

decision-making authority, or that are submitted to the General Authority for Awqaf or other relevant bodies, in addition to the financial statements of the waqf. This element serves as the output of the waqf's accounting system.

Finally, I say:

These highlights offer a glimpse into the accounting system for waqf management. Any success in them is solely by the grace of Allah, and any shortcomings or mistake, omission or oversights are from myself and the Shaytan. May Allah have mercy on those who read these words, correct any flaws, refine any imperfections, or reminds us of something beneficial, "Whoever guides someone to goodness will have a reward similar to that of its doer⁽¹⁾.

And may the peace, blessings, and mercy of Allah be upon our Prophet Muhammad, his family, and all his companions.

(1) Narrated by Muslim

Almighty.

Second Element: Evidence and Documentation:

Every transaction conducted within the waqf must be supported by evidence and documentation that validate the transaction between the waqf and the relevant party. As a rule, no transaction should be recorded in the waqf's accounting records unless it is backed by supporting documents.

Third Element: The Accounting Cycle:

The financial data related to waqf transactions, which are based on supporting evidence and reference documents, are processed through this third element of the accounting system—the accounting cycle.

The Accounting Cycle of the Waqf Relies on Three Fundamental Pillars:

1. First Pillar: Accounting books and records, which have been provided by modern systems.
2. Second Pillar: A specialized accountant who can handle the supporting evidence and documents, as well as the figures they contain, for all transactions related to the waqf.
3. Third Pillar: Proper accounting treatment that takes into consideration the unique characteristics that distinguish waqf from other accounting entities.

Fourth Element: Financial Reports and Statements:

These are the various reports of the waqf that assist those with

as the Account Tree. This chart is built on five strategic pillars as follows:

- First Pillar: Waqf Assets:
- Second Pillar: Endowment Obligations, also referred to by accountants as liabilities.
- Third Pillar: Net Waqf Assets, which can be grouped with liabilities under a single classification, forming “Liabilities and Net Assets”.
- Fourth Pillar: Waqf Revenues.
- Fifth Pillar: Waqf Channel of Expenditures.

Under these pillars are various elements: primary accounts branching from them, followed by sub-accounts branching from the primary ones, and then analytical accounts.

As part of its efforts to develop the waqf sector, the General Authority for Awqaf has paid special attention to this aspect by undertaking the project of a Unified Chart of Accounts Guide for Awqaf. The goal of this initiative is to establish a standardized, advisory guide for waqf accounting that aligns with the standards for non-profit organizations. The guide aims to support the creation and design of a wide variety of financial reports that serve all levels, from waqf management to supervisory bodies, thereby enhancing the contributions of the Authority and superintendents in preserving the Awqaf funds and investments.

Up until the writing of this paper, the General Authority for Awqaf is conducting several workshops to ensure that the guide is developed in a way that meets the needs of the waqf sector in the Kingdom—may God protect it. It is hoped that the guide will be published on the Authority’s website soon, with the help of God

and addresses weaknesses. This type of auditing is crucial for detecting deviations, neglect, or shortcomings in the waqf. Without it, preventive auditing would be of no value.

3. **Post-Audit Oversight:** This occurs after the end of the financial year for the waqf and is conducted by specialized external auditing bodies. They examine and audit the financial transactions that took place in the waqf to identify any financial violations. The downside of this type of auditing is that it occurs late, thus detecting errors only after they have happened. Sometimes it takes place after a new super-attendant takes over or there are changes in the waqf's staff. However, this does not diminish its importance.

Sixth Highlight: Components of the Waqf Accounting System:

If the super-attendant wishes to activate and establish an accounting system for the waqf, he must consider important factors to develop a comprehensive accounting system as follows:

First: After receiving the waqf deed, the super-attendant should thoroughly read and understand the endower's stipulations, analyzing them financially through charts and ratios. Special attention should be given to the phrases and terms used by the endower in the waqf deed, such as whether the disbursement should be from the gross revenue, net revenue, or distributable net revenue. Each of these terms must be carefully interpreted, and the appropriate ratios must be established according to the endower's conditions. Based on this analysis, the superintendent will establish the first component of the waqf accounting system, which is the Chart of Accounts, also known in the accounting and financial profession

financial management, nor financial auditing can perform their roles properly, because financial accounting fuels and sustains these functions.

