

ROYAL HOLLOWAY, UNIVERSITY OF LONDON

SCHOOL OF MANAGEMENT



**GOVERNANCE AND ACCOUNTABILITY IN
CORPORATE WAQF INSTITUTIONS IN SAUDI
ARABIA**

**by
Mohammed Alomair**

**A thesis submitted in fulfilment of the requirement for the degree
of Doctor of Philosophy of Royal Holloway, University of London**

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Declaration

I Mohammed Ahmed Alomair hereby declare that this thesis and the work presented in it is entirely my own. Where I have consulted the work of others, this is always clearly stated.

Signed: _____

Date: _____

Acknowledgment

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

In the Name of Allah, the Most Merciful, the Most Magnificent

I am thankful to Allah Almighty for giving me help, guide and strength and determination to complete this thesis.

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Abstract

The institution of waqf has played a critical role in the development of Muslim civilization, and its contributions exceed the functions of typical charities. Prior research conducted in the area of corporate governance and accountability has found that a good governance and accountability system enhances the performance and risk management of corporations. The revival of waqf institutions creates the need to apply good governance systems that could improve their performance, transparency, and accountability.

The main aim of this empirical study is to evaluate and compare the current practice of governance and accountability of three waqf institutions belonging to different sectors (i.e., private, public, and the third sector) in Saudi Arabia by using qualitative research methods. In addition, this study aims to apply and examine the stakeholder salience theory in waqf institutions. The specific research methods adopted in this thesis comprised semi-structured interviews and document analysis.

After conducting a deep and comprehensive analysis of the three cases, it has been found that there are similarities and differences between these awqaf in governance, accountability and the stakeholders' relationships. In terms of governance, the waqf deeds are considered as one of the most important pillars of the governance documents in the waqf institutions in all cases. In addition, the boards of trustees are considered the most significant organizational entity in waqf institutions. The roles and responsibilities of the boards of trustees in the awqaf studied are highly similar. Conversely, the awqaf were different in terms of size and composition of the boards of trustees.

The study found that there are multiple stakeholders in the waqf institutions, and the cases studied agreed that there are five significant stakeholders: waqif, beneficiaries, court, government, and public. In general, the stakeholder salience theory provided important explanations to understand the ways in which waqf institutions are governed and held accountable in Saudi Arabia. However, after analysing the application of the stakeholder salience theory to the Saudi awqaf, the study found that there is a difference between some assumptions of the theory and the real-world views of the management of awqaf.

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Glossary

Arabic Terms	Translation
<i>Adala</i>	<i>Justice</i>
<i>Almusa alah</i>	<i>Accountability</i>
<i>Amanah</i>	<i>Trusteeship</i>
<i>Aqar</i>	<i>Real estate</i>
<i>Awqaf</i>	<i>Plural of waqf</i>
<i>Bait-ul-mal</i>	<i>Treasury</i>
<i>Ibadat</i>	<i>Worship</i>
<i>Ibdal</i>	<i>Sale of waqf assets</i>
<i>Istibdal</i>	<i>Exchange arrangement of waqf assets</i>
<i>Khilafah</i>	<i>Vicegerency</i>
<i>Mazhabs</i>	<i>Islamic legal schools</i>
<i>Mauqoof</i>	<i>Specific property to be converted into a waqf</i>
<i>Mukalaf</i>	<i>Legally sane to make decisions</i>
<i>Mutawalli</i>	<i>Trustee/manager</i>
<i>Nazzir</i>	<i>Trustee/manager</i>
<i>Sadaqah</i>	<i>Voluntary charity</i>
<i>Shariah</i>	<i>Islamic law</i>
<i>Shura</i>	<i>The principle of consultation</i>
<i>Waqf</i>	<i>Pious endowment</i>
<i>Waqf ahli</i>	<i>Familial waqf</i>
<i>Waqf khas</i>	<i>Private waqf</i>
<i>Waqf mushtarak</i>	<i>Quasi waqf</i>
<i>Waqfiyya</i>	<i>Waqf deed</i>
<i>Waqif</i>	<i>Founder of waqf</i>
<i>Zakat</i>	<i>Islamic taxation</i>

CHAPTER 1: INTRODUCTION

1.1 Introduction

The Arabic word waqf (plural: awqaf) means holding, confinement, or prohibition (Ashraf and Hassan, 2013). Kahf (2003) defines waqf as "...holding certain property and preserving it for the confined benefit of philanthropy and prohibiting any use or disposition of it outside its specific objective". In simple words, waqf is endowed by a person (waqif) who gives up some of his property to be used permanently or within a given period according to his interests. The main objective of waqf in Islam is to establish socio-economic welfare within Muslim society. The social purposes of waqf are various, but overall, they represent charitable deeds as prescribed by Islam. The activities can be religious, but they can also be carried out in the areas of health, sanitation, water, supply, education, etc. (McChesney, 2014; Deguilhem, 2008). The institution of waqf has played a critical role in the development of Muslim civilization, and its contributions exceed the functions of typical charities. The unique nature of permanence and perpetuity inherent in waqf and its perpetual usufruct create a superior philanthropic instrument complementing other types of charity in Islam, such as zakat (compulsory charity) and sadaqah (optional charity) (Karim, 2010). According to Marshall (1974), waqf is "the primary vehicle for financing Islam as a society" (p.124). Waqf can be an effective solution for poverty alleviation by improving non-income sectors, such as health and education (Sadeq, 2002). Consequently, waqf activities were historically a crucial part of Muslim life. However, between the collapse of the Ottoman Empire and the beginning of the 21st century, waqf has gradually become less popular in Muslim society. In fact, awqaf in many Muslim countries have been neglected during this period (Ali, 2002). The phenomenon of the inefficient management of awqaf in many Muslim countries has been attributed to colonialism in Muslim lands (abu Zahra, 1971; Rashid, 2008), political circumstances (Pioppi, 2004), and the lack of accountability of waqf trustees (Yaacob, 2006).

A renewed awareness and revitalization of waqf institutions has emerged amongst Muslim countries in the last two decades. Many Muslim countries have realized the need for waqf revival in order to assist government efforts in the fight against poverty. For example, issues related to waqf have come under close scrutiny in Saudi Arabia in recent years. In particular,

the focus of initiatives in this country has been on the enhancement of waqf management. The Saudi government has aimed to establish efficient and effective management procedures for waqf assets, therefore, the government of Saudi Arabia established, on December 8, 2015, a new governing body (the General Authority for Awqaf). This Authority will be responsible for all waqf assets in Saudi Arabia, including both public awqaf (waqf a'am) and specific awqaf (waqf khas). However, the structure of the Authority is still under study and it has not yet started its work. One of the issues that the Authority will address is the governance of awqaf and how awqaf are accountable to external stakeholders.

Many prior researchers have conducted empirical studies in the area of corporate governance and accountability. Those studies have found that a good governance and accountability system enhances the performance and risk management of corporations. The revival of waqf institutions creates the need to apply good governance systems that could improve their performance, transparency, and accountability. It is widely agreed that the best practice of governance should be adopted due to its potential as a critical success factor for revitalizing waqf institutions (Cajee, 2007; Ihsan and Ayedh, 2015). In recent years, many factors have played a role in the increased attention to the governance and accountability of awqaf, including concerns that waqf institutions seem to suffer from mismanagement, abuse, misuse, and neglect (Ariff, 1991; Bremer, 2004; Hassan and Shahid, 2010). However, there have been limited studies looking into waqf governance and the accountability of waqf institutions. Furthermore, most of these studies on the governance and accountability of waqf have focused on studying awqaf in East Asian Muslims countries, such as Malaysia, Indonesia, or Indian subcontinent countries, while almost no empirical studies have been done on the Middle East region. Thus, this study will examine the governance and accountability practices of waqf institutions in Saudi Arabia, using a case study approach. Three cases will be examined to determine and analyse the nature of the governance and accountability in Saudi waqf institutions.

1.2 Research motivation

There have been many calls for research into the governance and accountability of the non-profit organisation (NPO) sector (e.g. Fisman and Hubbard, 2005). Most accounting research has concentrated on the for-profit sector, so research into the NPO sector has been limited, particularly for faith-based NPOs such as waqf institutions.

Currently, the Saudi government has been highly focused on waqf institutions and has been implementing a new authority for awqaf. Hence, this is a particularly appropriate time to study waqf governance and accountability in Saudi Arabia, especially within the framework of understanding that governance and accountability are critical elements for the improvement of waqf management.

Thus, the primary motivation for this research is not only to contribute to the further development and enhancement of waqf institutions in Saudi Arabia, but also to offer a deeper understanding of waqf governance and accountability for other Muslim countries. In addition, the study will generate a comprehensive review of the existing studies of waqf governance and accountability. In fact, at the moment, there are no studies of waqf governance and accountability in Saudi Arabia, so this will be the first.

1.3 Research aim and questions

The main aim of this study is to determine ways in which governance and accountability may inform and improve the management of Saudi waqf institutions. There are a number of issues that arise from the main aim, so to achieve this aim, the following objectives were defined:

- to examine the current practices of governance in Saudi waqf institutions,
- to examine the ways in which accountability is experienced and enacted in waqf settings in Saudi Arabia, and
- to examine the application of the stakeholder salience theory to waqf institutions.

In this thesis, three main questions are derived from the research aim. Each question corresponds to one significant issue that this thesis aims to address. Firstly, this study focuses on governance practices in waqf institutions. Therefore, the main question related to governance is to determine *what the current governance practices are in waqf institutions*. The concept of governance includes a number of important practices, the most significant of which is the existence of a board of trustees. Under the first main question, there are several sub-questions that assist in answering this question:

- *What are the main governing documents that exist and are required in Saudi waqf institutions?*

- *To what extent do Saudi governing regulations impact the application of governance practices in waqf institutions?*
- *What is the role and composition of a board of trustees and its subcommittees in Saudi waqf institutions?*
- *To what extent does the role of a board and its subcommittees influence the level of accountability in Saudi waqf institutions?*

The second issue that this thesis aims to address is accountability in waqf institutions. *Nazzirs* (boards of trustees) play a crucial role in the management of waqf institutions. Thus, this study aims to answer the question of ***how a nazzir discharges accountability in Saudi waqf institutions***. The literature on accountability emphasises three fundamental aspects of this second main question, i.e., accountability to whom, for what, and through which mechanisms. Hence, three sub-questions are derived from the second main question:

- *Who are the stakeholders to whom accountability is owed by the waqf institutions?*
- *What do nazzirs perceive they are accountable for, and how are these perceptions developed and informed?*
- *What is the nature of the accountability mechanisms used to discharge procedural and consequential accountability in Saudi waqf institutions?*

The last issue addressed in this study is the application of the stakeholder salience theory to waqf institutions. The stakeholder salience theory has received great interest in accountability studies, specifically regarding accountability in NPOs. Cordery and Baskerville (2011) argue that stakeholder salience model can be a good instrument for assisting management in identifying the relationships of accountability in charity sector. Consequently, this study aims to clarify ***to what extent the stakeholder salience theory provides an adequate explanation for the ways in which waqf institutions are governed and held accountable in Saudi Arabia***. Mitchell, Agle and Wood (1997) use three parameters to categorize stakeholders: power, legitimacy and urgency. In order to examine the application of stakeholder salience and the Mitchell *et al.*, (1997) model, this thesis attempts to answer whether stakeholder salience asymmetries exist among waqf stakeholders and how a nazzir deals with the salient nature of waqf stakeholders. Table 1.1 summarises the research aim, objectives, main questions and sub-questions of this research.

Table 1.1 Summary of the research aim, objectives, and questions.

Aim	Objectives	Questions
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">inform and improve the management of Saudi waqf institutions</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">To determine ways in which governance and accountability may</p>	<ul style="list-style-type: none"> • To examine the current practices of governance in Saudi waqf institutions. 	<p><i>What are the current practices of governance in waqf institutions?</i></p> <ul style="list-style-type: none"> • What are the main governing documents that exist and are required in Saudi waqf institutions? • To what extent do Saudi governing regulations impact the application of governance system in waqf institutions? • What is the role and composition of a board of trustees and its subcommittees in Saudi waqf institutions? • To what extent does the role of a board and its subcommittees influence the level of accountability in Saudi waqf institutions?
	<ul style="list-style-type: none"> • To examine the ways in which accountability is experienced and enacted in waqf settings in Saudi Arabia. 	<p><i>How a nazzir discharges accountability in Saudi waqf institutions?</i></p> <ul style="list-style-type: none"> • Who are the stakeholders to whom accountability is owed by the waqf institutions? • What do nazzirs perceive they are accountable for, and how are these perceptions developed and informed? • What is the nature of the accountability mechanisms used to discharge procedural and consequential accountability in Saudi waqf institutions?
	<ul style="list-style-type: none"> • To examine the application of the stakeholder salience theory on waqf institutions. 	<p><i>To what extent does the stakeholder salience theory provide an adequate explanation for the ways in which waqf institutions are governed and held accountable in Saudi Arabia?</i></p>

1.4 Methodology

This research has adopted an interpretivist approach, so qualitative methodologies have been used to investigate the research questions. Three main case studies were examined to explore the pertinent issues relating to governance, accountability, and stakeholder relationships in waqf institutions. The case study organisations comprised three large waqf institutions based in the Kingdom of Saudi Arabia. Aside from the three large case organisations, officers from a number of Ministries and other organisations were represented in the research. The specific

research methods adopted in this thesis comprised semi-structured interviews and document analysis. In total, 22 people were interviewed, including CEOs, trustees, and departments managers, 15 of whom were employed by the three large case organisations. Formal regulations and reports produced by the case organisations, as well as other documents, were thematically analysed. These documents included waqf deeds, basic statutes and governance systems, annual reports, websites, and newsletters.

1.5 Scope of the study

This research principally involves an empirical investigation into the accountability and governance of waqf management in Saudi Arabia. The research examines the governance and accountability practices and mechanisms of three waqf institutions belonging to different sectors (i.e., private, public, and the third sector) in Saudi Arabia. Also, information on waqf management was acquired from the Ministries responsible for coordinating and facilitating waqf activities in Saudi Arabia, i.e., the Ministry of Commerce and Industry and the Ministry of Labor and Social Affairs. This study does not cover private awqaf that are managed by individuals and do not have an organisational form.

1.6 Contributions of the study

The main aim of this empirical study is to evaluate the current practice of governance and accountability in Saudi waqf institutions by using qualitative research methods. Considering the lack of in-depth research into awqaf, particularly in Saudi Arabia, this study contributes to understanding the governance and accountability of non-profit organisations, especially waqf institutions, from the inside. The study makes three main contributions:

1.6.1 Contribution to the literature

This study provides one of the first *comparative* analysis of waqf governance and accountability in the Muslim world. Most waqf studies that focus on governance and accountability are either theoretical studies (e.g., Noor *et al.*, 2014; Ihsan and Ayedh, 2015; Mohammad Abdullah, 2015) or empirical studies using a single case study (e.g., Ihsan *et al.*, 2016, 2017). Furthermore, this is the first waqf study focused in governance and accountability in the context of Saudi Arabia, so the results presented will be a significant contribution to Saudi scholarship in this field.

1.6.2 Contribution to theory

This study presents a deep analysis of the application of the stakeholder salience theory in waqf institutions. It identifies some shortcomings in the theory for providing adequate explanations about the salient nature of some stakeholders. Specifically, this study found differences between the predictions of the theory as to which stakeholders would be regarded by managers as most salient and managers' actual attitudes to different stakeholders (see section 9.3.2.2). In addition, this study provides a comparative analysis of the application of the stakeholder salience theory in three cases. This analysis found that the stakeholder salience theory does not take into consideration some significant differences between the influences of the stakeholders in the three cases (see section 9.3.2.2), which means that the theory needs to be expanded to accommodate these differences.

1.6.3 Contribution to policy and practice

As this is the first study conducted in the context of Saudi Arabia, it provides valuable insights for the relevant waqf authorities to improve the governance and accountability practices of waqf management in Saudi Arabia. Gaps in waqf governance policy development and implementation have been identified based on the empirical findings, and policy makers in the regulatory and advocacy agencies will be able to consider and act upon those findings in their work. These contributions to policy and practice are summarized as recommendations in the final chapter (see section 10.5).

1.7 Structure of the study

This thesis is organised into 10 chapters. The structure of the thesis is shown in Figure 1.1. The current chapter presents an introduction to the research by (a) providing some basic information and background on the thesis and (b) describing the researcher's motivations, objectives, questions, methodology, scope, and contributions to the discipline.

Chapter two contains a general review of the waqf concept, focussing on the history of waqf as well as its general definitions, characteristics, classifications, and components. This chapter also discusses how waqf is managed in some Muslim countries with a special focus on Saudi Arabia.

Chapter three provides a general review of governance and accountability concepts. It discusses a number of aspects of governance, such as definitions, models, and principles. It also

investigates governance in NPOs in greater detail, especially their internal governance mechanisms such as governing documents, boards of trustees, subcommittees, and management directorates. This chapter also addresses the three main questions related to the concept of accountability, i.e., accountability to whom, for what, and how. Moreover, Islamic accountability is discussed briefly. The last part of chapter three reviews related research studies, including NPO studies, waqf studies, and Saudi Arabian studies.

Chapter four discusses the relevance of various theories that explain the field of corporate governance. It provides a description of the four theories behind waqf governance: the agency theory, the stewardship theory, the stakeholder theory, and the institutional theory. This chapter also provides the theoretical frameworks adopted in this thesis and the questions that are to be answered by the end of the study.

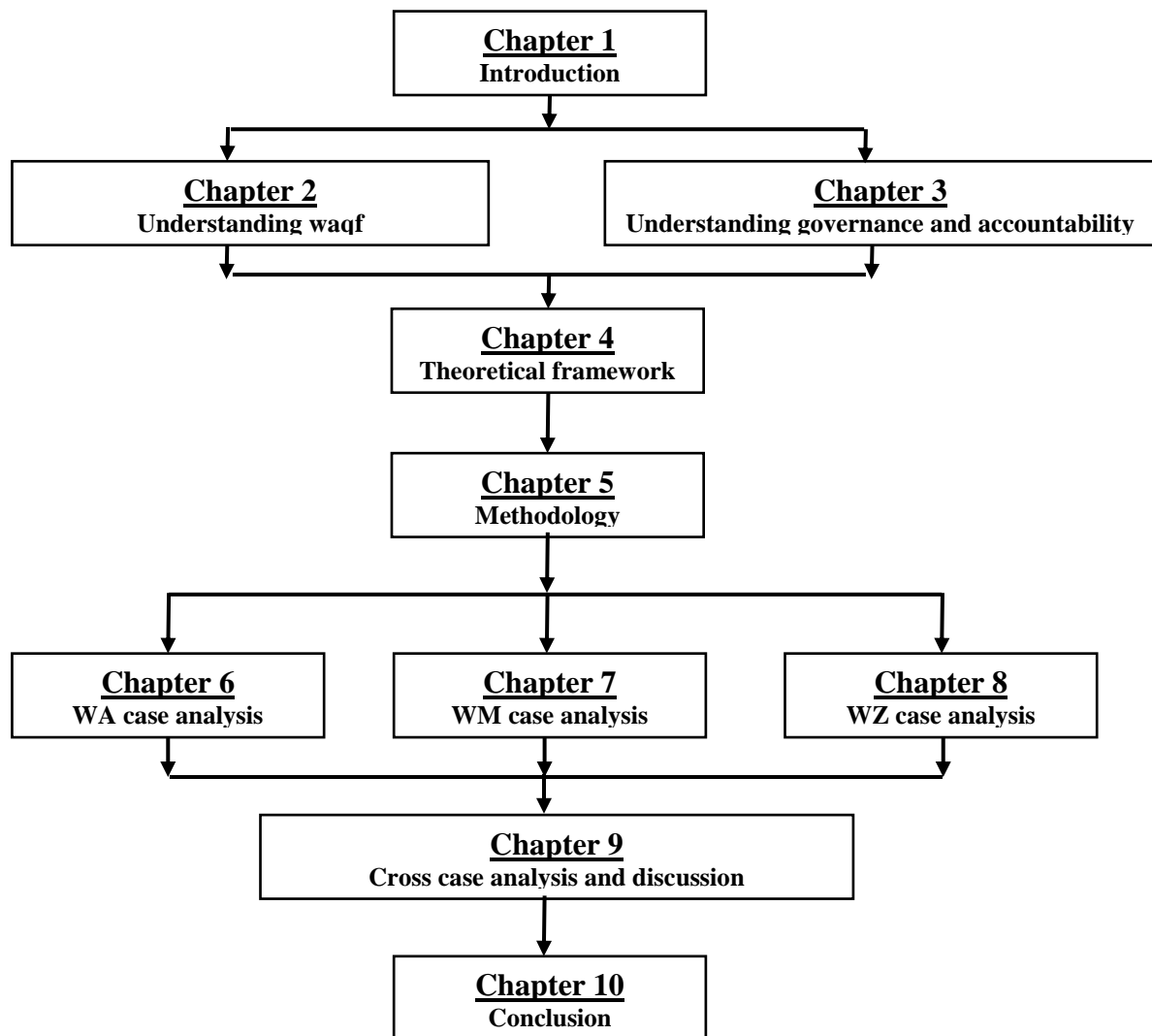
Chapter five details and justifies the research methodology and data collection used in this study. This chapter also explains the qualitative approaches used in the study and provides details about the data collection methods and samples. It also explains the process of empirical study, including the procedures for case selection, field visits, interviews, document analysis, and data analysis. Finally, the criteria for evaluating qualitative research and the strategies adopted in this research project for meeting those criteria are presented.

Chapters six, seven, and eight provide detailed information about the three cases. Data related to internal governance mechanisms, identification of stakeholders, and accountability practices are collected from internal documents of the case sites as well as interviews with waqf officers. These chapters also include the data organisation and analysis done in accordance with the research framework.

Chapter nine consists of a cross-case analysis, where the data collected from the three cases are compared to identify common issues and areas of variation between different awqaf. This chapter applies the stakeholder salience theory to the three cases in a critical manner.

Chapter ten presents the conclusions of this thesis. It offers some recommendations for regulation, explains the limitations of the present study, and suggests some avenues for future research.

Figure 1.1 Organisation of the study



1.8 Chapter summary

This chapter presents the background on the research topic, discusses the motivation for the study, and provides the research aims and questions. It also highlights the methodology used in this thesis, the scope of the study, and the contributions of the study. Finally, it lays out the structure of the ten chapters in this thesis.

CHAPTER 2: UNDERSTANDING WAQF AND WAQF MANAGEMENT

2.1 Introduction

Poverty has been a great challenge for most countries especially for developing countries. Islam strongly commanded Muslims to donate generously in order to reduce poverty in the community and enrich the needy. It can be inferred from the Quran that Allah ordained and encouraged Muslims to make donation purposely to assist the poor. In the Quran, Allah says:

And establish regular prayer and give regular charity (zakat), and loan to God a beautiful loan [verses 73:20].

In another verse, Allah said:

Those who spend their money in the night and in the day, secretly and openly, they will have their reward with their Lord, there is no fear over them nor will they grieve [verses 2:274]

In fact, the donation in Islamic religion can take different forms i.e. zakat, sadaqah, and waqf. First, zakat is an obligatory charity and it is one of the five pillars of Islam. Zakat has to be paid by every Muslim, who has an excess over a certain minimum amount (Nisaab) of wealth, every year. The second form, sadaqah, comprises any form of voluntary charity given in the cause of Allah and it can be performed at any time of year, and any amount can be given. Finally, waqf is a property dedicated to charitable purposes voluntarily. While the main purpose of zakat and sadaqah is to generate a one-off cash inflow, the third form, waqf, creates a continuing flow of cash from assets for use in, among others, social welfare enhancing activities both at family, community and state levels (Raimi, Bello and Mobolaji, 2010). All these forms have played a crucial role in promoting social justice as well as alleviating poverty in Muslim communities.

This chapter highlights waqf as a continuous charity that can contribute positively in developing communities. This chapter introduces waqf and provides a general understanding of the concept. It includes seven main sections. The first section offered a brief introduction.

The sections 2, 3, 4 and 5 provide an understanding of waqf, i.e. historical background, the definition, the characteristic, the classification of waqf. Section six outlines the components of waqf and demonstrates the experience of waqf management in a number of Muslim countries, including Saudi Arabia. Finally, a summary of the chapter is provided.

2.2 Definition of waqf

Waqf (endowment), in the Arabic language, means holding, confinement, or prohibition (Ashraf and Hassan, 2013). In the literature concerning Islamic law, waqf refers to a religious endowment: that is, a voluntary and irrevocable dedication of property with the implication that this is kept in the ownership of God. The meaning of waqf has been defined similarly by jurists of different schools of Islamic jurisprudence (mazhabs). The four Sunni schools of law still in existence are the Hanafi, Maliki, Shafi'i and Hanbali schools; however, their interpretations of the essentials of waqf may differ slightly. According to Nasir (1990) the classical definition of waqf in Islamic law is given by Imam Abu Hanifah "the appropriation of any particular thing in such a way that the founder's right in it shall continue and the advantage of it go to some charitable object" (p.274). Similarly, jurists of the Shafi'i school took the strong view that waqf refers to the "tying up of the substance of a property and the devoting of its usufruct for the benefit of mankind, in such a manner that ownership of it belongs to God (Allah)" (Mahamood, 2006). The Maliki jurists defined waqf as "the grant of the usufruct of a thing that is binding on the donor for the duration of its existence; ownership remains hypothetically with the donor, although he is no longer entitled to use the substance of the property" (Powers, 1993).

Beside the definition of classic jurists, some researchers and organisations provide their own definitions. Gaudiosi (1988, p. 1234, citing Cattani, 1955) states that waqf is "the detention of the corpus from the ownership of any person and the gift of its income or usufruct, either presently or in future, to some charitable purpose". In addition, she adds that, while "ownership of the waqf property was thereby relinquished by the founder, it was not acquired by any other person; rather it was 'arrested' or 'detained'". McChesney (2014, p. 6) similarly states that waqf is "the voluntary relinquishing of the right of a disposal of a thing by its owner and the dedication of the usufruct of that thing to some charitable end, as a charitable gift". In Singapore, in the Administration of Muslim Law Act (AMLA), waqf is defined as "the permanent dedication by a Muslim of any movable or immovable property for any purpose

recognized by the Muslim Law as pious, religious or charitable”.

2.3 Characteristics of waqf

As a special kind of charity, waqf has three main characteristics, which have been addressed in depth in the books of classical jurists: (i) perpetuity, (ii) irrevocability and (iii) inalienability. The following subsections discuss these three main characteristics.

2.3.1 Perpetuity

The meaning of perpetuity in the Arabic language is ‘ta’bid’ although two meanings might be associated with this term: firstly, that waqf cannot be limited by time and temporariness and, secondly, that waqf assets should remain so forever. In other words, perpetuity in waqf means that once a property is endowed as a waqf, it cannot be constrained by time and so properties donated must be perpetual in nature. Religiously, this means that a donor continues to receive the rewards from God as long as the properties are being used by the beneficiaries. The perpetuity in waqf therefore benefits both donors and beneficiaries. Laldin et al. (2006, p. 9 cited in Osman, 2012) state that waqf “is a perpetual donation. It does not only allow the waqif [donor] the opportunity to receive continuous reward, it also provides a continuous benefit to the beneficiaries”. This is noted in a hadith in Sahih Muslim:

Abu Hurairah reported Allah’s messenger as saying: When a man dies, all his acts come to an end, but three: recurring charity, or knowledge (by which people benefit), or a pious offspring, who prays for him (Sahih Muslim, 4005).

The majority of the schools of law insisted on the perpetuity of the dedication of the property. The general rule of the Hanafi school of law is that a waqf must be perpetual in order to be valid. If it purports to be made for a temporary purpose or for a limited period of time, it is void (Khadduri and Liebesny, 2008). The Shafi’i and Hanbali jurists are presumed to hold the same view. Therefore, for these two schools, whenever the term waqf is used, permanence is presumed. For this reason, this group of jurists does not allow waqf in the form of cash. However, while they consider that trees and buildings, for instance, are movable by nature, they presume such things to be perpetual due to the longer period of their annexation to land. On the other hand, the Maliki jurists advocate that waqf is not necessarily in perpetuity. They argue that a waqf may be limited as to time or as to life and therefore, after the expiration of the time or the extinction of the life, it reverts in full ownership to the waqif (Gaudiosi, 1988).

Kahf, (1999, p. 2) states that: “perpetuity, in waqf, remains the rule and temporality the exception”. He adds that the principle of perpetuity needs to be analysed within the context of societal need. He argues that the importance of perpetuity “provides for capital accumulation in the third sector that, over time, builds the necessary infrastructure for providing social services on a non-for-profit basis” (Kahf, 1999, p. 3).

2.3.2 Irrevocability

The second characteristic, that of irrevocability, implies that, when a waqif (founder) declares a property as waqf, the property cannot be revoked by anyone, including him/herself. Powers (1999) states that waqf property, once declared, “takes effect immediately, cannot be revoked by the founder...”. According to Abu Yusuf, a Hanafi scholar, waqf is effective and binding as soon as the declaration is made by the donor (waqif) without any need for possession to be delivered to the beneficiary. The declaration means that ownership has been transferred from the founder.

The concept of ownership in waqf may be complex and confused. Although there is general agreement among the four schools of Islamic jurisprudence on the irrevocability of the contract, their opinions are divided with regard to the final ownership of the property. The Shafi’is’ believe that the ownership of waqf assets is transferred to God and what appears to be human ownership is, in fact, a matter of trusteeship (Sait and Lim, 2006). The Hanafis’ view is that a waqf property has no owner at all (Abu Zahra, 1971). The Hanbalis are of the view that the ownership of waqf depends on the type of waqf. If waqf is dedicated for public use (e.g mosques) the ownership is transferred to God, while if the beneficiaries are known and specified, the ownership is transferred to them (Muhammad, 1997). Maliki jurists have adopted the view that a waqf remains in the ownership of the waqif. Therefore, they allow the waqf asset to revert to the donor if the usufruct of the waqf can no longer be applied to the purpose mentioned in waqf deed (Layish, 1983).

2.3.3 Inalienability

The concept of inalienability in waqf means that property cannot be subject to sale, disposition, mortgage, gift, inheritance or any kind of alienation. The concept of inalienability is rooted in the hadith of the Prophet (peace be upon him). When Umar ibn al-Khattab acquired a piece of land and asked the Prophet (peace be upon him) how best to use it, the Prophet advised him to establish it as waqf and “make the land inalienable (unable to be sold or given away), and give its profit away as charity”. Cattani (1955) notes that “the power to sell or exchange was very

strictly exercised and waqf property could not, generally speaking, be sold in exchange for other property merely because the resulting increase in the corpus would be beneficial to the waqf” (Gaudiosi, 1988, p. 1235). According to (Kahf, 2003, p. 22), this characteristic of inalienability could mitigate “the continuous threat of mishandling the property itself, not only its usufruct or income”. He added that waqf properties in many Muslim communities “are subject to all kinds of ownership-transferring contracts by the management, as well as to litigation by others for lack of actions of managers”. However, the characteristic of inalienability may have an impact on the development of a waqf property. According to Mohammad, Iman and Omar (2005), this negative effect may be seen in a lack of liquid assets and conflict with some laws. Some scholars have devised several solutions in order to overcome these obstacles such as allowing exchange or sale (ibdal and istibdal).

2.4 Historical background

Prophet Muhammad (peace be upon him) laid down to his nation what is called the ongoing charity (waqf) and gave this as a good pattern for his nation. When Rabbi Mukhayriq fought alongside Prophet Muhammad in the battle of Uhud and was killed in the battle, he had already announced that if he died in the battle his wealth should go to Muhammad. The Prophet gave all Mukhayriq’s wealth to charity and Al-Hafiz Ibn Hajar indicated in his book, Fath Al Bari, that the first waqf in Islam was the lands of Rabbi Mukhayriq which he ordered should be granted to the Prophet after his death.

Taking into consideration the well-known dispute about the first waqf in Islam, the donated lands of Mukhayriq, which were granted to the Prophet, are believed to be the first practical implementation of the concept of ongoing charity. Indeed, the concept of ongoing charity forms the core characteristic of the waqf system. As a result, this donation is considered as the first waqf in Islam. After that, the charity of Umar ibn Al-Khattab (the second Khalifa) was the second waqf. His waqf in Khaybar (a settlement to the north of Medina) completes the known elements of waqf (Alomar, 2010).

Ibn Umar reported: Umar acquired a land at Khaybar. He came to Allah's Apostle (may peace be upon him) and sought his advice in regard to it. He said: Allah's Messenger, I have acquired land in Khaybar. I have never acquired property more valuable for me than this, so what do you command me to do with it? Thereupon he

(Allah's Apostle) said: If you like, you may keep the corpus intact and give its produce as Sadaqah. So 'Umar gave it as Sadaqah declaring that property must not be sold or inherited or given away as gift (Sahih Muslim, 4006).

Umar ibn Al-Khattab was the first person to document his waqf and to have this document witnessed. The waqf of the Mukhayriq lands by Prophet Muhammad and the waqf of Umar ibn Al-Khattab, together with what was mentioned in the Prophet's Sunnah about how awqaf should be run, provide legitimate sources for the emergence of the public/family waqf. The Prophet's companions followed this model when they endowed anything as a waqf and recommended the model to others (Alokash, 2006).

The structure of waqf management was simple and uncomplicated during the early stages of its emergence in Islamic society in the first Hijri century (the seventh Gregorian century). The person who endowed a waqf would manage it him/herself or would have it managed by one of his/her family members. After his/her death, the management of the waqf would be transferred to a manager (nazzir). Generally, the nazzir would be one of the children or grandchildren of the initial endower, or someone else who was selected by the waqf's endower before he/she died. However, the nazzir could be appointed by a judge if necessary. In all cases, the nazzir is supposed to conduct the waqf according to the conditions stipulated by the founder in his/her waqf deed.

Over time, the role of the judiciary in the waqf administration grew until it reached its high-point during the reign of Hisham ibn Abd Al-Malik (724 C.E.). At that time, awqaf were abundant. Therefore, the chief judge of Egypt, Tawbah ibn Nimr bin Harmal Al-Hadrami, created an independent diwan for waqf (Alokash, 2006). He also gave himself the power to supervise the endowments in order to protect them and make sure that the conditions of these endowments were not breached. Tawbah did not die until a great diwan was established to run the waqf affairs under the supervision of the judge himself (Al-Kindi, 1908, cited in Alokash, 2006). Indeed, the launch of the waqf system in Egypt in the year 736 C.E. was the first of its kind in all Muslim countries; Then, a similar diwan was established in Basra city in Iraq (Al-Bayoumi, 1998).

However, according to Alokash (2006), corruption began to surface in the new system of waqf administration and resulted in waqf properties being looted during the reign of King Kamel Al-Ayoubi (1218 C.E.). One example of looting was the appropriation of income from enormous

areas of waqf lands by governments and individuals (Al Abdul Salam, 2002). Abu Zahra (1971) states that such corruption took place during the seventh and eighth Hijri centuries (the 13th and 14th Gregorian centuries) and afterwards.

The first Ottoman law to regulate the waqf was issued in 1863 and was named ‘the waqf administration system’ (Alokash, 2006). This system included provisions regulating bookkeeping, accounting by the waqf regulator, the construction of buildings on registered waqf lands, waqf income and waqf expenditure (Al-hiti, 1997). It should be noted that the Ottoman waqf system is still effective today in many Islamic countries. Even though new laws have been issued in other countries to regulate waqf, they have relied extensively on the Ottoman laws (Al-hiti, 1997).

2.5 Classifications of waqf

Waqf was commonly classified into three main types: a specific waqf, public waqf and quasi-public waqf. The type of waqf essentially depends on the purposes for its creation. Therefore, the donor should declare whether he/she would like to donate the property for specific beneficiaries, public or a mix of these types. In the first type, the waqif specifies the intended beneficiaries. In other words, a specific waqf means it is for named beneficiaries to enjoy the usufruct. This type of waqf also includes the family waqf (waqf ahli or dhurri), which is set up for the benefit of family members, including the waqif. Some scholars argue that there are two main objectives of family waqf: first, family waqf was created to keep the properties of a family intact, “to assure the entitlement of the beneficiaries for the duration of the objects, and to regulate the transmission of usufructory rights from one generation to the next” (Powers, 1993); second, family waqf was applied to limit the fragmentation of real property through Islamic inheritance laws (Lev, 2005).

The second type of waqf is a public waqf, “which involves the permanent dedication of the property for charitable purposes”(Sait and Lim, 2006, p.51), such as hospitals and schools. The third classification of waqf is the quasi-public waqf (waqf mushtarak). This type of waqf was created to fulfil both the wishes of the waqif’s family and also for charitable and public purposes (Deguilhem, 2008; Mohsin, 2009). Revenues generated by quasi-public awqaf are divided between mosques, hospitals or schools, or for any specific religious services selected by the founder.

2.6 Components of waqf

A waqf system consists of five elements, namely: (1) the waqif (founder) as a person or organisation that endows property or cash for a charitable purpose; (2) a waqf deed or contract (waqfiyh), where a founder states that his property is a waqf; (3) beneficiaries as people or public utilities for charitable purposes; (4) a property as an asset or fund which is endowed as a waqf for a charitable purpose and for others; (5) a nazzir (manager or trustee) as a person or institution who is assigned as a legal custodian over the property. The following subsections address the roles and functions of these elements.

2.6.1 The Waqif

The founder or donor in the waqf concept is known as the waqif. A waqif can be a person, a group, an institution, or a corporation. The founder must be of sound mind, the owner of the property at that point, and be of age. In addition, the donor must confirm his/her decision to grant a waqf property and designate its beneficiary, either verbally or in writing. Laldin *et al.*, (2006, cited in Osman, 2012) adds that the waqif must undertake the waqf of his/her own free will, without being coerced or harassed or manipulated. The majority of Islamic schools of law consider that Islam is not a necessary condition for a waqf's validity. According to the Shafi'is and the Hanbalis, a waqf made in favour of a non-Muslim is valid in the same way as one made for a Muslim. The waqf regulations of the Kuwait Awqaf Public Foundation and the Selangor Waqf Enactment Act allow a non-Muslim waqif as long as the purpose of the waqf is in compliance with Islamic law. In the contrast in Singapore, however, according to the definition of the AMLA, the founder must be a Muslim.

2.6.2 Waqf deed

A waqf deed is a written document accompanied by a verbal declaration. This deed implies the offer of founding a waqf by the waqif. In fact, the waqf deed includes significant aspects of the waqf: i.e. properties, beneficiaries and administration. In addition, it provides descriptions, such as the use of the asset and its maintenance, for future reference, as well as information on the private life of public figures (Deguilhem, 2008). This declaration must be written in language that is clear and understandable; the writing must also specify whether it is a general or specific waqf. According to Mohammad, Iman and Omar (2005), the terms and conditions of any declaration of waqf must be clear, certain and not ambiguous. They add that a waqf declaration is invalid if it is made for any immoral purpose or person, if it is not for devotion to Allah, if it is inconsistent with Shariah or written law, or if it is made for only some of the

beneficiaries who are entitled to inherit from the estate of the waqif (unless this is done with the consent of all remaining beneficiaries) (Mohammad, Iman and Omar, 2005).

2.6.3 Beneficiaries

The third participant is the beneficiary or beneficiaries of the waqf property. The beneficiaries designated by the founder are entitled to share in the usufruct of the waqf (Gaudiosi, 1988). A founder may appoint the general public, a specific group of recipients, or even himself and his inheritors as beneficiaries of the waqf. A beneficiary who fails to perform the founder's duties, however, can be dismissed by the manager of the waqf and replaced with another. The beneficiaries who enjoy the benefit of the waqf can be categorised into two main groups: specified and non-specified beneficiaries. In respect to the former, only named beneficiaries can enjoy the usufructs of the endowed property. One of the most popular examples of this category is familial descendants. It is important to mention that the reference to specified beneficiaries should be made at the time of the founder's death and thus, anyone who is not in existence at that time is excluded (Mahamood, 2000). For the latter category, non-specified beneficiaries are unrestricted, ranging from the poor or the needy, mosques, schools, bridges, graveyards, and the general public. During the time of the Prophet, awqaf not only served religious and social functions, but also supplied the public utilities needed. According to Boudjellal (1998) the Muslim caliphates did not specify departments to manage public works, such as mosques, schools, roads, and hospitals. Therefore, the revenues from awqaf were used to cover those public needs. Sadeq (2002) gives an example saying that Zubaidah, the wife of Caliph Harun Al-Rashid, made a waqf for the purpose of building a road from Baghdad to Mecca.

2.6.4 Waqf property

Waqf property, called al- mauqoof, is an asset or fund which is endowed by the waqif as a waqf for benevolent purposes. In fact, there are several issues, which are associated with the waqf property. The following section discusses some of these issues:

2.6.4.1 Movable and immovable waqf

There is no difference amongst the jurists with regard to immovable waqf (Aqar) because perpetuity is a stipulation of waqf properties for the majority of scholars. As for moveable waqf, however, there is a difference of opinion amongst jurists. The Hanafi jurists hold that a moveable waqf is not allowed unless attached to an immovable one (Mahamood, 2000). Therefore, the waqf of a building, tree or farming equipment is not allowed unless the land it

is associated with is first made as a waqf. Any items not attached to specific waqf land are therefore considered unsuitable and cannot be taken as a waqf.

On the other hand, the majority of jurists from amongst the Maliki, Shafi'i and Hanbali schools allow waqf for both immovable and moveable items (Mahamood, 2000). Therefore, a moveable item can be endowed regardless of whether or not it is attached to endowed land. For example, an animal or a piece of furniture can be endowed as long as it can be benefitted from because the eternality of anything is only guaranteed as long as it is fit for use. Although perpetuity is a condition for waqf with Shafi'i and Hanbali jurists, they consider the length of eternality to differ according to what would be appropriate for that specific item. If something is not eternal in and of itself, then its perpetuity will be estimated according to its normal lifespan or usage and that which cannot be benefitted from continually, such as food, for example, cannot be endowed.

2.6.4.2 Exchanging waqf (istibdal)

The exchange of waqf property is an issue about which there are differences amongst the scholars of the four juristic schools. With regard to this issue, they differentiate between the exchange of immovable and moveable items.

The Shafi scholars prohibit the exchange of both immovable and moveable waqf out of fear of the loss of the waqf (Cizacka, 2000). Maliki jurists, for example, have two points of view with regard to the istibdal of immovable property (Abu Zahra, 1971). The first view, that of a smaller group, is that istibdal is permissible if the property or land no longer retains any benefit. The second view is that of the majority of Maliki jurists who prohibit istibdal altogether, whether this is a mosque or any other immovable property (Abu Zahra, 1971). For movable property, Maliki jurists permit istibdal to substitute the waqf in the case of damage and/or to replace it to gain lost benefits because waqf property functions alongside its benefit and charity (Bin Sulong, 2013). In contrast to these two schools, the Hanafi scholars allow the exchange of waqf in most cases as long as this will realise a benefit for the waqf, regardless of it being an immovable or moveable waqf (Cizacka, 2000). The Hanbali scholars hold a position in the middle of these two contrasting views as they allow for the exchange of a waqf if it is no longer useable in the manner for which it was intended when endowed (Mahamood, 2000). It is worth mentioning that the scholars of the four juristic schools concur that it is permissible to exchange waqf properties if the founder states this in the waqf deed. Saudi religious procedural law also

allows the selling and transferring of waqf properties that have fallen into disrepair with four conditions:

1. If permission is given by a religious judge presiding over the city in which the waqf is to be found.
2. If there is affirmation of a benefit to the waqf and its beneficiaries made by people of experience.
3. If the value of the waqf is placed immediately into a similar waqf.
4. If the Court of Cassation gives its approval.

It is clear that all those who allow or do not allow the exchange of waqf properties do so because they wish to achieve the best benefits from waqf properties; however, they all look at the issue from their own specific perspectives. Therefore, those who prohibit exchange do so because they fear that the waqf properties will be subject to loss and corruption while those who allow it do so because they feel prohibiting exchange will have a negative effect on the growth and profits of waqf properties.

2.6.4.3 Cash waqf

The notion of a cash waqf is not a current juristic issue as it has been discussed in detail by scholars of the past. It should be noted that the jurists differ over this issue and their views can be divided into two. Firstly, it is the view of the Shafi'i and Hanbali scholars that cash waqf are not allowed; they justify this by the fact that money cannot be of use without being completely consumed and a waqf is allowed based on perpetuity. Ibn Qudama al-Hanbali said, "That which cannot be benefited from while its essence remains such as dinars, dirhams, food and drink cannot be endowed with the majority of the scholars." Secondly, it is the view of the Hanafi and Maliki scholars that a cash waqf is permitted. In the book, *Durr al-Mukhtar*, the author states, "Just as it is permitted to endow every moveable such as an axe or dirhams and dinars." In addition, Maliki scholar states that "As regards money, there is no hesitation whatsoever, it being absolutely valid to make waqf of it as it is the express teaching of the *mudawwana*. By waqf here is meant waqf for the purpose of lending out. The replacing of it by money of the same value is considered as preservation of substance" (Suhrawardy, 1911: 357, cited in Cizacka, 2000). It is clear that the reasoning behind the first opinion is that the condition of a waqf being perpetual cannot be applied to money.

2.6.5 The Nazzir

The trustee (called a nazzir or mutawalli) can be an individual or group of people appointed by a founder to manage the property for the benefit of the beneficiaries. In addition, according to the Hanafi and Shafi'i schools of law, the founder can also appoint him/herself or his/her family members as the administrator. However, the founder cannot appoint himself as the administrator of a waqf in the Maliki's mazhab (Layish, 1983). A nazzir of a waqf is responsible for managing the waqf property in the best interests of the founder/donors as well as the beneficiaries. This includes preserving the property, collecting the waqf income, distributing the income to the appropriate beneficiaries, and developing it in order to maximise the usufruct of the property (Gaudiosi, 1988). These responsibilities reflect the significant role of the nazzir of a waqf property in making sure that it is continuously used for the benefit of the beneficiaries.

The nazzir of a waqf must be sane and have attained puberty. Being a Muslim is also condition in some schools, such as the Shafi'i, if an appointment is to be deemed valid. However, according to the Hanafi school of law, a non-Muslim can also be appointed as a nazzir (Marwah and Bolz, 2009). Nevertheless, the Hanbali school argues that a non-Muslim can only be appointed if the beneficiaries are also non-Muslims; therefore, if the beneficiaries are Muslims, the administrator of the waqf should be a Muslim as well. Many scholars add that the nazzir should be a person of integrity, of good character and fit for his/her duties physically and mentally. He/she should be a trustworthy person who will discharge the supervision of the waqf personally or through a deputy.

Historically, awqaf have always been managed personally without any intervention from institutions or the state (Çizakça, 2000). This is unlike other charitable institutions from the time of the Prophet, such as *zakat*, which was managed by *Bait-ul-mal* (the treasury) (Karim, 2010). However, the Islamic courts, during the Ottoman Empire, continued to supervise and manage all public waqf properties while family waqf were managed by individuals (Mohsin, 2009). After independence, most Muslim countries established ministries to manage waqf properties and the trusteeship of all awqaf was shifted from private individuals and Islamic courts to a centralised administration (Siraj, 2012). Currently, the management of awqaf has witnessed tremendous developments. The role of the nazzir, even in some family awqaf, is now being taken up by a group of people, an entity or the state, rather than by an individual.

Sait and Lim (2006, p. 169) note that "efforts at capacity building by mutawallis/nazzirs and

enhancing transparency and accountability are important, but the real challenge lies in improving and rendering more efficient the structures of waqf administration”. The form of the entities managing waqf properties has changed from being a voluntary identity to one overseen by the government; more recently, it has taken the shape and style of a private company (Osman, 2012). Therefore, the management of a waqf nowadays can be categorised under three main sectors: the government sector, the private sector and the non-profit organisations’ (third) sector. Chronologically, government management came before third sector management, with private sector management being a relatively recent development, and these three modes of management are now considered.

2.6.5.1 The government sector

The second caliph, Umar ibn Al-Khattab, established “diwan al-nafaqat”, a department designed to keep all the country’s accounts, including the waqf account. Subsequently, a second department, “diwan al-ahbas”, which came under the supervision of the Chief of Justice, was established by the 4th century after Hijrah. Diwan al-ahbas was considered as the first independent department for managing waqf properties. Later still, after the 5th century of Hijrah and before the Ottoman Empire, the management of waqf was given a variety of names although these still covered the same duties. However, during the Ottoman Empire, the management of waqf properties fell more and more under the control of the state since, by this time, waqf had gained greater importance in societies by making significant contributions to social and economic progress. Ahmed (2004, p. 42) states that, “The shift of awqaf properties to government started with the establishment of an Awqaf Administration by the Ottoman Empire in 1826”. Towards the end of the Ottoman Empire, a centralised administration took over the trusteeship of all waqf, shifting such administration from individuals and Islamic courts. This centralisation policy continued with the later colonisation of almost all Muslim countries by European nations. Over the last two decades, however, the institution of waqf has been revived as centrally administered and as public sector trusteeships in spite of the fact that historical experiences of associating waqf with the state had hardly been encouraging. However, the involvement of governments in awqaf has moved beyond the supervisory role held historically as governments may now appoint or remove trustees, resolve disputes, and even confiscate assets and properties. Now, the government roles in terms of waqf concentrate on modernising, reorganising and developing waqf institutions (Islahi, 1992).

South East Asia

Among the Muslim countries, it has been claimed that south east Asian countries have made the greatest effort in managing waqf properties. In Singapore, the existence of waqf can be traced back to 1826 during the period of British colonisation of the country. The management of waqf is still undertaken by the Majlis Ugama Islam Singapura (Muslim Religious Council of Singapore [MUIS]). In 1968, the Administration of Muslim Law Act (AMLA) accorded to MUIS the power to administer all waqf-related matters. This act was amended in 1995 to make the Council the only trustee of waqf properties (Karim, 2010). The concept of centralisation of waqf administration is to make sure that MUIS controls and administers awqaf to prevent these properties from mismanagement, for example, corrupt usage, sale or transfers (MUIS Annual Report, 2006). MUIS has created a separate financial division *bait-ul-mal* (waqf treasury) to control the different funds. It clearly distinguishes between the commercial and religious purposes of the waqf assets. A subsidiary company, the Wakaf Real Estate of Singapore (WAREES Investment Pte. Ltd), was then established by MUIS for the purpose of developing and monitoring waqf projects. It is focused on managing all bait-ul-mal and waqf properties.

There are about 200 waqf assets in Singapore (worth of about SGD250 million), which ultimately generate an annual rent of about SGD6 million to SGD7 million (Haji-Mohiddin, 2015). According to Harun et al., (2012), Singapore is considered as one of the best models in managing awqaf around the world and MUIS has planned to become an international participant in the field of managing awqaf. In addition, with the establishment of WAREES, awqaf in Singapore has become more transparent (Haji-Mohiddin, 2015). According to Ramli and Sulaiman (2006 cited in Haji-Mohiddin, 2015) MUIS concentrates more on operational aspects such as auditing and supervision, while WAREES works to develop and increase profits of the waqf assets.

In Malaysia, the State Religious Islamic Councils run by the respective state rulers or sultans, are the sole trustees who oversee the management of all waqf properties. The first SRIC was accorded sole trustee status in 1952 while the dates from which other states were given this responsibility varied (Mahamood, 2006, p. 84). In the Federal Territories of Labuan, Kuala Lumpur and Putrajaya, waqf assets are administered under the supervision of the King and are centralised under the Islamic Religious Council of the Federal Territory KL.

In Indonesia, the earliest regulations concerning waqf were developed in 1977 (Siraj, 2012); here, all matters fall under the jurisdiction of the Ministry of Religious Affairs. Managers of

waqf properties must be registered with this Ministry and with the Indonesian Waqf Body although such managers may be an individual or an entity. Via promulgation of the Undang-Undang 41 Tahun (2006), the Indonesian government, in order to show its commitment to the use of awqaf as a social and economic resource, created, in 2006, an independent central administrator, the Badan Wakaf Indonesia (Indonesian Waqf Organisation [BWI]) (Salam, 2008 cited in Siraj, 2012). The primary function of this administration is to organise the management of awqaf in Indonesia.

The subcontinent of India

The situation in this regard is similar in both Pakistan and Bangladesh where all waqf properties are subject to government supervision. Malik (1990) states that, in Pakistan, waqf properties were first nationalised by the State in 1960. He states: “Hence endowments were no longer available for the economic wellbeing of a Muslim and the State was able to interfere in foundations legally...” (Malik, 1990, p. 74). In 1961 and 1962, two laws, the Waqf Ordinance, were created for the West and Pakistan. These allowed awqaf to be managed and administered at a provincial level. By 1976, however, the system in Pakistan became completely centralised and the previous provincial management arrangements were transferred to the Federal government. When Bangladesh split from Pakistan in 1971, while the Waqf Ordinance of 1962 was still applicable there, the Waqf Commissioner later handled the internal control of the waqf administration (Çizakça, 2000). Karim (2009) mentions that, in Bangladesh, the management and administration of waqf properties is currently highly centralised.

Arab countries

The hugely powerful Ministry of Awqaf was established in Egypt after independence and, after waqf properties were nationalised in 1952, these assets were considered to be part of the state. The government of Egypt then abolished the private waqf and the family waqf, subsequently nationalising all public awqaf in 1954, bringing them under the control of the Ministry of Waqf (Çizakça, 2000); this transferred the management responsibility to the Ministry of Awqaf and away from individual managers (Dafterdar and Bank, 2009, p. 4).

In Sudan, the Islamic Charity-Waqf Law, promulgated in 1970, codified all the laws pertaining to all forms of waqf, putting the Ministry of Religious Affairs in charge of the entire system; this included the appointment of nazzirs. Subsequently, a specific waqf law, al- Awqaf and Religious Affairs, was passed in 1980. This law legalised the centralisation of the administration of waqf in Sudan while the Ministry of Religious Affairs was made the system’s

General Administrator; the Public Corporation of Awqaf was created in 1987 (Hasan, 2007). Later, in 1989, the Islamic Awqaf Organisation was promulgated by the Islamic regime while a cash-based waqf entity, the Great Awqaf Company, was created in 1995; this was completely financed by public donations. The Great Awqaf Company has undertaken activities of both a social and a charitable nature; it has also developed the nation's basic infrastructure by building schools, hospitals, old people's homes and mosques.

In Kuwait, in the late 1930s, significant economic changes led to the establishment of the Department of Waqf; this was followed by the establishment of the Waqf Affairs Boards in the 1940s (Khalil, Ali and Shaiban, 2014). The Department of Waqf was entrusted with the responsibilities of administrating waqf activities and this was then upgraded to become the Ministry of Awqaf and Islamic Affairs after the independence of Kuwait in 1962. This Ministry was established to perform several tasks including managing waqf properties (Al-Osman, 1997). Currently, waqf activities in Kuwait are managed by the Kuwait Awqaf Public Foundation (KAPF), which was established by the Emirie Decree in 1993. KAPF is responsible for waqf and for managing its affairs and funds, as well as investing assets and spending the waqf revenues (Khalil, Ali and Shaiban, 2014).

Kingdom of Saudi Arabia

After independence from the Ottoman Empire, the Kingdom of Saudi Arabia acquired Awqaf that were managed according to the Ottoman laws. A new law was issued in 1927. This stated that the provisions made by the Ottoman laws for the administration of waqf remained valid and this remained the case for several decades (Muhammad Abdul-Jawad, 1977 cited in Alokash, 1996).

