



THE DISCLOSURE PRACTICES OF MOSQUES IN
SINGAPORE

BY

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the degree of Master of Science (Accounting)

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ABSTRACT

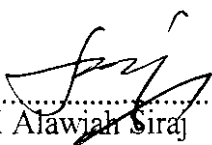
The deficiencies in reporting practices among the state mosques in Malaysia revealed that the responsibility to issue disclosure statements and reports, one of the significant tools of accountability, is not appropriately discharged. However, in Singapore, financial accounting and reporting is highly regulated which suggests that mosques in Singapore have sound financial reporting practices. In this light, this paper attempts to study one of Malaysia's neighbouring countries, Singapore, to learn of the disclosure practices of the mosques there. Thus, the main objective of this study is to examine the disclosure practices of mosques in Singapore. This study measured the extent of the information disclosed on the websites and financial statements of the mosques by using an adapted disclosure index. The findings of the study revealed that majority of the mosques have a website and comply with AMLA 1966 in having their financial statements displayed in the mosque. It was also found that the mosques could also voluntarily disclose non-financial information. This included the background of the mosques and their office bearers, list of services, and current and future programs. Further, information contained in the financial statements by the majority of the mosques conforms to the regulations and guidelines prescribed for them, although some inconsistencies were identified. The findings obtained from this study are expected to provide insight into the financial reporting of Singapore mosques and highlight the need to have a financial reporting framework for mosques in Malaysia, as well as other countries.


ملخص البحث

كشفت أوجه القصور في إصدار التقارير بين مساجد الدولة في ماليزيا أن مسؤولية إصدار البيانات والتقارير ، واحدة من أهم أدوات الإلتزام ، لا يتم تطبيقها بشكل مناسب. ومع ذلك ، في سنغافورة ، المحاسبة المالية وإعداد التقارير تشهد درجة عالية من التنظيم مما يوحي بأن المساجد في سنغافورة لديها ممارسات سليمة في إصدار التقارير المالية. في ضوء ذلك ، يسعى هذا البحث إلى دراسة واحدة من البلدان المجاورة لماليزيا ، سنغافورة ، لمعرفة ممارسات الإفصاح في المساجد هناك. وبالتالي ، فإن الهدف الرئيسي من هذه الدراسة هو فحص ممارسات الإفصاح في مساجد سنغافورة. يقاس حجم المعلومات المنشورة في تقارير المساجد التي يكشف عنها في مواقع الإنترنت والقوائم المالية للمساجد باستخدام مؤشر الإفصاح الملانم. كشفت نتائج الدراسة أن الغالبية العظمى من المساجد لديها موقع على شبكة الانترنت وتمثال مع **AMLA 1966** في وتوفير بياناتهم المالية المعروضة في المساجد. ووجد أيضا أن المساجد يمكن أن تكشف طوعية عن المعلومات الغير مالية. وهذا الإفصاح يحتوي على خفية عامة حول المساجد والمسؤولين فيها ، قائمة الخدمات ، و البرامج الحالية والمستقبلية. بالإضافة إلى ذلك ، و بالرغم من بعض التضاربات المسجلة ، المعلومات التي تحتوي عليها التقارير المالية لمعظم المساجد تتماثل مع القواعد والتعليمات الموضوعة لها. يتوقع من النتائج المتحصل عليها من هذه الدراسة توفير نظرة ثاقبة لتقارير المالية في المساجد السنغافورية وتوضيح الحاجة لوضع إطار عملي لتقارير المالية للمساجد الماليزية ومساجد الدول الأخرى.

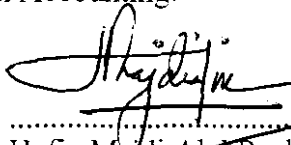
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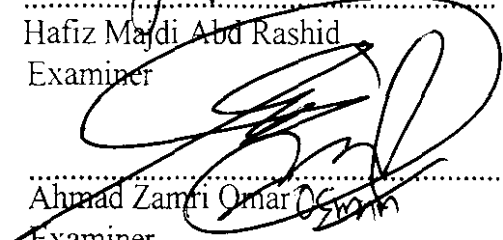
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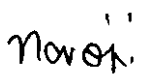

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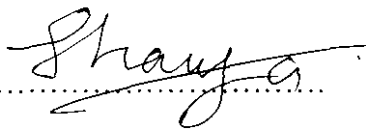
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DECLARATION

I hereby declare that this dissertation is the result of my own investigations, 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.

