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Framing accountability model for *awqaf* institutions

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ABSTRACT

The agenda of *waqf* revitalization has called for the improvement in many aspects of *waqf* institutions. Besides the need for revisiting some fiqh rules and legal issues of *waqf*, the betterment of waqf management is also crucial. In this regard, accountability in managing waqf is undoubtedly essential. However, there is no common agreement among the waqf managers as to how waqf accountability should be shown. The multi interpretation of the notion of accountability has resulted various accountability model. Thus, the purpose of this paper is to synthesize the framework for waqf accountability. Through review of the existing literature, the paper provides the key themes that constitute the model of waqf accountability. This paper provokes the waqf regulators to develop accountability standards for waqf intuitions. In addition to this, the discussion in this paper could also benefit waqf managers in preparing accountability reports to the wide range of stakeholders.

Introduction

Recent years have highlighted a growing interest in *waqf* revitalisation. The Muslim communities have realized the need for *waqf revival* in order to create a better society. However, *waqf* revitalisation is facing a challenge of accountability. It is undoubtedly true that accountability is crucial in managing *waqf*. Being an institution that delivers social services to the community, *waqf* should demonstrate its accountability to a wide range of stakeholders. Historically, accountability had underpinned the success story of *waqf* in the past, while its decline was attributed to the degradation of the *mutawalli*'s accountability (Rashid,2008). Some previous studies also emphasized accountability as one of the means of revitalizing *awqaf* institutions (see for example Ali, 2002; Ihsan, Ayedh and Shahul, 2006; Rashid, 2008).

Despite the growing expectation for greater accountability, many *waqf* institutions today fail to take it seriously, and there have been some cases where *waqf* assets were misused and mishandled (Hisham, 2006; Ihsan and Shahul, 2011a). Ironically, Rashid (2008) indicates that the common perception about those persons who manage *waqf* assets is one associated with dishonesty, corruption and mismanagement. Rashid believes that the phenomenon of lack of accountability is due to the decline of the standard of morality. He further argues that colonization has accelerated moral degradation through the removal of shariah based norms from every aspect of a Muslim's life.

In order to remedy the phenomena of the lack of accountability in *waqf* , some attempts could be made. For instance, Rashid (2008) urges the religious orientation to the *mutawalli*. He believes that through this method, the *mutawalli's* accountability can improve. However, before giving the prescription for the improvement of accountability, it is important to understand the concept of accountability itself in the *awqaf* setting. As Sinclair (1995) said, the most essential issue with regard to accountability is its understanding. This is because, if there is no clear consensus about accountability, the means to deliver it will vary. Indeed, accountability has discipline-specific meanings and the way it is defined and implemented will depend on the ideology, motive, and language (Sinclair, 1995). A better understanding of accountability in *awqaf*, therefore, becomes imperative. Without a good understanding of accountability, organisations are likely to fail (Frink and Klimoski, 2004).

There is a lack of evidence regarding how accountability operates within the *waqf* context. Although a few attempts have been made to address the accountability issue in *waqf* (for instance Abdul Rahim, Mohamad and Yusuf, 1999; Siti Rokyah, 2005; Hisham, 2006; Maliah, Adnan and Putri, 2009; Ihsan and Shahul 2011a, and Hairul and Hisham, 2011), these studies only focused on accounting and performance. In fact, Nor Aziah (2004) argues that accounting cannot be simply taken for granted as the mechanism to achieve accountability. Similarly, Ebrahim (2003) asserts that there are other accountability mechanisms besides accounting and performance that can be used to discharge accountability to the public. Accordingly, this paper aims to discuss accountability framework for *awqaf* institutions. In so doing, the extant literatures related to accountability will be reviewed upon further. This study is important to assist the regulator and mutawalli in preparing the accountability report of waqf institutions to the wide range of stakeholders.

A Brief Introduction to Waqf

Literally, waqf means to stop, to hold, or stand still. Technically, waqf is defined as "Holding certain property and keeping it for the purpose of philanthropy and preventing it from usage other than the intended purpose" (Kahf, 2007). The scholars agreed that another term for waqf is sadaqah jariyah. It is mentioned in a hadith that one of the deeds that will continuously flow its reward to a Muslim, even though the person already died, is waqf. Although the term waqf itself cannot be found in the Qur'an, the practice of giving wealth for the benefit of the society has been taught by Prophet Muhammad SAW and his Companions.

In accordance with its purpose that waqf is aimed for the public benefit, mutawalli/nazhir (manager) of waqf should prevent the use of waqf property from anything other than the purpose of its establishment (Raissouni, 2001). Sadeq (2002) adds that the ownership of waqf property should not be transferred; rather only the benefits of the waqf property may be taken. The intention of the establishment of waqf is the spiritual basis, that is seeking the pleasure of Allah SWT. Moreover, although the common form of waqf property known by the Muslim community is immovable assets such land and buildings, according to Kahf (1998), waqf can be in various forms such as; books, farming tools, farm animals, stocks and possessions, as well as cash.

Based on the purpose of its establishment, waqf can be categorized as waqf khairy (general waqf), waqf ahli (family waqf) and waqf mushtarak (mixed between khairy and wakaf ahli) (Abdel Mohsin, 2009). Waqf khairy is a waqf devoted to the welfare of the public at large, while waqf hali is dedicated by the waqif (the waqf founder) for the children and their descendants. Wakaf mushtarak, on the other hand is a combination of wakaf khairi and wakaf ahli. It is usually formed in such a way that some part is addressed for the public benefit and the rest are intended for waqif's offspring.

Raissouni (2001) classified waqf based on its function that is waqf for worship, such as mosque; educational waqf, such as universities and schools, and waqf for social welfare, such as health facilities, clean water sources, and other public facilities. Apart from the above-mentioned classification, the existence of waqf is expected to be a means to facilitate public to access facilities which are basic needs in nature, such as health, education, worship and others (Sadeq, 2002).

Although waqf had witnessed to be a vital instrument in assisting the government to provide many facilities and infrastructures, it also had declined for centuries. It was the colonization of Muslim lands that is believed as one of the main causes of this declination (Rashid, 2008). It is only in the last few decades that many Muslim governments have showed their efforts to revitalize this historic institution. Indeed, to bring waqf institution to its revival, accountability should be put in the priority (Ihsan, Eliyanora, Septriani, 2016; Ihsan et al 2016, 2017). Thus, the next section of this paper will discuss the basic concept of accountability.

