

# Financial Reporting in *Tabung Masjid* Management Driven by in Malaysia<sup>1</sup>

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## Abstract

Financial reporting is an essential document that reflects the financial strength and capability of organizations. As a public place of worship, mosques or *masājid* in Malaysia are fully governed by State Religious Departments. Any activity requires written consent from the State Religious Authority including *Tabung Masjid*. *Tabung Masjid* management of mosques is regulated by state religious administrative law. Conventional approaches require compliance in fund collection and management for *Tabung Masjid* would remain ideas only if not operating with contemporary methods. The study argues that the compliance approach is necessary at the operation level but not at the corporate level. A case study method on a few selected mosques found that the finance committee has no choice but to abide by the regulation. In the meantime, there is a need to use of an innovative way through specific fund raising to address social issues. The study recommends the *Tabung Masjid* collection and management to be used as creative way of increasing the value of the fund within the Shari'ah compliant spirit.

**Keywords:** Financial reporting, Masjid management, *Maqasid al-Shariah*.

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## Introduction

In a competitive world, outstanding financial performance gains advantages. All types of organisations are not spared for the need of prudent financial management and performance. In recent years, integrity matters in financial reporting for any entity (Bonetti, Magnan & Parbonetti, 2016; Sanusi, Johari, Said & Iskandar, 2015; Yatim et al, 2011). Each entity with its own trustees and stakeholders deserves faithful, fair and understandable financial information (Bonetti et al, 2016; Sanusi et al, 2015). Despite legal protection, integrity has been at stake (Bonsall et al, 2017; Sunder, 2016). The legal protection from conventional perspectives seems to have loopholes for scandals and mismanagement (Wang et al, 2017; Carcello & Nagy, 2004). Thus, many studies suggested far beyond legal or beyond rules-based approaches to get rid of the opportunities for unethical practices. A spiritual-based approach might be considered. Indeed, an Islamic approach through the *Maqāsid al-Sharī'ah* perspective on financial reporting provides both rules-based and spiritual-based compliances.

This paper attempts to explore *Tabung Masjid* management concept based on *Maqāsid al-Sharī'ah* with financial reporting perspective. The concept of Tabung Masjid is similar to a public fund or equity that requires adequate financial reporting standards to assure credible, accountable and valuable. The discussion of the paper is divided into the following sections.

## Legal Framework

Fund management for mosques or Tabung Masjid management has been in the practice for many years. Mosques or masjids (plural *Masājid*) are a centre of worship for the Muslim community that are based on endowment or charity from the Muslim society. In Malaysia, all organizations are registered and regulated by the Registrar of Society (ROS). However, mosques are under the purview of States Islamic Council and supervised by State Islamic Departments. According to Syariah Judiciary Department of Malaysia (2016), the legal administration of Islamic affairs including mosques in Malaysia is administered under state's enactments, act and ordinance. Table 1 summarizes the administrative laws under different states in Malaysia.

Table 1: List of Islamic Administrative Laws according to States

States	States
Administration of Islamic Law (Federal Territories) Act 1993 (Act 505)	Federal Territories (Kuala Lumpur, Putrajaya and Labuan)
Administration of The Religion of Islam (State of Johor) Enactment 2003 (En. 16/03)	Johor
Administration of Islamic Law (Kedah Darul Aman) Enactment 2008 (En. 5/08 / En. 9)	Kedah
Kelantan Council of Islamic Religion and Malay Custom Enactment 1994 (En. 4/94)	Kelantan
Administration of The Religion of Islam (State of Melaka) Enactment 2002 (En. 7/02)	Melaka
Administration of The Religion of Islam (State of Negeri Sembilan) Enactment 2003 (En. 10/03)	Negeri Sembilan
Administration of The Religion of Islam (State of Pahang) Enactment 1991 (En. 3/91)	Pahang
Administration of The Religion of Islam (State of Pulau Pinang) Enactment 2004 (En. 4/04 / En. 2)	Pulau Pinang
Administration of The Religion of Islam (State of Perak) Enactment 2004 (En. 4/04)	Perak
Administration of The Religion of Islam (State of Perlis) Enactment 1964 (En. 3/64)	Perlis
Administration of The Religion of Islam (State of Terengganu) Enactment 2001 (En. 2/01)	Terengganu
Administration of The Religion of Islam (State of Selangor) Enactment 2003 (En. 1/03)	Selangor
Administration of The Religion of Islam Enactment 1992 (En. 13/92) (Sabah)	Sabah
Majlis Islam Sarawak Ordinance 2001 (Chapter 41/2001)	Sarawak

Source: Syariah Judiciary Department of Malaysia. (2016).