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Signature..........

Date...31ST MAR.2015.....

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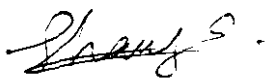
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LIST OF ABBREVIATIONS

AMLA	Administration of Muslim Law Act
HDB	Housing Development Board
MBF	Mosque Building Fund
MBMF	Mosque Building and Mendaki Fund
MENDAKI	Council for the Development of Singapore Malay/Muslim Community
MFR	Mosque Financial Regulation
MMB	Mosque Management Board
MUIS	Majlis Ugama Islam Singapura
NPO	Non-profit organisation
RNPO	Religious non-profit organisation
ROMM	Registry of Muslim Marriage
SASC	Singapore Accounting Standard Council
SFRSSE	Singapore Financial Reporting for Small Entities

CHAPTER ONE

INTRODUCTION

1.0 BACKGROUND OF THE STUDY

Disclosure of information, both financial and non-financial, is one of mechanisms for the discharge of the duty of accountability of an organisation towards its stakeholders (Connolly, Hyndman and Mc Conville, 2013; Connolly and Kelly, 2011; Cordery, 2004; Ebrahim, 2003). According to Ebrahim (2003), disclosure statements and reports by non-profit organisation “enable some degree of accountability to donors, clients and members who wish to access these reports”. Sulaiman, Adnan and Mohd Nor (2009) stress several critical reasons for disclosure practices by an organisation. Firstly, the contributors are interested in the financial health of the organisation to ensure continuity of the funds to the organisation. Secondly, the contributors also wish to ensure the funds are disbursed accordingly to the beneficiaries and lastly, the public has a right to know about the use of the funds.

However, a study conducted by Siraj, Mohamed Ibrahim and Sulaiman (2007) in the state mosques in Peninsular Malaysia, revealed a lack of financial reporting practices in these mosques. These mosques are funded not only by each respective state government, but also public donations. However, most of these mosques did not produce sufficient and appropriate financial reports to report on the use of the public donations, suggesting that they were lacking in the discharge of an important aspect of accountability, which is disclosure or reporting. Similar study on mosques suggested the lack of a systematic financial reporting system and the absence of appropriate standards or financial reporting for mosques hampers this organisation to

execute their accountabilities (Hamdan, Mohd Ramli, Jalil and Haris, 2013). Laxity in financial reporting among mosques means there is deficiencies in the amount and type of information communicated to public donors and contributors. Altruistic donors and contributors would like to be informed as to whether their donations and contributions were expended rightfully and financial reporting and disclosures would serve as an appropriate means to communicate such information. As the absence of appropriate financial reporting standards and guidelines for mosques is argued to be the contributing factor for the situation in the case of Malaysia, the study intended to investigate reporting practices in an environment in which the reporting standards and guidelines are available.

In Singapore for instance, the financial accounting and reporting practices is highly regulated which include mosques (Yaacob, Petra, Sumardi and Nahar, 2013). All mosques are required to report their financial affairs via statutory financial statements. In other words, they are legally required to produce the financial statements and later being audited on annual basis as other commercial entities. This requirement is derived from the Administration of Muslim Law Act (AMLA) 1966, which is mandated by the parliament of Singapore. In addition, the mosques are also provided with financial guidelines to guide in the management of their funds and the preparation of their financial statements. The set of financial guidelines is known as the Mosque Financial Regulations (MFR) 2008, which is issued by the Majlis Ugama Islam Singapura (MUIS); the governing body for all mosques in Singapore. In addition to AMLA 1966 and MFR 2008, the reporting of financial statements for all mosques in Singapore must also be conforming a reporting standard issued by the Singapore Accounting Standards Council (SASC) known as the Singapore Financial Reporting Standards for Small Entities (SFRSSE).

The presence of the legal framework in Singapore could suggest that mosques in Singapore would be expected to have good financial reporting in terms of their financial affairs. The rules and regulations in guide the mosques in the reporting and disclosure practice of relevant financial information and thus greater accountability could be achieved via the disclosure of such information to donor and contributors. Hence, this study attempts to examine the disclosure practices of mosques in Singapore to see whether they are able to fulfil their accountability through the disclosure of information to the relevant stakeholders by complying the rules and regulations imposed on them. It is expected that the study will offer an insight into the need to have a financial reporting framework for mosques in Malaysia in order to encourage more systematic disclosure practices.

