



INTERNAL CONTROL PRACTICES OF WAQF MANAGEMENT IN YAYASAN CANSELOR, UNIVERSITI KEBANGSAAN MALAYSIA

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ABSTRACT

Internal controls are essential to the achievement of organizational objectives. In any organization, the absence of these controls could contribute to the unreliability of financial reporting, the inability to achieve effectiveness and efficiency, and noncompliance with applicable regulations and laws. This study investigates the waqf unit's internal control practices at Yayasan Canselor Universiti Kebangsaan Malaysia (YCUKM). The investigation of internal control practices in the waqf unit was guided by the Committee on Sponsoring Organizations (COSO, 2013) internal control framework. Interviews and reviews of pertinent documents were utilized to collect data. The investigation revealed that the waqf unit of the Yayasan Canselor Universiti Kebangsaan Malaysia (YCUKM) had implemented all five internal control procedures. Control environment, risk assessment, control activities, information and communication, and monitoring activities are included. This study concludes that internal control is necessary for achieving an organization's goals. The findings may be used as a reference for enhancing internal control practices in waqf institutions in Malaysian public universities.

Keywords: Internal Control Practices, Waqf Unit, Yayasan Canselor UKM, Waqf Management



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INTRODUCTION

Internal control is a process designated to provide reasonable assurance regarding the reliability of financial statements, effectiveness and efficiency of operations, and obligation to regulations and laws. Internal control comprises five components: the control environment, risk assessment, control activities, information and communication, and monitoring activities (COSO, 2013). The frequently asked question about internal control is the importance of internal control. Based on previous studies, the researchers listed several reasons for the importance of internal control. Internal control, which positively affects performance (Umar & Dikko, 2018), is part of the financial accountability process (Kamaruddin & Ramli, 2018). It helps better deal with risks and new challenges (Amina, 2021), practices segregate duties (COSO, 2013), controls fraud and prevents financial fraud (Ha Le & Tran, 2018), affects the usefulness of accounting information and the success of decision-making (Phornlaphatrachakorn, 2019), and affects the timeliness of delivering financial statements (Mardi et al., 2020).

Previous internal control studies by Kamaruddin and Ramli (2017) presented the current internal control practices of Islamic non-profit organizations in Malaysia. This study has suggested a broader scope by examining other religious types of non-profit organizations. Meanwhile, Islamiyah, Siraj and Osman (2020) conducted a study investigating the internal control practices in selected Indonesian mosques. For future research, Islamiyah et al. (2020) suggest future studies in internal control practices to be conducted in other Islamic organizations, such as the institutions of waqf. Management in waqf institutions has been chosen due to the establishment of waqf institutions in each of Malaysia's public universities. As already known, waqf is a state matter. Waqf institutions in Malaysian public universities are subject to the jurisdiction of the State Islamic Religious Council (SIRC).

Some problems that arise in the waqf management of Malaysian public universities, such as those presented by Zainuddin, Mutalib, Rashid, Rodzi and Hashim (2022), are limitations to exploring and executing waqf. Waqf institutions have to undergo a long and complicated bureaucratic process when making decisions, including applying for tax exemptions from the Inland Revenue Board. Apart from that, the problem faced is the lack of segregation of duties. Through the same study, the waqf unit established was led by lecturers. There is no clear separation of responsibilities or tasks between individuals, potentially leading to conflicts of interest, a lack of accountability, the risk of misuse of waqf resources, and inadequate oversight. It also creates additional challenges related to the allocation of time. Waqf management also faced problems with poor information and communication. It is because there is uncertainty in the distribution of scholarship recipients at the university, according to Mohaiyadin and Aman (2021). Some students received scholarships from two different institutions. It raises questions about how the selection of scholarship recipients from waqf institutions is made. Apart from that, there is the possibility that an entry error might occur in the preparation of the receipt when no declaration of name, only "Servant of Allah," has been made. An issue might arise when the contributor asks for a receipt after several months to obtain a tax exemption.

