



**ACCOUNTABILITY IN MANAGING FUNDS: THE  
CASE OF SELECTED MOSQUES IN KALIMANTAN  
TIMUR, INDONESIA**

**BY**

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the degree of Master of Science in Accounting**

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## ABSTRACT

There has been evidence of embezzlement and mismanagement of public charities funds in non-profit and religious organisations based on the Marquet Report, 2012. It indicates the lack of accountability in non-profit and religious organisations. Mosques are one example of non-profit religious organisations. There are several studies of accountability in religious organisations. However, there are only a few studies that have discussed accountability in mosques. Therefore, this study aims to examine accountability in managing funds at selected mosques in Kalimantan Timur, Indonesia. The study uses the concept of accountability mechanisms by Ebrahim (2003) to view the accountability activities in Kalimantan Timur's mosques. This study uses interviews, observations, field notes and document analysis as data collection. Semi-structured interviews are used as the method to gain a perception of the mosques' committees. In addition, this study explores Miles and Huberman's methodology of data analysis through a hermeneutic approach. There were six mosques in the research field, which means that 24 persons became interviewees. There are several findings in accountability mechanisms in this study. There is the informal accountability form, namely the medium of communication through radio and financial reporting on noticeboards. Interestingly, participation and social auditing are indicated as both formal and informal accountability in the accountability mechanism. In other words, the classification of formal and informal is blended in the mosque setting in Kalimantan Timur. Furthermore, there are three reasons why accountability is manifested as such. First, the appearance of cultural influence gives effect to accountability mechanism such as self-regulation and disclosure report. Furthermore, understanding formal and informal accountability determines how far a mechanism in Kalimantan Timur Mosque. In addition, formal accountability and informal accountability are prepared for community accountability. Indeed, community accountability is depicted as *ibadah* (worship) to Allah.

## ملخص البحث

قد كان هناك دليل على الاحتيال وسوء إدارة الأموال العامة الخيرية في المنظمات غير الربحية والمنظمات الدينية وهذا تقوم على تبليغ ماركية 2012. وهذا يدل على عدم وجود المساءلة في منظمة دينية غير هادفة للربح. المسجد هو مثال واحد من منظمة دينية غير ربحية . حقا، هناك بعض الدراسات التي تحدث حول المساءلة في المنظمات الدينية. ولكن، لا يوجد سوى عدد قليل من الدراسات التي تناولت المساءلة أو المحاسبة في المسجد. لذلك، تهدف هذا البحث إلى دراسة المساءلة في إدارة الأموال في المساجد المختارة في شرق كاليفانان بأندونيسيا. يستخدم هذا البحث بمفهوم آليات المساءلة التي كتبها إبراهيم (2003) لمعرفة أنشطة المساءلة في المساجد في كاليفانان الشرقية. يستخدم هذا البحث بطريقة المقابلات، والملاحظات، والملاحظات الميدانية وتحليل الوثائق في جمع البيانات. وقد استخدمت المقابلات شبه - هيكلية كوسيلة للحصول على نظرة أعضاء لجنة المسجد. علاوة على ذلك، تستكشف هذه الدراسة منهجية مايلز وهابرمان لتحليل البيانات من خلال نهج تفسيري. هناك ستة مساجد في مجال البحث، وبذلك يصبح 24 شخصا يشاركون في تلك المقابلات. هناك نتائج عديدة في آليات المساءلة في هذه الدراسة. أولاً، هناك شكل من أشكال المسؤولية غير الرسمية، وهو التواصل من وسائل الإعلام الإذاعية والتقارير المالية على لوحة إعلانات. ومن المثير للاهتمام، تتميز المشاركة والمراجعة الاجتماعية على حد سواء إما في المساءولية الرسمية وغير الرسمية في آليات المساءلة. وبعبارة أخرى، أنّ تصنيف الرسمية وغير الرسمية مختلطة في تحديد المسجد في شرق كاليفانان. علاوة على ذلك، كانت هناك ثلاثة عوامل في ظهور سبب هذه المساءلة على هذه الصفة. العاملة الأولى هي أن مظهر التأثير الثقافي يؤثر الآلية المساءلة وعلى سبيل المثال التنظيم الذاتي و تقرير الإفصاح. وأيضا الفهم في المساءلة الرسمية وغير الرسمية يحدد مدى آلية في المساجد بشرق كاليفانان. أخيرا، تقسيمات المسجد يحدد مدى الآلية رسمية أو غير رسمية. وبالإضافة إلى ذلك، أنّ المساءلة الرسمية وغير الرسمية هي استعداد للمساءلة العامة. و في الواقع، توصف المساءلة العامة كوسيلة عبودية إلى الله تعالى.

