Pertanika J. Soc. Sci. & Hum. 26 (4): 2583 - 2597 (2018)

SOCIAL SCIENCES & HUMANITIES

Journal homepage: http://www.pertanika.upm.edu.my/

Exploring *Awqaf Mutawalli*'s Accounting and Reporting Practices: Some Preliminary Malaysian Evidence

Nahar Hairul-Suhaimi[1]*, Awaludin Nur-Suriana[2] and Bakar Nor-Suhaily[2]

[1]Department of Accounting, College of Economics and Political Science, Sultan Qaboos University, Muscat 123, Sultanate of Oman

[2]Department of Accounting and Finance, Faculty of Management and Muamalah, Kolej Universiti Islam Antarabangsa Selangor, 43000 Kajang, Selangor, Malaysia

ABSTRACT

Accounting and reporting in *awqaf* operations are directly linked to *awqafmutawalli's* (*awqaf* manager or administrator) accountability. *Mutawalli*'s accountability is a pressing issue as it is inextricably linked to *awqaf* institution's sustainability and survival. Being a manager to *awqaf* assets, *mutawalli's* accountability is therefore expected to influence donators' confidence and hence their continuous financial support. It is, hence, timely that *mutawalli's* accountability from the acute dimensions of accounting and reporting are explored and examined. This effectively provides a basis for a reality check regarding the necessary improvements. Consistent with the above premise, this study explores the current accounting and reporting practices of two distinct *mutawallis,* operating on different operational platforms. Utilizing multiple research techniques comprising both interviews and record reviews, the preliminary empirical results are arguably informative and revealing, systematically providing an appropriate basis for a reality check on *mutawalli's* accountability. This provides an improvement framework on *waqf* management to other *mutawallis* in Malaysia as well as filling the sparse academic literature on *awqaf* accountability in the acute context of accounting and reporting.

Keywords: Accounting and reporting practices, *awqaf*, disclosure

ARTICLE INFO

Article history:
Received: 08 July 2017
Accepted: 26 April 2018
Published: 24 December 2018

E-mail addresses:
hairul@squ.edu.om (Nahar Hairul-Suhaimi)
suriana@kuis.edu.my (Awaludin Nur-Suriana)
norsuhaily@kuis.edu.my (Bakar Nor-Suhaily)
* Corresponding author

INTRODUCTION

The institution of *waqf* (plural) in Islam is one of the poverty alleviation mechanisms in the society besides *zakat* (compulsory charity) and *sadaqah* (optional charity). It has been widely discussed in the literature that *waqf* can be an effective system of

ISSN: 0128-7702
e-ISSN 2231-8534

poverty eradication by improving the non–income generating aspects such as health and education, besides increasing access to physical facilities such as commercial, transportation, agricultural, industrial and many others (Sadeq, 2002; Ihsan & Ayedh, 2015). The imperative of *waqf* as the socio–economic vehicle in Islamic economics is also duly emphasized by Allah in the *Quran*:

> *And in their wealth and possessions, there is right of the needy (Quran; 51:59)*
>
> *Help one another in furthering virtue and God–consciousness (Taqwa), and do not help one another in furthering evil and enmity (Quran 5:2)*

A*wqaf* institutions are essentially Islamic religious entities (IREs) with charitable aims to which the accountability concept is paramount in the context of their survival (Hairul–Suhaimi & Hisham, 2011). This is premised on the fact that *mutawalli's* accountability would enhance the donator's confidence and hence their support, systematically causing *waqf's* sustainability and survival to become a function of *mutawalli's* accountability (Hairul–Suhaimi & Hisham, 2011; Yasmin & Haniffa, 2017). A body of accountability literature has grown extensively to explain the multi–dimensional accountability traits of *awqaf* institutions (e.g., Hairul–Suhaimi & Hisham, 2011; Hidayatul & Shahul–Hameed, 2011). The empirical accountability literature has also sought to establish empirical evidence of the extent to which accountability has been observed by IREs' managers. On the back of these extensive studies, however, remain unique outstanding research issues.

First, the majority of prior *awqaf* studies were typically conducted using single or at most less than three *mutawallis,* with attributes contrastingly dissimilar among them. This renders the empirical results obtained to be unique and hence, non–generalizable to other IREs. Hence, it becomes an empirical question as to whether accountability observance in the examined IREs would be equivalent to that of other IREs, particularly in a country like Malaysia. This reinforces the need for examining respective state's specific accounting and reporting attributes in the studying of *mutawallis'* accountability. Second, both *awqaf* and *zakat* are Islamic economic tools available to address various economic issues among Muslims and non–Muslims. While the latter is compulsory, the former is purely voluntary in nature. Given the critical importance of these economic tools on the present challenging economic status, particularly among the Muslims, as well as the diverse stakeholders involved, the management of these religiously rooted charity tools has become a major research focus academically.