These problems might occur in the waqf management of Malaysian public universities because of the absence of an internal control framework. The Ministry of Higher Education published the Purple Book of the University Transformation Programme in 2016 to provide general advice on how to set up sustainable waqf at public universities (Ministry of Higher Education, 2016). Meanwhile, Jabatan Wakaf, Zakat, dan Haji (JAWHAR) also provides the





Manual on Waqf Management for Educational Institutions, focusing on guidelines for accounting, disclosure, and auditing of waqf (JAWHAR, 2018). However, no guideline stresses the internal control of waqf management in Malaysian public universities. The existence of internal control over waqf management in Malaysian public universities remains a question mark following various approaches to waqf implementation in Malaysian universities. There is scarce literature on internal control studies in waqf management in Malaysian public universities identifying the implementation process of internal control practices. Thus, this study was embarked on to fill in the gap. Specifically, the study identifies the processes of internal control practice for waqf management at the waqf unit in Yayasan Canselor, Universiti Kebangsaan Malaysia (UKM). This study may contribute to the supplemental literature on internal control practices, improve the governance of waqf management, and facilitate the development of an internal control framework.

LITERATURE REVIEW

Malaysian Universities and Waqf Management

Public Universities in Malaysia

Higher education institutions (HEIs) for public universities in Malaysia can be divided into three categories: research, focused, and comprehensive. Twenty public higher education institutions were established: five research universities, eleven focused universities, and four comprehensive universities. Table 1 below lists all the public universities in Malaysia according to their category and year of establishment.

Table 1: List of 20 Malaysian public universities (Sorted by category)

Category	University Name	Year	Location
Research University	Universiti Sains Malaysia (USM)	1969	Pulau Pinang
	Universiti Malaya (UM)	1961	Kuala Lumpur
	Universiti Kebangsaan Malaysia (UKM)	1970	Selangor
	Universiti Putra Malaysia (UPM)	1971	Selangor
	Universiti Teknologi Malaysia (UTM)	1975	Johor
Focused Universities	Universiti Utara Malaysia (UUM)	1984	Kedah
	Universiti Malaysia Kelantan (UMK)	2006	Kelantan
	Universiti Pendidikan Sultan Idris (UPSI)	1997	Perak
	Universiti Malaysia Pahang (UMP)	2002	Pahang
	Universiti Tun Hussein Onn Malaysia (UTHM)	2000	Johor
	Universiti Sains Islam Malaysia (USIM)	1998	Negeri Sembilan
	Universiti Teknikal Malaysia Melaka (UTEM)	2000	Melaka
	Universiti Sultan Zainal Abidin (UNISZA)	2006	Terengganu
	Universiti Malaysia Perlis (UNIMAP)	2002	Perlis
	Universiti Malaysia Terengganu (UMT)	1999	Terengganu
	Universiti Pertahanan Nasional Malaysia (UPNM)	2006	Kuala Lumpur
Comprehensive Universities	Universiti Teknologi MARA (UiTM)	1999	Selangor
	Universiti Islam Antarabangsa Malaysia (UIAM)	1983	Selangor
	Universiti Malaysia Sarawak (UNIMAS)	1992	Sarawak
	Universiti Malaysia Sabah (UMS)	1994	Sabah

Source: Ismail et al. (2019); Jabatan Pendidikan Tinggi (2020); Study Malaysia (2022)





Research universities emphasize research and development-based teaching (R&D). Universiti Malaya (UM), Universiti Kebangsaan Malaysia (UKM), Universiti Putra Malaysia (UPM), Universiti Sains Malaysia (USM), and Universiti Teknologi Malaysia (UTM) are universities included in this category. To promote excellence among regional higher education institutions, research universities receive additional funding for R&D and research commercialization (Study Malaysia, 2022).

On the other hand, comprehensive universities offer various courses for students at all educational levels, including pre-undergraduate, undergraduate, and graduate degrees. This category includes Universiti Teknologi MARA (UiTM), Universiti Islam Antarabangsa Malaysia (UIAM), Universiti Malaysia Sabah (UMS), and Universiti Malaysia Sarawak (UNIMAS). Conversely, focused universities specialize in fields such as technical subjects, science, management, and defense. Eleven universities are included in this category: Universiti Utara Malaysia (UUM), Universiti Pendidikan Sultan Idris (UPSI), Universiti Malaysia Pahang (UMP), Universiti Tun Hussein Onn Malaysia (UTHM), Universiti Teknikal Malaysia Melaka (UTeM), Universiti Malaysia Perlis (UniMAP), Universiti Sultan Zainal Abidin (UNISZA), Universiti Sains Islam Malaysia (USIM), Universiti Malaysia Terengganu (UMT), Universiti Malaysia Kelantan (UMK), and the Universiti Pertahanan Nasional (Fadhilah, Zurina, Mohammad & Nursilah (2017).