All financial matters are to be reported according to standard guidelines. All financial reports are presented in the annual general meeting and submitted to the State Islamic Departments for records and audit. Indeed, all financial reporting for mosques follows the Statutory Bodies (Accounts and Annual Reports Act) 1980 [Act 240] when the same provision is applied to the enactments. For instance in Selangor, Section 85 of the Administration of The Religion of Islam (State of Selangor) Enactment 2003 (En. 1/03) requires the Council and its entities to adhere to the Act 240. According to Act 240, a statutory body means:

*“any body corporate, irrespective of the name by which it is known, that is incorporated pursuant to the provisions of federal law and is a public authority or an agency of the Government of Malaysia but does not include a local authority and a body corporate that is incorporated under the Companies Act 1965.”*

## **Financial Management**

Integrity and confidence are very pertinent for financial management and reporting. The number, figure, and statement in financial reporting represent the overall condition of organisations. Auditor General Malaysia (2016) said that the financial management of any Federal Statutory Body may use its own financial guidelines, systems, and procedures with accounting practices and policies in accordance to the generally accepted accounting principles (GAAP). According to the Act 240 or the Statutory Bodies (Accounts and Annual Reports) Act 1980, financial statements must be prepared on an accrual basis on each financial year and submit the financial statements to the Auditor General for audit.

Financial reporting attracts ethical implications in the presence of accounting and auditing scandals. According to Agoglia, Doupnik & Tsakumis (2011), corporate financial reporting is based on rules-based accounting standards such as following GAAP which led to unethical reporting (higher dispersion) as opposed to principles-based (lower dispersion) such as following International Financial Reporting Standards (IFRS). In addition, Collins, Pasewark & Riley (2012) contended that the principles-based accounting that adheres to IFRS lowering the chance for unethical financial reporting. Indeed, Clor-proell & Maines (2014) argued that the principles-based accounting received positive feedback from the users in terms of recognition and fair disclosure on financial information.

In fact, such practice met the expectations of financial accounting gatekeepers and stakeholders (Grenier, Pomeroy & Stern, 2015). Thus, in Malaysia's context, the accounting standards followed the principles-based accounting standards provided by Malaysia Accounting Standards Board (MASB) under the Financial Reporting Act 1997 and also followed the principles-based International Financial Reporting Standards (IFRS).

## **Financial Reporting**

Financial reporting provides information on financial position, cash flow, and performance of an entity that are necessary for users to make decisions that have economic implications. Key information includes assets, liabilities, equity, income, expenses, and cash flow. The presentation of financial reports should have several features such as relevance, faithful and fair presentation, comparable, verifiable, timeliness, and understandable.

Traditional standards of financial reporting fulfil the legal requirement for financial reporting only but not the ethical values. Froelich, Knoepfle, and Pollak (2000) found that principles-based financial reporting fulfils key features of International Reporting Standards (IRS) in terms of adequacy, reliability, and appropriate sources of information. The quality of reporting is essential to ensure the information given can be used as input for decision making that has great implications on the stakeholders. Since the financial information is historical basis, the accruals quality and internal control assures the expected quality (Doyle, Ge & MacVay, 2007a).

Stakeholders are expecting benefits and values derived from the fund to be spent by the organisations. According to Moore (2000), value for money is essential regardless of the entity, whether for profit, non-profit, governmental or non-governmental organisations. The glaring weaknesses in the internal control over financial reporting may degrade the value of the organisations in the eyes of stakeholders (Doyle, Ge & MacVay, 2007b). Prior to the landmark financial scandals at Enron Corporations, financial disclosure was sufficient with the traditional accounting and finance gatekeepers such as an accountant, financial analyst, and external auditor. However, after the financial scandals, more stringent requirements have been imposed on financial reporting (Ge & MacVay, 2005). The value refers to the quality of the information provided in the financial report together with the quality of auditing process (Zhang, Zhou and Zhou, 2007).

