

Perceptions of Waqf Reporting Practices by State Religious Islamic Councils



Dalila Daud, Aida Maria Ismail, Rashidah Abdul Rahman, Raziah Bi Mohamed Sadique, Nor Balkish Zakaria

Abstract: This paper seeks to contribute to the literature by providing an insight on the perceptions of waqf reporting from the Islamic councils' perspective. In order to gauge council's acceptance of waqf reporting in general, the paper used qualitative method to identify the perception of waqf reporting by Islamic councils. The establishment of waqf reporting guidelines by the Department of Waqaf, Zakat & Hajj (JAWHAR)'s manual was not fully practiced by the councils. Even though there is a guideline prepared by JAWHAR, most councils still use their previous systems, which do not meet the standardisation and transparency problems. Thus, from the meetings and interviews conducted, most councils appear reluctant to follow the guidelines given in the Waqf Management Accounting. The findings of this paper may provide a perception on how the acceptance of waqf accounting by State Islamic Religious Council on the importance of their roles in ensuring standardisation and transparency in reporting. This paper has offer a new and significant information, by using different methods i.e. interviews, document analysis and observation in providing an insight on how perception of waqf reporting in the Islamic councils and provide additional evidence on reporting of Islamic councils. It will be the interest to policy makers i.e. state and government. Given the current debate in Malaysia on the most appropriate forms of regulation for the Islamic sector, this paper aims to provide valuable insights into the role of annual report in the system of regulation. The findings can also provide a significant contribution to JAWHAR regarding the means to better reporting and improved Islamic accountability amongst practitioners. This paper seeks to contribute to the literature by providing an insight on how the perception of waqf reporting in the Islamic councils.

Keywords: Perceptions, Waqf Reporting, Qualitative, Islamic councils.

Manuscript published on November 30, 2019.

* Correspondence Author

Dalila Daud*, Accounting Research Institute and Faculty of Accountancy, UiTM Cawangan Negeri Sembilan, Malaysia. Email: daliladaud@uitm.edu.my

Aida Maria Ismail*, Faculty of Accountancy, Universiti Teknologi MARA, Kampus Selangor, Malaysia

Rashidah Abdul Rahman, King Abdulaziz University, Jeddah, KSA.

Raziah Bi Mohamed Sadique, Faculty of Accountancy, UiTM Cawangan Negeri Sembilan, Negeri Sembilan, Malaysia

Nor Balkish Zakaria, Accounting Research Institute and Faculty of Accountancy, UiTM Cawangan Johor, Kampus Segamat, Johor, Malaysia

© The Authors. Published by Blue Eyes Intelligence Engineering and Sciences Publication (BEIESP). This is an [open access](https://creativecommons.org/licenses/by-nc-nd/4.0/) article under the CC-BY-NC-ND license <http://creativecommons.org/licenses/by-nc-nd/4.0/>

I. INTRODUCTION

Waqf has been used especially in terms of social concern by helping the public as a whole. Generally, *waqf* can contribute in religious aspects (e.g. mosques construction), socio-economics, poverty alleviation, social problem solutions, perpetual charity, health and education (Sadeq, 2002; Sabran, 2002). Thus, *waqf* has a great purpose. Public amenities such as schools, mosques, educational institutions, or even benefits to the poor may suffer (Yedyildiz, 1996).

Waqf has the quality of perpetuity so *waqf* properties cannot be sold, bought or given as a gift to others. Therefore, it is necessary to make sure that the property is fully utilised and properly managed by the State Islamic Religious Council. In order to properly manage these properties, it is essential for the councils to have a proper reporting. Unfortunately, this is not the case in the present situation for *waqf*. It was found that there is a lack of reporting on *waqf* matters (Sulaiman, et al., 2019; Daud, 2018; Daud and Rahman, 2018; Yunanda et al., 2016; Masruki and Shafi, 2013; Mohamed, Daud, Md. Zain and Yaccob, 2006; Daftardar, 2008; Daud, et al., 2011).

Initial investigations found that there are many problems in *waqf* financial statement, such as no standardisation and not updated. This supports previous literature, where it was found that Islamic councils practiced different reporting (Sulaiman et al., 2019; Daud, 2018; Daud et al., 2011; Yunanda et al., 2016; Masruki and Shafi, 2013; Mohamed et al., 2006). This might be due to the lack of mandatory regulation. Some of the councils do not have proper documentation especially in respect of financial information. This was supported by previous studies such as, Sulaiman, (2019); Ihsan and Ibrahim (2011) and Mohamed et al. (2006), where they found that there was very little information on *waqf* in the annual reports.

II. PROBLEM IDENTIFICATION

To date, there has been no thorough disclosure of *waqf* assets and liabilities, revenues and expenses by the councils. Prior literature shows that there are problems especially in reporting, such as the councils not even keeping up-to-date *waqf* accounts (Sulaiman et al., 2019; Daud, 2018; Yunanda et al., 2016; Masruki and Shafi, 2013; Khairi et al., 2014) and mistakes in recording the financial transactions in religious institutions not being corrected immediately (Abdul Rahim and Goddard, 2003). According to Mohamed et al. (2006), as well as lack of reporting there is no standardisation among councils.