This demonstrates significant empirical gaps in the literature as well as the practical imperative of studying further the *mutawalli's* accounting and reporting practices, as evidence toward accountability observance. The silence of the current empirical literature on this issue should be of great concern to all, given the important roles of both *awqaf* in the Muslims' economy and *mutawallis* at managing *awqaf* assets. Accordingly, this research reports preliminary empirical findings being part of a larger research on *awqaf* accountability from various managerial dimensions. The results presented in this paper are however focused only on two identified research issues of accounting and reporting based on two *awqaf* institutions (*mutawalli* A and B), whose organizational setup and management styles are observably dissimilar. Selecting these two distinctive *mutawallis* effectually provides appropriate analysis framework in examining the *awqaf* institution's accounting and reporting practices across different management regimes.

The significance and hence contributions of this preliminary research are, arguably, at least twofold. First, it constitutes the foremost research attempt at providing fresh empirical evidence of accounting and reporting practices among *mutawallis,* whose respective organizational setting and management styles are contrastingly dissimilar. This allows the manipulation of different settings in examining the *mutawalli's* accountability traits of accounting and reporting. Second, the results provide critical policy inputs to relevant stakeholders in the *awqaf* ecosystem, particularly in understanding the current state of accounting and reporting practices which indirectly reflects their accountability levels.

The remainder of this paper is structured as follows. Section 2 proceeds to reviews related literature on *awqaf*, accountability, accounting and reporting in the charity context. This is followed by the research method in Section 3. The empirical results and discussions are presented in Section 4. Final section concludes the paper which includes some recommendations and suggested future research.

Literature Review

***Waqf:* General Overview and Historical Development.** The word *waqf* is primarily used in the Islamic context to differentiate it from endowment, trust or foundation that was not established in expressed compliance with *Shari'ah* (Islamic law). Grammatically, *waqf* and its plural form *awqaf* are nouns derived from the transitive verb *waqafa* which means '*to stop*', '*to pause*' or '*to detain*' (Malaysian Accounting Standards Board [MASB], 2014). In Islamic jurisprudence, a *waqf* represents a dedication of a specified asset (*mawquf*) by a settlor (*waqif)* into the administration of a *waqf* manager (*mutawalli*) through a legal instrument (*waqfiyyah*) such that the income or usufruct of that asset benefits a stated beneficiary (*mawqufalaih*) or is used for a stated purpose (Gaudiosi, 1988). *Waqf* is different from *zakat* in the sense that unlike the former, the latter is made compulsory among the Muslims although both fall under the concept of *sadaqah* (religious contribution). *Zakat* beneficiaries are also clearly mentioned in the *Quran* (the eight *asnafs* or categories) as compared to *waqf* funds, but the Islamic scholars unanimously agreed that it should be for any pious purposes, as long as it does not contravene the *shari'ah*. Historically, *waqf* assets were used for various purposes including education, healthcare and financing of public amenities (Yayla, 2011). In the context of Malaysia, the manager of *awqaf* is only rendered valid by the law to be the State Islamic Religious Council (SIRC) of each State (Hairul–Suhaimi & Hisham, 2011). The *waqf* property is not to be sold, transferred nor can it be inherited because the *waqif* has relinquished his claim on the said *waqf* property (Gaudiosi, 1988). Once the property is surrendered to be under *waqf*, it will become perpetually managed by the appointed *mutawalli* such that it remains so until the Day of Judgment with no one being able to change its status. The principle of perpetuity is protected by *Shari'ah* based on a series of rulings such as the prohibition of disposition of the *waqf* assets through sale and other contracts.

Accounting, Reporting and Accountability in Religious Institutions: Context and Prior Research. Equivalent to places of worship such as Churches (Laughlin, 1988; Quattrone, 2004) and Mosques (Adil, Mohd-Sanusi, Jaafar, Khalid, & Aziz, 2013), as well as religiously linked economic based entities such as *zakat* (Abdul–Rahman & Goddard, 1998) and non–Islamic charitable organizations (McConville, 2017), *awqaf* organizations are primarily religious and economic based, not–for–profit institutions which are accountable to various stakeholders (Yasmin, Haniffa, & Hudaib, 2014). The extant literature in the spheres of religious and economic based, not–for–profit institutions indicate that accounting and reporting practices in these institutions are interwoven with the concept of accountability (Connolly & Hyndman, 2017; Hyndman, 2017).