The Basic Concept of Accountability

The notion of accountability seems to be the product of modernity (Hoskin, 1996), which is commonly translated into a business environment (Lehman, 2004). However, a careful scrutiny of this concept has proven that accountability was actually widely practiced in the past. For instance, Premchand (2001) affirms that the concept of financial accountability had been introduced in the Athenian state and pre-Christian era. Carmona and Ezzamel (2006) even argue that the phenomenon of accountability had been found in ancient Egypt and Mesopotamia circa 4th millennium BC. Velayutham and Perera (2004), conclude that accountability concept is as old as civilization. Asutay (2007), however, gives a different perspective with regard to when accountability was actually introduced. He believes that it already existed since the creation of human beings as there would eventually be accountability before God.

Despite the common interpretation, there is actually no consensus about what accountability really is. Kumar (1996) argues that the accountability concept is bound up in the philosophical debates. Accountability has discipline-specific meanings in which many parties, such as auditors, political scientists and philosophers, have their own definition (Sinclair, 1995). In other words, the definition of accountability could vary, depending on the culture, norms and beliefs, and from what perspective it is defined (Velayutham and Perera, 2004). For instance, some accounting academics relate accountability to accounting techniques (Gambling, 1977; Hopwood, 1985) and budgeting system (Nor Aziah, 2006), while from the human resource management discipline, accountability is seen from the behaviour of the employees (Ammeter et al., 2004). Thus, accountability is a very elusive concept with chameleon characteristics (Sinclair, 1995).

This section is not intended to contest the accountability terminology, but rather to find the common basic concept shared among various definitions. As asserted by Kumar (1996), focusing on one part of a picture will give a clearer image rather than every time looking at a different part of the figure. Similarly, looking at the similarity of the accountability concept will give a clearer understanding instead of debating the differences that exist. From its literary meaning, Boland, Jr.

and Schultze (1996) explain that accountability is derived from the root word "account". This word comes from Old French *a conter* meaning to tell and Latin word *accomputare*, meaning to compute. Boland, Jr. and Schultze therefore believe that accountability encompasses computation and story-telling about the past events.

The extant literature, however, suggests that there are at least two key ideas that constitute accountability. The first common idea that characterizes the notion of accountability is responsibility. Many authors agree that accountability exists due to the willingness to accept and discharge responsibility. Simply put, accountability is how responsibility is conferred (see for example Roberts and Scapens, 1985; Harmon and Mayer, 1986; Boland, Jr. and Schultze, 1996; Gray, Owen, and Adams, 1996; Cutt and Murray, 2000; Velayutham and Perera, 2004). The question remains, by whom is accountability delivered and to whom is it due? Therefore, another common idea about accountability is that it involves at least two parties, one who allocates responsibility and one who accepts it with an obligation to report on, account for, justify or answer for (Gray, Dey, Owen, Evans and Zadek, 1997; Cutt and Murray, 2000; Velayutham and Perera, 2004; Frink and Klimoski, 2004). The former party is sometimes called the principal or accountee while the latter is the steward or accountor (Gray and Jenkins, 1993). Therefore, from the aforementioned ideas, accountability can be seen as the willingness to discharge responsibility by those who accept it with an obligation to report on, account for or answer to those who allocate responsibility.

The Importance of Accountability

Accountability is embedded in every aspect of human life and it exists within social life, public sector, work organisations, and within the religious sphere. As human beings, people cannot be isolated from giving and receiving accounts to and from others about their conduct (Willmott, 1996). He underlines that accountability is the condition to participate in the social world. Without accountability, people will be recognized as incompetent members of society. In line with Willmot, Roberts (1996) states that accountability can be a means to maintain the social system as it can remind each other of the conduct that promotes social cohesion among the community members.

In addition, Velayutham and Perera (2004) assert that accountability is also an emerging issue in the private and public sectors. They argue that any reformation made in the economic and public sectors will require an improvement in accountability. Otherwise, the lack of accountability could result in the waste of resources and corruption, which, in turn, could lead to financial crisis. Frink and Klimoski (2004) are of the same view. They state that the big accounting scandals in Enron and WorldCom were caused by the failure of accountability. In addition, another form of corporate accountability, such as social and environmental responsibility has become of great concern among corporate entities. The emergence of social and environmental responsibility is part of the reputation building effort. This is to gain the recognition that firms are not only responsible to the shareholders, but also to the society and environment in which they exist and operate (Idowu and Towler, 2004; Cooper and Owen, 2007).

The importance of accountability has also been receiving enormous attention in the organisational behaviour literature. For instance, in the organisational context, Tetlock (1985) articulates that accountability is needed to control the behaviour of the employees. Therefore, in ensuring that employees become more accountable, the enforcement of rewards and punishments is sometimes needed (Willmott, 1996). Meanwhile, Kumar (1996) argues that the concern about accountability in the voluntary and non-profit sector has increased tremendously as this sector currently holds a central role in delivering some essential public services. Hence, the public asks for greater accountability in order to continuously support and contribute to this sector.

From the religious point of view, Iqbal and Lewis (2009) opine that accountability is a central theme in Islam since accountability to Allāh and the community is paramount to a Muslim's faith. As asserted by Askary and Clarke (1997), the word "hisab", which is interrelated with account and accountable is repeated more than eight times in different verses in the Qur'an. Lehman (2004) believes that accountability is also part of Christian thought, albeit, currently, the influence of the religious dimension has been eliminated from many aspects of Western life.

The preceding discussion supports Sinclair's (1995) idea that the relative importance of accountability enjoys universal acceptability since it exists in every facet of human life. The slight divergences, where they exist, are due to the varying perspectives from which accountability is viewed.

Accountability from the Islamic Perspective

In the preceding discussion it was mentioned that accountability is a central theme in Islam (Iqbal and Lewis, 2009). It is also noted that a few studies (Abdul Rahim and Goddard, 1998; Maliah et al., 2008) found that accountability practice in Islamic religious organisations recognizes twofold accountability, that is, to Allah and human beings. In this section, accountability from the Islamic perspective will be elaborated upon further. It is important to discuss this issue as accountability in Islam has different basic characteristics compared to non-Islamic accountability (hereafter referred to as conventional accountability). Although the various conceptions of conventional accountability discussed above do not seem contradict Islam, they have some weaknesses in demonstrating accountability from the Islamic perspective. Firstly, conventional accountability concepts are man-made and are derived from various philosophies. According to Al-Safi (1992), man-made definitions of accountability merely aim to establish a certain material status for the individual and community. In addition, Al-Safi underlined that the conventional accountability concept neglects God's guidance, whereas, the accountability concept in Islam comes from God's revelation, which is aimed to achieve *al-falah* (rewards in this world and the hereafter). The ultimate accountability in Islam is to Allāh since all deeds will be counted in the hereafter (Haniffa, 2002).