Perceptions of Waqf Reporting Practices by State Religious Islamic Councils

Differences in reporting and disclosure among Islamic councils are contributed to by differences in state jurisdictions. The Malaysian Constitution clearly stipulates the division of powers between the Federal and State governments (Abdullah, 2007, 2009). Abdul Rahim and Goddard (2003, p. 4) state that:

“In the Malaysian Constitution, religion has been identified as within the jurisdiction of the State. The State King is also the Head of the religion of Islam in his State. In every state, the State Islamic Religious Council (SRC) has been established to administer Islamic affairs”.

This statement emphasises that the council aids and advises the King (*Yang di-Pertuan Agong*) or the Ruler (Sultan) of the individual states in respect of all matters relating to the religion of Islam in their respective territories, except for matters of Islamic law in particular and those relating to the administration of justice. As a result, there are 14 different states. However, most problems and scenarios are similar (Abdullah, 2009; Ahmad, 2007; Ismail, Muda and Hanafiah, 2014).

In Malaysia, the State Islamic Religions Council (SIRC) is the sole trustee of all *waqf* funds (Daud, 2018; Ismail et al., 2014; Abdul Rahim and Goddard, 2003), and that it has itself not reported on *waqf*, indicates an important predicament. An Islamic entity like the one governing *waqf* should be the shining example of transparency for all. The problem has been expressed by Daftardar (2008) as follows:

“Financial reporting in the waqf sector has long been regarded as something of a “black hole”. The reliability of reported data and information is varied and long way from being comprehensive” (p.2).

Lack of transparency and standardisation need to be properly addressed. The setting up of the Department of *Awqaf, Zakat and Hajj* in 2004 at the Prime Minister's Department is a step in the right direction (Chik, 2005; Ismail, 2007; Janib, 2009; Dakian, 2009). The Ministry Department of *Waqf, Zakat and Hajj*, has issued a financial accounting framework, called “*Waqf Management Accounting*” (*Manual Pengurusan Perakaunan*, 2008). The intention of the framework is to overcome non-standardisation and transparency problems among councils, although most State Islamic Religious Council have yet to implement the framework. While a few councils do perform according to some of the guidelines, others do not at all. These councils may intend to do external reporting but there may be problems in implementing the manual. Thus, this study wants to know the perception on *waqf* accounting by the Malaysian Islamic Councils.

Reporting is regarded as an essential tool in discharging accountability (Ihsan and Ibrahim, 2011; Ihsan and Ibrahim, 2007), thus, *waqf* reporting is very important as it presents a picture of what is happening in the councils. The public perceives *waqf* reporting functions as “story telling” to them. Limited reporting has caused limited information amongst some of the users. Thus, this paper seeks to contribute to the literature by providing an insight on the perception of *waqf* reporting from the Islamic councils' perspective.

III. LITERATURE REVIEW

In Islam, an individual's freedom of action must be contained within a sense of responsibility towards others. Since social

perceptions and concern for individuals are inextricably blended, working for the welfare of others is the most promising way of extending one's effectiveness in pleasing Allah Almighty (Abdul Rahim and Goddard, 1998).

Additionally, Muslims believe that everything created by Allah the Almighty has a purpose and this purpose gives meaning and significance to Man's existence. Man is accountable to Allah the Almighty and his success in the Hereafter depends on his performance, which must be accounted for. The following verse elaborates the notion of accountability in Islam.

“To Allah belongeth all that is in heavens and on earth. Whether ye show what is in your minds or conceal it, Allah calleth you to account for it” (Al-Baqarah: 284).

In the case of *waqf* reporting, the council acts as an internal control mechanism and its primary objective is to give credibility to operations by authenticating their legitimacy from the *shari'ah* point of view. Membership of council is often drawn from the *ulama* (professional specialists in Islamic jurisprudence) and they perform all or part of the following duties: setting the *shari'ah* rules for the conduct of council, and examining all or part of the council's transactions to ascertain whether there have been breaches (Barracough, 1983; Masruki and Shafii, 2013).

Consequently, there are Islamic principles that should be followed by practitioners in the *diwan* (council) while preparing the *waqf* annual reports. An implication for *waqf* accountants is to seek greater council accountability. To enable the councils to become more socially responsive, the practitioners should be aware of and concerned to fulfill the obligations and duties to wider society (Daud, 2019).

The councils have been entrusted with the safekeeping of *waqif's* properties and putting these funds to good use and therefore, they should not abuse this trust, as stated in the *Qur'an*: “And these are those who hoard gold and silver and spend it in the way of Allah: announce unto them a most grievous chastisement” (At-Tauba: 34). Hence, information that revolves around the concept of *amanah* (trusteeship) should be disclosed in the mission statement and council objectives.