1.1 MOTIVATION OF THE STUDY

This study on the disclosure practice of mosques in Singapore was motivated by three factors. First, religious institutions are considered to be of very high standing in society; therefore, it is expected that they demonstrate high moral and social values in every aspect of their operations, including financial reporting. Hence, the dissemination of information through their financial statements and websites is expected to be transparent, correct and meet the information needs by various stakeholders.

Second, with the presence of the financial regulations enacted in AMLA 1966 and the financial guidelines known as MFR 2008 issued by the MUIS to guide the preparation of financial statements of mosques, it is expected that mosques observe

the regulations and guidelines. Hence, the researcher was motivated to study the extent of compliance towards the prescribed guidelines and regulations.

Thirdly, although disclosure practices of religious organisations are viewed as important, there has been limited research into this area. Previous studies on the disclosure practices of non-profit organisations have focused on the charity sector (see Connolly and Hyndman, 2013; Dhanani and Connolly, 2012; Cordery, 2004; Connolly and Hyndman, 2003) and little attention to religious organisations (see Nahar and Yaacob, 2011; Sulaiman et al., 2009). Moreover, previous studies on religious organisations have focused on internal control (see Duncan, Flesher and Stocks, 1999; Sulaiman et al., 2008; Bowrin, 2004). Therefore, this study is intended to fill the gap in the literature by examining the disclosure practices of mosques in Singapore.

1.2 OBJECTIVE OF THE STUDY

Reporting is a critical means of informing stakeholders about the management of the funds contributed by either the public or government or both (Connolly and Hyndman, 2013). This is to ensure the funds are managed and used in appropriate way and meet the expectations of the stakeholders. The lack of reporting in the state mosques in Malaysia identified by Siraj et al. (2007) is perhaps due to lack of regulation and appropriate guideline to guide the preparation of the financial statements. Therefore, the study of mosques in Singapore is considered relevant, as a sound financial regulatory framework exists to govern the financial affairs of mosques. Thus, it can be presumed that the disclosure practices of the mosques comply to financial rules and guidelines, and may be assumed to be excellent, in which case mosques in Malaysia could learn and benefit from them. In addition, this

could provide some insights to assist the management of Malaysia mosques to improve their financial reporting.

The purpose of this study, therefore, is primarily to examine the disclosure practice of mosques in Singapore. This study was accomplished by examining the financial statements and websites of the mosques. Specifically, the study attempts to provide the answers to the following research questions:

- i. What type of information is disclosed by the mosques in Singapore?
- ii. Do mosques in Singapore conform to the disclosure requirements of the Administration of Muslim Law Act 1966 (AMLA 1966) in terms of financial statements?
- iii. Do mosques in Singapore conform to the rules and guidelines prescribed in the Mosque Financial Regulations 2008 (MFR 2008) and Singapore Financial Reporting Standards for Small Entities (SFRSSE) in terms of disclosure practice?

1.3 SIGNIFICANCE OF THE STUDY

The significance of this study is as follows. Firstly, this study is expected to contribute to the disclosure literature. It is hoped that this study can contribute to the knowledge on the content and overall presentation of the financial statements currently provided by the mosques in Singapore.

Secondly, the findings would benefit the regulators in Singapore in assisting them to ensure the consistency of the disclosure practices of the mosques. Doing so

would include stronger enforcement and regularly checking on the compliance of the mosques with the rules and regulations prescribed to them.

Thirdly, the findings obtained could be useful to the mosques in other countries in enhancing their disclosure practice, particularly their financial statements. For those mosques which do not yet have financial statements, it is hoped that this study can give some basic information on the disclosure of financial statements. On the other hand, for mosques which issue financial statements, it is hoped that the findings can give them an idea of how to improve the presentation of the financial information through their financial statements.

Finally, the findings could also alert regulators from other countries to realise the importance of having financial guidelines to assist mosques in preparing their financial statements. Consequently, this could lead to the standardisation of the financial statements by mosques. As such, any comparison of the financial statements would also be possible.

1.4 ORGANISATION OF THE STUDY

This study comprises seven chapters. The first chapter provides a brief description of the study. The chapter also sets out the problem statement, objective and research questions of the study. The motivation and the significance of the study are also highlighted in this chapter. The chapter ends by presenting the structure of the thesis.