King Abdulaziz assigned the supervision of waqf to the judges in most areas of the Kingdom except Mecca, Medina and Jeddah. The reason for these exceptions was because the king preferred to keep the same special regulations that had been followed during the rule of the Ottomans. After this, however, a new regulation was issued in 1927 which regulated the legitimacy of waqf affairs in these cities. After this, several decisions and instructions were issued until the establishment, in 1961, of the Ministry of Pilgrimage and Awqaf by a royal decree. The Ministry was structured in a more up-to-date manner, and employed a more systematic and formal style of management, with the purpose of managing the affairs of waqf and the pilgrimage (Alokash, 1996).

Five years after establishing the Ministry of Pilgrimage and Awqaf, the Higher Council of Awqaf was established by royal decree in 1966 in order to regulate all the waqf affairs in the entire Kingdom. The first article in the decree appointed the Minister as a nazzir of waqf (Sayed-Habib *et al.*, 1998, cited in Alokash,1996) while the second article in the decree illustrated the composition of the Council.

This was as follows:

1. The Minister of Pilgrimage and Awqaf – President.
2. Deputy Minister for waqf affairs – Vice-president.
3. A scholar in Islamic laws assigned by the Minister of Justice – member.
4. Deputy Minister of Finance and Economy – member.
5. The manager of the antiquities department in the Ministry of Knowledge – member.
6. Three experts who are recommended by the Minister of Pilgrimage and Awqaf; they may be appointed members of the Council by royal decree.

The decree determined the duties and responsibilities of the Deputy Minister in terms of seven specific tasks. In addition, it established a managerial structure consisting of six departments:

1. The general management of Awqaf properties
2. The general management of investments
3. The general management of charity affairs
4. The general management of libraries
5. The management of financial and managerial affairs of waqf revenues
6. The general management of technical affairs.

In addition, the decree established a Secretariat General for the Waqf Council while the following are subordinates to the Deputy Minister for Awqaf Affairs:

1. Deputy Assistant for the executive affairs of waqf who is responsible for four departments:
 - The general department of investment.
 - The department of finance and administration.
 - The general department of technical affairs.
 - The computing department.

2. Deputy Assistant for affairs concerning waqf properties who is responsible for four departments:
 - The general department of waqf properties.
 - The general department of charity affairs.
 - The general department of libraries.
 - The general department of cases and consultations.

Awqaf in Saudi Arabia give rise to several significant problems which have created an ambiguous situation for waqf in the Kingdom. For example, the current law regulating awqaf is becoming increasingly out of date because the regulations of the Higher Council of Awqaf were issued in 1966 and its executive regulations were issued in 1973 (Alokash, 2006). Both the regulations and its executive instructions, therefore, have not been reviewed or developed for more than five decades. Only a few simple articles have been adjusted but no comprehensive review of the whole set of instructions has been undertaken. These old regulations do not cope with today's demands and the changes affecting the business environment.

The Ministry of Islamic Affairs, which has primary responsibility for waqf in Saudi Arabia, has been highly criticised for its supervision and management of waqf. Surprisingly, despite the Ministry's supervisory role, it does not have enough information about waqf. For example, no collection of statistics has been undertaken by the Ministry about the amount of waqf assets or the size of investments related to the existing awqaf. Additionally, there is an enormous amount of ignorance concerning waqf assets. In other words, it is often not known whether or not assets actually belong to a waqf. Looting has also taken place. The administration system adopted by the Ministry of Islamic Affairs is centralized and all the managerial tasks are correlated hierarchically from the bottom of the Ministry to the Minister who heads the Ministry of Islamic Affairs. The centralized administration is one of the main problems facing waqf management in Saudi Arabia because it limits the administration and provision of awqaf affairs to the hands of the Higher Council of Awqaf, which is headed by the Minister. Consequently, the development of waqf administration is dependent on the extent of their ability to overcome obstacles that result from the state's administration of facilities.

On the other hand, waqf in Saudi Arabia has attracted real attention from both individuals and the government. Many people have sought to register their own waqf under the supervision of the Ministry of Commerce and Industry in order to overcome the problems and ignorance of

the Ministry of Islamic Affairs. The Ministry of Commerce and Industry has enabled individuals who have waqf to establish waqf corporations that can operate like normal companies. Moreover, it has created some waqf committees in the commercial chambers; these have contributed tremendously to reviving the waqf culture in Saudi Arabia. The committees have also encouraged many businessmen/women to establish their awqaf under the supervision of the Ministry of Commerce and Industry rather than the Ministry of Islamic Affairs.

After growing criticism of the administration of the Ministry of Islamic Affairs and Awqaf in recent years, the Cabinet announced its intention to establish an independent authority to manage Awqaf. It is intended that this authority will be separated from the Ministry of Islamic Affairs and will have an independent Governor with the rank of Minister. On 24 June 2015, the Minister of Islamic Affairs and Awqaf declared, in an opening speech at the Chamber of Commerce in Mecca, that the establishment of authority stemmed from recognition of the need for the waqf sector to be independent because of its particular importance. It is noteworthy that so far, this authority has not engaged in any activity and the intention remains under review.

2.6.5.2 The third sector

Recently, the expansion of the third sector in Saudi Arabia and other Muslim countries has included growth in waqf institutions. While the earliest example of an entity managing a waqf property is a non-profit entity being managed by an individual manager (Kahf, 1999), many researchers actually prefer waqf properties to be managed by non-profit entities. Sait and Lim (2006, p. 156) state that, “The waqf was intended by classical Islamic jurisprudence to be a ‘third sector’ of philanthropy or civil society, which existed independently of both the state and the profit-making private sector”. Kahf (1999) argues that waqf properties should be managed by a third sector, with the local community being empowered to make decisions. He adds that the government and the private sector managing waqf properties is usually problematic. In the case of management by the government, waqf properties are often fraught with corruption and bureaucratic procedures, while management by the private sector may shift the social objective of awqaf into having only the objective of making profit (Kahf, 1999).

It is noteworthy that in the last few decades, a large number of Saudi non-profit organisations have endeavoured to establish their own waqf properties to ensure their survival and continuity. The nature of waqf revenues, which are continuing charity, can create sustainability for these organisations and assist them in meeting their social obligations without the need to rely on public donations which are inherently volatile and unstable. Regulations in Saudi Arabia allow

Saudi non-profit organisations to establish and manage their own waqf properties. As these organisations are under the supervision of the Ministry of Labor and Social Affairs, waqf properties which belong to NPOs are indirectly supervised by the Ministry of Labor and Social Affairs.

2.6.5.3 *The private sector*

The role of the private sector in social development has gained increasing importance in the last few decades and a large number of entities in the private sector have become aware of their social responsibilities towards the community in which they operate. As waqf is one of the most significant tools in terms of social responsibility in Muslim communities, many companies have used the waqf model to make contributions to the community. Although the use by private corporations of the waqf model as a tool to serve the community is relatively new, it has witnessed rapid growth in recent years. Nowadays, a number of private entities play the role of waqifs and/or nazzirs of waqf in many Muslim countries. This, in turn, has contributed positively to the development of waqf management in terms of promoting a culture of professionalism in management practices. According to (Hanefah *et al.*, 2011), private entities, with corporate and/or professional backgrounds, could greatly help religious authorities to make more of waqf assets; they could also broaden the sources and widen the application of waqf funds. They also comment that private institutions are often thought to be more competent and imaginative in terms of developing waqf assets. Çizakça (2011) notes that, in Turkey in 1967, Koc Holdings was the first corporate body to be involved in establishing and administering waqf assets.

On the other hand, the idea of waqf corporations has inspired number of Muslim governments. Many Muslim countries, such as Sudan (1986), Kuwait (1993) and Malaysia (2008), established waqf corporations, which are relatively independent from the administration of central government. These corporate entities have played a major role in the development and management of waqf properties. However, these reforms, according to the opinions of some researchers, did not change the way waqf properties were managed. Kahf (1999, p. 13) argues that, “Unfortunately, all these reforms could not touch the real problem; hence, solutions suggested were only cosmetic and represent mere change of hands, a kind of intergeneration struggle, rather than a change in the concept of management”.

Looking at the nature of the waqf institution, it can be classified as a type of non-profit organisation. The waqf institution can be considered a non-profit organisation as its

establishment is mostly not aimed at the benefit of the owners but rather the benefit of society. The main feature of non-profit organisations is that they are not established with the motive of making a profit for distribution to the owners (Productivity Commission, 2010). However, the nature of a specific waqf institution depends mainly on the particular terms of the waqf deeds. In some cases, a waqf institution becomes similar to a private corporation, as the founder (waqif) can establish a family waqf (waqf Ahli). In this case, therefore, the waqf institution can be also categorized as a private corporation. Thus, a suitable governance framework for corporate awqaf may combine features of both corporate governance and NPO governance frameworks as this type of waqf shares characteristics with these organisations.

2.7 Waqf and sustainability

Nowadays, the concept of sustainability is widely discussed in the non-profit sector. Sustainability is a common topic of discussion at the management and governance levels of organizations (Seel, 2006). According to National Council for Nonprofits, a US organization, the word “sustainability” is commonly used to describe the ability of an NPO to maintain its existence over the long term, perpetuating its ability to fulfil its mission. According to some scholars (e.g Mishra et al., 2011), there many factors for sustainability in NPOs such as ethics, efficiency and effectiveness in the investment, participation of stakeholders, and accountability.

Awqaf are arguably aligned with sustainability. In fact, awqaf have been instrumental in the sustainable social and economic development of Muslims societies. Tahir (2008) states that awqaf “operated in a fully autonomous and self-sustaining manner in handling various projects of social and economic import.” In fact, social and economic sustainability is one of the main objectives of waqf. However, the future growth of awqaf themselves requires them to be managed in a sustainable way. Sustainability of awqaf will be endangered in the absence of ethics on the part of the management on one hand and the beneficiary on the other hand. Accountability and transparency are considered as part and parcel of ethical considerations for the sustainability of awqaf (Oladapo, Oseni and Mustafa, 2016). In addition, Olasupo (2011) posited that waqf funds need to be invested for sustainability purposes. According to Karim (2010), “financing of mosque and its maintenance as well as madrasah without investing such funds and making use of the income for the aforementioned purposes may not be economically viable and sustainable as well.”

Therefore, it is important first to decouple awqafs' investment activities from charitable activities and run them in a structured way similar to a modern financial investment management company. This can be done by maximising the value of awqaf through effective asset management and being proactive when managing their assets for the long-term benefit of society. For waqf to be sustainable, it is also crucial to involve the stakeholders who constitute the different elements in the society where the waqf is being established. The participatory efforts of key stakeholders in terms of creating awareness about such institutions, donations as well as forming part of the disbursement team, will enhance transparency and credibility on the part of the institutions.

2.8 Chapter summary

This chapter provided an introduction and an understanding of waqf including the definition, characteristics, classifications, and components of waqf. This chapter also outlined the importance of waqf in Islamic societies and the waqf history. In addition, it highlighted the experience of managing waqf properties in several Muslim countries with a special emphasis in the situation in Kingdom of Saudi Arabia. In the next chapter, the discussion takes up this concern by offering some insights, drawn mostly from non-profit organisations, regarding the notion of governance and accountability.

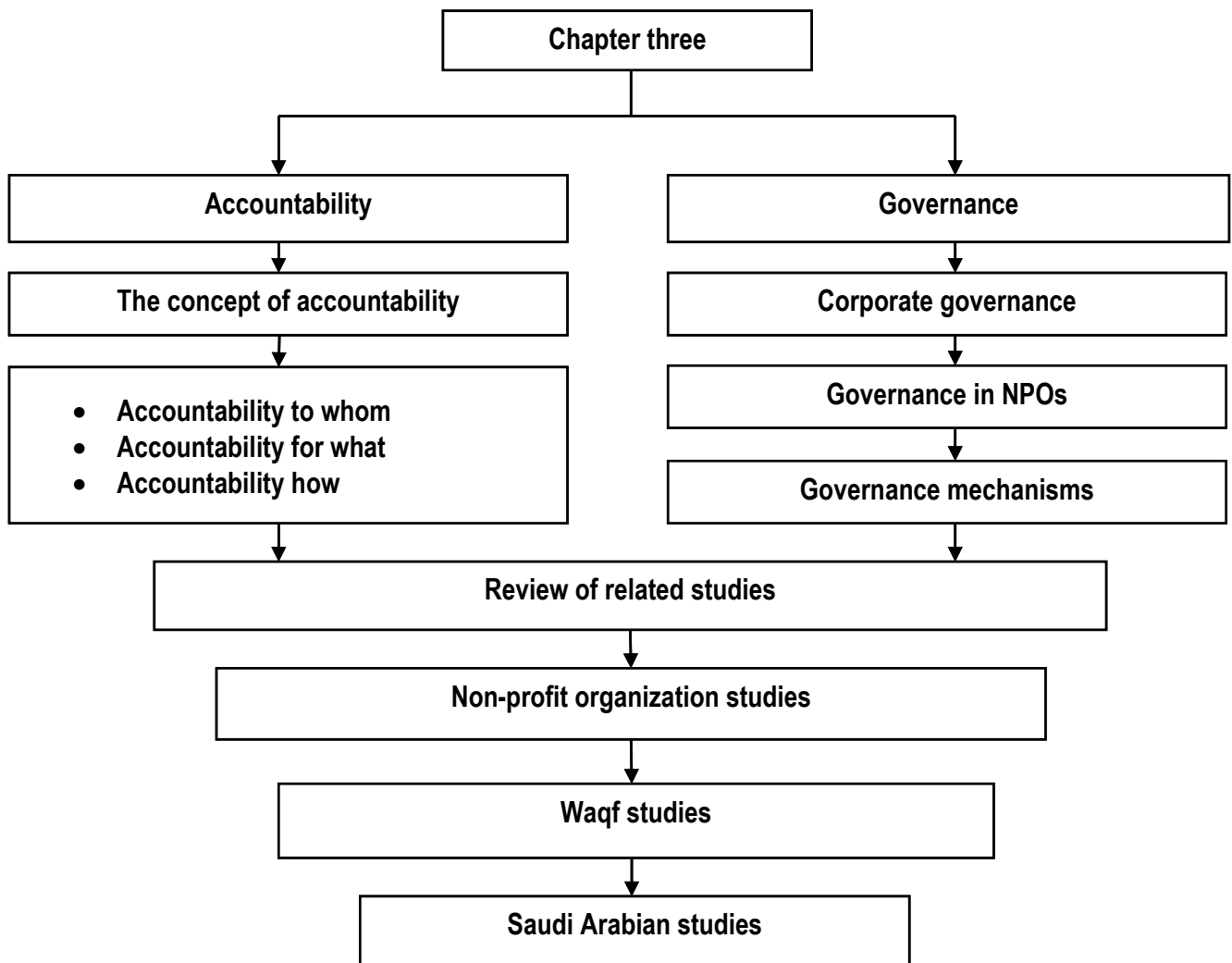
CHAPTER 3: REVIEW OF GOVERNANCE AND ACCOUNTABILITY IN NPOs

3.1 Introduction

In the last few decades, there have been calls to improve governance and accountability of not-for-profit organisations, which are often subject to less onerous reporting requirements under existing legislation. Governance and accountability have grown rapidly and have become essential features of organisations. This chapter will reveal that the concepts of governance and accountability are closely linked. Among the objectives of a good system of governance are clarifying the responsibilities of those entrusted with the direction and management of organisations to the organisation's stakeholders and ensuring that these individuals are held to account for how they have discharged their responsibilities. Accountability usually involves the rendering of some form of account, understood in broad terms as an explanation of an individual's actions rather than narrowly as a financial statement, but more generally it involves being answerable to stakeholders.

This chapter reviews the general features of governance and accountability especially in not-for-profit organizations context. It provides general definitions and principles of corporate governance. In addition, this chapter investigates the concept of governance in not-for-profit organisations and provides description for the mechanism of governance system in these kinds of organizations. In terms of accountability, this chapter discusses in greater detail the concept of accountability including its definitions and the three well-known questions that related to it i.e. accountability to whom?, accountability for what?, and accountability how? Next, some important concepts in Islamic accountability are introduced. Finally, a review of related studies is provided, which is divided into three sections (1) non-profit organization studies (2) waqf studies (3) Saudi Arabian studies. Figure 3.1 provides the structure of this chapter.

Figure 3.1 Chapter three structure



3.2 Overview of Corporate Governance

The term governance is derived from the Latinised Greek word “*gubernare*” which literally means “direct”, “rule” or “guide” (Hyndman and McDonnell, 2009). In recent years, this word has received much attention in the current global business environment. In fact, there is no universally accepted definition of this term rather it may be viewed from different angles. Therefore, definitions vary according to number of aspects such as the context, the cultural situations and the perspectives of different researchers (Armstrong and Sweeney, 2002). According to Iqbal and Lewis (2009), the conception of governance has been used in various

contexts such as monetary governance, economic governance, public governance and corporate governance. The essential idea of governance involves aspects of the relationship between the governors and the governed based on the decision making by individuals to those in authority (Lewis, 2005).

A number of researchers believe that Berle and Means were the earliest scholars to raise concerns over corporate governance in their book published in 1932. Berle and Means noticed that the expansion of size of modern corporations and the constant distancing of owners could create the possibility of separation of control over a firm from its direct ownership. However, Tricker (2000) claims that the phrase “corporate governance” was not used until the 1980s.

According to Morck, Shleifer and Vishny (1988) among the main factors that support the stability of any country’s financial system include: good corporate governance; effective marketing discipline; strong prudential regulation and supervision; accurate and reliable accounting financial reporting systems; sound disclosure regimes and an appropriate savings deposit protection system. Economically, the concept of corporate governance has received more attention in the late 1980s and early 1990s, especially after the collapse of a large number of UK well-known companies such as Maxwell. The failure of these corporations, which was a result of incompetence, fraud, and abuse, led to the establishment of a committee chaired by Sir Adrian Cadbury, which issued a number of recommendations (known as the Cadbury Report) in 1992. In the early twenty-first century, the business world has witnessed a large number of corporate collapses including Enron, WorldCom (USA), HIH insurance, OneTel (Australia) as well as Polly Peck, and later Barings Bank (UK). As a result of these collapses, a number of governments made significant changes to their financial markets’ corporate governance requirements (Kirkpatrick, 2009).

3.2.1 Definition of Corporate Governance

There is a considerable debate about the definition of corporate governance among researchers. The definitions of corporate governance are classified in either narrow or broad perspective. The narrow standpoint argues that the responsibility of the firm is primarily towards maximising the wealth of the shareholders (Sundaram and Inkpen, 2004), whereas the broad view argues that a firm has an obligation not only to the shareholders but also to all stakeholders.

As already noted, the narrow approach stresses that the concern of corporate governance is to ensure that the firm is run in accordance with the interests of its shareholders. Therefore, this approach is a simple pattern that refers to the relationship between two parties i.e. the firm (and in particular the firm's managers) and its shareholders. In fact, this is the traditional finance model that is expressed in 'agency theory'. Agency theory focuses on the principal-agent relationship between a firm's owners and its managers rather than relationships involving a broad range of other stakeholders. These following definitions take the view of agency theory. "Corporate governance is the manner in which organisations, particularly limited companies are managed and the nature of accountability of the managers to the owners" (Dictionary of Accounting, Oxford University Press, 1999). In the Cadbury Report, 1992, Sir Adrian Cadbury stated that, "corporate governance is the system by which companies are directed and controlled" (1992, p.7). Cadbury's definition focused on the responsibility of the board of directors as well as the internal processes of the company. Parkinson (1993) examined corporate governance from the perspective of the interests of shareholders and how the managers work in these interests. He defined corporate governance as "the process of supervision and control intended to ensure that the company's management acts in accordance with the interest of shareholders." (Parkinson,1993, p.159).

In the broad approach, definitions of corporate governance assert that both shareholders and other stakeholders should share an involvement in the governance system. Therefore, corporate governance is not restricted to a firm and its owners but includes other stakeholders such as employees, customers, suppliers and bondholders. According to Solomon and Solomon (2004), corporate governance in the broadest way is defined as "The system of checks and balances, both internal and external to companies, which ensures that companies discharge their accountability to all their stakeholders and act in a socially responsible way in all areas of their business activity" (p. 14). In addition, they claim that the broad approach has attracted greater consideration in recent years (Solomon and Solomon, 2004). The Organisation for Economic Co-Operation and Development (OECD) (2004) defines corporate governance broadly and looks at three main entities: the board of directors, the shareholders, and other stakeholders. It defined corporate governance as involving "a set of relationships between a company's management; its board; its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined" (p.11). The definition of corporate governance provided by Tricker (1984) looks at company stakeholders and

accountability and how all stakeholders can receive equal treatment, as well as their interests in the company. He stated that “the governance role is not concerned with the running of the business of the company per se, but with giving overall direction to the enterprise, with overseeing and controlling the executive actions of the management, and with satisfying legitimate expectation of accountability and regulations by interests beyond the corporate boundaries.”

3.2.2 International Models and Principles of Corporate Governance

Previous studies (e.g. Rosser, 2003) identified two dominant models of corporate governance, namely, the stakeholder and the shareholder models. These models are the most common models being employed by the majority of the literature on corporate governance. However, some studies found that there are additional governance model in various countries (Denis and McConnell, 2003; Praveen Bhasa, 2004; Murphy and Topyan, 2005). For instance, Bhasa (2004) proposed four different models of corporate governance: outsider model, insider model, transition model, and emerging governance model.

The stakeholder model (insider) of corporate governance, common in countries that apply Civil Law, such as the majority of the European countries and Japan, is characterized by highly concentrated shareholdings, concentrated voting power, cross corporate shareholding, and inter-firm relationships (Maher and Andersson, 2002). The goal of this model is to take into account social responsibility for all stakeholder interests, and not only the interests of shareholders (Maher and Andersson, 2002). It is worth mentioning that the Islamic model of corporate governance can be categorized under this model, although some researchers consider it as a separate model (Hasan, 2009; Almulhim, 2014). The Islamic model of corporate governance elaborates on corporate governance by taking into account the Islamic perspective. According to Hasan (2009, p. 286), “the Islamic corporate governance based on the stakeholder-oriented model is preoccupied by the two fundamental concepts of Shariah principles of property rights and contracted frameworks”. Corporate governance from the Islamic perspective regards all stakeholder groups on the basis of Shariah, which is strictly connected to the Islamic ethical values such as justice and being trustworthy (Kasri, 2009).

The shareholder model (outsider) of corporate governance, also known as the market-based system, or the Anglo-Saxon model, is used mainly in countries that apply the Common Law, such as the UK, the USA, and other Anglo-Saxon countries. It is a specific system of finance and corporate governance in which shareholders (individuals or financial institutions) own

enterprises, but managers control them (Solomon, 2007). The organisational goal assumed by this model is maximization of the wealth of shareholders (Maher and Andersson, 2002). According to some researchers such as Rosser (2003) due to globalization different corporate models have been merged and assimilated into the Anglo-Saxon/outsider model. The following table (Table 3.1) introduced the main differences between the shareholder model (outsider-dominated) and the stakeholder model (insider-dominated), according to Solomon (2004).

Table 3.1 The main differences between the shareholder model and the stakeholder model

The Shareholder Model	The Stakeholder Model
Large firms controlled by management, but owned predominantly by outside shareholders	Firms owned by insiders who also wield control over management
A system characterised by a separation of ownership and control, which engenders significant agency problems	A system characterised by a little separation of ownership and control, so that agency problems are rare
Frequent hostile takeovers acting as a disciplining mechanism on company management	Hostile takeovers are rare
Dispersed ownership	Concentrated ownership in a small group of shareholders
Moderate control by a large range of shareholders	Excessive control by a small group of insiders
No transfer of wealth from minority shareholders to majority shareholders	Wealth transfer from minority to majority
Strong investor protection in company law	Weak investor protection
Potential for shareholder democracy	Potential for abuse of power by majority shareholders
Shareholding characterised more by 'exit' than by 'voice'	Majority shareholders tend to have more 'voice' in their investee companies

Source: Solomon and Solomon (2004, p. 151)

3.2.3 Principles for Corporate Governance

According to Rezaee (2009) there is a lack of universally accepted principles applicable to board structures. The developed principles of corporate governance serve as guidelines to be employed in various countries and markets; they are not rules (Gul and Tsui, 2004). Some international organisations have been promoting recommended standards and principles of corporate governance in the last decade. For instance, the Organisation for Economic

Development (OECD) was the first international organisation which set up an intergovernmental task force aimed at producing a set of universally acceptable principles of corporate governance (Solomon, 2007). The OECD has developed one of the most significant internationally influential standards of CG (Solomon, 2010). The OECD principles serve as a framework for the development and establishment of a corporate governance system and practices of a given country in compliance with that country's legal, institutional, and regulatory system. These principles highlight five broad areas of corporate governance, which are presented in Table 3.2.

Table 3.2 Principles of corporate governance

Areas	Recommendations
1) The rights of shareholders	The corporate government framework should safeguard and promote the exercise of shareholders' rights (2004, p. 18).
2) The equitable treatment of shareholders	The framework shall secure the equal treatment of all shareholders, which includes minority and foreign shareholders (2004, p. 20).
3) The role of stakeholders in corporate governance	The framework shall recognise the rights of stakeholders guaranteed by law or established through mutual agreements and facilitate active cooperation between corporations and stakeholders in generating wealth, jobs, and the sustainability of financially well enterprises (2004, p. 21).
4) Disclosure and transparency	The framework shall provide that timely and accurate disclosure is made on time about all material matters concerning the corporation. It includes the financial situation, performance, ownership, and governance of the company (2004, p. 22).
5) The responsibilities of the board	The framework shall provide the strategic guidance of the company, as well as the effective monitoring of management conducted by the board, and accountability of the board to the company and the shareholders (2004, p. 24)

Source: OECD Principles of Corporate Governance (2004)

The United Nations Development Program (UNDP) 1997 outlined five principles. They are:

1. legitimacy and voice,
2. direction,
3. performance,

4. accountability and
5. fairness (Graham, Amos and Plumptre, 2003).

It is worth mentioning that there are no specific standards and principles for awqaf. However, in March 2017, Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) announced, through its official website, a landmark initiative dubbed “Waqf Standards Packet”, which will comprise development of three all-encompassing and detailed standards. This will consist of a Shari’ah standard, an accounting standard, and a governance standard for awqaf. The project is expected to result in the publication of draft documents in early 2019.

3.3 Governance of Non-profit Organisations

The non-profit sector has been established as the third sector of society, alongside the profit sector and the government sector. According to Hay (1990), “a non-profit organisation (NPO) is one that is formed to provide services and goods for its clientele, with profit being a minor objective. Its primary mission is one of providing services, usually for charitable, religious, educational, scientific, literary, humanitarian, or other non-business purposes” (Hay, 1990, p. 3). Drucker describes the main purpose of the NPO: “The non-profit organisation exists to bring about a change in individuals and in society” (Drucker, 1990). The Productivity Commission (2010) in Australia points out that the main feature of non-profit organisations is that the motive for their foundations is not to generate a profit for distribution to the owners. Nevertheless, such organisations are not forbidden from seeking and making profits. The crucial aspect of the definition of such organisations is that they are not allowed to distribute profits to owners. The term non-profit serves to make a distinction between non-profit organisations and those operating in the profit sector (Zimmer, 2007, p. 38 cited in Eller and Alpenverein, 2014).

According to Salamon and Anheier (1997), there are five main features that these organisations must have to be considered as non-profit:

1. Organised - they must be institutionalised to a certain degree regarding their organisational form and system of operation;
2. Private - they must be institutionally separated from the government;

3. Non-profit-distributing - they cannot distribute any created profits to their owners or directors. Instead, profits have to be put back into the basic mission of the organisation;
4. Self-governing - they must have an internal apparatus of governance; and
5. Voluntary - they must be based on a meaningful degree of voluntary participation in the operation or management of affairs.

Most of the previously mentioned features apply significantly to the majority of waqf institutions. In addition, the main objectives of waqf institutions are similar to the objectives of charitable and voluntary non-profit organisations. Therefore, it may be appropriate to benefit from some lessons of applied governance in non-profit organisations in developed countries.

There are many studies in developed countries that have confirmed the need for NPO governance. Claessens *et al.*, (2002) claim that as a result of good governance, organisations can improve overall organisational performance, enhance stakeholder reputation, have lower costs of capital and easier access to funds. Fisman and Hubbard (2005) state that due to poor governance of NPOs, donors are reluctant to allocate non-targeted funds to such organisations. What is more, as poor governance results in inadequate monitoring of management, agency costs are increased.

We also cannot ignore that one of the most important characteristics of the waqf institution is that it is an institution that exists within a religious framework and is therefore committed to the provisions of Islamic law. Therefore, it may be expected that the commitment to religious principles will play a significant factor in reducing mismanagement within the board of directors and executive management; however, the reality shows continued wrongdoing between managers (principals) due to the greed in the institution's fund and the lack of accountability. For example, the Fremont-Smith and Kosaras (2003) study found that the religious nature of many charities in the United States did not prevent corruption and poor management practices. Which means that the presence of a good governance system for religious institutions is of great importance, because the religious nature of such institutions is no guarantee that practices of corruption and abuse of power and conflict of interest will be absent.

Concerning Islamic financial institutions, Abu Zahra observes that most of the waqf problems are due to mismanagement. He adds that the management of waqf institutions has become a source of booty (Abu Zahra, 1971). In addition, Islamic history provides considerable evidence

about the spread of corruption inside the awqaf and among those in charge; the corruption was spread in Diwan Al Ahbas in the Mamluk era (Amin, 1980) and in the Ottoman Empire (Zarkon, 1997 cited in Alomar and Almadad, 2014). Some recent studies also indicate that there is a deficiency in disclosure in most of the Islamic financial institutions (Kasim, Htay and Salman, 2013). These evidences indicate that there is a need for internal control systems in these institutions to help in reducing these problems. A good governance system means that internal controls are set in place to protect the organisation. This system can reduce the chance of any type of fraud or even mismanagement within the non-profit organisations. In fact, these organisations must remain beyond reproach because a bad press can make donors less likely to fund these organisations.

3.3.1 Understanding Governance in NPOs

The main purpose of corporate governance is to ensure that the organisation is well managed. Regarding for-profit organisations, the purpose of corporate governance is to define the responsibilities, roles, and balance of power among executives, shareholders, and directors (Ryan, Buchholtz and Kolb, 2010, p. 673). Nevertheless, whereas the concept of governance is well understood in the corporate sector, there are challenges of applying it to the non-profit sector. There is no exact definition of governance in non-profit organisations, but the predominant focus is about boards, their behaviour, and the organisational level of governance (Cornforth, 2012, p. 1121).

Some distinctive features of NPOs make the application of the corporate model inadequate. Rather, they require a separate governance framework, different from the one fitting the corporations. Table 3.3 outlines these features.

Table 3.3 Differences between For-Profit and Non-Profit Organisations

	For-Profit Corporations	Non-Profit Organisations
Ownership	Owned by stockholders	Owned by the public, or no specific owner
Aim	Maximizing profits	Meeting needs of the public
Stakeholders	Clear line of accountability to easily identifiable stakeholders	Stakeholders are not easily identifiable
Legal framework	Corporations	Associations, foundations, cooperatives, waqf
Funding streams	Share and debenture holders provide equity and loans	Voluntary contributions (donations)
Profit distribution	Generate money for the owners	Generate money for serving the beneficiary

Source: Author

A number of these distinctive features can make a significant impact on the governance practices in the NPOs. As the primary purpose of an NPO is not identical to that of profit-seeking firms, logically, the decision-making rules, structure, and processes within the organisations would differ as well (Alexander and Weiner, 1998). Importantly, there is a significant distinction between the performance measures of profit and non-profit organisations. For the former, the main measure is the profit they bring to their shareholders. On the contrary, the non-profit firms are measured on how successfully they have fulfilled their mission objectives.

Additionally, NPOs have no owners, but they will have founders. In some non-profit organisations, the founders may play a crucial role within the organisation; in others, founders are only part of their history (Schmitz, 2015). Legally, most of NPOs, including waqf institutions, have a juridical personality. Goodin (2003) claimed that governance suffered in the non-profit organisation due to the absence of owners similar to shareholders to whom officers of the organisation should be accountable.

Non-profit organisations encounter an additional challenge as they are multiple-stakeholder organisations. Van Til (1994) claimed that non-profit organisations regularly function in complex environments with multiple stakeholders, such as referral agencies, government officials, funders, clients or participants, and volunteers. Consequently, there can be confusion

and tension can arise regarding roles and responsibilities, if those unique features are not well understood and analysed. In addition, treating non-profit governance as a facsimile of for-profit governance models may result in substantial problems in fulfilling the organisation's mission.

However, some academics have warned that in order to survive NPOs must become more business-like in their practice structure and philosophy (Unterman and Davis, 1984). Therefore, Jegers (2009) argued that “the word corporate in corporate governance is no longer restricted to for-profit organisations” (p. 144). Andrew Hind, chairman of the Charity Finance Directors’ Group, considers the Cadbury recommendations applicable to the charity sector (Vinten, 1997). Moreover, Bart and Deal (2006) noted a lack of considerable difference regarding governance between the two areas, as they investigated the operations and strategic practices of a sample of for-profit and NPO in Canada. Indeed, there are many similarities between for-profit and non-profit governance. Wilson-Cole (2011) summarized these similarities which include: (i) operating within the provisions of a document such as a Memorandum and Articles of Association; (ii) board members demonstrating a duty of care and loyalty which involves ethical and responsible decision making; (iii) safeguarding the integrity of financial reporting; (iv) recognizing and managing risks; (v) encouraging enhanced performance.

3.3.2 NPO Governance Mechanism

Any governance system can be divided into two sets of governance mechanisms, i.e. internal governance mechanisms and external governance mechanisms (Hyndman and McDonnell, 2009). The internal governance mechanisms include the governance documents, board of trustees, internal committees, managers, staffs and the internal audit. Hyndman and McDonnell (2009) examine the relationships charities have with beneficiaries, regulators, and donors, known as ‘external aspects’ of governance. Comparably, Jobome (2006) argues that there are the internal and external dimensions of governance in non-profit organisations. Internal governance refers to ‘hands-on’ activities and processes of trustees’ interaction with executive directors, the chief executive officer, with each other, and other stakeholders such as members, employees, beneficiaries, volunteers, and donors (Jobome, 2006). The external mechanisms are ‘arm's length’ activities focused on regulatory monitoring and external reporting. The external mechanisms determine the boundaries within which NPOs operate. The analytical distinction between the two sets of governance mechanisms are presented in Table 3.4.

Table 3.4 Some charity governance mechanisms

Internal governance mechanisms	External governance mechanisms
<p><u>The governing document</u> This lays down what the charity’s objectives are and how it is to be run. It could be a trust deed, constitution, memorandum and articles of association, will, Royal Charter, rules Scheme of the Commissioners, etc.</p>	<p><u>Laws</u> Compliance with the Charities Act, Companies Act and other laws and regulations governing the charity and its subsidiaries.</p>
<p><u>Traditional trustee boards</u> Non-executive trustee boards traditionally provide policy or strategic guidance and general oversight of charities.</p>	<p><u>General reporting</u> (a) General reporting, including annual reports and accounts that comply with the Charities SORP. (b) Periodic reporting to the Charity Commission, and monitoring (e.g. Review visits/ letters/ meetings/ inspections) by the Commission.</p>
<p><u>Separation of chair of trustee board from chief executive</u> By being separate from the executive function, the chair of the trustee board is expected to bring some objectivity and independence to the charity’s strategy and control functions.</p>	<p><u>Compact funding requirements</u> (a) Specific reporting requirements attaching public funding under the contract. (b) Specific monitoring (e.g. Letters/ meetings/ inspections) arising under funding contracts. (c) Programme-tied funding.</p>
<p><u>Traditional board committees</u> (a) Executive committee. (b) Investment committee. (c) Trading and/or fundraising committee.</p>	<p><u>Donor interest and scrutiny</u> Private voluntary donors are likely to be actively interested in the operations of the charity and could voice their opinions, either to the trustee boards, or through the media.</p>
<p><u>Other traditional governance mechanisms</u> (a) The restriction of fund use by donors. (b) The role of members in information provision, (re)election of trustees or monitoring of the charity’s decisions and activities for example at Annual General Meetings.</p>	<p><u>Other external governance sources</u> (a) Users’ and beneficiaries’ pressure. (b) Media reporting and analysis. (c) General public interest.</p>
<p><u>Business-type corporate governance codes</u> (a) Audit committee. (b) Remuneration committee. (c) Nomination committee</p>	

Source: Jobome (2006, p. 46)

The scholars have primarily underline that governance in NPOs is the responsibility of governing boards (directors or trustees) and their relationships with managing resource dependencies, accountability, and control at the organizational level (Stone and Ostrower, 2007). Literature has covered the topic of the function of the board of directors (or board of trustees) as an internal governance mechanism including board performance (e.g., Green and Griesinger, 1996; Herman and Renz, 2000), board size (e.g. (De Andrés-Alonso, Cruz and Romero-Merino, 2006; Iyer and Watkins, 2008), and board composition (e.g., Siciliano, 1996; Callen, Klein and Tinkelman, 2003).

3.3.2.1 Governing Documents

In many countries, it is a legal requirement to have a governing document. This document acts as a rulebook, containing essential information for the operation of the organisation. In the UK, for example, The Charity Commission requires that all registered charities prepare and operate within a ‘Governing Document’. There are four types of governing documents, depending on the organisation’s legal structure: (1) constitution for unincorporated associations, (2) foundation or association constitution for Charitable Incorporated Organisation (CIO), (3) memorandum and articles of association for charitable companies, (4) trust deed or will for trusts (Charity Commission, 2012). Jobome (2006) considers governing documents as one of the internal mechanisms of any governance system and describes it saying “This lays down what the charity’s objectives are and how it is to be run. It could be a trust deed, constitution, memorandum and articles of association, will, Royal Charter, rules, Scheme of the Commissioners, etc.” (p. 46).

In waqf institutions, the waqf deed (waqfiyh) is considered to be the highest and most significant reference for governing and managing the waqf. The contents of this document are binding, and none of the board of trustees or the executive management can override any of its provisions except with the written authorization of the Shariah Court. The waqf directorate is also obliged to work according to the limitations and conditions established by the waqif. In the event that the supervisor does not comply, the Shariah Magistrate has the right to intervene and impose its requirements. The waqf deed includes important points, such as the identification of the assets that the waqif entrusted to the waqf, channels of spending to distribute the revenue of the waqf, distribution priorities, and general frameworks for the governance of the waqf, such as composition, responsibilities and functions of the board of trustees.

Historically, the waqf deed played both a positive role in maintaining the waqf and a negative role where the deed actually hindered the preservation of the waqf. Many scholars and experts have attributed the reasons for the loss of many awqaf to the weakness and inflexibility of the waqf deeds. In the year 2001, Shatzmiller believed that the derisory institutional measures to encourage the awqaf performance was due to the lack of prudence included in most waqf deeds. Recently, the drafting of the waqf deed has been a major concern to scholars, donors, and official bodies. In Saudi Arabia, a number of official bodies (such as the waqf Committee in Chambers of Commerce and awqaf department in Shariah Courts) and some researchers have adopted models of waqf deeds thoughtfully studied and published and submitted them to some businessmen to reduce problems associated with the drafting of waqf deeds in the past.

3.3.2.2 The Board of Trustees

The Role of the Board

Within the literature on corporate governance, the board is perceived as a fundamental mechanism that impacts the governance of an organization (Neville, 2011). Solomon (2010, p. 77) stated that “a company's board is its heart and as a heart it needs to be healthy, fit and carefully nurtured for the company to run effectively.” As there is a lack of absolute ownership in the case of NPOs, the board of trustees is the representative of the owners of the non-profit organization. Herman and Renz (2004) state that “board of directors (trustees) of U.S. non-profit organizations are ultimately legally responsible for the affairs and conduct of the organizations they lead.” Thus, the board must decide on the mission, to choose and support the executive director, make plans, allocate and manage financial resources, and improve the organization’s public image (Miller-Millesen, 2003, p. 526). The performance of the board is extremely significant to the success of a non-profit organization and hence, researchers must seriously take into consideration the size and composition of the voluntary board, frequency and organization of board meetings, and the duration of terms of board members (Siebart and Reichard, 2004).

The board’s roles have recently sparked interest, primarily in relation to the argument that good NPOs governance is crucial for attracting donations (e.g. Berman and Davidson, 2003); and financial scandals (e.g. Gibelman and Gelman, 2001). Hung (1998) concluded that boards have six roles; more precisely, they are coordinating, linking, strategic, control, maintenance, and support roles (p. 105). Hung (1998) claims that each theory of NPO governance emphasises one role, but that none has the capacity to explain the whole picture. For example, the role of

‘control’ is stressed by agency theory, which presumes a conflict of interest when there is a separation of ownership and management in an organization.

ACEVO (an organization that focuses on the needs of charity chief executives) created a guide to governance for the non-profit sector. This guide outlines key roles and responsibilities of boards. According to the guide:

- The primary role of the board is strategic;
- The board should be composed, organized, and trained with a goal to maximize organizational performance;
- The board must have procedures for reviewing its performance and ensuring its continual renewal;
- The board must efficiently delegate tasks to staff and volunteers, and they must be adequately monitored;
- The board must have high ethical standards;
- The board must have a policy of openness and accountability.

A common problem about boards in non-profit organizations is that they often stray into management’s side and meddle in their affairs (Harris, 1999). Rochester (2003) argues that the roles of boards and management are inter-dependent and the boundaries and authorities between them are often somewhat unclear, particularly in smaller organizations.

Board Size

The Council of Foundations, a US body, issued the Stewardship Principles in 2010. It pointed out board size as a significant factor of a foundation board. In the for-profit context, it is claimed that boards should not have less than ten members. The reason is to limit the possibility of the chief executive to control the board (Lipton and Lorsch, 1992). Nevertheless, non-profit boards are typically larger than those of for-profit companies (Steane and Christie, 2001). According to the stakeholder theory, some NPOs need a larger board to recognize stakeholders' or users' interest. As stated by the National Council for Voluntary Organizations (2006), which is the umbrella body for the voluntary and community sector in England, a trustee board should be “large enough to bring in a range of skills and backgrounds and the perspectives of stakeholders and share out the tasks of the board.” According to Karbhari *et al.*, (2018), large boards can benefit organisation as they are “capable of providing additional skills, extensive networking and increased monitoring ability”. However, at the same time, it should be small enough to be effective for decision making, involve all trustees and work as a team. In the

Principles for Good Governance and Ethical Practices issued by the Panel of the Non-Profit Sector (an US Organisation) in 2007, the following is recommended: “The board of a charitable organization should establish its own size and structure and review these periodically. The board should have enough members to allow for full deliberation and diversity of thinking on governance and other organizational matters. Except for very small organizations, this generally means that the board should have at least five members.”. Cornforth and Simpson (2002) surveyed Welsh and English and Welsh charities. They discovered that on average there are nine and a half board members. Accordingly, the optimum board size is not universal; rather, it depends on several relevant factors, such as the age, the size, and field of operation of NPO.

Board Composition & Board Performance

Board composition has been one of the main topics in the non-profit board literature during the last two decades (Stone and Ostrower, 2007). According to the democratic perspective, the role of the board is “to represent the interests of one or more constituencies or groups the organization serves” (Cornforth, 2003, p. 9). The organisation needs to ensure that the proper combination of people is on the board, working together to achieve its mission. According to the stakeholder theory, NPO boards should have stakeholder involvement to ensure accountability to a broad portion of society (Donaldson and Preston, 1995). In the past, it was claimed that the founders and donors are the most significant external stakeholders for NPOs. However, beneficiaries and their perspectives are critical as well to the good governance processes. Wellens and Jegers (2011) argued that there is a positive correlation between the performance of a charity and the degree of involvement of beneficiaries. Indeed, the involvement of users and beneficiaries has been pointed out as a significant contribution to the performance of charities and public sector organizations in the last 20 years.

Some studies analysed the impact of board composition on different aspects of the organisation. However, findings relating organisational performance to board composition and board performance are not conclusive. Some studies reported a positive correlation between board composition and organisation's financial performance (Callen, Klein and Tinkelman, 2003; Sheridan and Milgate, 2005; Kang, Cheng and Gray, 2007), whereas others noted that board composition is inversely related to performance (Wan and Ong, 2005; Garg, 2007; Rose, 2007).

3.3.2.3 *Sub-committees*

Suggestions has been brought up that the management board should set up a sub-committee that can take on some activities. According to Harrison (1987) the sub-committees of the board can improve internal control systems. In 2007, Mallin proposed that these committees should always send reports across to the main board about their achievements in the areas that they cover. Harrison (1987) highlights two types of committees: (1) operating committees: concerned with integrating decision management with decision control in the board of directors/trustees and is dominated by executive directors. (2) control committees: focus on the control and monitoring of boards in order to protect shareholders'/stakeholder' interests through providing objective and independent evaluation of corporate decisions.

In the context of profit organization, the Cadbury report (1992) recommended that the board of directors should have three subcommittees: audit, remuneration, and nomination committees. The major role of the audit committee is to frequently meet with auditors (internal and external) to evaluate audit procedures, financial statements and internal accounting controls. According to Mallin (2007), the audit committee is one of the most important subcommittees in the board of directors/ trustees. Furthermore, Harrison (1987) argues that the functions of the audit committee should be to support external auditors in reviewing the efficacy of the internal control system, thus enabling to advance the value of financial information. According to Iskander and Chamlou (2000), the audit committee, in fulfilling its main role, "Supervises a company's internal audit procedures and interacts with the external statutory auditor to ensure full financial compliance with the law and regulations governing accounting standards and financial reporting" (p. 99). Smith *et al.*, (2003) provided the main objective of an audit committee, which is to ensure the interests of the shareholders/ stakeholders are protected. The Smith report (2003) outlined number of responsibilities of audit committees:

1. To monitor the integrity of the financial statements.
2. To review the internal control system.
3. To monitor and review the effectiveness of the company's internal audit function.
4. To make recommendations to the board about appointment of the external auditor.
5. To monitor and review the external auditor's independence.

6. To develop and implement policy on the engagement of external auditors to supply non-audit services.

The conclusion to compensate the senior personnel by the remuneration committee minimizes the agency problem incentivising managers in alignment with shareholders' interests (Weir and Laing, 2000). Sun and Cahan (2009) have brought up the suggestions that remuneration committees are positively affecting the financial performance by limiting managerial compensation. The Greenbury report (1995, p. 14) stated that “to avoid potential conflict of interest, boards of directors should set up remuneration committees of non-executive directors to determine on their behalf, and on behalf of the shareholders, within agreed terms of reference, the company’s policy on executive remuneration and specific remuneration packages for each of the executive directors, including pension rights and any compensation payments.” Mallin (2007) outlined the remuneration committee’s objectives:

1. To prevent executive directors from setting their own remuneration levels.
2. To provide a formal, transparent procedure for the setting of executive remuneration levels including the determination of appropriate targets for any performance-related pay schemes.

The nomination committee also helps to reduce agency conflict by improving board independence and the value of appointed directors (Vafeas and Theodorou, 1998). According to Carson (2002) the nomination committee plays the role of setting the benchmark that controls skills required to be replaced of additional directors and to review the performance of the board frequently. The UK Combined Code on Corporate Governance (2006) highlighted some important points about nomination committees, such as:

1. A majority of members of the nomination committee should be independent nonexecutive directors.
2. The chairman or an independent non-executive director should chair the committee.
3. The nomination committee should evaluate the balance of skills, knowledge, and experience on the board.

Similarly, a non-profit organization should cautiously consider the number of committees that are supporting the board, staff, volunteers and other resource restrictions they face. NPOs’ should also determine carefully, the committees it requires and be sure that the functions and responsibilities of those committees are well defined and needed. The proper number and type

of board committees differs based on subjects such as organisational size, complexity of operations, the organisation's constitution, and regulatory or grantor requirements. Common board committees in NPOs include, but are not limited to a:

- Audit committee
- Nomination committee
- Social committee
- Investment committee
- Fundraising committee

The audit committee is now a vital element in the governance system. Therefore, setting up a well-functioning audit committee in NPOs is the best way to prevent misconduct among executives and holds boards of trustees accountable for managing the organization. The responsibility of the audit committee may consist aiding to make sure that the audit is carried out in a competent and profitable way, managing the NPO's financial system and internal controls, endorsing to the board the self-governing auditor for appointment or replacement, permitting and overseeing the independent auditor's activities, and allowing the appropriate fee.

Many NPO boards will likely also find it useful to have other committees such as nominating, investment and fundraising committees. For example, in some NPOs, the members of the board are chosen by the NPO's membership generally. Though this might be extremely democratic, it may not produce the mix of directors needed to make up an operative board. Boards should generally consist of members who have good team working spirit, bring the needed skill to the board, and should be able to represent the interest of the NPO generally and not just a specific constituency. A well-functioning nominating committee also assists the board to plot the terms and rotation of its members.

However, according to other authors, board committees can negatively affect firms' performance financially. Apparently, a board committee's existence basically puts extra costs on firms, costing the firm in the area of remuneration and amenities for the members of the committee, managerial time and travel expenses (Vafeas, 1999). Furthermore, broad managerial supervision can destabilize executive initiative and vision (Conger, Finegold and Lawler, 1998). Lastly, the growing lack of exact knowledge among board members (i.e. greater heterogeneity) will encourage conflicts and destabilize boardroom cohesion (Marashdeh, 2014).

The Saudi regulations of corporate governance in 2006 proposed that an appropriate number of committees should be established in harmony with the company's necessities, in a bid to augment enactment of the board of directors and affect the firm's performance positively. Also, the regulations of corporate governance in Saudi Arabia (2006) recommend that these committees should have adequate number of non-executive members with detailed knowledge that is related to the function of the sub-committees. It is worth mention that the Saudi regulations of NPOs governance (2017) do not include any article or suggestion about board committees in NPOs.

3.4 Accountability

3.4.1 Definition of accountability

Accountability is a term used during the consideration of fair and equitable governance (Bovens, 2007). Within literature the concept of accountability has been described as elusive, complex, narrow or broad, murky, abstract and a concept that often evades clear definition (Behn, 2001; Ebrahim, 2003; Bovens, 2005). As the concept of accountability has been discussed in various fields, the definition varies according to the field of study. Bovens (2007) described accountability as an elusive term because it can mean many various things to different people. Sinclair (1995) states that the need for accountability cannot be doubted, however, it has discipline-specific meanings whereby many parties such as; scientists, political, auditors, the philosophers, have their own definition of accountability. In fact, the existence and nature of the concept of accountability may vary among agencies and within agencies (Erkkilä, 2007).

Apart from these differences, the online Oxford dictionary (2011) defines 'accountability' as "the fact or condition of being accountable." Whereas, the Webster's dictionary defines "accountability" as: "the state of being accountable; liability to be called on to render an account; the obligation to bear the consequences for failure to perform as expected." In its simplest sense, the term accountability refers to responsibility, as well as the prospect of account-giving. In this sense, Gray *et al.*, (1996) define accountability as "The duty to provide an account or reckoning of those actions for which one is held responsible" (Gray, Owen and Adams, 1996, p. 38). In the same line, Edwards and Hulme (1996, p. 967) define accountability as "the means by which individuals and organisations report to a recognized authority and are

held responsible for their actions.” As it can be clearly seen from these definitions, the word responsibility is generally associated with the concept of accountability in the literature.

Two sets of responsibilities can be seen in a number of accountability definitions, i.e. the action and the report of the action, which means that accountability involves the responsibility to act and the responsibility to give account for the action (Osman, 2012). However, this does not mean that accountability is exactly the same as responsibility (Uhr, 1993). Mulgan (2002: p. 3) argues that “responsibility may include accountability, but can also refer to the capacity for individual choice and action exercised without reference to another person. Accountability is always other-directed, whereas responsibility is not”. Oliver and Drewry (1996: p.13) claim that accountability is having the duty to explain and making amends. According to Gray *et al.*, (1987) discharging accountability requires that a person establishes the responsibility for his actions in the accounting organization. It was clear that responsibility is a motivation for accountability without accepting blame, whereas responsibility is having a job to do and taking the blame.

3.4.2 Concepts of Accountability

In all relationships that regard to accountability, there are two main parties that are the “accountor” and “accountee.” Researchers are likely to refer to the first parties in several different ways, such as agent, accountability holdee or even steward, while the second party could be called a principal, accountability holder or forum. The relationship between these two parties includes several steps;

- Power and authority are given to the accountor to work on behalf of the accountee
- The accountor performs actions in the interest of the accountee.
- The accountor informs the accountee of his role and performance (Bovens, 2005).

According to Power (1991) the process that flows between the accountee and the accountor, the accountee becomes aware of the accountor’s action. When the information is reviewed, the accountor will be asked different questions or information will be requested by the accountee and the accountor must provide answers as well as justifications to any question or demand for information asked by the accountee.

Prior literature provides a number of questions that are crucial in understanding the concept of accountability i.e. who is accountable? Accountability to whom?, accountable for what? And how is accountability achieved?. This is Gagne's (1996) approach to accountability: “who is

accountable to whom, for what and under what circumstances” (213). The answer to these questions can assist in appreciating the nature of the accountability relationship between the accountant and the accountee.

With regard to the first question, accountors can take the form of individuals or groups of people. It is the role of the accountant to inform the accountee about his various roles ‘from budgetary scrutiny in the case of financial accountability, to administrative fairness in the case of legal accountability’ (Bovens, 2005: p. 185). Regarding waqf institutions, the nazzir is considered to be the main accountant as he/ she is accountable for the management of the waqf that has been given to him by the founder (waqif), which simply means that he/ she has the responsibility for taking care of the waqf in order to make sure that benefits from the fund are handed to the beneficiaries.

3.4.2.1 Accountability ‘to whom’

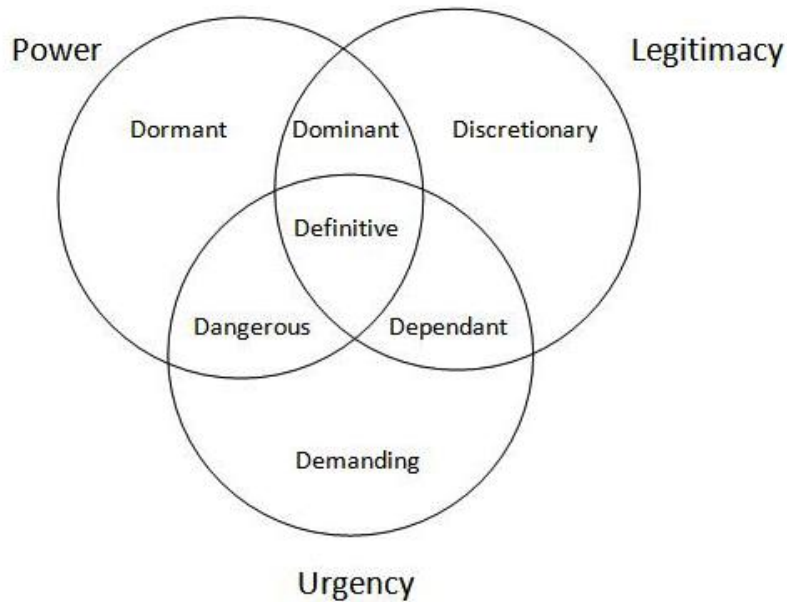
Waqf organisations and many other non-profit organizations are in place to achieve many purposes for different stakeholders. From the perspectives of the stakeholders, their relationship with the waqf organisation depends on how the organisation meets their expectations. In fact, waqf institutions face a wide range of stakeholders to whom they need to consider their accountability obligations. On this basis, they are likely to be accountable to (a) those who fund them (e.g. waqif and donors), (b) those who they help (e.g. beneficiaries), (c) those who they work with (e.g. partners), (d) themselves (e.g. board of trustees, staff), (e) the government, and (f) the public.