Malaysian public universities receive almost 90% of their funds from the government, with the remaining 10% coming from student fees (Ministry of Higher Education, 2015). In the 2016 national budget, a total of RM 13 billion was allocated to the MoHE, of which RM 7 billion was explicitly allocated to public higher education institutions (Ministry of Finance, 2015). However, it was reported that the 2016 budget for MoHE was significantly reduced by RM 2.4 billion compared to its allocation in the 2015 national budget (15.3 percent reduction), with local public universities being burdened by the budget reduction (Ministry of Higher Education, 2015). Excluding UKM, 19 out of 20 local public universities experiences budget cuts in 2016. It includes Malaysia's top-ranked UM (a reduction of 27.3 percent), as well as UiTM (23.7 percent) and UMT (23.8 percent) (Belaja, Mohamed & Rozzani, 2019; Ministry of Finance, 2015). Due to the budget cuts, public universities have established waqf entities to achieve the government's objective (Hussin & Rashid, 2017).

Waqf Management in Malaysian Universities

According to a study by Mahamood, Rahman and Seman (2018), 12 Malaysian public universities, including UPM, USIM, UKM, USM, UMT, UTHM, UTM, UiTM, UNISZA, UMP, UNIMAP, and UTEM, have already implemented the collection and development of waqf. However, there are still eight other public universities where the implementation of the waqf process remains incomplete, which are UM, UIAM, UPNM, UUM, UNIMAS, UMS, UMK, and UPSI, is incomplete at eight other public universities. Currently, website analysis has revealed that all eight universities have established waqf within their respective institutions. Based on this observation, all public universities in Malaysia have established their waqf management to administer and coordinate waqf and combine it with zakat, endowment, and infaq activities. Table 2 enumerates waqf management in Malaysian public universities, their founding year, and their website address.





Table 2: Information on public universities' waqf management

No	University	Waqf Administration	Year	Website Address
1	UIAM	IIUM Endowment Fund (IEF)	1999	http://www.iium.edu.my/division/ief
2	UKM	Yayasan Canselor	2010	https://www.ukm.my/yc/wakaf/
3	UPM	Pusat Pengurusan Wakaf, Zakat dan Endowmen (WAZAN)	2011	https://wazan.upm.edu.my/
4	UTEM	Pusat Strategik Penjanaan Pendapatan	2012	https://penjanaan.utem.edu.my/
5	UMK	Bahagian Pengurusan, Pembangunan Wakaf dan Zakat	2016	https://pnc.umk.edu.my/index.php/
6	UMP	Yayasan UMP	2016	https://yayasan.ump.edu.my/index.php/ms/
7	UNISZA	Pejabat Wakaf & Endowmen, UniSZA	2016	https://wakaf.unisza.edu.my/
8	USM	Pejabat Zakat, Waqaf & Infaq (ZAWAIN)	2017	https://zawain.usm.my
9	UTM	Pejabat Wakaf UTM	2017	https://wakaf.utm.my/
10	UTHM	Pusat Wakaf & Endowmen	2017	https://wakaf.uthm.edu.my/
11	USIM	Pusat Wakaf dan Zakat	2017	https://pwz.usim.edu.my/
12	UNIMAS	Bahagian Endowmen dan Wakaf	2017	https://www.endowment.unimas.my/
13	UMS	Pusat Pelaburan, Endowmen dan Wakaf (CIEW)	2017	https://www.ums.edu.my/cie/
14	UM	Pusat Hubungan Alumni dan Kemajuan Institusi (CARIA)	2018	https://epay.um.edu.my/wakaf/home
15	UMT	Pusat Islam Sultan Mahmud	2018	https://wakafilmu.umt.edu.my/
16	UPNM	Pusat Pengurusan Wakaf	2019	https://www.upnm.edu.my/
17	UPSI	Pusat Wakaf, Endowmen, Zakat, Khairat dan Sedekah (WEZAS)	2020	https://www.wezasupsi.my/
18	UiTM	Bahagian Zakat, Sedekah & Wakaf	The website does not specify	
19	UUM	Bahagian Zakat, Wakaf dan Endowmen UUM	The website does not specify	
20	UNIMAP	The website does not specify		