Abas and Raji (2018) and Mohamed et al. (2006) stated that Islamic councils have insufficient fund, lack of have argued that Islamic councils lack qualified and trained personnel in the accounting field. Most Islamic councils do not have accountants and very few of them have executive accounting officers to handle financial matters. Their officers equip themselves with appropriate professional knowledge to act justly for society. A verse from *Al-Qur'an* emphasises the importance of acting justly:

“And fear the Day ye shall be brought back to God; then shall every soul be paid what it earned, and none will be dealt with unjustly” (Al-Baqarah: 281).

Abdul Rahim and Goddard (1998) found, in both councils they studied (do not disclosed), that financial reports were considered important documents. Accounting staff did not perceive the accounting system to be separate but part of the organisation's main activities. It was mentioned by one of the treasury accountants of the Islamic council that

“... there is no separation between accounting works and other religious activities organised in this organisation because the organisation needs accounting to function properly to financially organise all these activities which otherwise cannot be properly carried out” Abdul Rahim and Goddard, 1998, p. 192).

However, in Booth’s (1988) findings, there was a separation between religion and accounting. From the statement above, it can be seen that there are many problems in reporting such as limited disclosure which leads to non-transparency. Thus, this paper investigates why this is happening in Islamic councils. It is necessary to discuss accountability in addressing this issue.

IV. METHODOLOGY

The research uses a qualitative research approach. This was partly because this study aims to find out why there is a lack of reporting by Islamic councils rather than what or how often things happened. Strauss and Corbin (1990) claim that qualitative methods can be used to better understand any phenomenon about which little is yet known. Only a few studies on this topic were conducted by previous researchers and there is paucity of information available. According to Cooper and Schindler (2006):

“Qualitative research is designed to tell the researcher how (process) and why (meaning) things happen as they do” (p. 196).

The present study requires practitioners to relate to their experiences and research techniques that investigate people’s interpretations and understanding. Marshall and Rossman (2011) explain that qualitative research genres have become increasingly important modes of inquiry for the social sciences and applied fields such as education, community development and management.

The first step was to choose suitable instruments and protocols. The researcher selected documentation analysis, observation, and in-depth interviews to gather evidence. Qualitative methods are best suited for finding the answer. This study attempts to identify the reasons why the councils refuse to prepare *waqf* reporting in the context of the complexity and problems in current reporting. The study used primary data in order to obtain first-hand information on reporting practice. Primary data was gathered from the councils’ accountants and officers who could provide appropriate responses to facilitate the study. In order to achieve this, the study used three stages:

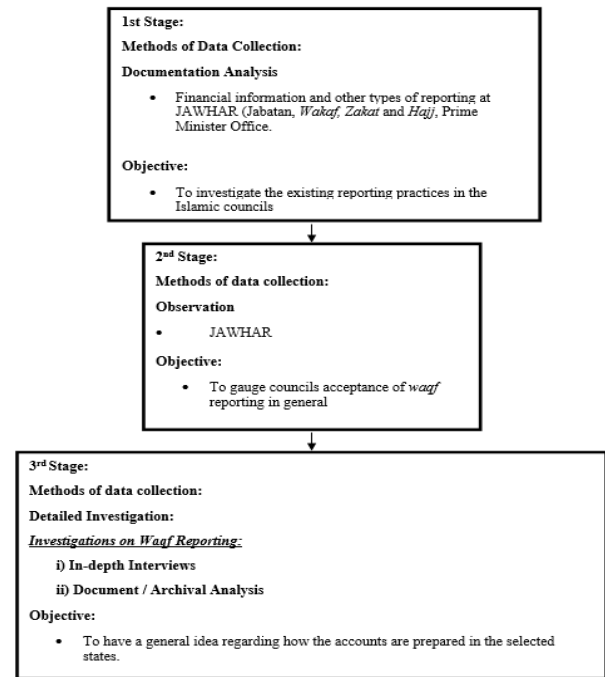


Fig. 1: Methodology Process

A. Entering the Field

The subsequent paragraphs briefly describe the three stages with reference to Figure 1. The first stage involved a thorough documentation analysis of the current reporting practice from the councils. The second stage involved a collection of the perceptions of accountants/ assistant accountants and *waqf* officers on *waqf* reporting. The third stage involved asking the accounts preparers’ opinions on current reporting. These stages were necessary in order to identify the reporting practices of the councils and to obtain the *waqf* officers’ and accountants’ feedback on current reporting before investigating the attributes of non-reporting.

1) Documentation Analysis

As stated earlier, the councils chosen are among the councils that submitted financial statements. The reason why these councils are chosen because they were the ones that have the initiative of being transparent compared to the ones which did not submit. Also, these councils are regarded to have better practice of governance compared to those which did not submit their annual report. If a council is not transparent in their reporting, means the governance in that particular organisation has a problem (Gupta, 2008).