Accountability literature provides several typologies that attempt to identify who are stakeholders? And how they are classified? For example, some researchers classified stakeholders into primary (important) and secondary (less important) stakeholders (e.g. Clarkson, 1995), or direct and indirect stakeholders (e.g. Freeman, 1984), or identified them according to a hierarchical typology which differentiates between upward and downward stakeholders (e.g. Christensen and Ebrahim, 2006). Upward stakeholders are usually associated with accountability to those with power (e.g. founders and government), whilst downward stakeholders are usually associated with accountability to less powerful groups

Mitchell, Agle and Wood (1997) proposed one of the most popular typologies that classifies stakeholders. According to the authors, three criteria for the categorisation of stakeholders are urgency, legitimacy, and power. These criteria are regarded as aspects of stakeholder salience.

More precisely, salience is the extent to which managers consider the demands of stakeholders as the priority. (See Figure 3.2).

Figure 3.2 Stakeholder salience model



Source: Mitchell *et al.*, 1997, p. 872

3.4.2.2 Accountability 'for what.'

Since NPOs experience demands for accountability from several actors, it follows that they are likely to be accountable for a range of things. Various types of accounts are recognized pertaining to the question for what an organization is held accountable. Hayes (2001) argued that NPOs have different modes of accountability:

- *Fiscal accountability* involves rendering an account for the appropriate use of money
- *Process accountability* is to make sure that appropriate processes have been adopted.
- *Programme accountability* is to make sure that the institution is efficient in accomplishing its goals
- *Accountability for priorities* aims to satisfy user needs effectively.

Behn (2001) differentiate between three aspects of accountability by which an organization is evaluated; (a) accountability for finances which is concerned with the planning of financial statements (b) Accountability for fairness towards stakeholders which is similar to good faith

and establishing benchmarks of integrity, equity, and sensibility (c) Accountability for performance which concentrates on the specific results and accomplishments of the organization.

Cutt and Murray (2000) propose that NPOs are accountable for two aspects: their procedures and consequences. There are different levels at which the main kinds of accountability operate, and therefore there are two levels of accountability information. The basic level deals with the observance of established procedures and processes. It does not involve explicit reference to organizational objectives and programmes. The second level explicitly refers to the operational methods, organizational objectives, and programmes.

Procedural accountability takes part at the basic level. It is focused on compliance with procedures and processes, but not on organizational operations and objectives. According to Cutt and Murray (2000, pp. 11-12), there are two main elements of procedural accountability i.e. legal and financial. Basic financial information is the basis for the structure of accountability of all organizations and their programmes. Accountability information is generated in financial accounting, whereas it is verified by financial auditing. Concerning the legal element of procedural accountability, the managers are in charge of monitoring and reporting compliance with regulations and rules of their organizations and programmes to different authorities.

Consequential accountability has the higher level of operation as it explicitly refers to the achievements of objectives, typically prescribed by the mission statement of an NPO. It focuses on effectiveness and efficiency. More precisely, effectiveness is concerned not with outputs, but with the achievement of outcomes. The term efficiency is related to the use of financial, human, and other resources in order to maximize output and outcomes for a given set of resource inputs. Effectiveness and efficiency denote the concept of “value for money,” described by Cutt and Murray (2000, p. 15) as a profit surrogate for NPOs that do not sell their products.

3.4.2.3 *Accountability ‘how’*

If waqf institutions and NPOs are expected to be accountable to various stakeholders and for multiple purposes, what then are the mechanisms of accountability available to them? Ebrahim (2003) suggested that NPOs used five types of accountability mechanisms i.e. (a) reports and disclosure statements, (b) evaluations and performance assessments, (c) industry self-

regulation, (d) participation, and (e) social audit. With regard to the first mechanism, stakeholders require regular reports from organizations. The nature of these reports varies considerably among stakeholders and projects. Ebrahim (2010) notes that these reports mostly emphasize upward reporting of financial data and pay almost no attention to downward accountability to stakeholders.

Evaluation and performance assessment aim to evaluate whether and to what level programme objectives and goals have been accomplished, and these forms of assessment can be critical to future funding. Performance assessment should cover financial and non-financial procedures (Kloot, 1999). Kloot (1999) observes that non-financial indicators are also required to satisfy the best interests of stakeholders. In addition, he states that performance assessment is essential for internal and external accountability. Performance assessment may be a way of holding internal staff accountable for their actions in carrying out their duties, and can also be a way in which external stakeholders hold awqaf, and their managers, accountable for carrying out specific programmes (see, for example, O'Dwyer & Unerman, 2008).

Self-regulation relates precisely to efforts by nonprofit networks to create standards or codes of behaviour and performance. These standards or codes often specify structures and practices that enhance accountability, such as 'governance, organizational integrity, finances, public communication and disclosure, management and hiring practices (including promoting gender equity), programs, and public policy involvement' (Ebrahim, 2003, p. 820). From this perspective, it could be argued that self-regulation is not an accountability process as such, but a means of ensuring accountability.

Ebrahim (2010) distinguishes participation into four stages. The first stage of participation refers to any attempts made by the organization to make sure that information about a planned project is obtainable by the public. The second stage of participation is through the participation of the public in the project implementation, particularly in the form of labour contribution or fund donations. The third stage of participation involves the ability of the people to negotiate over an organization's decisions. At the fourth stage, people have their own initiatives, separately, over an organization's projects. Also, Ebrahim (2003) observes that, in reality, only the first two stages of participation are generally espoused. Another process tool is social auditing, which refers to "a process through which an organization assesses, reports, and improves upon its social performance and ethical behavior, especially through stakeholder dialogue" (Ebrahim, 2003, p.822). According to Ebrahim (2003), Social auditing is a complex

process that integrates elements of many of the accountability mechanisms, including disclosure statements, evaluations, participation, and standards of behaviour. He also states that social auditing has not been widely adopted by NGOs. In fact, some studies (e.g Ihsan *et al.*, 2016 and Chen, 2014) indicate that the concept of social auditing is new to NPOs; thus, social auditing is excluded from examination in the study.

3.4.3 Islamic accountability

The accountability of Muslims is influenced by their Islamic beliefs. These beliefs originate from their belief in one God (Tawhid) and their function as stewards (Khalifah) over God's resources on earth (Amanah) (Yasmin, 2014). Tawhid is the very foundation of Islam on which other principles depend. Philips (1994) observes that if tawhid is not sound, the rest of one's Islam will become questionable rituals. He also mentions that the end result of tawhid is that, everyone should associate all of his/her actions to Allah. The principle of Khilafah (vicegerency) indicates that humanity is chosen by God as a trustee on this earth, and this makes him act as a steward in dealing with the world and its composition as Almighty God says:

Indeed, I will make upon the earth a successive authority [verses 2:30]

Based on the concept of Khilafah, a person is not the owner of what is in his /her hand: instead, he/she is only a vicegerent chosen by God in all things, the ownership of resources is a trust or Amanah. Therefore, any financial resources made readily available to the waqf are made in the form of a trust (Amanah) and what is relevant regarding accountability is the connection that occurs between the nazzir (trustee) and God (Allah) as well as between the nazzir and stakeholders.

In Arabic, the official language of Islam, the root word for an account is 'hisab.' In fact, there is no direct equivalent of English word 'accountability'; hence, a number of words and expressions that can be used to show the meaning of accountability. For the purpose of this research, the researcher uses two words which to the best of his knowledge completely show the meaning of accountability, takleef, and almusa alah. The word takleef is used to relate to holding a responsible person (mukalaf) to account. It is generally used to talk about the age of contractual maturity when an individual becomes accountable for his/her own actions based on the Shariah (Yasmin, 2014). Takleef is linked to the personal accountability of one's own actions and inactions (Nahar and Yaacob, 2011). Second, almusa alah discloses the capability to question a person. This is demonstrated in the Quran in various places:

And stop them; indeed, they are to be questioned [verses 37:24].

So by your Lord, we will surely question them all, About what they used to [verses 15:29,93].

According to Napier and Haniffa (2011), the notion that humans are accountable to Allah for their actions is a fundamental concept in Islam. Islam depends on accountability relationships and organising life between individuals and community (Ummah) through Shariah (Islamic law), and between people and Allah (God) (Alshehri, 2012). Shariah is the instruction that controls the activities of everyday life to be followed by good Muslims (Serour *et al.*, 1995). Two sides of human life are viewed under Shariah: worship (ibadat) and transactions (moa'amalat). In Islam, leaving an account to discharge accountability is recognized as part of 'ibadah (worship) to Allah. The Prophet (PBUH) emphasized that accountability is an important requirement for the relationship performed within Islamic society by saying:

'You are all custodians, and you all will be questioned about the things under your custody. The Imam is a custodian and he shall be questioned about his custody. The man is the custodian of his family, and he shall be questioned about his custody. The woman is a custodian in her husband's home and she will be questioned about her custody. The employee is a custodian of the property of his employer, and he shall be questioned about his custody' (Sahih Albukhari, 2005).

Accountability is as a result ingrained in the believing Muslim and leads to a strong sense of responsibility to do right, as they feel their actions are constantly being recorded and will be accounted for not only in this life but also on the Day of Judgement. The basic concept of accountability in Islam is premised on the belief that every person, who is mukalaf, is responsible for his or her actions or inactions on the Day of Judgement (Al-Safi, 1992). In fact, the Qur'an describes the Day of Judgement also as the Yawm al-Hisab (Day of Account). In Surat Sad (38:16) Allah said:

Our Lord, hasten for us our share [of the punishment] before the Day of Account

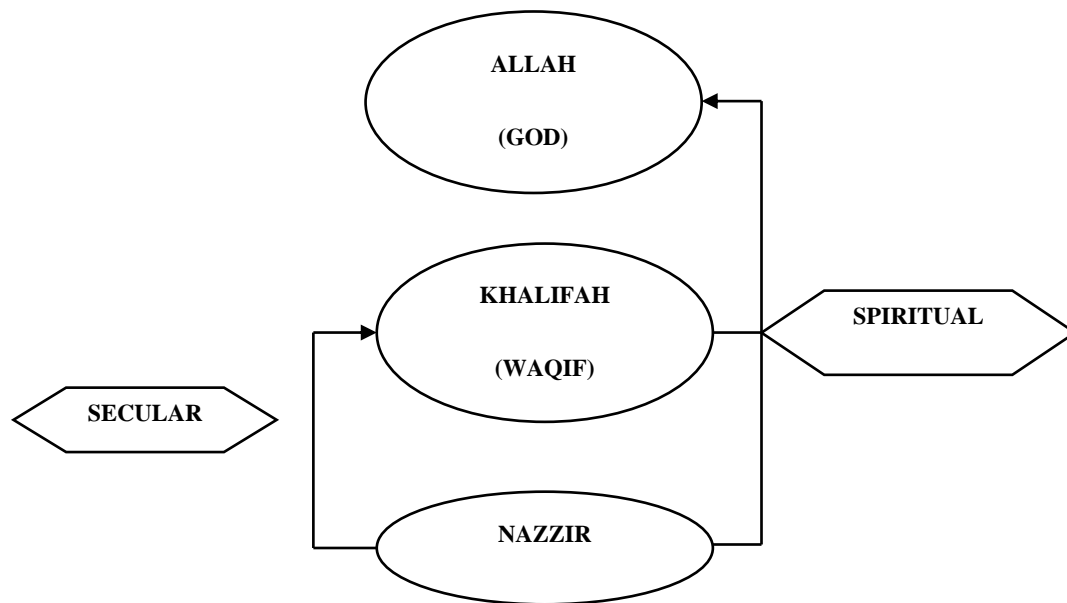
In the Day of Account (Day of Judgement), Allah will question everyone about their actions and hence holds them accountable. So even though Allah knows what people have done, Allah still enacts the rendering of accounts to emphasise individual responsibility. Therefore, people are aware that the outcome of the Judgement is deserved, whether it leads to paradise or the hellfire.

Islamic accountability encompasses the primary accountability relationship between human beings and God and the secondary accountability relationship established with other individuals and physical subjects (Ibrahim, 2000; Siraj and Karbhari, 2014). Therefore, the concept of accountability in Islam is not restricted to spiritual aspects, but it extends to social, business and any other contractual dealings. The accountability relationships of Islamic and Muslim organisations are extended beyond the normal stakeholders to embrace the transcendental primary accountability relationship with God (Abu-Tapanjeh, 2009). The conventional sense holistic accountability implies that organizations are accountable to every individual whose life might be affected by the organization's activities, directly or indirectly (O'Dwyer and Unerman, 2008), in Islam holistic means that individuals are accountable primarily to Allah, not only to their fellow humankind and society. According to Ihsan *et al.*, (2016), conventional accountability concepts have two main weaknesses in demonstrating accountability from the Islamic perspective. Firstly, conventional accountability concepts are man-made and aim to establish a certain material status of the individual and community. In addition, al-Safi (1992) 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 rewards in this world and the hereafter. Secondly, in the Western society where conventional accountability concepts were born and developed fulfilling accountability is regarded as nothing to do with religious matters.

Islamically, the shariah court plays a crucial role in the management and overseeing of awqaf because it works as the administrator of God's laws. In fact, the shariah court is not just an adjudicator, it is the body that maintains and enforces waqf deeds that have been registered with it. In addition to its main role in settling disputes, shariah courts are responsible for maintaining awqaf and monitoring nazzirs' actions. The jurists have agreed that one of the tasks of the judiciary is to oversee awqaf by appointing nazzirs (if they are not appointed by the waqif), monitoring their actions, and holding them accountable for any negligence. According to Mansory (2011), the shariah courts go through three different stages, while overseeing awqaf. The first stage is "preemptive monitoring," which is to formulate rules that govern the nazzir's actions, such as determining the requirements of the nazzir's position; for example, that "the nazzir should be an honest man." The second stage is "spontaneous monitoring," which is to establish rules that govern the nazzir's actions while carrying out his/her duties. The jurists have stipulated that the judge, based on his general jurisdiction, has the power to call the nazzir to account while examining his actions. The third stage is "post-

monitoring,” which focuses on correcting deviations, or on handling the nazzir’s mistakes. In this final stage, the judge has the power to remove the nazzir from his/her position in case of negligence; and then correct the deviations. Therefore, these roles make the shariah court a significant stakeholder in that it wants to ensure that awqaf conduct themselves in accordance with God’s laws.

Figure 3.3 Islamic accountability relationships



3.5 Review of related studies

3.5.1 Non-profit organization studies

A number of studies have been done in NPOs that can be relevant to governance and accountability in waqf institutions. These studies vary in their principle and focus. Some approach the topic from a broad perspective and examine NPOs in general, whereas other studies focus on charities and religious organizations. Moreover, several studies review and discuss NPO governance theories. An overview of the studies reviewed is provided in Table 3.5 below:

Table 3.5 An overview of non-profit organisation studies

Aspects	Researchers & Year	Title of Study	Country	Methodology
NPO governance and accountability	(Alexander and Weiner, 1998)	<i>The adoption of the corporate governance model by nonprofit organizations</i>	N/A	Survey
	(Cornforth and Simpson, 2002)	<i>Change and continuity in the governance of non-profit organizations in the United Kingdom the Impact of organizational size</i>	UK	Survey
	(Brown, 2002)	<i>Inclusive Governance Practices in Non-profit Organisations and Implications for Practice</i>	U.S.	Survey
	(Jones, 2005)	<i>Best practice features and practices guiding community service organisation governance</i>	Tasmania, Australia	Case study, interviews, data analysis, self-assessment questionnaires
	(Christensen and Ebrahim, 2006)	<i>How does accountability affect mission? The case of a nonprofit serving immigrants and refugees</i>	U.S.	Case study approach on a charity serving refugees and immigrants.
	(De Andrés-Alonso, Cruz and Romero-Merino, 2006)	<i>The Governance of Nonprofit Organizations: Empirical Evidence From Nongovernmental Development Organizations in Spain</i>	Spain	Survey

	(Reynolds, 2014)	<i>Effective Corporate Governance in Not-for-profit Organizations</i>	Australia	Interviews and secondary data analysis
	(Tacon, Walters and Cornforth, 2017)	<i>Accountability in Nonprofit Governance: A Process-Based Study</i>	UK	Case study
Charity organisation governance and accountability	(Vinten, 1997)	<i>Corporate Governance in Charity</i>	UK	Review of Literature
	(Hyndman and McDonnell, 2009)	<i>Governance and Charities: an Exploration of Key Themes and the Development of a Research Agenda</i>	UK	Review of literature
	(Lambert, 2011)	<i>An Investigation of Governance in Scottish Charities</i>	UK	Multi-method approach: survey and three case studies
	(Reddy, Locke and Fauzi, 2013)	<i>Relevance of corporate governance practices in charitable organisations A case study of registered charities in New Zealand</i>	New Zealand	Case study
	(Connolly and Hyndman, 2013)	<i>Charity accountability in the UK: through the eyes of the donor</i>	UK	Interviews
	(Hyndman and McConville, 2018)	<i>Trust and accountability in UK charity: exploring the virtuous circle</i>	UK	Interviews
Religious organisation	(Laughlin, 1990)	<i>A model of financial accountability and the Church of England</i>	UK	Review of Literature

governance and accountability	(Abdul-Rahman and Goddard, 1998)	<i>An Interpretive Inquiry of Accounting Practices in Religious Organisations</i>	Malaysia	In-depth ethnographic
	(Elson, O'Callaghan and Walker, 2007)	<i>Corporate governance in religious organisations: A study of current practices in the local church.</i>	U.S.	Survey
	(Yasmin, Haniffa and Hudaib, 2014)	<i>Communicated Accountability by Faith-Based Charity Organisations</i>	U.K	Interviews
Theoretical study	(Cordery and Baskerville, 2005)	<i>Hegemony, Stakeholder Saliency and the Construction of Accountability in the Charity Sector</i>	NA	Review of Literature
	(Assad and Goddard, 2010)	<i>Stakeholder saliency and accounting practices in Tanzanian NGOs</i>	Tanzania	In-depth interviews, observation and documentary analysis
	(Van Puyvelde et al., 2012)	<i>The Governance of Nonprofit Organizations: Integrating Agency Theory With Stakeholder and Stewardship Theories</i>	N/A	Review of Literature
	(Wellens and Jegers, 2014)	<i>Effective governance in nonprofit organizations: A literature based multiple stakeholder approach</i>	N/A	Review of Literature

However, so far, not enough research has been carried out about governance in NPOs, as the primary academic emphasis is on profit-seeking organizations. This literature review will present the most relevant academic studies. First, this section will discuss studies that consider accountability and accounting practices in NPOs. Second, the section will review studies on governance in various contexts. Finally, the section will review studies that address NPO governance theories.

To begin with, Vinten (1997) studied a single British charity and developed a list of accountability items. More precisely, a charity should include its income, expenditure, results, efficiency, relationships, procedure, purpose, and principles. When Vinten applied these to the charity, he discovered a lack of transparency and poor governance procedures. Nevertheless, his article is explanatory and does not have a sufficient theoretical framework and an appropriate justification for the included methodology. Another study, by Christensen and Ebrahim (2006), adopted an interpretive case study approach to investigate a charity that helps refugees and immigrants. Their research specifically considered the relationship between accountability mechanisms and mission-based activities. They drew on the literature on upward accountability (to funders) suggesting that this is too intense for many non-profit organizations, as it can jeopardize downwards (to beneficiaries) and lateral accountability (within the organization) and even the NPO's mission. According to the results, when *upward* accountability mechanisms are not perceived as directly connected to the mission, the staffs tend to perceive them as cumbersome. However, the authors suggested that accountability can be improved if 'felt responsibility' was increased through the organization by empowering staff members and providing them with autonomy in decision-making. In conclusion, upward and downward accountability can be improved by strengthening lateral accountability. The research also revealed that funders and regulators should focus on internal capacity building such as communication and coordination, instead of asking for more reporting, as the staff sees downward and lateral accountability as a part of the mission.

With regard to Muslim religious organizations, Abdul-Rahman and Goddard (1998) examined the accounting and accountability practices of two organizations in Malaysia. The study involved an in-depth ethnographic study that provided rich contextual data on a Muslim religious organization. Remarkably, the research revealed that 130 participants identified as elite did not understand the concept of accounting practices. The accounting practices are rather seen as important when there are no such power sources. Participants rather focused on their

role in terms of organizational practice than on enhancing accountability. Moreover, Yasmin *et al.*, (2014) conducted a comparison of the reporting of Christian- and Islamic-based charity organizations in England. The research revealed that the tasks of disclosing mandatory information in their financial reports is the ritual affair for UK sample charity organizations. As a result, important data are overlooked. The identified factors that contribute to a lack of communicated accountability are costs, manpower, expertise, informal organizational structure with concentrated decision-making power, and donors' trust.

Some studies have been carried out examining the governance and accountability practises in NPOs. To start with, Alexander and Weiner (1998) explored the conditions in which NPOs adopt corporate governance practices. The findings disclosed that adoption of corporate governance practices depended mainly on the presence of a supportive institutional or more precisely value context. NPOs rely on donations to function and operate, but they also require resources to support governance restructuring and development. Accordingly, adoption of structures and practices from the for-profit sector is not a feasible solution to the challenges encountered by NPOs. Jones (2005) attempted to identify best practices for governance of community service organisations (CSOs) in Tasmania, Australia. The author carried out a case study of six CSOs and pointed out several models and principles of governance of NPOs/community service organisations. What is more, the research proposed a principle-based approach to corporate governance and best practice for governance of CSOs. Reynolds' PhD thesis (2014) focused on corporate governance effectiveness in not-for-profit organisations in Australia. He identified and developed types of performance indicators. He based his analytical approach and methodology on the Glaser and Strauss (1967) approach to grounded theory. Reynolds interviewed the experts and reviewed annual reports. According to the findings, it is not common in Australia to use performance indicators for corporate governance activities. Nevertheless, corporate governance statements can be used to introduce corporate governance performance indicators. A study by Tacon *et al.*, (2017) provided an empirical exploration of accountability in NPOs which depend on a single source of funding. This paper examined accountability practices and processes in a single case study in the UK. Using interviews with board members and direct observation, the analysis shows how board members work to construct broader forms of accountability beyond accountability to the funder, but then struggle to enact them.

Number of NPOs and charities studies apply stakeholder salience model in order to categorize stakeholders in these kinds of organisations and study the stakeholders' influence on accountability. Cordery and Baskerville (2005) combine the stakeholder salience model with Hayes' (2001) types of accountability in order to provide how the stakeholder salience model can be applied to show accountability to various stakeholder groups in charity organisations. In applying these tools to a particular transgression event, it is demonstrated that the lower salience of beneficiaries of a charitable activity is due to their lack of coercive power through a lack of knowledge. Cordery and Baskerville (2011) argue that stakeholder salience model can be a good instrument for assisting management in identifying the relationships of accountability in charity sector. In NPOs studies, Assad and Goddard (2010) investigate the influence of stakeholders on accountability relationships in two Tanzanian NGOs. Using grounded theory approach, Assad and Goddard found donors were the stakeholders with the highest salience. In contrast, although beneficiaries are often considered as the main objective and the most significant stakeholders in NGOs, there appeared to be little accountability by NGOs to beneficiaries. Surprisingly, Assad and Goddard did not justify why beneficiaries were categorized as low salience stakeholders. Nevertheless, Assad and Goddard argued that employing the stakeholder salience theories will assist the NGOs to classify their stakeholders.

Several studies on NPO governance concentrated on religious and charity organisations as these kinds of organization play a crucial role in many societies. Elson *et al.*, (2007) focused on governance of faith-based organisations. This study concluded that, albeit there are adequate oversight measures in churches in the US, governance policies are not appropriate and governors do not possess enough accounting knowledge. In terms of charity organizations, Reddy, Locke, and Fitriya Fauzi (2013) examined whether charity organizations in New Zealand have applied the principle-based corporate governance practices comparable to those used by the publicly listed companies. Also, they investigated the effect of corporate governance on financial performance. The authors concluded that large board sizes and larger donors have the potential to increase the agency costs in charities.

Recently, Hyndman and McConville (2018) study mechanisms used in discharging accountability, and building trust with, charities' main stakeholders. This paper, firstly, identified the main stakeholders in charity organisations. The results show that beneficiaries, large founders, individual donors and general public are considered the main stakeholders of the charity organisations. Secondly, the study found seven kinds of information are needed

by the main stakeholders; namely: financial statements, project spend, other financial information, governance information, activities information, outcomes information and case study information. Thirdly, two main groups of accountability mechanisms were found:

1. Publicly available communications: including annual report, annual review and website
2. Private mechanisms: including direct reporting, participation, feedback and observation.

After addressing these three aspects, Hyndman and McConville (2018) found that the use of a wide range of mechanisms often highly tailored to specific stakeholders' perceived information needs. In addition the use of these mechanisms can create "virtuous circle" of accountability and trust.

A number of studies that concern NPO governance focus on the board of the organisation as the board is considered to be the cornerstone for good governance in NPOs. Cornforth and Simpson (2002) examined the charity boards in England and Wales. The focus was on how the membership of boards changes and the impact of external initiatives on performance. It also assesses the organisational size. According the results, they assert that organisational size does matter because both changes and board characteristics depends on it. In a similar vein, Brown (2002) investigated the relation between governance practices and recruitment practices, diversity attitudes, and a board composition. The author studied 43 board members and 56 executives from 62 non-profit organisations. As the research revealed, the majority of organizations does have inclusive governance practices and strategies to achieve the goal of inclusivity. Remarkably, the research also showed that it is not necessary to have a heterogeneous board composition to use inclusive practices. The common characteristic of inclusive boards is that they are sensitive and they follow recommended board recruitment practice. Also, it was shown that there is a correlation between inclusiveness of the board and having a committee on diversity. Brown (2002) concluded that to properly operate, organisations should consider stakeholders' involvement philosophy to operate. What is more, it is necessary to identify strategies resulting in a higher involvement of stakeholders.

De Andrés-Alonso *et al.*, (2006) selected a representative sample of Spanish nongovernmental development organisations (NGDOs) to study how donors' structure and a board of trustees impact organizational efficiency. In the conclusion, the authors argued that an active

institutional donor is critical for ensuring control mechanisms for NGOs. An active donor contributes to the efficient allocation of resources. On the other hand, the structure of the board does not influence it. Besides, Lambert (2010) examined governance in large Scottish charities through three case studies and a self-completion questionnaire. He focused on internal aspects of governance, such as the functioning of the board. His thesis revealed similar challenges that the boards of Scottish charities encounter as in other countries. Nevertheless, remarkably, the author also noted that business members of charitable boards contribute to the organization's governance, as a result of their business expertise. Furthermore, charities can gain an important advantage from having outside specialists on the board.

Small numbers of studies address NPO governance theories. Puyvelde *et al.*, (2012) combined several theories to propose a comprehensive principal-agent theory of non-profit organisations. To illustrate, they combined agency theory with elements of stewardship theory and stakeholder theory, and empirical literature on the governance and management of NPOs. They used the stakeholder theory perspective to show the significance of a framework with multiple principals. Second, they used the stewardship theory perspective to claim that there are situations in which agents share the same interests as the principal or are motivated to act in the best interest of the principal. Wellens and Jegers (2014) argued that stakeholder theory should be extended to cover NPOs concerning governance regarding the involvement of diverse stakeholder groups. The purpose of this theory is to identify effective board governance and consider the perspectives of multiple non-profit key stakeholders. The theory considers the following stakeholders: non-managerial staff members, volunteers, board members, private donors, beneficiaries, and the government. The authors consider that the existing literature did not pay enough attention to all of the stakeholders. The conflicts arose because of different objectives and needs among stakeholders. Finally, there are even conflicts within the same stakeholder group.

As it can be observed, the majority of the empirical studies on Non-profit Organizations (NPOs) have been carried out in developed countries, such as the United States, United Kingdom, Australia and Canada. However, it is not clear if their findings and identified principles of good governance and items on accountability can be applied to non-Western countries, such as Saudi Arabia, and in particular to charities based on Islamic principles and regulations, such as awqaf. It is worth noting that one study conducted in Malaysian contexts revealed that involved personnel do not have the perception and understanding of

accountability found by interviewing the staff in Western charity based organizations. This shows the necessity for a context-based approach and avoiding automatic application of findings and concepts emerged in the Western societies. Furthermore, studies on governance in Saudi Arabia and Middle East countries have focused on the development of corporate governance, corporate governance practices generally, and corporate governance in public corporations and financial institutions. This creates a gap because the governance of non-profit organisations in these countries has not been sufficiently scrutinized.

3.5.2 Waqf studies

From the collapse of the Ottoman Empire until the beginning of the 21st century, waqf studies in the Muslim countries were not progressing very well. Rashid (2008) documented this by tracing the waqf literature created in Indonesia, Malaysia, Bangladesh, Pakistan, and India from 1977 to 2007. His research revealed only 306 waqf materials (just 10 a year on average), including books and book reviews, academic articles, Masters and Ph.D. theses, reports, conference proceedings, and magazine and newspaper articles. Although not all Muslim countries were covered by the study, the findings suggest that overall the waqf literature is limited (Cajee, 2007). Most of the waqf literature, in the given period, had focused on the legal aspect of waqf, its political and socio-economic impact and the comparison with other models of charity.

However, lately, waqf have been receiving more attention in the literature. Indeed, there are other new issues on waqf analysed by academic researchers such as the integration of waqf into Islamic financial institutions and the modern management of waqf institutions (Ihsan and Adnan, 2009). Some authors have argued that the development of waqf institutions will depend on the good governance of these institutions (Cajee 2007). Accordingly, the relatively new field of interest within accountability studies is waqf governance. The aim of these studies is to enhance practices of waqf institutions.

In the last decade, the literature on waqf governance and accountability has grown significantly, especially in South Asian countries. In fact, these studies can be divided into three main categories: first, studies that concern historical aspects of waqf accounting, accountability, and governance practices; second, studies that focus on the accounting and accountability practices in contemporary waqf institutions; and finally, studies that concentrate on the governance of contemporary waqf institutions. It is noteworthy that most waqf studies aim to contribute to the waqf field by reviewing waqf literature and clarifying the concept of waqf in the modern

business environment. Only a few studies subject waqf institutions to empirical investigations. As a result, there is a gap between theoretical research and practices on the ground. A synthesis of the studies reviewed is given in Table 3.6 below:

Table 3.6 An overview of waqf studies

Researchers & Year	Title of Study	Country	Variables/ aspects & Methodology
(Toraman, Tuncsiper and Yilmaz, 2007)	<i>Cash awqaf in the Ottomans as philanthropic foundation and their accounting practices</i>	Turkey	Historical study
(Yayla, 2011)	<i>Operating regimes of the government: Accounting and accountability changes in the Sultan Süleyman Waqf of the Ottoman Empire (The 1826 Experience)</i>	Turkey	Historical study
(Ihsan, H., Ayedh, 2006)	<i>Towards the betterment management and transparency of waqf institutions: Lessons from the Charity Commission, UK</i>	General	Reviewing waqf literature
(Norman <i>et al.</i> , 2013)	<i>Accounting for waqf institution: a review on the adaption of fund accounting in developing the shariah-complaint financial reports for mosque</i>	General	Reviewing waqf literature
(Masruki and Shafii, 2013)	<i>The Development of Waqf Accounting in Enhancing Accountability</i>	General	Reviewing waqf literature
(Ramli and Muhamed, 2013)	<i>Good Governance Framework for Corporate Waqf: Towards Accountability Enhancement</i>	Malaysia	Reviewing waqf literature
(Ihsan and Ayedh, 2015)	<i>A Proposed Framework of Islamic Governance for Awqaf</i>	General	Reviewing waqf literature
(Mohammad, 2015)	<i>A New Framework of Corporate Governance for Waqf: A Preliminary Proposal</i>	General	Reviewing waqf literature
(Noor <i>et al.</i> , 2014)	<i>The Waqf Governance Framework in Malaysia</i>	Malaysia	Reviewing waqf literature

Researchers & Year	Title of Study	Country	Variables/ aspects & Methodology
(Rahman, Bakar and Ismail, 1999)	<i>Current practices and administration of waqf in Malaysia: A preliminary study.</i>	Malaysia	Reviewing waqf literature and conducting telephone interviews
(Sulaiman, Adnan and Nor, 2009)	<i>Trust Me! A case study of the International Islamic University Malaysia's Waqf Fund</i>	Malaysia	Case study
(Karim, 2010)	<i>Contemporary Shari'ah Compliance Structuring For The Development And Management Of Waqf Assets In Singapore</i>	Singapore	Case study, interview, and documentary analysis.
(Suhaimi Nahar and Yaacob, 2011)	<i>Accountability in the Sacred Context: The Case of Management, Accounting and Reporting For Malaysian Cash Awqaf Institution</i>	Malaysia	Case study method and archival documentation review and analysis.
(Ihsan and Mohamed Ibrahim, 2011)	<i>Waqf accounting and management in Indonesian Waqf institutions: The cases of two Waqf foundations</i>	Malaysia	Case studies: interviews, document reviews and direct observations
(Osman, 2012)	<i>Accountability in managing waqf properties: the case of two State Religious Councils in Malaysia</i>	Malaysia	Case study, semi structured interview, non-participant observation and documentary analysis.

Researchers & Year	Title of Study	Country	Variables/ aspects & Methodology
(Siraj, 2012)	<i>An Empirical Investigation Into The Accounting, Accountability And Effectiveness Of Waqf Management In The State Islamic Religious Council (SIRC) In Malaysia</i>	Malaysia	Mixed-Methods Research Design. Questionnaire and interview.
(Yaacob <i>et al.</i> , 2015)	<i>Accountability through accounting and reporting lenses: Lessons from an awqaf institution in a Southeast Asia country</i>	Southeast Asia country	Single case study research involving semi-structured interviews and archival documentation review and analyses.
(Ramli, Salleh and Muhamed, 2015)	<i>Discharging Accountability through Governance: Cases from Waqf Institutions in Indonesia</i>	Indonesia	Case study, Interviews
(Ihsan <i>et al.</i> , 2016)	<i>Waqf Accountability from the stakeholder salience theory: a case study</i>	Indonesia	Single case study research involving semi-structured interviews, observation and documentary analysis.
(Ihsan <i>et al.</i> , 2017)	<i>A Study of Accountability Practice in Dompot Dhuafa Waqf of Indonesia</i>	Indonesia	Single case study research involving semi-structured interviews, observation and documentary analysis.

Regarding the historical studies, there are two important articles. Both attempt to investigate the beginning of the accounting practices in waqf institutions. Toraman, Tuncsiper and Yilmaz (2007) traced the waqf accounting practices from 1490 to 1928. Despite being a single entry, this records covered daily, monthly, and yearly expenditures; the annual income of properties; and the annual increment of waqf assets. Similarly, Yayla (2011) studied the accounting practice in Sultan Suleyman Waqf of the Ottoman Empire. He analyzed the bookkeeping process in the Ottoman's archive and found out that the Sultan's commissioners used accounting records to measure the waqf performance. In short, these two studies have proven that accounting was used as a controlling device for waqf management during the Ottoman Empire.

Numbers of waqf studies have been conducted to identify and clarify accounting and accountability practices in waqf institutions. A significant number of these studies were conducted in Malaysia. For instance, some of these studies examine the accounting and management practices in awqaf institutions in Islamic Religious Council (SIRC) in Malaysia, as those carried out by Abdul Rahim *et al.*, (1999) Hisham (2006), and Siraj (2012).

One of the preliminary studies on the accounting practices of waqf institutions was by Abdul Rahim *et al.*, (1999), which attempted to explore the accounting as well as administration practices of the State Islamic Religious Council (SIRC) in Malaysia. According to Rahim's study, there is a lack of information on waqf assets, a lack of accounting system for waqf assets, while the management is unsystematic. What is more, it does not have written procedures for recording financial transactions. Hence, Rahim *et al.* (1999) proposed that the founding of the waqf department to coordinate waqf institutions in Malaysia and the enhancement of accounting procedures in order to establish internal waqf control.

In 2006, Hisham replicated this study to carry out a descriptive and an exploratory case study of the Federal Territory SIRC. He analyzed in depth its waqf accounting practices. His findings suggest that certain improvements in record keeping by this SIRC had taken place. However, his study also revealed a lack of dedicated financial statements for waqf. What is more, there was no division between different categories of awqaf. Accordingly, Hisham proposed that the Statement of Recommended Practices (SORP 2005) for charities in the UK is a good basis for waqf accounting practices.

Furthermore, Siraj (2012) examined the accounting and how effective is the management of waqf institutions in Malaysia. His study discovered a lack of particular accounting charts for tracking assets and funds of Islamic institutions. In addition, the management, financial adequacy, and human resources are not satisfactory. In particular, the management and ihtisab (accountability) are weak. To sum up, these studies show that there has been an improvement in terms of financial reporting from year to year basis. However, common problems in awqaf accounting and management in those institutions such as unavailability of the standardized financial report and the limitation of management techniques remain.

Apart from the State Islamic Religious Council (SIRC), Sulaiman *et al.*, (2009) examined the International Islamic University Malaysia's waqf Fund (IIUMWF) since it was founded in 1999 until 2009. This study also examined its accounting practice. More precisely, it considered the IIUMWF's accounting practices, the conducted programmes, the fundraising activities, and the fund management. According to the findings, the IIUMWF has sound structure, management practices, and governance. In particular, its performance in the period from 2003 to 2005 was satisfactory. Nevertheless, there is a significant place for the improvement of its disclosure practices. Sharing almost the same findings, in the context of Indonesia, Ihsan and Ibrahim (2011) studied two waqf institutions and found that they differ in their accounting practices, and in particular regarding the public transparency. The reason is, according to the authors, a lack of waqf accounting standards in Indonesia, and as a consequence, advocated for the development of standards to enhance the accountability of the managers in charge of waqf.

By studying Singapore's Islamic Religious Council, Karim (2010) embarked on identifying necessary factors for the structuring of waqf assets to be in compliance with the contemporary Shariah. According to the results, there are five main factors related to the satisfactory management of waqf assets. The main factors are legal and governance related. Nevertheless, it is also necessary that people in the management have trust and vision. Hamdan *et al.*, (2013) analyzed the existing financial reporting practices of mosques in relation to Shariah risks. The study revealed that there are various Shariah non-compliant issues and risks related to the practices. Also, the authors proposed solutions and mitigations to risks from the accounting perspective. Remarkably, the research asserted that mosques should not adopt the commercial accounting to prepare their financial reports. The reason is that commercial accounting is not suitable for a non-profit organization. Findings of the previous studies led Masruki and Shafii

(2013) to assess the necessity for the development of Statement of Recommended Practice for Charity (SORP) and accounting standards on the basis of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) framework. The findings suggest that accounting is beneficial for discharging the accountability of a manager in waqf administration and management.

Most of the previously mentioned studies only focused on accounting. However, the concept of accountability is broader than addressing accounting practices. Therefore, several studies examined the issues of transparency and accountability in waqf institutions in various Muslim countries. For example, by reviewing waqf literature in some Muslim countries, Ihsan *et al.*, (2006) confirmed insufficient accountability and transparency in the waqf assets management. They discovered mismanagement in running awqaf. They studied the UK Charity Commission proposal and found some primary ideas applicable to the enhancement of waqf institutions. More precisely, they underlined the code of Good Governance, the management of funds, transparency, reporting, and internal financial control. In fact, several drawbacks can be found in this article. One of the most important criticisms of this study is that authors based their finding on reviewing previous studies, which are limited in quantities and qualities. Additionally, most of the reviewed studies were specifically done in one country (Malaysia). Hence, it is not possible to generalize that there is a lack of accountability and transparency in waqf assets management among Muslim countries. However, several studies conducted after this study came to the same conclusion. For example, Yaacob and Nahar (2011) studied the reporting, accounting, and management practices for six years period of a cash awqaf institution. They used document analysis and a case study methodology. In their research, it was revealed that to a certain extent there is accountability of various awqaf dimensions. However, they concluded that in order to meet primary and secondary accountabilities it is required to carry out certain improvements. Comparably, Osman (2012) studied accountability from the perspective of waqf managers of the Malaysian SIRC. According to this research, managers exhibit holistic accountability because they believe in the Day of Judgement. Hence, the feeling of managers' accountability is led by the Islamic values.

Recent studies in waqf accountability show different findings and images from those published in the first decade of the 21st century. Yaacob *et al.*, (2015) examined reporting, accounting, financial, and managerial practices of a waqf identified as “waqf-S”. They wanted to explore the drivers of the existing accountability culture. Unlike most previously mentioned studies,

this paper found that waqf-S has a highly accomplished awqaf manager. Their management and administration follow comprehensive and effective procedures, guidelines, and rules. They compile on time high-quality annual financial reports and publish them online.

A very recent study by Ihsan *et al.*, (2016) and Ihsan *et al.*, (2017) attempted to find how the manager (mutawalli) discharges accountability in managing waqf. The authors use accountability mechanisms as the conceptual lens, which encompasses disclosure statements and reports, self-regulations, participation, performance assessment, and social auditing. Apart from the accountability mechanisms, the stakeholder salience theory also examines the ways of showing managerial accountability to different stakeholders. According to the study results, the case (Dompét Dhuafa) does recognize the salient nature of stakeholders; however, managers are yet exhibiting accountability to all of them. According to the perception of managers, accountability is not confined to reporting and accounting. Rather, it is necessary to employ specific accountability mechanisms to exhibit accountability to various stakeholders. In fact, this thesis uses the same mechanisms of accountability (provided by Ebrahim, 2003) and the same theory (stakeholder salience provided by Mitchell *et al.*, 1997); however, these studies use single case study research, whereas this research uses multi-case study research in order to compare and contrast between cases.

With the increased interest in the concept of governance internationally, some researchers attempt to examine the governance practices of waqf institutions and how this concept can contribute positively to waqf institutions generally. The first paper was written by Ramli and Muhamed (2013). The authors aimed at assessing the potential for developing a specific governance framework for corporate waqf. After this theoretical paper Ramli *et al.*, (2015) carried out an empirical study about the governance of Indonesian waqf institutions and in particular they examined the discharging of accountability during the governance process. The methodology included interviews with members of two Indonesian waqf institutions and sheds light on the governance process in them. The findings show that there are some differences in the selected governance aspects of the existing structure and practices. In addition, there is no sufficient monitoring mechanism exists in terms of Shariah audit in both of institutions.

In 2015, three conceptual papers were published about the governance of waqf. Ihsan and Ayedh (2015) reviewed several Islamic concepts and values underlining the governance framework of awqaf institutions. Their study also confirmed the Islamic accountability of nazzir. They examined main principles of good governance are shura, adala, and amanah, and

they come from Qur'an. The application of this principle serves to discharge nazzir's dual accountability, or more precisely his accountability to both Allah and the society. In the same manner, Noor *et al.*, (2014) wrote a conceptual paper which proposed a governance framework especially for Malaysian Islamic charity institutions. For the authors, the way to fully utilize these institutions for the development of Muslim communities is through the establishment of so-called Waqf Governance Framework.

Finally, Abdullah (2015) proposed a form of corporate governance particularly for institutions that operate on the current waqf regulations, but in line with contemporary governance guidelines. To have an efficient waqf framework of corporate governance, it must at the same time be based on contemporary requirements but also in line with the classical waqf regulations to fit the dynamism of the institutions. Besides, the role of active donors is crucial and should be considered when formulating mechanisms of good governance. Nevertheless, the classical waqf governance model should undergo certain adaptations and changes to fit the requirement of modern time. In addition, custom-made innovative paradigms and models of waqf governance should be developed for different jurisdictions. This is necessary because of unique, context-based problems and challenges of each of them. Lastly, as this paper argues, concepts of virtual dividend (return on waqf), virtual share (for the waqf), and virtual shareholder (for the waqf) should be taken into account. It is necessary in order to increase the transparency of managerial practices in waqf and also to stipulate creating of the competitive environment for mutawallis.

Overall, the major criticism of the waqf literature is that the majority of waqf studies focus only on reviewing literature. The number of empirical studies in the waqf sector is very limited. In addition, by reviewing these small numbers of empirical studies, it is found that most of them were either published in obscure journals or they are conference papers.

3.5.3 Saudi Arabian studies

3.5.3.1 Saudi Arabian CG Studies

A review of the literature shows that several studies have been carried out on corporate governance in Saudi Arabia, most of them being PhD theses. These studies can be categorized in terms of their methods, i.e. quantitative, qualitative, and mixed-methods.

Three corporate governance quantitative studies have been found in the context of Saudi Arabia i.e. Al-Hussain, 2009; Al-Matari *et al.*, 2012; Al-Moataz and Hussainey, 2012. Al-

Hussain (2009) scrutinized relationships between the efficiency of corporate governance structure and performance of the bank. According to the results, there is a significant correlation between the two, when the author used return on assets to measure performance. However, the government and local ownership groups were not found to be significant. Further, the weak positive relationship between the efficiency of corporate governance structure and bank performance was demonstrated when the stock return was taken as a measure of performance. The second study by Al-Moataz and Hussainey (2012) analysed the relationship between features of the company and the corporate governance disclosure levels of publicly listed Saudi companies in 2006 and 2007. The research revealed a significant positive correlation between liquidity, the size of the audit committee, and corporate governance disclosure; whereas board independence and corporate governance, disclosure is negatively associated. What is more, there is statistically not significant relationship between corporate governance disclosure and company size. Also, Al-Matari and Al-Swidi (2012) focused on the association between the performance of listed companies on Saudi Stock Market (TADAWUL) in 2010 (financial companies were not included), characteristics of the audit committee, and the internal corporate governance mechanisms of the board of directors. The impact of internal corporate governance variables on Tobin's Q and on return on assets differs. The proportion of non-executive directors is in a positive, significant association with return on assets. In conclusion, these three studies seem to be not relevant to this research as they differ in the method (quantitative) and purposes.

Most studies of corporate governance in Saudi Arabia applied mixed method approach. Al-Harkan (2005) was one of the earliest researchers of corporate governance in Saudi Arabia. In 2005, there was no corporate governance code. However, some banks and other big companies did indeed use certain corporate governance practices. For instance, Al-Harkan (2005) found cases of implementation of the separate roles of the Chairman and the CEO, and three non-executive directors independent of the management on the board. After the corporate governance code was introduced in Saudi Arabia, Falgi (2009) investigated corporate governance and in particular focused on perceptions of various stakeholder groups and how they evaluate corporate governance practices. He discovered a lack of awareness related to corporate governance in Saudi Arabia, even among members of the boards. Most commonly, there is a widespread narrow agency perspective of corporate governance. As a result of this narrow understanding, the amount of accountability that companies exercise towards other stakeholders and society, in general, is significantly reduced. Due to the early stages of Saudi

corporate governance, its features are insufficient protection of shareholders, a weak legal framework, and a lack of accountability.

The thesis of Alshehri (2012) examined the perceptions of both external and internal stakeholders regarding accountability and CG in Saudi Arabia. However, the research revealed that the awareness of accountability and CG is growing in the corporate sector and its significance is more and more understood properly. Al-Mulhim (2014) studied the performance of non-financial firms listed on the Saudi Capital Market and corporate governance mechanisms. He discovered that primary identified obstacles that prevent implementation of CG are insufficient time, high costs, and a lack of awareness. The author concluded that transparency and disclosure must be enhanced and further developed among listed companies. What is common for Al-Mulhim (2014) and Alshehri (2012) is that both authors approached the issues of CG and accountability from the Islamic perspective. Furthermore, Alamri (2014) analysed how Saudi Arabian listed companies adopted the CG code in an institutional a context of prevailing government and family ownership. In this study, the author scrutinized which governance mechanisms impact practices and which are not put into practice. He used questionnaires and interviews to identify the factors that contribute to the resistance. According to the results, there are sociocultural factors leading to normative isomorphic tendencies that do not allow efficient adaptation of governance practices. Rather, the only really implemented practices are purely ceremonial.

Al-Ajlan (2005) and Bukhari (2014) had a qualitative approach. Al-Ajlan (2005) studied responsibilities and roles of the board of directors in the sector of banking. He interviewed board members and directors to obtain information about boards' monitoring and strategic roles. The research revealed that in the banking sector boards have a crucial role in deciding on the company's strategic aims. However, big shareholders still impact this process. What is more, board members perceive the strategic role of the board in different ways. Nevertheless, the majority agrees, in spite of various ownership structures, that boards should formulate strategies together with the top management. It means that the ownership structure and concentrated ownership are significant characteristics of KSA companies. Bukhari (2014) applied the institutional theory perspective to study how institutions impact the emergence and development of different regimes of corporate governance. He was interested how main social actors perceive this process. According to the results, in countries such as Saudi Arabia, religious institutions, bureaucratic state, kinship, and family impact regimes of CG.

Remarkably, kinship and family have a negative influence on the emergence and development of CG because of conflict of interests, abuse, and control. On the contrary, there is a positive impact of religious institutions and the bureaucratic state in Saudi Arabia, as they have supporting roles and participate in compliance and implementation.

As mentioned earlier, these studies examined CG in for profit corporations; therefore, this research can learn from them. However, it is not clear if their findings and identified principles of good governance can be applied to non-profit organizations.

3.5.3.2 Saudi Arabian waqf studies

Even though awqaf have recently witnessed massive improvement in Saudi Arabia, only a few studies have been conducted in this country. Overall, these studies focus on the general image of waqf in KSA or the legal aspects. Remarkably, none of these studies have examined the governance and accountability of waqf in KSA. A synthesis of the studies reviewed is given in Table 3.7 below.

Table 3.7 An overview of Saudi Arabian waqf studies

Researchers & Year	Title of Study	Variables/ aspects & Methodology
(Faqih, 1999)	<i>Awqaf in Saudi Arabia: problems and solutions</i>	Reviewing waqf literature
(Alzaid, 1999)	<i>Current situation of awqaf in Saudi Arabia and the way of its developments</i>	Reviewing waqf literature
(Alhomaïd, 1999)	<i>The history of waqf in Saudi Arabia</i>	Historical study
(Aldohaian, 2000)	<i>Awaqf management: the case of Saudi Arabia</i>	Reviewing waqf literature
(Alokash, 2006)	<i>The development of waqf institutions in Muslim society: the case of Saudi Arabia</i>	Reviewing waqf literature
(Tahir, 2015)	<i>Comparative study of waqf in Malaysia and Saudi Arabia</i>	Reviewing waqf literature
(Saad, Kassim and Hamid, 2016)	<i>Best practices of waqf: Experiences of Malaysia and Saudi Arabia</i>	Case study, document analysis

Attempting to review these studies, it was found that only four of them are available - i.e. Aldohaian (2000), Alokash (2006), Tahir (2015) and Saad *et al.*, (2016). Aldohaian's (2000) study describes how management practices can be adopted to waqf institutions. The author aims to link management practices, i.e. planning, organizing, directing, and internal control to nazzir roles. The study also provides a brief history of waqf administration in Saudi Arabia. Alokash (2006) addresses the development of waqf institutions in Saudi Arabia. He presents waqf regulations in Saudi Arabia and suggests some changes of them. Finally, he proposes a management model for waqf institutions.

A Master thesis by Tahir (2015) investigates the Islamic law ruling and legal frameworks in Saudi Arabia and Malaysia. It attempted to compare the management and administrative aspects of waqf practices between these two countries. Using single data collection method (document analysis), Tahir found two main difficulties which exist with both countries legal frameworks (1) long and complicated procedures for establishing awqaf (2) lack of formal reports and data related to awqaf. However, he also found that the sources of legislation in Malaysia are more flexible than those in Saudi Arabi. Last but not least, Saad, Kassim and Hamid (2016) examine the best management practices of selected awqaf entities in Malaysia and Saudi Arabia. The awqaf entities involved in this study include two corporate awqaf institutions in Malaysia and five awqaf entities under Islamic Development Bank in Saudi Arabia. Using case study approach, the paper depends on secondary data obtained from the selected awqaf institutions in Malaysia and Saudi Arabia. The information is used to identify and compare the organizational set up, channel of accountability, activities, and beneficiaries of selected waqf institutions. Remarkably, Saad *et al.*, (2016) found that awqaf institutions in Saudi Arabia and Malaysia are not being given the proper attention, resulting in many of these awqaf being ill-managed. Most of these properties have enormous commercial potentials but are not being maintained effectively. Consequently, these properties do not yield their greatest benefits to the society. Among the factors identified include: legislative lacunae, administrative lapses, lack of political will, indifferent attitude of the management of the awqaf, and lack of honesty and integrity.

These small numbers of available studies in KSA illustrate the shortage of waqf studies in KSA. More precisely, most of these studies were in fact papers presented at conferences. Additionally, although waqf assets in Saudi Arabia have been considered one of the largest in numbers and values around Muslim countries, no empirical study has been found in the context

of Saudi Arabia except the study by Saad *et al.*, (2016) which focuses on comparing management best practices in Malaysian and Saudi awqaf. In fact, many experts believe that waqf institutions have a unique form as they are managed by different sectors i.e. private, public, and third sector. This unique form means that empirical findings from Malaysia, Indonesia and other countries may not apply in Saudi Arabia, and hence a study of waqf accountability and governance in Saudi Arabia is long overdue. The present study aims to fill the significant gap in the waqf literature.

3.6 Chapter summary

This chapter provided a general review of governance and accountability concepts. Number of aspects of governance were discussed, such as definitions, models and principles. Governance in NPOs was investigated in greater detail especially governance mechanisms in NPOs i.e governing documents, the board of trustees, and sub-committees. In terms of accountability, this chapter addressed the three main questions related to the concept of accountability i.e. accountability to whom, accountability for what and accountability how?. Moreover, Islamic accountability was discussed briefly. The last part of this chapter reviewed the research related studies, which included non-profit organization studies, waqf studies and Saudi Arabian studies. The next chapter will provide a theoretical framework of corporate governance.

CHAPTER 4: THEORETICAL FRAMEWORK

4.1 Introduction

It is difficult to understand the concept of governance without addressing different theoretical views. Solomon (2007) observes that in order to explain and analyse corporate governance, a number of theoretical frameworks have been proposed. Theories of corporate governance have emerged in a range of disciplines, including law, economics, accounting, finance, management, and politics (Mallin, 2007). Each of these theories provides different explanations of the concept of governance and its mechanisms. Each theoretical approach applies particular terminology and studies corporate governance from a different perspective. The following subsections address these theories.

This chapter will discuss four different theories of corporate governance: agency theory, stewardship theory, institutional theory and stakeholder theory. All of these theories have a specific view and objectives that reflect governance mechanisms. At the end of this chapter, we will provide the rationale for this study; then, the research questions, which have been formulated with a theoretical framework, will be presented.

4.2 Corporate governance theories

4.2.1 Agency theory

This theory follows Adam Smith (1776) and Berle and Means (1932) and focuses on issues of the division between ownership and control within large corporations. Jensen and Meckling (1976) provided the modern formulation of agency theory in their paper titled '*Theory of the firm: Managerial behaviour, agency costs, and ownership structure*'. According to the authors, managers are the primary agents whose duty is to maximize the returns to the shareholders, who, in turn, are the principals. They define an agency relationship as "a contract under which one or more persons (the principals) engage another person (the agent) to perform some service on their behalf which involves delegating some of the decision-making authority to the agent" (p. 308). Since then, agency theory has been broadly used in a variety of subjects within business disciplines and, in particular, in corporate governance studies and analyses. A large

volume of research concerning corporate governance is based on agency theory (e.g. Brudney, 1985; Agrawal and Knoeber, 1996; Shleifer and Vishny, 1997; Bianco and Casavola, 1999; Adams and Mehran, 2003; Haniffa and Hudaib, 2006).

The essence of the agency problem arises from the separation of ownership (shareholders) and control (management) in the firm. This point was stressed by Cadbury (2002), who argued that the agency problem is a reflection of the issues of ownership and control. Eisenhardt (1989: p. 58) states that the agency problem emerges when “the desires or goals of the principal (shareholders) and agent (management) conflict and it is difficult or expensive for the principal to verify what the agent is actually doing.” Therefore, agency theory is based on an agency relationship; this relationship includes two parts i.e. the principal and the agent (Levinthal, 1988). Ross (1973) claims that this relationship is one of the oldest and most common codified models of social interaction.