## APPROVAL PAGE

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## DECLARATION

I hereby declare that this dissertation is the results of my own investigate research work, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions of higher learning.

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SELECTED MOSQUES IN KALIMANTAN TIMUR,  
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## **LIST OF ABBREVIATION**

DKI	Daerah Khusus Ibukota
IRD	Islamic Religious Department
IRC	Islamic Religious Council
NGO	Non- Governmental Organization
P.B.U. H	Peace Be upon Him
PSAK	Pernyataan Standar Akuntansi Keuangan
UNDP	United Nation Development Programs

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.0 INTRODUCTION**

This is an introductory chapter which consists of seven sections. It begins by presenting the background of the study which elaborates the overview. The following section discusses the problem statement of the study. The next section outlines the motivation of the study. Research objectives and research questions are stated in section four. Section five shows the significance of the study. The organisation of the study is presented in the next section. The last section concludes this chapter.

### **1.1 BACKGROUND OF THE STUDY**

The development of accounting knowledge and systems still has many challenges, namely corruption, fraud and the manipulation scandals in for-profit organisations such as Enron and Worldcom. These challenges are faced not only by for-profit organisations, but also by non-profit and religious organisations (Gibelman and Gilman, 2001; Gibelman and Gilman, 2002; Fremont-Smith, 2004; Greenlee et al., 2007). This is also proven by the 2012 Marquet Report on Embezzlement in the United States, which stated that non-profit and religious organisations have about one-eighth of all major embezzlement incidents. These scandals have indicated non-profit and religious organisations lack of financial transparency and accountability (Duncan et al., 1999; Duncan and Flesher, 2002; Jacking et al., 2007; Dhanani and Connolly, 2012).

Accountability can be defined as demanding and giving an account (Roberts and Scapens, 1985), where the demanding is from the principals (the management) and the giving is the responsibility of the agent (the community and the organisation). Accountability is indicated by individuals' and organisations' actions, not only through reporting and disclosure requirements, but also in their responsibility to the public in terms of organisational values and performance (Ebrahim, 2003). In other words, accountability is a human notion in organisations for applying targets to the community.

This study examines accountability used in Islamic organisations, i.e. the mosque. Therefore, the concept of accountability in this study is extended to an Islamic perspective which relates to the concept of *taklif* (accountability). It concerns the fact that everyone is accountable for his actions or inactions in the Hereafter (Al-Safi, 1992). There are some studies of Islamic organisations that include the concept of *taklif* (Abdul Rahman and Goddard, 1998; Siraj et al., 2007; Sulaiman et al., 2008; Nahar and Yaacob, 2011). Islamic accountability emphasises that accounting information must produce an effect for community and show responsibility to Allah. Therefore, the concept of accountability in Islam is seen in a sacred context, and different from Western religious Church and Christian organisations.

Several studies have been conducted about accounting practices in mosques (Siraj et al., 2007; Sulaiman et al., 2008; Adnan, 2013; Said et al., 2013). These studies indicate the importance and needs of accountability in accounting practices in mosques such as management, internal control and budgetary systems. The mosque is a religious place that the Muslim community lives close to, and which has mosque activities. Thus, the activities must provide accountability to the community.

