ISSUES AND CHALLENGES: AN EXPLORATORY CASE STUDY ON MOSQUES INSTITUTION IN FEDERAL TERRITORY

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ABSTRACT

This study contributes to the literature pertaining to the understanding of the issues and challenges related to practices of accounting in mosque institution. It highlights on the elements of financial accountability i.e. accounting practices and financial reporting in four selected mosques in the State Islamic Religious Councils of Federal Territory. It provides an insightful meaning of the issues and challenges on how accounting is practice in these mosques. Over a three-month period, a series of unstructured interviews with selected key mosques leaders, imam, treasurers and/or accounts clerks have been conducted. Several documents of the mosques financial records such as financial statement, Friday collection statements and other accounting records were studied. In addition, an observation has been done in one of the mosques to observe the event of counting Friday collection. It is observed that, accounting is regarded as pivotal to exhibit accountability of the mosques in pursuing their missionary activities. Concurrently, financial accountability serves as a medium to portray accountability. Accounting is loosely practiced in the mosque institution. The variations of practising accounting in these organisations portray the dynamism of accounting in their organisation.

Keywords – Accountability, accounting, financial accountability, religion.

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1.0 Introduction

Passing around the collection boxes during Friday prayer, is a typical scene in all mosques in Malaysia. Mosques also placed the collection boxes in the middle or in front of the entrance or at the entrance of the washrooms and ablution rooms. Nevertheless, not much is known about the financial state of affairs of the mosque institutions. Did the amount of the collections recorded? How the mosques committee members utilize the collections? To what extend the financial reports is conveyed to the congregations? In what way accounting is used to assist the mosque in managing the collections and in achieving their missionary goals? How mosque institutions used accounting for their daily operation? Can accounting assist the mosque institutions in achieving their missionary activities?

To shed light on these questions, a small study is embarked on four selected mosques in Federal Territory. Those mosques, which are under the supervision of Department of Islamic Religious Affairs (hereafter known as JAWI), are selected as case studies. This is because it is perceived that JAWI mirrors the reflection of having structured and proper administrative functions as it was situated in the capital city of Kuala Lumpur, which is the central administration of Malaysia (Abdul Rahim & Goddard, 1998). JAWI has divided the administrative matters of those mosques to eight zoning system. Through these zoning systems, one selected mosque will be appointed for each zone for coordinating the administrative and financial matters of the mosques under their supervision.

This study aims to address the issues on how accounting is practiced in the Islamic religious institution, especially the mosques institutions. The primary concern of this study is pertaining to the accounting practices of the selected mosques. The rational is to gauge an understanding on how accounting is operationalised in those selected mosques. The next section presents a brief review of literature pertaining on accounting practices in Islamic religious institution. The next section is on the methodology employed, and lastly, the discussion on findings and conclusion is presented.

2.0 Review of literature

Mosque institution represents the conceptualisation of the community-based institution in the Muslims community. It symbolises the balance of actions in the worldly world and hereafter. The submission of the Oneness of God is reflected in the congregational prayers which is performs in the mosque beyond the boundary of racism, nationality and individualistic(Syed Qutub, 1972). The charitable actions are imparted in the social welfare activities conducted by the mosque for the well-being of the Islamic community (AbdulWahid, 2004).

Prior studies have revealed about the accounting practices in Islamic religious institution (example: Abdul Rahim & Goddard, 1998; Maliah et al., 2007; Hidayatul Ihsan & Shahul Hameed; 2011; Hairul Suhaimi & Hisham, 2011; Siti Rokyah et al., 2012). An Attempt to understand the accounting practices in an Islamic religious organisation had been conducted by Abdul Rahim and Goddard (1998). The study is on two Islamic religious institutions of the two state governments i.e. ASRC and BSRC. The study is informed through the observation in the contextual setting that captures the cultural dimensions of the two settings. The finding suggests that, the accounting procedures and financial reports is not an important element in the institution. The culture of western managerialism is apparent in BSRC. The staff managed their work professionally. Whilst, in ASRC, though the staff is constraint to adhere...
to the royal elites, the staff upholds the belief of personal accountability. Personal accountability describes that each of the individual is accountable to their actions in this world and be evaluated in the hereafter.