Agency theory makes a number of assumptions about principals and agents relationships. First, the agency theory assumes that each party will behave to maximise its own utilities. Daily, Dalton and Cannella (2003) argue that human beings are self-interested, and as such, reluctant to value interests of others higher than their own. Second, it assumes that commonly parties involved have different goals. According to Murphy (1985) managers aim at increasing the size of a firm even if it is not in line with shareholders’ goals, as often their remuneration and prestige are positively correlated with firm size. Third, agents possess more information than do the principals. In turn, this information can be used for self-gain and not to advance the shared interests of the contracting parties (Van, 2007). All assumptions taken together imply that in order to avoid agency problems (i.e. moral hazard and adverse selection) in the principal-agent relationship, it is necessary to control and also restrain the behaviour of the agent (Eisenhardt 1989).

The agency theory attempts to ensure that agents act in the best interest of the principals. It focuses on solving conflicts of interest between the parties. Davis, Schoorman and Donaldson (1997) explain that the agency theory “provides a useful way of explaining relationships where the parties’ interests are at odds and can be brought more into alignment through proper monitoring and a well-planned compensation system” (p: 24). According to Davis *et al.*, (1997), the agency theory has contributed considerably to the understanding of (1) the nature of the goal conflicts emerging between different parties, (2) informational asymmetries, (3) problems resulting from the various forms of agent opportunism, (4) and the governance

structure. Eisenhardt (1989) has summarized the agency theory as presented in the following table:

Table 4.1 Summary of the agency theory

Key idea	The principal–agent relationship should reflect an efficient organisation of information and risk-bearing costs
Unit of analysis	Contract between principal and agent
Human assumptions	Self-interest Bounded rationality Risk aversion
Organisational assumptions	Partial goal conflicts among participants Efficiency as the effectiveness criterion Information asymmetry between principal and agent
Information assumption	Information as a purchasable commodity
Contracting problems	Agency (moral hazard and adverse selection) Risk sharing
Problem domain	Relationships in which the principal and agent have partly differing goals and risk preferences (e.g., compensation, regulation, leadership, impression management, whistle-blowing, vertical integration, transfer pricing)

Source: Eisenhardt (1989)

According to Jensen (1983), the agency theory is based on two lines of thinking, namely the “positivist” and the “principal-agent” approaches. The principal-agent approaches focus on the general theory about the principal-agent relationship. Eisenhardt (1989) states that “the focus of the principal-agent literature is on determining the optimal contract, behavior versus outcome, between the principal and the agent.” (p: 60) The principal-agent researchers usually employ a mathematical approach to determine the optimal principal-agent contract given specific circumstances. On the contrary, the focus of the positivist agency theory is more limited, and it deals with the particular issue of a relationship between owners and managers of corporations. Positivist researchers have the aim to identify situations that are likely to cause conflicting goals of principals and agents and to propose the governance mechanisms that can restrict the agent's self-interested actions. The principal-agent approach is much more mathematical than the positivist approach, which often uses empirical research to attempt to explain the actual contracts and mechanisms that are observed in practice.

In a for-profit organisation, the principal, in an agency theory analysis, is generally taken to be the owner(s) of the organisation. However, in not-for-profit organisations, identifying the principal may be more difficult, because there may not be an “owner”, and even if there is an owner, other parties, such as government, providers of funding and beneficiaries, can be regarded as principals. Hence, analysing the corporate governance of non-profit organisations using agency theory is more complex than in a case of for-profit organisations. In an NPO, there is no doubt that the organisation’s manager is the agent. However, the identification of the principal has been often unclear (Brody, 1996; Miller, 2002). In cases when it is not possible to clearly and easily identify the principal, consequently, a challenge of agency theory analysis is identifying the possibly conflicting goals of principals and managers. Accordingly, it is hard to ensure that actions of managers are in line with expectations of the principal.

Van Puyvelde *et al.*, (2012) states that “by donating to a non-profit organisation, private and corporate donors become principals who delegate decision-making authority to the organisation” (p: 438). This suggests that the principal (owner) of the non-profit organisation is the donor. Nonetheless, this understanding of the ownership is not supported by the normative literature on the ownership. According to Carver (2011), there can be many “owners”, such as taxpayers, beneficiaries, clients, and other interested parties. What is more, there can be conflicting claims related to organisational resources among the principals. Consequently, there can be an increased space for managers to follow their self-interests. It has occurred many times in practice that managers of non-profit organisations have enlarged their personal wealth at the expense of the principal. Furthermore, a number of case studies provide evidence for the claim on conflicting interests of the involved parties and the necessity to have good governance

4.2.2 Stewardship theory

Contrary to the agency theory, the stewardship theory provides alternative explanations of the relationship between managers and principals. While the relationship in the agency theory depends on self-interest, the Stewardship theory is based on the assumption that the managers’ motivation do not stem from self-interests, but rather from the objectives of principals (Davis *et al.*, 1997). According to Davis *et al.*, (1997), “the model of man is based on a steward whose behavior is ordered such that pro-organisational, collectivistic behaviors have higher utility than individualistic, self-serving behaviors” (p. 24). Therefore, the Stewardship theory suggests that managers are trustworthy (Siebels and zu Knyphausen-Aufseß, 2012).

Furthermore, the Stewardship theory makes several assumptions about the behaviour of managers. First, the interest of the managers and principal are aligned (Davis *et al.*, 1997). The second assumption is that managers of the firms seek to employ all resources available in the best possible way to maximise the firm's value (rather than seeking maximisation of firm size) (Davis *et al.*, 1997). Finally, managers possess superior information about the organisation, allowing them to be better in decision-making than the principals (Donaldson and Davis, 1994, as cited in Ntim, 2009).

To sum up, both the Stewardship and the Agency theories belong to a wider category of political and other models of corporate governance. Turnbull (1997) argues that the inclination of individuals to act as stewards or agents may depend on the institutional and cultural context. Hence, the validity of theoretical arguments regarding managers' behaviour must be assessed by taking into consideration the political framework in which involved parties operate (Manawaduge, 2012).

4.2.3 Institutional theory

This theory is mostly found in the management literature, but it can be applied to topics such as corporate governance, policies, accounting, and other social science studies (Brennan and Solomon, 2008). Institutions are defined by Scott (1995) as 'cognitive, normative and regulative structures and activities that provide stability and meaning to social behaviour. Institutions are transported by various carriers – cultures, structures and routines – and they operate at multiple levels of jurisdiction' (p. 33). The main idea of the institutional theory is that organisations are influenced by normative pressures, which arise from external and internal sources. According to Scott (2008), the institutional theory explains the process of homogenisation of organisations within an organisational field over time. Furthermore, Ritzer (2004) argues that the institutional theory attempts to provide and explain aspects of social structure that are deep and resilient. According to Scott, the theory considers the "processes by which structures, including schemas, rules, norms and routines, become established as authoritative guidelines for social behaviour" (Ritzer, 2004, p. 408).

Within the institutional theory, there is a distinction between old institutionalism and new institutionalism (Rutherford, 1996). The representatives of old institutionalism were concerned with the impact of social processes on the regulation of social behaviour. They researched how power, coalitions, and informal structures affect organisational behaviour (Selznick, 1949; Greenwood and Hinings, 1996). On the contrary, new institutionalism

focuses on the cognitive processes generating the taken-for granted structures, which, in turn, serve for the establishment of legitimacy of some ideas.

According to the institutional theory, corporate governance refers to a temporal process of change of organisational operations. Also, this theory has an assumption that governance structures fulfil ritualistic roles. These roles facilitate and provide legitimacy to the interactions of different actors within the corporate governance mosaic (Cohen, Krishnamoorthy and Wright, 2002).

Bruce and his colleagues (2005) employ the institutional theory to comprehend issues that cannot be adequately analysed only by the principal-agent theory. This are the issues of various countries' patterns of corporate governance and executive pay. Eisenhardt (1988) summarised the main differences between agency theory and institutional theory (see Table 4.2).

Table 4.2 The main differences between agency theory and institutional theory

Factors	The Agency theory	The Institutional theory
Key idea	Organisational practices arise from the efficient organisation of information and risk-bearing costs	Organisational practices arise from imitative forces and firm tradition
Basis of organization	Efficiency	Legitimacy
View of people	Self-interested rationalists	Legitimacy-seeking satisfices
Role of environment	Organisational practices	A source of practices to which the organisation conforms
Role of technology	Organisational practices should fit the technology employed	Technology moderates the impact of institutional factors or can be determined institutionally
Problem domain	Control problems (vertical integration, compensation, regulation)	Organisational practices, in general
Independent variables	Outcome uncertainty, span of control, programmability	Industry traditions, legislation, social and political beliefs, founding conditions that comprise the institutional context
Assumptions	People are self-interested People are rational People are risk-averse	People satisfice People conform to external norms

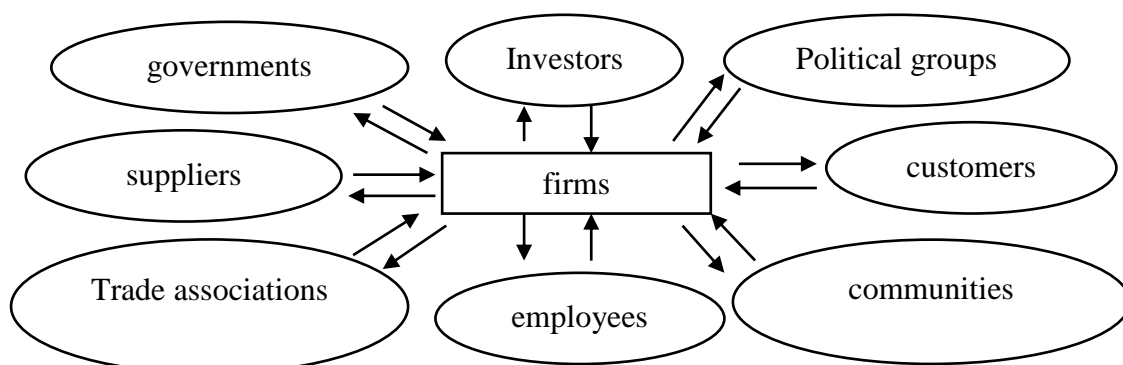
Source: Eisenhardt (1988, p. 491)

4.2.4 Stakeholder Theory

Back in 1965, Ansoff suggested that a way to achieve the objectives of a company is to balance the conflicting interests of involved stakeholders. He coined the term “Stakeholder” and it referred to the definition of the firm’s objectives. The corporate governance research applies the Stakeholder theory to the issue of the responsibility of the firm towards the community. It is a wider perspective related to corporate governance than agency theory. In fact, Sternberg (1997) claims that the Stakeholder theory can be used as an alternative model of corporate governance.

The Stakeholder theory of corporate governance was proposed by R. Edward Freeman in 1984. Freeman outlines the fundamental assumptions of the concept in the book *Strategic Management: A Stakeholder Approach* (Jones, 1995; Solomon, 2007). According to Freeman (1984), stakeholders are individuals or groups able to impact or who are impacted by the achievements of objectives of an organisation. Hence, the term stakeholder also refers to suppliers of goods and services, and also, to any member of the society who has an ability to impact or to be impacted by actions (and even non-actions) of a given organisation (Benston, 1982; Tricker, 1984). However, some researchers argued that this definition is too broad to allocate stakeholders (e.g. Mitchell *et al.*, 1997). In order to narrow down the number of stakeholders, Bryson (2018) stated that the term stakeholder refers to “Any person, group, or organisation that can place a claim on the organisation’s attention, resources or output, or is affected by that output” (p: 42); this would exclude some individuals and groups who could have an impact on the organisation without having a claim against the organisation. In fact, scholars vary extensively on the idea of whether they should take a broad or narrow prospective on managerial stakeholders (Mitchell *et al.*, 1997; Friedman and Miles, 2006). The benefit of taking a comprehensive and broad view is that “no stakeholders, potential or actual, are excluded from analysis arbitrarily or a priori” (Mitchell *et al.*, 1997: 854). Freeman’s (1984) original list of stakeholders includes shareholders, employees, customers, lenders, and suppliers. Donaldson and Preston (1995) developed a diagrammatical representation of the stakeholder model. It is presented in Figure 4.1.

Figure 4.1 Stakeholder model



Source: Donaldson and Preston (1995: p 69)

Donaldson and Preston (1995) propose that stakeholders can be individuals or groups that have direct and indirect interests in the accomplishments and performance of an organisation. As recommended by Savage *et al.*, (1991) a company can categorize stakeholder types and outline procedures for handling these stakeholders based on two aspects: potential for risk and potential for collaboration. In addition, Van Puyvelde *et al.*, (2012) categorize stakeholders into three types i.e. interface (e.g. board members), internal (e.g. managers and employees) and external (e.g. customers, competitors and suppliers) stakeholders. They state that “the board of directors can be seen as an interface stakeholder due to its connecting function between the organisation and its environment” (p: 433). They apply this categorization of stakeholders to a non-profit organisation (see Table 4.3).

Table 4.3 Stakeholder categories

Stakeholder type	Description
<u><i>Interface stakeholders</i></u> Board members	The board of directors is the governing body of the nonprofit organisation. It represents the organisation to the outside world and makes sure that the organisation carries out its mission.
<u><i>Internal stakeholders</i></u> Managers Employees Operational volunteers	Management of the nonprofit organisation. Other paid staff of the nonprofit organisation. Volunteers who are directly involved in the provision of goods and services offered by the nonprofit organisation.
<u><i>External stakeholders</i></u> Funders Beneficiaries Suppliers/contractors Competitors Organisational partners Others	Individuals or organisations that donate to the nonprofit organisation and governments or government agencies that gives subsidies to the organisation. Consumers, clients, or members of the nonprofit organisation. For-profit, nonprofit, or governmental organisations that provide goods or services to the nonprofit organisation. For-profit, nonprofit, or governmental organisations that compete with the nonprofit organisation in the same market or industry. For-profit, nonprofit, or governmental organisations that collaborate with the nonprofit organisation. Other external stakeholders such as the media, community groups, and persons or groups who are affected by externalities produced by the nonprofit organisation.

Source: Van Puyvelde *et al.*, (2012)

Stakeholder theory understands the significance of giving careful consideration to the interests of various groups of stakeholders. Sundaram and Sundaram and Inkpen (2004), p. 352) claim that this theory sheds light on the issue of which stakeholders are those that are entitled to and need the attention of the management. Stakeholder theory contends that an organisation's management has responsibilities to stakeholders, and also states that an organisation's growth might be affected by the manner in which the company oversees the various stakeholder relationships. The crucial outcome of stakeholder theory for governance is that it requires governance structures that not only advance association amongst principals and agents, but also include any parties who have more extensive interests in the organisation.

Stakeholder theory proposes that stakeholders may have distinctive interests and as such the underlying stakeholder approaches are crucial suppositions regarding stakeholder behaviour (Donaldson and Preston 1995). A fundamental principle is that organisations have broader responsibilities to major stakeholder parties than is mandatory by law (Gibson, 2000). Vinten (2001) characterizes the "stakeholder organisation" as an organisation which understands its direct legal and constitutional duties, as well as the necessity for a "licence to operate" and obligations to the individuals who are ultimately influenced by its actions and resolutions. The Stakeholder theory can be summarized into two main propositions. First, the firm should be run in a way as to bring benefits to the entire society, not just the firm's owners (Mitchell *et al.*, 1997; Chen and Roberts, 2010). Second, executive directors are in an equal manner accountable to all kind of stakeholders, which include not only creditors and owners of the company, but also suppliers, customers, local community, the government, as well as employees (Clarke, 1998).

Studies in stakeholder theory have advanced the theory by using several terminologies. For example, some researchers utilize the principal-agent terminology to explain stakeholder relationships. According to Hill and Jones (1992), a considerable number of the ideas and a significant part of the expressions of agency theory can be used in stakeholder relationships. Smallman (2004) argues that the stakeholder theory can be seen as an extension of the agency viewpoint, where the obligation of the governing body is expanded from a small group of stakeholders to take account of other stakeholders' interests. Abzug and Webb (1999) propose that numerous mutual stakeholder relationships can likewise be viewed as principal-agent relationships. However, as regards NPOs, the relationships between the organisation and its external stakeholders, cannot be viewed as principal-agent relationships because there is no

legally binding relationship, neither is there any exchange of basic leadership power between these groups (Van Puyvelde *et al.*, 2012). For example, donors usually transfer resources to an NPO without setting up a contract, while beneficiaries often do not have an enforceable right to receive benefits from the NPO.

In the literature, stakeholder theory has been progressively discussed, with a rising fascination being shown by NPO researchers. Stakeholder theory in NPO has been developed by Ben-Ner and van Hoomissen (1991, p. 421) who stated that “third sector organisations are founded and controlled primarily by demand-side and supply-side stakeholders interested in the provision of services for themselves as consumers and/or for the benefit of others as donors or sponsors”. From the stakeholders' point of view, stakeholders measure their associations with NPOs in light of how well their needs are met and how the organisation treats them (Herman and Renz, 2004).

A noteworthy problem in management in NPO organisations is to assess the effect of the different stakeholders. A multi-system of objectives stands for different interests of the stakeholders. Therefore, non-profit organisations need a governance model that deals with this high number of interests. When setting up a governance model for NPOs, the way out is not simply altering the managerial structure of a for-profit organisation or including another partner to the board or effecting little changes to the statutes of the organisation (Alexander and Weiner, 1998, p. 225).

The significance of engaging broad groups of stakeholders in board-level procedures is important to successful governance (Alkhafaji, 1989; Duca, 1996; Wood, 1996). It is important that the boards of NPO comprise stakeholder representatives (Kochan and Rubinstein, 2000). According to a recommendation by Holland (1996) boards ought to extend their relationships with the society and welcome varying opinions and views. In the event that the board is not accommodating and mindful of the constituent interest, their interpretation of the environment may be wrong, and this could result in errant programmes and rules. Thus, boards ought to have systems set up to guarantee the comprehension and cooperation of important stakeholders and to support conflicting ideas of board members.

Although stakeholder theory has been considered one of the most popular theories in management studies, a number of criticisms persist. As Smallman (2004) proposes, the main criticism of stakeholder theory is the issue of who qualifies as an actual stakeholder. Key

(1999) claims that stakeholder theory is seen as inadequately addressing the environment surrounding a firm. In addition, Koschmann (2007) debated that a significant number of the hypothetical advancements of stakeholder theory are acquired from other theories.

The stakeholders salience model is an excellent instrument to help management to identify accountability relationships in the charity sector (Cordery and Baskerville 2005). The stakeholders' salience theory allows the organization to classify the stakeholders that are interacting with the organization. According to Mitchell *et al.*, 1997, three criteria for the categorisation of stakeholders are, power, legitimacy, and urgency. These criteria are regarded as aspects of stakeholder salience.

The literature review has revealed several definitions of power. Most commonly, power is regarded as the ability to impose will to other people through normative, utilitarian, and coercive means (Etzioni 1988 cited in Mitchell *et al.*, 1997). The examples of power are the command of limited resources, the ability to impact the consumption of goods and services in the organization, the ability to legislate against the organization, and access to important media (Deegan and Unerman, 2006). "Dormant" stakeholders are those who possess only the power attribute. This kind of stakeholders influences the organization only by using power.

Furthermore, legitimacy is based on the assumption that acts of an organization regarding beliefs, values, and norms are socially acceptable (Suchman, 1995). Power and legitimacy are frequently interconnected. To illustrate, legitimacy without power to impose will on the organization are useless. Accordingly, a legitimate claim of the stakeholder without power would not be considered salient by the management. Such stakeholders are typically NGOs, and Mitchell *et al.* (1997) labelled them as "discretionary" stakeholders.

Mitchell *et al.* (1997) defined urgency as: "the degree to which stakeholder claims call for immediate attention." It is essentially pressure or time sensitivity of demands of the stakeholder on the organizations and the need to act promptly (Mitchell *et al.*, 1997). Stakeholder who possesses only urgency is called 'demanding' stakeholder. However, the urgency of demanding stakeholders will not be considered by the management if they do not possess power nor the claim is legitimate. To summarize, none of three attributes is sufficient on its own to narrow down the term stakeholder. The relevance of stakeholders stems from the interconnection of the attributes. The management will pay attention to power when this attribute gains authority by legitimacy. Subsequently, the exercise of power takes place

through urgency. Table 4.4 provides definitions and bases of the three attributes provided by Mitchell *et al.*, (1997).

Table 4.4 Definitions and bases of the thee attributes

Construct	Definition
Power	A relationship among social actors in which one social actor, A, can get another social actor, B, to do something that B would not have otherwise done
Bases	<i>Coercive</i> <i>Utilitarian</i> <i>Normative</i>
Legitimacy	A generalized perception or assumption that the actions of an entity are desirable proper, or appropriate within some socially constructed system of norms, values, beliefs, definitions
Bases	<i>Individual</i> <i>Organisational</i> <i>Societal</i>
Urgency	The degree to which stakeholder claims call for immediate attention
Bases	<i>Time sensitivity</i> <i>Criticality</i>

Source: Mitchell *et al.*, (1997)

According to Mitchell *et al.*, (1997), three categories of the stakeholders are latent, expectant, and definitive. Those possessing one attribute are latent; those with two attributes are expectant, while to be a definitive stakeholder, it is required to have all three attributes. The theory predicts that the salience of stakeholders will be low if only one attribute is present, moderate if two, and high if all attributes are present. On the basis of the framework, Mitchell *et al.*, (1997) proposed seven stakeholder classes, illustrated in Table 4.5

Table 4.5 Stakeholder classes

Stakeholder class	Description
1. Dormant	Holds power, but the interaction with the organization is limited or not existing.
2. Discretionary	Stakeholders possessing legitimacy attribute are commonly able to impact the organization due to their discretionary corporate social responsibility
3. Demanding	As they do not possess legitimacy nor power, these stakeholders are not dangerous, but irritating. However, they are inconvenient as they require transitory attention from the management
4. Dominant	Stakeholders with legitimacy and power are typically able to establish the dominant coalition in the organization.
5. Dangerous	Stakeholders without legitimacy, but with urgency and power are frequently seen as coercive and violent.
6. Dependent	These stakeholders with urgency and legitimacy, but without power are dependent on other stakeholders of the company to exercise their will.
7. Definitive	Stakeholders with all the three attributes receive the prompt attention from the company management to their claims

Source: Mitchell *et al.*, (1997)

For Cordery and Baskerville (2005), the stakeholders salience model is an excellent instrument to help management to identify accountability relationships in the charity sector. Furthermore, Goddard and Assad (2006) explored this model regarding the accountability of NPOs. For them, the stakeholders' salience theory allows the organization to classify the stakeholders that are interacting with the organization. Like charitable organizations and NPOs, waqf institutions are also accountable to many stakeholders. Hence, this study uses the stakeholders' salience theory to investigate how waqf interacts with various stakeholders in discharging accountability.

In conclusion, stakeholders have assumed a significant part in waqf organisations since the fundamental aim of most waqf institutions is to serve stakeholders. Be that as it may, the goal of waqf establishments is convoluted in contrast with for profit organisations, which are highly profit-minded. Waqf may have multiple aims, for example, offering various benefits to the recipients, general society and even at times to the founder. Therefore, the stakeholder theory is relevant to the study of awqaf owing to the fact that waqf organisations are not only built for revenue-making reasons, but rather to satisfy specific goals. In addition, waqf institutions usually have several stakeholders that could be regarded as principals, for example, the founder (waqif), the waqf board, employees, beneficiaries, government and general society. Hence it is necessary to use a theory that accommodates a range of principals rather than just a single principal (the owner), as in agency theory.

4.3 The rationale for this study

Stone and Ostrower (2007) underline that governance in NPOs is the responsibility of governing boards (directors or trustees) and includes the relationships of governing boards with managing resource dependencies, accountability, and control at the organizational level. This study considers three main issues that affect management systems in NPOs: (a) governance, including the role of the board of trustees as a fundamental mechanism that impacts the governance of an organization; (b) accountability, as this is widely regarded as “the crux of good governance” (Ritchie and Richardson, 2000, p. 451); and (c) the stakeholder relationship. The study applies stakeholder salience theory to awqaf institutions.

In recent years, the internal governance mechanisms (governance documents, board roles, board composition, board committees) have become increasingly significant not only for profit-oriented organisations but also for NPOs such as awqaf. The topic of the board of trustees in NPOs has been extensively covered by media and by practitioner and academic literature. In particular, the board is crucial as its role is to balance the interests of stakeholders.

In terms of accountability, there is an important overlap between this concept and that of governance. According to Luo (2005) governance involves corporate fairness, transparency, and accountability. Thus, accountability is a key element of, as well as a fundamental requirement of, good governance. The current study addresses the common questions, which

have been provided by the accountability literature, i.e. “accountability to whom?”, “accountable for what?”, and “how accountability?”.

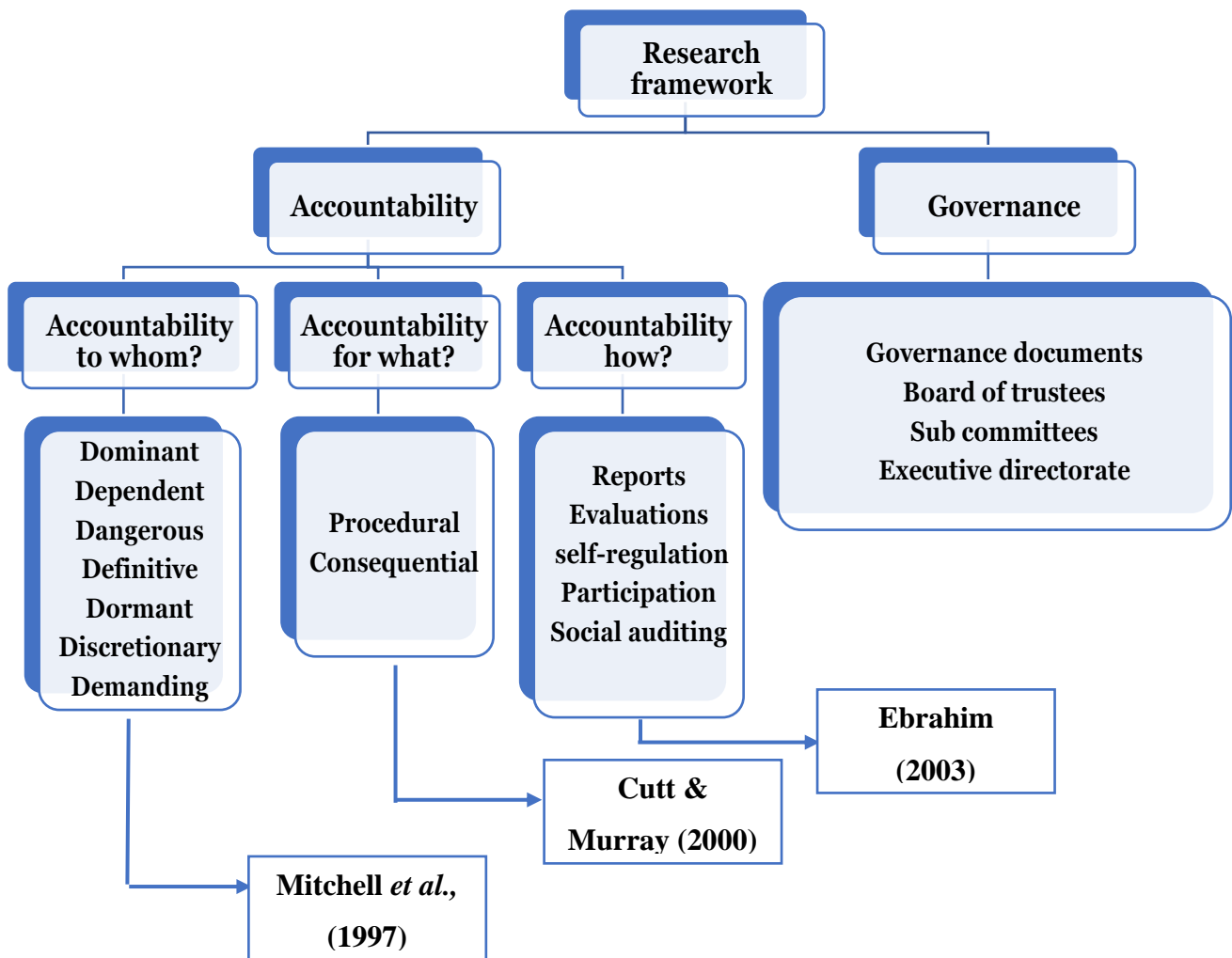
Regarding the first question, this study uses the Mitchell *et al.* (1997) framework for classifying waqf stakeholders and investigating how waqf interacts with various stakeholders in discharging accountability. This framework has gained wide acceptance among researchers (Neville, Bell and Whitwell, 2011). Benson and Davidson (2010) believe that Mitchell *et al.*'s (1997) framework is ‘the most complete treatment’ of issues relating to prioritization of stakeholder claims. In addition, Cordery and Baskerville (2011) argue that the application of the Mitchell *et al.*, (1997) framework contributes to a better identification of accountability relationships and construction of accountability in NPOs. Although Hill and Crombie’s (2010) examination of one small NPO does not support Mitchell *et al.*'s (1997) framework, other studies (e.g. Knox and Gruar, 2007; Assad and Goddard, 2010; Cordery and Baskerville, 2011; Palmer, 2013) give credence to the use of the framework in the NPO context.

In order to answer the question “accountability for what?”, Cutt and Murray’s framework is adopted, in particular Cutt and Murray’s (2000) distinction between procedural and consequential accountability. This framework is a useful starting point for explaining the form and content of reports produced for stakeholders of NPOs (Chen, 2014). Procedural accountability includes both legal and financial accountability that form a base level of compliance with rules and regulations. Consequential accountability relates to the performance of an organisation. Specifically, it is focuses on effectiveness and efficiency. Effectiveness refers to the achievement of objectives, while efficiency refers to the use of human and financial resources, such that outcomes or outputs are maximised for any given set of resource inputs.

Finally, this study uses accountability mechanisms provided by Ebrahim (2003) in order to understand how the nazzir discharges accountability. Five accountability mechanisms are proposed by Ebrahim (2003), i.e. (1) disclosure statements and reports, (2) performance assessment, (3) participation, (4) self-regulation, and (5) social auditing. According to Ihsan et al. (2016), these “mechanisms provide a clear guideline with regard to how the nazzir operationalize accountability.” The main reason for focusing on these mechanisms is that the framework provided by Ebrahim (2003) is more comprehensive compared to other accountability mechanism frameworks. In fact, prior studies typically focus on either only one of the mechanisms in examining NPO accountability (e.g., Flack, 2007; Thomson, 2010;

Wellens and Jegers, 2011; Dhanani and Connolly, 2012) or two mechanisms (e.g. Jacobs, 2000; Brennan and Solomon, 2008) Therefore, using a larger number of mechanisms can provide a clear image of how the nazzir discharges accountability in waqf institutions. In conclusion, these three well-established frameworks have received wide recognition in the literature. Mitchell *et al.*'s (1997) framework has been recognized to contribute significantly to the literature on stakeholder theory (Laplume, Sonpar and Litz, 2008). Cutt and Murray's (2000) framework has been adopted to answer what the nazzir is accountable for in waqf institutions. Ebrahim's (2003) NPO accountability mechanisms framework has been widely discussed and applied in the literature and described as a comprehensive framework (Murtaza, 2012; Ihsan *et al.*, 2017). See figure 4.2, which presents the research framework.

Figure 4.2 Research framework



4.3.1 Research Questions

The core objective of this study is to examine the governance and accountability mechanisms in place within the waqf institutions in Saudi Arabia. Two specific aspects of this are covered in depth, i.e., governance and accountability. The research questions have been formulated with a theoretical framework based on stakeholder theory: see Table 4.5:

Table 4.6 Research questions

Governance	Accountability	Stakeholder salience theory
<p><i>What are the current practices of governance in waqf institutions?</i></p> <ul style="list-style-type: none"> • What is the main governing documents that exist and are required in Saudi waqf institutions? • To what extent do Saudi’s governing regulations impact the application of governance system in waqf institutions? • What is the role of the board of trustees and the sub-committees in the Saudi waqf institutions and how are they composed? • To what extent does the role of the board and sub-committees influence the level of accountability in waqf institutions in Saudi Arabia? 	<p><i>How does the nazzir discharge accountability in Saudi waqf institutions?</i></p> <ul style="list-style-type: none"> • Who are the stakeholders to whom accountability is owed by the waqf institutions? • What do nazzirs perceive they are accountable for and how are these perceptions developed and informed? • What is the nature of accountability mechanisms used to discharge procedural and consequential accountability in the waqf institutions in Saudi Arabia? 	<p><i>To what extent does stakeholder salience theory provide an adequate explanation for the ways in which waqf institutions are governed and held accountable in Saudi Arabia?</i></p>

4.4 Chapter summary

This chapter discussed the relevance of various theories that explain the field of corporate governance. The theoretical framework chapter enables the reader to build a full picture of the theories that relate to and affect corporate governance studies. stakeholder theory is the theory most often used in NPOs. This chapter also provided the theoretical frameworks adopted in this thesis and questions that researcher aims to answer in the end of this study. The next chapter focuses on research design and methodology.

CHAPTER 5: RESEARCH METHODOLOGY

5.1 Introduction

Saunders, Lewis and Thornhill (2007) defined research as a process of systematic detection, whose aim is to improve knowledge. In other words, research refers to methods of data collection and the results that are produced from them. The academic context necessitates the elaboration of data collection methods and the analysis of data to satisfy research objectives and answer research questions (Saunders *et al.*, 2007). In social science, methodological choices are affected by the epistemology and ontology of research. Ontology pertains to the notion of reality and how a researcher perceives the world. It is related to the question of whether observations are external to a person or belong to an individual's consciousness (Chua, 1986). Epistemology is focused on identifying the constituents of knowledge (Saunders *et al.*, 2007). Ontology and epistemology can be distinguished by stating that ontology aims to find an answer to 'what is', whereas epistemology aspires to discover 'what it means to know'.

This chapter outlines and justifies the research methodology that was used in this thesis to address the research questions presented in Chapter One. The current chapter also delineates the paradigm underlying the research and explains the selection of the research method. It discusses the research strategy, after which it describes the data collection and empirical process of the study. Finally, the chapter provides the criteria for evaluating qualitative research.

5.2 Research paradigm

The term 'paradigm' has been dominant in the social sciences since the 1960s. Kuhn (1962), who is recognised as the scholar who introduced the term, stated that paradigms are 'universally recognized scientific achievements that for a time provide model problems and solutions to a community of practitioners' (p. viii). According to Collis and Hussey (2013), a research paradigm represents a framework on the basis of individual assumptions, attitudes, perceptions and philosophies regarding the nature of knowledge and the world. It guides the manner by which research is carried out.

There are two main paradigms of the epistemological perspective, namely, positivism and interpretivism (Bryman, 2012). For positivists, reality is independent of assumptions and social norms. As claimed by Angus (1986), this paradigm is established on the basis of natural science methodologies as it relies on experiments and systematic observations. Its purpose is to find social laws that are analogous to the natural laws discovered through natural science methods. The positivist paradigm is behind the quantitative methodology, which is based on the collection of quantitative data and their subsequent analysis. A researcher is assumed to exert no effect on an area of investigation as he/she is separate from it. To illustrate, typically accounting research follows the positivist epistemology. However, Morgan (1988) criticised the application of the positivist perspective in the accounting field, stating that it offers only a limited perception of reality and that its 'truth' is still very subjective. In a similar vein, Baker and Bettner (1997) argued that positivism is 'incapable of addressing accounting's complex social ramifications' (p. 293).

The interpretivist paradigm concentrates on human behaviour from a participant's own frame of reference (Collis and Hussey, 2013). Walsham (1993) declared that 'interpretive methods of research start from the position that our knowledge of reality, including the domain of human action, is a social construction by human actors and that this applies equally to researchers. Thus, there is no objective reality which can be discovered by researchers and replicated by others, in contrast to the assumptions of positivist science' (p. 5). In interpretivism, a researcher interacts with a phenomenon of interest and is an active participant. With regard to governance and accountability studies, the use of interpretivism requires the involvement of a researcher, specifically by observing and checking which features of governance and accountability are employed. Such involvement allows the researcher to interact with management and a board in relation to the implementation of identified features and the derivation of crucial insider insights (Jones, 2005). As the nature of research questions requires a deep understanding of governance and accountability practices in waqf organisations, an interpretative philosophical orientation is considered appropriate for the current study.

Collis and Hussey (2013) provided the terms that are commonly used to refer to the positivist and interpretivist paradigms (Table 5.1).

Table 5.1 Approaches within the two main paradigms

Common terms used to describe the paradigms	
Positivism	Interpretivism
Quantitative	Qualitative
Objective	Subjective
Scientific	Humanist
Traditionalist	Phenomenological
Features of the paradigms	
Involves large samples	Used with small samples
Concerned with hypothesis testing	Helpful in theory generation
Produces precise, objective and quantitative data	Produces rich subjective and qualitative data
Produces results with high reliability but low validity	Produces findings with low reliability but high validity
Allows results to be generalised from a sample to a population	All findings can be generalised from one setting to another

Source: Collis and Hussey (2013, pp. 58, 62).

5.3 Research methodology

A methodology refers to the framework of tools used to gain knowledge (Neuman, 2014). A research methodology can be classified into two main approaches: the quantitative and the qualitative (Collis and Hussey, 2013).

5.3.1 Quantitative approach

Quantitative research was developed by the natural science domain and is thus considered appropriate for examining the natural world. By nature, it is a systematic, quantitative and scientific exploration of the properties of phenomena and their mutual relations (Burton, 2000; Sekaran, 2006). A quantitative approach seeks to discover a causal relationship between two or more variables, after which any relationship between different variables is explained or predicted (Alshehri, 2012).

Corporate governance studies and accounting typically use quantitative methodology (Cassell *et al.*, 2006; Boyd, Santos and Shen, 2012). Denscombe (2014) discussed the advantages of quantitative data collection and asserted that the data is scientific and more reliable. The analysis of quantitative data does not depend on the values held by the researchers, but on laws governing objectivity. What is more, as a result of the statistical tests of significance,

interpretations following quantitative methods are more reliable than qualitative, and hence, the researchers are more confident in their findings (Denscombe, 2014). Similarly, Collis and Hussey (2013) underline that the quantitative approach employs various kinds of statistical analysis. Consequently, it ensures stable forms of measurement, reliability, and ability to make generalizations. Moreover, (Berg, 2004) argues that the quantitative methods are suitable for the examination of longer periods and large samples, which, in turn, enhances the generalization capacity.

However, the critics of quantitative approach consider that it cannot satisfactorily explain why observed factors occur and behave in a certain manner. Standardization of data and coding can actually harm very valuable data because it does not take into consideration values, roles, traditions, and norms, which are crucial contextual elements of social phenomena hard to quantify.

5.3.2 Qualitative approach

The Chicago School in the 1920s and 1930s pioneered in qualitative research of human group life (Denzin and Lincoln, 2008). Since then, qualitative research methods have been used when the research objective requires deep understanding of a phenomenon. Its research findings are in verbal form and no statistical tests are conducted. On the contrary, quantitative research is carried out through physiological measures, questionnaires, rating scales, and tests (Stone-Romero, 2002). Hence, qualitative researchers deal with relatively small samples, which, however, allow the collection of in-depth, detailed, contextually rich information. Qualitative approaches explore and reflect on perceptions of what is considered to be a socially constructed reality. Also, the research participants and the researchers are physically and emotionally close. According to Bryman (2012), primary qualitative research methods are the collection and qualitative analysis of documents and texts, language-based approaches to the collection of qualitative data, focus groups, qualitative interviewing, participant observation and ethnography.

The main strength of this approach is that it gives an insight into a social setting as perceived by research participants, which in turns allows a researcher to realistically and holistically study the phenomena. Babbie (2015) claims that the qualitative methods are flexible and active, and as such able to grasp the subtle nuances in the attitudes and behaviours for longitudinally examining the social processes. Denscombe (2014) discusses the advantages of qualitative approach and asserts that:

1. The data and analysis used in qualitative approach are grounded.
2. There is a richness and detail to the data.
3. There is tolerance of ambiguity and contradictions.
4. There is the prospect of alternative explanations.

Nevertheless, the drawback of qualitative methodology is that the close relationship and interaction between the researcher and research participants can compromise objectivity. To prevent this, Yin (2009) suggests that it is necessary to have a precise design from the beginning. In addition, this method is “extremely costly in terms of both monetary outlays and time expended” (Stacks, 2016; p 174). It also requires considerable amount of historical data about the respondent that may be difficult to access (Stacks, 2016).

Research methods used in this thesis are determined by the research questions and research objectives. The main aim of my study is to discover the way in which governance and accountability may inform and improve the management of Saudi waqf institutions. This study is primarily qualitative adopting a combination of exploratory and case study designs. The main advantage of qualitative methodology is that it allows a researcher to grasp understanding and knowledge of the entire phenomena, which cannot occur when the quantitative methodology is employed.

5.4 The research strategy

In this thesis, the research strategy adopted is one of descriptive and comparative multiple case studies in order to explore and understand the research phenomenon. This strategy enables researchers to understand a complicated phenomenon, such as governance practices and accountability mechanisms, and can extend experience to what is already known from previous studies.

Case study research has been widely accepted as a method of studying social practices (Gomm, Hammersley and Foster, 2000; Yin, 2009). The case study has been used as a research strategy in a broad range of disciplines, including accounting studies and management (Scapens, 2004; Hancock and Algozzine, 2006; Neuman, 2014). Yin (2009, p.18) defined the case-study

research strategy as “an empirical enquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident.” A case study can be defined as an in-depth study of a bounded system. It requires collection of a wide range of data and use of various information sources, such as the investigation of written records, interviews, and participant observation (Creswell, 1994).

When the method of case study is employed in governance studies and accounting, its main advantage is that it can analyse its practices in connection with the wider social context. Most precisely, the micro level of individual activities is related to the macro level of the environmental setting. Humphrey and Scapens (1996, p. 94) supported the use of the case study in accounting research “We believe that case studies of accounting practice are a vital, albeit not the only, way of informing such debate and enhancing understanding of both the day-to-day organizational complexities of such practices and the interrelated influence of wider social and political contexts.”

On the other hand, there are three different types of arguments against case study research proposed by Yin (2009). First, it is often said that case studies often lack rigour. Yin (2009, p.14) states that “too many times, the case study investigator has been sloppy, and has allowed equivocal evidence or biased views to influence the direction of the findings and conclusions”. Secondly, case studies use a small number of subjects and provide very little basis for scientific generalisation, some may be conducted with only one subject. A common question is “How can you generalise from a single case?” (Yin, 2009, p.15). Third, according to (Yin, 2009); case studies are known to be lengthy and difficult to organise, they also produce a massive amount of documentation.

The case study method is adequate to support the aims of this study. It is employed to understand the perception of waqf officers regarding the way governance and accountability are experienced and how they may inform and improve the way waqf properties are managed. This research strategy is used for several reasons. According to Yin (1984), specific conditions determine if the case study is an adequate research strategy. It is the right strategy if the questions are “why” and “how,” if the researcher does not have substantial authority over the phenomena, and if the focus of the research is on phenomena situated in a real-life context (p. 13); Hence, the case study approach is in line with the objectives of this study, which mainly concentrate on “how” question. In this thesis, the research strategies adopted are descriptive and comparative multiple case study in order to understand the research phenomenon of waqf

governance and accountability. Descriptive case studies set to understand how awqaf are being organized and managed in Saudi Arabia and what are governance and accountability practices in waqf institutions?. The multiple case study examines three different organisations. To increase the robustness of the findings Yin (2009) emphasizes that studying multiple cases will strengthen the results by replicating the patterns. Comparative case study is employed as this study looks for and attempts to analyse and explain similarities and differences between three waqf organisations managed in three different sectors. This distinguishes the study from a straight multiple case study where researchers simply research different organisations to enlarge their data set. The researcher believed before commencing data collection that there were likely to be differences between the three cases because of their different regulations and the nature of their activities, so there is a need to compare.

5.5 Data collection methods

There are two main types of data, i.e. the primary data and secondary data (Collis and Hussey, 2013). Primary data refer to direct evidence related to an event or a topic. This is obtained by a person who is directly involved. Primary data is collected through interviews, observations, and questionnaires. This study depends heavily on primary data gotten through interviews.

Secondary data are second-hand accounts of certain events, mainly based on primary documents, but still one step away from the source. Saunders *et al.* (2007, p. 611) define secondary data as “data used for a research project that were originally collected for some other purpose.” In this thesis, secondary data was obtained mainly from two sources the cases’ internal documents and cases’ websites.

This thesis contributes to our understanding of governance practices in waqf institutions, especially in relation to (1) governance documents (2) the functioning of the board of trustees, (3) the functioning of the subcommittees (3) the relationship between the board and management, (4) as well as external governance specifically in relation to stakeholders. In addition, accountability system is examined by answering three main questions (1) accountability to whom?, (2) accountability for what?, and (3) accountability how?.

To achieve the said research aims, the researcher used more than one technique, including in-depth interviews and document analysis, in order to gain a better assessment of the validity of the study; academically, this is known as triangulation. Saunders *et al.*, (2007, p. 146) defined

triangulation as “the use of two or more independent sources of data or data-collection methods within one study in order to help ensure that the data are telling you what you think they are telling you.” Flick (2014) identifies four types of triangulation:

- Data triangulation: data is sourced from various different sources.
- Investigators triangulation: different researchers compare the results from independently collect data on the same phenomenon.
- Methodological triangulation: quantitative and qualitative methods of data collection are both used.
- Triangulation of theories: theories taken from independent disciplines are used to explain phenomena in a separate research.

This study employs data triangulation to give more details and explain the concept of waqf governance and accountability in Saudi Arabia and in order to link and enhance the findings and results; this adds more credibility to the findings.

5.5.1 Interviews

Qualitative interviews are the most popular and efficient methods in qualitative field research (Scott and Garner, 2013). As defined by Scott and Garner (2013), an interview is a research method used to collect data by exploring the perceptions and experiences of individuals or groups. The purpose of an interview is to reveal perspectives of people and to discover how they perceive and attach meanings to events and situations. Put shortly, by using interviews, the researcher aspires to find out what is inside the heads of people (O’Dwyer, 2004).

There are different forms of interviews, such as unstructured, semi-structured, and structured (Silverman, 2011; Collis and Hussey, 2013). The researcher does not have a pre-defined set of questions when carrying out an unstructured interview. In semi-structured interviews, there are pre-defined questions; however, the researcher can mention other topics or ask additional questions during the interview. On the contrary, structured interviews have a pre-defined precise set of questions and all interviewees need to answer them in the same order.

As with other methods, there are several identified drawbacks of qualitative interviews. For instance, a crucial disadvantage of interviews is a so-called unconscious bias. As elaborated by Albuam and Oppenheim (1993), it occurs when the interviewers state their opinions or present their expectations to interviews with a distinct tone of voice. What is more, the interviewer can make an impact even with the accent, clothes, and appearance. Furthermore, Zurik (2014)

warns that it is also challenging to analyse large amounts of resulting complex data and to access interviewees. Also, in-depth interviews are time-consuming and rather expensive.

Nevertheless, the researcher needs to decide which form of the interview to use on the basis of information to be obtained. This research used semi-structured interviews and open-ended questions, which enabled the researcher to ask additional questions following specific answer cues. Also, the design of semi-structured interviews allows an exploration of opinions and attitudes of participants regarding a particular situation or a field (Baker and Foy, 2008). Yin (2009) argues participants can state their opinions freely and offer their insights when asked open-ended questions. What is more, the researcher can then use these insights to develop the study further.

Interviews in this study may be categorised into two groups. First, interviews conducted with the cases. Five workers in each case were interviewed face-to-face. Interviewees were from different levels including the CEO, members of the board of trustees, and departments managers. These interviewees seem to be the most appropriate people for understanding governance and accountability practices that occurred in these cases. Second, the researcher interviewed people external to the case organisations. Managers working in four different ministries i.e. ministry of justice, commerce, social affairs, and education as well as numbers of nazirs and experts were interviewed in order to understand the factors that lead to governance and accountability practices in waqf institutions in Saudi Arabia.

Overall, there were 22 persons selected from the various case organisations and authorities, with 15 sourced from the three case studies. The main source of data collected in relation to the managers were transcripts from semi-structured interviews, as well as document analysis. Collected information was used only for academic purposes. All information from respondents was treated as confidential and participants are not identified through their responses. Those participating in the study signed a confidentiality agreement. The researcher protected the privacy and anonymity of participants by assigning each participant a code number and using that number on all data about the subject instead of actual names.

5.5.2 Documents as a source of data

As defined by Bowen (2009) document analysis is a systematic review and evaluation of electronic and printed documents. It is important when carrying out document analysis to carefully study the text to understand the precise meaning and thereby acquire empirical

knowledge. Researchers analyse documents containing significant information about the researched phenomenon (Bailey, 2008). Analysed documents can be informal or formal, and personal or public. Bogdan and Biklen (2003) proposed the division into three main categories of documents:

- a) Official documents: documents generated by institutions such as governmental agencies, companies, or schools for internal or external use, such as press releases, minutes, and memos
- b) Personal documents: documents generated by individuals being studied, typically in a private context, such as emails, letters, and diaries
- c) Popular culture: advertisements, books, recordings, movies, and any other products aimed at mass consumption

There are numerous advantages of documents as a source. It is very inexpensive to use them and they offer large amounts of valuable data. Besides, it is much easier to access documents than actual people involved in the researched phenomenon. Furthermore, for some research participants it is safer and more comfortable to give their answers in a written rather than in an oral form. Another advantage is that researchers can use secondary documents consisting of data obtained by other researchers for different purposes. Also, obtaining of secondary data is “non-reactive” in a sense that research participants tend to be more relaxed and behave naturally when their words are not being recorded and when they do not feel like they are being observed.

Nevertheless, Robson (2002) warns that researchers should bear in mind that in some cases the original purpose of writing documents is not the same as the purpose of the given research. Hence, typically, it is not possible to make conclusions from the analysis of documents alone. What is more, there is an issue of reliability of documents as they are commonly selected on purpose to present a particular perspective of events. Finally, as the researchers are not involved in the data collection process, they cannot know the ways in which secondary data were obtained. Thus, they can never be sure about its quality.

In this research, the internal documents and website contents for the three cases (e.g annual reports, financial reports, waqf deeds, waqf statute, and internal policy) were investigated carefully. In addition, government regulations that related to waqf were reviewed.

5.6 Empirical Study Process

5.6.1 Selection of the Case Studies

It was not difficult for the researcher to obtain approval to conduct a field study in the waqf sector due to the relationships between him and a large number of awqaf. However, since the research objective is to conduct a comparative study between three waqf organizations of different sectors, the researcher had to pay attention while selecting the awqaf from each sector. Selection of the governmental sector waqf was the biggest challenge for the researcher since the approval to study these awqaf requires the consent of government agencies, which in turn takes a long time to be obtained and is often rejected. For example, the researcher's application was rejected by three governmental awqaf without giving reasons for such rejection. A differentiation was made between seven waqf institutions (that have been visited by the researcher) by the researcher's impression, which consisted of personal interviews with the officials and the extent to which the study criteria matches the study case.

Table 5.2 Case studies

Case	City	Sector	Staff
WA	Al-hassa	Third sector	327
WM	Riyadh	Private	650
WZ	Jeddah	Public	95

The three study cases were selected according to three basic criteria:

- (1) **Institutionalization:** Awqaf were selected with a high degree of institutional structure, rather than those run by an individual administrator.
- (2) **Organization size:** Relatively large waqf institutions, well sorted in terms of the size of waqf assets, were selected because the likelihood to apply governance and accountability systems by these large institutions is greater than that of the small waqf institutions.
- (3) **Sector:** Since the research focuses on comparing three waqf institutions belonging to different sectors, one waqf institution was selected from each sector (public – private – NPO).

5.6.2 Field Process

The first field visit was prepared in Summer 2016, where the researcher communicated with a number of Saudi waqf organizations and set up appointments to conduct the field visit. The researcher's work in the field of awqaf, for more than twelve years, facilitated the process of communication with these organizations. The researcher visited seven waqf organizations, belonging to different sectors (public - private - NPO), and he obtained initial consent to conduct the study in three of the seven waqf organizations. The second field visit was from March 2, 2017 to April 28, 2017, during which time the researcher visited the organizations that gave him the initial consent to conduct the study. Unfortunately, after visiting the three organizations, one of these waqf organizations (a waqf organization belonging to the public sector) did not submit sufficient data to the researcher, forcing the researcher to search for another waqf as an alternative from the same sector. On December 20, 2017, the researcher began the third field visit, which took three weeks. The third study case (WZ) was visited after obtaining personal consent from the chief executive of the waqf. In addition, a number of study-related government organizations were visited i.e. the Ministry of Justice, the Ministry of Commerce and Industry, the Ministry of Labor and Social Affairs, and the Ministry of Education.

5.6.3 Interview procedures

After the researcher had selected the study cases and obtained approval of the waqf institutions to conduct the study, appointments were determined to conduct the field visits and interviews with the waqf officials. The researcher had prepared the interview questions based on the previous studies (see appendix 2).

The study cases are located in different geographical areas in the Kingdom of Saudi Arabia; therefore, it was agreed with the officials of each case that the interviews would be conducted within a week for each case, so that each official or officials would be interviewed on one day. The interview protocol prepared by the researcher has been complied with (see appendix 2). The researcher confirmed the interviewees' consent to record the interview(s), only four interviewees preferred not to be recorded, and some interviewees requested the researcher to stop recording during some interview segments due to the sensitivity of some information. The researcher took notes in these interviews and reviewed these immediately after the interview to ensure completeness.