The Fourth Function: Financial Auditing:

Financial auditing is a crucial function in the waqf, closely linked to the revenue and expenditures of the waqf, whether they exist or not. It varies based on different considerations, with the timing of the auditing process or its position relative to the financial performance of the waqf⁽¹⁾ being the most significant factor, according to the researcher.

In terms of timing or its position relative to the financial performance of the waqf, financial auditing is divided into three types:

1. **Presets Auditing:** This is a preventive auditing conducted before the start of the waqf's financial year. Its purpose is to prevent risks from occurring, with God's help. Tools for this type of auditing include operational plans, budget forecasts for the waqf, regulations, policies, and procedures approved by the authority in the waqf, and the Sharia legal opinions upon which the work is based. Preventive auditing is considered one of the best types of audits.
2. **Accompanying Auditing:** This is the auditing of the actual performance of the waqf during the financial year. It ensures that the actual performance aligns with the planned objectives, identifies strengths to enhance,

(1) This section draws on the book titled "Financial Auditing in Islam" by Dr. Awf Mahmoud Al-Kafrawi, Assistant Professor of Islamic Economics at the College of Sharia in Riyadh, Imam Muhammad bin Saud Islamic University, published in 1983.

The First Function: Financial Leadership:

This function pertains to the financial leader who authorizes the disbursement of revenue in accordance with the terms set by the endower. This leader may be the super-attendant, the board of trustees, the chairman and vice-chairman, the secretary-general, or the executive director, depending on what is determined by the matrix of financial and administrative powers of the waqf, which outlines who holds the authority for financial approvals within the waqf.

The Second Function: Financial Management:

This function encompasses two dimensions:

- A.** The first dimension: an executive aspect closely related to accounting.
- B.** The other dimension: a leadership aspect closely related to financial leadership.

The role of financial management in the waqf is to assist the financial leadership in achieving two highly important objectives:

- A.** Preserving the endowed funds.
- B.** Growing and investing the endowed funds to achieve the highest possible return or the greatest impact as stipulated by the endower.

The Third Function: Financial Accounting:

It is the linchpin, the balancing element, and the cornerstone of the financial operations of the waqf. It is considered an indispensable duty for the waqf, as it is unimaginable to have a waqf without accounting. Without accounting, neither financial leadership,

Accordingly, it is never correct for the endower to receive the waqf's revenue funds into his personal bank account, nor to mix his personal financial liability with that of the waqf. Similarly, it is improper for the waqf super-attendant to receive the waqf's revenue funds into his personal account and then disburse from his personal account. These actions are incorrect and violate the explicit provisions outlined in Paragraph 1 of Article 15 of the Regulation for Trustees issued by the General Authority of Endowments.

The first step in activating the independent financial liability of the waqf is for the superintendent to register the waqf with the General Authority of Endowments and obtain a registration certificate. This certificate, along with the waqf deed, authorizes the superintendent to open one or more bank accounts-depending on the terms specified by the endower-in the name of the waqf. All financial transactions of the waqf must be conducted through these bank accounts. The superintendent must avoid using his personal bank accounts or any intermediary accounts for waqf transactions and must not mix the waqf's funds with his personal funds. Doing so would undermine the independent financial liability of the waqf and merge it with the superintendent's financial liability.

Fifth Highlight: Activating the Financial Functions Associated with the Flow and Expenditures of Waqf Revenue:

When the superintendent activates the independent financial liability of the waqf and opens bank accounts in the name of the waqf, there will be financial inflows and outflows from these accounts. These financial flows represent the movement of waqf revenue and its allocation, which must adhere to four financial functions:

not be mixed with personal funds⁽¹⁾.

It also stipulates that large and medium-sized waqfs must prepare a budget for all waqf activities and produce audited financial statements certified by accountants and auditors accredited by the Saudi Organization for Certified Public Accountants⁽²⁾.

Additionally, it requires that small waqfs and those with direct benefits, if they have revenues and expenses, prepare an annual financial statement that details the waqf's revenues and expenditure⁽³⁾.

The presence of a sound accounting system for the waqf greatly aids in complying with the regulations and guidelines governing the waqf's operations, meeting the requirements of the General Authority of Endowments, and addressing the needs of other relevant entities such as the Zakat, Tax, and Customs Authority, among others.