Another attempt to understand how accounting is practiced in the Islam religious institution has been conducted by Hidayatul Ihsan and Shahul Hameed (2011) on two waqf institutions in Indonesia, namely ABC and XYZ. The study indicates that the staff of ABC is full-timer, while the staff in XYZ is volunteers. Hybrid accounting skills (combination of computer spreadsheet and manual) is evident in ABC, whilst XYZ is more advanced. Both institutions differ in the practices of accounting. XYZ practices accrual accounting. Accrual accounting addresses the recognition of revenue or expense in the accounting period where it is earned or incurred. The accounting report of XYZ is out-dated. On the other hand, ABC, practices modified cash basis. In modified cash basis, revenues are recognized either when they are received in cash or when collection can be reasonably estimated to be received and exhibit greater concerned on the timeliness of financial reports. Financial reporting is important to ABC in order to disseminate the accounting information to the donors and beneficiaries; while as for XYZ, financial reports are marginalised. This is because XYZ is the oldest waqf institution in Indonesia that has stood the test of time and still responding to the public interest.

A study by Hairul Suhaimi and Hisham (2011) on the cash waqf in one of the institution in Malaysia states that, the staff perceived accounting as one of the mechanism to portray their worship to God. This is evident as the recording and reporting of the awqaf (plural for waqf) activities is recorded and documented appropriately. Despite the claim, the management suffers from the inconsistency in the financial reporting format. It is discovered that the collection on cash waqf is executed manually. The segregation of duties is observed to minimise the fraud as the staff handle cash transactions which is susceptible to fraud. Performance measurement indicators on the trustees’ accountability are performed namely the input-output ratios and return-on-investment ratios. The results indicate that the trustees have performed their duty in line with the organisations’ mission.

Prior study by Siti Rokyah et.al (2012) on waqf accounting practices highlighted several weaknesses in the accounting practices by the State Islamic Religious Councils (SIRC) in Malaysia. These include the improper accounting records, the absence of fixed assets register, out-dated cashbook and general ledger and the inconsistency in the accounting methods. Therefore, the SIRCs are challenged with out-dated financial reports.

In short, accounting is pertinent to Islamic institution. Accounting is not an antithetical in the Islamic institution. This signifies that Islam is unsympathetic in the dichotomy between the sacred and secular. However, accounting in Islamic institution is implicated and intertwined with various antecedents such as culture, power elite, educational background and incompetency of the staff to prepare the financial reports. Hence, this study aimed to explore how the selected mosques institutions in Malaysia practiced accounting.

3.0 Methodology

The aim of the study is to explore on the dynamics of accounting in mosque institution. This is to establish in-depth understanding of the phenomena, which construct and shape the reality in the mosque that had been selected. This study could not be generalized.
Unstructured interviews are appropriate because not much information has been gathered with relation to the subject (Patton, 2002). In addition, the researchers also employed various sources of data collection such as observations, archival analysis of the accounting procedures, financial records and documents and minutes of mosque committee meetings.

4.0 The structure and financial requirement

Article 3(1) of the Federal Constitution announces that, Islam is the official religion of the Federation (though other religion can be practiced freely). In addition, the Sultan or Ruler is automatically regarded as the head of the Islamic ruler. For those states such as Sabah, Sarawak, Pulau Pinang, Melaka and Federal Territory, Yang Di Pertuan Agong, is automatically is the head of Islamic ruler in their states. Any religious matter is under the Sultan or Yang Di Pertuan Agong jurisdiction. As such, various departments have been established to cater the state of affairs of the Muslims and Islam.