Chapter Two provides a review of previous studies concerning disclosure practices as a mechanism of accountability. The focus is on non-profit organisations, particularly charitable and religious organisations, due to their similar features. This chapter identifies the research gaps through the review of the literature.

Chapter Three provides a framework of the study, which is the accountability framework that forms the foundation of this study. The concept of accountability as proposed by several authors is discussed. This chapter also discusses the application of accountability to mosques.

Chapter Four presents an overview of the history of Islam in Singapore which led to the establishment of the mosques in the country. Further, the governing body that administers Muslim affairs, including the administration of the mosques, is also discussed and an overview on the MBMF mosques is given. This chapter also discusses the roles of the mosques, and the financial regulations that govern their financial.

Chapter Five presents the research methodology used in this study. The chapter explains the sample selection and procedures of data collection. The research instrument (disclosure index) used in the study is further discussed in the chapter. The method used to analyse the data is explained at the end of the chapter.

Chapter Six presents the results and discussions of the study. The results of the study are presented in table form and there is further discussion in relation to the findings and research questions.

Finally, Chapter Seven concludes the study. It provides a summary of the study and presents the answers to the research questions. The limitations of the study and suggestions for future research are also discussed in this chapter.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter discusses prior studies related to disclosure practices of non-profit organisations (NPOs), including charitable and religious organisations, as an accountability mechanism. Section 2.1 discusses the definition of accountability and the need for disclosure as a means of discharging accountability in NPOs. Section 2.2 reviews previous studies in the area of accountability through disclosure practices. Finally, section 2.3 summarises the discussions presented in this chapter.

2.1 DISCHARGING ACCOUNTABILITY IN NPOs

The term “accountability” has its origin in word “count” and it is a derivative of the word “accountable” (Yaacob et al., 2013). Accountability is a rather complex term to define, although it has long been in existence (Mulgan, 2000). In a wider sense, Robert and Scapens (1985) argue that accountability is merely the “giving and demanding of reasons for conduct”. On the other hand, Schedler (1999), cited in Botes, Diver and Davey (2013) suggests that “accountability represents a commitment to actively engage, inform and explain to stakeholders what is being done and for which purpose”. Hence, accountability involves the right of one party to receive information from another party (Gray, Dey, Owen, Evans and Zadek, 1997; Connolly and Kelly, 2011).

Non-profit organisations having the public’s trust handle public funds for the benefit of the beneficiaries. They have a responsibility and accountability to the fund

givers, commonly known as the donors, regarding the proper use of the money donated (Ali, Said, Omar, Abdul Rahman and Othman, 2012). As highlighted by Abraham (2003),

The call for accountability has arisen from two sources. One is an internal need for an NPO to be well managed, because the nature of its mission and the sources of its revenue demand a high degree of accountability. Secondly, there is the external demand for accountability because resource providers expect an NPO utilise resources in a manner that is consistent with its mission. In addition, there is demand for accountability from the public, from potential donors and from the media.

Therefore, one way a non-profit organisations is able to discharge its accountability is by communicating financial and/or non-financial information to the interested parties. Communication of this information is usually carried out by disclosing the information to the stakeholders. The most common type of disclosure of information is through an annual report and financial statements prepared at the end of every financial year to inform the stakeholders of the financial position and activities conducted throughout the year. The annual report is recognised as a primary means of an organisation to fulfil its reporting responsibilities (Connolly and Dhanani, 2006). Additionally, it is the most significant tool of accountability to provide information on the organisation (Ebrahim, 2003). Hence, the annual report and financial statements are important not only to monitor performance in terms of their efficiency and effectiveness in utilising the resources, but also to provide information to all relevant interest groups. As stated by Connolly et al. (2013):

Accountability is frequently viewed in terms of how the charity responds to the legitimate information needs of its stakeholders, and a major aspect of this response is usually made through its annual report and accounts (including financial statements and wider governance and performance information).