Accountability matters for any financial reporting. Ebrahim (2003a) argued that non-governmental organisations deliver value and benefit to the stakeholders and always in the interest of the stakeholders to assure the organisations are always committed, accountable, and professional. In fact, the sense of accountability has been accepted as a must (Ebrahim, 2003b). However, in the presence of loopholes and lack of standards, misreporting occurs (Krishnan, Yetman&Yetman, 2006; Tinkelman&Mankaney, 2007; Petrovits, Shakespeare & Shih, 2011, Yetman&Yetman, 2012; Hoftmann&McSwain, 2013). Krishnan et al (2006) contended that a serious violation of universal values, credibility and accountability when misreporting occurred in non-profit organisations.

Another aspect is the trust that has been shredded into pieces. Tinkelman&Mankaney (2007) pointed out that there is always a question of accountability and administrative efficiency with regards to charitable donations. Human error always plays a role. However, if the non-profit organizations are able to combine both financial reporting with virtue, it increases internal control ability to prevent from misreporting, misrepresentation and manipulation (Petrovits et al, 2011). Stakeholders, particularly donors might be sceptical about the organizations in the presence of sub-standard financial reports (Yetman&Yetman, 2012). Being a charitable organization, a firm determination to produce quality financial reporting is essential. In fact, many efforts and incentives can be used to ensure ethical and valuable financial reports.

## Methodology

This study used qualitative method of inquiry due to the need to obtain actual feedback and experience of informants. This method allows for an anthropological dimension to be captured (Patton, 2005). In other words, the hands on experience and socialisation obtained by people are essential representation of people in organisations to share experience with the organisations (Padgett, 2016). People gained more insights through own experience and socialisation (Berger & Luckmann, 1967). This method of inquiry allows for deep understanding of the context (Gioia et al, 2010; Smith, 2015).

This study uses case study method with selected mosques in Malaysia to explore the *Tabung Masjid* management concept based on the *Maqāṣid al-Sharī'ah* from a financial reporting perspective. The study asked two

important questions, namely (a) the source of finance, and (b) the management of the fund.

## **Findings and Discussion**

This section presents and discusses the findings.

### **1. Masjid Al-Mukarramah, Damansara**

*Masjid Al-Mukarramah Damansara* is depending mainly on donations from the people through various donation boxes also called *tabung masjid*. In addition to this donation, this masjid received the rental money of small rooms. Most of the people in the area are among the elite and professional, technocrats, and business class. It is not impossible to collect a few million.

The Masjid committee could receive more than three million every Friday, only from the general donation boxes labelled as *tabung* (saving box). Basically, there is one type of *tabung*. The management of the mosque prefers not specify the *tabung*, yet make it general. However, sometimes, they call it a seasonal *tabung* when the money is collected for a specific cause, like Gaza, etc. It depends on the situation, as well as current issue at hand. Some mosques have special *tabung* specifically for orphans, however, such *tabung* does not need to exist as the orphans in here are mostly from wealthy families, henceforth, such *tabung* is unnecessary. However, the *tabung* resume when need arises.

How the money is then managed at Masjid Al-Mukarramah? Normally, the assigned finance clerk will count the money alone. When they are about to deposit the money, there will be up to four to five people for safety purposes. RELA (a division of public defence squad under the Ministry of Home Affairs) security personnel will escort the committee during the banked-in process.

Every organisation has its own gatekeepers such as internal auditors. Likewise, this organisation has its own internal auditors. The primary responsibility of internal auditors is to report on the governance of financial management to the relevant authorities. In addition, all the expenditures are presented at the Annual General Meeting (*Mesyuarat Agung Tahunan*) conducted yearly by the mosque. Notably, they did not

disclose the monthly collection because of safety reasons. In fact, it is advisable by the police for us to do so.