As for the first case (WA), the interviews with officials were informal and the researcher could obtain time and sufficient profound information (See Table 5.3):

Table 5.3 WA interviews

<i>Case WA</i>	<i>Acronym</i>	<i>Date</i>	<i>Time</i>
<i>General manager</i>	<i>CEO1</i>	<i>10/04/2017</i>	<i>1:12</i>
		<i>17/04/2017</i>	<i>0:46</i>
<i>Board member</i>	<i>BM1</i>	<i>18/04/2017</i>	<i>0:49</i>
<i>Financial manager</i>	<i>FM1</i>	<i>11/04/2017</i>	<i>1:05</i>
<i>Strategic office manager</i>	<i>SM1</i>	<i>11/04/2017</i>	<i>0:51</i>
		<i>17/04/2017</i>	<i>0:28</i>
<i>Media manager</i>	<i>MD1</i>	<i>10/04/2017</i>	<i>0:47</i>

Regarding the second case (WM), the researcher had to conduct the interviews at different intervals because some officials were busy and traveling. In the second field visit, four officials were interviewed and given the importance of the fifth official (BM2), the researcher had to interview him on December 27, 2017 (See Table 5.4):

Table 5.4 WM interviews

<i>Case WM</i>	<i>Acronym</i>	<i>Date</i>	<i>Time</i>
<i>CEO</i>	<i>CEO2</i>	<i>22/03/2017</i>	<i>0:33</i>
<i>The Chairman of the Board</i>	<i>BM2</i>	<i>27/12/2017</i>	<i>1:22</i>
<i>Granting department manager</i>	<i>GRM2</i>	<i>28/03/2017</i>	<i>1:13</i>
<i>Financial manager</i>	<i>FM2</i>	<i>28/03/2017</i>	<i>0:42</i>

<i>Administrative manager</i>	<i>MM2</i>	<i>22/03/2017</i>	<i>0:49</i>
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As for the third case (WZ), it was selected after the exclusion of one of the study cases belonging to a government agency due to lack of information, thus the researcher had to conduct a third field visit. The researcher had personally communicated with the chief executive of the waqf, and obtained a written approval to conduct the study, and the waqf's management determined the appointments of interviews with the waqf officials. (See Table 5.5):

Table 5.5 WZ interviews

<i>Case WZ</i>	<i>Acronym</i>	<i>Date</i>	<i>Time</i>
<i>CEO</i>	<i>CEO3</i>	<i>24/12/2017</i>	<i>1:07</i>
<i>Board member</i>	<i>BM3</i>	<i>25/12/2017</i>	<i>0:32</i>
<i>Vice president</i>	<i>VP3</i>	<i>24/12/2017</i>	<i>0:42</i>
<i>Development department manager</i>	<i>MD3</i>	<i>21/12/2017</i> <i>24/12/2017</i>	<i>0:53</i> <i>0:23</i>
<i>Administrative manager</i>	<i>MM3</i>	<i>25/12/2017</i>	<i>0:55</i>

In addition to conducting interviews with the officials in the three cases, the researcher has interviewed individuals outside the three cases for the following reasons: (1) to add information linking the relationship between the study cases and the governmental agencies supervising them, (2) and to complete the information that may be incomplete because of obtaining the view of the case only. Officials and specialists in the awqaf were interviewed, notably the two presidents of the courts in Al-Ahassa and Al-Khobar. Due to the close relationship between the waqf and the court, it was necessary to know the judges' view about some of the practices of nazirs in the awaqf and the compatibility of these practices with the Shariah (Islamic Law). The field visit to three other ministries, namely the Ministry of Commerce and Industry, the Ministry of Labor and Social Affairs, and the Ministry of Education, was also conducted to

determine the relationship between each ministry and the study cases. Only the Ministry of Labor and Social Affairs showed a close relationship with the first case (WA). On the other hand, it was clear that (1) there was a poor relationship between the Ministry of Commerce and the awqaf registered in it, limited to registration and affiliation procedures in the Chambers of Commerce, (2) and there was no relationship between the Ministry of Education and university's awqaf: the university has full authority to manage the awqaf affiliated to it (See Table 5.6):

Table 5.6 External parties' interviews

<i>External parties</i>	<i>Acronym</i>	<i>Date</i>	<i>Time</i>
<i>CEO of waqf</i>	<i>EXCEO1</i>	<i>04/03/2017</i>	<i>1:22</i>
<i>Al-hassa court president</i>	<i>CJ1</i>	<i>18/04/2017</i>	<i>0:55</i>
<i>Al-khobar court president</i>	<i>CJ2</i>	<i>19/04/2017</i>	<i>1:10</i>
<i>Ministry of Labor and Social Affairs officer*</i>	<i>MLSA1</i>	<i>02/01/2018</i>	<i>0:27</i>
<i>Ministry of Education officer</i>	<i>MED1</i>	<i>02/01/2018</i>	<i>0:14</i>
<i>Ministry of Commerce and Industry officer</i>	<i>MCII</i>	<i>03/01/2018</i>	<i>0:18</i>
<i>Waqf consultation office's manager</i>	<i>WCMI</i>	<i>04/03/2017</i>	<i>1:11</i>

*telephone interview

5.6.4 Document analysis process

Before initiating the field study, the researcher conducted a comprehensive survey of the official websites of awqaf and electronic accounts on the web and printed most of their contents related to the research. When conducting a field visit to the study cases, relevant documents were requested from the officials and the most important documents related to the research were (1) the governance system, (2) statute of the waqf, (3) the waqf deed, (4) the annual report, (5) internal regulations, (6) programme reports, (7) and financial statements. It is worth mentioning that some cases (WM and WZ) were reluctant to provide some documents, especially financial ones (See Table 5.7):

Table 5.7 Documents reviewed

Case	Document
WA	<ul style="list-style-type: none">• the governance system• statute of the waqf• annual report• internal regulations• programme reports• financial statements• official website contents
WM	<ul style="list-style-type: none">• the governance system• the waqf deed• programme reports• granting polices and reports• official website contents
WZ	<ul style="list-style-type: none">• statute of the waqf• the waqf deed• annual report• programme reports• official website contents

Also, the researcher studied some of the governmental documents and regulations related to the research subject, of which the sources varied. The main source of the awqaf and its regulations was from the Ministry of Islamic Affairs and Awqaf (see Chapter 2). Furthermore, the study discussed a number of other government documents, such as (1) The Ministry of Labor and Social Affairs' Law for the Non-Profit Organizations, (2) The family companies governance system issued by the Ministry of Commerce and Industry, (3) and The Saudi universities regulations issued by the Ministry of Education.

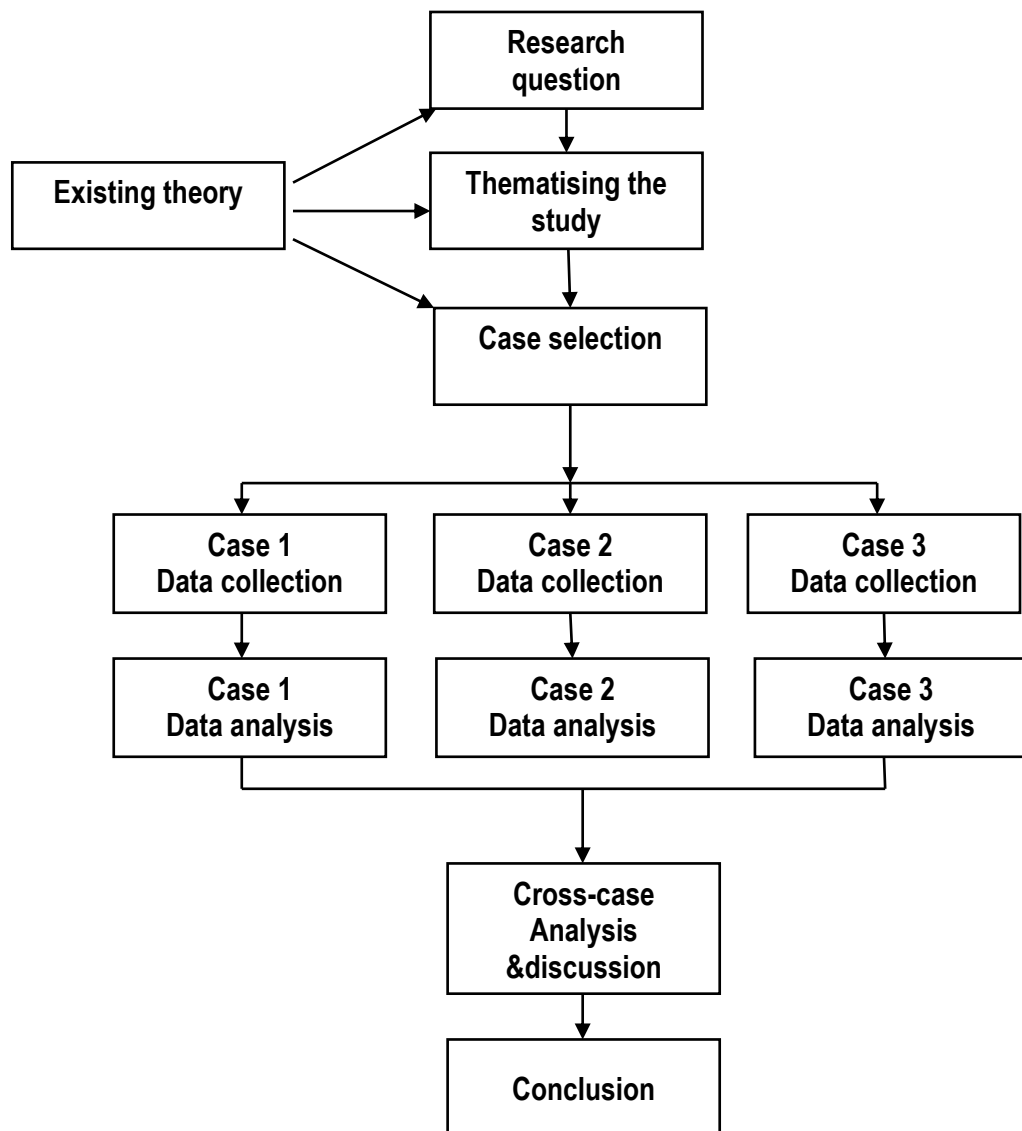
5.6.5 Data analysis

Since the researcher mainly relied on two sources for data collection i.e. interviews and document analysis, the first phase of data analysis was interview transcription. It is worth mentioning that all interviews and study case documents were in the Arabic language. The researcher had to choose between (1) analyzing the data in Arabic and then translating the analysis into English or (2) translating the interview transcriptions and documents into English and then making the analysis in English. The researcher determined to analyze the data in Arabic and then translate it into English for not losing some important linguistic values due to the difficulty of translating them into another language.

To analyze qualitative data, the researcher initially used the MAXQDA program for qualitative data analysis as it is the only program that supports Arabic. However, after analyzing the first case (WA) by using the program, the researcher found that the program added no value to the analysis because the research uses a deductive method and that most of the research themes are predefined; thus, the researcher decided to complete the remaining cases with a manual analysis. Most of the interviewees' answers, and the document information, reinforce the themes of this study. However, the researcher made more investigation and review of the contents of interviews and documents to know whether there were other themes that were important for the research other than those developed from literature. Two important additional themes emerged from the analysis; namely the (1) waqf deed, and (2) waqf registration, and they were added to the research.

After having completed the analysis process, the researcher translated the analysis from Arabic into English. After completing the translation of each study case, the researcher presented the translations to a specialist translator in order to ensure an excellent translation and to ensure that the Arabic content matches the English content. After obtaining feedback from the specialist translator, some words and sentences of the analysis were modified to match the meaning of the Arabic content. After having separately analyzed each case, a cross case analysis was made between the three cases. Figure 5.1 presents an overview of the research process.

Figure 5.1 Research process



5.7 Evaluative criteria for qualitative research

Both quantitative and qualitative researchers must highlight the quality and soundness of their studies in order to “have any effect on either the practice or the theory of a field” (Merriam, 2009, p.210). Within quantitative research, reliability, validity, and generalisability are the merits examined when judging the quality of a research article (Sarantakos, 2005; Neuman, 2014). To put it simply, validity can be defined as the extent to which collected data reflects on the studied subject (Cavana, Delahaye and Sekaran, 2001). Reliability can be viewed as how

accurate a measurement, concept, or technique is. The reliability aims at ensuring that a later investigator that follows the same pattern would achieve the same outcome (Yin, 1994). Generalisability can be defined as the extent to which the results of the findings can be applied to several other conditions, groups, or fields (Bryman *et al.*, 2018). However, some researchers see the concepts to be ill-suited for qualitative research (Bassey, 1999; Given and Saumure, 2008). Qualitative researchers often use some alternative criteria like trustworthiness, credibility, transferability, dependability, and confirmability (Guba and Lincoln, 1989).

5.7.1 Trustworthiness

Lincoln and Guba coined the concept of “trustworthiness” in 1985 to replace the ‘either/or’ tone that has dominated quantitative research. As Hammond and Wellington (2013) say, “Trustworthiness shifts us from discrete 'states' ('this is valid' / 'this is not valid') to degrees ('this appears credible', 'this is more credible than that')” (p. 148). In fact, Bryman *et al.*, (2018) stated that trustworthiness is the key factor for evaluating qualitative research and is underpinned by the four other criteria: credibility, transferability, dependability, and confirmability.

5.7.1.1 Credibility

Credibility can be defined as degree to which the findings of research are congruent with reality to figure out if the research measured what needs to be measured successfully. Credibility refers to the degree to which the study represents the actual meanings of the research participants, or the “truth value” (Lincoln and Guba, 1985). Several strategies can be used to achieve credibility, the most important of which is triangulation (Lincoln & Guba, 1985; Merriam, 2009). Triangulation requires the use of more than one method, source, or theory of data to analyse concepts from different perspectives (Bryman *et al.*, 2018). As already mentioned, Flick (2014) identifies four types of triangulation:

- Data triangulation
- Investigators triangulation
- Methodological triangulation
- Triangulation of theories

This study employs data triangulation to give more details and explain the concept of waqf governance and accountability in Saudi Arabia and in order to link and enhance the findings and results; this adds more credibility to the findings.

Another common strategy for optimizing credibility is “member checks” (Lincoln & Guba, 1985; Merriam, 2009). The idea is to help participants find out if their perspective and experiences are properly represented in the findings. This helps make sure that the researcher’s knowledge corresponds with that of the participants. In this study, member checking was undertaken with a number of interviewees. Transcriptions of the interviews, as well as the preliminary data analysis, were provided to the interviewees for them to read, comment on, and edit wherever they felt it necessary. Only two interviewees responded to the researcher in this regard; they both added comments.

5.7.1.2 Transferability

Transferability refers to the qualitative equivalent of the external generalisability. Transferability is the applicability of one study’s findings to other areas. Unlike generalization, transferability does not aim to generalize statistical figures to a whole population (Shenton, 2004). In other words, it means that the knowledge acquired from a particular situation can be transferred to other situations. To ensure this transferability, qualitative researchers should provide a rich, thick description of the studied phenomenon that vicariously allows the reader, not the researcher, to determine what is applicable in his or her own context (Lincoln and Guba, 1985; Stake, 2005).

5.7.1.3 Dependability

According to Guba and Lincoln (1989) dependability is closely related to the idea of reliability in the context of quantitative research. Reliability assumes that when a study replicates within the same context as well as similar conditions having same or similar participants, it means that the study is going to have the same or similar findings. When it comes to qualitative research, dependability always relies on the audit approach, ensuring that all the records are kept within all the research process stages.

There are several strategies to ensure dependability. An audit trail is a common strategy that maximizes dependability, and it “describes in detail how data were collected, how categories were derived, and how decisions were made throughout the inquiry” (Merriam, 2009, p. 223). The researcher tried to record the process by which this study was conducted, including queries

and reflections, as well as decisions to every problem encountered. According to Shenton (2004) emphasized on the importance of adding sections such as “the research design and its implementation” and “the operational detail of data gathering” in order to enhance dependability. Both chapters 4 and 5 of this thesis have therefore been dedicated to providing an in-depth description of the research design (research framework) and how it was executed for the reader to see how the researcher processed and analyzed the data that was collected (empirical study process).

5.7.1.4 *Confirmability*

Confirmability is the last factor judging the trustworthiness of the research. It can be seen as the extent to which the results of an inquiry could be confirmed or corroborated by other researchers (Baxter and Eyles, 1997). The concept was introduced by Guba and Lincoln (1985) in order to ensure the neutrality of the research findings in line with the participants’ responses as well as the separation of any personal agenda and bias from the researcher. In other words, “findings should represent the situation being researched rather than the beliefs, pet theories, or biases of the researcher” (Gasson, 2004, p. 93). To achieve confirmability, researchers must demonstrate that the results should link to the conclusions in a way that can be followed and, as a process, replicate (Moon *et al.*, 2016).

5.8 Chapter summary

This chapter has outlined the methodology and design of the research presented in this thesis. The research paradigm underlying the study aligns with the interpretive tradition, employing qualitative methods, particularly the case study approach. The research methods adopted were individual in-depth interviews and document review. The process of empirical study including visit field process, case selection, interviews procedures, documents analysis process and data analysis, were provided. Finally, criteria for evaluating qualitative research and the strategies adopted in this research project for meeting these criteria were presented. The following three chapters present a case by case analysis of each of the three waqf organisations studied.

CHAPTER 6: CASE WA DATA ANALYSIS

6.1 Introduction

This chapter presents the first intra-case analysis of the three case studies examined for this thesis. Each case study is structured in line with the conceptual framework discussed in chapter four. The case study focuses on data collected from review of internal and third-party documents and five open-ended, semi-structured interviews with trustees, the CEO and staff. WA is a public waqf helping needy and poor people and working in the third sector in Saudi Arabia.

As already discussed in the Chapter 5, participants have been given a special code in order to enhance anonymity and aid analysis and interpretation:

BMI - Trustee with business and management qualifications, knowledge and experience;

FMI - Financial manager with accounting qualifications, knowledge and experience;

SMI - Strategic office manager with academic qualifications, knowledge and experience;

MDI - Media manager with no formal academic or vocational qualifications;

and *CEOI* - The Chief Officer is also known as the General Manager.

This chapter, firstly, will provide a general background about WA waqf. Next, the internal governance mechanisms (i.e. governance documents, general assembly, board of trustees, sub-committees and management directorate) will be discussed. Thirdly, the chapter will identify the main stakeholders in the WA. Finally, accountability aspects in WA waqf, including accountability mechanisms applied, will be presented.

6.2 Case Background

WA is serving the community since 1980AD and providing services to various groups of community in particular those in need. The WA's mission is focusing in provision of cash and in-kind assistance to families, individuals and needy in the form of fixed salaries, temporary or

emergency assistance to individuals or families whose eligibility has been proven through social research. As well it is sharing with the private and governmental bodies in assisting victims of disasters such as traffic accidents, rain and fire. WA is working according to a specific geographic scope as the services of WA cover only the Al-hassa area in the East of Saudi Arabia.

Table 6.1 WA Vision, Mission, Value and Objectives

Vision	Leading the community development and charitable work in the Kingdom of Saudi Arabia
Mission	Developing the social work in Al-hassa through innovative and effective projects and programmes, managing partnerships with public and private and addressing the causes of poverty and reducing it by adopting advanced systems in the management of charitable societies.
Values	<p>Citizenship: which concerns with the embodiment of citizenship in the behavior and conducts. It is the performance of duties required from individuals associated with their work. It is the core of links and it is a loyalty reflected by the attributes of sacrifice translated by altruism</p> <p>Transparency: which concerns with values related to honesty, sincerity in work and concerns in the public interest, and adherence to the principle of avoiding conflict of interest. It is one of the basic elements of good governance as it means the full clarity in duties and transactions.</p> <p>Creativity: Receiving and developing the ideas of improvement from several parties, whether internal or external client or partners, and making mechanisms to receive, study, judge and transfer it to implementation.</p> <p>Justice: which concerns with the ascertain of managers that the staff are fully aware of the WA's laws and its basic principles. And applying equality between staff and external beneficiaries of equal experience and efficiency</p>
Objectives	<ol style="list-style-type: none"> 1. Developing the charitable projects and programmes affecting the community 2. Increasing financial resources with a sustainability methodology 3. Developing a quality management system

	<p>4. Developing the effective communication channels with community institutions</p> <p>5. Developing and building the capacity of the society's staff</p> <p>6. Developing an effective IT system to improving the performance and services</p> <p>7. Developing effective systems to transform beneficiary families into productive families</p>
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A group of employees are working at WA according to the paid official employment, and there is another group of volunteers. The number of official employees in 2017 reached 113 employees, while the number of volunteer employees in the same year has exceeded 214 employees. The WA manages a set of public awqaf, which are properties whose current approximate value is equivalent to SAR 100 million.

6.3 Waqf Registration

Although the prevailing practice in establishing and recording awqaf in Saudi Arabia and in most other Muslim countries is by means of the waqf deed, which is issued by the Shariah Court, none of the waqf assets of WA have been registered in this manner. WA has recorded awqaf as assets, which raises questions about the safety of this procedure from a systemic and moral standpoint. The CEO1 said that “WA is late in registering the awqaf; but we are seeking to register them as soon as possible. However, there are some reasons for this delay”. He explained that the reasons for the delay in registration of awqaf in the official way were: First, the reasons related to the regulations of waqf in Saudi Arabia, where it shows that the legislative structure of awqaf is still unstable. Second: the waqf deed formula, where it is mentioned that the formulation of the waqf deed should be studied carefully and allow for a range of flexibility. BM1 added that the nature of the waqf does not give the administration sufficient flexibility to manage it efficiently. The governmental regulations have not solved this problem, but rather have exacerbated it, which has discouraged the management from proving these assets as awqaf in the official way.

6.4 Governance Mechanisms

6.4.1 Governance Documents

Although WA was established in 1980, its governance system was set up only in 2014 and approved by the WA's board of trustees in 2015. It is a written system covering all matters related to governance issues such as the board of trustees of the WA, its duties, the general assembly and controlling the relationship between the centres and branches.

The CEO1 stated that one of the reasons for the preparation of a written governance system is that “in 2014 WA participated in the King Khalid Charity Award (annual award for charitable work) which requires the participation of many standards, including the existence of a written governance system at the Authority, and we worked on writing and preparing this system which won the approval of the judges of the award. As well the Ministry of Labor and Social Affairs greatly utilized therefrom when it prepared the standards of governance for non-profit organizations in 2017”.

WA adopted the strategic office in the establishment of a governance system, which is considered as a part of WA and the reason for what the CEO1 said: “Our philosophy in the presence of the strategic office is that we do not want to make any plan that does not meet the potential and requirements of WA. Establish a governance system shall enter within this framework, together with our utilization from all experiences. the strategic office inside the organisation is stronger to understand our own needs as it is from the inside. We have benefited from the experiences of the profit sector on the subject of governance. We have also benefited from external experiences through the strategic office, but they have not been fully taken into consideration. They have been adapted to the nature of our work and our specific needs”, he added. The BM1, who also serves as chief executive of a private sector firm, also stressed that the nature of corporate governance in the profit sector differs from that of the non-profit sector. “I have worked in the non-profit sector for six years and I feel the difference between working in private sector organizations in comparison to working in the non-profit sector, which of course is reflected in the governance in each sector. I do not know whether this has anything to do with people and in their way of thinking or is it related to work in the sector itself or both? The truth is that I cannot answer that.” This difference in nature between the profit and non-profit sector prompted the WA not to rely on the standards of governance issued by the Ministry of Commerce and Industry in Saudi Arabia, which was imposed recently on companies that

operate in the Saudi financial market, but they utilized from them in conformity to the nature of WA's business.

The SM1 supported whatever shall ensure the utilization from the applicable governance system in the sector aiming to profits as he stated “As we started in the establishment of the governance system at WA, the first stage we made was to view the best governance practices in the private sector, and considering that I was involved in developing this system. I have seen many of the governance systems of the private sector and I found that it is one of the strongest governance systems in the financial markets. This is my personal view, due to the sensitivity and seriousness of this market and the sector.”

The SM1 added that it is after reviewing the best practices of local and global governance, “We have also studied the mission and objectives of the organisation itself, and we have held meetings with the board of trustees, this is a very important point, the board of trustees of WA including senior businessmen working in the private sector, thereafter we tried to come up with only one model. It is a model that we do not claim it is new but in suits the nature of our work”.

In fact, SM1 believes that the waqf governance is very important. “As I mentioned earlier, the governance of financial markets is strong. I told you that there is a kind of sensitivity in the subject of awqaf, especially in the case of their governance for the mean reason that is the mission of the which the charitable had therefor. I mean by the sensitivity that you cannot risk with this waqf and turn it into a purely commercial entity, because families rely on the output of this waqf, or even it may be monthly salaries. Any possible risk leads to social confusion. Because the revenues of awqaf connect the charitable societies with social development directly which makes it more sensitive than other types of alms or remained awqaf that have connection with economic development or sustainability of money or any other subject. This is the fundamental difference, so when you develop a waqf or a charitable waqf's governance system, so your standards must be different.”

The governance system of WA has been based on key elements in its composition, where a general framework has been reached thereto. This framework includes three main elements:

- (a) Commitment: It is related to three components: (1) laws issued by the Ministry of Labor and Social Affairs, (2) financial and accounting standards, and (3) the articles of association.

- (b) The heart and structure of the governance system: Components of the governance system represented in the general assembly, board of trustees and its functions, the way of its designation, its decisions, and decisions issued thereby, and how decisions are issued, its powers, spin-off committees from the board of trustees and executive management.
- (c) Promotion of governance and the security it brings: It is a system of auditing and reviewing financial statements, approvals of the general assembly on the works and reports and observations of the Ministry of Labor and Social Affairs on the financial and administrative performance of the WA.

As well, the law enacted policies to ensure no conflict of interest of the members of the board of trustees or employees of awqaf and specified the nature of procedures that must be complied with prior to the existence of conflict of interest and after the occurrence of conflict of interest, if any. For example, the law binds all members of the board of trustees and employees of the WA to disclose all their personal and commercial interests, the extent of their relationship with companies and institutions and all suppliers to the services of the WA. The law also punishes by exclusion any member of the board of trustees or employee of the WA proved to exploit their personal or commercial interest.

The approved governance system focused heavily on disclosure and transparency policies. The system states that the WA adopted policies and procedures to ensure the principle of transparency in providing appropriate information in a timely manner to assist donors to take decisions upon correct and adequate information and all beneficiaries shall have equal opportunities to access to the information. The system imposed the board of trustees to prepare an annual report that includes an overview of the operations of the WA during the fiscal year and the factors that affect the work and set out 19 points that should be included in this report. These include, among others, a description of the important plans and decisions of the WA, clarifying the fundamental differences of operating results from previous results, details of waqf and non-waqf investments, number of board meetings held during the year, auditor's report and final accounts. The system did not neglect the management of the relationship with stakeholders and ways to protect them and mechanisms of compensation in the event of any harm caused by the work of the WA. The system specified a mechanism for compensating stakeholders in case of violation of their rights as well as to settle complaints or disputes.

6.4.2 General Assembly

The general assembly is considered as the first brick in building the pyramid of WA, where the board of trustees of the association comes out from. There are some conditions provided in the basic statute that shall be met by all members of the general assembly, which are as follows:

- 1) To be a Saudi national
- 2) Must be over eighteen years
- 3) To be full in capacity and qualified by Shariah laws
- 4) Not convicted of a breach of honor or honesty crime

The basic statute of WA stipulates different types of memberships of the association, for example, an “Active member” is a member who participated in the establishment of WA or joined it after it was established on the acceptance of the board of trustees on the request membership. Such a member has the right to attend the general assembly meetings and vote on its decisions and nominate himself to the board of trustees, after one year of being a member and paying annual subscription fees of at least SAR 500.

There are also other types of memberships such as “honorary member”. An honorary member is given a membership in return for the great financial or moral services he provided. The honorary members are entitled to attend the general assembly and discuss all points but they are not entitled to vote on its decisions nor to be nominated to be a board member.

The general assembly consists of all the Active members who paid their WA membership fees and had been members for at least one year. The assembly shall be held at the headquarters of the WA after the approval of the Ministry of Labor and Social Affairs.

The general assembly is divided into:

- 1) Ordinary Assembly: It is held once a year, in a period not exceeding three months after the end of the financial year. The meeting should discuss some points, such as the report of the board of trustees on WA activities for the past year, the report of the Ministry of Labor and Social Affairs, the auditor report. The ordinary general assembly shall also study and approve the board of trustees proposed programmes for the next year.
- 2) Extraordinary Assembly: It shall be held when necessary in specific cases such as disruption of the financial or administrative activities WA, any amendments to The

basic statute of WA, the dissolution or merger of WA, election of the board members or any emergency case upon request of the board of trustees or at least ten active members of the general assembly after the prior approval of the Ministry of Labor and Social Affairs.

The ordinary and extraordinary general assembly meeting shall be deemed valid if more than half of the Active members attend, A representative of the Ministry of Labor and Social Affairs shall be present at the meeting and the decisions of the assembly shall be approved by vote of the majority of attendees.

6.4.3 The Board of Trustees

The board of trustees consists of 15 members elected by the general assembly amongst its members provided the approval of the Ministry of Labor and Social affair upon them as well the elected board shall elect the Vice-Chairman and treasurer of the board. The term of the board of trustees membership shall be extended to three years. It is deemed as a voluntary work for which the members shall not be paid therefor. The member may not gather between the executive work at the WA and the membership of the board. CEO1 describes the board of trustees and its role in the development of the WA, he says: “It is almost part of the distinction of our organization, even with past administrations, members of the past and present boards of trustees, where they led the development process and made it a continuous process and lacks rigidity.” And he gives an example for the developmental role of the board, he says: “the WA may be one of the first non-profit organizations that have developed a system of administrative and financial in Saudi Arabia. It developed as the board of trustees in that period found that the work needs to be organized, a similar organization to the business of profitable companies in the financial side, one of the members delegated the financial director of his own company, one of biggest commercial companies and made him work in the WA for a period of time without charge.”

The board undertakes a number of tasks specified by the basic statute of WA. The basic statute of WA stipulates 15 tasks for the board, such as appointing the executive director of the organisation, forming permanent or temporary committees, convening the general assembly, overseeing the implementation of the decisions of the general assembly, preparing plans and supervising their implementation, studying the balance sheets and final accounts and preparing an annual report on the business of WA as well as proposing the estimated budget for the next years. Although all the tasks written in the basic statute of WA and entrusted to the member of

the board of trustees is represented in the supervisory and monitoring role, but BM1 criticizes the practical reality of the role of the board. He believes that most of the current meetings of the board of trustees discuss the issues of executive and totally far from discussing strategic and monitoring issues, he stated “I have repeatedly tried to disseminating the culture of strategic thought and to separating the board of trustees as a supreme leader that is setting out bylaws and monitoring the performance of the executive work and discussing its issues, but unfortunately there is resistance by the members of the board.” He adds that this resistance may be due to “the application of governance clauses set forth that may touch on the responsibility areas for some members.” He also concluded his speech on the responsibilities and duties of the board members and the role of its governance in the effectiveness of the board and its decisions, “Governance in this regard, for most non-profit organisations in Saudi Arabia, is very weak and far from professionalism,” he says.

The board of trustees holds regular periodical meetings, provided that the number of such meetings shall not be less than one per month. The board may hold extraordinary meetings in such cases as the request of the Ministry of Labor and Social Affairs or the to hold an extraordinary meeting to discuss matters that require thereof. As well the meeting of the board shall be valid in the presence of the majority of its members and decisions are issued by a majority of those presented votes and in the event of equality, the Chairman's vote shall be decisive.

6.4.3.1 The Composition of the Board of Trustees:

The board of trustees of WA consists of 15 members, 14 of whom are elected members and one member is appointed as Chairman of the board of trustees. The position of Chairman of the board is an honorary position which is held by the Governor of the province. The 14 members of the board of trustees are elected by the general assembly. The election of the members takes place in the presence of a committee of the Ministry of Labor and Social Affairs, which oversees the election process. FM1 has stated that the election process is carried out every three years with the same mechanism according to transparent procedures. The process takes place in the presence of all members (about 50-70 in number) of the general assembly. The process begins with letters inviting candidacy for membership of the board of trustees being sent to the members of the general assembly before their meeting, and then the administration of WA receives the nomination forms. At the meeting, the names of the candidates are printed and distributed to the members of the general assembly, who have the

right to vote for one candidate. The committee of the Ministry of Labor and Social Affairs counts the votes to choose the 14 members who collect the largest number of votes. After this stage, the Ministry receives the names of those elected from the committee and sends letters of approval to the members of board of trustees with a copy to the executive directorate. It is worth mentioning that the Ministry is entitled to object to any candidate and not to approve a candidate, without necessarily giving a reason for rejecting a candidate. FM1 states that “We do not adopt the new members of the board of trustees except under an official adoption letter of the Ministry which contains their names. The obtaining of the largest number of votes is not enough to adopt the candidate and the Ministry are entitled to reject him”. But FM1 added that he had not witnessed during the period of nearly 12 years that he had worked in WA any objection by the Ministry to any of the names of winning candidates.

In terms of the composition of the current board, the Chairman of board of trustees, who serves as the governor of the province, can be considered a representative of the government. Half of the members of the board are businessmen. The board of trustees includes two academics and the rest can be considered independent members. Most members of the board of trustees belong to Sunnism and only three members of the board of trustees represent the Shiite community.

6.4.4 Sub-committees

The general assembly or the board of trustees shall form sub-committees to assist in the management of WA and the achievement of its objectives provided that the members of the committee shall not be less than three members and shall be chaired by a member of the board of trustees who may chair more than one committee. And provided that all members of the committees shall be members of WA. The number, names and specialization of those committees shall be determined by a resolution of the general assembly or the board of trustees.

6.4.4.1 Nomination and Remuneration Committee

The main purpose of the nomination and remuneration committee is assisting the board of trustees of WA in developing and implementation of the special policies and standards of the board membership related to nomination and remuneration of senior executive directors of WA and its centers. The appointment of members of the nomination and remuneration committee shall be approved by the board of trustees. The committee consists of three members: a board member, the director general of the WA and the head of the human resources department. The director general has no right to vote on the points that concern him. The term of the committee is two years and can be renewed upon a decision of the board of trustees, provided that the term

of membership of the committee shall not exceed the term of the membership of the board of trustees. The committee holds a meeting four times a year and may be held when needed or upon a request of the board of trustees to study specific points within its functions.

The Committee's duties of nominations include:

- (a) Issuing formal and clear criteria and procedures approved by the board of trustees, including the required competencies and capacities for the senior officers and its centers to measure the candidate's capacity and ability to achieve and fulfill his all his responsibilities and potential conflicts of interest and independence.
- (b) Presenting recommendations to the board of trustees upon appointment or termination of the mandate of the senior officers of the waqf and its centers.
- (c) Appointment of supervisory board members and evaluation of their performance.
- (d) Nomination and selection of the director general.

While the Committee's duties of remuneration include:

- (a) the evaluation and approval of remuneration packages (including fixed remuneration, short - and long- term incentives and other benefits or arrangements) for the director general and senior staff of WA.
- (b) Evaluation and approval of the salary scale for non-executive directors of WA and its centers, such as employees and volunteers.
- (c) adoption of incentives and rewards plan in a short and long term.

6.4.4.2 The Executive Committee

The executive committee reviews the reports submitted by the board of trustees of WA or the committees of the board of trustees, studying them and voting thereon, following up the decisions issued by the board and committees, studying the administrative situation, developing them and identifying them for the interest of WA. The committee is also studying, developing and promoting the programmes, projects and activities of WA to developing strategic plans and future vision. This committee is composed of four members and the Chairman of the committee.

The membership term of the committee is two years and can be renewed upon a decision of the board of trustees, provided that the term of membership of the committee shall not exceed the term of the membership of the board of trustees. The committee holds a meeting four times

every year and may be held when needed or upon a request of the board of trustees to study specific topics within its activities.

The main responsibilities and functions of the committee are to assist the board of trustees in undertaking the following responsibilities:

(1) Finance affairs

The committee recommends the following:

- a- Borrowing from banks for amounts exceeding SAR 1 million in cases of necessity
- b- Investment of projects exceeding SAR 1 million
- c- Acceptance / rejection of grants, gifts and subsidies from a third party.
- d- The estimated budget of WA.
- e- Investment of WA's funds

(2) Planning

The committee recommends the following:

- A- Strategy of the assembly.
- B- Long-term assembly plan.
- C- Plan of awqaf projects.
- D- WA's plan for manpower.

(3) Propositions

The committee makes the following propositions:

- A- Study of the WA's projects and its centres, and everything issued by the board of trustees and then direct to the executive authorities each in its competence.
- B- To submit practical proposals for developing the mechanism of WA work through annual plans and executive programmes.
- C- Submit proposals to solve problems arising of the work in WA.
- D- Submit proposals for the adoption of new projects.

6.4.4.3 Social Committee

This committee examines the applications of social services submitted by the needy, the report of cash assistance and the department. It also monitors the situation of those in need, preparing social programmes and following up funding of funding applications. The committee is composed of five members and the Chairman of the committee.

6.4.4.4 Auditing Committee

The committee conducts an evaluation study for all the resources of WA, proposing and determining the financial allocations for disbursement to the presidencies provided for the development of WA. As well its main work is to review the financial movements and follow up the accounting cycle. The committee is composed of three members and the Chairman of the committee.

The membership term of the committee is two years and can be renewed upon a decision of the board of trustees, provided that the term of membership of the committee shall not exceed the term of the membership of the board of trustees. The committee holds a meeting four times every year and may be held when needed or upon a request of the board of trustees to study specific topics within its activities.

The committee has the following responsibilities:

- A- Supervising of the process of issuing financial reports.
- B- Supervising the internal audit process of the organization to assure its performance in carrying out the tasks specified by the board of trustees.
- C- Preparing a related report and submit its recommendations to the board of trustees.
- D- Studying the internal oversight process report.
- E- Studying and watch over the implementation of the corrective actions for the cases of non - conformity in the internal audit reports.

6.4.5 Executive Management

The general assembly appoints a Director-General and the appointment shall be issued upon a decision of the board of trustees specifying its powers, responsibilities, rights and obligations.

The Director-General of the WA must meet the following criteria:

- 1) To be a Saudi national
- 2) He has reached the age of twenty-one years
- 3) Full legal capacity according to Shariah laws
- 4) To have full-time to manage the organisation functions
- 5) Be eligible to do works assigned to him

The director of WA is personally responsible in accordance with the provisions of the statute of WA before the board of trustees and shall receive instructions from the chief of the board of trustees or his representative. The system also specifies some responsibilities for the director general of WA, through which the board of trustees can hold the general manager responsible in case of default at any thereof, for example, managing the business of WA in a manner that achieves benefits and preserve its movable and immovable assets. Directing and organizing of the work of the WA's employees, submitting routine progress reports on the activities of WA and discussing them with the board of trustees, implementation of the resolutions of general assembly and the board of trustees and the spin-off committees from them. All the works of the director are under the control of the board of trustees, which is entitled to suspend him or terminate his service in case of breach.

6.5 Identification of stakeholders

Since WA serves multiple levels in society, there is a relatively large number of stakeholders as confirmed by interviewees in this research. Interviews show that waqf stakeholders at WA can be divided into two:

(A) Internal parties: includes the general assembly, board of trustees, executive management, employees, volunteers and officials.

(B) External parties, includes waqifs, government, beneficiaries and public at large. In total, the interviewees mentioned eight main parties and considered them stakeholders of WA's awqaf, though they differ in importance.

Waqifs are considered as key stakeholders, very important for WA as they are the primary drivers of the business through their financial contribution, which enables the WA to serve

targeted people. Also, waqifs in WA may be classified as (A) as an internal party in the event of a combination of the financial contribution in the establishment of waqf assets and the membership in the general assembly, which entitles them to participate in decision-making in WA activities or (B) as an external party if their relationship with WA is based on their financial contribution in the establishment of waqf assets only. BM1 believes that the waqifs/donors are the most important stakeholders in the non-profit organizations more generally, not only in WA. He says that “donors are the basics of the work and the fuel that helps work to move on, without donor/ waqif these organizations cannot achieve their goals.” CEO1 agrees that waqifs are one of the most important stakeholders after the beneficiaries and mentions “waqifs in WA are atypical, because most of awqaf we manage were established by many donors/ waqifs, which is different from what is historically known in waqf where there is only one or few waqifs”. Such large number of waqifs explains the mechanism of establishing awqaf in WA, which begins with the organization declaring awqaf association for achieving its goals and allocates bank accounts for donating and encourages donors to contribute financially in these accounts. CEO1 says that, in recent years, there has been a high demand from donors for this kind of charity, which has encouraged the management of WA to establish new waqf assets.

Although CEO1 emphasizes the importance of waqifs, he believes that the beneficiaries are the most important stakeholders. This is a contrast to the view of the member of BM1, who regards the waqif as the most important stakeholders, although the beneficiaries are also important. CEO1 added that the definition of the beneficiary has developed in recent times and became more comprehensive than before, saying “the prevailing definition in most charities and waqf organizations is that the beneficiary is limited to those who receive direct relief and pastoral aid, while we are targeting more than that, as WA in the last two years expanded the concept of the beneficiary to make indirect beneficiaries”. CEO1 defines the indirect beneficiary of WA as the stratum of low-income individuals who do not need relief aid at present but are likely to be direct beneficiaries in the future. “We are working on general educational and awareness programmes for this stratum to reduce the direct beneficiaries of WA's services in the future.”

The government is also one of the primary stakeholders of WA because the political system in which the WA operates is centralized. In Saudi Arabia, the Ministry of Labor and Social Affairs organizes the work of registered non-governmental organizations. WA is registered in the Ministry since the WA was established and WA works in accordance with the regulations issued by the Ministry. The management of WA consider the government a very important

party, to which they pay special attention. According to government regulations, the Ministry of Labor and Social Affairs has the right to intervene in the work and activities of its registered associations whenever it is necessary. Even more, the Minister of Labor and Social Affairs has the right to strike off and suspend any association that violates the regulations and laws issued by the Ministry without waiting for a court decision. Through these broad powers, it is clear how important government is and how important it is to be considered by the management of WA.

CEO1 summarizes the relationship with the government in three main matters: *First*: Issuing licences of the WA for devolution of its activities, since no organization is allowed to work without an official permit issued by the Ministry. *Second*: The continuity of this licence, as the government authority may revoke the licence when it deems it. It is important to pay attention to the financial and administrative performance of the organization to continue to be licensed, as the Ministry monitors the performance of all such organizations through the annual reports prepared by the organizations for the Ministry containing financial and other statements. On this matter, FM1 added that the continuity of the licence of WA is not only related to the financial and administrative performance, but there are other matters relating to political and security aspects. He said, for example “collecting donations is a sensitive matter and governed by global regulations, especially after 9/11, our supervisors take this aspect very seriously and give strict instructions from time to time.” *Third*: Support, as the government provides financial and administrative support to associations. The financial support is an estimated annual amount varying from one year to another and from one association to another. In 2016, the government has subsidized SAR 7 million for WA. Besides financial support, the government seeks to improve the administrative work of non-profit associations by obliging associations to appoint a full-time director and a Saudi accountant, with the government paying their full salaries and half the salaries of social workers in associations.

The last external stakeholders are the public at large. Through the many activities of WA, it is clear that most of the goals and programmes of the WA are focused primarily on providing services to multiple segments of the community within the geographical framework through which it operates. According to the CEO1, WA has partnerships and community contributions that not only provide aid and support to the poor and needy, but also go beyond this, making research partnerships to address social problems. BM1 gives an example of the WA’s contribution in community development, saying “There are many community centers and

organizations founded by WA, which have become independent for Administrative and regulatory reasons, such as the Centre for Family Development, which provides community consultation on marriage, divorce and child-rearing”. FM1 mentioned an example of successful community partnerships: the research partnership between WA and the King Faisal University in Al hassa, which has resulted in numerous joint studies on topics such as poverty and unemployment.

Through what has been reviewed about the stakeholders of WA, there is mutual agreement that the two most important stakeholders are waqifs and beneficiaries. Although BM1 and SM1 believe that the waqifs are the most important parties of WA, because their support is the key to achieving the goals of the non-profit association, it is the view of CEO1, FM1 and MD1 that beneficiaries are the most important party because in fact all the goals of the waqf are made to serve them. However, FM1 added: “Despite the importance that donors and the beneficiaries occupy, the government is the most influential stakeholder in the decision-making”. CEO1 justifies this effect, saying, “The government does not interfere in our work details, we are required to meet all the governmental requirements of financial and administrative reporting and abide by all regulations, because of the sensitive security atmosphere concerning terrorism financing.”

6.6 Accountability to stakeholders

Accountability to stakeholders in WA varies according to their categories. WA deals with both internal and external stakeholders in accordance with their requirements and needed information.

6.6.1 Accountability Towards Allah and Court

When identifying stakeholders in waqf institutions, the first relationship associated with the waqf is its relationship with Allah. Muslims understand that their financial contributions to the waqf are in fact a transfer of assets that have been placed at their disposal by Allah. All the subsequent transactions after establishing the waqf are related in the first place to the belief that the main objective of these awqaf is to obtain the reward of Allah and it is therefore necessary to dispose of these assets and manage them according to the will of Allah. The majority of Muslims believe that the will of Allah is represented in the instructions that he revealed in the “Quran” and in the Hadith of Prophet Muhammad “Sunnah”. From this point

of view, CEO1 states that WA is fully committed to the rules of Islamic law. The administration of the organization has also formed Shariah committees in each of the centres of WA to which the legitimate issues that arise in the work of the organization are referred. CEO1 states that the main reason for the existence of a committee in each centre and not just one committee, is that WA works in a multi-sectarian geographical area, for example there are many centres serving the Shiite minority and other centres serving the Sunnis. He also mentions that WA sends some legal inquiries to the Council of Senior Scholars (*Majlis Hay'at Kibar al-'Ulama* – the official legal authority) if necessary. BM1 emphasizes the importance of accountability towards Allah; indeed, he believes that accountability to Allah is the greatest part of the concept of accountability.

One aspect of accountability to Allah that is currently absent is the registration of WA with the Shariah Court. As already noted, the CEO1 sees the delay in registering the awqaf as a possible weakness in terms of safeguarding the assets of the awqaf.

6.6.2 Accountability Towards Waqifs

Waqifs in WA are many grantors who have earmarked their cash or in-kind donations to establish waqf assets for WA. The management of the WA is aware of the importance of waqifs as the cornerstone of their waqf projects and therefore it is committed to (a) submit an annual printed report available through its website indicating their financial contributions and projects implemented by these contributions, and (b) open a scope for participation and accountability in decisions through the general assembly in case the donor/ waqif is an active member of the general assembly. CEO1 explains the importance of these commitments to waqifs, saying “transparency and opening channels to waqifs for questioning and accountability are very important, this guarantees continuity of their future support. We can say that their financial support is the capital of non-profit organizations, as a lack of trust between the organization and waqifs can cause atrophy of the growth of organizations’ projects including waqf assets”

The annual report issued by WA contains financial and non-financial information on the performance and results of the waqf over the past year. WA provides printed copies of the report in all its affiliated centers and the report is available not only for waqifs but for the public.

6.6.3 Accountability Towards Beneficiaries

WA aims to provide the best possible services to the beneficiaries. An observer of the WA's works has noticed that WA is giving more attention to the quality of services provided to beneficiaries in recent years. By reviewing the annual report for the last three years, it is clear that WA is focusing on the quality of the services provided, not on the number of beneficiaries. For example, in 2014 cash aid to beneficiaries was SAR 20,552,922 and benefited 18,697 beneficiaries while in 2015 cash aid amounted SAR 23,557,430, with an increase of approximately 3 million riyals over the previous year, but beneficiaries were only 17,874.

WA is keen to prepare and issue the above-mentioned annual report, to make it available on time each year for donors and beneficiaries as well. But a reader of the annual report would clearly note the fact that the contents of the report are addressed to waqifs. The report did not mention the mechanisms of distributing aid nor terms of determining beneficiaries, that could guarantee equitable distribution.

6.6.4 Accountability Towards Government

WA works under the regulations and laws issued by the Ministry of Labor and Social Affairs, which is the government arm of the non-profit organizations. "Although the role of this ministry is supposed to be limited to only supervising, the practical reality is that non-profit organizations do not have full independence", as CEO1 stated.

By examining the statutes of WA, it is clear that the role played by the government is greater than supervision and oversight, for example, most strategic and important decisions such as the appointment of the general manager of the organization, the selection of the board members, and holding the general assembly meetings and others require the consent of government authority. The ministry also has the right to intervene in such decisions whenever it deems fit. CEO1 states that there are positive procedures taken by the ministry towards granting more powers to non-profit organizations, saying "in the previous period, we were obliged to obtain approval from the ministry to buy any asset, including awqaf, but for the time being, the general assembly has been given power to approve and purchase assets and awqaf without reference to the ministry."

WA shows accountability towards the government through the submission of reports, in which WA provides the Ministry with financial and non-financial reports every three months. "Most of the reports submitted to the Ministry are financial reports and are the most important

reports”, as stated by FM1. Since 2014, the Ministry has adopted a system for the appointment of audit offices to audit the financial activities of non-profit organizations. The audit office works as an intermediary between the organization and the Ministry, where the office visits the organization every three months to review all documents and inputs, and submits its observations to the ministry, which in turn addresses to the organization the comments sent by the office. FM1 states that if the remarks are not substantial, the organization communicates with the Ministry by e-mail, but if there are substantial remarks, the Ministry sends one of its delegates to check on these observations.

6.6.5 Accountability Towards Public

WA provides financial and non-financial information to the general public through various means, such as printed brochures, social networking sites and its official website. The official account of the organization on the Web provides a wide range of information about WA, such as WA’s centers, services provided, annual reports, and the balance sheet. The website also allows the browser to communicate with the management of WA and lodge complaints. MD1 believes that one of the most important successes of WA in the recent period is giving more attention to media, public information and social networking sites. He says, “the activation of WA’s accounts in social networking sites has created a direct relationship with the community so the responses to WA’s accounts have become the focus of the administration.” WA’s account on the social media site Twitter is the most active account of WA, as the account regularly shows the latest developments in WA’s projects and some statistics on the assistance provided by WA.

6.7 Accountability Mechanisms

6.7.1 Financial Statements and Reports

Through the interviews conducted by the researcher with the officers from various levels in WA, it is clear that the management of WA pays great attention to the disclosure and transparency in general. CEO1 believes that financial disclosure is very important given the political conditions and bad reputation associated with the work of non-profit organizations in Saudi Arabia. He also stressed that WA is keen to meet the information needs of all stakeholders. “Since its establishment, WA has been interested in financial disclosure and providing all financial reporting to stakeholders. Two years after its establishment, the accounting department was set up and professional accountants were appointed.” WA’s

accounting department is a mix of formal and permanent employees of WA and non-members of WA who work part-time under the guidance of the board of trustees. The official accountants in WA work on the preparation of financial documents and on coordination with the accounting sections of the branches of WA. The overall financial operations that require specialized accounting work fall within the tasks of external accountants, due to their expertise and competence.

The accounting work in WA is based on the generally recognized accounting standards in profit organizations due to the lack of accounting standards for waqf. The adopted accounting software program was prepared for profit organizations. FM1 states that since its inception, WA has adopted this accounting program and has adapted all its financial operations to suit the nature of the program. BM1 believes that there is no fundamental difference between the nature of accounting work in the waqf and commercial companies but emphasizes that there is a difference in the nature of reports and information that must be obtained by data users.

The reports issued by WA can be divided into two main sections: (a) internal reports and (b) external reports. Internal reports are submitted by the executive directorate to the board of trustees and its subcommittees. The executive directorate is required to submit a report at the beginning of each financial year to the board of trustees that includes the plan and objectives of WA for the forthcoming year. The report contains the performance indicators for the set objectives. The board of trustees discusses the report submitted by the executive directorate and makes observations and suggestions on the report. Three months after the beginning of the financial year, the executive directorate prepares completion reports for the first quarter of the year and submits them to the sub-committees, which in turn make their observations on the percentage of achievement and deviations in performance. Sub-committees submit a report to the board of trustees that incorporates the report and observations of the executive directorate. The board of trustees meets every three months to discuss the reports submitted to it, prepare its observations and suggestions, and then issue a report of the board meeting, a copy of which is sent to the Ministry of Labor and Social Affairs and another copy to the executive directorate. The executive directorate is also obliged to provide reports directly to the board of trustees on any emergency projects that have not been included in the plan for the year.

Most of the external reports issued by WA are addressed primarily to the Ministry of Labor and Social Affairs, as the Ministry requires non-profit organizations to make a number of

reports, such as the annual report and reports of board meetings. There are also dedicated reports prepared for major donors, which are discussed in detail below.

1) Annual Report

This report consists of four main sections:

A- Management Report

The management report contains many items, the most important of which is the board of trustees' report. This report presents the achievements of the waqf over the past year, whether these are at the managerial level, such as the number of board of trustees' meetings over the past year, or are at the operational level, such as the extent of performed works, for example the total number of waqifs and beneficiaries and the volume of donations during the year. The management report also presents the names of the members of the board of trustees, the members of the subcommittees and their functions, and the addresses of WA's centers.

B- Aid Report

Part II of the annual report presents in detail the aid provided by WA to beneficiaries during the year, including the amounts paid to specific beneficiaries. According to the report, the aid is grouped into two main sections: (a) cash aid and (b) in-kind allowances. Each of these sections also includes many types of aid provided, for example, cash aid can be provided as assistance to foster orphans or to support training and rehabilitation programmes or to finance scholarships. These types of aid depend on the nature of the waqf itself. There are some awqaf dedicated to specific beneficiaries also there are some general awqaf that allow flexibility for the management to spend the waqf revenue wherever needed. CEO1 emphasizes that most of the awqaf in WA are not specified for special beneficiaries. He explains that "restricting awqaf for specific beneficiaries may harm the common good, as the needs of the community change from time to time, so we always seek to encourage donors/waqifs not to identify certain beneficiaries"

C- Income Report

This report presents all income received during the year, whether these amounts come from awqafs' investments or have been received from waqifs to support the waqf assets programmes. The report also separates the income of each project through tables that are easily understandable by the reader. It is noteworthy that this report presents all waqifs of WA by name, providing a list of about 1,100 names and the amounts that each waqif paid. The report

also shows the total number of donors/waqifs who wished to remain anonymous rather than being named as a “benefactor”, and mentions the total amount donated anonymously.

D- Balance Sheet

The annual financial report WA also presents the general budget of WA containing the report of the External Auditor, the statement of financial position, the income statement and cash flow statement. It should be noted that the External Auditor of WA is appointed by the Ministry of Labor and Social Affairs.

2) *Reports of the board meetings:*

The board of trustees meets quarterly and at the end of each meeting a report is prepared covering the decisions made by the board. The Ministry of Labor and Social Affairs requires four reports of meetings of the board of trustees each year. It is worth mentioning that WA did not commit to submit these records to the Ministry until the end of 2017. WA received a number of observations from the Ministry of Labor and Social Affairs in 2016, one of which was the failure of WA to submit these reports to the Ministry. When CEO1 was asked why the management of WA did not submit to the board of trustees, his answer was that “the chairman and members of the board of trustees believe that the report of the board meetings should not go beyond the framework of the organization.” BM1 believes that the ministry’s role is just supervisory and that the ministry's intervention in the decisions of the board of trustees would disrupt many projects. CEO1 also said that the chairman believes that the staff of the Ministry of Labor and Social Affairs is weaker than WA’s more professional administrative staff.

3) *Special Business Reports:*

WA issues a number of special reports to major waqifs who have identified specific beneficiaries for their financial contributions. These reports are often sent to the waqifs electronically via e-mail. WA also has an electronic system that updates waqifs supporting particular projects to the percentage of work achieved by sending text messages to their mobile phones.

6.7.2 Performance Measurement and Evaluation

It is clear that the process of performance measuring and evaluating in WA is a routine process involving all administrative levels. Each head of department makes a monthly assessment of the performance of the department which he heads according to the performance indicators

which have been determined in advance by the administration. The department head then submits to the director general's office a monthly report of this assessment and the achieved works as well as the clarification and justification of any deviations of the planned works. The director general studies the reports and discusses them at a monthly meeting of all department heads. Summaries of the reports for each period of three months are submitted by the director general's office to the sub-committees, which in turn review and evaluate the performance of the departments and submit their comments to the board of trustees. The board of trustees receives the reports from the subcommittees and from the executive directorate and discusses them at its quarterly session and sends its observations to the director general's office.

In fact, the level of scrutiny applied by the higher levels in WA depends on the process of evaluation and audit according to whether the performance of a department is positive or negative. FM1 said that "At the beginning of the Yemeni crisis, I recall that at a meeting of the audit committee we spent many hours discussing the deviations in the financial performance, which was the result of many changes in the financial plans to provide emergency assistance to the Yemeni brothers. The deviations reached about 40% in some items, and some members of the committee were not satisfied with the performance of the management in managing crisis." CEO1 believes that one of the most important features of the evaluation system of WA is that the evaluation of performance passes through multiple stages and different administrative levels, which makes it easier for the senior administrative levels in WA to evaluate and review. However, BM1 mentioned that "unfortunately, most of what is discussed in the board of trustees' meetings is operational matters. The board of trustees' affairs should be limited to strategic issues."

WA's administration intends to introduce a new electronic system for evaluation and measurement of performance from the end of 2018. This system has been prepared and designed by the IT Department of WA. This system will electronically connect the performance indicator to the actual performance, which makes it possible for senior levels to follow up performance in the sections of WA on a daily basis. The board member praised this move and considers it a step that will enhance the concept of accountability in WA. CEO1 also stressed that the new system will reduce many routine works and improve performance in general.