First, Malaysian Department of Islamic Development (known as JAKIM) is established under the jurisdiction on Prime Minister’s Department in order to observe the state of affairs of the Muslim in Malaysia. It is an advisory panel on Islamic matters pertaining to any issues brought by the councils of rulers, any state government or by any State Islamic Religious Councils (SIRC) such as the issuance of fatwa (or sensuous), halal certification and gives advice on the betterment of Islamic legislation, administration, and education. Simultaneously, all the states mosque of State Islamic Religious Councils of Federal Territory (SIRCFT) is under Jakim jurisdiction i.e. Masjid Wilayah, Masjid Putra Jaya, Masjid Negara and Masjid Tengku Mizan Zainal Abidin.

Second, State Islamic Religious Council of federal Territory (MAIWP) has been established to meet the demand of Islamic Muslims in Federal Territory. It focuses on the policymaking and procedures with relation to financial and administrative matters of Islamic affairs in Federal Territory. For example, it has issued the accounting guidelines for mosques and suraus for Federal Territory.

The third body is the Islamic Division of Federal Territory (JAWI), which involves in the state of affairs of Muslims in Federal Territory. It main function is to execute the policy and procedures that has been issued by JAWI. Therefore, mosques and suraus in Federal Territory are under the supervision of JAWI (with the exception of the four state mosques). The MAIWP has also issued the accounting guidelines for mosques and suraus in the Federal Territory. The guidelines are comprised of six main sections. The first section describes the responsibilities of mosque committee members, the recording of income, expenditure, the petty cash, the banking matters and the safety boxes. The second section discusses about how to account for depreciation of assets, fixed assets register and inventory register. The third section is on how to account for disposal of assets, disposal of financial documents, fixed assets and inventory and in the fourth section, elaborates on the internal audit duties and responsibilities. The fifth section is about the budgeting and firstly, the sixth section is related to the appointment of mosque staff. It could be summarised that the accounting guidelines provides mosque treasurers with sufficient accounting practices for mosques in Federal Territory.

5.0 Background of the case study: The four selected mosques
The mosques institution, which is under the jurisdiction of Islamic Religious Department of Federal Territory (JAWI), is classified to four categories such as state mosque, non-kariah\(^1\) mosque (which are situated at non-residential housings area), kariah mosques (which are located in residential housings area) and surau Friday\(^2\). There are four state mosques in Federal Territory i.e. Masjid Negara, Masjid Wilayah Kuala Lumpur, Masjid Putra Jaya and Masjid Sultan Mizan. The administrative and financial matters of these mosques are under direct supervision of JAKIM. The staffs are fully paid and received lucrative grants from federal government for Islamic activities, maintenance and missionary purposes. Meanwhile, the other three types of mosques heavily rely on the donations from congregations. Their Imam and Bilal are a mixture of government staff and those paid by mosque funds. All of the mosques (with exception of state mosques) are under Jawi supervision. Besides the Imam and Bilal, the mosque committee members, who are volunteers, govern the mosques.

In this study, Mosque “A” is a state mosque, which is located at the outskirt of Kuala Lumpur and without the residential housing area. The main congregations are from the Muslim staff of the government complex nearby, tourists and passers-by. Meanwhile, Mosque “B” is a non-kariah mosque, which is at the centre of urban area in Kuala Lumpur. Thus, the congregations are from those who work at the city centre. On the other hand, Mosque “C” is a kariah mosque located at the outskirts of Kuala Lumpur. Its main congregations are the residents from apartments nearby which cover approximately 5,000 inhabitants. Mosque “D” is a surau Friday, which is situated at a residential housing area in Gombak. It mains congregations are from the housing area itself.

### 6.0 Findings and discussions - Accounting practices

Table 1.1 below summarised the findings.