Fourth Highlight: Activating the Waqf's Independent Financial Liability:

Once the endowed property transfers from the ownership of the endower to the ownership of Allah Almighty, it acquires an independent financial liability separate from that of the endower, the superintendent of the waqf, and the beneficiaries⁽⁴⁾.

(1) Refer to the Regulation for Custodianship issued by the General Authority of Endowments, Paragraph (1) of Article Fifteen.

(2) Previous reference, Paragraph (4) of Article Fifteen.

(3) Previous reference, Paragraph (5) of Article Fifteen.

(4) For further details on this aspect, refer to the dissertation titled "The Financial Liability of Waqf: Jurisprudence and System" by Dr. Ahmad bin Abdulrahman bin Nasser Al-Hamad, published by Sa'i Foundation for Waqf Development.

formed decisions.

The Fourth Objective: Clarifying the Financial Position of the Waqf and Understanding Its Rights and Obligations:

The financial statement of the waqf refers to its assets and liabilities. Once the waqf transfers from the ownership of its founder to the ownership of Allah Almighty, it acquires an independent legal personality, which entails having its own financial liabilities. This means that the waqf will have rights and obligations. Therefore, if the superintendent wishes to understand the financial position of the waqf, a sound accounting system is essential, as it is difficult to determine the waqf's rights and obligations without it.

The Fifth Objective: Providing Financial Data and Information Necessary for Decision-Making:

The financial data and information produced by a sound accounting system for the waqf are crucial for the decisions made by superintendents or those in authority over the waqf. If a decision-maker wishes to make any decisions related to the waqf without having financial data and information from a reliable accounting system, they will not be able to make appropriate decisions and may even make incorrect or unsound choices.

The Sixth Objective: Compliance with Regulations and Guidelines Issued by the General Authority of Endowments:

At the forefront of these regulations and guidelines is the Regulation for Custodianship, which stipulates that the waqf must have one or more bank accounts. All waqf transactions must be conducted through these bank accounts, and the waqf's funds must

counting framework or regulation in place?

The Second Objective: Exonerating the Superintendent:

When the super-attendant establishes a robust accounting regulation for the waqf, he can satisfactorily exonerate himself. A good accounting system requires the superintendent to record all transactions of the waqf from the moment he assumes his supervising the Waqf as a superintendent, through the operation of the waqf, regardless of the type of endowed asset, until the revenue is generated. The revenue is then distributed according to the expenditures specified by the original endower in the waqf deed. This allows the superintendent to transparently disclose all matters related to the waqf, providing any requested reports on the flow and expenditures of the waqf's revenue. This ensures the superintendent exonerates himself before God Almighty, the regulatory authorities such as the General Authority of Endowments, and the beneficiaries, whether the waqf is family-based or joint.

The Third Objective: Waqf's Result:

Throughout the year, the waqf engages in various operations through its management and administration—regardless of its type—to generate revenue at specified intervals. At the end of the financial year, the accounts are closed, and the revenue is distributed according to the stipulations of the endower.

Without a robust accounting system for the waqf, it would be impossible to accurately determine the outcome of the waqf's activities or to measure the impact of the financial transactions conducted throughout the year. This, in turn, would hinder the ability to identify any surplus or deficit, which is crucial for making in-

money, which is in the ownership of Allah Almighty? Therefore, anything that contributes to the preservation of endowment property is considered beneficial and should be considered, while anything that compromises its preservation is deemed harmful and should be avoided.

The foremost and grand objective of the accounting regulation of waqf (endowment) is to preserve and protect the endowed funds, as well as to safeguard the rights of the parties involved with the waqf:

The Waqf' super-attendant must exercise utmost caution in preserving the principal of the endowed funds. Should the super-attendant display negligence, carelessness, or alter the assets in a manner that impedes their benefits or leads to the loss of their yields, several consequences arise: sin in the hereafter, the disruption of benefits or charity to the beneficiaries, hindrance of the endower's intent in perpetuating their charity, and potential legal investigation and court proceedings to determine condemnation or exoneration⁽¹⁾.

How can the super-attendant effectively protect and preserve the endowed funds without a robust or proper and efficient accounting regulation in place for the waqf?

And how can the super-attendant safeguard or protect the rights of

stakeholders, such as other trustees, beneficiaries, and employees of the waqf, without a sound or proper and effective ac-

(1) Refer to "The Duties of the Waqf superintendent in Islamic Jurisprudence" by Dr. Noor bint Hassan Qaroot, College of Sharia and Islamic Studies, Umm Al-Qura University, (p.5), adapted.

