which are related to councils' control and accountability to all its stakeholders. As far as conventional practice is concerned, the disclosure and transparency is more focused on just performance, ownership and governance while in *waqf* governance, justice, equality, the truth in transparency are particularly important together with both wider accountability in written and oral disclosure. Such information may include the council's commitments in reporting and providing returns to beneficiaries and depositors within the principles of *syariah*; its current and future directions in serving the needs of the Muslim *ummah* (community) and society in general; engaging in *halal* (permissible/legitimate) investment activities and indicating commitments to fulfil its *uqud* (contracts) via a "promise/obligation"



statement addressed to its various stakeholders. Nevertheless, *waqf* is different from non-profit and charity organisation. It is true that Islamic councils in Malaysia have different structure and policies but the purpose is still the same as *waqf* has to provide for public benefit. Due to this reason, the council should consider recommended *waqf* governance to manage the *waqf* properties efficiently, whether in distributing to the beneficiaries or profitable investments.

وَلَيْنَ سَأَلْتَهُمْ مَنْ خَلَقَ السَّمَوَاتِ وَالْأَرْضَ لَيَقُولُنَّ خَلَقَهُنَّ الْعَزِيزُ الْعَلِيمُ (٩)

“...And act justly. Truly, God loves those who are just” (Az Zukhruf: 9)

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