Issues in Waqf Management in Malaysian Universities

Generally, waqf management in universities faces at least three problems. First, universities with varying waqf status. Several public universities have been designated as *mutawalli* and others as *qayyim*. The status was determined by the state Islamic religious council (SIRC) of the relevant universities, which demonstrates their management authority over the waqf funds. Consequently, Hussin and Rashid (2017) assert that this circumstance may confuse the institutions' stakeholders. On the other hand, universities appointed as *mutawalli* may experience a jurisdictional conflict with the state's religious authority. Universities are recipients of both *mutawalli* and waqf funds, as Johan, Yusof and Omar (2016) noted in their study. Therefore, there may be overlapping jurisdictions between the SIRC and the university.

Second, there are limitations for waqf institutions in universities in exploring and executing waqf. In Malaysia, waqf is a matter of state, and it falls under the jurisdiction of SIRC. Due to the fact that the roles and responsibilities for managing waqf are a matter for the state and university administrations, this scenario is most likely to restrict the waqf institution's ability to explore and manage waqf (Bakar, 2018). Thus, it may impose restrictions on the





university's waqf institution. The university's top management committee must approve all actions, products, programs, and fundraising techniques and meet SIRC's requirements (Johan et al., 2016).

The third is marketing management. Ineffective marketing management generates problems associated with community awareness and understanding of waqf. According to the Purple Book (Ministry of Higher Education, 2016), the lack of waqf awareness is the most significant obstacle to waqf implementation. From the standpoint of university administration, it is frustrating that the university itself does not understand the concept of waqf and equates it to the Western practice of endowment (Don & Osman, 2020). In addition, Johan et al. (2016) found that waqf fundraising techniques are distinct from endowment fundraising. Thus, it creates a new culture of donations that the public must adjust to. This assertion is supported by Don and Osman (2020), who assert that the lack of public understanding of the waqf concept at the university hindered fundraising efforts. Due to a lack of promotion and marketing for university waqf schemes, attracting potential alumni has not been easy. Johan et al. (2016) suggest that full utilization of social media and information systems and a creative and proactive management team will guarantee the success of university waqf institutions' marketing management.

Previous Studies in Internal Control

Internal control is one of the critical elements of organizations. According to the Committee of Sponsoring Organizations (COSO, 2013), there are five integrated components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring activities. Firstly, the control environment establishes the foundation for other components, which include action, policies, and procedures in the organizations. Secondly, a risk assessment undertakes the processes to identify the risk management methods. In the risk assessment, the management must consider the possible change that may influence the organizational environment and the means to manage its potential effects. Thirdly, control activities are policies and procedures that guarantee management policies are implemented correctly and minimize risks. Fourthly, management obtains or generates the first component of information from internal and external sources to support internal control components. The information system acts as a method to identify, arrange, analyze, classify, recognize, and report transactions and safeguard assets and liabilities. Hence, the second communication component is a process to understand each administrator's roles and responsibilities related to internal controls in financial reporting. The communication may be expressed verbally or through an action undertaken by the management. Fifthly, monitoring is a process of determining the quality of the performance of the internal control processes over time and is used for correcting any malfunctioning processes. Monitoring could be implemented by the external auditor or the controller in the internal control system. These components work to establish the foundation for reasonable internal control within organizations.

Internal Control in Public and Non-Profit Organizations

Studies have been conducted on internal control practices in public and non-profit organizations, religious organizations, and public and private universities. Starting with a study by Kamaruddin and Ramli (2017) that describes the current internal control practices of Malaysian Islamic non-profit organizations, this section will discuss previous studies on internal control in public and non-profit organizations. Several similarities were discovered between organizations' internal control practices, including segregation of duties, authorization





of transactions, and documentation of records. Various practices were also identified, particularly concerning the physical control of assets and records, and independent checks of performance aspects. In the meantime, Dhillon and Andri (2018) intend to investigate the impact of COSO Framework-based internal control on employee performance in a public hospital in South Tangerang, Indonesia. The study concludes that only two elements of the COSO framework, namely control activities and risk assessment, significantly affect employee performance. The other elements, including the control environment, information and communication, and monitoring activities, have no significant effect. Other than studies conducted to identify the practices and effects of internal control, accountability is one of the other elements commonly associated with internal control. Kamaruddin and Ramli (2018) investigate the effects of internal control practices on financial accountability in Malaysian Islamic non-profit organizations. This study identified significant interrelationship impacts between internal control practices and financial accountability by Islamic non-profit organizations in Malaysia under three aspects: internal control as part of the financial accountability process, internal control discharging financial accountability through financial disclosure, and internal control assisting Islamic non-profit organizations in gaining both power and trust from stakeholders.