6. Financial and Administrative Authority Matrix
7. Expenditure/Grants/Support Policy
8. Conflict of Interest Policy
9. Beneficiary Rights policy.
10. Conflict of Interest Policy
11. Document Retention and Destruction Policy
12. Disclosure and Transparency Policy
13. Anti-Money Laundering and Counter-Terrorism Financing Policy
14. Professional Conduct Code Policy

Third Highlight: Objectives of Accounting Regulation for Endowments:

The adherents of divine religions and the wise among humanity agree that the most crucial aspect of improving human conditions is the preservation of five fundamental necessities, known as the Five Essentials: (Religion, Self, Intellect, Offspring, and Money or property). Islamic law provides adequate rules to protect these five necessities, both in terms of their existence, by establishing what ensures their presence in society, and in terms of their preservation and continuation, by promoting and safeguarding or protecting them from corruption and extinction⁽¹⁾.

Preserving property or money, in general, is a necessity of life. How much more critical is it to preserve endowment property or

(1) Refer to the article titled "Maqasid al-Shariah (Objectives of Islamic Law)" by Sheikh Dr. Abdul Rahman bin Mualla Al-Luhaih, available on the Alukah Network:

<https://www.alukah.net/sharia/0/94949>

Accessed at 7:33 PM, on 04/05/2024.

Among the regulatory references directly related to the technical accounting matters of endowments and significantly affecting them are the Accounting Standard for Non-Profit Organizations issued by the Saudi Organization for Certified Public Accountants (SOCPA) and the amendments made to it, which were approved by the Accounting Standards Board in its eighth meeting held in Jumada al-Awwal 1445H/November 2023. These amendments will apply to the financial statements prepared for the annual periods beginning on January 1, 2025⁽¹⁾.

Third Reference: The Regulatory Reference:

This refers to the internal regulations, procedures, and policies applicable within the endowment, which have been approved by the authorized entities in the endowment, whether it is the Supervisory Board, the Board of Trustees, or the trustee or super-attendant, as specified by the endowment's financial and administrative authority matrix. These regulations and policies have a significant impact on accounting regulation. Examples of such internal regulations and policies of the endowment include:

1. Endowment Governance Regulation
2. Financial Regulation for the Endowment
3. Board of Trustees Operating policy.
4. Human Resources policy.
5. Investment policy.

(1) See: The Saudi Organization for Certified Public Accountants website, updates on accounting standards for non-profit organizations.

<https://socpa.org.sa/uasnp>

Accessed at 6:20 PM, on 04/05/2024.

of the General Authority for Endowments shall issue a superintendent regulation policy that includes matters related to oversight activities, such as conditions, obligations, violations, and the determination of penalties for any of them ...”The General Authority for Endowments provided a one-year grace period to rectify situations, after which this regulation came into effect. Consequently, it has become one of the most important regulatory references that we must consider in the financial and accountable management of endowments.

Additionally, the Endowments Law, of which two drafts were published on the exploration platform to gather public feedback, is currently—up to the date of writing this paper—in the stage of development and preparation. Hopefully, it will be issued soon, God willing, in a manner befitting the Kingdom’s status—may God protect it—and its endowment sector and its significant impact.

Another regulatory reference that must be considered is the Regulation for Organizing Fundraising for the Purpose of Establishing and Financing Endowments, which was presented a few months ago on the exploration platform to gather public feedback. Once issued, it will become a significant reference and have a substantial impact on the accounting regulation of endowments.

Additionally, the Principles of Endowment Governance Regulation, expected to be issued soon by the General Authority for Endowment,

God willing, will also have a significant impact, as it contains several articles concerned with governing the financial and accounting aspects of endowments.

counting regulation. These references are as follows:

First Reference: Shariah Reference:

Endowments are governed by several Shariah rules, and it is essential to keep these rules in mind when initiating an endowment. Additionally, Shariah fatwas may be needed periodically by the endowment super-attendant, as some conditions set by endowers in the past might pose challenges. Therefore, the super-attendant may need to consult fatwa scholars, specialized students of Islamic jurisprudence, or expert firms in endowments, as these fatwas will have accounting implications based on the endower's conditions. Hence, this reference significantly impacts the accounting regulation of endowments.