The number of mosques in Indonesia based on statistics is 643,834, of which 2,178 are in Kalimantan Timur. In addition, the number of the population of Kalimantan Timur considered 'poor' has increased from 247,900 in March 2011 to 253,340 in March 2012. Despite these statistics, the per capita income for Kalimantan Timur is the second highest after DKI (Daerah Khusus Ibukota, or the special capital region) Jakarta, the capital of Indonesia. Therefore, according to economy disparity in Kalimantan Timur, the function of Indonesian mosques can be used potentially to reduce the problems of poverty.

Despite the importance of the mosque as a religious organisation, Duncan et al. (1999) have indicated that accountability in religious organisations is problematic. In addition, there are very few studies from an Islamic perspective. Therefore, more studies are needed for religious organisations in terms of studies of accountability, especially in mosques. Thus, this study is an effort to fill this gap in the literature.

## **1.2 PROBLEM STATEMENT**

The 2012 Marquet Report highlights cases of fraud, manipulation and corruption scandals in both non-profit and religious organisations. Gibelman and Gelman (2001) indicate that some public scandals in non-profit organisations reveal a lack of appropriate oversight and a failure to maintain accountability mechanisms. They added that the main feature of scandals is the problem of governance, which is a failure to supervise operations, inappropriate delegation or authority, and a failure in internal control.

Furthermore, it is embarrassing that several embezzlement cases involve religious organisations such as churches and other Christian organisations. The issues include a lack of accountability in terms of the internal control of using funds (Duncan



and Flesher, 2002; Duncan et al., 1999). Therefore, the study of accountability is essential for religious organisations to improve their management in order for them to serve the public.

### **1.3 MOTIVATION OF THE STUDY**

Accountability is a crucial and essential mechanism for non-profit and religious organisations. The leader of United Nations Development Programs (UNDP), Helen Clark, in her statement in 2013, said that accountability is part of a mission for non-profit organisations. She emphasises: “I look forward to implementing this vision and to making UNDP an ever more transparent, accountable and effective organisation”. Therefore, in order to achieve this vision, accountability is one of the important elements to constitute organisations.

The issue of the lack of accountability in religious organisations becomes a motivation for the researcher in doing this study. Accountability is indicated not only by individuals’ and organisations’ actions (reporting and disclosure requirements), but also in their responsibility to organisational values and their performance towards the public (Ebrahim, 2003). It means that accountability is needed to manage funds in religious organisations.

Furthermore, there are several studies about the accountability concept in religious organisations (Laughlin, 1990; Edwards, 1990; Abdul Rahman and Goddard, 1998; Quattrone, 2004; Jacobs and Walker, 2004; Siraj et al., 2007; Sulaiman et al., 2008; Jayasinghe and Soobaroyen, 2009; Ahmad-Zamri, 2010; Nahar and Yaacob, 2011; Said et al., 2013). These studies indicate that the accountability concept in religious organisations is important in managing funds.

#### **1.4 RESEARCH OBJECTIVES AND RESEARCH QUESTIONS**

The objective of this study is to examine accountability process in managing funds of Kalimantan Timur's mosques. Managing funds here relates to charity funds such as *zakat*, *infaq* and *sadaqah*. In order to achieve the objective, the following research questions are proposed:

1. How is accountability process in the Mosques of Kalimantan Timur, Indonesia manifested?
2. Why is accountability manifested as such?

In answering the first research question, the study uses Ebrahim (2003) as a general guide. Firstly, how mosque managements disclose their financial reporting. Secondly, how mosque management and society participate in mosque activities. Thirdly, how accountability relates with the regulation in the mosque activity. Fourthly, how evaluation and assessment are performed and undertaken in the mosque's activities. Finally, how mosques perform a social audit of their activities. These questions form an integral part of the process of accountability in mosques of Kalimantan Timur (see Ebrahim, 2003).

The second question is to understand why accountability is manifested as such. After gathering some understanding on how accountability is undertaken (i.e., first research questions), the second research question examines the reason as to why accountability is undertaken in that manner. For example, why the mosque puts an emphasis on financial disclosure.