As for the first phase, documentation analysis was conducted in which the researcher collected financial statements from JAWHAR to identify the current reporting practices among councils. The financial statements collected were limited to what JAWHAR had on that particular day. Only four financial statements were available on that date, whilst other states did not submit their financial reports because it is not compulsory for Malaysian Islamic councils to submit them to JAWHAR. Investigation of the financial statements was conducted to identify existing practices of reporting by the Islamic councils. This was to find the extent of reporting among the councils.

At this stage, documents such as annual reports, financial statements and bulletins of councils were collected.

Perceptions of Waqf Reporting Practices by State Religious Islamic Councils

The state councils that had submitted their documents were from the Federal Territory, Johor, Pulau Pinang and Perak. Information from these documents were analysed in detail in order to identify reporting issues faced by the councils. Interviews were conducted with the officers from JAWHAR to find out more about the situation with respect to reporting among the councils as a whole. To check the reliability of the interview data, transcriptions of the interviews were then triangulated with the information gleaned from the documents. JAWHAR was chosen because it was the only government organisation (under the Department of *Waqf, Zakat and Hajj*, Prime Minister's Office) that was involved with all Islamic councils in Malaysia.

2) Observation

For the second phase, an observation was conducted through a workshop attended by selected accountants and assistant accountants from Islamic councils together with academicians. The people involved in the workshop were called by JAWHAR to collaborate and discuss the contents of the waqf reporting manual (Management Accounting Manual). This manual provides guidelines for waqf reporting. The three-day workshop was held in order to elicit opinions on the contents of the Waqf Management Accounting Manual (Manual Pengurusan Perakaunan Wakaf). The main reason why JAWHAR conducted the workshop was to get ideas from accountants and assistant accountants on the information which should be included in the Management Accounting Manual.

Through observations from the workshop the researcher could obtain the preparers' opinions on the manual and their acceptance of the guidelines.

Qualitative data begins as raw, descriptive information about programs and people in the study. The researcher observed the workshop participants over three days to acquire first-hand perceptions on Management Accounting Manual. The researcher engaged personally in this workshop as a "participant observer". Discussions conducted were aimed at obtaining respondents' impressions, interpretations and opinions, as well as the participants' responses about waqf reporting, especially the financial statements. The researcher played a "dummy" (Sekaran, 2000) role (i.e. did not play any part in the discussion) while paying attention to the discussions and drawing out the information sought (Sekaran, 2000). This method was chosen because it provides spontaneous responses expected to reflect opinions, ideas, and feelings of the participants about the waqf reporting under discussion.

This method has allowed perceptions on waqf reporting to be obtained. It allowed the participants the freedom to explain their thoughts and to highlight any areas of particular interest. As indicated earlier, the purpose of this stage was to find their perceptions of waqf reporting in general.

3) Investigations on Waqf Reporting

The next stage was where the researcher interviewed four accountants/assistant accountants from the Islamic councils in order to triangulate the findings from observations and documentation analyses. According to Sekaran (2000, p.24), in measuring aspects of organisational behaviour and management, it is better to interview respondents.

Thus, questions involving reporting by the councils were asked from the participants' point of view. The main purpose

of the unstructured interview was to explore and probe into the several factors in the situation that might be central to the broad problem area. During this process it might become evident that the problem, as identified by the practitioners, is a symptom of a more serious and deep-rooted problem

Interviews were conducted through a number of visits and in some cases, individuals were interviewed on more than one occasion. In addition to the four accountants/ assistant accountants interviewed, other people interviewed were those who were in-charge of *waqf* management such as *waqf* directors, accountants and *waqf* officers. Interviews lasted for one to 1½ hours on average. Each interview was preceded by a letter, outlining the purpose of the research. Interviews were done using semi-structured questions.

The semi-structured interviews with the accountants and assistant accountant based in states which submitted their annual reports to JAWHAR. Semi-structured interviews were adopted in order to allow the interviewees to respond to the questions in greater depth. The reason for interviewing the *waqf* officers was to get their opinions on the reporting as their experiences and explanations would reflect the scope of the issues. These practitioners were found to be verbally fluent and could provide the study with a richness of detail.

Notes were taken of each interview and all the interviews were taped. The study does not disclosed all the names to protect the confidentiality of the interviewees. For qualitative researchers, maintaining respondents' confidentiality while presenting rich, detailed accounts of social life presents unique challenges. Before commencing each interview, the nature of the research was outlined to each interviewee. It was stressed that it was the interviewees' opinions that were being sought, therefore, there was no "right" or "wrong" answers to the questions, and that no prior "technical" knowledge of any kind was either assumed or required.

V. FINDINGS

This topic reveals how reporting has been practised in State councils. It is important, to understand how reporting has been practiced. This includes finding practitioners' opinions on *waqf* reporting as well as the level of reporting being practised.

A. Documentation Results (1st Stage)

At the first stage, the researcher went to the Department of *Awqaf, Zakat and Hajj* (JAWHAR), of the Prime Minister's Department at the Federal Government Administrative Centre in Putrajaya to examine reporting practice among Islamic councils in Malaysia. JAWHAR was established on 27 March 2004 by Tun Abdullah Ahmad Badawi, the previous Prime Minister of Malaysia (Ismail, 2009; Chik, 2005). One of JAWHAR's objectives is to create an entity to help Malaysian Islamic Councils to develop *waqf* properties (Ismail, 2007) and create better management for *waqf* councils (Chik, 2005).