In addition, Ayedh, Jamil and Zainuddin (2021) conducted a study to determine the effect of internal control system components on improving accountability at Al Rahma International Waqf Institution. The results indicate that internal control monitoring has a substantial effect on performance accountability practices. Scheetz, Smalls, Wall and Wilson (2021) also conduct research from a different angle, exploring how perceived internal control strength differs between non-profit and for-profit organizations. Control environments, control activities, and monitoring activities significantly impact profit organizations' whistleblowing. Meanwhile, the perception of control and monitoring activities significantly mediates the relationship between organization type and whistleblowing intentions for those in non-profit organizations. Based on previous research on internal control in public and non-profit organizations, it is evident that very few studies present the current internal control practices and that waqf management in Malaysian public universities has not been thoroughly investigated.

Internal Control in Religious Organizations

Various past studies related to internal control in religious organizations have been carried out. Setiyawati (2020) conducted a study investigating the internal control competencies and financial reporting accountability of *amil zakat* and *amil zakat* institutions in Jakarta and Banten. Compliance with applying zakat accounting with the Financial Accounting Standards Guidelines (PSAK 109) had no significant impact on financial reporting accountability. In contrast, the role of the internal control system had a significant positive impact on financial reporting accountability. This study differs from that of Yohanna, Pujiningsih and Juliardi (2021), which aimed to determine the practice of internal control in the X Church in East Java from a modern and biblical perspective to minimize irregularities and financial abuse. The findings of this study indicate that the practice of internal control systems in a modern perspective (COSO, 2013) at X church has not fully implemented the five components of an internal control system because it assumes the church is a religious organization that is not subject to the same stringent regulations as profit-seeking organizations. In addition, the internal control system of X church from a biblical perspective revealed that the church had implemented a dual custody system and organizational ethical values derived from the Bible to serve God.





Islamiyah, Siraj and Osman (2020) conducted a study that presented the internal control practices of two mosques in Indonesia. The findings indicate that the two selected mosques have implemented the five internal control procedures. This study concludes that internal control practices are required to support the mosque's accountability. The internal control procedures in the chosen Indonesian mosques have piqued the interest of researchers. Interestingly, Radianto and Laturette (2019) also conducted a study from the same perspective to examine the implementation of internal control in church institutions. All churches have realized the significance of maintaining accountability to gain their congregations' confidence. Consequently, all sampled churches in this study have already implemented an internal control system. This study discovered disparities between systems based on church administration. Manik and Maksudi (2020) also analyze the accounting practices and internal controls of the non-profit organization HKBP Church Perumnas Klender. According to the study's findings, implementing accounting and internal control in the HKBP Church is well underway, but the financial statements do not comply with IAS 45. Despite the fact that there are studies on internal control practices, they are only conducted in mosques and churches. For researchers, this raises questions about the current internal control practices of waqf management in Malaysian public universities.

Internal Control in Public and Private Universities

Several studies have been carried out in the past that are connected to internal control in public and private universities. Ernawati and Faisol (2020) conduct a study investigating the effectiveness of internal controls in supporting the financial management of higher education institutions. Meanwhile, Ibrahim, Fitria and Dianah (2019) study aims to assess the efficacy of implementing the internal control system at the State Islamic Universities of Indonesia (PTKIN) and its risk management. On the other hand, Jalil (2018) carries out a study that contains aspects of fraud, and the purpose of the study is to determine the effect of internal controls and anti-fraud awareness in preventing fraud.

A study by Sofyani, Hasan and Saleh (2020) caught the researchers' attention because it looked into implementing internal control in higher education institutions. This study also investigates the factors, obstacles, and benefits of internal control implementation in higher education institutions. The internal control design varied across all higher education institutions, according to this study. Internal controls are believed to contribute positively to accountability improvement and fraud prevention. Following that, Bello, Barkindo and Ezekiel (2021) conducted a study to determine whether management supervision significantly impacts the effectiveness of internal control in tertiary institutions in Mubi, Adamawa State. According to the results from testing the hypothesis, about 76.2% of the change in internal control efficiency in tertiary institutions in Mubi is predicted by management supervision. It was determined that management supervision significantly impacts the effectiveness of internal control in Mubi's tertiary institutions. All these previous studies share a crucial characteristic: Indonesia served as the location for most of the research (four out of the five studies). It demonstrates that a limited amount of study has been conducted in Malaysia on the topic of internal control and Malaysian public universities.