#### **1.5 SIGNIFICANCE OF THE STUDY**

The findings of the study will contribute to three aspects, which are theoretical, practical, and the policy aspect. Theoretically, this study will contribute to an on-

going literature on the issue of religious organisations' accountability in Indonesia. Practically, this study will contribute to an understanding of current practices of accounting in mosques in terms of providing accountability in those mosques. In addition, this study will acknowledge the regulation setter in terms of government as the controlling function for policy in mosque accountability. Thus, if accountability is clearly seen in mosques as public trust, it will support the solving of poverty problems in society.

## **1.6 ORGANISATION OF THE STUDY**

The study consists of eight chapters.

- Chapter 1:       **Introduction.** This chapter provides a brief discussion of the background of the study, a problem statement, motivation, research objectives and research questions, as well as the significance of the study.
- Chapter 2:       **Accountability.** This chapter provides a brief discussion of the perspectives of accountability, the classification of accountability, the mechanism of accountability, accountability in religious organisations, accountability in an Islamic perspective, and gaps in the research.
- Chapter 3:       **Mosques.** This chapter discusses the history of the mosque, the role and types of mosques, and mosques in Indonesia
- Chapter 4:       **Conceptual Framework.** This chapter presents the accountability framework modification from Shahul-Hameed (2000b), and the transferring accountability mechanisms of Ebrahim (2003).

- Chapter 5: **Research Methodology.** This chapter covers research design that particularly discusses the research method, data collection and data analysis.
- Chapter 6: **Mosque Accountability in Kalimantan Timur.** This chapter presents and explains the data display based on the themes of the data. It delivers mosque typology and several accountability mechanisms in Kalimantan Timur.
- Chapter 7: **Accountability and Management Practice in Mosques.** This chapter explains accountability and management practice in Kalimantan Timur mosques. It delivers the combination of the real practice in the mosque, supported by literature. In addition, an accountability framework for mosques in Kalimantan Timur is proposed.
- Chapter 8: **Conclusions.** This chapter concludes the findings of the study, including contributions, several limitations, and future research suggestions in continuing to address the limitations faced by this study.

## **1.7 CONCLUSION**

This study extends the literature on accountability in religious organisations, which are mosques. A mosque is considered a non-profit organisation to provide a prayer place and a social function. Therefore, this study examines the accountability process in managing funds of Kalimantan Timur's mosques.

## **CHAPTER TWO**

### **ACCOUNTABILITY**

#### **2.0 INTRODUCTION**

Willmott (1996) noted:

“As human beings, we are continuously engaged in the activity of making sense of the world... by giving and receiving accounts [as communication in everyday life].” (24)

Accountability is noted as the human notion in daily life. It is a continuous activity, engaged with the social relationship (Dubnick, 2006). Therefore, this chapter focuses on the literature review which is related to this study. This chapter discusses the main literature on accountability. There are seven sections in this chapter. The next section discusses perspectives of accountability. The following section explains the classification of accountability. Section three exhibits the mechanisms of accountability in several literatures. Section four meanwhile explores accountability in religious organisations. Accountability in Islamic perspectives is highlighted in section five. The research gaps are outlined in the following section. Section seven concludes.

#### **2.1 THE PERSPECTIVES OF ACCOUNTABILITY**

A perspective is a view or description about something which captures several meanings. There are perspectives of accountability which explain how the view of accountability is based on several literatures. Indeed, the study elaborates on three perspectives, namely definition, morality, and power or control. Firstly, accountability becomes “the buzzword” of the moment. Lee (2004) highlights accountability as a

very trendy word in the globalisation debate. Accountability is derived from the word “account” which comes from the Old French *a conter*, meaning to tell a story, and from the late Latin *acomputare*, meaning to compute (Boland and Schultze, 1996). They noted that accountability is the explanation about a story and calculation which involves a moral value. The reflection of calculation creates the meaning of the value that discloses numbers in financial reporting. However, accountability problems emerge from the practitioners of legislative systems themselves, contracts and mechanisms (Scott, 2000). ‘Doers’ or ‘actor’ can be said to be people who are involved in a legislative function, contracts, and mechanism organisations as accountability representations.