Accountability could be broadly defined as "*a relationship between an actor and a forum in which the actor has an obligation to explain and justify his or her actions or conducts*" (Bovens, 2007). Such definition suggests that accountability involves the process of explaining and providing justifications of what has been done, currently done, and to be done, in the future, by the actor to those he or she is answerable or accountable to (Barlev, 2006; Stewart, 1984). In the context of not–for–profit which *awqaf* belongs to, Hodges (2012) explained that there existed two types of accountability-vertical and horizontal. The former relates to legal structures and the latter represents accountability across governmental departments and other stakeholders. Recently, the term hierarchical and holistic accountability emerged in the accounting and accountability literature (O'Dwyer & Unerman, 2008), whereby the former relates to a narrow form of accountability where influential stakeholders are prioritized while holistic accountability caters to a much wider scope of stakeholders.

Managers of not–for–profit institutions are therefore expected to prepare appropriate (non)accounting records and subsequently provide transparent reporting to relevant stakeholders (government, donors, recipients, etc.) covering both the financial and non–financial information of the organization's (current and past) activities in order to build the stakeholders' trust, which would subsequently be translated into a continuous stream of financial contributions critically needed for the organization's future sustainability (McConville, 2017; Yasmin & Haniffa, 2017). More importantly, the provision of transparent reporting would facilitate the unique accountability relationship between various stakeholders, particularly the funders and charity organizations.

In the specific context of accounting, it is regarded as the language of business, finance and commerce, practically applicable to all cultures and historical periods (civilization) (Carmona & Ezzamel, 2007). The objective of accounting and reporting in a not–for–profit context is primarily to disseminate the organization's activities and achievements for the relevant fiscal years to the stakeholders, which may be internal or external (Dellaportas et al., 2012). Therefore, the non–financial information should be communicated together with the financial information to enable a 'holistic' communication with relevant stakeholders as this is also a part of the accountability processes (Yasmin *et al.,* 2014; Yasmin & Haniffa, 2017).

Prior research in the specific context of western churches being part of the not–for–profit organizations indicates that churches played a central role in the development of capitalism and accounting (Quattrone, 2004) which contradicts the essence of the secularism concept whereby church (clergy) is only allowed to manage the sacred and leave the worldly matters to the laity (Swanson & Gardner, 1986). As a result of this demarcation, there are two divisions (of the sacred and the profane) where accounting is considered as a profane activity (Booth, 1993; Laughlin, 1988). The emergence of modern accounting was joined by nascent capitalistic enterprises emerging in the early modern city states such as Italian cities. Luca Pacioli, a church trained scholar, who is claimed to be the father of accounting, wrote *Summa*, which includes a chapter on double entry bookkeeping practices in the 15th century (Foo & Hwa, 2006), although it was claimed that he learnt these practices from the Arab traders who frequented Venice [as Venice was the center port during that period (Zaid, 2004)].

A study by Swanson and Gardner (1986) documents the emergence of accounting procedures and concepts in not–for–profit institutions during a period of change in church institutions in America, during which charities played a critical role in the American (and British) society history. The Episcopal Church in the 18th century canonized accounting rules and processes, although there were no specific statistics or financial data in early canon. The accountability trail was that the minister reported the church's affairs to an annual convention of diocese, which in turn reported to a general convention which finally reported to the House of Bishops. In 1808, the churches started using statistics in report and a detailed treasurer's report existed by early 1840s in Indiana, with the required tabular summaries of the assessments of the local parishes. The reporting developments were recorded from 1853 until 1910.

Laughlin's (1988) seminal work in studying the Church of England accounting and reporting is among the pioneer in the research of accounting in religious institutions. He argued that accounting was not a context-free mechanic rather it was bound by the surroundings or organizational context in which it operated, especially the influence of the belief system that guided conduct in religious organizations (Tinker, 2004). Laughlin's (1988) exploration of the inter–relationship through a contextual analysis of the accounting system of the Church of England in order to understand the social fabric of Church of England is an innovation to understand accounting roles in religious organizations. Since then, it has attracted the accounting scholars to study how accounting is used in organizations heavily inclined towards religion (Carmona & Ezzamel, 2007; Hardy & Ballis, 2013; McPhail, Gorringe, & Gray, 2005). Currently, there is a demand for greater disclosure of non–financial information on objectives and outputs of charity in terms of comparisons and explanations (Hyndman & McConville, 2015).