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<tr>
<th>Theme</th>
<th>Descriptions</th>
<th>Representative of the themes</th>
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<tbody>
<tr>
<td>Accounting Practices</td>
<td>Lack of accounting skills and experience.</td>
<td>“I am naive...”</td>
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<td>Incompetent in accounting knowledge.</td>
<td>“I never have formal accounting course.</td>
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<td></td>
<td>Absence of accounting records.</td>
<td>“The treasurer is busy with…”</td>
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<td></td>
<td>Proper training and guidance.</td>
<td>“I was sent to attend accounting courses trice.”</td>
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Accounting practices in Mosque “A” does not have any major problems. The accounts clerk is qualified to handle the full set of accounts and is skilful in excel spread sheet. However, there are times when he “lost” his confidence in his work.

“The accounts have never been audited for the last two years. I am still new here... about one year. I am naive and do not know whether what I did is on the right track or not. This is my first job after graduating from college. All the people, including the mosque committee members trust me. However, as for myself, I am still confused. Nobody check my work...I mean, here, nobody

\(^1\) “kariah” is equivalent to/or parish

\(^2\) Surau is synonym with its features of having less capacity of congregations as compared to mosque. Nevertheless, due to the increase number of congregations especially peak Friday prayers, thus Jawi selectively choose surau that deem fit to perform Friday prayers and sermons. Thus, these suraus are named surau Friday. It is identical to mosque because it Friday sermon text is prepared by Jawi. Simultaneously, Jawi will assign one imam to be the head of Friday prayers.

really understand accounting accept me. I just follow what the past people have done.” (Accounts clerk Mosque “A”).

The accounts clerk in Mosque B demonstrates the same attitude. He admitted that he has no educational background in accounting; however, he manages the record keeping and presented the financial reports to the mosque committee members. He disclosed that the accounting software that he is using assisted him the recording and preparing the mosque accounts. Nevertheless, due to his educational background, he is not confident with his work. After all, he is assigned to other different post, not as accounts clerk.

“I never have formal accounting course. I learnt this through the supplier who suggested this software to the mosque. I even do not know why I should “debit” or “credit” the items. I just follow what the supplier has thought. My primary task here is, as an assistant Islamic religious affair not accounts clerk. This job (accounts clerk) has put extra burden on me. The responsibility is more” (Accounts clerk Mosque “B”).

Both the accounts clerk in Mosque “A” and “B” share similar concern about the lacking of competency in accounting. They felt that they need proper training and supervision and proper controlling mechanism. This is to ensure that the financial reports that they produced is meaningful and relevant to the mosques.

On the other hand, Mosque “C” is suffering from major deficiency with its record keeping. The absence of its treasure who has tight schedule as one of the Accountant in a government link company resulted in the failure of the mosque to prepare proper accounting records. The Imam has voiced this consequence:

“It is difficult for this mosque to have meeting where financial statement is discussed. The treasurer is busy with his own job or commitment. The meeting is always postponed due to his absence. The financial reports is discussed or tabled once every three or four months.” (Imam Mosque “C”).

On the contrary, though the financial records were not updated, the Imam clarified that all the expenditure were recorded as required. To clarify this “recording” matter, the Imam added that:

“We record everything. The only thing that is not updated is the full set of accounts and the monthly financial reports. The recording is done by those who incurred the transaction. Then this person will hand over the invoice to the treasurer, including the Chairman.” (Imam Mosque “C”).

From the observation, it could be summarised that almost all the “recording matter” is done by the Chairman. This can be seen when all the receipts book and invoices were placed at the Chairman tables. The Chairman also handle the petty cash account using excel spreadsheet. Most of the time, the Chairman is performing a “one man show” in the “recording matters”. Despite the “one man show” by the Chairman, the Imam declared that there was no fraud or embezzlement case incurred. In addition, the Imam has taken an initiative to prepare the monthly Friday collection statement.
“There is no fraud case or breach of trust so far. We did not detect any mismanagement of funds. The treasurer himself has voiced his unwillingness to be appointed but since the mosque committee members have high trust on him, he was again elected. To comprehend the issue, I make an initiative to prepare the monthly Friday collection and paste it at our notice board. This is the only way to communicate to our donors on how much collection that we have so far. All the figures I get from the treasurer.” (Imam Mosque “C”).