This first step identified the current practice of financial statements by four states: Federal Territory, Johor, Pulau Pinang and Perak. These states were chosen as a sample because during the collection period, their reports were the only financial statements available at JAWHAR's office.

Most of the councils had not submitted their financial statements to JAWHAR because it is not compulsory.



Most Islamic councils produce financial statements, but they combine *waqf* and other donations under “Baitulmal Funds”.

This study took into consideration published financial statements (reported to the public/ annual report) plus brochures, pamphlets, annual reports and any types of reporting in accordance with the term of “*waqf reporting*”. The reason why financial statements were collected at the beginning even though they were not reported to the public was because by examining all financial statements available would better reflect the patterns of reporting being practiced.

Table 1: Documentation Analyses

State	Financial Information		Non-Financial Information		Manner of Disclosure to Public	Annual Report
	Position	Performance	Structure	Process		
Johor	✓	x	x	x	Accounts; Flyers (cash <i>waqf</i> only)	x
P.Pinang	✓	x	x	x	F/S and flyers	x
Perak	✓	x	x	x	F/S and flyers	x
Federal Territory	✓	x	✓	x	F/S, flyers, bulletins	✓

As indicated in Table 1, the four states identified their financial positions regardless of whether they were producing annual reports or otherwise. For example, each state indicated the balance of their respective *waqf* fund. The *waqf* fund will be put together with other funds such as *sadaqah* and called as the Baitulmal fund. As a common practice of the councils, no detailed information on *waqf khas* or other assets properties were filed in the report. The information would be just the names of the assets and locations. The value of the assets comprised both the specific and general *waqf*; even though these *waqf* funds should be segregated according to their purpose (Daud and Abd. Rahman, 2018; Ihsan and Ibrahim, 2007).

The financial statements of Johor council accounted separately for *waqf* revenue and expenses for major properties which they considered as commercial. Non-commercial properties such as cemeteries or religious schools are listed in the non-commercial register. This is because Johor has many *waqf* properties especially non-commercial ones which are situated in rural districts. The assistant accountant from Johor council said that:

“It is impossible for Johor council to make individual accounts for all waqf properties in Johor. This is because there are too many waqf properties especially in small district where no proper documentations as we are lacking staff. Moreover, Johor is quite a big state. Thus, we only accounted individually for waqf properties that have commercial values.” The same approach is taken by Perak Islamic council.

However, Pulau Pinang shows both revenue and expenses for each *waqf* property. From the sample, only Pulau Pinang detailed the *waqf* accounts individually. According to the Pulau Pinang’s accountant;

“This might be because Pulau Pinang Islamic council has only a few waqf properties and easier for them to separate the accounts compared to other councils.”

Performance information is provided to evaluate the council’s success in particular activities. Fulfilment of the *waqif*’s intentions, beneficial investments and success in

distributing usufruct are important factors for evaluating performance. However, none of the Islamic councils’ report information on their *waqf* performance. Thus, public have no idea on councils’ performance. *Waqf* performance is important to identify how effective the Islamic council fulfil the *waqif*’s intention as well as managing *waqf* properties. The councils are obliged to report to their respective Sultans. Relevant documents were compiled and duly presented to His Majesty to keep him abreast regarding the latest developments in *waqf* management and the council.

B. Results of Participant Observation (2nd Stage)

Results for the second phase was from observation conducted through a workshop which selected accountants and assistant accountants from Islamic councils were asked to attend and collaborate with JAWHAR to discuss a new manual on *waqf* reporting. The researcher’s attendance was in order to acquire first-hand observations on their perceptions of *waqf* reporting and their acceptance of the suggested framework i.e. *Manual Pengurusan Perakaunan*.

The observations from the workshop are important to identify whether the participants agreed or not to report certain *waqf* information and whether they were reluctant to comply, and for what reasons. Three days of discussion with people from the Accountants General Department of Malaysia (JANM), Ministry Department JAWHAR, academicians and council’s representatives were held to discuss the contents of *waqf* reporting manual. The researcher did not play an active role but observed what happened throughout the discussions.

Thus, the researcher observed the participants in a natural setting by involvement in their workshop in order to get to know their perspectives on *waqf* reporting. Marshall and Rossman (2011) state that for participant observation, the researcher makes no special effort to have a particular role; to be tolerated as an unobtrusive observer is enough. Accordingly, using the participant observation method, these accountants’ perception of the new framework was observed. Based on the three days observation, the following represents a picture of transparency in the councils. The accountants, assistant accountants and the academicians collaborated and threw up some ideas about giving better information and creating a better framework. Most of them explained their current practice on how to deal with certain aspects of disclosure. Most of the account preparers agreed that it was better not to report to the public because this is expensive. An accountant explained:

“We feel that it is not rational to issue waqf financial reporting because this will incur additional costs. We need to incur extra expenditure on the new system and training.”