6.7.3 Participation

WA is associated with a large number of stakeholders and their participation in the organization varies according to their groups. In terms of beneficiaries, WA finds some difficulties in

engaging them and benefiting from their feedback. Seven years ago, WA began distributing questionnaires to the beneficiaries of its services to poll their views on its services provided to them and asking for suggestions for their development. However, according to CEO1, the results of the survey were not particularly useful, as the interaction rate was low. He stated “The management of WA, even before I took this position, was aimed at involving the beneficiaries in managerial decisions as they are the most important stakeholders, but unfortunately the practical reality proved that there are many difficulties . . . A large percentage of our registered beneficiaries suffer from illiteracy or a low level of education. The submission of printed questionnaires is useless because they do not read or find it difficult to understand,” he added. “Even those who read, we have difficulty with them, as most of them believe that if they seem satisfied with the work of WA, it is possible to reduce their share of their assistance in the future.” In the same context, BM1 believes that WA's experiences with the participation of the beneficiary group were not successful because much of the information obtained by them was misleading. Overall, the participation of beneficiaries in WA is limited.

For the participation of the rest of the stakeholders, WA gives great attention to benefiting from external parties to develop its works and services. WA holds meetings and workshops from time to time, which includes a number of the elite members of the community such as academics, businessmen, donors, and government officials. WA also has community partnerships with research centers that promote the utilization of all the available expertise in the community. The most important of these is the partnership between the social department of WA and the King Faisal University Research Center. SM1 believes that the participation of all levels of community is very important for non-profit organizations. Participation is not only useful to improve quality and performance but may be a means of marketing the programmes of WA. This could lead to greater interest in WA by the community through presenting the organization as a participant in community ideas and decisions.

Over the last five years, social media have become a window of community participation for WA. The administration of WA has allocated a special department for social media, which is in charge of supervising all of WA's social media accounts. The posts sent to the accounts have become one of the most important channels of community participation. MD1 states that the suggestions and feedback which monitor the interaction from the account in the social networking site Twitter have become a focus of attention to the administration. MD1 believes that the interest of the WA's administration in social media posts is greater than their interest

in other media because these posts are public and are shared by all users of these social media platforms. He also observes that any negative comments on social media may harm the reputation of the organization. CEO1 believes that social media posts are a double-edged sword, on the one hand there are many posts that contribute greatly to reviewing and improving performance while there is also misleading and inaccurate information.

6.7.4 Self-regulation

One of the most important advantages of WA's management is that it relies heavily on its own resources in establishing and issuing regulations that suit the nature of its business. As the development of the third sector in the Kingdom of Saudi Arabia was modest and the Ministry of Labor and Social Affairs was not effective in managing the sector before 2012, WA and its internal regulations were an advance on the regulations imposed by the ministry on non-profit organizations. CEO1 stated that the internal regulations through which the organization operates are regulations issued and approved by the board of trustees. For example, "WA's basic statute is a system prepared by the board of trustees and not by the Ministry and are reviewed and amended from time to time according to the requirements of the time." He added "In recent years, the Ministry of Labor and Social Affairs has begun to impose some administrative regulations on non-profit organizations, but all these systems were established by us years ago, and even the Ministry benefited from some of the regulations we issued such as the governance regulations prepared by our strategic office". It is worth mentioning that one of the most important functions of the Strategic Office is to review and issue the administrative regulations of WA.

6.8 Chapter Summary

This chapter has provided a rich set of information about WA waqf. Data related to the internal governance mechanisms, identification of stakeholders and accountability practices were collected from internal documents of the case as well as interviews with waqf officers. The data was analysed and organised in accordance with the research framework. The next chapter focuses on the second case (WM).

CHAPTER 7: CASE WM DATA ANALYSIS

7.1 Introduction

This chapter presents the second intra-case analysis of the three case studies examined for this thesis. Each case study is structured in line with the conceptual framework discussed in chapter four. The case study focuses on data collected from review of internal and third-party documents and five open-ended, semi-structured interviews with trustees, the CEO and staff. WM is a public waqf working in the private sector in Saudi Arabia.

As already discussed in Chapter 5, participants have been given a special code in order to enhance anonymity and aid analysis and interpretation:

BM2 - The Chairman of the Board with business and management qualifications, knowledge and experience;

FM2 - Financial manager with accounting qualifications, knowledge and experience;

GRM2- Granting department manager with academic qualifications knowledge and experience;

MM2- Administrative manager with management qualifications, knowledge and experience;

and **CEO2** - The Chief Executive Officer with business and management qualifications, knowledge and experience

This chapter, firstly, will provide general background about WM waqf. Next, the internal governance mechanisms (i.e. governance documents, board of trustees, sub-committees and management directorate) will be discussed. Thirdly, the chapter will identify the main stakeholders in the WM. Finally, accountability aspects in WM waqf, including accountability mechanisms applied, will be presented.

7.2 Background

WM was established in 2009 in Riyadh, Saudi Arabia. It has three branches in the Governorates of Al-Kharj, Anayza and Buraidah. The establishment of WM began through the belief in the importance of financial sustainability that contributes to the development of society. In 2009, the founder dedicated a significant part of his property to establish a waqf for the needy inside the Kingdom of Saudi Arabia and abroad. The beginning of the waqf work was launching a special waqf for the Holy Quran, and he allocated some properties for this waqf. Because the founder was conscious of his lack of sufficient experience in the field of waqf, he formed a board of prominent figures with great experience. A year after the start of the new experience, the results were positive and encouraging, and the founder started to dedicate more private assets. Consequently, the march of awqaf had started. The way in which WM has developed, and its positive level of performance, provides a model for the management of other awqaf. Table 7.1 presents the vision, mission and objective for WM waqf.

Table 7.1 WM's vision, mission and objectives

Vision	To provide a distinctive model for the contribution of charity awqaf in achieving sustainable development of the society through qualitative investment and charitable work based on advanced institutional construction of high quality.
Mission	Charity awqaf seek to develop the awqaf investments to realizing the greatest financial revenue in which WM's awqaf are contributing to strengthening the national economy and contributing to the development of the community through the charity system that we adopt.
Objectives	Sponsoring the lands, real estates and farms dedicated by the founder, investing, maintaining and developing them. Developing the awqaf through the investment of shares and the specified part of the investment, in a manner that will increase and grow the awqaf. Contribute to the realization of the comprehensive development of society through the disbursement of the yield of those awqaf in banks that are more beneficial to the dedicated property and the greatest interest of Muslims.

Source: case's website

The WM awqaf directorate is working in two parallel lines:

(1) Commercial: The aim is to manage, develop and invest in waqf assets in an exemplary manner. The WM awqaf directorate is managing waqf assets with a market value over two billion Saudi riyals with 650 paid employees. The commercial department divides its business into three main sectors:

- a) Investment sector: this sector includes trust shares in Islamic banks and shareholding companies operating in the Saudi Arabian capital market. The waqf investment sector also has waqf assets in international hotels, where the awqaf directorate owns two international five star and four-star hotels.
- b) Real estate sector: the real estate sector is the most significant sector of the WM awqaf directorate in terms of the volume of revenues. The real estate sector consists of rented residential and commercial complexes, with a total of 3,760 tenants in 2016.
- c) Agricultural sector: this is the most important developing and promising sector for the WM awqaf directorate. The WM directorate owns the world's largest palm farm, where more than 250,000 palm trees have been planted.

(2) Charitable: this aims to distribute waqf revenues to beneficiaries. Also, the WM awqaf directorate is working on its strategic grant policy to support creative projects and distinctive initiatives. Only seven employees work in this department.

The WM directorate has established eight basic pillars for its work and has built on these pillars for all of its internal regulations and policies.

The eight pillars are:

1. Diversity of investment waqf assets (real estate, shares, hotels, farms....) to reduce risk.
2. Activating the role of the board of trustees, expanding its powers and giving it the flexibility to achieve the strategic goals.
3. Continuity of waqf development and preservation, through the allocation of 25% of net profits for investment.

4. Determination of a percentage of net profit as the emoluments of the board of trustees to motivate the board to increase waqf profits and link emoluments to the attendance at board meetings.
5. The permanent board of trustees shall be empowered to appoint additional three members to the board when needed. Where the member has the powers of a permanent member for only one session that can be renewable.
6. Expansion of the public waqf channels of spending, granting the board of trustees the authority to determine the appropriate channels according to timing, place and need.
7. Members of the board of trustees are empowered to make decisions in cases identified by the founder in the waqf deed.
8. The founder requires issuing a balance sheet approved by the legal accountant before any of the earnings are disbursed or distributed to the charitable channels of spending or investment.

7.3 Governance Mechanisms

7.3.1 Governance Documents

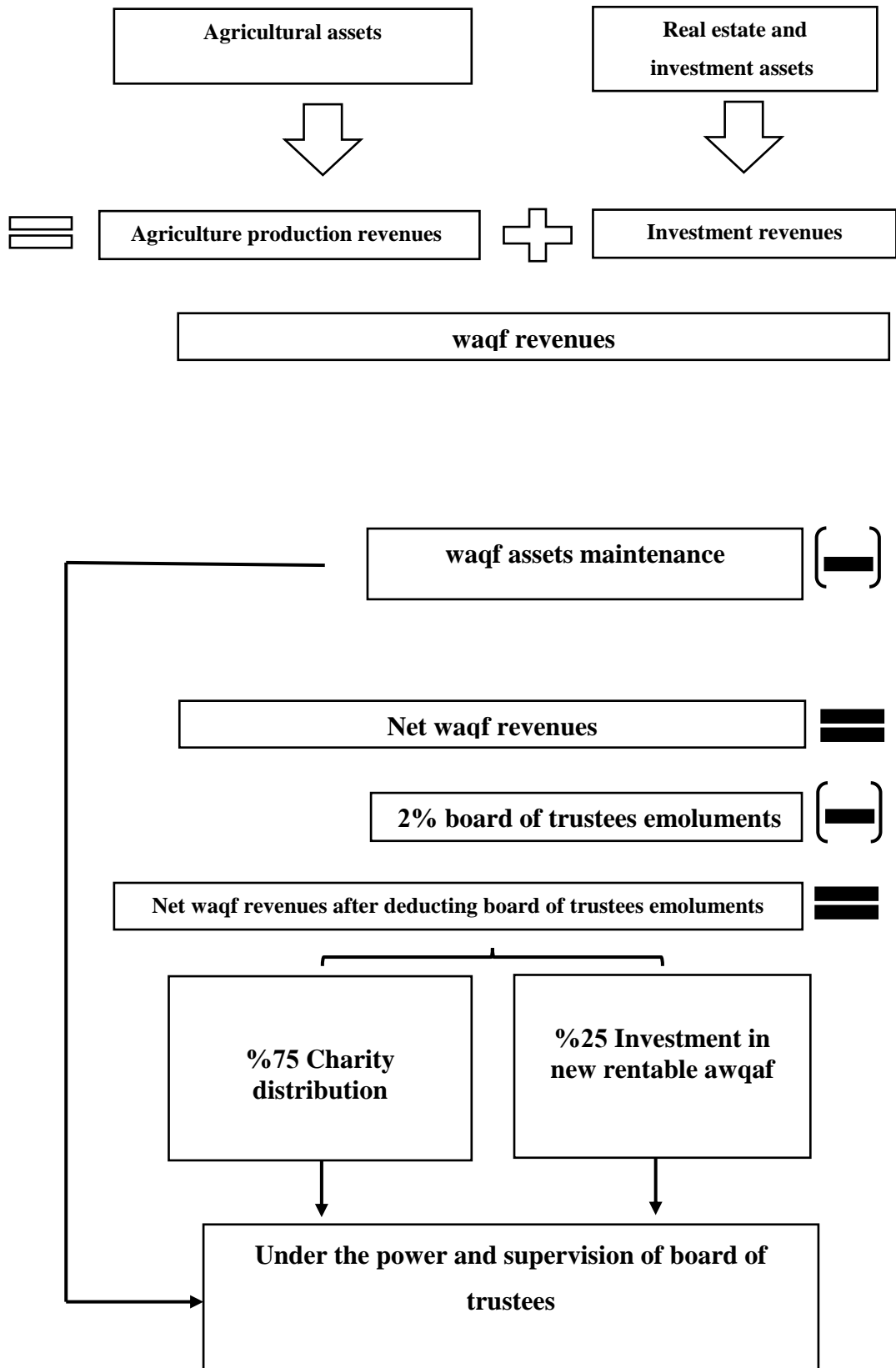
Despite the relatively large size of WM, all financial and administrative operations were managed in a rudimentary and simple manner, until 2010. CEO2 stated that, when he was appointed in 2010, there were no financial documents and that all work was managed by traditional methods. Since his appointment, the awqaf have attracted qualified managers from the private sector who have improved the working environment and changed from a traditional to a more professional approach. Most of the internal waqf systems were established between 2010 and 2014. As the founder is a senior businessman in Saudi Arabia, his awqaf have been greatly influenced by the culture of work in the private sector. The founder was keen to base the system of governance for waqf on the systems in his own companies; He established a governance system that focused on the governance of the commercial side of the waqf.

The governance system of WM has been derived from two main sources (1) the waqf deed and (2) the governance standards issued by the Saudi Arabian Ministry of Commerce and Industry for family businesses. The waqf deed issued by the Shariah Court is the highest and most important reference for governing and managing the waqf. The contents of this document are binding, and none of the waqf board of trustees or the executive management can override any of its provisions except with the written authorization of the Shariah Court. The waqf

directorate is also obliged to work according to the limitations and conditions established by the founder. In the event that the supervisor does not comply, the Shariah Magistrate has the right to intervene and impose its requirements.

The waqf deed includes important points, such as the identification of the assets that the founder entrusted to the waqf, channels of spending to distribute the revenue of the waqf, distribution priorities, and general frameworks for the governance of the waqf, such as composition, responsibilities and functions of the board of trustees. The contents of the waqf deed issued by the Shariah court on July 8, 2007 are summarized in Figure 7.1.

Figure 7.1 Summary of WM’s waqf deed



WM adopts the governance standards issued by the Ministry of Commerce for family profit-making companies. CEO2 considers that all these standards are in full harmony with the nature of the work of the organization, confirming that “I have served as executive director for a number of former shareholding companies, and I didn’t find any fundamental difference in the nature of the work requiring special governance system application for waqf..... In WM, we seek to maximize the profits of waqf investments as in profit-making companies.” With regard to the intersection of business and charitable work in the waqf directorate, CEO2 believes that the general work of waqf can be limited to three main aspects: legal, commercial and granting. As for the first aspect, CEO2 thinks that it is the biggest dilemma that the waqf institutions in Saudi Arabia are going through. He asserts that the legal status of waqf is still a significant impediment to their growth and development and gives an example of the systemic complexity of selling the assets of defunct awqaf. As for the commercial aspect, CEO2 believes that the waqf is working in the same manner as profit-making companies and says “80% of our work in WM is business, so the adoption of the governance system applied in commercial companies is logical.” In the same line, BM2 asserts that investment and the preservation of waqf assets are the most important work carried out by the board of trustees, saying “It is easy to distribute the fruits of trees to those in need, but the hardest work is to grow, take care of and irrigate the trees.... We, therefore, have approximately 650 employees in the investment sector, compared with only seven employees in the granting sector.” Finally, CEO2 considers that the granting department of WM is unique, because the waqf grants serve organizations rather than individuals. However, the MM2 acknowledges that the governance of this aspect is still immature as WM aims at an integrated governance system that includes its relationship with its partners, which requires a non-traditional governance model.

The governance system of WM is based on five key pillars inspired by the Saudi Capital Market Authority's good governance standards:

1. Independence of executive management from the board of directors.
2. Establishment of oversight committees emanating from the board.
3. Participation of independent members from outside the waqf field in the board of directors and committees.

4. Transparency and disclosure of regulations, rules, powers and reports.
5. Application of governance requirements that clearly distinguish the work of the institution from the interests of individuals.

The rest of the governance system issued by the Capital Market Authority is not applicable to the nature of waqf institutions, such as those relating to shareholder rights and the General Assembly, as there are no shareholders in waqf and there is no general assembly in WM. CEO2 mentions some of the differences between business companies and waqf, stating that “we do not have a statute for the waqf and general assembly: the owners are poor people in need with no-one to speak for their rights except the board of trustees.”

7.3.2 The Board of Trustees

The waqf deed in WM focuses significantly on the role of the board, as the phrase “board of trustees” appears more than 30 times in the deed. The waqf deed determines the prerogatives of the board, the permanent members of the board, the emoluments of the members of the board and the basic regulations of the board's work. The waqf deed grants many powers to the board of trustees, the most important of which are the financial, administrative, technical and operational management of the waqf, and the formulation of its policies and investments, in the light of the provisions of the Islamic Shariah. The board is also assigned the task of appointing legal accountants and taking any decisions concerning the assets such as suspension, sale or replacement of waqf assets. BM2 states that his father (the founder) deliberately mentioned the tasks of the members of the board of trustees in detail to avoid any future systemic impediments restricting the board's work. He added that “the biggest problem facing the board of trustees in Saudi Arabia is the request of official authorities for a clear text in the waqf deed authorizing the board of trustees to do specific work, and because of this issue, some of the waqf's work is often referred to the courts, which takes a long time that significantly affects the smoothness of business workflow of the waqf”. He also believes that there is another problem that many awqaf have suffered in the past, namely, that many of the founders define the powers of the board of trustees in a manner that does not provide sufficient flexibility and therefore hampers their work in the management of the waqf.

The waqf deed provides for the nomination of five permanent members of the board of trustees, who should be male descendants of the founder. The Chairman of the board of trustees should be chosen from the five permanent members by voting. The waqf deed also states that the

permanent members have the right to add three non-permanent members who would have the same voting rights as the permanent members and who would serve for a three-year term, which could be extended once only. Meetings of the board of trustees are considered valid only in the actual presence of at least half of the members; trustees cannot appoint other board members as their proxies. The decisions of the board are taken by the majority and, in the case of equal votes, the opinion of the chairman is adopted. If one of the permanent memberships were to become vacant, for example, because of death, then one of the male descendants of the founder would be elected to the vacancy. The board of trustees meets five times a year to discuss the strategic objectives of the year, the estimated budget, the quarterly results, the final calculations and performance evaluation and assessment. The waqf deed has determined that the emoluments of the members of the board of trustees should be 2% of the net waqf revenues and emoluments are linked to the members' attendance at the board meetings. If a member is absent, the equivalent of the number of meetings of the board per year will be deducted. BM2 believes that giving emoluments to members of the board of trustees is very important to ensure the continuity of the waqf saying: "From my long experience in the field of waqf, I find that many awqaf have been destroyed because of the absence of incentive for the nazzir." He also believes that the best way to ensure the benefit of this emolument is to link it to performance, as this linkage will motivate the members of the board to work harder and more effectively to make the waqf useful and sustainable.

7.3.2.1 The Board Composition

BM2 is of the opinion that the composition of the board of trustees in waqf institutions should vary depending on the waqf type, for example, the board of trustees of family awqaf should be composed solely of family members, with no need for outside parties. In the mushtarak waqf, however, where part of the revenues are disbursed to the public charity institutions and part to the family and offspring, the board should be formed of members of the family and outside parties and a family member who is not entitled to benefit should be added as chairman of the board and as an arbitrator. Finally, BM2 believes that, for the public waqf, such as his father's waqf, the board of trustees must be composed of and mainly depend on the founder's offspring as they are the people who care most about their father's waqf, while there is no objection to adding external members to the board to benefit from their experience. BM2 justifies the current composition of the board of trustees of WM, saying "My father has chosen five of his sons, who he believed to be righteous and pious, to be the board's members and I have been elected by my brothers to be the director..... My brothers and I are working in the

administration of the waqf board for its development, aiming to get God to reward my father in his grave; we are the people who are most keen about that.” However, MM2 disagrees with BM2 with respect to the optimum formation of the board of trustees in public waqf. He believes that, when the board of trustees is formed mostly of the founder’s sons who have permanent membership, it is likely that this will affect the independence of the external non-permanent members. He states that according to this formation the permanent members will have more decision-making powers, while the external members might be hypocrites in expressing their opinions to win another membership renewal.

7.3.3 Sub-committees

There are four subcommittees emanating from the board of trustees in the WM. These committees have been formed to assist the board of trustees in study and preparation of awqaf works.

7.3.3.1 Audit Committee

Composed of three members, one of whom is a member of the board of trustees and two other members from outside the board of trustees. The board of trustees appoints members of the committee, and the Chairman of the committee should not be a member of the board of trustees.

7.3.3.2 Investment Committee

Composed of three members, the chairman of the board of trustees and two other members from outside the board, who are appointed by the board of trustees. The main purpose of the investment committee is to assist the board of trustees in developing guidelines for investment and supervision on investment activities built on the board’s approval. The committee should monitor the results of investments regularly, review compliance with waqf’s investment targets and guidelines and prepare reports on the overall investment results to the board of trustees. committee's responsibilities:

- Establishment of investment strategy and policies, including asset classification policies and guidelines, prohibited investments, allocation and evaluation.
- Review and approval of waqf executive management investments.
- Review of proposed new investments and monitoring of investment compliance with policies and procedures.

7.3.3.3 Nominations and Rewards Committee

Consists of three members from outside the board of trustees; appointed by the board of trustees. The functions of the committee focus on the review of incentives, wages, and salaries for all waqf's departments. The committee also reviews the internal rules of the waqf and submits its proposals to board of trustees.

7.3.3.4 Granting Committee

This is the most important committee. It consists of seven members, including four from outside the WM, one member of the board of trustees and two members of the executive employees in the WM. The granting committee studies all charitable projects submitted by partners (beneficiaries) and the committee has the right of accreditation of granting or refusing projects.

Responsibilities of the Committee:

- Verifying that the projects submitted conform with the policies, criteria, and conditions of granting.
- Ensuring that the charitable base is disbursed in accordance with the fields approved by the board.
- Ensuring that the granting portions are in accordance with the percentage allocated by the board to each field.
- Studying and expressing an opinion on submitted projects.
- Evaluating the performance of approved projects by the committee.

The membership of the committee is two years from its first meeting, and membership can be renewed for several sessions. The committee meets when required by the awqaf director of granting. The committee also appoints a secretary to prepare meeting invitations, maintain and document minutes of meetings and follow up on decisions and recommendations. The committee is chaired by the chairman of the board of trustees; the meeting is attended by two-thirds of the members of the committee and the President chooses a representative from among the members. The board of trustees has the right to amend, add and revoke any decision made by the Committee.

7.3.4 Executive Management

The waqf executive management comprises of six main sections: (1) Investment, (2) Real Estate, (3) Agricultural, (4) Charitable, (5) Human Resources, and (6) Finance and Administration. Approximately 650 people are employed in the waqf executive department. All employees in the waqf are being paid from the waqf and there are no volunteers. The executive director of the waqf was appointed by the board of trustees of the waqf. There is no provision in the governance documents for the selection of the executive director. The actual selection mechanism for appointing the waqf executive director depends heavily on the permanent members of the board of trustees (waqif's offspring).

7.4 Identification of stakeholders

When interviewees were asked “who are the stakeholders in WM?” respondents' views differed in identifying stakeholders and the importance of each stakeholder. The key stakeholders identified by respondents were: (1) God, (2) the founder and his offspring, (3) beneficiaries, (4) government, and (5) society.

BM2 believes that the main objective of the waqf of his father is to obtain the reward from Allah (god) to the beneficiaries for charitable work of the waqf. The founder had adopted a three-pillar strategy for the waqf operations, “the most rewardable from Allah, the most beneficial, the least expensive.” BM2 says, “the first of these pillars is to undertake work that is most rewardable from Allah, in the board we prioritize the charity work of the waqf, where we start with the works for which we believe that Allah has doubled the reward of the donor, such as Quran memorization, building of mosques, maintenance of orphans and other works of righteousness.” He also said that one of the most important reasons that made his father appoint his offspring to the board was his belief that his offspring would be the most keen about doing such charity work that might lead their father to receive reward from Allah. The founder reinforced the relationship between himself and the religious objective of the establishment of the waqf through the main point of the waqf deed, where he said, “I have made this waqf to be rewarded from God to my parents and to me.” The founder also urged the board of trustees to be conscious of God in their actions, and not to use the waqf revenues except for what the waqf deed stipulates.

The founder and his descendants are one of the most important stakeholders in waqf institutions as mentioned in most of the waqf studies. The founder of WM is a businessman who died in 2012 after giving away nearly one-third of his wealth by establishing twenty-one charitable awqaf. He gave himself the right to benefit from the awqaf earnings for his life if needed, as stipulated in the waqf deed. However, MM2 asserts that the founder did not benefit from the waqf revenues for his personal interests throughout his life as he did not need it. The founder has 22 offspring of males and females. He appointed five sons to be permanent members of the board of trustees and the rest of his offspring (non-members) have no direct contact with the waqf or its management. BM2 mentioned that the permanent members were personally chosen by the founder because they were the best suited to manage waqf among the rest of the offspring.

WM is linked to government agencies by registering the awqaf as an institution operating under the umbrella of business and registered with the Saudi Arabian Ministry of Commerce and Industry. WM is governed by the laws of the Ministry of Commerce, which are imposed on profit-making companies, but the waqf are exempt from paying the annual zakat (2.5% of the profits). The relationship with the Ministry of Commerce and Industry is limited to formal registration procedures and compliance with general trade laws where there is no supervisory relationship linking the waqf with the government authorities. FM2 states that the ministry's regulations did not exempt the waqf from paying zakat, at the time of the registration of the waqf in the Ministry of Commerce and Industry, as in the case of for-profit companies, until the system was amended two years ago. The Ministry of Commerce and Industry has exempted the registered general charitable waqf from paying the annual zakat quota while the system does not exclude the mushtarak waqf nor the family waqf. CEO2 believes that the relationship between the Ministry of Commerce and Industry and waqf institutions has been recently established for the purpose of bridging the gap between waqf and government agencies since awqaf did not have a full legal status before. He says, "the registration of awqaf in the Ministry of Commerce and Industry is a temporary solution to the procedural problems previously suffered by waqf institutions." BM2 states that the registration of waqf under the umbrella of the Ministry of Commerce and Industry is having a great positive impact on the awqaf in general, which has encouraged many donors to register their awqaf under the umbrella of the Ministry of Commerce. One of these positive impacts mentioned by BM2 is the flexibility of procedures. He says "the nature of the management of waqf is commercial and it is known that commercial business dealings require considerable flexibility in the procedures..... Imagine

that we couldn't hire workers before because we don't have a legal attribute that allows us to engage in business.” However, CEO2 believes that despite the great positivity of registering waqf under the umbrella of the Ministry of Commerce, the experience is still not fully mature and there are still a few laws and procedures that are not suited to the nature of waqf. He gave an example saying “The Saudi corporate system determines a maximum life for the companies, which is incompatible with the nature of the waqf, for which one of its pillars is permanency and sustainability.”

The beneficiaries of WM are divided into two parts: (1) primary beneficiaries, called “partners”, which are non-profit organizations directly benefiting from awqaf revenues. The WM has a strategy for selecting specific partners from among the official non-profit organizations in Saudi Arabia. The WM is targeting from this strategy the creation of effective and influential partnerships to achieve positive results for society. Partners are selected through a rigorous methodology that adopts specific and comprehensive criteria for all organizational, administrative and financial aspects of the partner. The WM conducts field visits to partners and studies all documents related to the financial and administrative performance of partners. About 10% of charitable associations in Saudi Arabia have been selected as partners. (2) Secondary beneficiaries who are the targets of waqf partners like needy people, orphans and patients. The end-user does not have a direct relationship with WM as the granting of awqaf reaches organizations rather than individuals. However, although there is no direct relationship between the WM and the final beneficiary, GRM2 believes that the end beneficiary is the real object of the work of WM, it is the success criterion of the management where he says “Yes, we focus on establishing strict standards for our partners, but the main point is to ensure that our partners provide their services properly to the true beneficiary.”

WM has built community relations with both individuals and institutions of society. The WM has a significant community participation in the development of the waqf sector generally in Saudi Arabia. The WM has encouraged all segments of society, including government agencies, to adopt a project to revive and develop the waqf sector in Saudi Arabia. BM2 headed the waqf committee of the Chambers of Commerce of Saudi Arabia, which was established at the suggestion of the WM administration. WM is also one of the largest supporters of waqf conferences in Saudi Arabia, where three international waqf conferences have been held.

7.5 Accountability to stakeholders

7.5.1 Accountability towards Allah and Court

WM are committed to undertake their commercial and investment business within Islamic Shariah regulations as stipulated in the waqf deed. All waqf assets and investments require their business to be compliant with Shariah laws. For example, the waqf does not invest in shares of riba-based banks. Despite that commitment, there is no Shariah committee affiliated with the waqf directorate. MM2 states that the most of the waqf's dealings do not require specialized Shariah committees and that some members of the board of trustees have a the knowledge required to give an advisory opinion on certain business dealings. BM2 believes that accountability towards God is not limited to commitment to legitimate dealings only because the concept of accountability towards God is more comprehensive. He added, "abiding with the provisions of the Islamic Shariah is not only a matter of not dealing with riba in banks and not selling taboo products, our religion urges other principles such as justice and perfection of work and honesty, which are all regarded as a commitment by employees of the waqf towards God." GRM2 believes that one of the most important points of accountability towards God is the governance of the waqf, the assets of which are the property of God, to ensure their continuity and development, "as most Islamic scholars believe that when waqf are registered their ownership moves from the donor to God." Hence WM is registered with the Shariah Court, which thus becomes an explicit stakeholder.

7.5.2 Accountability towards the waqif

When the founder was alive, he had continued monitoring and supervising his waqf works. The waqf's management also informed him regularly about all developments and results of the waqf. Despite the fact that the waqf has a separate administration from the founder, the founder played the most important role in making decisions on the waqf works. BM2 explained this, saying "My father, may God bless him, was keen about the success of awqaf, he was following up all works and increased his financial support to awqaf, whenever he felt that it would benefit the waqf and let it continue." After the death of the founder, his offspring became one of the most important stakeholder groups in the waqf especially the members of the board of trustees appointed by the founder. The administration of the waqf is committed to submitting reports and results of the work on a quarterly basis to those offspring of the founder who are trustees. The head of each department submits a report covering the results of works, performance indicators and the objectives of the subsequent phase. GRM2 says "the offspring of the founder

are the effective stakeholders, we can even say they are the board of trustees,...the management of the WM is committed to providing information that would help them to make the right decisions, and we must provide information with high transparency and inform them of all developments and future indicators on the risks that may harm the waqf in the short and long-term. At the same time, we must also make them partners in fateful decision-making for the waqf.” The WM has no relation with the offspring of the founder (other than members of board of trustees), The administration is not obliged to submit any reports directly to the offspring of the founder, but members of the board of trustees may decide to provide information to their brothers in the Family Council (a board that includes all the offspring of the founder to manage the investments and non-waqf companies).

7.5.3 Accountability towards the beneficiaries

The waqf administration has endeavoured to provide a mechanism to ensure that waqf services are accessible to direct and indirect beneficiaries. The administration of the WM has appointed independent “third party” persons who meet quarterly with the direct beneficiaries “partners” The performance of partners in achieving the common objectives between the WM and partners is reviewed and evaluated by this independent party. The waqf has also established granting criteria and policies on its website, which can be used by prospective beneficiaries to obtain the services of the waqf, as follows:

Granting Policies

- The waqf does not consider submitted programmes from individuals but only from official organizations.
- Creative projects and new initiatives have priority.
- Priority is given to programmes and projects that achieve sustainable development.
- Grants are limited to non-profit programmes.
- Geographical scope of grants is within the Kingdom of Saudi Arabia.

Standards and conditions of support

- Integrity of the legal and regulatory status of the organization
- The organization should have an activated bank account in its name

- The cost of the project should not exceed SAR 10 million and not less than half a million riyals.
- The proportion of full-time staff in the organization is more than 30%
- The executive director of the organization shall be full-time and not a part-time employee
- An operational action plan is a must which incorporates the schedule by phases and financial and human requirements.

The waqf administration is also committed to providing grants to partners as agreed in the partnership contract signed between the waqf and the direct beneficiary. In the absence of a direct relationship between the waqf and the end beneficiary, the waqf administration is committed to the beneficiary in pursuing and ensuring the quality of provided services delivered by the direct beneficiary through a mechanism for follow-up and performance evaluation.

7.5.4 Accountability towards Government

As previously mentioned, the relationship of the waqf with the government is limited to its registration in the Ministry of Commerce and Industry, which deals with private companies and private awqaf in procedures and regulations, other than the payment of annual zakat where the charitable awqaf are exempted. The WM renews its business license on an annual basis and adheres to the operating regulations in force in the Kingdom of Saudi Arabia. The awqaf are not obliged to submit any business reports to any government entity where they are treated as private companies, and there is no oversight relationship by the government authorities to the work of the waqf and its administration. “Our commitment to the Government is limited to compliance with the regulations of the Ministry of Commerce and Industry, and we are partners with government agencies in developing the waqf sector through our the membership of the Waqf’s committees in the Chambers of Commerce in several regions of the kingdom,” CEO2 says.

7.5.5 Accountability towards Public

The WM is one of the leading entities in spreading the culture of waqf and promoting the role of awqaf in Saudi society. The WM submits an annual public report available on their website on the overall waqf achievements and annual works. The WM is also a major supporter of most of awqaf programmes, such as conferences, symposia, forums and waqf consultations. The

waqf has a website and accounts on social media sites through which the works of the waqf are presented, and also provides public services to the community, for example, the e-waqf site is a digital library of all books, journals, scholarly articles and conference information related to the awqaf sector.

7.6 Accountability Mechanisms

7.6.1 Financial Statements and Reports

Reports in WM can be divided into internal and external reports. External reports are limited to the report for introducing the waqf and its works, which is updated annually. This report contains:

- Vision, Mission, and objectives of the waqf
- Fundamentals of the establishment of the waqf
- Fundamentals of waqf governance
- Establishment and history of the waqf
- Works and achievements of the waqf from the date of its establishment to the date of publication
- Grant areas
- Granting policies, criteria, and conditions
- Evaluation and business follow-up mechanisms

On the other hand, the administration of the WM obligates partners (beneficiaries) to submit some periodic reports, which is a system of monitoring and oversight of the waqf funded programmes (1) Monthly report (2) Quarterly report (3) Full Project report (4) Report of the consultant. The first three reports prepared by beneficiaries (monthly-quarterly-full-project) are in accordance with the waqf pre-set report form of programme accomplishment stages and implementation criteria. The independent consultant appointed by the waqf management also provides a report on the beneficiary's performance in the implementation of the programme and compliance with the criteria set by the waqf.

Internal reports vary according to the administrative levels. All waqf sectors prepare performance reports for the executive director of the waqf, including progress targets, accomplishment percentage and performance indicators. The executive director prepares a

quarterly report to the waqf board of trustees on the performance of all departments. “We send a quarterly report to the board members at least 10 days before the meeting to allow them to read the report before the meeting,” says CEO2. He also prepares an annual report to the board of trustees, including performance reports for the past year, financial statements, and the External Auditor’s report, together with targets and performance indicators for the next year.

In fact, transparency and disclosure are among the most complex issues in awqaf that working in the private sector. No regulation in Saudi Arabia obligates disclosure on these kinds of awqaf. The financial statements of the WM are not disclosed to external parties; also the WM management did not make the statements available to the researcher. When BM1 was asked about disclosure and transparency in WM he answered “All the waqf’s information is available to the responsible authorities, and we aspire in the next year to announce our financial statements on our website, so we will be the first waqf in Saudi Arabia to announce its financial statements.” CEO1 asserts that announcing the WM annual results will benefit waqf sector in Saudi Arabia, saying “although we are not obliged to disclose the results of works for the time being, we have found it useful for the waqf to disclose the results of our work, as this will have a positive impact on the waqf sector in Saudi Arabia in general.” As for the GRM2, he believes that transparency is important and necessary, but he also believes that there is positive and negative transparency, where he says “in the private awqaf, especially in offspring awqaf, disclosing offspring share in the awqaf revenues is socially harmful to them... Many people in our society do not know their relatives’ monthly salaries. This is the culture of our society.”

7.6.2 Performance Measurement and Evaluation

Performance measurement and evaluation in WM begin through the adoption of approved targets and performance indicators by the board of trustees in the waqf. The nature of the performance indicators in waqf departments varies depending on the nature of the goals and works. Trade, investment and agricultural sectors often use financial performance indicators, while in the granting sector performance, indicators are non-financial and related to joint programmes with partners (beneficiaries). The evaluation and performance measurement process takes place at three administrative levels, beginning with the department director, then the executive director and finally the board of trustees. All departments are evaluated at the same time, with performance evaluated and measured quarterly in each department. After approval of quarterly reports by the executive director, a brief report is prepared for all sectors and presented to the board of trustees for discussion and feedback on performance. It should

be noted that the granting department is subject to the greatest attention from all administrative levels of waqf. GRM2 says “performance indicators and works follow-up in the granting department differs from the rest of the waqf sectors because it is related to outside parties (partners); that is why the waqf management set a mechanism for works evaluation and follow-up.” The approved mechanism of evaluation and follow-up measurement of project performance are:

- (1) Complete the full data of the organization (partner) and the joint programme in accordance with specific forms placed by the waqf on its website
- (2) Precision when developing indicators of the time indicator and financial cost; any change more than 30% of the programme is not accepted.
- (3) The administration of the granting department should appoint a supervisory committee, adviser or consultant for each adopted project, whose salary is charged to the project, and this supervisory authority is an intermediary between the waqf and the partner.
- (4) A follow-up and evaluation manual has been created, and partners are required to adhere to its instructions and guidelines.
- (5) Arrangement of a meeting after the end of each phase of the project with the supervisory authority or the adviser to examine developments in the project
- (6) Awqaf should coordinate with the supervisory committee or the adviser a monthly or quarterly field visit to the project.
- (7) Funding payments for the approved project are made on the basis of the report of each phase of the project after approval by the project's supervisory authority or adviser.
- (8) Reports are quantified to measure the indicators and achievements accurately.
- (9) Submission of administrative, technical, financial and final information report on the project after the end of the project. The report is presented to the board of trustees.

7.6.3 Participation

Participation is one of the weakest accountability mechanisms in the WM. It can be said that there is no effective mechanism with the waqf for external parties. The disclosure to the external parties of the waqf is limited. Also, the waqf services are limited to some beneficiaries (partners). The only channel that can be considered as a participation channel is the regular meetings held by the granting department with partners to know their impressions and advice

about the development of waqf services. Although the waqf has accounts in social networking and an official website, the level of external participation through these mechanisms is limited.

7.6.4 Self-Regulation

When WM was established, it benefited from the business environment of the founder's companies. Most of WM's internal regulations are those applied in the commercial companies. The waqf has won several local and international business awards, including certificates such as (EUREPGAP, ISO9001, ISO22000 and Green Globe)

Because of the absence of specified awqaf criteria, the WM administration has had to establish all the regulations, laws and standards for beneficiaries and the follow-up granting mechanisms. The granting department in awqaf periodically develops these standards according to feedback from beneficiaries and independent advisors. GRM2 says "what distinguishes our work in charity fields in WM is that we have not taken the traditional approach to distribute waqf revenues, but rather we have worked in a self-determined way to set standards that suit the nature of the country and give the greatest benefit to society."

7.7 Chapter Summary

This chapter has provided information about WM waqf. Data related to the internal governance mechanisms, identification of stakeholders and accountability practices were collected from internal documents of the case as well as interviews with waqf officers. The data was analysed and organised in accordance with the research framework. The next chapter focuses on the third case (WZ).

CHAPTER 8: CASE WZ DATA ANALYSIS

8.1 Introduction

This chapter presents the last intra-case analysis of the three case studies examined for this thesis. Each case study is structured in line with the conceptual framework discussed in chapter four. The case study focuses on data collected from review of internal and third-party documents and five open-ended, semi-structured interviews with trustees, the CEO and staff. WZ is a public waqf working in the public sector (government) in Saudi Arabia.

As already discussed in Chapter 5, participants have been given a special code in order to enhance anonymity and aid analysis and interpretation:

BM3 – Board member with academic qualifications, knowledge and experience;

VP3 - Vice president with academic qualifications, knowledge and experience;

MD3- Development department manager with management qualifications knowledge and experience;

MM3- Administrative manager with management qualifications, knowledge and experience;

and *CEO3* - The Chief Executive Officer with business and management qualifications, knowledge and experience

This chapter, firstly, will provide general background about WZ waqf. Next, the internal governance mechanisms (i.e. governance documents, general assembly, board of trustees, sub-committees and management directorate) will be discussed. Thirdly, the chapter will identify the main stakeholders in the WZ. Finally, accountability aspects in WZ waqf, including accountability mechanisms applied, will be presented.

8.2 Background

WZ was established in 2004 by a group of faculty staff members of a university and some businessmen. The idea and the project were presented to the prince of the region in which the

university is located on May 16, 2004, and in the following month he approved and supported the project. The constituent committee was appointed by the Chancellor of the university and prepared the legal, administrative and organizational aspects of the project. The constituent committee was formed of 12 members of the university, and only two members were added from outside the university. After the constituent committee completed the study of the project, it was presented to a group of businessmen, and their contribution to the project was sought. Donors' cash and in-kind donations were received, which totalled approximately SAR 10 million at the time of establishment. Waqf assets have been doubled through contributions after the time of foundation and through investments developed by the waqf management, where assets in 2017 amounted to SAR 100 million, on which the investment return was approximately 20% of the capital. Although the university formed the legal umbrella for the waqf at the beginning and used its own infrastructure to establish the project and to start the waqf's actual work, the waqf and its management are partially independent of the university and are working to be completely independent in the future. WZ is the first university educational waqf in Saudi Arabia and the Arabian Gulf. The waqf employs approximately 95 paid workers.

WZ has identified itself as a “modern waqf organization that receives cash and in-kind donations and invests them and spends their revenues to develop the society in various scientific, social, economic, health and environmental fields according to scientific standards and societal priorities” (educational waqf, p. 12)

Table 8.1 WZ's Vision, Role and Values

Vision	The educational waqf with its fixed and variable assets, its validated legal terms and its successful investments should become a pillar in the development and support of research projects and the financing of scientific and applied studies and special programmes that serve the community and address its economic, scientific, social and health problems and contribute in its development.
Role	We set aside some of our money as a waqf and manage it professionally to develop society and serve generations in the hope that God will be pleased.
Values	Truthfulness, honesty, and transparency. Compliance with standard criteria in the management of waqf. Start to invest in whatever is best for educational waqf.

	Working in one team spirit while preserving the Islamic identity. Independence and neutrality. Quality and development of humanitarian actions. Strengthening the ethics of scientific research and its settlement.
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Source: case's website

The waqf also has key objectives aiming to be achieved, represented by: (1) Revival of waqf Sunnah of the preservation of funds and the disbursement of their revenues for specific purposes in order to be rewarded by Allah; (2) Supporting scientific research, education, training, projects and scientific studies, and programmes that are related to all these fields that serve environment and society, addressing their economic, scientific, health, social and environmental problems; (3) Supporting and adopting inventors and talented students and support patents; and (4) Supporting and operating the university library to serve researchers, students and the whole society.

Although the waqf has passed its first investment decade, it still relies on financial investment with its business partners, who had contributed to its establishment. Waqf management relies on low-risk investment policy such as investing in real estate and hotels. The waqf management has also contributed to the establishment of investment companies in different fields (health, communications, real estate. etc.). However, the character of the waqf in these companies varies: in some cases the waqf is full owner and in other cases the waqf is a partner or investor. The number of companies owned by WZ or considered as a partner reached eight by the end of 2017.

8.3 Governance mechanisms

8.3.1 Governance documents

Although there is no written governance system for the waqf, most of the practices and applications of governance have existed since the establishment of the waqf through two important documents (1) the waqf statute, and (2) the waqf deed. VP3 said “When the constituent committee of the waqf met, they were keen to study all similar models and study the risk areas, difficulties and impediments, as a result of which the waqf statute and the comprehensive waqf deed have emerged as a mini governance system because they described tasks, powers, relationship between stakeholders, and even described oversight.” MM3 (who is in charge of developing the governance system) believes that the concept of governance

adopted by the waqf relies on three main pillars (1) the stakeholders themselves, (2) policies and regulations developed by stakeholders, and (3) transparency of the implementation of these policies. However, these pillars are not all achieved; as MM3 says “We have a statute, waqf deed, laws, and regulations which represent policies, but in the governance system we lack several important points, such as transparency and the code of ethics, and there are items that need to be developed such as the table of authorities.”

The waqf management is working on the process of drafting the waqf governance system, and a working team has been commissioned to do so. VP3 says that, after five years, the management of the waqf found that there were practices that needed to be developed. Issues of governance headed these practices, and because of that, most of the similar experiments and studies that focused on the governance of awqaf were examined and then internal committees were formed to compare what was considered to be excellent practice with what was actually being practised in the waqf. Subsequently, a working group was appointed to study the subject, and a workshop was held in Abu Dhabi for the development of the governance model, and it is still under study. MM3 states that “we have held a workshop where we studied the current situation and development mechanisms in the area of governance. Presentation and discussion of all governance items in detail, for example, transparency as a governance item, the status quo, and target are determined, and the same for the rest of the items.” MM3 also adds that the working Group, composed of external members specializing in the area of organizational governance, is in the process of finalizing the governance system.

The waqf management is keen to develop a governance system that is fully compatible with the nature of the waqf and that does not rely on public governance models. VP3 says, “We were keen to apply the governance model of awqaf, but this does not mean that governance systems in other sectors are not utilized because there are intersecting points between us and these sectors, for example, we intersect with corporate governance because we have an investment section; so we are keen to take advantage of what is present in corporate governance.” MM3 describes the relationship between the governance of the waqf and other governance systems as “intersections”. He says “the identity of WZ is unclear. We have three hats to wear; first: Government hat, as we are a waqf related to the Government University; second: commercial hat, because the waqf has investments and business that represent a large proportion of its activities; and finally: We are a charitable waqf, our main objective is to provide services to the beneficiaries free of charge.” The difference in the identification of the

waqf has made the waqf management seek a governance model that takes into account all stakeholders, as the MM3 believes.

The Waqf statute

The constituent committee prepared the statute of the waqf by inviting some businessmen and specialist Islamic scholars to participate in workshops set up by the constituent committee to prepare a proposal for a waqf statute and for the waqf’s organizational and administrative structure. Conclusions reached by the committee were presented to several authorities, such as the legal advice bureau, to take legal suggestions to come up with an accurate statute. BM3 says “if the waqf organization does not include regulations and a regulatory statute for administrative and financial work, it will be a failed organization, this is why we are keen to make the waqf based on administrative and financial systems that guarantee its continuity of giving and we have always been looking for how to achieve the best quality and efficiency in every section or field of the waqf.”

The committee presented its work to the board of trustees at its first session for the approval of the waqf statute. At its first meeting, the board of trustees adopted the waqf statute that was presented by the constituent committee. The statute contains seven chapters and twenty-four articles. The waqf deed was attached to the statute and was considered an integral part of it. The statute defined the terms and concepts, defined the objectives, functions, and responsibilities of the waqf and clarified the waqf mechanisms for action. The statute has relied on mechanisms similar to business corporations of the private sector, through the formation of a general assembly for the waqf. At its first session, the general assembly amended the waqf statute, which included a comprehensive development of most organizational and administrative suggestions. After the amendment, the waqf statute included seven chapters and twenty-six core articles with approximately a hundred explanatory paragraphs, as follows:

Table 8.2 The contents of WZ statute

Chapter	Sense	Terms	Topics
First	Definitions	1	Definitions
Second	Objectives and Tasks	2	Waqf Objectives
		3	Waqf Tasks and Responsibilities
		4	Waqf Mechanism of Action

Third	General Assembly	5	Formation of General Assembly
		6	Powers of General Assembly
		7	General Assembly Meetings
Forth	Board of Trustees	8	Formation of Board of Trustees
		9	Powers and Responsibilities of Board of Trustees
		10	Representation of Board of Trustees
		11	Board of Trustees' meetings
Fifth	Executive Committee and Investment Committee	12	Executive Committee
		13	Investment Committee
Sixth	Miscellaneous Financial Provisions	14	Waqf Capital
		15	Sources of Funding for Expenditure
		16	Administrative Expenses of the Executive Section
		17	Independence of Waqf Funds
Seventh	Miscellaneous General Provisions	18	Conditions of Donors
		19	Unit of Account
		20	Financial Year and Audit of the Waqf
		21	Internal Oversight on the Waqf work
		22	Waqf Headquarter
		23	The validity of the Statute and its Amendments
		24	Islamic Reference for Waqf
		25	Return to lawful Judge
		26	Copies and Number of Statutes and Authorities Assigned to Keep it

Source: WZ statute

Waqf deed

The waqf assets of the organization have been registered in the Shariah Court as this is the best way to maintain and sustain the waqf and ensure that its assets are safe. Two waqf deeds for waqf assets were issued in two different phases. The first waqf asset was registered in the

Shariah Court, which was land granted by the prince of the region for the waqf. The executive director and a member of the board of trustees prepared the drafting of the waqf deed and presented it to the President of the Court (who was also a member of the board of trustees) and produced a flexible and simple version of the first legal waqf deed.

Second, after establishing many waqf assets, it became necessary to prepare a comprehensive and well-developed waqf deed that would contain new assets and provide a new model of waqf deeds. On 21 April 2009, the second waqf deed was issued. This deed includes a comprehensive waqf formula that regulates the relationship between waqf elements (resources--management – distributed channels), and the waqf's statutes are included in the waqf deed. BM3 (who is also the President of the General Shariah Court) said, "The inclusion of the statute in the waqf deed is a historical precedent for the waqf deed because Saudi courts have not seen a waqf deed that includes such a modern form." He added, "We had put much effort into this waqf deed for more than two months, and we have considered future issues, and we have added important items to it, such as the board of trustees and its subordinate committees." He also added, "The waqf formula is one of the waqf elements which impacts on all its financial and administrative dealings. It must be well prepared to ensure the integrity of firstly the legal and Shariah aspects, and then the integrity of other administrative, financial aspects." He stresses the importance of accommodating the text of the waqf deed for changes and public developments in life, He believes that one of the most important causes of the weakness and extinction of awqaf is the poor formulation of the waqf deed in the traditional awqaf, and he adds "The waqf has governance provisions so it must be taken into account by finding a flexible waqf deed because awqaf last for future decades. If the formation of the waqf deed were not flexible, we would have faced the same problems as in the past awqaf, and it would be disrupted and maybe stopped.... Therefore, this formulation is important and requires a legitimate and brainstorming formula from the waqf management to ensure that the awqaf are not going to be disrupted."

The final waqf deed, which came in seven pages (significantly longer than more traditional waqf deeds), included three main things: First, waqf assets (resources) under the administration and supervision of the WZ. Second, the distribution channels and beneficiaries that the waqf management must commit to. Finally, the entire statute of the waqf, which was reviewed previously.

8.3.2 General Assembly

The existence of the general assembly in the waqf is one of the most important forms of effective institutional presence in the waqf. It simulates the systems of business companies where the general assembly has the authority to monitor and evaluate the performance of the board of trustees. BM3 said, “The idea of the general assembly in waqf institutions is not clear to the people but is necessary for the continuation of waqf, as in the companies, the waqf needs a supervisor on its board of trustees.” MD3 adds that the idea of establishing a general assembly gives credibility to the waqf work because the donor (waqif) does not only pay money but also participates in the decision making.

The general assembly of the waqf includes all waqifs at a minimum contribution value of 250,000 Saudi Riyals or its equivalent of real estate or other shares. Each member has one vote for every 250,000 Saudi Riyals donated to the waqf. MD3 believes that the criteria for selecting members of the general assembly needs to be developed because the standard of paying the minimum contribution must not be the only thing that specifies the membership of the assembly. He says, “There was a discussion at the recent board of trustees meeting about the standard of payment or donation, as this standard alone is insufficient to ensure the effectiveness of the assembly. There are proposals to add other criteria for the general assembly members’ selection.”

The general assembly is headed by the President of the board of trustees, the assembly meets once a year or whenever needed. The quorum for the validity of the assembly meeting should be the presence of the majority of the members, and decisions on the statute, and its amendment, should be taken by a two-thirds majority of those present, while remaining decisions require just a simple majority. In the event of an equal vote, the President's opinion is considered. The assembly is entrusted with powers, as follows:

1. Appointment of the members of the board of trustees whose membership expires for any reason, before being presented to the Shariah Judge for accreditation.
2. Supervision of the performance of the board of trustees in carrying out tasks assigned to it and ensuring that the statute is implemented.
3. Approval of the annual report and final financial reports of the waqf.
4. Appointment of the External Auditor for final financial reports.
5. Amendment and revision of the statute based on the suggestions of the board of trustees.

CEO3 said “There is no doubt that the existence of the general assembly with its different powers and functions contributes to enhancing waqifs’ trust because it gives them the opportunity to participate in the highest authority in the waqf structure and to ensure that there are active and supportive members of the waqf because of new blood.”

8.3.3 The Board of Trustees and Board Composition

The most important work achieved by the waqf and its management is the development of the concept of the waqf trust, to expand the number of trustees in charge of the waqf, transforming the waqf’s governance from one trustee (traditional method) to an enlarged board of trustees. To overcome the disadvantages of the traditional style of trust, the founders of the waqf recognized the need to develop the concept of trust and to extend it to keep the waqf management in the hands of experts. The constituent committee of the waqf has held many discussions and consultations with specialists to find an appropriate, legal and innovative form.

The board of trustees has a large and diverse membership from government, economic, scientific, authoritative, social and religious backgrounds, which allows the board to obtain knowledge that contributes to the management and permanent development of the waqf. CEO3 says “We were keen to set up the board of trustees to include persons in their legal capacity to ensure the continuity that the waqf has focused on, by including the President of the General Court in the region to ensure the Waqf’s preservation.” The general assembly elects eight independent members to the board of trustees. Under the statute, a further seven members are appointed in their legal capacity (*ex officio*) in accordance with the following distribution:

- (1) The Chancellor of the University (Chairman of the board of trustees) (appointed)
- (2) The University Deputy for Postgraduate Studies (appointed)
- (3) Dean of Scientific Research at the University (appointed)
- (4) Prince of the Region (appointed)
- (5) President of the Court in the Region (appointed)
- (6) Director of the Branch of the Ministry of Labor and Social Affairs (appointed)
- (7) Executive Director of the Waqf (appointed)
- (8-15) Eight Independent Members (election of the general assembly)

The University administration nominates the independent members and presents them to the general assembly for an election among themselves. CEO3 says that “the executive directorate of the waqf and the University administration place approximately 14 qualified persons to be

members of the board of trustees and their names are presented at the general assembly meeting, and eight of the fourteen members are elected.”

MD3 believes that the number of members of the current board of trustees is large and does not give enough flexibility to work effectively. He says “working with fifteen members is very difficult. The signing of a single record took a long time since there are many records requiring the signature of all members... After the executive department has reviewed several similar forms and found that fifteen members are considered big, there is serious work to reduce the number to nine members.”

VP3 believes that the setting up of the waqf board of trustees is one of the most important reasons for the waqf’s success, confirming that “the board of trustees has been formed smartly to include a group of businessmen and leaders in the government. The business owners contribute by their investment experience, and government leaders remove the regulatory hurdles facing the work of the waqf.” However, VP3 does not deny the existence of disadvantages of this formation, the most important of which is the difficulty of holding the regular meeting because these personalities have many engagements and some members often apologize for not attending some of the board meetings. Regarding the effectiveness of the board, he observes that “sometimes the board of trustees meets for two or three hours of deep discussions... The fact is that most members read reports carefully and the meeting is often vibrant and effective.”