The second weakness of conventional accountability concept is, in the Western society – where conventional accountability concepts were born and developed – fulfilling accountability is regarded as nothing to do with religious matters. Accountability is more or less about relationships between human beings and society in attaining harmony (Al-Safi, 1992). Although some studies describe that in some churches accountability is perceived as part of religious principles (Jacobs and Walker, 2004; Kreander et al., 2004), Booth (1993) acknowledges that this is more likely due to a variation in theology between churches. Booth believes that different type of churches may affect the belief about sacred and secular. In fact, Lehman (2004) suggests that the current Western societies have neglected the religious dimension in their social systems. Meanwhile, in Islam, rendering an account to discharge accountability is identified as part of *ibadah* (worship) to Allāh (Haniffa, 2002).

The above discussion provides insights about some basic principles which constitute accountability in Islam. However, it should be noted that the first and foremost principle is the concept of the absolute unity of God (*tawhid*) (Al-Safi, 1992). *Tawhid* is the very foundation of Islam upon which other principles depend. Philips (1994) notes that if *tawhid* is not sound, the rest of one's Islam will become pagan rituals. Philips further indicated that the consequence of *tawhid* is that, everybody should relate all of his/her actions to Allah. In the context of accountability, *tawhid* will guide humankind to be accountable to Allah, to Whom everyone is answerable on the day of judgement. Hence, an individual must seek guidance from the Creator of the universe in order to fulfil their obligation to society. It is revealed in the Holy Qur'an:

> God holds whatever is in heaven and whatever is on earth; whether you disclose what is on your minds, or hide it, God will bring you to account it. He forgives anyone He wishes to and punishes anyone He wishes; God is capable of everything (Qur'an, Al-Baqarah: 284).

Furthermore, *tawhid* will lead mankind to be aware that their existence on the earth is as the *khalifah*[1] of Allah. The implication of the principle of *khalifah* on accountability is that, as Allāh's *khalifah,* human beings are held accountable for all the resources entrusted to them. This is because everything in this world belongs to Allah, while human beings are just as trustees. The concept of *khalifah* is actually related to the principle of *ibadah* (worship). It is clear that the main purpose of the creation of human being is to worship Allah (Philips, 1994). Hence, every deed should be aimed towards satisfying Allah. It is revealed in the Holy Qur'an that: "I did not create the jinn and mankind except for my worship" (Qur'an, AdhDhaariyat: 56). This verse indicates that discharging accountability should also be seen as part of *ibadah*.

The concept of *khalifah* and *ibadah* will lead to another principle called *amanah* or trust which must be fulfilled. According to Zein et al. (2008), the word *amanah* is derived from three letters, a, m and n (*amn*). In Arabic, this could be *aman,* which means peace, safety and security. It can also be translated as *iman* (faith). Therefore, in other words, the concept of *amanah* relates to establishing peace in society through faith in God. Moreover, the Qur'an reminds the believers not to betray the *amanah* entrusted on them: "You who believe, do not betray God and the Messenger, nor knowingly betray your own trusts" (Qur'an, Al Anfal: 27). The concept of *amanah* will determine the individual's relationship within the society. If an individual really understands the concept of *amanah*, the issues regarding the rights and responsibilities can be resolved. In the context of accountability, the implication of amanah is that, everybody should fulfil his/her obligation in any contract made among them (Shahul, 2000).

Fulfilling *amanah* to Allah and society will lead mankind to promote the well-being among humanity and also to him/herself in this world and hereafter; this is referred to as*al-falah* (Haniffa and Hudaib, 2002). In the accountability context, *al fallah* will assist human being to discharge accountability not only to achieve rewards in this world, but also in the hereafter.

> And the measuring out of that day will be just; then as for him whose measure (of good deeds) is heavy, those are they who shall be successful (Qur'an, Al A'raf:8)

Having discussed the basic principles of accountability from the Islamic perspective, it can be said that the holistic definition of accountability is different from its conventional counterparts. While in the conventional sense holistic accountability implies that organisations are accountable to every individual whose life might be affected by the organisation's activities,

1Khalifah: vicegerent or representative of God directly or indirectly (O'Dwyer and Unerman, 2008), in Islam holistic means that individuals are accountable to Allah in addition to their fellow humankind and society.

Accountability Framework

There are actually various concepts of accountability existed in literatures. This paper, however, will use the non-profit and non-governmental organisations accountability frameworks as the main conceptual lens. This is based on the fact that these frameworks are most relevant to the *waqf* institution. The framework encompasses mechanisms of accountability and stakeholder salience.

The five accountability mechanisms proposed by Ebrahim (2003) can be used in this study to understand how the *mutawallis* discharge accountability. Indeed, these mechanisms provide a clear guideline with regard to how the *mutawallis* operationalize accountability. The accountability mechanisms consist of disclosure statements and reports, performance assessment, participation, self-regulation and social auditing (Ebrahim, 2003).

There are several reasons for using accountability mechanisms, which are mainly proposed by Ebrahim (2003) in his study. Firstly, it is apparent that Ebrahim made accountability visible through several mechanisms. Although there were previous proponents of the accountability framework for non-profit and non-governmental organisations (for example, Edwards and Hulme, 1996, Najam, 1996), they did not explain how it should be operationalized. In fact, Roberts (1991) asserts that visibility is very important in accountability conceptualisation. Secondly, the five mechanisms proposed by Ebrahim are arguably more comprehensive compared to others. For instance, other writers like Jacobs (2000) focus on accountability mechanisms based on only two mechanisms, namely, reporting and performance. Brennan and Solomon (2008), on the other hand, are concerned with reporting and board of directors as accountability mechanisms. Thirdly, using Ebrahim's mechanisms of accountability will give a clearer image as to how the mutawalli deal with the multiplicity of accountability. As asserted by Cordery and Morley (2005), different groups of stakeholder might need a different approach of accountability. As such, accountability mechanisms will also be discussed along with the stakeholder salience theory (Mitchell et al., 1997) to show what mechanisms are used to show accountability to different *waqf* stakeholders.