Other than incurring additional expenditure, it was found that the majority of the accountants were reluctant to disclose extensively on properties.

The reason was they felt that the public might learn how much property the council had and would enquire further how the *waqf* properties were managed. Being complacent was another reason they were reluctant to change or improve on their accounts framework.

Perceptions of Waqf Reporting Practices by State Religious Islamic Councils

Another issue arising was the valuation of *waqf* properties, and that the Islamic councils did not want to change nominal values (RM1) to current values. According to them there should not be any value shown for the properties because the properties belong to Allah SWT and not the councils. In contrast, according to Ibrahim (2000) and Daud (2012), since the councils' income sources come mainly from property, it is better to use current value rather than historical cost or nominal value because, from the Islamic perspective, it is a requirement to use current cost rather than nominal cost or historical cost. However, there is no standard on this issue (Kahf, 1999; Ali, 2002).

However, fair value is not used with *waqf* properties because it is less appropriate. In conventional business, fair value is used to measure the most suitable value for the properties. This would be in breach of the purpose of *waqf* whose properties are not meant to obtain returns or mergers and takeovers. That being said, this becomes a concern in auditing as there is no issue with which type of values a council used, because the valuation methods are different for each councils in Malaysia.

The establishment of *waqf* reporting guidelines based on the JAWHAR's manual was not fully acceptable among the councils. Even though the new guidelines were launched in 2008, most council still uses their previous systems, which does not meet the standardisation and transparency problems.

Thus, from the meetings conducted, most councils appear reluctant to follow the guidelines given in the *Manual Pengurusan Perakaunan Wakaf*, as suggested by JAWHAR.

C. Analysis of Interviews on Non-Disclosures (3rd Stage)

The researcher conducted face to face interviews with accountants of the four councils. The purpose was to find out the current reporting practices and why they are as such. This study uses qualitative methods to capture the richness and complexity of natural settings, so data was analysed inductively to generate findings. Unstructured interviews were used to allow the subjects to express themselves in their own words.

These councils took different range of time to prepare their annual report which range between three to six months to prepare annual reports. They stated that this might be due to the fixed assets register that is not up to date. The council's up-date their *waqf* assets register. However, this depends on the titles they acquire from the Land Office. When a title received from the Land Office, the officer will automatically update the *waqf* register. They explained the failure in updating has resulted in failing gazetting the *waqf* assets.

They also had to deal with inexperienced staff. Most of the staff are on contract basis. The staff tended to quit after a while and would find another secured job with better benefits. This created a high staff turnover in Islamic councils. The majority of the officers were unaware of the importance of maintaining separate *waqf* accounts when they were asked whether Islamic councils maintained separate accounts for different types of *waqf*. The officers stated that they maintained separate *waqf* accounts. However, when they were asked to give specific details, they stated that they were unable to provide the exact names of the separate *waqf* accounts. They had labeled the accounts as "*waqf* fund", "common account", "general *waqf*" and "Baitulmal fund". However, a few Islamic councils do maintain separate

accounts such as Pulau Pinang and Johor councils. Pulau Pinang Islamic council maintains each account for each property. However, Johor only maintained separate accounts for each commercial *waqf* properties. Sarawak Islamic council has outstanding disclosure on *waqf* reporting since the *waqf* unit is being managed by a different corporation appointed by the Sarawak Islamic council.

VI. CONCLUSION

This paper investigates the perceptions of *waqf* reporting practice of *waqf* councils in Malaysia. Having identified the reporting styles in each council, the researcher done qualitative method to identify *waqf* officers, accountants and assistant accountants' perceptions on reporting. The establishment of *waqf* reporting guidelines based on the JAWHAR's manual was not fully accepted among the councils. This paper has offer new and significant information, by using different method i.e. observation in providing an insight on how perception of *waqf* reporting in the Islamic councils and provide additional evidence on reporting of Islamic councils.

Islamic councils should be accountable; as Islamic councils have agreed to be the sole trustees in handling *waqf* matters. This means that they have to fulfil their responsibilities towards society, especially the *waqif* and beneficiaries. For Muslims, the Islamic concept of *uqud* (agreements) provides a comprehensive understanding of the various contractual relationships that exist in human life and the obligations to fulfil them, as stated in the *Qur'an*:

"O ye who believe! Fulfil (all) obligations" (*Al-Maidah*: 1). From the verse it is definite that councils should do their obligations to take full responsibility to be accountable in handling *waqf* matters, which includes reporting. Thus, the objective of this paper is to gauge councils' acceptance of *waqf* reporting in general.

The public should know the aims of the council and how it is succeeding. If the council is not transparent and does not demonstrably satisfy the stakeholders, there will be no trust in the relationship even if society supports the council's objectives. Besides contributing to the well-being of society and to delivering quality services to beneficiaries as core activities, councils undertake other operations, for instance, to provide a safe working environment for employees. To reflect the broader obligations to the community and to serve a wider range of human values, reporting non-financial items is needed. Through fulfilment of its obligations (which include what council "should" and "should not" do as well as including their reporting activities), councils meet their spiritual requirements and hope that their duties are blessed by Allah, the Almighty.