In the *waqf* and Islamic charities' context, transparent reporting will certainly enhance *mutawalli*'s accountability (Hairul–Suhaimi & Hisham, 2011; Hisham, Saerah, Azimah, & Hairul–Suhaimi, 2015) and the distribution of charities' annual reports serves as an important accountability feature (Yasmin et al., 2014; Yasmin & Haniffa, 2017). The extant literature concentrating on *waqf* financial reporting is observably scant, with the majority of prior studies being done on sample(s) in Malaysia (Hairul–Suhaimi & Hisham, 2011), Singapore (Che Azmi & Hanifa, 2015; Hisham et al., 2015) and in the UK (Yasmin et al., 2014; Yasmin & Haniffa, 2017). These studies were either conducted to compare the reporting transparency among different *waqf* (and Islamic charities) institutions (Che Azmi & Hanifa, 2015; Yasmin & Haniffa, 2017) or the reporting transparency between Islamic charities and its non–Islamic counterparts (Yasmin et al., 2014). The empirical results presented, generally, point to the opaque nature of reporting by examined *mutawallis* such as the imbalance in the provision of information which was heavily toward the administrative aspects rather than achievements of the charities towards their mission, vision and objectives (Yasmin et al., 2014).

In summary, relevant literature covering the issue of accounting and reporting practices by *awqaf mutawallis* reflects the strategic role of accounting and reporting being a unique mechanism in discharging *mutawalli's* accountability, an element critically needed to obtain stakeholders' trust which in turn ensures the continuous philanthropic and altruistic s support towards the institutions, particularly donors or funders. This research adds further to this stream of research by examining the accounting and reporting practices of two selected Malaysian *awqaf mutawallis* operating on a distinct operational platform.

METHOD

This paper adopts the mixed mode approach with strong emphasis on qualitative technique (Creswell, 2003) attributed to at least two reasons. First, the nature of research objectives which involve an exploration of unknown phenomenon warrants a quantitative approach alone to become unfeasible (Savin-Baden & Major, 2013). Second, the mixed mode allows for the generation of rich research results, enabling researchers to capitalize on first–hand information from the qualitative research technique (Hammersley, 2013). This mixed mode research project involved the use of robust research techniques including interviews and documentation reviews. Consistent with the established research objective of exploring *mutawallis*' accounting and reporting practices, several sub–dimensions are further established in guiding the data collection processes and analysis thereon.

The two selected *mutawallis* are located in two separate states in peninsular Malaysia and coded A and B, respectively, following the anonymity request by *mutawallis* in exchange of their agreement to allow the data collection processes. *Mutawalli* A was established as a corporate entity in 2011 and independently handles *awqaf* assets and funds after assuming the role previously held by the state government. It carries the corporatized image as well as corporate management style which in sharp contrast to *mutawalli* B which operates on a government platform. The selection of these *mutawallis*is premised on the fact that the distinct operational and management setup allows this research to observe and undertake meaningful comparison with regards to potential (dis)similar patterns of accounting and reporting practices.

Relevant accounting and disclosure documents and information from multiple sources including websites, published bulletins, and annual reports were collected from each *mutawalli*. Further, semi–structured interviews with the identified respondents working in the respective institutions were also conducted. The interviews conducted with the officers (Mrs. A and Mr. B from *Mutawalli* A and B respectively) lasted for about forty five minutes each and were held in the respective *mutawalli's* head office in mid May 2016. Notes were taken as both interviewees were reluctant to be audio recorded or videotaped. These notes were subsequently organized in a tabular format according to eight established sub-dimensions (Table 1) and were given to both interviewees separately for necessary corrections and agreement. The questions asked during the interview were based on the eight sub-dimensions as presented in Table 1 below.

RESULTS AND DISCUSSIONS

The data obtained from both mutawallis are analyzed by comparing the relevant aspects of both accounting and reporting between the two mutawallis. The empirical results, according to the established dimensions, are tabulated in Table1 below. Overall, the results indicate differential levels of reporting in terms of contents, reporting methods, frequencies, target users, and regulatory structure governing the accounting and reporting by the selected mutawallis.

Generally, *mutawalli* A is observed to be better, compared to *mutawalli* B with respect to reporting contents, methods, frequencies, and target users. These results are generally consistent with those obtained by Che Azmi and Hanifa (2015) in the case of accounting and reporting between *awqaf mutawallis* in Malaysia and Singapore, Connolly and Hyndman (2001) in the case of charity accounts between charity managers in Ireland and United Kingdom, Palmer et al. (2001) in the case of charity reporting between charity managers in United Kingdom, Yasmin et al. (2014) in the case of communicated accountability practices of Muslim and Christian charity organizations in England and Wales.