Accountability Mechanisms

Evidently, the discourse about accountability mechanisms has been extensively treated in the literature pertaining to non-profit organisations and NGOs. This is probably because in the last few years concern about non-profit's accountability has increased tremendously (Ebrahim, 2003). This is indeed much related to *awqaf*, the main topic of the present study, as Kahf (2007) notes that *awqaf* is a public institution but non-governmental in nature. The discussion about the accountability mechanisms in this section will rely on Ebrahim's (2003) work. It should be noted, however, Ebrahim (2003) uses the terms non-profit and NGOs interchangeably in his work. Therefore, these terms are also used in the same way in this paper. The five mechanisms of accountability as proposed by Ebrahim are elaborated upon further below.

Disclosure statements and reports

Disclosure statements and reports do not necessarily appear in the form of financial reporting per se. Although accounting academics consider accountability to be more associated with accounting techniques (Gambling, 1977; Hopwood, 1985), Ebrahim (2003) argues that the financial statement is only one of the examples of disclosure statements. Other disclosure statements can be in the form of information about the organisational structure and programme. This is in line with the aforementioned accountability classification made by Robinson (1971), where he placed fiscal accountability besides programme and process accountability. Stewart (1985) agrees that information provided to discharge accountability is not merely the financial account. It can be said that the disclosure statement and reports are a combination of both financial and non-financial information.

Ebrahim (2003) furthermore states that disclosure statements and reports are the most widely used accountability tools, which are required by state law in many countries. This is because, to some degree, stakeholders, like donors, clients, and beneficiaries, have limited legal standing to enquire about an organisation's responsibility. Therefore any kind of disclosure statement will enable stakeholders to have access to the reports. This is actually in line with the concept of stakeholder salience proposed by Mitchell, Agle and Wood (1997). Mitchell et al. suggest that not all stakeholders have the same power to ask the organisations to provide information. Therefore, law enforcement to provide disclosure statements and reports is needed. In the UK, for instance, it is mandatory for charitable organisations to submit reports to the Charity Commission and make these available to the public (Ihsan and Shahul, 2011b). In fact, disclosure statements and reports are associated with the issue of transparency. In addition, Velayutham and Perera (2004) note that accountability would be impossible without transparency.

Performance assessment and evaluation

Drucker (1990) asserts that the discussion of accountability in the not-for profit organisations context is not only about providing financial information but also related to measuring the performance. Ebrahim (2003) agrees with this, and notes that performance assessment is another widely used mechanism of accountability. Nevertheless, Ebrahim argues that performance assessment cannot be simply equated with evaluation. Performance assessment is actually part of evaluation. To be precise, performance assessment focuses on projects or programmes while evaluation overlooks the organisations as a whole.

Performance assessment should encompass financial and non-financial measures (Kloot, 1999; Zubir and Ibrahim, 2009). Although financial indicators are frequently used to assess the performance of organisations (Zubir and Ibrahim, 2009), they are insufficient in determining accountability (Hyndman and Anderson, 1995). Therefore, Kloot (1999) notes that non-financial indicators are also needed to serve the best interests of stakeholders. Kloot furthermore argues that performance assessment is important for internal and external accountability.

Kloot's point of view is actually similar to Ebrahim (2003, 2005) who insists that evaluation should cover internal and external assessments. According to Ebrahim (2003), external evaluation is typically aimed at evaluating whether the objective of the planned programme has been achieved. There are, however, two types of external performance indicator. One is more tangible with quantifiable results, such as how many schools have been built, while the other is more intangible like whether organisations have empowered the community in their programmes. Internal evaluation on the other hand is concerned with staff achievement and whether or not it is in line with the organisation's objectives.

Although performance assessment and evaluation are pivotal mechanisms for accountability, Ebrahim (2003) admits that, currently, there is scepticism among many NGOs and non-profit organisations to conduct an integrated evaluation. This is likely because most of them are more concerned with action over analysis. In fact, the purpose of evaluation is not only to evaluate performance towards the projects but also to facilitate the organisational learning process. Therefore, the evaluation should emphasize long-term organisational achievement rather than short-term quantitative targets (Ebrahim, 2003).

Participation

Participation is different from the two previous mechanisms because it is classified as a process instead of a tool. Actually participation as a mechanism of accountability is not a new idea. Fowles (1993) notes that in the mid-1970s, "citizen participation" had been introduced in social policy, which concerned involving people in decision making. According to Ebrahim (2003), participation can be differentiated into four levels. The first level of participation refers to any efforts made by the organisation to ensure that information about a planned project is available to the public. This includes public hearing and dialogue with the community leader with regard to the planned projects. The second level of participation is through the involvement of the public in the project implementation, especially in the form of labour contribution of fund donations. The issue of gender equity is also part of participation at this level (Ebrahim, 2005). The third level of participation includes the ability of the citizens to bargain over an organisation's decisions. At the fourth level, people have their own initiatives independently over an organisation's projects. Furthermore, Ebrahim (2005) notes that, in practice, only the first two participations are commonly espoused.

Self-regulation

According to Ebrahim (2003, p.819), self-regulation refers to "[e]fforts by NGO or non-profit networks to develop standards or codes of behavior and performance". Although self-regulation is seen as the normative view of the organisation, it sometimes emerges due to enforcement from the regulators. Ebrahim gives the example that, in some countries, NGOs are asked to have their codes of conduct by the governments or regulators. In the Philippines, for instance, NGOs are evaluated through six codes of conduct, namely, vision, mission and goals, governance, administration, programme operations, networking and financial management (Soledad, 2004). The purpose of certification is to receive tax deduction and tax exemption from the government as well as to improve accountability to the public. Similarly, in Pakistan, all non-profit organisations should get certification for their codes of conduct from the Centre for Philanthropy's Non-profit Organisations in order to get tax deduction on donations (Lloyd and de Las Casas, 2005). Ebrahim (2003) underlines that self-regulation is important not only because it can improve the public image of the organisation but it also enhances the performance. Indeed, self-regulation improves accountability to the funders, communities and to the organisation itself. However, regardless of the advantages of self-regulation, Lloyd and de Las Casas (2005) argue that it has some weaknesses. Since, in most cases, self-regulation lacks enforcement, and there are tendencies that organisations will reluctantly comply with such codes. In addition, Lloyd and de Las Casas are sceptical that stakeholders really care whether organisations comply with any standards or not due to ignorance. Therefore, Lloyd and de Las Casas suggest that commitment towards self-regulation should be followed by an enforcement mechanism.