The members of the board of trustees elect the vice-president of the board of trustees at their first meeting. The membership of the board of trustees last for four-years, and it is renewable for a similar term. The board has been given the authorizations and powers to manage the waqf, to supervise its affairs, work conduct and its performance. The board’s main functions and powers are as follows:

1. Supervision and reviewing waqf affairs and performance.
2. Adoption of the laws and regulations the waqf work needed
3. Appointment of the executive committee and adoption of the organizational structure.
4. Appointment of the executive director of the waqf
5. Adoption of the waqf operational plan and estimated budgets
6. Appointment of investment committee and selection of its chairman
7. Discussion and adoption of financial accounts

8. Adoption and presentation of the annual financial report and statements to the general assembly for approval
9. Sale and purchase of waqf investment assets

8.3.4 Sub-committees

The statute of the waqf have adopted two subcommittees of the board of trustees, namely the executive committee and the investment committee. Although the statute set all regulations concerning the two committees, in practical terms, the only committee that operates is the investment committee, since the executive committee had not met since 2007. VP3 justifies the absence of a multiplicity of subcommittees emanating from the board of trustees, saying “the waqf in the first five years was in a phase of construction. I think the nature of the phase did not require the existence of a big number of committees such as an audit committee because it costs a lot, and the returns from these committees may not justify the cost, but I think that, now we have entered the stabilization phase, other committees will be added to follow up the work and relieve some of the burdens on the board of trustees.” MD3 believes that the multiplicity of committees is time wasting and causes fragmentation of work. MM3 agrees with MD3 that the multiplicity of committees is one of disadvantages of governance, but he believes that the waqf needs some committees to control the supervision and he considers the existence of an audit committee to be a must.

8.3.4.1 Investment Committee

The investment committee has been established to study investment opportunities. This committee clearly achieves the concept of community participation through a substantial involvement of the businessmen of the region as members for their capacity and their experience in identifying safe investment projects. The presence of businessmen with sufficient experience also enhances the community's confidence in the waqf and its ability to manage financial resources efficiently.

The board of trustees appoints the members of the investment committee, with a minimum of seven members, to be chaired by the President of the board of trustees, and with the executive chairman of the waqf as a member. Their appointment should be based on (1) a good cumulative experience in investment, (2) diversity of activities of members, (3) preferably to be a university graduate.

MD3 emphasises the importance of the investment committee in increasing the profits and returns of the waqf, saying “in the first two years, the return of the waqf was between three and four percent return on capital, and the waqf had invested its money in the investment portfolios of Islamic banks, then, when the investment committee was formed, they stopped investing with banks and began to make returns of twenty and twenty-two percent.”

8.3.5 Executive management

Executive department is closely linked to the university. Most of waqf employees are members of the teaching staff or linked to the university. The waqf executive management comprises of two main sections (1) Human Resources Development Section (2), Finance and Administration Section. Approximately 95 people are employed in the waqf executive department. Employees in the waqf are two categories (1) The official waqf employees, who are staff members connected directly to the waqf and are being paid from the waqf. (2) Staff members who are partially or fully working in the waqf and who are paid by the university. All employees in the waqf are employed on a paid system.

The executive director of the waqf was appointed by the constituent committee of the waqf and is still at this moment in this position. There is no provision in the governance documents for the selection of the executive director. Choosing the executive chairman is one of the functions of the executive committee of the waqf, while the waqf board of trustees approves his appointment. The actual selection mechanism for appointing the waqf executive director is unclear to the officials of the waqf because he has not been changed since the establishment of the waqf until the present time.

8.4 Identification of stakeholders

MM3 believes stakeholders in the WZ are diverse because of the nature of the waqf. He says, “The WZ is regulated by a number of official authorities as engaged in several works, it is primarily related in regulations and administration to the university (government) and at the same time doing business and charity activities.” This particular nature of the WZ has broadened the stakeholder segment of the waqf, as MM3 believes. The views of the waqf officials differed with the diversity of the stakeholders in the waqf about who is the most important segment among stakeholders. Stakeholders in WZ can be summed up as: (1) court

(as the administrator of God's laws), (2) university, (3) waqifs, (4) beneficiaries, (5) general assembly, (6) board of trustees, and (7) public.

CEO3 believes the WZ work is based on the belief that the waqf is a religious act, and all those who have worked in the waqf since its founding, believe the first objective of the waqf is to revive the waqf sunnah to be rewarded by God, as stipulated in the waqf deed. However, he believes this goal cannot be achieved by itself without adopting a means for achieving the goals of establishing a waqf. MD3 agrees with CEO3 to consider that religious scruples are dominant in the work of the waqf, especially marketing, where he says, "As you know that waqf organization is the property of Allah Almighty and we all are workers in this organization, so you find that fearing Allah Almighty is presented in our business... everyone here senses this in his work, especially in the marketing outreach to the public as it is the first engine of donation."

CEO3 and VP3 divide the stakeholders in the waqf into two parts: (1) supporters and (2) beneficiaries. Under the first section of stakeholders is everyone who supported the waqf financially as donors or logistically as university and government authorities. The beneficiaries are those who benefit directly from the waqf (students) or indirectly (community). All the interviewees except MM3 believe that the most important stakeholders to the management of the waqf are waqifs, particularly, senior waqifs (members of the general assembly). The support provided by senior waqifs in the waqf is considered the backbone of waqf's continuation and development, as this support is not limited to financial contributions, but also consultancy and business partnerships that bind the waqf to the senior waqifs.

On the other hand, MM3 divides the stakeholders to three main parties: (1) university, (2) donors, and (3) beneficiaries. MM3 believes the university, as the first supporter of the waqf, is the most important stakeholder. He says, "The management of the university is the most important stakeholder in the waqf and has the greatest influence on its decisions, the university director is the President of the board of trustees and most of the waqf programmes are linked with the university's programmes." MM3 adds that the relationship between the waqf and the university makes the university the most important stakeholder. The relationship between the university and the waqf can be considered one of the waqifs, as it provides substantial financial support to the waqf. It pays employees and the officers working in the waqf management salaries and can be considered a beneficiary, as faculty members of the university, students,

and researchers are the target beneficiaries of the waqf, and finally, the university is the official umbrella through which the waqf implements its work.

8.5 Accountability to Stakeholders

8.5.1 Accountability towards Allah and Court

The first objective of the waqf is to emphasize that the main objective of establishing a waqf is to revive the waqf's Sunnah to be rewarded by God. Through the review of the waqf's internal documents, there is a clear presence of religious commitment in public and commercial dealings. The waqf has a number of Shariah advisers with whom the waqf management is consulting and requesting their advice on the overall control of its dealings and its investment dealings, in particular. It should be noted that these advisers have been appointed by CEO3, as governance documents (the waqf deed and statute) do not mention a waqf legitimate committee or legal advisers.

MD3 believes accountability to God comes primarily through self-accountability and is the product of the education and religious values on which the individual is raised, such as the fear of God, honesty, and piety. He adds, "We have programmes for our waqf members to build on this religious influence by reminding them that the waqf is an organization owned by God. So, you (as an employee) are accountable for everything, and we consolidate this concept through regular meetings with the staff, and the officiant of the place of prayers in the waqf's building speaks for three minutes after noon prayer daily to focus on these ideas and concepts." CEO3 believes these religious values and self-accountability play a significant positive role in the work, development, and maintenance of the waqf, but he also stresses the waqf cannot rely entirely on self-accountability because the religious influence differs from one person to another. This implies that the Shariah Court is a stakeholder as it provides an alternative form of enforcement when self-accountability proves inadequate.

8.5.2 Accountability towards University and beneficiaries

The university is one of the most important stakeholders of the WZ, as it is related to the waqf in many aspects. First, the university is the founder of the waqf, and it continues to operate under the umbrella of the university, and the idea of establishment came from a group of university members. Second, the university is the first supporter through providing financial and human resources. The waqf was established and still operates in buildings belonging to the

university, and the waqf staff members are employees of the University. Finally, the university is a significant beneficiary of the waqf. Most of the work of the waqf focuses on research and student service; the beneficiaries are limited to the members, students, and affiliates of the university.

Although the waqf management claims the waqf enjoys independence from the university, the reality proves this independence is partial, as the university's management still has considerable impact on the waqf management. On one hand, the waqf statute appoints the university Chancellor (in his legal capacity) as Chairman of the board of trustees and three members of the university, in their legal capacity as the Deputy of University for Postgraduate Studies, Dean of Scientific Research, and Executive Director of the waqf, as board members. This means there are four members of the university among the seven appointed members of the board of trustees. On the other hand, the university's management nominate the candidates for the eight members elected by the general assembly for the waqf. As a result, the intersection and complexity of the relationship between the waqf and the university is clear.

WZ adheres to all laws and regulations of the university as the waqf continues to operate under the official umbrella of the university. "At the end of the day we are the university waqf, working under the university umbrella, so we are committed to the university's regulations and directives, and even when we make official documents, we are directing them on behalf of the director of the university," said MD3. With the presence of university representatives on the waqf board of trustees, accountability towards the university is: (1) to abide by the board of trustees' decisions and to work according to its strategies to manage the waqf, and (2) to submit reports from waqf's management to the board of trustees. With regard to downward accountability, the waqf is committed to submit programmes, called "initiatives", to beneficiaries of the university and submit monthly reports on the results of these initiatives, which are posted on the waqf website and social networking sites. "The waqf and its work are directly and exclusively directed at the university members, students or university employees in general, which are approximately 180,000 beneficiaries," said MD3. Despite the fact that the waqf limited the channels to internal beneficiaries (university attributes), CEO3 does not limit the beneficiaries to the university affiliates only. He confirms there are external beneficiaries of the waqf. "There are many external beneficiaries, for example we have made an initiative for the nearby neighbourhood next to the university and we supported the needy from the people of the neighbourhood."

8.5.3 Accountability towards Waqifs

Waqifs in the WZ are divided into two main sections: (1) senior waqifs and (2) junior waqifs. The waqf management classifies all those who have donated more than 250,000 Saudi riyals as senior waqifs. The waqf deed also confers the right of general assembly membership only for senior waqifs. CEO3 believes the most important stakeholders to manage the waqf are senior waqifs. Their financial contributions established the waqf in the past, and their business partnerships with the waqf will support the waqf in the present and future. MD3 adds that the general assembly, which represents senior waqifs, is the most influential stakeholder. VP3 summarizes the commitment of the waqf to senior waqifs to three main commitments, saying, “Our first obligation is not to expend the waqifs’ contribution except in what they determined, this is the first and core commitment, the second to make the waqifs stay informed with what has really been achieved through submitting monthly or semi-annually or annually progress reports, the last commitment is to work with transparency: the waqif has the right to visit the waqf at any moment and has the right to request any statements or questions about any of the waqf’s projects as a result of such transparency. There are a number of waqifs and businessmen who visit the waqf periodically.”

Junior waqifs in WZ are the university's students and employees, who support the waqf annually by approximately 3 million Saudi Riyals. The support from junior waqifs is a fixed voluntary deduction of a monthly amount from the stipends of approximately 10,000 female and male students, which is only a small proportion of the total student body. CEO3 says the monthly deduction programme is one of the qualitative waqf programmes that has contributed significantly to the growth of the waqf. VP3 believes the monthly deduction programme is unique in university awqaf, as he does not know any other university waqf applying this idea. MD3 summarizes, “The commitment of the waqf to the junior waqifs runs on two tracks: first, the services provided by the waqf to students are within the series of initiatives as there are many courses in various fields and specialities provided to them free of charge. The waqf also provides scholarships and supports student research. The second commitment is the regular reports of the waqf work. The waqf management submit a monthly report to be sent to junior waqifs called ‘Harvesting your Donations’.” MD3 says “One of our programmes directed to junior waqifs was titled ‘Where did my donation go?’, which aims to communicate with waqifs and submit periodic reports of business and waqf achievements.” He adds, “We are always trying to instil in the students’ mind the concept of the waqf, and that what he pays is invested in waqf assets, which means that the riyal that he pays today can be 20 riyals in the waqf fund

after two years.” Beside the two tracks mentioned by the waqf MD3, the waqf holds an annual ceremony, called the “Charitable Harvest.” This ceremony is held at one of the university’s facilities, where all senior and junior waqifs are invited, to review all the waqf achievements and challenges of the year. During the ceremony, all attendees are allowed to participate, make suggestions, and meet officials from the administration of the waqf.

8.5.4 Accountability towards Government

The relationship between the government authorities and the WZ is complex and unclear. The waqf is regulated by a government university, and the university is related to the Ministry of Education of the Kingdom of Saudi Arabia. In addition, the waqf is carrying out its business by a commercial register of the Ministry of Commerce and Industry. Last, the waqf is registered in the Ministry of Labor and Social Affairs for the conduct of charitable work and recruitment of human cadres under the name of the waqf.

VP3 says, “There is no doubt that this is a kind of inconvenience, for the Ministry of Commerce, our relationship with them is limited to trade records and this is not annoying, while the relationship with the Ministry of Labor and Social Affairs is still unclear, as the Ministry sometimes treats us as in the profit sector, but as in the governmental and waqf sector in other times. Which leads to blurring in dealing and systems for example, the pay protection system varies from one sector to another.” VP3 adds that the rest of the government controlling authorities exercise their control powers over the waqf. Bodies such as the oversight and investigation authority and “Integrity” deal with the waqf as a government agency. CEO3 considers the relationship of the waqf with the government to be clear, but the problem lies in the regulations and legislation that meet the practical reality, where he says, “We work under the umbrella of the university and the university is following the Ministry of Education, for other government bodies with which we have regulatory procedures, what really creates problems and obstacles is that we don’t have legislation on waqf institutions.”

The waqf is committed to following regulations and laws of the government authorities, which are particularly concerned with the regulations of the University and the Ministry of Education. There are no joint reports between the waqf and the government authorities unless the government authority requests them. The relationship with the Ministry of Commerce is limited to registration and compliance with business regulations, and the waqf is exempt from annual zakat (2.5%). The waqf is also not committed to submit an annual report to the Ministry of Labor and Social Affairs, unlike the non-profit entities, who are obliged by the Ministry to

provide such reports. Finally, as some members of the University headed by the university director are members in the board of trustees, the waqf is not obliged to submit any reports to the management of the university or the Ministry of Education. According to MED1, there is no direct relationship between the Ministry of Education and universities' awqaf. He states that "our relation with the universities is limited and universities have the right to manage their awqaf according their objectives."

8.5.5 Accountability towards public

MD3 considers that the relationship between the waqf and society is close and primarily presented in the services provided by the waqf to students, who are the largest segment of beneficiaries, saying, "We have about 180,000 beneficiaries, a small slice of the Saudi Arabian community, including those from the city and who come from other cities." He adds that, although most of the work of the waqf is confined to the university, there are some projects that started at the university and then exceed the university limits and have become community-based projects adopted by the region's secretariat. "An example for that is our paper recycling project, the project had been started by the waqf for recycling papers within the university, and when the idea succeeded, it was circulated to all government departments in the region."

CEO3 also considers that the de facto situation imposes a duty on the waqf management to abide by its societal obligations, even if it is not explicitly stated in the waqf deed as community work within the waqf channels. During 2016, the waqf provided thirteen community-oriented initiatives benefiting approximately 200,000 beneficiaries. Community-based initiatives were diversified in terms of target, where the waqf management set six goals for its community-based initiatives: (1) environmental protection, (2) culture, (3) research, (4) values, (5) sustainable development, and (6) training. For example, to achieve the goal of training, the waqf provided a number of training courses for the management of the Two Holy Mosques. The waqf is committed to the community by implementing its programmes for the beneficiaries, who form a part of the community, and the waqf is opening channels of communication between the waqf management and the community through its official website and through social media that regularly publish the waqf activities and initiatives.

8.6 Accountability mechanisms

8.6.1 Financial Statements and Reports

Most of the reports in the waqf are internal reports between: (1) executive management and departments or (2) between the executive management and the board of trustees. Reports linking the departments to executive management are monthly reports prepared by each department of the waqf and submitted to the executive director at the end of each month. Monthly reports contain the sub-goals of each department and the rate of work completion according to a pre-arranged template for departments. Reports also contain a comparison between the work of the month with the work of the same month in previous years. Reports linking the executive department to the board of trustees are semi-annual reports submitted at each meeting of the board of trustees. The waqf executive department is obliged to submit two reports to the board of trustees: (1) a financial report, including the legal accountant's report and his observation of the financial performance of the waqf that also includes a financial report that links expenses to initiatives and revenue growth and sources charts, and (2) an overall performance report in which objectives and performance indicators are presented and compared with the results of the period. CEO3 says this report focuses on strategic issues, such as general and sub-targets and performance indicators, while operational matters are functions of the executive director, and the executive director is fully empowered to take decisions on them.

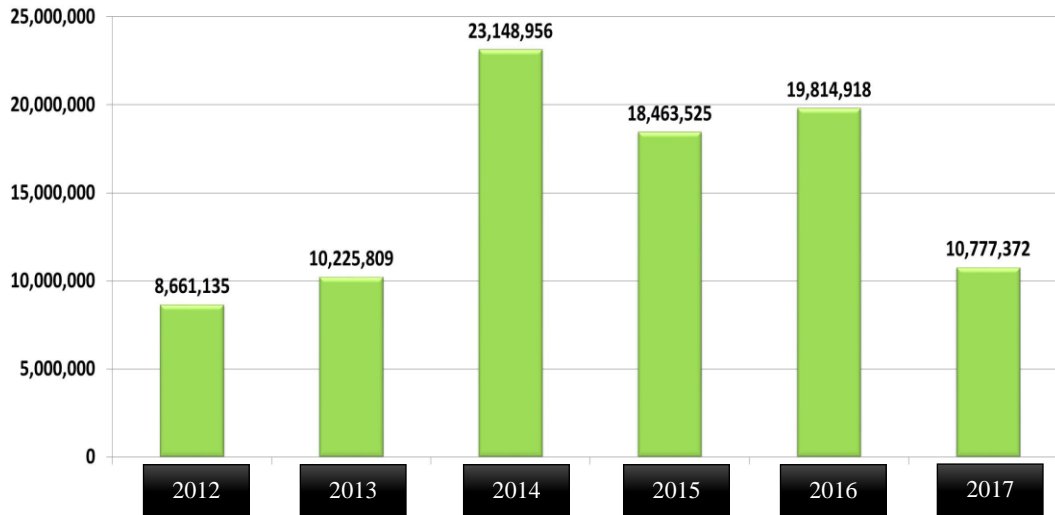
Regarding external reports, VP3 divides external reports into three: (1) annual, (2) monthly, and (3) special. The annual report is considered to be one of the most important reports prepared by the waqf for the purpose of presenting it to the senior waqif and the general assembly. The report contains approximately 40 pages and is divided into four main sections:

1/ strategic Plan

The strategic plan for the waqf presents six key issues, namely, financial resource development, human resource development, administrative organization, planning and development, support for scientific research, and community outreach. Each of these six issues corresponds to a number of strategic objectives the waqf seeks to achieve. For example, the waqf management is seeking to develop the financial resources of the waqf to up to SAR 1 billion and to achieve a return on the investment of the waqf by at least 15% of the capital. The report presents the reality of every strategy, from the time of establishment of the waqf to date; for example, the

report presents the reality of donations to the waqf during its years of operation as shown in Figure 8.1:

Figure 8.1 Donations to the waqf during its years of operation



Source: Case's annual report 2017

2/ Waqf Initiatives

This part of the report presents the projects and programmes for the waqf (initiatives) that can be divided into three sections: (a) initiatives target faculty members and university staff, (b) initiatives targeting male and female students, (c) community-oriented initiatives. The report presents general information and details by numbers for each initiative. For example, the number of initiatives presented to university members and staff in 2016 were eight initiatives (programmes) and benefited 3,709 beneficiaries. The report presents a definition of each initiative, its objectives, the number of targeted beneficiaries of the initiative, and the actual number of beneficiaries.

3/Development and partnerships

The waqf management presents the work of the waqf departments, the electronic regulations applied in the waqf, the waqf partnerships, and the training of personnel in the waqf. The report summarizes the work, functions, number of meetings, and the number of decisions emanating from each of the waqf departments. The report also illustrates external partners of a waqf, some of which are governmental and others from the private sector.

4/ Balance Sheet

The balance sheet is prepared by the financial department of the waqf, and the general assembly appoints an independent legal accountant to audit and submit an annual report to the general assembly. The waqf management does not publish the balance sheet and does not submit it, except to government authorities and senior waqifs. The waqf management does not let researchers review the balance sheet. CEO3 says, “We present the balance sheet to the official authorities who are authorized by the government to review the financial position of the waqf, and we also submit the budget and its detailed items to the senior waqifs to ensure their support.... we have no problem to present the balance sheet to researchers, but we have old bad experiences with some researchers, since one of them has offered some of our financial documents in one of the courses he delivers without taking our permission.”

8.6.2 Performance Measurement and Evaluation

The evaluation and performance measurement process in the waqf is divided into two main sections: (1) routine work and (2) non-routine work. MD3 says the waqf management is keen to measure and evaluate the performance of employees in the waqf departments. There is a system that evaluates the employee in his attendance, as well as his interaction and creative abilities to solve problems he faces and other routine work. MD3 adds, “The main issue in the evaluation is the reports prepared by the department to the executive management and there are always reviews from executive management and notes.” CEO3 believes the evaluation and performance measurement process in the waqf is going through internal and external stations. The internal evaluation is made for: (1) executive work, which is one of the most important responsibilities of the executive director and his deputies, and (2) results of the strategic work, which is one of the most important work of the board of trustees. CEO3 adds that one of the most important evaluation and performance measurement stations at the external level of the waqf is the general assembly and the senior waqifs.

MM3 believes the process of evaluation and measuring performance in the waqf needs to be developed, and there is no clear mechanism for evaluating and measuring performance in the waqf. Although the strategic and sub-goals of the waqf are clear, performance indicators need to be controlled and developed. He says, “The waqf works in three main directions (1) donations, (2) investment, and (3) expenditure. Performance indicators for donations and investment are fairly clear financial indicators, but performance indicators in the expenditure

direction are primarily non-financial indicators and we are currently working to identify them to ensure the integrity of evaluation.”

8.6.3 Participation

MD3 paid tribute to the channels of participation in the waqf and describes it as distinct, and it is not limited to sharing reports and providing suggestions and proposals or feedback, but to being actively involved in the waqf initiatives. He added, “We also have periodic development workshops in which we are dealing with social issues, which are the key launch of most of the waqf initiatives.” He also added, “The participation of stakeholders, especially senior waqifs, is rooted in the culture of the waqf. Can you imagine that there are special offices for senior waqif in the waqf building, where some of them comes regularly to a waqf and working two or three hours on specific waqf files.”

CEO3 stated that the participation of stakeholders in the waqf is one of the most important reasons for the waqf’s success. He gave an example of the senior waqif’s participants in the waqf, where he says, “We travelled with some of the senior waqifs to Spain and to Abu Dhabi to attend some workshops for the waqf and we stayed there for three days completely isolated to discuss the issues of the waqf.”

8.6.4 Self-regulation

Most waqf organisations suffer from the lack of their own standards and regulations, making the waqf organizations quote from the standards in other sectors and try to adapt them to suit the nature of the waqf. As WZ is the first university waqf in Saudi Arabia, the waqf did not benefit from any internal past waqf experience, but mostly relied on external experiments (particularly in Western countries) and on private sector standards and regulations. According to MM3, most of the criteria adopted by the waqf at the beginning were government sector standards. After the waqf started its investment activities, it became urgent to apply criteria that could cope with the new nature of the waqf, which made the waqf management adopt private sector standards and regulations. MM3 added, “We have studied many of the standards and regulations applied in the private sector and we have mostly relied on the rules and regulations of the Saudi telecom companies with a few amendments to suit the nature of our work, then we submitted it to a specialized office and added some items and notes to it.” MD3 believes one of the waqf’s challenges is that there are no standards commensurate with their nature. He added, “We survey and study similar experiences in all our actions, in the initiatives, the governance, the domestic laws and others, then try to develop and apply them.... for example,

in governance, we are now making visits to the largest university awqaf [i.e. endowments] in European countries to benefit from their experiences.”

8.7 Chapter Summary

This chapter has provided information about WZ waqf. Data related to the internal governance mechanisms, identification of stakeholders and accountability practices were collected from internal documents of the case as well as interviews with waqf officers. The data was analysed and organised in accordance with the research framework. The next chapter provides cross case analysis and discussion.

CHAPTER 9: CROSS CASE ANALYSIS AND DISCUSSION

9.1 Introduction

Many similarities and differences can be found between the three cases. The three research cases are public awqaf, that means, all the revenues of the awqaf are paid to public channels, not private, where there is no family or mushtarak waqf in such cases. The three cases are different in the organizational form where the waqf practises its activities. In the WA, the waqf works in the third sector, while in the second case (WM) the waqf works in the private sector in accordance with the Saudi Arabian business regulations, and in the last case (WZ) the waqf works under the umbrella of the state university (public sector). This study seeks to answer whether this difference in organizational form has any effects on (1) governance systems, and (2) accountability systems applied in these three cases. Table 9.1 compares governance practices in the three cases.

Table 9.1 Comparison between governance practices in the three cases

	WA	WM	WZ
Governance Documents	*Basic statute *Written governance system	*Written governance system * Waqf deed	*Basic statute * Waqf deed
Waqf Registration	Internal registration	Shariah court registration	Shariah court registration
General Assembly	Has General Assembly	Doesn't have General Assembly	Has General Assembly
Membership of General Assembly	SAR 500 annually	N.A	Donations of more than SAR 250,000
Number of General Assembly Members	50-70	N.A	15-30

	WA	WM	WZ
General Assembly Meetings	Annually	N.A	Annually
Board of Trustees	Has a Board of trustees	Has a Board of trustees	Has a Board of trustees
Board of Trustees' Size	15	8	15
Board of Trustees' Composition	Elected except the chairman	Appointed	7 Appointed & 8 Elected
The Reward of the Board of Trustees	Voluntary	2% of waqf net profit	Voluntary
Board of Trustees' Meetings	12 times a year	5 times a year	2 times a year
Subcommittees	1/Internal Audit Committee 2/Nominations and Rewards Committee 3/Executive Committee 4/Social Committee	1/Internal Audit Committee 2/Nominations and Rewards Committee 3/Investment Committee 4/Granting Committee	1/Investment Committee

9.2 Governance mechanisms

9.2.1 Governance documents

The governance documents are the foundation on which governance practices are based in any organization. In the three case studies, there are similarities and differences in the existing governance documents. The waqf deed is one of the most important elements and documents

of the waqf. The significance of this document is the fact that it is the constitution in which the donor confirms his renouncement to dispose of the assets he owns and transfer them to God and appoint someone (a trustee) to manage them. Historically, the waqf deed played both a positive role in maintaining the waqf and a negative role where the deed actually hindered the preservation of the waqf. Many scholars and experts have attributed the reasons for the loss of many awqaf to the weakness and inflexibility of the waqf deeds. Recently, the drafting of the waqf deed has been a major concern to scholars, donors, and official bodies. In Saudi Arabia, a number of official bodies (such as the Waqf Committee in Chambers of Commerce and Awqaf department in Shariah Courts) and some researchers have adopted models of waqf deeds thoughtfully studied and published and submitted them to some businessmen to reduce problems associated with the drafting of waqf deeds in the past.

In the three cases studied, a waqf deed was issued in both cases WM and WZ, while the WA was not registered in the Shariah court, and no waqf deed was issued. The contents of the waqf deed differed in the two cases. In the WM the waqf deed came in about three pages. The drafting of the waqf deed was flexible and gave a lot of powers to the board of trustees. In the case of the university waqf (WZ), the waqf deed came in seven pages, and the entire statute was included in the waqf deed. The drafting of the two deeds was an attempt to avoid the problems of such deeds in the past. The first (WM) tried to resolve the problem of inertia and inflexibility by brevity and giving more powers to the board of trustees to ensure flexibility in future dealings of the waqf, as considered appropriate by the board of trustees. The second waqf deed (WZ) was detailed and defined the terms of reference and functions of all the parties to the waqf (general Assembly, board of trustees, executive management) to ensure that the waqf is preserved and not infringed. The nature of waqf may play a major role in writing the waqf deed. In WM, the waqif gave the board of trustees (mostly composed of his sons) enormous powers because he trusted them, while in the case of WZ, which operates in the public sector, the formulation of the waqf deed has been more detailed to put limits on the powers of the waqf administration.

The second governance document in the three cases is the statute of the waqf. Although the Saudi Stock Market Authority system commits companies to issue a basic company statute, the WM has not been affected by the business environment. The WM is the only waqf of the three cases that has not issued a basic statute. Both WA and WZ have issued basic statutes despite the fact that they are not committed to the issuance by the supervision authorities (Ministry of

Labor and Social Affairs and university). There is a great similarity between the contents of WA and WZ waqf statutes. The WA statute contains 55 articles, while the WZ statute contains 26 articles. Although WA statute has twice as many articles as the WZ statute, there are no major differences in content. The most important difference between the two statutes is in the system of the general assembly in the two awqaf. The statute of WA contains 14 articles on the system, powers, and membership of the general assembly, while the statute of the university is limited to 4 articles only.

The last document of governance is the written governance system. While the WZ is still preparing a written governance system, the other two awqaf have adopted their own governance systems. The two systems differ in origin. The WA was established by surveying a wide range of governance systems applied in different sectors, while in the second waqf (WM), the governance system issued by the Saudi Stock Market Authority was adopted. In terms of the contents of the two systems, the governance system of WA is more detailed than the WM governance system. For example, the governance system of WA illustrates 8 main items for sub-committees: objective of the committee — composition of the committee — duties and responsibilities — performance and evaluation of the committee — duties and responsibilities of members — registration and termination of membership of the committee — Committee meetings — committee's reference. In contrast, the governance system in WM in respect of the committees is limited to specifying the number of members and functions of the committee only.

9.2.2 Waqf registration

In the three cases of study, a waqf deed was issued in both cases WM and WZ , while WA was not registered in the Shariah court, and no waqf deed was issued. CEO1 recognizes that the procedure for registering the WA awqaf is not ideal and that the WA intends to register their awqaf in the Shariah court and issue a waqf deed. Although not registering awqaf in Shariah courts may entail legal and moral irregularities, there is no system in Saudi Arabia that obliges organizations or individuals to prove their awqaf in the Shariah courts and to issue waqf deeds.

From a legal and Shariah standpoint, not registering waqf in Shariah court allows the administrators of organizations to sell and replace the waqf assets, which is not permissible in the waqf except under tight conditions and by a judge of the Shariah court. When CJ1 was asked about registration of awqaf, he said, “the scholars state that the waqf is held in words or action of the term, indeed, the word: To be frank as in saying ‘I had made a waqf’ this is where

the waqf takes place directly, the action: has a nature, but the action is not agreed between scholars, other than the words agreed upon if said, but the action remains, the nature: for example, to let people pray on his land and to see people praying without preventing them, this became a mosque as scholars say because they were permitted to pray freely, so it became a mosque as in Hanbali mazhab”. CJ1 believes that not registering awqaf of non-profit organizations in the court and not issuing waqf deeds pose a threat to the legal status of a waqf which exists in “eternity”, but he added “these awqaf (related to the non-profit organization) are fixed by Allah Almighty and become property of Allah Almighty and therefore, neither the administration of the waqf nor its board of trustees, even if they do not register it in the general court, can be authorized to act by sale or replacement without the permission of the court.” In the same context, CJ1 asserted that not issuing a waqf deed was astonishing, and that throughout his work life as a judge (19 years) no case was brought against awqaf without a waqf deed.

Systematically, the Ministry of Labor and Social Affairs does not oblige its affiliated organizations to register awqaf in the Shariah courts and to issue waqf deeds for them. MLSA1 states that the current Ministry system for the non-profit organizations did not address the registration of affiliated awqaf and confirmed an important issue where he says “at the beginning of my work in the Ministry I faced many cases of awqaf being sold to organizations as assets...for example in one of such cases, waqf assets were sold to pay the administrative expenses of an organization, and this is a disaster!!”.

From a moral perspective, the WA collects financial resources from waqifs who believe that the WA protects their monetary donations according to the known procedure of awqaf (waqf deed), while WA does not do so and does not disclose to waqifs the current registration procedure. However, BM1 does not believe that the management of the WA has committed any legal or moral irregularity, and he says, “the basic desire of the donor is to increase his righteous deeds with God, thus, when he contributes his money to the WA, he trusts the management of the WA and the board of trustees who are an institutional body and not individuals. And since we are accountable to Allah Almighty in accordance and to the community for this waqf, what is the need for registration in the court?!” . He added “We have legitimate committees, it's a little flexible, but determines the legitimate safety in our dealings, and thus leaving it to the board of trustees allows more flexibility. For example, if after 50

years, the board of trustees finds that the waqf asset is worn out and has ceased to be economically useful, the board of trustees can sell it and put it into what is more useful.”

9.2.3 General Assembly

There is no general assembly in WM, since the waqif is the sole contributor to the waqf, while the WA and WZ awqaf both have a general assembly. The general assembly in both awqaf is the highest authority of the waqf. The criteria for membership of the general assembly differ in the two awqaf. Although the basic criterion for membership is financial, the WA waqf has limited the membership to those making a specified the financial contribution but also allows for the granting of honorary memberships. The university's waqf (WZ) limits the membership of the general assembly to the financial contribution of 250,000 riyals, which is significant compared to the SAR 500 required by the WA. Membership in the university waqf (WZ) is permanent, i.e. the membership is granted to any donor who gives 250,000 riyals, even if only one time, while the membership in the WA is renewed annually with a membership of SAR 500 at the beginning of each year. As a result of the relatively large monetary value of contributions required for the WZ waqf, the number of members of the general assembly is limited, and most of them are businessmen. In contrast, the middle class constitutes the majority of members of the general assembly of the WA, since the amount paid is relatively small. There is no significant difference between the two organizations' systems as regards the conduct of the general assembly. Each waqf meets once a year, and the same information is presented during the meeting, such as the financial statements, the implemented programme, and future plans.

9.2.4 Board of Trustees

The board of trustees is the most important component of the awqaf governance system. There are clear differences between the three cases in terms of the boards' size, composition, bonuses, and number of meetings. However, the functions and responsibilities of the three boards are almost identical. In terms of the size of the board, there are 15 members of the boards of trustees in both the WA and the WZ, while there are only eight in the WM. The cases affected by the size of the board in the sectors to which it belongs, as a number of studies (e.g. Steane and Christie, 2001) have demonstrated that the board of directors of the non-profit organization working in the third or government sector are often characterized by a larger volume than those in the private sector. It should be noted that the WZ is willing to adjust the size of the board of trustees and reduce the number of its members. MD3 believes that the number of members of

the current board of trustees is large and does not give enough flexibility to work, where he says “working with 15 members is very difficult. The signing of the single record took a long time since there were many records requiring the signature of all members..... There is serious action to reduce the number to nine members after the executive management has viewed many similar models and found that fifteen members are considered big somehow.”

Regarding the composition of the boards, there are differences in all cases of study in the mechanism of formation of the board of trustees. In the WA, the board of trustees is composed of 15 members, all elected by the general assembly except the Chairman of the board, which is held by the Governor of the province as a honorary position. While in the second case (WM), the eight members of the board of trustees are all appointed. Five permanent members were appointed by the waqif, and the permanent members appoint three non-permanent members. Last but not least, in the case of WZ, it is a mix between appointed and elected members. Seven of 15 members are appointed in their legal capacity, while the general assembly elects the remaining eight members.

Regarding the rewards of the members of the board of trustees, the WM waqf is the only waqf between the cases in which the members of the board of trustees receive remuneration for their work. EXCEO1 considers that the reward is essential for the continued effective performance of the board of trustees’ members. He also believes that many awqaf have ceased because of the lack of reward for the trustee for his work. In addition, he believes that linking the reward to be a percentage of the revenues is a major catalyst for efficient performance in the work of the waqf. In the other two awqaf, the members of the board of trustees do not receive any rewards for their work. CEO1 believes that the greatest incentive for the members of the board of trustees in WA is the reward from God and serving the community. In the WZ, the management is studying to amend the system of the board of trustees and to determine the rewards of the members of the board by 5% of the net waqf revenues. MD3 believes that the new system will add a reward for the board of trustees’ members “after taking consultation of many awqaf specialists as well as some specialized consultancy offices the waqf administration found it necessary to place a reward for the members of the board of trustees because that might add an obligation to members of the board towards the waqf.”

The board of trustees in the WA meets on a monthly basis while in the WM and WZ they meet five times and twice a year respectively. It is clear from the number of meetings that the board of trustees of WA is regularly supervising the work of the executive directorate, unlike in the

WZ, which meets only twice a year. On the one hand, one of the disadvantages of increasing the number of meetings is the overlapping of roles between executive management and the board of trustees. BM1 criticizes the performance of the board. He believes that the current board is more preoccupied with operational issues, which is the role of executive management, rather than strategic issues, which is the board's main role. On the other hand, having few meetings of the board of trustees may lead to increasing the powers of executive management and reducing control by the board of trustees.

9.2.5 Subcommittees

Subcommittees are considered to be one of the important governance tools that help to link the work of executive management to the work of the board of trustees. There is a great similarity between the first case (WA) and the second case (WM) in the number and functions of committees emanating from the board of trustees. In both awqaf, there are four subcommittees, and there is a match in three of them; the audit committee, nominations & rewards committee, and granting/social committee. The only committee among the four that is in the WA and not in the WM is the executive committee. In contrast, the WM has an investment committee, but this does not exist in the WA. It is clear that the business nature of the WM committed the board of trustees to focus heavily on investment and to appoint a special committee for it. The investment activities of the waqf are diverse (real estate -investment - agricultural). By contrast, all the investment activities of the WA are limited to real estate, which justifies not having an investment committee. It should be noted that there is a difference in the composition of the members of the committees in the two awqaf. Most members of committees (11 out of 16) in WM are external parties who do not work in the waqf or the board of trustees. On the other hand, all the members of committees in WA are internal parties, but even from the members of the board of trustees.

There is only one subcommittee that exercises its activities in the WZ. Although the statute of the waqf provided that there must be two subcommittees (the executive Committee - investment Committee), the executive committee had only operated for a short period (not more than three months). MD3 says that the waqf administration has decided to make amendments to the executive committee as the functions of the committee require regular work (weekly or monthly) while the formation of the committee is not in conformity with such acts. Most members of the committee are businessmen, who cannot do regular work due to their prior commitments. It is also clear that there is a divergence in the views of the staff in the waqf

on whether the waqf needs to increase the number of subcommittees, as some officials believe this increase a waste of money and effort (MD3 and VP3), while other officials believe that increasing the number of committees is necessary (MM3).

9.3 Accountability practices

9.3.1 Accountability for what?

Cutt & Murray (2000) suggest that the answer to accountability for what? can be analysed in terms of three types of accountability: (1) Financial Accountability, (2) Legal Accountability, and (3) Performance Accountability. Although all types of such accountabilities exist in the cases of the study, the degree of accountability varies according to each case. Regarding financial accountability, all cases of the study have an independent legal accountant's office that audits the waqf financial documents. In the WM, the board of trustees appoints the Legal Accountant office while the general assembly in the WZ, waqf appoints Legal Accountant office. In the WA, the Ministry of Labor and Social Affairs appoints the Legal Accountant office to audit the accounts of its affiliates, including WA. Financial Accountability in the WA is particularly sensitive in view of the political circumstances that followed 9/11. Government Agencies (Ministry of Labor and Social Affairs) impose severe financial control on their affiliated associations to ensure that charity is not given to terrorist or extremist groups. As a result, the level of disclosure and transparency may be high for those working in the third sector.

Legal Accountability is one of the biggest problems in awqaf in Saudi Arabia, since the legislative structure of the awqaf is unclear. Studying the three cases, each waqf has a different organizational and regulatory reference. For example, in the WA, it is clear that the affiliated awqaf apply the regulations of the Ministry of Labor and Social Affairs. It should be noted that these regulations are made in general for non-profit organizations and do not take into account the special situation of awqaf. For example, there are no regulations or systems that deal with the legal issues of awqaf in terms of the registration (waqf deed) or even the sale and replacement of awqaf. There are two systems, one old and one modern, of the Ministry of Labor and Social Affairs, and both systems address the awqaf only in a single article. The only article in the new system of the Ministry of Labor and Social Affairs includes the right of the ministry to manage the awqaf related to the non-profit organizations in the event of the closure or

termination of the activities of the organization. The article does not clarify the mechanisms for waqf management in this case.

The WM works under the regulations of the Ministry of Commerce and Industry, which is a new door for awqaf in Saudi Arabia. The laws of the Ministry of Commerce and Industry of the awqaf are not very different from laws applied to companies. However, the Ministry of Commerce and Industry has issued a special system for awqaf after the recent registration of many awqaf in the Ministry of Commerce and Industry. The system has identified a number of articles for awqaf, the most important of which was to exempt the public awqaf from annual zakat. According to MCI1, approximately 419 awqaf were registered in the Ministry of Commerce and Industry up to 2016. He also states that “the laws and regulations of the Ministry give great freedom to the awqaf boards of directors/trustees in conducting the work of the waqf without interfering in their work.” The ministry only requires paying registration fees and annual membership fees. The Ministry of Commerce and Industry's system for the registration of awqaf also requires proof of the waqf in the Shariah Court (waqf deed).

In addition to the organizational relations with the Ministry of Labor and Social Affairs and the Ministry of Commerce, the WZ is related to the government's educational systems, which are represented by the university's regulations. There is only one article in the Higher Education Council in Saudi Arabia for awqaf, which stipulates that “the university's revenues consist of: (1) The revenues allocated to it in the State budget; (2) Donations and awqaf...” . Because of the current interconnectedness of organizational relations of the university awqaf, the administration of the waqf wants to make the waqf independent from the university, established as an independent waqf under the umbrella of the Ministry of Commerce and Industry. CEO3 stated when interviewed that the waqf administration is working to establish a fully independent entity from the university in the future.

In the WM and WZ, accountability for performance is confined to the internal parties of the waqf. In the WA, however, the Ministry of Labor and Social Affairs requires the waqf to submit performance reports and the meeting records of the board of trustees. The Ministry reviews them and provides any observations and notes to the board of trustees if required. Table 9.2 compares accountability for what? in the three study cases.

Table 9.2 Comparison of accountability for what between the three cases

	WA	WM	WZ
<u>Financial Accountability</u>			
<i>Legal accountant office</i>	Available	Available	Available
<i>Appointing legal accountant</i>	Ministry of Labor and Social Affairs	Board of Trustees	General Assembly
<i>Financial statements</i>	Available to public	Unavailable to public	Unavailable to public
<u>Legal accountability</u>			
<i>Internal regulations</i>	Statute	Waqf deed	1/Waqf deed 2/Statute
<i>External regulations</i>	Ministry of Labor and Social Affairs regulations	Ministry of Commerce and Industry	1/ University 2/Ministry of Commerce and Industry 3/Ministry of Labor and Social Affairs
<u>Performance accountability</u>			
<i>Internal</i>	Board of Trustees	Board of Trustees	Board of Trustees
<i>External</i>	1/General Assembly 2/Ministry of Labor and Social Affairs	N.A	General Assembly

9.3.2 Accountability to whom?

9.3.2.1 Identifying stakeholders

Through the responses of the interviewed officials in the three cases, there is a consensus across the three cases that the two most important stakeholders are the waqifs and beneficiaries. However, the views of those interviewed officials differed as regards which is considered to be the most important stakeholder. In the first case (WA), the opinion of the officials varied: three of the interviewed officials (CEO1, FM1, MD1) believe that the beneficiaries are the most important stakeholders because all the goals and policies of the waqf are designed to serve them. While the other two believe that the most important stakeholder is the waqifs because they are the first link in the work of the waqf and without their financial contributions, the waqf cannot achieve its objectives. In the second case (WM), due to the absence of the waqif (deceased), most of the interviewed officials believe that the offspring of the waqif, who are board members, are the most important stakeholders. Only BM2 believes that the beneficiaries are the most important stakeholders. Finally, in WZ, most of the interviewed officials think that the general assembly (senior waqifs) are the most important stakeholders. Only MM3 believes that the university is the most important stakeholder because it represents both the waqif and beneficiaries. Table 9.3 compares the three cases.

Table 9.3 Who is the most important stakeholder in the three cases

	WA					WM					WZ				
	BM1	CEO1	FM1	SM1	MD1	BM2	CEO2	FM2	GRM2	MM2	BM3	CEO3	VP3	MD3	MM3
Waqif	1	2	2	1	2	-	-	-	-	-	-	-	-	-	-
Beneficiaries	2	1	1	2	1	1	2	2	2	2	2		2	2	
General Assembly	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A	1	1	1	1	2
Board of Trustees	-	-	-	-	-	2	1	1	1	1	-	-	-	-	-
University	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		2			1

9.3.2.2 Theory of Stakeholder Saliency

The application of stakeholder saliency theory, and the extent to which the theory provides adequate explanations of accountability mechanisms in the waqf institutions, is considered to be one of the most important research questions. To answer this question, the researcher has classified the stakeholders mentioned by the interviewees according to the basis provided by Mitchell *et al.*, (1997) for each of the three attributes (Power - Legitimacy - Urgency). The following tables illustrate the stakeholders for each case, pegging them to each of the three attributes:

Table 9.4 WA stakeholders VS stakeholder saliency attributes

WA	Power			Legitimacy			Urgency	
	coercive	utilitarian	normative	individual	organizational	societal	Time sensitivity	criticality
Waqifs		✓		✓				✓
Court	✓				✓			
Beneficiaries				✓				✓
General Assembly	✓	✓			✓		✓	✓
Board of Trustees	✓				✓		✓	✓
Government	✓	✓			✓		✓	✓
Public						✓		

Table 9.5 WM stakeholders VS stakeholder salience

WM	Power			Legitimacy			Urgency	
	coercive	utilitarian	normative	individual	organizational	societal	Time sensitivity	criticality
Court	✓				✓			✓
Beneficiaries				✓				✓
Waqif's family				✓				
Board of trustees	✓	✓			✓		✓	✓
Government	✓						✓	✓
Public						✓		

Table 9.6 WZ stakeholders VS stakeholder salience

WZ	Power			Legitimacy			Urgency	
	coercive	utilitarian	normative	individual	organizational	societal	Time sensitivity	criticality
Court	✓				✓			✓
Beneficiaries				✓				✓
Small waqifs		✓		✓				✓
Board of trustees	✓				✓		✓	✓
Government	✓						✓	✓
General Assembly	✓	✓			✓		✓	✓
The university		✓	✓		✓			✓
Public						✓		

The results of each case showed similarities and differences among the stakeholders in the Saudi waqf institutions. All cases are the same in considering that the (1) waqif, (2) beneficiaries, (3) government, (4) court, (5) board of trustees, and (6) public are stakeholders in the waqf. On the other hand, some stakeholders are identified in some awqaf while they are not identified in other awqaf, such as the general assembly, the waqif's family and the university.

In applying the model of Mitchell *et al.*, (1997) to the three cases, the classification of stakeholders was found to be dynamic and not static; this is consistent with the prediction of Mitchell *et al.*, (1997). The change in the statutory form of the waqf or applying certain regulations may move stakeholders from one classification to another. For example, the government is a stakeholder in the three study cases, but its classification has been different according to the statutory form of the waqf. The government is considered a definitive stakeholder in the WA because the waqf is registered at the Ministry of Labor and Social Affairs and not registered in court. In contrast, the government is considered as a dangerous stakeholder in the other two waqf because they are registered in the court. The following models illustrate the stakeholders' classification in the model of Mitchell *et al.*, (1997):

Figure 9.1 Classification of WA stakeholders in Mitchell *et al.*, model

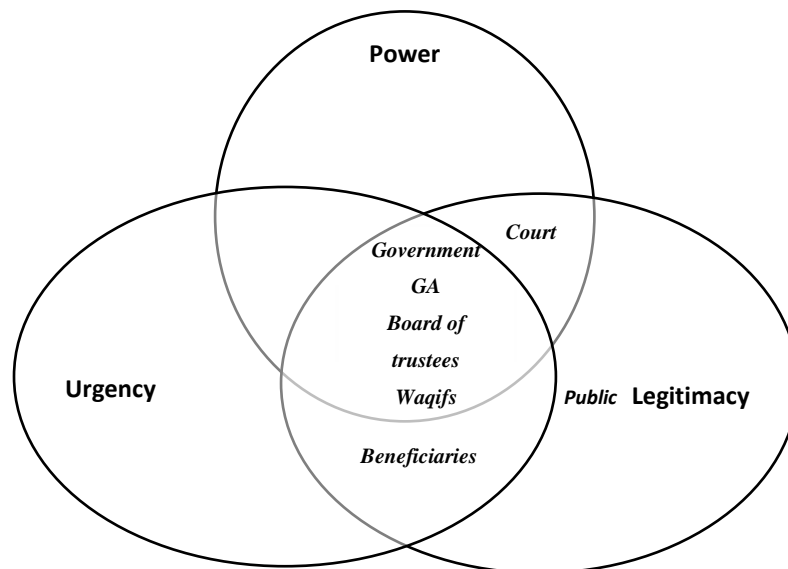


Figure 9.2 Classification of WM stakeholders in Mitchell *et al.*, model

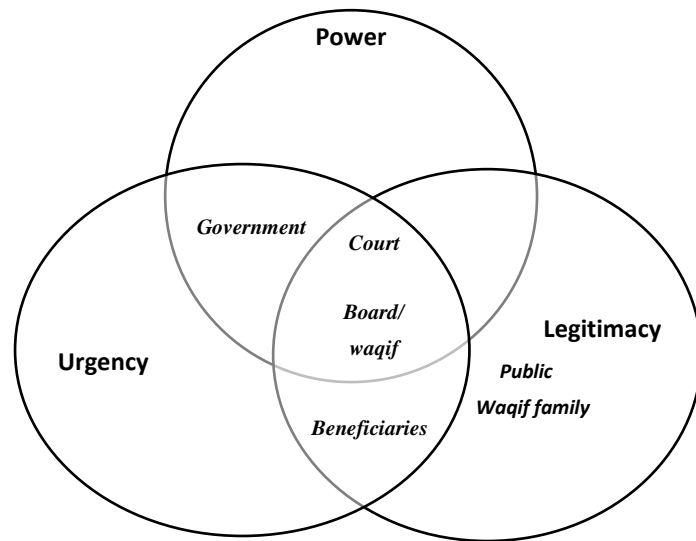
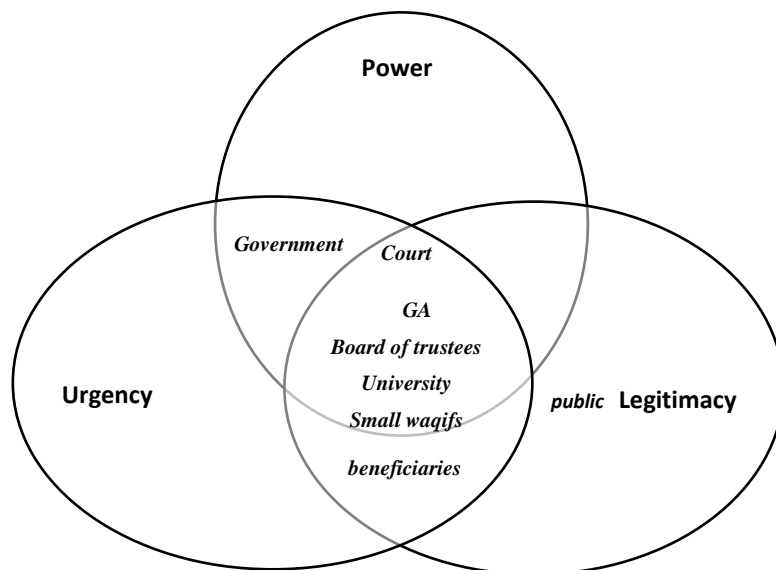


Figure 9.3 Classification of WZ stakeholders in Mitchell *et al.*, model



The waqif as a definitive stakeholder

There is a fundamental difference between the three cases, in terms of nature, role, and importance of the waqif. In the first case (WA), waqifs are a large number of grantors that allocated their financial contributions to establish the waqf assets, and their financial contribution is often relatively small. On the contrary, the waqif in the WM is a person who allocated all waqf assets to the waqf institution. Finally, the waqifs in the university's waqf (WZ) are a number of waqifs divided into two main categories: senior waqifs and junior waqifs.

As a result of the differing nature of the waqif in the three cases, the role and importance of the waqif in these cases have differed accordingly. In the first case (WA), the waqif plays a role less than that of the other two. In addition, most of the interviewees in the WA believe that the waqif comes in the second degree of importance for the waqf institution (see Table 9.3). However, when applying the theory to those waqifs in the WA, it was clear that the waqifs in the WA are considered as a definitive stakeholder. In terms of power, the waqif in the WA has the utilitarian power resulting from his or her financial contributions to the waqf. However, the waqif in the WA does not have the coercive power over the waqf because the waqif is not represented in the power centres in the waqf (the general assembly or board of trustees). The waqif also has the individual legitimacy in the waqf, as the waqif is one of the pillars of the process of establishing the waqf through their financial contribution. In addition, the waqif is the “first mover of waqf’s process” as described by BM1, meaning that the waqif has a special importance to the waqf, thereby this requires the administration to give that member special attention (Critical).

The waqif's role in the second case (WM) stands out as one of the most important stakeholders in the waqf. Due to the death of the waqif, the researcher was unable to know the role of the waqif himself, only through his descendants' role who represent him, as they are permanent members in the board of trustees of the waqf. The board of trustees of the waqf (a majority are the waqif's descendants), represent the most important stakeholders according to the majority of interviewees (see Table 9.3). The board of trustees is the highest authority in the waqf where there is no general assembly for the waqf. The waqif's descendants have the power by representing a majority of the members on the board of trustees who have: (1) coercive power through extensive powers granted to it by the waqif in the waqf deed, (ii) the utilitarian power as the waqif is the sole financier of the waqf. In term of legitimacy, the waqif's descendants have been appointed in the board of trustees in the waqf deed. As for the urgency; given the

great importance of the waqif's descendants, the waqf administration treats them with great care and attention in terms of time sensitivity and criticality.

Likewise, the senior and junior waqifs in the WZ have all the attributes (power - legitimacy - urgency). The senior waqifs are different from the junior waqif in terms of possessing the coercive power, since the membership of the general assembly of the waqf (the highest authority) is limited only to the senior waqifs. However, the junior and senior waqifs are together involved in utilitarian power, legitimacy, and urgency.

In summary, although the waqif's level of effect on the three cases is clearly different (see Figure 9.4), the Mitchell model (1997) would classify the waqifs in the three cases as definitive stakeholders. The model did not consider the difference in the level of importance and influence in the three cases (See Figure 9.5). It is clear that the difference between the waqifs in the three cases lies in the coercive force not found at the waqifs in the WA and junior waqifs in the WZ. In fact, some researchers, who criticised the model, found the same shortcomings when they examined this model. Khurram and Pestre (2017) state that "One definitive stakeholder can be the most salient stakeholder, while another definitive stakeholder may not be; similarly, one latent stakeholder maybe the least salient but another maybe relatively more salient." In addition, Parent and Deephouse (2007) find that managers may report a specific stakeholder who possesses the three salience attributes to be the most salient but they also report another stakeholder as comparatively less salient, even when the latter also possesses those attributes.