Consistent with results obtained by Hairul–Suhaimi & Hisham (2011), both *mutawallis'* financial statements have shown several main recording inconsistencies vis-à-vis their status as donated fund's managers, as opposed to being the ultimate owner of such philanthropic monies. Specifically, the main recording inconsistencies were detected in the use of wrong accounting terms to represent the underlying meaning of specific accounting items. For instance, "Revenues" should rightfully be recorded as "*Waqf* Collection", as the future economic benefits attached to such funds will not be accruing to the *mutawallis,* except for the portion of management fees or expenses associated with managing the funds. The term "Profit on investment" should also ideally be "Profit on *waqf* fund invested" or "*Waqf* Usufructs" to correctly reflect the nature of such an item being the benefits (i.e. usufructs) obtained from utilizing such *waqf* fund. Additionally, "Expenses" should rightfully be recorded as "*Waqf* Disbursement/Distribution" as distributions to *waqf* recipients do not fit into the definition of expenses in the accounting context which relates to costs associated in generating the revenue i.e. *waqf* collection. Finally, the term "Surplus on income" should rightfully be recorded as "Surplus on *waqf* collection" as the term "collection" reflects more suitably the nature of *waqf* funds collected which are not an income to the *mutawalli* but rather to the *awqaf* funds managed by the *mutawalli*. These primarily aim at appropriately reflecting the *mutawalli* status as *waqf* fund manager rather than the ultimate owner or beneficiaries (Hairul–Suhaimi & Hisham, 2011).

The better accounting and reporting practices by *mutawalli* A could be explained by the human resource factor, an argument based on the finding presented in Table 1 which is coherent with arguments suggested in prior empirical *waqf* research (e.g. Hairul–Suhaimi & Hisham, 2011; Hisham et al., 2015). The presence of a qualified individual with accounting qualifications-information obtained and verified through the interview with Mrs. A,- enables *mutawalli* A to produce more sophisticated accounting records and transparent reporting compared to *mutawalli* B, whose accounting records were prepared by an individual without proper accounting qualifications. The absence of a comprehensive and integrated computerized accounting system in *mutawalli* B further exacerbates its poor accounting and reporting practices as Mr. B admitted during the interview that rampant recording errors were discovered during independent audit process due to the manual nature of recording using Excel. Ironically, Hisham et al. (2015) discovered that despite the examined *mutawalli* operating in a developed South East Asian country and having only two permanent members of staff, the accounting records and reporting practices were observed to be excellent due to the usage of a highly comprehensive and integrated computerized accounting system. This suggests the operational benefits of adopting information technology infrastructure in accounting and reporting practices which should be seriously considered by *mutawalli* B.

Comparing the types of financial reports provided by both entities indicates that *mutawalli* A provides more codified, comprehensive, and transparent reporting to stakeholders compared to *mutawalli* B and the non–availability of notes to the accounts explaining the nature of disbursements made during the period by *mutawalli* B warrants further discussion. The extant charity literature suggests that reporting on beneficiaries or channels of charity distributions is critical to the development of trust and accountability relationship between charity entity and funders (Hyndman, 2017). The absence of such information will just put *mutawalli* B in a position of reducing donors' trust which would be detrimental to its survival in the long run.

In terms of reporting frequency, target users, reporting mode, and availability of reports, the results indicate that *mutawalli* B provides a more opaque and untimely reporting compared to *mutawalli* A as the target users were confirmed by Mr. B during the interview to confine to acute internal users only and the existence of an official reporting lag of three years (considering 2013 reporting as the case, relative to 2016). These are in sharp contrast to more transparent reporting practices by *mutawalli* A which specifically provide an updated reporting to donors on a timely and frequent basis. Various relevant reports were also made available through diverse communication means by *mutawalli* A as compared to an extremely limited reporting channel offered by *mutawalli* B.

The results on the last two dimensions of fixed assets recording and valuation constitute a serious reality check particularly for *mutawalli* B. Recent revelations in the yearly audit report prepared by the Malaysian Auditor General concerning weak *waqf* assets management by several SIRCs should be the warning sign. It indicates that several strategic *waqf* assets remain poorly managed in terms of both recording and valuation (The National Audit Department, 2015). These are critical areas prone to fraud as many fraud cases involving