Social Auditing

Social auditing is defined as a "regular, externally verified process to understand, measure, report on and improve upon an organisation's social performance through stakeholder dialogue" (Gonella, Pilling and Zadek, 1998). Although social auditing seems likely to overlap with participation, Ebrahim (2003) argues that it is an integrated element of all the previous mechanisms discussed above. In fact, although the issue of social auditing has become a concern of commercial entities since the early 1970s (Natale and Ford, 1994), it is not widely adopted by NGOs and the public sector (Ebrahim, 2003). Perhaps, the main constraint for these sectors to adopt social auditing is the cost factor, as it would normally impose a significant burden of time and money.

Although there is actually no common standard for conducting social auditing, Gonella et al. (1998) summarize that there are at least five key elements in the process of social auditing, namely, stakeholder identification, stakeholder dialogue, use of indicator/benchmark, continuous improvement and public disclosure. Although conducting social auditing could be costly, Ebrahim (2003) lists several reasons why it should be adopted. Firstly, it can provide internal management an advantage with regard to monitoring performance. Secondly, the views of stakeholders will enable organisations in developing or revising their organisational values and goals. Thirdly, it could constitute valuable organisational strategic planning if the feedback given by the stakeholders is translated into decision making. Fourthly, it can be a means for organisations to improve their public reputation.

The above discussion gives insights that accountability mechanisms can be categorized as tools and process. Tools refer to the devices of techniques to achieve accountability, whilst process emphasizes action instead of the end-result (Ebrahim, 2003). This distinction is, to some extent, similar to the formal and informal mechanism (Ammeter et al., 2004). Ammeter et al. categorize reports and performance as formal accountability whereas participation and self-regulation are grouped as informal.

Ebrahim (2003) acknowledges that his discussion about the mechanisms of accountability is not comprehensive as there could be other mechanisms he did not include in his study. In fact, according to Brennan and Solomon (2008), governance is also one of the accountability mechanisms. Although there is scant literature that discusses governance as the mechanism of accountability, a few researchers (see for example Stone and Ostrower, 2007; Hyndman and McDonnell, 2009) are of the view that governance is the method by which organisations are accountable. Indeed, Ebrahim mentions governance in his discussion about accountability mechanisms, albeit he classifies it under self-regulation. Although the understanding of governance is very broad (Hyndman and McDonnell, 2009), in non-profit organisations, governance is primarily defined as the board's performance and responsibility (Holland, 2002; Miller, 2002; Stone and Ostrower, 2007).

The examination of the accountability concept also shows that stakeholder salience could determine the way accountability is being practiced (Assad and Goddard, 2010). Thus, in order to evaluate the position of stakeholders in determining awqaf accountability, the stakeholder salience framework, which is developed by Mitchell et al. (1997), is employed in this study. The next section will discuss the stakeholder salience theory.

Stakeholder Salience Theory

When referring to the basic concept of accountability, which implies the demand of the accountor over the conducts of the accountee, accountability can be seen as the relationship between the principal and agent (Laughlin, 1996). In the context of *waqf* , the accountor can be seen as the *waqif*, while the accountee is the *mutawalli*. Looking from this point of view, the agency theory could be suitable to explain the principal-agent relationship. Nevertheless, there are some limitations to the agency theory in explaining accountability in *waqf* . Firstly, the basic assumption of this theory suggests that both the principal and the agent try to maximize their return. The financial suppliers need to assure themselves of getting a return on their investment while the manager is working to get incentives. Due to the fact that sometimes the interest of the agent and principal is not aligned, there should be monitoring strategies to mitigate the agency problems (Subramaniam, 2006). In the *waqf* context, although the specific objective of the *waqf* could vary depending on the wishes of the *waqif*, *waqifs* do not donate their assets for their own benefit. It is the welfare of the society that basically underpins the establishment of the *waqf* (Abdel Mohsin, 2008). Meanwhile, from the *mutawalli's* side, even though they are allowed to get financial incentive from managing *waqf* , the main duty of the *mutawalli* is to fulfil all the terms and conditions mentioned by the *waqif* during the establishment of *waqf* (Saleem, 2010). As such, the idea of agency theory seems not to be in line with the motivation of the *waqif* and *mutawalli*. In supporting this idea, Hyndman and McDonnel (2009) assert that in the charitable sector the contributors do not expect any financial returns from their donation. Therefore, Hyndman and McDonnel opine that the agency theory is not appropriate for non-profit organisations specifically charitable sectors.

Secondly, the accountability relationship in *waqf* is not solely between the *mutawalli* and *waqif*. As the institution which is aimed for the public benefit, *waqf* deals with various stakeholders, such as the government and beneficiaries (Cajee, 2011). This is termed accountability to multiple stakeholders by Assad and Goddard (2008). Hyndman and McDonnel (2009) agree that charitable organisations should show accountability to a wide range of stakeholders.

Thirdly, according to Basri and Siti-Nabiha (2010), the use of the agency theory in Islamic organisations, which, in most cases, are non-profit, is not appropriate. This is because in non-profit organisations there is no clear cut ownership. Meanwhile, the agency theory is associated with the ownership of the principal. Similarly, in *waqf* , the issue of ownership is subject to debate among scholars. Some cite that the ownership remains on the waqif, while others believe that *waqf* belongs to the ummah (Abdel Mohsin, 2008).

Based on the above argument, a theory that can explain organisational accountability to multiple stakeholders is needed in this research. In this sense, the stakeholder theory is seen to be more appropriate in describing the behaviour of organisations in their relationship with stakeholders (Donaldson and Preston, 1995). More specifically, in this study the stakeholder salience theory proposed by Mitchell et al. (1997) is used. This theory is actually the extension of Freeman's (1984) stakeholder theory. It is believed that the stakeholder salience theory can help managers prioritize the stakeholder's needs where there are multiple stakeholders (Alam, 2006). The next section will discuss stakeholder salience theory and how it can be applied in the *waqf* context.

Stakeholder Theory and Stakeholder Salience

The stakeholder theory is conceived as against the shareholder theory (O'Higgins and Morgan, 2006; Alam, 2006). While the shareholder theory emphasizes shareholder primacy (Alam, 2006) and agency cost (O'Higgins and Morgan, 2006), the stakeholder theory is more concerned with the strategies of management in upholding the interests of stakeholders. As the one who provided the definition of stakeholder theory, Freeman (1984) bases this theory on the basis of "who" and "what" really counts as the stakeholders of an organisation. He defined stakeholders as "…any group or individual who can affect or is affected by the achievement of the organisation's objectives" (Freeman, 1984, p.46).