In compliance with rules of the situation, every decision and action is regulated by policy, procedure, and standards. Likewise, in the case of financial reporting, there is a guideline provided by Jabatan Agama Islam Selangor (JAIS) for all mosques in Selangor although it is brief in nature. Ever since the mosque's treasurer is an accountant by profession, thus everything regarding the flow of the money is recorded in detail. The mosque prefers not to publicise its fund collection as a whole for the sake of safety. Besides, even the police have advised them not to publicise their revenues on the notice boards to avoid potential robberies. Some people feel like it is 'inviting' people to come to 'rob' others. The mosque if possible wanted to be transparent, but it needs to consider safety reasons too.

The perception of the public is negative when the mosque committee decided not to disclose the fund collection. They started to spread rumours saying that the fund has been misused or mismanaged by the committee. Even the mosque committee cited the police advice for safety reason, the public remains indifferent. However, the mosque committee announced that if any of the *qaryah* remain indifferent and doubtful on how the money is been spent, they are always welcomed to seek clarification from the committee or official of the mosque. In actual practice, for any walk in visitors who would like to seek clarification on financial management, the mosque committee or official would show them our financial report and account record prepared by the accountants for their scrutiny, which they could view these reports on the notice board previously.

The expenditure on funds collected by the mosque is spent to pay the electricity, water, cleaning service, sewage, and other regular maintenance. As a local or *qaryah*-status masjid, the masjid has allocated funds for other activities. Indeed, every programme conducted by the masjid is borne by the masjid itself. No financial assistance given is by the state religious authority.

As a financially independent mosque, the committee has autonomy on financial management as long as it adheres to the policy, procedure, and standards imposed by the state religious authority. Although it can raise fund for investment, this masjid prefers not to involve in investment with



the bank, as they assumed that the existing financial situation is enough to raise fund through its own charity-based crowd-funding mechanism.

In short, financial reporting at *Masjid al-Mukarramah* adheres to conventional regulatory requirement and *Maqāṣid al-Sharī'ah* in terms of prudent fund collection and judicial spending on its funds.

## **2. Masjid al Falah USJ9**

*Masjid al-Falah* is located in a high density urban populated area in Selangor. This masjid is built in September 1998, at the cost of RM8.5 million borne by the state government.

This masjid is known at the local and national levels. While its popularity is related to its activities, it has also gained confidence from the public. *Al-Falah* official stated:

*“Firstly, the masjid has several sources of incomes, i.e, Jumaat collection (Kutipan Jumaat). Secondly, Development Fund (Tabung Pembangunan), then we have parking lots rental, also, we have banners, which you can see hanging onto the gates. And, last but not least, we will conduct collections if there’s any event we are about to make. So that’s the overall regarding the sources of income of this masjid. 1.7.2016.”*

This statement signifies the sources of income are highly related to community donations instead of having business arms to generate income from business ventures. In the meantime, the masjid has received endowment in the forms of landed and building property. With the weekly collection, the masjid has potential to grow and secure fund from various platforms and initiatives.

When people are facing difficulties, they become creative. According to the official *Falah I*:

*“Ever since I became the person in charge in managing this masjid’s finance, we have decided to separate the funds as previously we used to combine all the funds collected. However, within these two sessions lately, we have operational fund with its own account. Then we have Muslimat account, development and*

*maintenance account. Lastly we have khairat account. So, operation account is meant for anything related to masjid's operations, like electric bills, water bills, and staff's salaries."*

The separation signals integrity in managing the fund collection before financial reporting. Without having the separation, it can create uncertainty and questions from the public.

The official continued,

*"Whilst development account is related to asset management and masjid's maintenance like cleanliness and the lamps, and all Muslimat activities are under the supervision of Muslimat accounts, as well as activities relating to khairat are only ran by khairat accounts. For any expenditure of those mentioned accounts, there are two signatories, henceforth the 'nazir' wouldn't give his signatory if there is no my signatory at first. Thus, we are being so particular in dealing with those accounts."*

In actual practice, any proposal requires paper work to be presented to the board of management. Usually, the related bureaus would come up with the appropriate paper work. The treasurer of the management decision will approve the expenditures. The official said:

