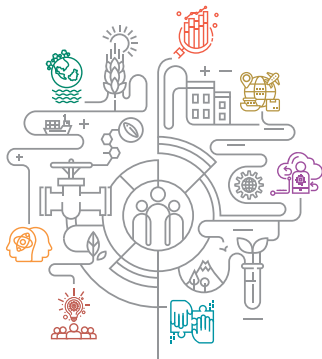


REPORTING OF WAQFS: TOWARDS GREATER TRANSPARENCY

I Introduction

Waqf, a charity in perpetuity, assures donors continuous reward in the afterlife. More importantly, throughout history, Waqf institutions have played a positive role in contributing to the socio-economic development of countries such as Kuwait, Egypt, Turkey and many others. In fact, as early as the 10th century, it replaced zakat as the vehicle for financing socioeconomic development in Islamic societies. The recent revival of Waqfs throughout the Muslim world, is indeed, commendable.



TWELFTH MALAYSIA PLAN



In Malaysia, the Prime Minister of Malaysia, **Dato' Sri Ismail Sabri Yaakob**, in his 12th Malaysia Plan (delivered on 27 September, 2021), specifically mentioned:

- i) *That a Waqf fund will be created at the national level to further develop the Islamic economy;*
- ii) *That the concept of Waqf will be expanded as a strategy to diversify financial resources to finance businesses and increase Bumiputera equity and;*
- iii) *That a national Waqf master plan will be created to ensure more efficient waqf management.*



The Budget 2022 presented on 30th October 2021, echoed the same sentiment. Specifically, the Finance Minister emphasized that the institution of Waqf will be further strengthened to ensure wealth redistribution for the economic development of the ummah. Additionally, he mentioned that the Government will allocate RM10 million as start-up capital for **“Waqf SME Halal, Agriculture Waqf and Disaster Waqf initiatives”**. Most importantly, he called upon the corporate world and the general public to endow their property.

II Sustainability of Waqfs

Given the above and the various initiatives by other Muslim countries to revive the institution of Waqf, it is indeed timely to look at its sustainability. It is undeniable that for Waqfs to be sustainable, there should be a proper governance framework in place. One of the more pertinent elements in the governance structure is on the reporting aspects. It is often said that better quality reporting will assist in mitigating the risks of mismanagement, be it financial or otherwise. In line with this, the Accounting and Auditing Organization for Islamic Financial Institution's (AAOIFI) initiative in developing specific standards on Waqf is indeed a step in the right direction. AAOIFI started its Waqf project in 2016 and by the end of 2020, developed 3 standards on Waqf, as follows:

- i) Shariah Standard (SS) 60 on Waqf;
- ii) Governance Standard (GS) 13 on Waqf Governance and;
- iii) Financial Accounting Standard (FAS) 37 on Financial Reporting of Waqf Institutions.

III AAOIFI's FAS 37



The focus of this article is on FAS 37. AAOIFI states that FAS 37 is a **“useful means to discharge the Nazir’s accountability and stewardship that accord with the Shariah principles and rules”**. Specifically, FAS 37 aims to improve the effectiveness and efficiency of operations of Waqf institutions, thus maximizing the benefits to beneficiaries. More importantly, the standard ensures that there is proper accountability and management of Waqf institutions in order to maintain and expand the Waqf corpus and ensure its sustainability. AAOIFI suggests the following as relevant when reporting on the activities of Waqf institutions:



Statement of Ghallah

From the list above, perhaps (iii) (the Statement of Ghallah) needs further clarification. In the explanation to the standard, AAOFI states that the Statement of Ghallah is merely a presentation statement (i.e. not part of the double entry system), similar to the Statement of Cash Flows. AAOFI further emphasizes that the Statement of Ghallah reflects the true nature of a Waqf institution as the statement presents (in a single statement), the computation of Ghallah and attribution of benefits which have been included in the Statement of Financial Activities, Statement of Changes in Waqf Equity and other relevant financial statements.



Para 37 of FAS 37 states that the objective of the statement of Ghallah is to present, for the benefit of the users of the financial statements (in just one statement);

- i) The determination of Ghallah in line with the conditions of the Waqif or as essential for the achievement of Waqf objectives (which may, or may not, match with the accounting income as presented in the statement of financial activities);
- ii) The benefits allocated or distributed out of Ghallah available for distribution; and
- iii) The balance of unappropriated Ghallah at the beginning and the end of the accounting period (this, being part of Waqf equity).

The statement of Ghallah may also include adjustments on:



Amortization



Depreciation



Impairment

on investments (or assets) as well as the corresponding creation of capital reserves or investment replacement reserve (should the Waqif or the Nazir consider this necessary).



Readers may refer to

FAS 37

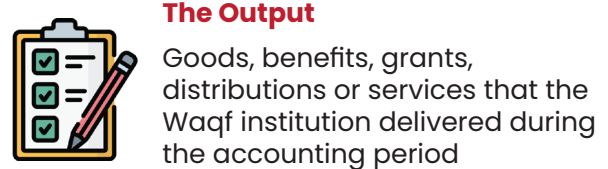
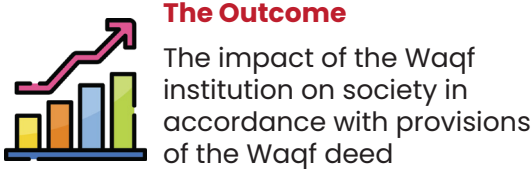
for a detailed discussion on

Statement of Ghallah

Statement of Service Performance

AAOIFI also suggests that Waqf institutions include a Statement of Service Performance in the notes to the account or as an appendix. The objective of this statement is primarily to provide non-financial information to help users understand the operational performance of the Waqf institution with regard to its financial activities and state of affairs.

Essentially, the reporting of service performance is based on:



It is pertinent that the statement shall describe the detailed outcome(s) the Waqf institution seeks to achieve or influence through the delivery of its services. To the extent practicable, the statement shall also describe and quantify the outputs the Waqf institution has delivered during the accounting period. More importantly, the statement of service performance includes only the outputs that are significant to the performance of the Waqf institution.

IV Conclusion

Given that the standard was developed to ensure greater transparency in the reporting of Waqfs, it is hoped that Waqf institutions in the Muslim world would be ready to adopt FAS 37. Once adopted, the feedback received will help AAOIFI "perfect" this new standard ¹. Finally, to conclude, we should be reminded of what Saidina Umar (R.A) said on the issue of public monies.

“ In my opinion, there are only three things to be done with respect to public money: ”

It should be collected with due right

It should be given to whom it is due

It should be denied from improper use

My position vis-a-vis public money is similar to that of the guardian of an orphan.

If I can afford it, I will take nothing out of it.

If I need it, I will take only what is customarily required.

¹ The chair of the Accounting and Auditing Board (AAB) of AAOIFI, Mr. Hamad Al Oqab, opines that this new standard "shall be perfected after it is introduced to the industry".



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