Although widely cited in explaining the relationship between organisations and stakeholders, the stakeholder theory's capability of providing clear guidelines pertaining to how managers should deal with various stakeholders is subsequently challenged (Alam, 2006). The issue is not merely about defining who are counted as the stakeholders, but also "to what" and "how" the managers of the organisations should give attention to the various stakeholders (Donaldson and Preston, 1995; Mitchell et al., 1997; Gray et al, 1997). Therefore, some attempts have been made to expand Freeman's work in order to identify the power differences and priority among the stakeholder groups (for example Hill and Jones, 1992; Burton and Dunn, 1996; Mitchell et al., 1997). Hill and Jones (1992) recognize that managers have agency responsibility to all stakeholders, and not just shareholders. They also acknowledge power differences between different stakeholders. Therefore, their theory is known as the stakeholder-agency theory. Burton and Dunn (1996) also proposed stakeholder management based on the relationship, quality, and care and need. This theory was subsequently named as the feminist stakeholder theory. Among other things, Mitchell et al.'s (1997) work is considered as one of the instrumental branches of the stakeholder theory, which prioritizes the stakeholders' interests comprehensively (Alam, 2006). Mitchell et al. (1997) propose the qualitative classes of stakeholders, which can be identified by the following attributes: 1) stakeholder's power to influence firm, 2) the legitimacy of stakeholder's relationship with the firm, 3) the urgency of the stakeholder's claim on the firm. Mitchell et al define power as the ability to get the outcome that someone desire. Legitimacy on the other hand is related to socially accepted claims of the stakeholder. Meanwhile, urgency is associated with the calling for immediate attention.

Furthermore, Mitchell et al. (1997) explain the aforementioned attributes as follows; power is exercised through three sources, that is, coercive power, utilitarian power and normative power (Etzioni, 1964 as cited in Mitchell et al., 1997). Coercive power is related to the use of physical sanction to force others. Utilitarian power on the other hand is associated with the use of financial, goods, or services to control something. Meanwhile, normative power is other than physical and material control, which normally appears in symbols, such as prestige, esteem, love and acceptance. With regard to the attribute of legitimacy, there are some factors that can enable the stakeholders to legitimately make a claim. This encompasses moral, legal and property-based legitimacy claim. Urgency as another attribute is constituted by time sensitivity and criticality. Time sensitivity implies that to delay in fulfilling the claim is unacceptable to the stakeholders. Meanwhile, criticality refers to the level of importance to attend the stakeholder's claim.

Based on the above attributes, Mitchell et al. (1997) propose seven types of stakeholder: three possessing only one attribute, three possessing two attributes and one possessing all three attributes. The rationale behind the stakeholder salience model is that management has limited time and resources to provide information to various stakeholders. Therefore, management has to focus on stakeholder's needs. The types of stakeholder, as proposed by Mitchell et al. (hereafter referred to as MAW) is presented in the following figure:

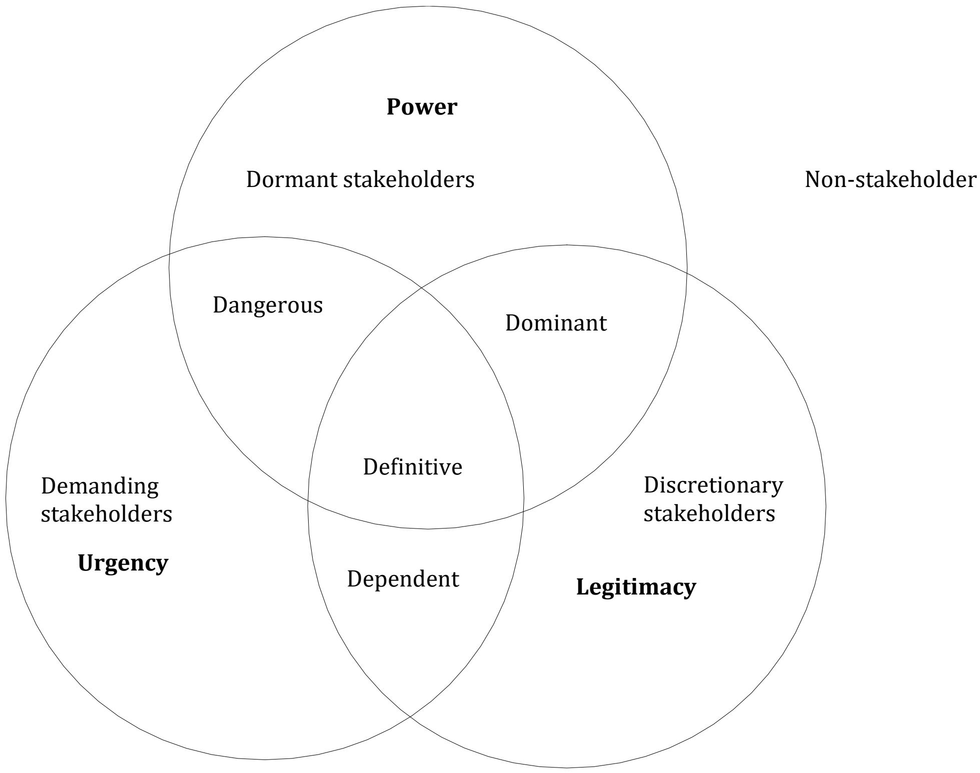

Figure 1. Stakeholder typology (Source: Mitchell et al., 1997)

Mitchell et al. (1997) assume that the salience of particular stakeholders will be low if only one attribute is present, moderate if two attributes are present and high if all attributes are present. Based on the figure above, Mitchell et al. classify stakeholders into three general classes. Firstly, latent stakeholders are those who possess only one of the three attributes. This class includes dormant, discretionary and demanding stakeholders. Secondly, expectant stakeholders are those who possess two attributes. This encompasses dominant, dependent and dangerous stakeholders. Definitive stakeholders are those who possess all three attributes. Lastly, those who possess none of these attributes are considered as non-stakeholders.