Table 1
Accounting and reporting practices

No	Sub–Dimensions	*Mutawalli*A	*Mutawalli*B
1	General	Accounting records prepared based on Malaysian Financial Reporting Standards (MFRS) Utilizing accounting software Accounting records handled by assistant accountant with accounting background.	Cash *waqf* introduced in 1998 but formal reporting onlyin 2010. Report manually prepared by the Assistant Executive of Economy (Gred E27) using Excel and UBS for daily collection. Rampant recording errors due to manual nature of recording Financial report prepared using excel. Nobody in the *waqf* department possesses accounting qualification.
2	Financial Report Types	Collection and Disbursement Report Statement of Income and Expenses Statement of Financial Position Statement of cash flow Notes to the account	They only official report for *awqaf* is the Statement of Income & Expenses. Revenue was classified as: Sales of SWP units (+) Profits on current account (+) profit on *Al–Mudharabah* on Investment account Expenses consists of *Waqf* disbursement; Bank charges. Notes to the accounts are NOT provided such as details on disbursements.
3	Frequency	Quarterly reporting in the *Bulletin* available: Upon request; and To those making salary deductions	Requirement: Yearly reporting Physical check revealed that the reporting for 2013 and 2014 yet to be finalized.
4	Target Users	Prepared for the sole usage of: Board of directors; Staffs: To inform progress especially to Marketing & Project department.	Prepared for the sole usage of: Staffs in *Waqf* Department; SIRC.
5	Mode	*Bulletin*: Twice a year; Unpublished financial report: Yearly	Hard copy is only for internal use, but unpublished for public viewing. Occasional and un–updated online reporting is available at *mutawalli*'s website but not specifically on collection & disbursement in detail.
6	Availability	Publicly available through: Bulletin Website News Paper Radio IKIM; *Mutawalli*'s representative	Reporting on collection and disbursement is upon request by donors and not publicly available.

Table 1 *(continue)*

No	Sub–Dimensions	***Mutawalli*A**	***Mutawalli*B**
7	Fixed assets register for Normal *Waqf*	All assets are registered under SIRC's name and reported in its annual report (AR).	Fixed assets not properly registered and recognized in the Annual Report as it was manually recorded for department reference only.
8	Assets valuation	Assets valuation was done for land classified for development and accordingly depreciated.	Not valued as it was not recognized in the AR. Cited reason: Costly to engage independent valuer or assessor.

waqf assets, particularly *waqf* land, were noted to have primarily been caused by weak *waqf* assets management particularly on the transfer of ownership, recording, and valuation. Unlike *mutawalli* A, there was no proper recognition and hence recording of *waqf* assets in *mutawalli* B's annual report. Mr. B explained, during the interview, that all *waqf* assets were manually recorded for the department's reference only and no valuation exercise was done in view of the cost involved in engaging the independent assessor.

Overall, being an entity operating on a government platform with high bureaucratic practices, *mutawalli* B is noted to be lacking in almost all material respects of accounting and reporting practices compared to *mutawalli* A. Arguably, the state of accounting and reporting practices by *mutawalli* B is practically consistent with the low demand for such information disclosure by donors in the state in which it operates, whose economic development is noted to be less when compared to the state in which *mutawalli* A is operating (Economic Planning Unit, 2015). The urban nature of the state in which *mutawalli* A is operating and hence the higher level of sophistication with regards to informational demand and processing of its people effectively creates appropriate demand for frequent, timely, and informative information disclosure regarding *waqf* activities handled by *mutawalli* A, as a majority of the donors work in professional career paths, consistent with its "developed" state status. Although this research paper is unable to prove empirically that the corporatized nature of *mutawalli* A had contributed towards a more proper accounting and transparent reporting, our conjecture is that the superior state of accounting and reporting by *mutawalli* A, compared to *mutawalli* B, is the measured response of corporatization exercise whose primary aims are to enhance operational efficiency and improving deliverables based on the donors' expectations and demands (Wahab & Rahman, 2013; Yusuf & Derus, 2013). This systematically enhances the entity's emphasis on donors' confidence and contributions in ensuring organizational success.

CONCLUSION

Research in the specific area of accounting and reporting practices in the context of the *waqf* institution is noticeably growing and remains the subject of ongoing study, globally. This research project examined issues related to *mutawallis'* accountability across different management and operational regimes and reports novel evidence on accounting and reporting practices of two separate *mutawallis* with different institutional features and establishment characteristics. The motivation behind this study rests on the need for *mutawallis* to observe accountability in order to ensure the institution's survival and such a demand is observed to be sparsely examined in prior research. The empirical results, albeit preliminary, are notably enlightening and incrementally contributive to the extant *awqaf* literature. The results in general indicate differential levels of reporting in terms of contents, reporting methods, frequencies, target users, and regulatory structure governing the accounting and reporting by the *mutawallis*. Being a *mutawalli* operating on a government platform with bureaucratic practices, *mutawalli* B is noted to be lacking in almost all material respects, compared to *mutawalli* A. The state of accounting and reporting practices by *mutawalli* B is practically consistent with the low demand for such information disclosure by donors in the state whose economic development is considered as lower compared to the state in which *mutawalli* A is operating, thereby shaping the users' sophistication in informational demand and processing.