To clarify the consequences, the researcher inquires the Imam whether Jawi is aware of this condition.

“Jawi is well informed about the consequences. The Jawi personnel used to warn me about this matter. But you know, it’s difficult to have this kind of conversation with the elder people. Am afraid he will be hurt.” (Imam Mosque “C”).

It is noted that the Imam, though is aware that the “recording matter” in his mosque is problematic but failed to highlight the issue to the Chairman. He is embedded with the Malay culture attitudes and value that is respecting the elderly. Thus, it refrain him from giving advices to the Chairman and other mosque committee members about the “bad” accounting practices.

Despite its status as surau Friday, Mosque “D” has an excellent financial recording. The audited financial statement was paste at the notice board so as to inform the congregations and donor about the financial position of the surau. The treasurer, though a pensioner from police task force who has no idea about accounting has displayed his willingness to attend accounting courses and manage to handle a full set of accounts for Mosque “D”.

“They (JAWI and JAKIM), sent me to attend their accounting course. Before retirement, I was a police officer and knew nothing about accounting. I was sent to attend accounting courses three times in 2003, 2005 and 2007. There are so many things to do (to update). The task is merely as an accounts clerk but by God willingness, I managed to maintain and update the accounts as required.” (Treasurer Mosque “D”).

It is safe to conclude that mosques vary in their accounting practices. This might be due to the absence of monitoring devices and lack of supervisions by the authorised personnel. On the other hand, the flexibility of allowing the mosques to practice their “own accounting” methods caters the uniqueness and dynamic of each of the mosque itself. Contextually, Mosque “A” is holding the status of state mosque. The flexibility of the mosques in conducting their accounting practices portray the capability of the mosques pertaining to financial strength. Simultaneously, the other mosques such as Mosque “B”, “C” and “D” rely heavily on the donations by congregations. The need to have “good” accounting practices is imperative in these organisations because as a rule of thumb, “good accounting practices” satisfy three conditions such as inculcate professionalism in producing financial reports, choosing the appropriate financial system and the ability of the organisation in producing...
timely and reliable financial reports (Burkel and Swindle, 1988). The notion of professionalism and competency has been highlighted in the revelation:

“Is one who worships devoutly during the hour of the night prostrating himself or standing (in adoration), who takes heed of the Hereafter, and who places his hope in the Mercy of his Lord – (like one who does not)? Say: “Are those equal, those who know and those who do not know? It is those who are endued with understanding that receive admonition.”

Az – Zumar (9)

Therefore, giving the right job to the right person who acquires the appropriate skills and knowledge in the domain, i.e. accounting is imperative as it is demanded by Islam. Islam has clearly stated the distinction between those who has the intellectual ability and skills vis-à-vis who are incompetent. This is supported by Statistic Canada (2003) which reported that most of its religious institution (in Canada), have experience difficulties in planning their future programs due to the unskilled and unprofessional volunteers who handle the financial matters. In addition, this is undeniable in the case of Lightbody (2000). She argued that one of the senior executives who is knowledgeable in accounting discipline, voiced his/her concerned of the confusing financial report that has been presented by incompetent financial managers. He/she commented that the financial managers were unsure of the figures that they have.

Conclusion

This study indicates that accounting is one of the essential components in the selected mosques. Most of the donations are from donors and congregations. On the contrary though Jawi contribution is marginal but as an administrative body, the mosques need to adhere to Jawi requirement. Accounting exhibits a suitable tool for mosques to display their accountability to their donors and congregations. Due to its nature, financial reporting is loosely placed and accommodates the needs of the organisations. The variations on how they accept accounting depend highly on their perception on how accounting assists them in fulfilling their missionary and social activities.

References