Another perspective of accountability is moral action. All people experience accountability in their lives, and they must be accountable for their actions. Accountability has a performative notion, which means that to be accountable implies an action. Sinclair (1995) explains accountability as a relationship in which people are demanded for taking a duty as their action. This is similarly noted by Scott (2000), stating that accountability as a responsibility is to give an account of one’s actions to some other person or organisation. This implies that ‘action’ is a word that describes accountability in which human beings ought to be responsive about their action. Schweiker (1993) asserts that:

“Claims of social responsibility are confused...because we cannot speak of corporation [which is organisation] as moral agent... [Indeed] moral agent is a self-identical [referred to individual]”. (235)

Schweiker concludes that accountability can be emphasised in human actions as the moral agent. In other words, in a social context humans must have moral value in doing their actions. It means that the human action symbolises their responsibility. In addition, Shearer (2002) argued that the moral individual is expected to be

accountable. The scope of accountability for a moral individual is thought to be wider than for an amoral individual, because his perception's understanding of accountability extends beyond his or her interests. Thus it can be concluded that an accountable person will go beyond the advantage of the accountability. Indeed, it leads to a benefit for society at large.

Accountability also relates to control or power (Roberts and Scapens, 1985; Paul, 1992). Roberts and Scapens (1985) stated that accounting practices are related to the operation of power. The operation of power in accounting practices will be a leading decision tool in terms of financial reporting as a result of accountant accountability. Paul (1992) defines accountability as holding individuals and organisations responsible for performance measurement purposes. In other words, accountability can control individuals and hold them responsible in terms of achieving good performances and measurement as an organisational target. Scott (2000) emphasises that to constitute accountability we must clarify the goal and target, and monitor the performance. In summary, power and control in accountability perspectives can be a good tool for an organisation. However, accountability perspectives have many aspects for understanding, because of the chameleon nature of accountability forms and discourses (Sinclair, 1995). It determines that many accountability perspectives depend on what aspects we want to understand.

In summary, accountability is an automotive action in that an individual knowingly undertakes certain duties or responsibilities. In other words, being accountable consciously can entail our accountability as human beings. Thus, human beings can be responsible for their duties or tasks in social life. Recognising that there are many perspectives of accountability, similarly there are few classifications of it. Therefore, the following section will explain the classification of accountability.

## **2.2 THE CLASSIFICATION OF ACCOUNTABILITY**

There are various literatures on accountability classification. Classification means the process of putting accountability based on features in a particular group. Sinclair (1995) highlighted that an accountability study depends on the “ideologies, motifs, and language of our times”. There are two sections of accountability form in this study, namely formal and informal accountability. Therefore, there are many representative studies of formal accountability (Sinclair, 1995; Laughlin, 1996; Roberts, 1996; Edwards and Hulme, 1996; Ebrahim, 2003; O’Dwyer and Unerman, 2008) and informal accountability (Willmott, 1996; Gray et al., 2006; Hardy and Ballis, 2013). Thus, it is important to note that accountability study involves the nature of giving an account (Willmott, 1996), and this notion is important in order to maintain the social system (Roberts, 1996).

### **2.2.1 Formal Accountability**

There are some representative studies of formal accountability (Sinclair, 1995; Roberts, 1996; Edwards and Hulme, 1996; Ebrahim, 2003; O’Dwyer and Unerman, 2008). Roberts (1996) defines formal accountability as that dedicated to a formal relationship within a system of bureaucracy. In other words, the relationship of the accountability process is conducted through bureaucracy. The bureaucracy system describes the formal relationship between each other.

Roberts (1996) categorises formal accountability as individualising accountability. Individualising accountability is defined as generating a sense of the individual as singular and solitary through only an instrumental sense with its relationship to the other. Individualising accountability can be defined similarly to Sinclair’s categorisation (1995). For instance, Sinclair (1995) emphasises professional