Second Reference: Regulatory Reference:

This pertains to the regulatory matters governing the operation of the endowment. The foremost of these matters is the endowment deed issued by the court, as it is the primary regulatory reference governing the endowment. Therefore, it significantly impacts the accounting regulation of the endowment due to its inclusion of the endower's stipulations.

The first step that the super-attendant must take -after receiving the administration or super-vision and the endowment deed- is to conduct a financial analysis of the endower's stipulations. This analysis forms one of the fundamental bases for the accounting regulation of the endowment.

The regulation for organizing the administrator's works was issued based on the Council of Ministers resolution No. 286, dated 21/5/1442 AH. It included in (Section Two): "The Board of Directors

sued by the endower, represented in the endowment document or deed. This is followed by registering the endowment with the General Authority for Endowments and obtaining a registration certificate. Subsequently, one or more bank accounts should be opened for the endowment, through which all financial transactions related to the endowment are conducted, whether concerning its operation or obtaining its income, and then distributing this income according to the endower's stipulations.

This definition stems from the researcher's understanding of the philosophy of endowment in the Kingdom of Saudi Arabia-may God protect it-where all economic processes that the endowment undergoes, from its initiation through its operation to the collection of income and its distribution according to the endower's stipulations, are conducted according to specific accounting rules, procedures, and standards. These accounting rules and procedures include proof⁽¹⁾, measurement⁽²⁾, presentation, and disclosure⁽³⁾.

Second Highlight: References for Accounting Regulation of Endowments:

Three main references govern endowment operations, affecting the endowment's overall functioning and specifically its ac-

(1) Proof: Recording all endowment transactions from its initiation through its operation to the collection of its income and then distributing the income according to the purposes specified by the founder.

(2) Measurement: Translating endowment transactions into monetary terms to express the rights, results of activities, and financial position of the endowment.

(3) Presentation and Disclosure: Presenting accounting information about endowment transactions in the form of financial statements and reports, and interpreting them to assist the endowment management, whether it be the executive management, the board of trustee, or other relevant parties, especially the General Authority for Endowments, in obtaining accurate information as a basis for decision-making.

Many endowments that do not engage in profitable activities still require a portion of the income from the endowed assets to be allocated for development and investment, treating this portion as if it were part of a profit-oriented entity. This highlights the importance of accounting for endowed funds and their returns, as well as disbursing these returns according to the conditions set by the endowers. Proper accounting plays a crucial role in any endowment, and neglecting this can lead to significant sharia and regulatory issues.

Moreover, the Islamic Fiqh Academy has determined that when investing waqf funds, it is necessary to periodically disclose investment operations, publish information, and announce it according to prevailing practices in this regard. The Academy recommended that waqf management should adhere to rules of Sharia, administrative, financial, and accounting oversight⁽¹⁾. This is challenging to achieve in the absence of proper financial and accounting regulation for endowments.

Based on the above, this paper aims to shed light on some important aspects of the accounting organization of waqf, which are as follows:

First Highlight: The Concept of Accounting Regulation for Waqf:

It is a set of accounting rules and procedures that regulate the operation of endowments, starting with the endowment deed is-

(1) The International Fiqh Academy Council, stemming from the Organization of Islamic Cooperation, convened in its fifteenth session in Muscat (Sultanate of Oman) from 14-19 Muharram 1425 AH, corresponding to 6-11 March 2004 CE, Decision No. 140 (15/6) regarding investment in endowments and their proceeds.

Highlights in the Accounting Regulation of the Endowment

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In the name of Allah, the Most Gracious, the Most Merciful. Praise be to Allah, and peace and blessings be upon the Messenger of Allah, peace and blessings be upon him.

The waqf (endowment) is a form of financial worship through which a person seeks to draw closer to Allah by dedicating any type of asset he owns as a waqf for Allah. This endowment cannot be sold, gifted, or inherited. By the grace of Allah, who has embarked upon or ordained this blessed practice of waqf, has become one of the most important pillars of development in societies. They have a significant impact on community development in various aspects of life, as waqfs are sustainable financial entities due to the dedication of their principal assets or asset imprisonment and the distribution of their returns and benefits.

Endowments vary based on the types of assets endowed, including real estate, monetary, stocks or investment portfolios, waqf funds, institutions and companies, and other movable assets such as cars, among others. Additionally, the endowment of benefits and rights. The activities of these endowments are also diverse. Despite being non-profit entities, some engage in profitable activities.