The results'implications are at least twofold. First, it reinforces the market assumption with regards to demand and supply of an organization's accounting disclosure whereby the user's information processing ability affects, to a certain extent, the demand for quality information and subsequently the supply thereof. Further, the corporatized nature of the *mutawalli* provides further impetus for quality reporting. These are, observably, demonstrated by the environmental setting of *mutawalli* A. Secondly, the results fill the highly fragmented literature on *awqaf* accounting and reporting, particularly in relation to the effect of different operational set ups, as presented in this research. Whilst these implications constitute incremental contributions to both academic literature and practice, it was built upon several limitations which are common in almost all prior academic research. Among others, the present research is based only on two selected *mutawallis* in a single country of Malaysia, which severely limits the results generalizability. It also looked at the issues of accounting and reporting from the mere surface of the organizational practice, largely due to parsimonious reasons, given the exploratory nature of the research. These, however, systematically open up fruitful areas for future research. Overall, the presented empirical evidence, albeit preliminary in nature, enhances our understanding on *mutawallis'* accounting and reporting, thereby adding up to the growing body of knowledge related to *awqaf mutawallis*' accountability in the Malaysian context.

ACKNOWLEDGMENT

Financial assistance from KUIS research grant (2015/P/GPIK/GPI–007) is acknowledged.

REFERENCES

Abdul–Rahman, A. R., & Goddard, A. (1998). An interpretive inquiry of accounting practices in religious organizations. *Financial Accountability and Management*, *14*(3), 183–201.

Adil, M. A. M., Mohd-Sanusi, Z., Jaafar, N. A., Khalid, M. M., & Aziz, A. A. (2013). *Financial management practices of mosques in Malaysia*. GJAT, 3(1), 23-29.

Barlev, B. (2006). A biblical statement of accountability. *Accounting History*, *11*(2), 173–197.

Booth, P. (1993). Accounting in churches: A research framework and agenda. *Accounting, Auditing and Accountability Journal*, *6*(4), 37–67.

Bovens, M. (2007). Analysing and assessing accountability: A conceptual framework. *European Law Journal*, *13*(4), 447–468.

Carmona, S., & Ezzamel, M. (2007). Accounting and accountability in ancient civilizations: Mesopotamia and ancient Egypt. *Accounting, Auditing and Accountability Journal*, *20*(2), 177–209.

Che Azmi, A., & Hanifa, M. H. (2015). The Sharia-compliance of financial reporting practices: A case study on waqf. *Journal of Islamic Accounting and Business Research*, *6*(1), 55–72.

Connolly, C., & Hyndman, N. (2001). A comparative study on the impact of revised SORP 2 on British and Irish charities. *Financial Accountability and Management*, *17*(1), 73–97.

Connolly, C., & Hyndman, N. (2017).The donor–beneficiary charity accountability paradox: A tale of two stakeholders. *Public Money & Management*, *37*(3), 157–164.

Creswell, J. W. (2003). *Research design: Qualitative, quantitative, and mixed method approaches*. Thousand Oaks, USA: Sage Publications.

Dellaportas, S., Langton, J., & West, B. (2012). Governance and accountability in Australian charitable organizations: Perceptions from CEOs. *International Journal of Accounting and Information Management*, *20*(3), 238–254.

Economic Planning Unit. (2015). GDP by States in Malaysia. Retrieved May 10, 2017, from http://www.epu.gov.my/sites/default/files/2.6.2.pdf

Foo, B. L., & Hwa, N. K. (2006). *Accounting: Principles and applications*. Singapore: Pearson.

Gaudiosi, M. M. (1988). The influence of the Islamic law of waqf on the development of the trust in England: The case of Merton College. *University of Pennsylvania Law Review*, *136*(4), 1231–1261.

Hairul–Suhaimi, N., & Hisham, Y. (2011). Accountability in the sacred context: The case of management, accounting and reporting of a Malaysia cash *awqaf* institution. *Journal of Islamic Accounting and Business Research*, *2*(2), 87–113.

Hammersley, M. (2013). *What is qualitative research?* London, England: Bloomsbury Academic.

Hardy, L., & Ballis, H. (2013). Accountability and giving accounts. *Accounting, Auditing and Accountability Journal*, *26*(4), 539–566.