*"For instance, we are about to renovate the 'dewan kulliyah' (lecture hall), so the development biro has to come up with a paper work so that we could estimate the overall expenditures for the renovation. At the same time, we will call the third party to renovate the hall. An example we have been doing for the past two to three years is Waqaf An-Nur Clinic."*

The above statement may sound typical and routine. If they do not abide by the regulations, they might fall into financial fraud. The official added:

*"What we did was we came up with paperwork then, we presented the paper to JPI, and usually those donations are obtained during Ramadhan as usually during Ramadhan, there are a lot of people 'infak'. So if there is anything we would like to conduct, or build or renovate, the related biro has need to come up with a paperwork and present the paperwork at first, only then I could sign in to*

*proceed with the expenditures. What's special about us is that we manage to obtain tax relief from LHDN (Lembaga Hasil Dalam Negeri) for any development activities in masjid."*

Apart from that, the masjid also received individual and corporate donations. For example, towards the end of Ramadhan, we receive almost RM600,000 yearly, every Ramadhan. A company even donated RM300,000 to masjid to obtain a 'release' from tax payment.

The official stated that:

*"I would say, as the masjid has been released from tax payment by LHDN, this is kind of privilege to us as the more people would 'infak' for donations."*

However, for masjid's development, they rely upon the congregation of people (*jamaah*). Indeed, they created special fundraising for some special events. The Masjid officer said:

*"Let's say, we are planning to open for a Gaza fund next Friday, during Jumaah prayer. Usually, the collection is within RM12 000 to RM16 000, but due to the specific fund we proposed (Tabung Gaza) the collection may reach up to RM60,000 since people would donate more due to the specification we made. People also will come to donate for Gaza. However, as the tabung is specifically labelled for Gaza, thus we could not save any single cent from its collection in our accounts; rather we would spend the money under a different account, specifically meant to fulfil the purpose of the tabung."*

At the same time, the *masjid* also has our own specific account and funds for *masjid's* development. The fund is a weekly collection and it is a new fund proposed by the management of this *masjid*. In previous time, before the existence of the fund, they could collect between RM2,000 to RM3,000 monthly. Yet, after the fund has been proposed, they could reach to RM8,000 to RM10,000 monthly. The fund is known as the Development Fund (Tabung Pembangunan). The primary purpose of this fund is to expand building of the mosque to accommodate for a larger congregation and other communal activities. The collection of the fund is gradually increasing as people can see the physical progress of the building,

expansion, and renovations that are benefiting the people and the community.

On the other hand, the masjid also has an operational fund, which is separate from the developmental fund. The main reason for the masjid specified and separated each and every *tabung*'s accounts because they wanted to be specific upon the money usage, which is to serve the purpose of *Shari'ah* compliance. In short, people donated according to the labels of the *tabung*, henceforth, the expenditure of the *tabung* has to be done according to its specific purpose in order to ascertain that the management is running according to *Shari'ah* compliance basis.

The committee believed that the donation of the Gaza fund has helped the victims to build a mosque in Gaza although it has been ruined afterwards due to bombing. Indeed, if the fund is meant to serve for *khairat*, certainly the purpose of the fund has to be fulfilled within its intended scope only, and cannot be used for other purposes. Operational funds are meant for managing the masjid's asset. For instance, to buy the microphones, speakers, chainsaw, or anything related to maintenance.

Alternative fund seeking has been common in any organisation. This mosque is no different. In its normal practice, if they have deficit in the operational fund and if the situation occurs, they would seek help from Ladies' Donation Box (*tabung muslimah*) to inject some amount of money. However, before the money is transferred, they need to seek for the permission from the *Muslimah*. For this specific *tabung* (*tabung operasi*), they managed to collect approximately RM12,000 to RM15,000 weekly, whilst *Khairat* (endowment) and *Muslimah*'s funds RM 11,000 monthly. But their expenses are almost RM70,000 monthly, hence it is always a situation of deficit in operational. In lieu of that, they would intensify the collection during Ramadan. The holy month is very special when the masjid could collect at least RM3,000a night in Ramadan.