Cordery and Morley (2005) agree that the MAW model can be a good instrument for assisting management in identifying the relationships of accountability in the charitable sector. Furthermore, Cordery and Morley provide examples of how the MAW model can be applied to show accountability to various stakeholder groups in the charitable sector by combining it with Hayes' types of accountability, i.e. fiscal accountability, process accountability, programme accountability and accountability for priorities. While Cordery and Morley (2005) employ the MAW model to assess accountability in the charitable sector, Assad and Goddard (2010) examine this theory within the accountability of NGOs. Their reason for employing the stakeholder salience theory in NGOs is because this sector is associated with various stakeholders, and, hence, has multiple accountabilities. As mentioned by Najam (1996), multiple accountabilities prove more difficult in prioritising the multiple needs and interests of stakeholders. Therefore, Assad and Goddard (2010) argue that employing the stakeholder salience theory will enable the organisation to classify stakeholders with which the organisation interacts. Giving priority to the need of a certain group of stakeholders is considered normal, as Najam (1996) states that it is impossible to demonstrate equal accountability to all, at all times. Similar to NGOs and charitable organisations, *waqf* comprises many stakeholders to which accountability is due. This study, therefore, employs stakeholder salience to see how *waqf* serves multiple stakeholders in discharging accountability.

The stakeholder salience in the *waqf* context

As mentioned by Freeman (1984), the stakeholders can be identified through defining "who can affect and is affected" by the organisation's achievement. Furthermore, Mitchell et al. (1997) argue that stakeholders consist of both actual and potential individuals or groups that can affect and are affected by the organisation. They suggest that identifying the potential stakeholders can assist management in prioritising the needs of stakeholders, and, hence, avoid problems and even enhance management effectiveness in the future. Although Mitchell et al make significant contribution to the development of stakeholder theory through normative assumptions as to how manager should identify the stakeholders; they did not provide the practical definition in term of specifying who and what can be considered as stakeholders (Magness, 2008). In this regard, the success of stakeholder management depends on the accuracy of managers' assessment of the real attribute of stakeholders (Neville, Bell and Whitwell, 2011).

Based on the conditions of "who can affect and is affected", both actual and potential, Cajee (2011) identifies some groups that could possibly be considered as *waqf* stakeholders. According to him, the major stakeholders of *waqf* are the *mutawalli*, beneficiaries and the Muslim community. Other than that, there are some groups that are also counted as stakeholders, i.e. the government, politicians, *ulama* and academicians. He also mentions Islamic financial institutions as part of *waqf* stakeholders because of their potential support for the *waqf* revival today. There is, however, one group that Cajee omitted as stakeholders of *waqf*, that is, the *waqif*. In fact, in the classical *fiqh* rule, it is stated that the right to appoint the *mutawalli* is that of the *waqif* (Saleem, 2010). Moreover, the *mutawalli* has a responsibility to manage *waqf* in accordance with the terms and conditions mentioned by the *waqif*. Consequently, if the *mutawalli* fails to fulfil the wishes of the *waqif*, the *waqif* has the right to change the *mutawalli*. Therefore, the *waqif* should also be counted as one of the *waqf* stakeholders.

Given the above identification, *waqf* stakeholders can be classified into the stakeholder groups proposed by Mitchell et al. (1997). The first category of stakeholder proposed by Mitchell et al. is the latent stakeholders, which include dormant, discretionary and demanding stakeholders. Dormant stakeholders are those who possess the power to impose their will on the organisation, but by not having a legitimate relationship or urgent claim. Normally, dormant stakeholders have little or no interaction with the organisation. Islamic financial institutions and academicians are members of this group. The power owned by Islamic financial institutions is more likely associated with utilitarian power, i.e. related to the material. In order to develop *waqf* assets more productively, *waqf* institutions need to collaborate with Islamic financial institutions to get Islamic financial support (Kahf, 2011). In this sense, *waqf* can use various modes of Islamic financing contracts, such as *istisna' ijarah, mudharaba* and so on from the Islamic financial institutions to develop *waqf* properties. Meanwhile, the power of academicians can be likened to normative power and such power is related to prestige. Cajee (2011) affirms that academicians play an important role in educating the public on the importance of *waqf*. In supporting this view, Rashid (2008) also encourages Muslim academicians to conduct more research and to increase publication on *waqf* issues. Further, the author argued that there is a lack of research examining *waqf* issues as compared to other issues in Islamic economics, such as Islamic banking and finance. Accordingly, academics have a greater role in the revitalisation of *waqf* through dissemination of their knowledge on *waqf* and also through conducting more research on the same issue.

The second group in the latent stakeholders is discretionary stakeholders, that is, those who possess legitimacy without having power in the organisation or the urgency to claim. The instance of this group is the *ulama*. Abdel Mohsin (2009) mentions that the development of *waqf* over time has been influenced by the *ulama*. This is due to the fact that the Qur'an and hadith do not provide detailed guidelines for *waqf* management, and, hence, the consensus of the *ulama* (*ijma'*) was mostly referred to for *waqf* legitimacy. Perhaps, in today's *waqf* context, the role of the *ulama* is not only to issue *fatawa* regarding *waqf*, but also to re-introduce *waqf* to the Muslim society as part of *waqf* revitalisation.

The third class in latent stakeholders refers to the demanding stakeholders. Mitchell et al. (1997) explain that the demanding stakeholders are those who have claims but possess neither power nor legitimacy. The Muslim community is an example of a member of this group. Indeed, it could be argued as to whether the Muslim community possesses the required attributes of demanding stakeholders in terms of time sensitivity and criticality. As such, it is onus on the *waqf* institution to seek the support of the community in order to realize the revitalisation agenda of *waqf* (Cajee, 2011). Hence, there is criticality in terms of the support of Muslim community for *waqf*. It is therefore suggested that the *mutawalli* accord high priority to account disclosing information about *waqf* management to the public (Ihsan and Shahul, 2011b). This is actually related to the attribute of time sensitivity. Based on the explanation of Mitchell et al, time sensitivity refers to the degree at which management cannot delay in attending to the claim of the stakeholders

When the latent stakeholders acquire another attribute, they will move to expectant stakeholders, which are classified under dominant, dependent and dangerous stakeholders. Dominant stakeholders possess both power and legitimacy, but have no urgent claims. The government is the representative of the dominant stakeholders. Although there is criticism regarding the involvement of the government in *waqf*, Rashid (2008) agrees with the government's role as the regulator rather than management. In addition, Shatzmiller (2001) points out that the power given to the regulatory body should be limited by the law. Hence, the government might have power and legitimacy as the *waqf* regulator, but not necessarily an urgent claim to *waqf*.