Hidayatul, I., & Shahul–Hameed, M. I. (2011). *Waqf* accounting and management in Indonesian *waqf* institutions: The cases of two *waqf* foundations. *Humanomics*, *27*(4), 252–269.

Hisham, Y., Saerah, P., Azimah, S., & Hairul–Suhaimi, N. (2015). Accountability through accounting and reporting lenses. *Humanomics*, *31*(3), 299–313.

Hodges, R. (2012). Joined–up government and the challenges to accounting and accountability researchers. *Financial Accountability & Management*, *28*(1), 26–51.

Hyndman, N. (2017). Editorial: The charity sector–changing times, changing challenges. *Public Money & Management*, *37*(3), 149–153.

Hyndman, N., & McConville, D. (2015). Transparency in reporting on charities' efficiency: A framework for analysis. *Nonprofit and Voluntary Sector Quarterly*, 1–22.

Ihsan, H., & Ayedh, A. (2015). A proposed framework of Islamic governance for *awqaf*. *Journal of Islamic Economics, Banking and Finance*, *11*(2), 117–133.

Laughlin, R.C. (1988). Accounting in its social context: An analysis of the accounting systems in the Church of England. *Accounting, Auditing & Accountability Journal*, *1*(2), 19–42.

Malaysian Accounting Standards Board [MASB]. (2014). *Research paper: Waqf.* Kuala Lumpur, Malaysia: MASB.

McConville, D. (2017). New development: Transparent impact reporting in charity annual reports–benefits, challenges and areas for development. *Public Money & Management, 37*(3), 211–216.

McPhail, K., Gorringe, T., & Gray, R. (2005). Introduction crossing the great divide: Critiquing the sacred secular dichotomy in accounting research. *Accounting, Auditing and Accountability Journal*, *18*(2), 185–188.

O'Dwyer, B., & Unerman, J. (2008). The paradox of greater NGO accountability: A case study of Amnesty Ireland. *Accounting, Organizations and Society*, *33*, 810–824.

Palmer, P., Isaacs, M., & D'Silva, K. (2001). Charity SORP compliance: Findings of a research study. *Managerial Auditing Journal*, *16*(5), 255–262.

Quattrone, P. (2004). Accounting for God: Accounting and accountability practices in the society of Jesus (Italy, XVI–XVII centuries). *Accounting, Organizations and Society*, *29*, 647–683.

Sadeq, A. M. (2002). *Waqf*, perpetual charity and poverty alleviation. *International Journal of Social Economics*, *29*(1/2), 135–151.

Savin–Baden, M., & Major, C. (2013). *Qualitative research: The essential guide to theory and practice.* London, England: Rutledge.

Stewart, J. D. (1984). *The role of information in public accountability issues in public sector accounting.* In A. Hopwood & C. Tomkins (Eds.), *Issues in public sector accounting*. Oxford, England: Philip Allan.

Swanson, G. A., & Gardner, J. C. (1986). The inception and evolution of financial reporting in the Protestant Episcopal Church in the United States of America. *The Accounting Historians Journal*, *13*(2), 55–63.

The National Audit Department. (2015). *Auditor general's report*. Putrajaya, Malaysia: The National Audit Department.

Tinker, T. (2004). The enlightenment and its discontents antinomies of Christianity, Islam and the calculative sciences. *Accounting, Auditing & Accountability Journal*, *17*(3), 442–475.

Wahab, N. A., & Rahman, A. R. A. (2013). Determinants of efficiency of zakat institutions in Malaysia: a non-parametric approach. *Asian Journal of Business and Accounting,* 6(2), 33–64.

Yasmin, S., & Haniffa, R. (2017).Accountability and narrative disclosure by Muslim charity organizations in the UK. *Journal of Islamic Accounting and Business Research*, 8(1), 70–86.

Yasmin, S., Haniffa, R., & Hudaib, M. (2014). Communicated accountability by faith–based charity organizations. *Journal of Business Ethics*, *122*(1), 103–123.

Yayla, H. E. (2011). Operating regimes of the government: Accounting and accountability changes in the Sultan Süleyman Waqf of the Ottoman Empire (the 1826 experience). *Accounting History, 16*(1), 5–34.

Yusuf, M. B. O., & Derus, A. M. (2013). Measurement model of corporate zakat collection in Malaysia: A test of diffusion of innovation theory. *Humanomics, 29*(1), 61-74.

Zaid, O. A. (2004). Accounting systems and recording procedures in the early Islamic state. *The Accounting Historians Journal*, *31*(2), 149–170.