By the end of Ramadan, the collection of Ramadan usually is around RM60,000 to RM70,000. With this amount of money, they could use it in dealing with the deficit of the operational fund. For electricity alone, they have to pay monthly RM18,000 to RM20,000 which is quite exorbitant. Annually, they managed to collect within RM1.2 to RM1.5 million for operational funds and all the collections are all spent. They argued that that

the operational fund is quite alarming when the amount they spent and the amount they collected is always below the target.

The highest amount spent per month is usually on the bills, especially for the electricity, which is almost RM18,000 to RM20,000, then the personnel emolument which they include statutory contribution to the Employee Provident Fund (EPF) as part of the personnel emolument. Comparatively, this masjid offers among the highest salaries towards to the staff. They spent almost RM19,000 (excluding EPF) to the staff on monthly. Those two things (electrical bill and personnel emolument) have cost them almost RM40,000 per month. They also have Islamic rituals (*tahlil*) throughout the months of Rajab (7<sup>th</sup> month) and *Sha'abān* (8<sup>th</sup> month), every Monday and Thursday for *iftār*, for which they have been practising this tradition for almost five years. The purpose is to celebrate those who are fasting during that particular day and month. For this purpose, they spent RM6,000 on every Thursday night monthly for the *tahlil*. In addition, they spent quite a lot on lectures (*ceramah*) which they paid the *imam* between RM250 to RM300 per night.

The ladies, *muslimat* are very active too. Sometimes, the management has no control over their finance. Every Thursday night, the *Muslimat* managed to get through the Institute of Islamic Understanding (IKIM) Radio Hotline to promote and advertise their programmes.

They also have *Tabung Amal* which they conducted every year. They organised a high tea and the reporters from TV9, like *Nasi Lemak Kopi O* would come to support the event. The media organisations have requested them to conduct the activity on yearly basis, but sometimes due to the lack of energy and time constraints, they may not be able to conduct the activity on yearly basis due to reliance on volunteers. The volunteers are reluctant to do so because everyone has his or her own other commitments at home too.

As of the management of the collection, they would count on the *tabung* (*Tabung Operasi* and *Tabung Pembangunan*) ever Friday, after *Jumaah* prayer. Though the collection is counted at the same day and date, but they would separate the collection accordingly before the collection is deposited into the masjid's bank accounts after the collection is recorded and signed. They usually banked-in the collection on every Monday at Bank Islam. As of the rentals, they would bank in the rentals on monthly basis.

Regarding the format of reporting, they are currently using an accounting system called MYOB and every month they issue the report for the public to scrutinise. With regard to the accounting, they have two accountants to prepare for the financial reports. They also have a monthly meeting with the committee members to present financial report. By doing this, they make all the committees are well-informed on the expenditure of the masjid. They adhered to the guideline outlined by Selangor State Religious Department (Jabatan Agama Islam Selangor or JAIS) despite the customised accounting reports. This approach allows the reports to be as detailed as required by the authority.

In short, Masjid al-Falah adheres to the conventional, regulatory, and statutory requirement on financial reporting of its various charity funds. Both the fund raising and spending adhere to the regulatory and *Maqāsid al-Sharī'ah* requirements.

### **3. Masjid As-Salaam**

*Masjid As-Salam* is located in a suburban, highly dense populated area too with a majority Muslim population. The masjid is surrounded by various types of housing, namely flat houses, double storey terrace houses, single storey terrace houses, condominiums, and village houses. With the community as its focal area, this masjid has a number of activities. In the meantime, it has various charity fund boxes for various purposes.

There are many kinds of donation boxes or tabung. Firstly, the *Jumaat* collection box (tabung jumaat). Secondly, z welfare fund box (tabung kebajikan). Thirdly, a learning fund box (tabung pengajian). Fourthly, *madrasah* or Islamic education fund box (tabung madrasah) due to a madrasah or Islamic school owned by this masjid.

Apart from Tabung Masjid, this masjid also has other income from rental collection on various for example like dining hall (dewan) for wedding ceremony, lecture room and a few parking lots turned into sites for stalls on Friday. In addition, this masjid also received RM1,500 from a Chinese company. This masjid is also generated income from the fee paid by the parents, who sent their children to the *madrasah* (Islamic school).

In terms of the Tabung Masjid management, this masjid also adheres to the policy, procedure and, standard provided by the State Religious Authority.