The stakeholders who have urgent legitimate claims, but lack of power are considered as dependent stakeholders due to the fact that they depend on the others. An example of dependent stakeholders is the beneficiaries. The beneficiaries have legitimate claims on *waqf* as can be seen in the *waqfiyya* (Peri, 1992). Despite having legitimate and urgent claims on *waqf*, the beneficiaries are powerless in case the *mutawalli* does not attend to their need immediately. As asserted by Peri (1992), although there was a misuse of *waqf* assets during the Ottoman period, the beneficiaries could not do anything about it.

When stakeholders are characterized by urgency and power but have no legitimacy, they fall into the dangerous category of stakeholders. Politicians are an example of dangerous stakeholders. Apparently, politicians have no legitimate claim on *waqf*. However, through their power they can forcibly make a claim on *waqf*. Cizakca (2000) gives an example of how politicians can influence *waqf*. During the Turkish Republic general election in 1931, many politicians used the *waqf* issue as propaganda. They proposed to abolish *waqf* as they said it can bring the assets back to the public. Although Mitchell et al. (1997) note that the notion of dangerous is somewhat uncomfortable, failure to identify dangerous stakeholders would result in missed opportunities to mitigate the potential danger.

When all three attributes are present in one group of stakeholders, they will be classified as definitive stakeholders. The *waqif* is categorized under this group due to the presence of all three attributes. Clearly, the *waqif* has the power to appoint who is going to manage the *waqf* assets (Saleem, 2010). In addition, along the process of *waqf* management there are some powers that still remain with the *waqif*. For instance, the *waqif* has a right to change the purpose and the beneficiaries of the *waqf* (Cizakca, 2000). This right is legitimate as most Islamic scholars, including Hanafi, Shafi'i and Hanbali, agree with the authority of the *waqif*. Therefore, the *waqif* clearly has an urgent claim to know how the *waqf* has been managed by the appointed *mutawalli*.

It should be noted, however, that the above stakeholder classification is not fixed. In fact, every *waqf* institution can have different stakeholders based on their identification of who can affect and is affected by *waqf* . The discussion of stakeholder classification in this section is to make the theoretical framework clearer in the *waqf* context. Moreover, the membership of one class could be very dynamic (Baskerfille-Morley, 2004). For instance, although the government is considered to be the dominant stakeholder, it can move to another group at any time. Mitchell et al. (1997) point out that since the dominant stakeholders are powerful and legitimate, they can choose whether or not to assert their claim. In this sense, the government can become the definitive stakeholder once the urgency attribute is acquired.

Having identified the stakeholder classification in waqf , the question of "for what and how does the mutawalli discharge accountability?" should be answered (Mitchell et al., 1997). Due to the different groups of stakeholders, the way accountability is shown will be different (Cordery and Morley, 2005). Therefore, the mechanisms of accountability in non-profit organisations and NGOs are used to explain how the stakeholder salience theory can be more practical in explaining waqf accountability.

Ebrahim (2003) affirms that his effort in developing accountability mechanisms is to address the issue of the multiple and competing accountability demands among stakeholders. According to him, to show accountability to donors, the mechanisms of disclosure statement and performance assessment are mostly used. Meanwhile, accountability to the public is normally discharged through participation and social auditing. The following table shows how possible mechanisms of accountability can be used to show accountability to various *waqf* stakeholders.

Table 1. Mechanisms of accountability for various *waqf* stakeholders

Stakeholders typology	Member of stakeholder group	Possible mechanisms of accountability
Dormant	Islamic Fin. institutions	• Disclosure/reports • Performance assessment & evaluation
	Academicians	• Participation • Social auditing
Discretionary	*Ulama*	• Participation • Social auditing
Demanding	Muslim community	• Participation • Social auditing
Dangerous	Politicians	• Participation • Social auditing
Dominant	Government	• Disclosure/reports • Social auditing
Dependent	Beneficiaries	• Participation • Social auditing
Definitive	*Waqif*	• Disclosure/reports • Performance assessment & evaluation • Social auditing

Source: adapted from Ebrahim (2003) and Mitchell et al. (1997)

There are two groups of dormant stakeholders at waqf institution, i.e. academicians and Islamic financial institutions. While the accountability to academicians would normally be fulfilled through participation and social auditing, the accountability to the Islamic financial institutions will be shown through reporting and performance assessment. This makes sense as the academicians most of the time involve in waqf in the form of research and education. Thus, the two mechanisms, that is, participation and social audit are very relevant for them. Meanwhile, the interaction between waqf institution and financial institutions could be in investment and financing matters. Therefore, financial reporting and performance of waqf is suitable mechanism for this group of stakeholder.

The social audit and participations are more likely suitable for other group of stakeholders, i.e. Ulama, politicians, beneficiaries and Muslim community. Those stakeholders are grouped into discretionary, dangerous, dependent and demanding stakeholders respectively. Another group of stakeholder, that is government which is categorized as dominant stakeholder will be more likely demand for report and social audit. Only the definitive stakeholder will ask for more mechanisms of accountability. As the definitive stakeholder, donor or waqif will seek information about accountability through reporting, performance assessment and social audit.

Although the basic idea of the stakeholder salience theory is to assist management whether to be accountable to all stakeholders or just be selective to particular stakeholders (Alam, 2006), Assad and Goddard (2010) affirm that asymmetries in stakeholder salience can be a barrier to achieve holistic accountability. This is because organisations will tend to show upward accountability to those who are most influential, such as donors and government rather than downward accountability to the beneficiaries and the public.

Concluding Remarks

The purpose of this paper is to discuss the framework for *waqf* accountability. Thus, this study reviews accountability framework in non-profit and NGOs to see how accountability is being practiced by the *mutawalli*. The accountability framework encompasses mechanisms of accountability and stakeholder salience theory. This framework is adapted because it enables the researcher to understand how the *mutawalli* show accountability to the multiple *waqf* stakeholders. Based on the preceding discussion, it is clear that there is a tendency for mutawalli to show different mechanism of accountability to different group of stakeholder. The priority of accountability will normally be given to those who are in the upward position. The waqf regulators should therefore come up the by law and regulation as to how mutawallis show accountability. Accordingly, it is expected that the application of mechanisms of accountability within the stakeholder salience theory will enable the *mutawalli* to achieve the holistic accountability.

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