In the case of profit organisations, the annual report and financial statements are widely used as a medium of communication of its financial performance. It serves as a tool to help the stakeholders evaluate the performance and profitability of the company in order for them to make rational investment decisions (Zainon, Atan, Raja Ahmad and Yap, 2012). Similarly, for non-profit organisations, the annual report and financial statements serve as a similar key document to disseminate information to the stakeholders (Connolly and Hyndman, 2013). Sulaiman et al. (2009) believe that major aspects of the accountability duty may be discharged through the dissemination of accounting information

The stakeholders of non-profit organisations include the beneficiaries, public, government, and regulators, but the most important of all, the stakeholders are the donors (Connolly and Kelly, 2011) and accountability to donors is extremely important (Rossouw, 2006). These stakeholders are not directly involved in the management of the non-profit organisations; hence, they rely on external communications such as an annual report to meet their information needs (Connolly and Hyndman, 2013). Good accounting and reporting will consequently encourage the donors to increase or continue their funding because of their greater confidence in the non-profit organisation (Connolly and Kelly, 2011).

Other than charitable institutions, religious organisations such as mosques, *waqf* institutions and churches can be considered non-profit organisations as they usually possess most of the unique characteristics of the non-profit organisation (Siraj et al., 2007). Among these are the absence of ownership and the lack of performance measurement, and the people who manage and govern the non-profit organisation usually have little knowledge of business management or accounting (Duncan and Flesher, 1999). The religious organisation as a highly respected institution therefore

gains trust from the public, particularly the stakeholders. They have full confidence that the resources (monetary or non-monetary) provided are managed well. for which in turn, reporting the utilisation of the resources to the public is deemed necessary in discharging accountability (Rossouw, 2006).

However, in addition to the information disclosed in the financial statements, Connolly and Hyndman (2013) emphasis that other information, particularly which related to performance (non-financial), also has considerable importance in discharging accountability, particularly if it is related to the efficiency and effectiveness of the organisation. Therefore, providing non-financial information in the annual reports will lead to a more accountable non-profit organisation and this will in turn contribute to better management within the organisation (Connolly and Hyndman, 2003). Furthermore, in order for information to be useful. adequate financial and non-financial information should be presented to satisfy all the users' needs (Ousama and Fatima, 2010). Hence, the disclosure of non-financial information is considered supplemental to the financial information (Zainon et al.. 2012).

In the United Kingdom, in preparing an annual report, the charity sector follows a guideline in financial reporting which is known as the Statement of Recommended Practices (SORP). The SORP was first issued in 1988 due to a major failure in charity reporting identified by Bird & Morgan-Jones (1981) as cited in Connolly et al. (2013). The SORP was revised in 1995 and 2000. with the most recent revision in 2005. The latest version of the SORP published in 2005 requires more comprehensive disclosure of information than the earlier versions. The SORP is considered to be a statement that guides the charity sector to the achievement of “best practice” in preparing the financial reports. The recommendations were not mandatory but all charities in UK are encouraged to follow them. The existence of the

SORP 2005 has nevertheless raised the confidence of public in the charity sector (Connolly and Hyndman, 2013). As stated by Connolly et al. (2013),

The SORP provides an interpretation of how generally accepted accounting principles (GAAP) and legislation apply to charities and charitable transactions. It deals with accounting practice for those charities producing accruals accounts in order to give ‘a true and fair view’ of their financial activities and affairs.

2.2 ACCOUNTABILITY THROUGH DISCLOSURE PRACTICES

Prior research examining disclosure practices of NPOs can be classified into two strands: first, studies that analyse the contents of annual reports to identify the extent of accountability discharged by NPOs, such as whether the NPOs discharge their fiduciary, managerial, strategic and financial accountability (see Connolly and Dhanani, 2006 and Dhanani and Connolly, 2012). Second, the existence of reporting as a means of discharging accountability which means the availability of an annual report or annual review showing that NPOs have discharged their accountability to the public (see Rowe and Gourix, 1986; Connolly and Hyndman, 2003; Sulaiman et al., 2009; Ihsan and Mohamed Ibrahim, 2011; Nahar and Yaacob, 2011; Atan, Zainon, Yeow and Aliman, 2012).

Connolly and Dhanani (2006), analysing annual reports of 100 charities in the United Kingdom, found that most of the charity organisations provide information in the annual report, and discharge their fiduciary accountability rather than managerial accountability. Fiduciary accountability highlights “probity, compliance, control and good governance practice” which the charities have fully addressed in the financial statements and narrative reports, while managerial accountability emphasises “managerial effectiveness and impact on society”. They found one of the reasons for the low level of managerial accountability is, the focus of the SORP itself is on