From an Islamic perspective, reporting means disclosing information that aids economic as well as religious decision-making. The information has to have the qualities of being relevant and objective. "And my people! Give full measure, and (full) weight in justice, and defraud not men of their goods, and act not corruptly in the land, doing evil, believers, and I am not a guardian over you" (*Surah Hud*:85).

Based from the *Qur'anic* verse above, the concepts of fairness and justice are among the most important values that must be adhered to in the valuation and measurement from the Islamic perspective.

Surah Al-Baqarah verse 282 also describes the function of recording financial transactions, measurements, and benefits that should be followed. It explains that the measurement must be fair and accurate. This verse indicates that the valuation should reflect justice and fairness. In other verses in the *Al-Qur'an*, in *Surah Al-Shu'ara'* verse 181-183 that reads:

"Give full measure and be not of those who give less. And weight with the true balance. And defraud not men of their goods, and act not corruptly in the land, doing evil" (*Surah Al-Shu'ara'*: 181-183).

These verses clearly imply that every measurement and valuation should reveal the true and current value which reflects the meaning of true value. This means that the market value is the perfect valuation as it indicates the current value of an asset.

Full disclosure does not mean that councils need to disclose everything, which is impractical. It means disclosing information deemed relevant which should be rightfully be given to members of the *ummah* to facilitate their economic and religious decision-making. An implication of this is that councils should disclose all information necessary to advise the *ummah* about councils' activities, even if such information indicates that councils fail to manage *waqf* properties efficiently or fail to fulfil *waqf* intentions. Allah says:

"And cover not Truth with falsehood, nor conceal the Truth when ye know (what it is)" (*Al-Baqarah*: 42). This paper will be the interest to policy makers, especially Government and State Government. Given the current debate in Malaysia on the most appropriate forms of regulation for the Islamic sector, this paper aims to provide valuable insights into the role of annual report in the system of regulation. The findings can also provide a significant contribution to JAWHAR regarding the means to better reporting and improved Islamic accountability amongst practitioners.

ACKNOWLEDGEMENT

We wish to thank the Institute of Quality and Knowledge Advancement and the Institute of Research Management and Innovation of Universiti Teknologi for their support and funding.

REFERENCES

- Abas, F. N. and Raji, F. (2018), Factors Contributing to Inefficient Management and Maintenance of Waqf Properties: A Literature Review, *International Journal of Islamic and Civilization Studies*, 5(3), 53-67
- Abdullah, M. (2007), Sistem penyampaian manfaat wakaf kepada maukuf alaih di Negeri Pulau Pinang: satu cadangan penyelidikan, in *Bengkel Siswazah ISDEV III, Pusat Pengajian Pengurusan dan Pembangunan Islam, Universiti Sains Malaysia, 2007*.
- Abdullah, M. (2009), Pengurusan wakaf di Malaysia: Quo vadis. *Kertas Kerja Bengkel Antarabangsa: Pembangunan Berteraskan Islam 2008* in Anjuran Universitas Muhammadiyah Sumatera Utara Dan Pusat Kajian Pengurusan Pembangunan Islam USM di Medan Indonesia, 2009.
- Abdul Rahim, A. R. and Goddard A. R. (1998), An interpretive inquiry of accounting practices in religious organisations in Malaysia – emergent theoretical perspectives, *Financial Accountability and Management*, 14(3), 183-202.
- Abdul Rahim, A. R., & Goddard, A. R. (2003), Accountability verstehen: a study of accounting in state religious councils in Malaysia, discussion paper, *Accounting and Finance*, March 2003.
- Ali, A. (2002), Socio-economic role of awqaf in the advancement of Muslims, *Awqaf*, 3, 21-30.