Figure 9.4 Waqifs importance in cases

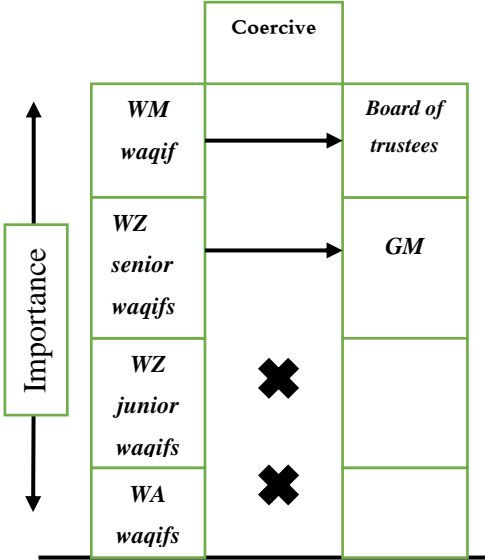
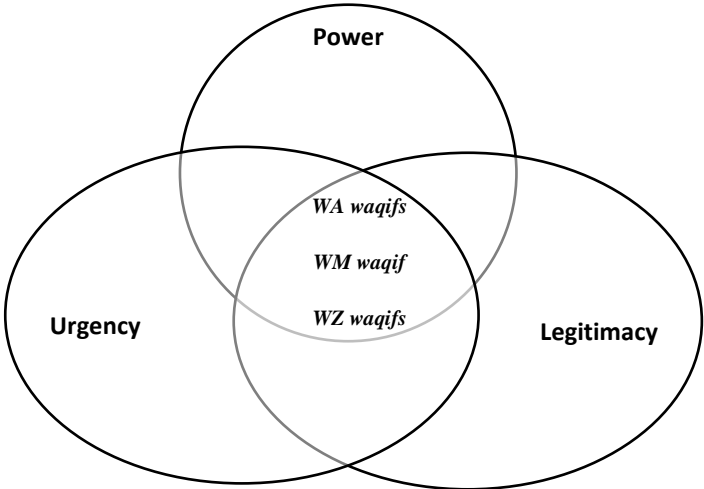


Figure 9.5 Cases’ waqifs in the model



Beneficiaries as Dependent stakeholders

The three study cases are the same in terms of considering the beneficiaries as one of the most important stakeholders in the waqf. In fact, most respondents in the first case (WA) believe that the beneficiaries are the most important stakeholders (see Table 9.3), while the respondents in the other two cases classify beneficiaries as the second most important stakeholder in the waqf.

After analysing the three cases, it was found that there was a difference between the beneficiaries in regards to their nature. In the WA, the beneficiaries are community individuals who are in need. On the other hand, the WM waqf does not deal with individuals, but it deals with non-profit organizations which are considered the primary beneficiaries of the waqf's revenues. Then these non-profit organizations (the primary beneficiary) provide their services to the final beneficiary that has no direct relationship with the waqf. In the last case (WZ), the beneficiaries are a special segment of the society (the university).

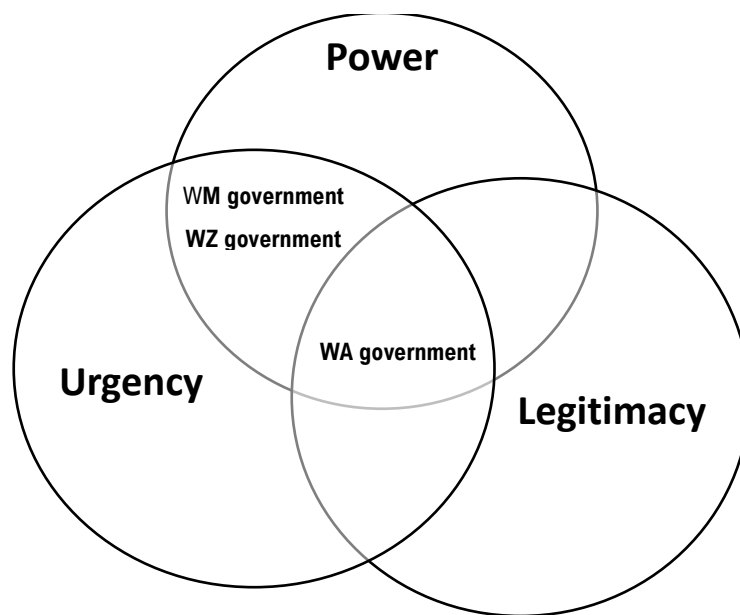
In applying the theory to the beneficiaries in these three cases, it can be shown that the beneficiaries in the three cases are considered dependant stakeholders as they possess the two attributes (legitimacy and urgency) and do not have the power. In fact, other studies that have applied the theory of Stakeholder Saliency (e.g. Asaad & Goddard (2010) and Ihsan *et al.*, (2016)) have found that the beneficiaries in non-profit organizations often lack power. Stakeholder Saliency Theory has assumed that stakeholders who possess only two attributes are considered of moderate saliency, and such an assumption contrasts with opinions of the respondents in the three cases who agreed that the beneficiaries are one of the most important stakeholders in their organizations. In fact, some studies (e.g. Parent and Deephouse, 2007; Neville *et al.*, 2011) find that in some cases managers had assigned more saliency to a latent stakeholder (one attribute) compared to an expectant (two attributes) or a definitive one (three attributes). In addition, Neville *et al.* (2011) suggest that a highly powerful latent stakeholder may be perceived as much more salient than a definitive stakeholder that possesses lower levels of each of the saliency attributes.

The government as a definitive or dangerous stakeholder

The government's role and relationship are verified in the three cases. In the first case (WA), the government is considered one of the most important stakeholders in the waqf because of the sensitive relationship between the non-profit organizations and politics. After the attacks on September 11th, 2001, the Saudi government imposed more regulations and procedures on the non-profit organizations to ensure that funds were not provided to terrorist and extremist organizations. In contrast, the government's relationship in the two other waqf is limited to procedures of registration and business practices. WM and WZ awqaf have been documented in Shariah court and waqf deeds have been issued for both of them, meaning that the legitimacy of these awqaf belongs to the court, not to the government.

After analysing the three cases and studying the relationships of the three awqaf to the government, it was found that the theory of stakeholder salience provided a sufficient explanation for classifying the government as one of the stakeholders. In the WA, it is found that the government has a great influence on the waqf, which theoretically justifies considering the government to be a definitive stakeholder. On the other two waqf (WM and WZ), the government (as one of the stakeholders) lacked legitimacy since registering the waqf in Shariah court and issuing a waqf deed gave the government only a moderate salience (dangerous stakeholder).

Figure 9.6 Government in the model

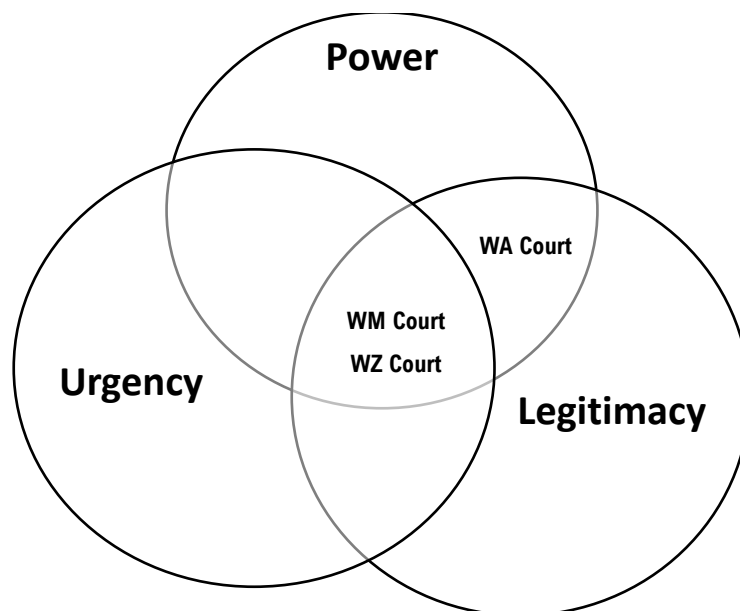


Court as a definitive or dominant stakeholder

After analysing the three cases belonging to three different sectors, it was found that the waqf registered at the Shariah court have immunity against governmental intervention. The role of the court is being made clear as one of the most important stakeholders considered as representatives of rights of Allah in the waqf. Although there is no Saudi law stipulating the judge's control mechanism for the waqf, many procedures of the waqf (such as registration, replacement, sale, etc.) are carried out by the Shariah court. However, the waqf procedures in Saudi Arabia lack flexibility and smoothness, according to statements of the respondents that most of the awaqf procedures are still made by hand (non-electronic), thus impeding procedures and transactions of the awqaf.

In the WA, there is no relation between the waqf and the court because the waqf was not registered according to the acceptable procedures of the awqaf. However, this does not mean that the court is not considered a stakeholder. CJ1 says, “The awqaf is owned by Allah Almighty; therefore, neither the waqf administration, nor its board of trustees are justified, even if they do not register the properties with the court, to dispose of them by sale, or replacement without permission of the court.” Accordingly, the court has the legitimacy attribute even if the waqf is not registered in it and no waqf deed was issued in this regard. In addition, these regulations have authorized the court to intervene in any violations made by the trustees in the waqf, which means that the court also has coercive power. Since the waqf was not registered at the court, there is no relationship between the WA and the court, which shows a lack of urgency. In contrast, the awqaf in the other two cases are registered in the court. In addition, there is a direct relationship between the waqf and the court, which adds the urgency to the first two characteristics (legitimacy and power), which means that the court is an important stakeholder of the waqf.

Figure 9.7 Court in the model



9.3.3 Accountability mechanism

9.3.3.1 Financial statements and reports

Financial statements and reports are one of the most important and most common tools of accountability mechanisms (Ebrahim, 2003). Ebrahim (2003) divided reports to: (1) legal

reports; (2) upwards reports, and; (3) downwards reports. By examining the three case studies, it is clear that there are similarities and differences in the reports (see Table 9.7).

Table 9.7 Similarities and differences in financial statements and reports in cases

Reports	WA	WM	WZ
Legal reports			
- Court	N/A	X	X
- Ministry of labor and social affair	✓	N/A	X
- Ministry of commerce and industry	N/A	X	X
- Ministry of education	N/A	N/A	X
Upwards reports			
- General Assembly	✓	N/A	✓
- Board of Trustees	✓	✓	✓
- Waqifs	✓	✓	✓
Downwards reports			
- Beneficiaries	✓	X	✓
- Public	✓	X	X

Reports	WA	WM	WZ
Financial statements			
-Upwards	<i>Available</i>	<i>Available</i>	<i>Available</i>
-Downwards	<i>Available</i>	<i>Not Available</i>	<i>Not Available</i>

In terms of legal reports, the WA is the only waqf among the cases that is obliged to submit mandatory reports to state authorities, specifically to the Ministry of Labor and Social Affairs. The WA is obliged to submit annual reports (Financial, and non-financial) as an obligation of non-profit organizations to the official authority that supervises non-profit organizations in the Kingdom of Saudi Arabia. Surprisingly, although the WZ is also registered in the Ministry of Labor and Social Affairs, according to the waqf officials, there is no official obligation from the Ministry of Labor and Social Affairs on the waqf. According to VP3, the waqf's relationship with the Ministry of Labor and Social Affairs is limited to permitting it to do charitable work, which requires authorization by the Ministry, while the waqf is related to the university, which is considered a government organ. The university waqf may have been excluded from the reporting requirements imposed by the Ministry of Labor and Social Affairs to prevent duplication of organizational work between the Universities on the one hand and the Ministry of Labor and Social Affairs on the other hand. However, according to MLSA1, the ministry's system does not exempt any of its affiliated institutions from these requirements.

All the awqaf studied provide periodic reports to the upwards stakeholders, which are similar in content but different in timing. In terms of the content of the reports, the management of all the case organisations submit financial performance reports during the year, as well as reports on non-financial performance, to the upwards stakeholders, especially the board of trustees. The timing of reporting varies from one waqf to another. For example, WA submits its reports to the board of trustees on a monthly basis, while the WM and WZ submit reports quarterly and semi-annually respectively.

WA is the only waqf of the three cases that provides reports to the downward stakeholders. WA provides a comprehensive annual report of its financial and administrative performance for the beneficiaries and the public. WA publishes this report on its official website and

provides hard copies in all its centers. In addition, WA publishes its financial statements annually, including the observations of the Legal Audit office. On the contrary, WM and WZ are limited to using social media sites to present some of their contributions and work.

9.3.3.2 Performance Measurement and Evaluation

Ebrahim (2003) identifies the parties evaluating and measuring performance as: (1) internal parties, and (2) external parties. Through examining and studying the three cases, it is clear that all case organisations carry out the process of evaluating and measuring performance at the internal party's level. The performance measurement and evaluation processes in the three cases are based on the development of measurable targets and appropriate performance indicators. The process of evaluating and measuring performance starts from heads of departments up to the board of trustees.

In terms of evaluating performance for external parties, the WM is the only waqf among the cases in which the process is limited to assessing and measuring performance of the waqf's internal parties, up to, but not including, the board of trustees, which is the highest authority in the waqf. On the other hand, evaluating and measuring performance in the WA involves two main parties. Firstly, the general assembly is the first external station to evaluate and measure the performance of the waqf administration. The WA management presents its performance and annual financial statements in the annual meeting of the general assembly, and members of the general assembly review the performance of the waqf administration. Secondly, the Ministry of Labor and Social Affairs is one of the most important parties to evaluate the performance of the waqf on an annual basis through an independent audit office.

9.3.3.3 Participation

Participation processes, as one of the accountability mechanisms, pass through four levels, as stated by Ebrahim (2003). The first level of participation is limited to information sharing on planned programmes by the organization, asking people about their opinion through various methods, such as formal and informal meetings and questionnaires. At the other extreme, the fourth level of participation is the highest level, where "people own initiatives, which occur independently of NGO and state-sponsored projects" (Ebrahim 2003)

It is clear that the level of participation in the three cases does not exceed the second level of participation that was mentioned by Ebrahim (2003). In fact, participation in the WM did not exceed even the first level. There is no real practice of involving people in the work of the

waqf. In the other two awqaf, it is clear that the level of participation exceeds oral participation and has moved to active participation in the waqf programmes by involving volunteers.

9.3.3.4 Self-regulation

The legislative and regulatory structure of awqaf in Saudi Arabia is one of the biggest problems facing the progress and development of the awqaf sector. As a result of the absence of supervisory authority, each case organisation has adopted different standards and regulations. In the WA, the waqf established a special department (Strategic Office) to issue and review regulations in the waqf due to weak systems and the criteria imposed by the supervising government authority on the waqf (Ministry of Labor and Social Affairs). SM1 says that most of the regulations recently imposed by the Ministry of Labor and Social Affairs had already been applied for a long time in the WA. In addition, CEO1 says that waqf regulations, emanating from the WA, are more advanced than those imposed by the Ministry. In fact, the Ministry has been benefiting from some of the waqf regulations by imposing them as a standard for other non-profit organizations.

Table 9.8 Comparison between regulations in the three cases

Regulations	WA	WM	WZ
Governance system	Special system of the Waqf designed by the administration	Family corporate governance system prepared by the Ministry of commerce and Industry	N.A
Internal regulations	Special regulations suited to the nature of non-profit organizations	Internal systems of companies affiliated to the waqif	Internal systems of telecom companies

	prepared by the administration		
--	-----------------------------------	--	--

All systems in the WM are systems applied for profit-making companies. The WM implements the governance system issued by the Ministry of Commerce and Industry for family companies. In addition, most of the internal waqf regulations have been adapted from the systems of commercial companies owned by the waqif. It is clear that waqf has been greatly influenced by the private sector in which it operates.

Finally, most of the internal regulations of the university waqf (WZ) have been adapted from Etisalat Telecom Company in Saudi Arabia. MM3 justifies this by arguing that telecommunication companies are some of the most professional firms because of the high competitiveness of the markets in which they operate. It should be noted that the WZ regulations have not been affected by government regulations, despite the fact that the waqf is working under the umbrella of a government entity (the university).

9.4 Accountability systems in the study cases

In this section of the research, accountability mechanisms will be linked to the stakeholder salience theory to see how the waqf administrations deal with the stakeholders in the three cases. There is clearly a difference between the three cases in terms of the administration's dealing with the stakeholders' salience. The administration dealt with only the board of trustees with the same mechanisms of accountability (reports - evaluation - participation - self-regulation), which confirms that the board of trustees is a fundamental element of governance and one of the most important stakeholders in the waqf.

It is clear that the accountability system in the first case (WA) is considered the most comprehensive system and using the accountability mechanisms (see Figure 9.8). Similarly, the university awqaf (WZ) use most accountability mechanisms, in varied degrees, while dealing with the stakeholders (see Figure 9.10). On the other hand, accountability is almost limited to the board of trustees only in regards to the second case (WM) (see Figure 9.9).

Figure 9.8 WA accountability system from stakeholder salience perspective

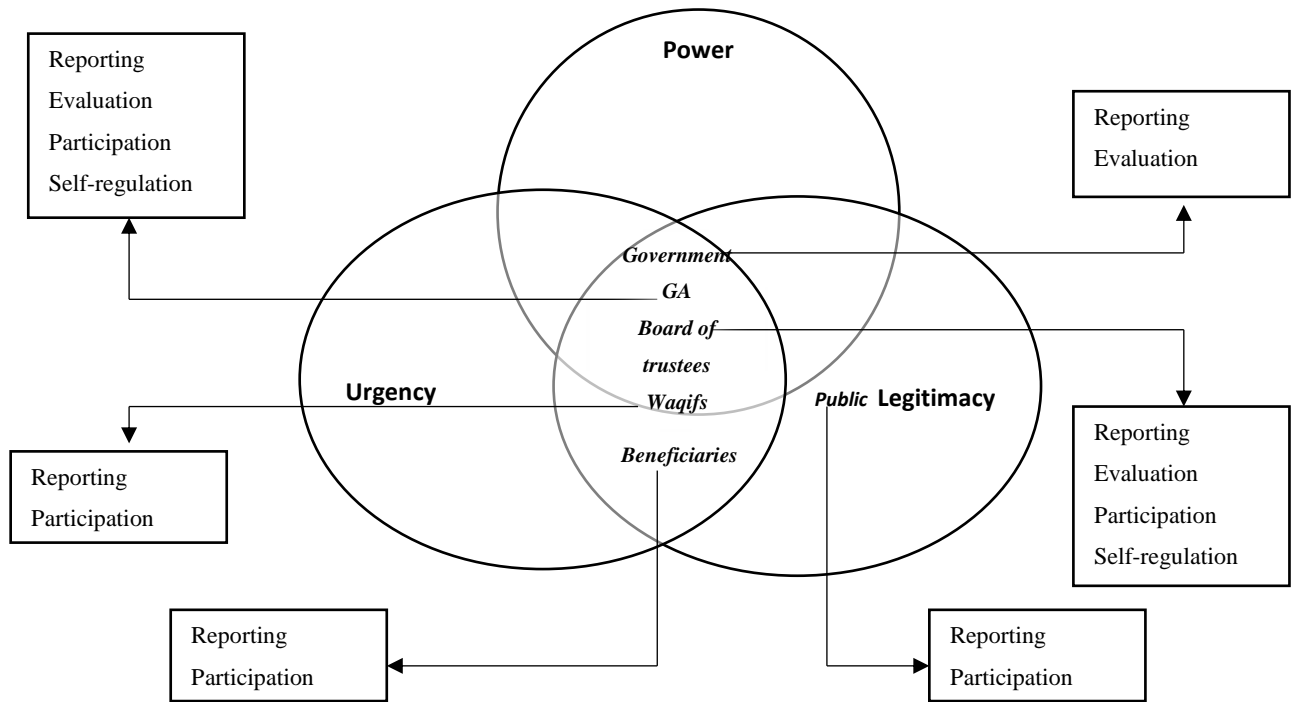


Figure 9.9 WM accountability system from stakeholder salience perspective

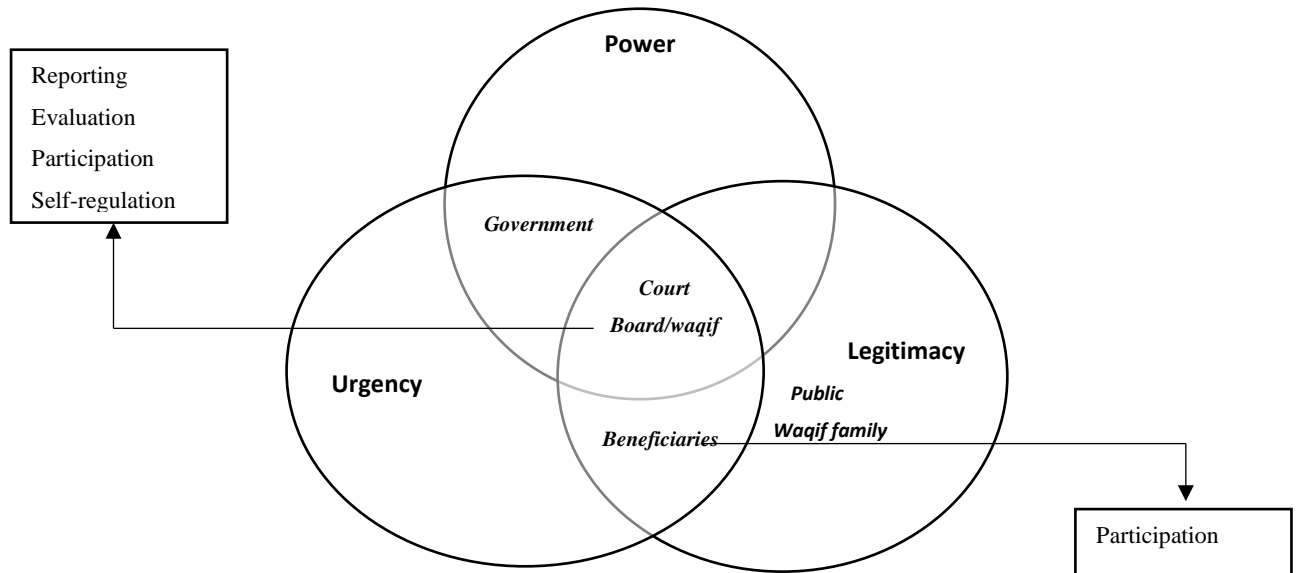
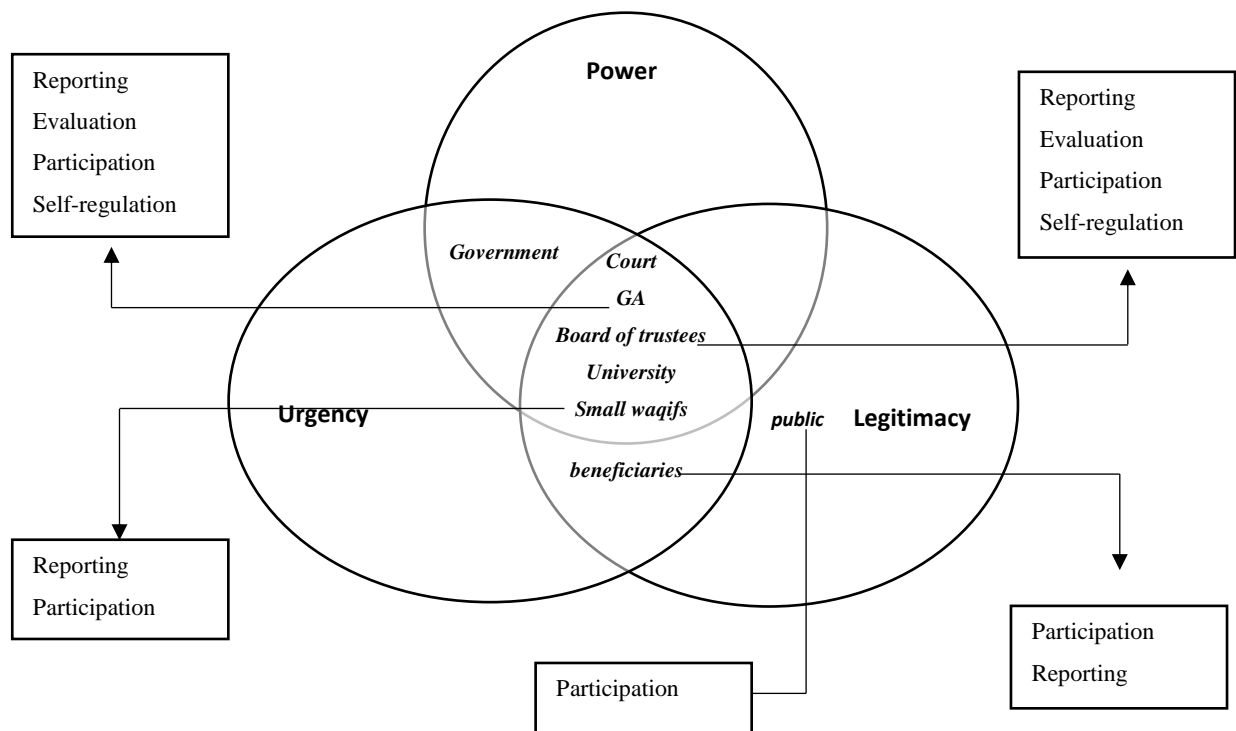


Figure 9.10 WZ accountability system from stakeholder salience perspective



It is worth mentioning that there has been stakeholder salience (Definitive Stakeholder) where the nazzir of the second and third cases did not use any of the five accountability mechanisms. For example, although the court has been classified, in both cases of (WM and WZ), as definitive stakeholder, the executive administration have not dealt with the court with any accountability mechanisms. It is clear that there is a statutory gap between the waqf institutions on one hand and the courts on the other. While the court is the sole representative of the rights of God in the waqf, the relationship between the waqf and the court is limited to two points: (1) issue the waqf deed and (2) decide the disputes relating to waqf. Historically, a Shariah court judge had important roles in control over waqf and trustees, but after the court's regulations have been changed, the judge's role in the awqaf was highly curtailed as the role of the judge was limited to considering cases filed before the court. CJ2 says, "After establishment of the courts in the modern status, where the judge's duty became limited to the case filed before

the court, the judge can no longer control the work of trustees or follow up the work of the waqf as in the past”.

Another example of a definitive stakeholder is the university in the third case (WZ). After reviewing the accountability mechanisms linking the waqf to the university, the researcher did not find any of these mechanisms. However, this may be attributed to the complex relationship between the waqf on the one hand and the university on the other. The chairman of the board of trustees in the university waqf is the university director. Also, a number of the university staff is appointed in the board of trustees in their legal capacities, which means that there is an overlap between the university and the board of trustees in the waqf.

9.5 Chapter Summary

This chapter provided cross case analysis and discussion. The internal governance mechanisms, identification of stakeholders, accountability practices and the application of stakeholder salience were compared in the three cases. Next, accountability mechanisms were linked to the stakeholder salience theory to see how the waqf administrations deal with the stakeholders in the three cases. The final chapter provides the conclusions from the research.

CHAPTER 10: CONCLUSIONS

10.1 Introduction

The purpose of this thesis is to address the research aim and objectives (section 1.3), as guided by three specified research questions (section 1.3). The thesis also investigates waqf governance and accountability by using both a literature review and the empirical evidence gained from three Saudi waqf institutions, identified as waqf WA, WM and WZ.

The main objective of this chapter is to review the findings of this research. This chapter highlights the contribution of this study through the findings. In addition, this chapter identifies some limitations of this study and offers several recommendations for policy and practice and suggestions for future research. Finally, this chapter summarises the thesis.

10.2 Review of research findings

This study has investigated three main issues affecting waqf institutions in the Kingdom of Saudi Arabia. The first issue was the governance practices and regulations applied in the waqf institutions; herein, the research was aimed at doing the following:

- (1) Being cognizant of the governance practices in waqf institutions
- (2) Comparing the governance practices featured in the three study cases

There are four sub-questions that have been identified to achieve these main objectives:

- 1- What are the main governing documents that exist and are required in Saudi waqf institutions?***

After analysing data from the three cases, it was clear that the Saudi waqf institutions have common characteristics shared with:

- (1) Non-profit organizations.
- (2) Profit-oriented organizations.

Although the main objective of the waqf is similar to that of non-profit institutions, the waqf institutions heavily focus on maximizing the waqf assets' profits and using most of their efforts to invest and manage the waqf assets. This common nature of waqf institutions predicated the

need to produce governance documents that simultaneously govern both charitable and commercial work.

The waqf deed is one of the most important pillars of the governance system in the waqf institutions. Most of the interviewees focused on the importance of the waqf deed and mentioned two main issues:

- (1) Importance of the waqf registration and the waqf deed issue.
- (2) Importance of sound wording of the waqf deed to achieve flexibility and control of the waqf's work.

The waqf deed is one of the requirements of the Saudi Ministry of Commerce and Industry related to registration of awqaf operating in the private sector; on the other hand, the Ministry of Labor and Social Affairs and Ministry of Education did not require a waqf deed. One of the cases studied (WA) did not register its awqaf in the Shariah courts and did not issue the deeds of its awqaf, because the supervising authority did not require that to happen. Many interviewees considered this a measure that may have constituted a threat to the continuity of the awqaf.

The waqf statute is considered the second most important governance document. This document shares many articles with the waqf deed; in fact, in some awqaf, the items usually covered in the statute are included in the waqf deed. Although the Saudi official authorities do not all stipulate the statute in the waqf, only one case (WM) has not established that statute. Finally, the written governance system is the third governance document and all the cases studied have a written governance system (e.g. WA and WM) or are in the process of preparing one (e.g. WZ).

2- To what extent do Saudi governing regulations impact the application of governance system in waqf institutions?

At present, the identity of Saudi awqaf is not clearly defined because there is no competent authority to control and issue the laws that would regulate the awqaf works and govern the relationship between the waqf institutions and stakeholders. The Saudi government has recently noted this organizational gap and established the General Authority for Awqaf, but this authority is still investigating the needs of the waqf sector and has not been active so far.

The Saudi regulations have not had negative or positive effects on the application of the governance system in the awqaf. Most of the cases studied established their own waqf governance system according to their needs. Recently, the Ministry of Labor and Social Affairs has encouraged its affiliates to establish governance systems and issued draft standards related to governance of non-profit institutions. The WA, which works under the supervision of the Ministry of Labor and Social Affairs, had established its own governance system prior to this step, showing that all cases studied felt the need to establish the governance system without this being imposed by the government authorities.

3- What is the role and composition of a board of trustees and its subcommittees in Saudi waqf institutions? and

4- To what extent does the role of a board, and its subcommittees, influence the level of accountability in Saudi waqf institutions?

The boards of trustees play important and fundamental roles in controlling the works of the executive directorate in the awqaf. In all cases, the boards of trustees are considered the most important organizational entity in waqf institutions. After having analysed the role, responsibilities, composition and size of the boards of trustees in the case studies, it has been clear that the roles and responsibilities of the boards of trustees in the awqaf are highly similar. Conversely, the awqaf were different in terms of size and composition of the boards of trustees. Awqaf working in the public and third sector were large and had varied composition compared to those working in the private sector. The board of trustees is the only waqf stakeholder that was unanimously agreed in all the study cases to be the definitive stakeholder, and all mechanisms of accountability have been used towards the board of trustees (see Section 9.4).

There is a difference between the awqaf in terms of the size, composition, responsibilities and even importance of sub-committees of the boards of trustees. The findings pointed out that the awqaf in the private sector, as well as those in the third sector, are very interested in the sub-committees, while there are some differences in committee composition, and in some roles and duties assigned to the committees. Significantly, the audit committee plays an important role in financial accountability, and many interviewees consider the audit committee to be the most important sub-committee in the waqf. On the other hand, the results showed that the public sector waqf did not heavily rely on the sub-committees, and some of its officials considered that the sub-committees are a waste of effort and money.

The second issue to be addressed in this thesis was the accountability practices and mechanisms applied in the waqf institutions, where the research aimed at the following:

5- *Who are the stakeholders to whom accountability is owed by the waqf institutions?*

There are multiple stakeholders in the waqf institutions, and the cases studied agreed that there are five significant external stakeholders:

- 1- Waqif,
- 2- Beneficiaries,
- 3- Court,
- 4- Government,
- 5- Public.

Some cases have organizational privacy, which increases their number of stakeholders. For example, some awqaf have general assembly (such as WA and WZ).

In line with results of the previous studies (e.g. Ihsan *et al.*, 2016), this study finds that the waqif is one of the most important stakeholders in the waqf institutions because of their financial contributions. However, this research provided a deep analysis of the different nature of the waqif in the three study cases (see Table 9.7). In addition to the waqif, many interviewees believe in the importance of accountability to the beneficiaries and that they are one of the most important stakeholders in the waqf institution. Indeed, some interviewees believe that the beneficiaries are the main reason for the existence of the waqf.

The role of the government, as an important stakeholder in awqaf, varies. In the awqaf registered in the court, and for which the waqf deed has been issued (WM and WZ), the government was not a definitive stakeholder. On the other hand, the government was considered as a definitive stakeholder in the waqf that did not register its awqaf in the court. On the contrary, the court is considered to be a definitive stakeholder in the waqf that registered its awqaf in the court, but only a dominant stakeholder in the third-sector waqf. Finally, all the cases studied agreed that the public is one of the stakeholders in the waqf. As such, the waqf departments should take the public's interests into account and open channels to hold the waqf institutions accountable to the public.

6- *What do nazzirs perceive they are accountable for, and how are these perceptions developed and informed?*

Although financial accountability, legal accountability and performance accountability are found in all cases, the degree of accountability varies among the three cases. The level of financial accounting in the third-sector awqaf is relatively high compared to the awqaf in other sectors, because the Saudi government has imposed strict financial measures on the non-profit institutions to prevent extremists and terrorists from accessing funds.

Legal accountability is a significant problem to the Saudi awqaf, because the legislative structure of the Saudi awqaf is immature. In general, the legal obligations of the awqaf heavily rely on the sector in which the waqf operates; for example, the awqaf operating in the third sector adhere to laws of charitable work as set out by the Ministry of Labor and Social Affairs, which, in turn, regularly holds its affiliates accountable for compliance with laws of charitable work in the Kingdom of Saudi Arabia. On the other hand, the legal liability of other awqaf is limited to the routine registration procedures.

Finally, performance reporting in the waqf is limited to the internal parties in the waqf, except in WA, which showed that the accountability for performance in waqf is not limited to the internal parties. Rather, the accountability for performance extends beyond the governmental authorities responsible for the non-profit sector (Ministry of Labor and Social Affairs), to which awqaf that the Ministry regulates are accountable for any breaches of performance.

7- What is the nature of the accountability mechanisms used to discharge procedural and consequential accountability in Saudi waqf institutions?

All the accountability mechanisms mentioned by Ebrahim (2003) are found in varying degrees among the study cases, except for social auditing. In line with findings of the previous studies (Ihsan *et al.*, 2016 and Ihsan *et al.*, 2017) that applied the model of Ebrahim (2003), the social auditing mechanism was not applied by the awqaf. The absence of that mechanism may be because the institutionalization of the waqf sector is still recent while social auditing is an advanced stage of accountability in organizations.

As for the reports and financial statements, the research makes clear that the third-sector awqaf are the most advanced in terms of number and quality of these reports and financial statements. Because of governmental requirements, the awqaf in the third sector submit reports and financial statements to the external and internal parties. As for the other awqaf, most of the reports serve the internal parties and there is no disclosure or publication of the financial statements to the external parties. As a result, it has been found that the second mechanism

identified by Ebrahim (2003), performance review and evaluation, is affected by the first mechanism. Considering the limited disclosure and reports in both cases (WM and WZ), the level of performance review and evaluation did not exceed that of the internal parties in the waqf, while the performance review and evaluation in the third waqf (WA) includes both internal and external parties.

As for the participation mechanism, the results found that the participation levels of all kinds in the Saudi awqaf are limited. In addition, the level of participation in the private sector awqaf is considered the poorest among the cases. Finally, regarding self-regulation, due to lack of the competent authority supervising the Saudi awqaf, all the cases resorted to reliance on their own resources to establish and adopt appropriate standards and regulations for their work. In addition, they greatly benefited from standards of the profit-oriented sector considering the lack of standards and regulations for the Saudi awqaf.

The last issue in this thesis was the application of the stakeholder salience theory in the waqf institutions, where the research aimed at the following:

8- To what extent the stakeholder salience theory provides an adequate explanation for the ways in which waqf institutions are governed and held accountable in Saudi Arabia

In general, the stakeholder salience theory provided important explanations to understand the ways in which waqf institutions are governed and held accountable in Saudi Arabia. However, after analysing the application of the stakeholder salience theory to the Saudi awqaf, the study found that there is a difference between some assumptions of the theory and the real-world views of the management of awqaf. The theory assumes that stakeholders having two of the three attributes (power, legitimacy and urgency) are of only moderate salience and importance. After applying the criteria of stakeholder salience theory to the beneficiaries in the awqaf, it was found that beneficiaries are considered to be dependant stakeholders and have only two attributes (legitimacy and urgency). However, they do not have the power, meaning that the theory classifies them as moderate salience stakeholders. This theoretical prediction is inconsistent with the finding that most of the awqaf officials and managers believe that the beneficiaries are either the most important stakeholder or the second most important stakeholder.

Further, this study found that the theory did not take into account differences in the level of the importance and influence of stakeholders possessing the same number of attributes (see Section 9.3.2.2). For example, in the first case (WA), both government and waqifs have the same number of attributes despite their varied importance to management. In addition, all the waqifs in the three cases are considered as definitive stakeholders despite their varied importance and impact from case to case (see Figure 9.4 and 9.5). Finally, findings show that the trustees' interaction with the stakeholders is in accordance with stakeholders' importance and salience, whereas most of the definitive stakeholders have received special attention by awqaf management and more accountability mechanisms have been used around them (see Figure 9.8, 9.9 and 9.10).

10.3 Research contributions

The main aim of this empirical study was to evaluate the current practice of governance and accountability in Saudi waqf institutions by using qualitative research methods. Considering the lack of in-depth studies on awqaf, this study contributes to understanding the governance and accountability of non-profit organisations, especially waqf institutions, from the inside. The study makes three main contributions:

10.3.1 Contribution to the literature

This study provides one of the first *comparative* analysis of waqf governance and accountability in the Muslim world. Most waqf studies that focus on governance and accountability are either theoretical studies (e.g., Abdullah, 2015; Ihsan and Ayedh, 2015; Noor *et al.*, 2015) or empirical studies using a single case study (e.g., Ramli *et al.*, 2014; Ihsan *et al.*, 2016; Ihsan *et al.*, 2017). Furthermore, this is the first waqf study focused on governance and accountability in the context of Saudi Arabia, so the results presented will be a significant contribution to Saudi scholarship in this field. In fact, economically, Saudi Arabia is one of the most significant countries in Middle East. In addition, awqaf in Saudi Arabia are considered as one of the biggest in Muslims world.

10.3.2 Contribution to theory

This study presents a deep analysis of the application of the stakeholder salience theory in waqf institutions. It discovers some shortcomings in the theory pertaining to providing adequate explanations about the salient nature of some stakeholders. Specifically, this study finds

differences between the predictions of the theory and managers' opinions. The theory predicts that the salience of stakeholders will be low if only one attribute is present, moderate if two, and high if all attributes are present. In applying the theory, the beneficiaries in the three cases are considered dependant stakeholders as they possess the two attributes of legitimacy and urgency, but do not have the attribute of power. Other studies that have applied the theory of Stakeholder Saliency (e.g. Asaad & Goddard (2010) and Ihsan *et al.*, (2016)) have found that the beneficiaries in non-profit organizations often lack power. Stakeholder Saliency suggests that stakeholders who possess only two attributes will be considered as of moderate salience, but this contrasts with opinions of the respondents in the three cases, who agreed that the beneficiaries are one of the most important stakeholders in their organizations. Some studies (e.g. Parent and Deephouse, 2007; Neville et al., 2011) find that in some cases managers had assigned more salience to a latent stakeholder (one attribute) compared to an expectant (two attributes) or a definitive one (three attributes). In addition, Neville *et al.* (2011) suggest that a highly powerful latent stakeholder may be perceived as much more salient than a definitive stakeholder that possesses lower levels of each of the salience attributes.

Moreover, this study provides a comparative analysis of the application of the stakeholder salience theory in three cases. The result of this analysis found that the stakeholder salience theory does not take into consideration some significant differences between the influences of the stakeholders in the three cases, which means that the theory needs to be expanded to accommodate these differences. For example, the theory did not consider the difference in the level of importance and influence of the waqifs in the three cases. It is clear that the difference between the waqifs in the three cases lies in the coercive force not found at the waqifs in some cases (e.g. the WA and junior waqifs in the WZ). In fact, some researchers, who criticised the model, found the same shortcomings when they examined this model. Khurram and Pestre (2017) state that "One definitive stakeholder can be the most salient stakeholder, while another definitive stakeholder may not be; similarly, one latent stakeholder maybe the least salient but another maybe relatively more salient." In addition, Parent and Deephouse (2007) find that managers may report a specific stakeholder who possesses the three salience attributes to be the most salient but they also report another stakeholder as comparatively less salient, even when the latter also possesses those attributes.

10.3.3 Contribution to policy and practice

As this is the first study conducted in the context of Saudi Arabia, it provides valuable insights for the relevant waqf authorities to improve the governance and accountability practices of waqf management in Saudi Arabia. Gaps in waqf governance policy development and implementation have been identified based on the empirical findings, and policy makers in the regulatory and advocacy agencies will be able to consider and act upon those findings in their work. Some of these contributions to policy and practice are summarized as recommendations in this chapter (see section 10.5).

10.4 Research limitations

Despite the merits of this research and its contribution to literature, theory, practice and policy, this study has certain limitations. Firstly, data relating to awqaf in Saudi Arabia is limited and difficult to find. Government entities do not have databases relating to awqaf in Saudi Arabia, which made it difficult for the researcher to present a comprehensive image of the situation of awqaf in Saudi Arabia. However, as the researcher has worked in waqf field for several years, he was able to use his knowledge and experience, as well as his relationships, to overcome this problem. Secondly, every approach to social inquiry has its strengths and weaknesses (Blaikie, 2007). Some limitations relating to the interpretive and qualitative research method adopted were discussed in Chapter 5.

Other limitations are connected to the generalization and the scope of this study. Although Yin (2009) does not recommend an ideal number of cases to enhance research quality, validity and reliability, some critics of the case study approach claim that a small number of cases offers no grounds for establishing generality of findings. This research concentrated on three large case organisations, which operate in three different sectors. The generalisability of findings is supported through interviews with managers and officers from several ministries and external parties. However, caution should still be used when generalising the research results to other faith-based organisations, such as Zakat organisations. Similarly, the results may not be generalisable to non-faith-based organisations or to NPOs from other faiths. In addition, the study did not refer to the governance and accountability of other awqaf in Saudi Arabia, such as awqaf under the supervision of the Ministry of Islamic Affairs and those operated by private individuals, as these awqaf do not take an institutional form and they are still managed by a single waqif.

Although the above have been cited as limitations, considerable effort was made to ensure that the research strategy employed was robust enough to deal with the research objectives and questions. The study presents a rich source of empirical data on governance and accountability practices of the three Saudi awqaf studied.

10.5 General Recommendations

After conducting a deep and comprehensive analysis of several Saudi awqaf, it has been found that there are similarities and differences between these awqaf. Many of the differences result from requirements of the sector in which each waqf operates. Some of the requirements and obligations imposed by these sectors have been positively reflected in the governance and accountability practices. Lack of certain requirements has had a negative impact on governance practices and accountability; for example, requirements of the Ministry of Labor and Social Affairs have positive impacts on the level of disclosure and transparency in WA waqf. At the same time, the Ministry of Labor and Social Affairs did not stipulate registration of the awqaf in the courts and the issuance of waqf deeds. Some experts in the field of awqaf considered this to be one of the significant problems that threaten the continuity of awqaf of the non-profit organizations in the Kingdom of Saudi Arabia. Therefore, policymakers and responsible government agencies have a great influence on creating the policies and regulations that can benefit the waqf sector or, conversely, threaten its continuity.

The research presents several general recommendations resulting from the deep study of the cases, which may help policymakers, responsible government agencies and awqaf managers develop the waqf sector in the Kingdom of Saudi Arabia. These recommendations can be summarized as follows:

1. The Saudi awqaf are very different in terms of practice. For example, there are clear differences between awqaf in terms of investments. Awqaf working in the private sector mostly invest in a variety of areas such as agriculture, industries, banks, etc. In contrast, awqaf working in the third sector mostly invest in real estate with relatively low risk strategy. Therefore, the authorities responsible for regulating the waqf sector, especially the General Authority for Awqaf, should take into consideration these differences while setting out new regulations and standards related to the awqaf.

2. Developing minimal standards of governance and accountability commensurate with all forms of Saudi awqaf can enhance accountability and help establish a governance system that preserves the waqf institutions and ensure their continuity. The governance standards and accountability requirements issued by the Ministry of Labor and Social Affairs to the affiliated organizations had a clear positive impact on the first case (WA). In current regulation, the boards of trustees of awqaf in Saudi Arabia are free to apply or not to apply the standards of governance and accountability. Considering the different competencies and capabilities in the boards of trustees in the awqaf, this procedure may be negatively reflected in waqf institutions that do not have human cadres of high efficiency. On the other hand, imposition of strict and mandatory standards on waqf institutions will have negative consequences.
3. There are significant legal gaps, some of which threaten the sustainability of the awqaf. This research reviewed one of these gaps, which is non-registration of awqaf. An official of the Ministry of Labor and Social Affairs confirmed existence of this gap when he said: “During my work, I realized that some non-profit organizations were selling some of their awqaf to pay some of the operational expenses in such organizations; this is a disaster.” Therefore, the Ministry of Labor and Social Affairs should draft a law of non-profit organizations. Further, the Ministry’s implementing regulations should contain Articles clarifying mechanisms for documenting awqaf and obligating non-profit organizations to apply them to ensure preservation of waqf assets.
4. The court is considered one of the most important stakeholders in the waqf institution, but after analysing the cases, it is clear that there is an organizational gap between the Saudi awqaf and the courts. On one hand, the records and documents of the Saudi courts lack the minimum basic information about the Saudi awqaf, such as: their number, places and boards of trustees. The lack of information exists because most of the transactions issued by the courts are still conducted in a primitive manner and use manual recording. Conversely, the waqf authorities do not abide by any of the court’s mechanisms of accountability, because the law obligates them only in the event of a dispute requiring intervention by the judge. Therefore, the Ministry of Justice should, first, work to establish databases related to the awqaf and then coordinate with the waqf institutions to develop mechanisms with the court to enhance accountability and control over the work of the boards of trustees.

5. Many waqf institutions of the private sector, which often have one or a limited number of waqifs, ignore the relationship between the waqif or the waqif's descendants and the waqf institution. Despite this significant relationship, some governance regulations do not include nature of this relationship or the mechanism of its control. Therefore, the waqf deeds should expressly state the limits and powers of the waqif, and the waqif's descendants, to ensure independence of the waqf institution.
6. Many of the governance documents, especially the waqf deeds, include either (1) general provisions to ensure flexible waqf work or (2) restricted provisions to ensure control. Excessive flexibility or control can result in negative consequences for ensuring continuity and development of the waqf institution. Regulation of waqf provisions, which ensure control and flexibility together, is one of the most important factors to ensure continuity of the waqf institution.

10.6 Implications for future research

The objective of this thesis was to gain new understanding and insights of waqf governance and accountability in the kingdom of Saudi Arabia and examine the practices of three awqaf operating in three different sectors. The initial findings in this study can be considered as exploratory, providing a foundation for further research and investigation. To obtain additional understanding of the issues that have emerged from this study, it will be necessary to conduct further research into the following areas.

Firstly, given that the methodology adopted for the research was a qualitative multiple case design, quantitative studies may be justified to determine if the findings are broadly generalisable. These findings can be given further validity and credibility by conducting a quantitative/qualitative or quantitative study. Such studies could determine whether the research findings extend beyond waqf institutions to other types and forms of NPOs. Secondly, there is an opportunity to extend the research by examining organisational and non-organisational awqaf, specifically those under the supervision of the Ministry of Islamic Affairs. Thirdly, this research only covered three large-sized Saudi awqaf operating in three different sectors. Research into various-sized awqaf has great potential to further understand, and gain better insight into, waqf governance and accountability in the Kingdom of Saudi

Arabia. Fourthly, this study focused only on three main issues (governance- accountability-stakeholders relationship), so adding other issues like the efficiency and effectiveness of awqaf management could provide significant contributions to our knowledge of these institutions.

Finally, the study was restricted to awqaf in Saudi Arabia. Opportunities for further research include comparative studies of awqaf in other countries in the Gulf region, and meta-analyses comparing the governance of awqaf in the Middle East with those in South-East Asia. These studies have the potential of identifying the extent to which local social, economic and political factors have an influence on how awqaf are accountable to different stakeholders. The present study has shown that the governance of awqaf in Saudi Arabia is a complex matter, where traditional approaches are increasingly being adapted to deal with the challenges of operating in a modern society.

10.7 Thesis summary

The first chapter presents an introduction to the research. It provided some basic information and background on the thesis and described the researcher's motivations, objectives, questions, methodology, scope, and contributions to the discipline.

Chapter two contained a general review of the waqf concept, focussing on the history of waqf as well as its general definitions, characteristics, classifications, and components. This chapter also discussed how waqf is managed in some Muslim countries with a special focus on Saudi Arabia.

Chapter three provided a general review of governance and accountability concepts. It discussed a number of aspects of governance, such as definitions, models, and principles. It also investigates governance in NPOs in greater detail, especially their internal governance mechanisms such as governing documents, boards of trustees, subcommittees, and management directorates. This chapter also addressed the three main questions related to the concept of accountability, i.e., accountability to whom, for what, and how. Moreover, Islamic accountability was discussed briefly. The last part of chapter three reviewed related research studies, including NPO studies, waqf studies, and Saudi Arabian studies.

Chapter four discussed the relevance of various theories that explain the field of corporate governance. It provided a description of the four theories behind waqf governance: the agency

theory, the stewardship theory, the stakeholder theory, and the institutional theory. This chapter also provided the theoretical frameworks adopted in this thesis.

Chapter five detailed and justified the research methodology and data collection used in this study. This chapter also explained the qualitative approaches used in the study and provided details about the data collection methods and samples. It also explained the process of empirical study, including the procedures for case selection, field visits, interviews, document analysis, and data analysis. Finally, the criteria for evaluating qualitative research and the strategies adopted in this research project for meeting those criteria were presented.

Chapters six, seven, and eight provided detailed information about the three cases. Data related to internal governance mechanisms, identification of stakeholders, and accountability practices were collected from internal documents of the case sites as well as interviews with waqf officers. These chapters also included the data organisation and analysis done in accordance with the research framework.

Chapter nine consisted of a cross-case analysis, where the data collected from the three cases were compared to identify common issues and areas of variation between different awqaf. This chapter applied the stakeholder salience theory to the three cases in a critical manner.

Finally, the current chapter presented the conclusions of this thesis. It offered some recommendations for regulation, explains the limitations of the present study, and suggested some avenues for future research.

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Appendix 1

INTERVIEW CONSENT FORM (translated)

You are invited to participate in a study of waqf governance and accountability in the Saudi Arabia. You have been selected because you were identified as a trustee/director/department manager of a registered waqf. It is essential for you to read this form and ask any questions that you may have before agreeing to take part in this academic research.

This study is being conducted by Mohammed Alomair, a doctoral candidate at the School of Management of Royal Holloway University of London.

Background and Information: The purpose of this multiple case study is to gain a better understanding of governance and accountability in waqf and has the following objectives:

- (i) To examine the current practices of governance in Saudi waqf institutions.
- (ii) To examine the ways in which accountability is experienced and enacted in waqf settings in Saudi Arabia; and
- (iii) To examine the application of the stakeholder salience theory on waqf institutions.

Procedures: If you agree to participate in this study you will be asked to answer some governance and accountability related questions during a semi-structured, open-ended interview which should take no longer than one hour. Your response will be audio-recorded to eliminate omissions and distortions in data collection. If at any time during the interview you feel unable or unwilling to continue, you may withdraw without giving any reasons. You will have the opportunity to review the interview transcripts for accuracy and completeness.

Confidentiality: The audio records will be kept private, secure and destroyed at the end of the study. In the thesis to be published the researcher will not include any information that will identify you or your waqf. Only the researcher will have access to the information collected.

Compensation: No compensation will be given for participation in the study. However, a copy of the findings from the study will be made available to all participants.

Contacts and questions: The researcher Mohammed Alomair. If you have any comments, concerns or questions about this study, you can contact the academic supervisor of this project; Prof Christopher Napier (Christopher.Napier@rhul.ac.uk).

I have read the above and agree to participate in this study. I understand that I can keep a copy of this consent form for my records.

Name of Participant

Date

Signature

Name of Researcher

Date

Signature

Appendix 2

CASE STUDY PROTOCOL AND INTERVIEW GUIDE (translated)

A. PROJECT OBJECTIVES

This study, GOVERNANCE AND ACCOUNTABILITY IN CORPORATE WAQF INSTITUTIONS IN SAUDI ARABIA, has three main objectives:

- (i) To examine the current practices of governance in Saudi waqf institutions.
- (ii) To examine the ways in which accountability is experienced and enacted in waqf settings in Saudi Arabia; and
- (iii) To examine the application of the stakeholder salience theory on waqf institutions.

B. INTERVIEW GUIDE

Semi-structured and open-ended Interview guide & protocol

Formal Introduction

1. Introduce myself and my interest in Saudi waqf.
2. Present a brief overview of research project.
3. Establish identity/relationship of interviewee with the waqf.
4. Assure interviewee that all information provided will be treated in strict confidence and will not be directly attributed.

Interview questions

Organisational Background

Name of organisation

How would you describe the principal mission of your organisation?

Legal form of organisation

Number of employees

Total revenue from awqaf

Which government agency supervises your waqf? and can you describe the relationship with the government?

Main Questions
What are your primary roles and responsibilities as a trustee?
How do you carry out these responsibilities of trustee?
What specific duties of accountability do you have as a trustee?
From your organisation's perspective, to whom is your organisation accountable?
Which of them do you consider to be your main stakeholders? can you prioritize them?
What is the role of the stakeholders in the organization?
How does your organization demonstrate accountability to its stakeholders?
From your organisation's perspective, what do you feel the organisation is accountable for?
What are the accountability and transparency requirements in Saudi's waqf institutions?
What reports do you provide to government or other parties to demonstrate accountability ? (e.g. annual report, funding acquittal reports, evaluations, web pages, advocacy documents, submissions to government, ad hoc reports)

What type of information is provided in the accountability reports? (eg financial, quantitative KPIs, qualitative narrative, outcomes achieved).

Does your organisation prepare an annual report? Is this compulsory? why does your organisation prepare them?

Are your organisation's financial accounts audited? Is this compulsory? If not, why does your organisation submit to audit?

Is there a general accountability and transparency problem in waqf institutions in Saudi Arabia? If so, what are its causes, and how widespread is it?

Formal conclusion

1. Thank participant for their time.
2. Tell participant a transcript of the interview will be sent by email so that he can check for completeness and accuracy.

Appendix 3

Ethical approval



Ethics Application System <ethics@rhul.ac.uk>

Wed 08/03/2017, 14:20

Alomair, Mohammed (2015); CHRISTOPHER.NAPIER@ROYALHOLLOWAY.AC.UK; ethics@rhul.ac.uk ↕

You forwarded this message on 10/03/2017 15:24

PI: CHRISTOPHER NAPIER

Project title: THE EVOLUTION OF GOVERNANCE AND ACCOUNTABILITY IN CORPORATE WAQF INSTITUTIONS IN SAUDI ARABIA

REC ProjectID: 335

Your application has been approved by the Research Ethics Committee.

Please report any subsequent changes that affect the ethics of the project to the University Research Ethics Committee ethics@rhul.ac.uk