In this context, the authority is Selangor Religious Department (Jabatan Agama Islam Selangor or JAIS). All the collections are saved under the same account, as instructed by JAIS. However, as for record, the breakdown is according to the types of tabung. As for the collection on *Jumaat* prayer, the masjid official will deposit the money in the Tuesday. The delay is due to book keeping purposes. In other words, before the money is deposited, the collection is recorded, according to the type of the tabung so that the expenditures are used based on the type of the tabung.

All the money is deposited in a bank account. At this time, this masjid is required to deposit into a Maybank account although the most convenient is to deposit at Bank Islam. Perhaps it could be due to a safety reason as Maybank is nearer to the masjid compared to other banks. Bank Islam is indeed quite far from our masjid and this is quite risky as the collection is approximately RM16,000 to RM17,000 per week. For *Tabung Jumaat* alone, the collection is around RM13,000 to RM14,000.

The money is counted using a machine and the collectors are the *asnaf* (aşnāf) children (who are eligible to receive zakat in Islam). In return for their effort, the masjid gave them some honorarium as token of appreciation. The counting of the money collected is in public space under the supervision of several masjid official and security personnel for safety purposes.

In terms financial reporting, this masjid needs to report to the Selangor Islamic Council (Majlis Agama Islam Selangor or MAIS) on a monthly basis. All the reports submitted will be audited by the external auditors appointed by MAIS. At this mosque, the financial report is prepared by treasurer and verified by two internal auditors. The treasurer and internal auditors are certified professional accountants and auditors by qualification and profession. The primary purpose is to have a qualified and professional official in this masjid line up and to avoid prejudice among the people. This is particularly important in the urban and high populated area. This masjid could afford to compromise itself with prudent and transparent financial management as this the price of their integrity and professionalism. They held the trust (amanah) of the people which will be counted for in the hereafter. While MAIS has its external auditors to scrutinize the financial accounts, this masjid has exhausted all gate keepers (qualified treasurer, professional internal auditors, and appointed external auditors from among ‘Big 4’ accounting firms in Malaysia (such as

KPMG, Ernst & Young, PricewaterhouseCoopers, Deloitte) to assure that their accounts and financial reporting are of a high standard. At MAIS too, they also appointed external auditors to audit all accounts and financial reports submitted by all mosques in Selangor.

Thus, the flow of the money is reported based on the guideline given by JAIS and MAIS, for which we are trained to report the money accordingly based on the training they have provided to us. As for this masjid, the official attended the financial management training conducted by JAIS and MAIS. Through the training, they are exposed with the financial management of the mosque, like recording book keeping, handling, and keeping receipt of the goods and so on. MAIS also trained the masjid official how to use a bank cheque appropriately. Ever since JAIS has undertaken the management of this mosque, the official of the masjid felt that the management has been properly and well-managed. Thus the status of this mosque has been upgraded from *Masjid Qaryah* (local mosque without management and funding support from JAIS) to Upgraded Masjid (Masjid Naik Taraf). Previously, before the masjid had been taken over by MAIS and JAIS, the masjid had serious financial issues repeatedly, although the mosque actually has generated a substantial amount of money.

The payment mode for any expenditure has been through cheque instead of cash. Only on certain occasions, the masjid uses cash from its petty cash fund. Nevertheless, the amount in the petty cash has a limit of RM1,000. If the masjid official decided to pay a lecturer by cash, they will advance the pay with the petty cash of RM1000. The official will allocate another RM1000 from the fund collected at the general donation box to reimburse back to the petty cash box. The balance will be deposited into the bank account. If they need more than RM1000, they need to apply from the committee.

In terms of personnel emolument, this masjid pays the staff from the funds collected, particularly the staff appointed by the masjid. However, for personnel appointed by JAIS and MAIS, their personnel emolument is borne by JAIS and MAIS. For instance, the masjid has to pay their personnel like clerks, cleaners, and imam rawatib (rotational imam). Thus, the fixed amount of money spent from the income is RM15,000 monthly, just to pay for the staffs' emolument. *Tabung madrasah*, is especially made for the *madrasah*, and the teachers of the *madrasah* are paid based on the tabung, as well as the monthly fees the parents have to pay.