- Barracough, S. (1983), *Managing the challenges of Islamic revival in Malaysia: A regime perspective*, Asian Survey, 958-975.
- Cooper, D. R. and Schindler P. S. (2006), *Business Research Methods* (9th Edition), Mc Graw – Hill, New York, USA.
- Booth, P. (1988), *Accounting in Churches: A Research Framework and Agenda*, *Accounting, Auditing & Accountability Journal*, 6(4), 37-67.
- Chik, M. N. (2005, August 8). *Peranan Wakaf Dalam Memajukan Ummah*. *Iktisad*, 8, 19-24.
- Daftardar, H. (2008), Towards effective legal regulations and enabling environment for awqaf, in *International Seminar on Awqaf 2008*, International Convention Centre, Johor Bahru, Johor.
- Dakian, M. (2009), *Sumber Wakaf*, Dewan Ekonomi, Dewan Bahasa dan Pustaka, Malaysia.
- Daud, D. (2012), *Waqf reporting framework: reporting guidelines for islamic (waqf) councils*, *Business & Management Quarterly Review*, 3(3), 9-15.
- Daud, D. (2018), *Insight into The Reasons for The Lack of Waqf Reporting*, *Journal of Emerging Economies & Islamic Research*, 6(3) 2018, 48 – 58.
- Daud, D. (2018), *Theoretical approaches to understanding the behaviour of waqf council in Malaysia*, *Business and Management Quarterly Review*, 9(1/2), 54-62.
- Daud, D. (2019), *The role of Islamic governance in the reinforcement waqf reporting: SIRC Malaysia case*, *Journal of Islamic Accounting and Business Research*, 10 (3), 392-406.
- Daud, D., & Rahman, R. A. (2018), *Straightening the governance of waqf using tawhidic approaches*, *Journal of Contemporary Islamic Studies*, 4 (2), 1-16.
- Daud, D., Abdul Rahman, R., & Sulaiman, Z. (2011). *Waqf reporting to fulfil stakeholder attribution in Waqf Islamic Councils*. *Business Management Quarterly Review*, 2(1), 38-53.
- Gupta, A. (2008), *Transparency under scrutiny: Information disclosure in global environmental governance*. *Global Environmental Politics*, 8(2), 1-7.
- Holy Qur'an, *Original Arabic Text with English Translation & Selected Commentaries* (2000). (Yusuf Ali A. Trans.). Kuala Lumpur: Saba Islamic Media.
- Ibrahim, S. (2000), *Nurtured by 'kufri': The western philosophical assumptions underlying conventional (anglo-american) accounting*, *International Journal of Islamic Financial Services*, 2(2), 19-38.
- Ihsan, H., and Ibrahim, S. H. (2007), *Waqf accounting and possible use of SORP to develop waqf accounting standards*, in *1st Waqf Conference in Singapore, 2007*.
- Ihsan, H., and Ibrahim, S. H. (2011), *Waqf accounting and management in Indonesian waqf institutions. the cases of two waqf foundations*, *Humanomics*, 27(4), 252-269.
- Ismail, C. Z., Muda, S., & Hanafiah, N. J. (2014). *Challengers of prospects of cash waqf development in Malaysia*. *Journal of Basic & Applied, Scientific Research*, 4(2), 340-348.
- Janib, S. (2009). *Potensi wakaf secara kontemporer*. In *Dewan Ekonomi* (pp. 14-16). Kuala Lumpur: Dewan Bahasa dan Pustaka.
- Kahf, M. (1999), *Towards the revival of awqaf: a few fiqh issues to reconsider*, working paper, Harvard Forum on Islamic Finance and Economics, Harvard University, U.S.A, 1 October.
- Khairi, K. F., Aziz, M. R. A., Laili, N. H., Nooh, M. N., Sabri, H., Yazis, M., (2014), *Share waqf (corporate waqf) as an alternative financial instrument in improving the communities and nation welfare*, *Australian Journal of Basic and Applied Sciences*, 8(5), 9-14.
- Manual Pengurusan Perakaunan Waqf [Waqf management accounting]* (2008), *Jabatan Wakaf Zakat Dan Haji, Putrajaya: Jabatan Perdana Menteri*.
- Marshall, C. and Rossman, G. (2011), *Designing qualitative research* 5th Edition, SAGE Publication Ltd, new York, USA.
- Masruki, R. and Shafii, Z. (2013), *The development of waqf accounting in enhancing accountability*, *Middle East Journal of Scientific Research*, 6, 1-6.
- Mohamed, S., Daud, D., Md. Zain, S. R., and Yacob, C. A. (2006), *Kearah pelaksanaan sistem perakaunan wakaf yang piawai*, in *Konvensyen Wakaf Kebangsaan, anjuran Jabatan Wakaf, Zakat dan Haji, Jabatan Perdana Menteri, Putrajaya, Malaysia 2006*.
- Sabran, O. (2002), *Pengurusan Harta Wakaf [Waqf Management]*. 1st Edition, Universiti Teknologi, Malaysia, Malaysia.
- Sadeq, A. M. (2002), *Waqf, perpetual charity and poverty alleviation*, *International Journal of Social Economics*, 29(1/2), 35-151.
- Sekaran, U. (2000), *Research methods for Business. A skill Building Approach* 4th Edition. Wileys and Sons, New York, USA.
- Sulaiman, M., & Alhaji Zakari, M. (2019). *Financial sustainability of state waqf institutions (SWIs) in Malaysia*. *Journal of Islamic Accounting and Business Research*, 10(2), 236-258.
- Strauss, A. L. and Corbin, J. M. (1990), *Grounded theory in practice*, SAGE Publications Inc, New York, USA.
- Yedyiyildiz, B. (1996), *Place of the waqf in Turkish cultural system*, in *Habitat II*. 1996.
- Yunanda, R. A. Shafii, Z. and Tareq, M. T. (2016), *Accountability of Islamic based non-profit sector: the case of waqf organizations*, *Jurnal Ekonomi Dan Bisnis Islam*, 2(2), 105-124.