The masjid also generated monthly income from the *madrasah*'s fees charged to the parents and public. Yet, the money obtained from this is used only for the *madrasah*. The committee of this masjid never mixed up the money. In fact, if there is a need, the masjid's fund will be used to top up the *madrasah*'s expenditure due to the pending payment from the parents. To sum up, all the money spent, including the expenditure spent on the *madrasah* is RM30,000 monthly. Indeed, the income of the masjid is quite high, yet, the expenditures are exorbitant too.

Another thing to note, this masjid also conducted programmes in the mosque, usually the education bureau (*lajnah pendidikan*) will fill the *form J* to enable them to use the money for programmes they would like to conduct, mainly educational programmes. Let's say for instance, *lajnah muslimat* would like to conduct events to celebrate Teacher's Day, bowling tournament for example, they need to apply for the programmes money through *Form J*. Since the programmes occur frequently, the total expenditures for programmes and staff salaries alone would leave the balance of the income between RM10,000 to RM15,000 per month. However, most of the money is spent on programmes involving the youth, so that they would be interested to come to the mosque.

Another group of the society, among the needy, would also approach the masjid for financial assistance. The masjid has welfare donation box, but the collection is not huge as other collection boxes. This is the area that needs to collaborate with other parties in the community on how to address the welfare of the community financially. Although in Islam the legal recipients (*aṣṇāf*) of zakat could approach zakat centres, some of them are not certain of their status as *asnaf*. This situation happens almost on a daily basis. The masjid has allocated RM1,000 specifically for this situation. For instance, there was a time when someone came asking for the money to go back to his/ her hometown, the masjid gave RM50 to the person to purchase bus ticket.

In short, Masjid As-Salaam adheres to the conventional, regulatory, and statutory requirement on financial reporting of its various charity funds. Both the fund raising and spending adhere to the regulatory and *Maqāṣid al-Sharī'ah* requirements. In addition, the masjid reinforces the financial reporting governance through the appointment of qualified and professional people in accountancy, finance, and auditing on important posts such as treasurer, internal auditors, and external auditors.

## Discussion

Financial reporting mechanisms at *Masjid al-Mukarramah*, *Masjid al-Falah*, and *Masjid As-Salaam* in this study adhere to the conventional, regulatory, and statutory requirements on financial reporting of their various charity funds. All the mosques in this study adhere to the State Islamic Departments for records and audit as stated in the Statutory Bodies (Accounts and Annual Reports Act) 1980 [Act 240]. In addition, they also adopted the practice in Selangor, under Section 85 of the Administration of The Religion of Islam (State of Selangor) Enactment 2003 (En. 1/03) that requires the Council and its entities to adhere to Act 240.

In the meantime, they also assured that the management and reporting of their Tabung Masjid fulfilled the *Maqāṣid al-Sharī'ah* requirements that is to bring benefit to the community at large. The reinforcement of financial management and reporting governance through the appointment qualified and professional in accountancy, finance, and auditing on important posts such as treasurer, internal auditors, and external auditors is necessary to gain trust and confident of the public.

As a communal and faith-based entity, the principal, trustees, agents, and stakeholders deserve faithful, fair, and understandable financial information (Bonetti et al, 2016; Sanusi et al, 2015). In the meantime, they provide legal protection beyond the conventional perspectives (Wang et al, 2017; Carcello & Nagy, 2004). The practice of *Maqāṣid al-Sharī'ah* as spiritual-based mechanism might be an approach to be considered. Indeed, the Islamic approach through the *Maqāṣid al-Sharī'ah* perspective on financial reporting provides both rules-based and spiritual-based compliances.

## Conclusion

Tabung Masjid management of mosques is regulated by state religious administration law. The conventional approach is expected which makes the ideas here remain as ideas only. The study argues that the compliance approach is necessary at the operational level but not at the corporate level. A case study method on a few selected mosques found that the finance committee has no choice but to abide by the regulation. In the meantime, it is recommended to use innovative ways through specific fund raising to address social issues. The study recommends the Tabung Masjid

management to use creative ways of increasing the value of the fund within the *Shariah* compliant spirit in mind.

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