RESEARCH METHODOLOGY

This study employs qualitative data collection methods, which include interviews, observation, and document reviews, to gather information about the waqf unit at Yayasan Canselor, Universiti Kebangsaan Malaysia (YCUKM). This waqf unit has been conducting religious programs and undertaking social and economic activities. Some of these activities generate





significant funds for the YCUKM and thus require an effective management team to ensure these funds are utilized appropriately to benefit the community. Therefore, conducting a case study at these waqf units is relevant to getting insights into their internal control practices.

The interview process involved semi-structured and open-ended questions designed based on the themes outlined in Table 3. It was to give flexibility to the researcher to explore internal control issues in depth. Semi-structured interviews also allowed the interviewees to express their ideas on the problems being studied (Horton, Macve & Struyven, 2004). The interview protocol was prepared to ensure the interviews stayed on track. The interview protocol consists of a list of questions, information about the interviewees and their positions, and the date and time of the interviews.

Table 3: Themes, sub-themes, and interview questions

Theme	Sub-theme	Interview Questions
Control Environment	Integrity & ethical principles	Does this institution emphasize positive environmental control, such as integrity and other ethical values?
	Attracting, developing & retaining competent staffs	How are employee appointments made? Is the appointment contractual or permanent, or is there another method?
	Staffs are accountable for responsibilities	How does human resource management assess employees' productivity, effectiveness, and efficiency levels?
Risk Assessment	Identifies & analyzes risks	Does this institution practice a risk management process?
	Identifies & evaluates changes significantly impact	Suppose sudden changes occur at a particular time (in terms of organizational structure and technological changes) that make the institution's objectives unachievable. Does the institution prepare an alternative plan to overcome the situation?
Control Activities	Control activities that reduce risks	What type of control activities are used in this institution?
	General control activities over technology	Does this institution have a control system for stored data and documents?
Information & Communication	Obtains / generates high quality information	How do staff at this institution convey or receive any information?
	Communicates information internally	What channels does the institution use to communicate with stakeholders inside and outside the institution?
	Communicate with third parties	In your opinion, is communication with stakeholders through the channel effective and efficient?
		If a stakeholder has a complaint that they want to convey to this institution, what channels are available?
Monitoring Activities	Ongoing / separate evaluations	If a complaint is received, how is the handling of the complaint carried out?
	Deficiencies evaluated & communicated promptly	Who is responsible for comprehensively assessing internal controls at this institution?





During the data collection phase, the study encompassed interviews with two key personnel to gain comprehensive insights into the management of the waqf unit. Interviews were conducted with the leading personnel responsible for overseeing the unit's activities and the internal auditor of UKM. This approach ensured a well-rounded analysis by incorporating perspectives from internal control practices already existing in the waqf units. Engaging directly with the waqf unit manager and the UKM's internal auditor provided valid and relevant information, contributing significantly to the study's credibility and depth of understanding. These interviews were crucial to the study, enhancing the overall findings. The informants involved in the interviews are listed below in Table 4.

Table 4: Informants participating in the interview

No.	Position	Department
1	Waqf manager	Waqf Unit, YCUKM
2	Internal auditor officer	Internal Audit Unit, UKM

Besides interviews, some waqf unit documents and reporting tools were also reviewed. The use of documentary reviews in this study is beneficial to confirm the findings from the interviews. Bryman (2016) classifies four types of documents that support most research: personal documents, official documents (both public and non-public), mass-media outputs, and virtual documents. The documents reviewed in this study included annual reports, financial statements, organizational profiles, and magazines. Also reviewed in the study are additional documents uploaded at the YCUKM's website, such as newsletters and brochures. Using multiple data sources allows for data triangulation, which could strengthen data validity when it reaches saturation (Shank, 2002). Notably, in a case study, collecting data from multiple data sources could improve the findings' contextual validity (Scapens, 2004).

In analyzing the data, a thematic analysis was used in this study. It focuses on identifying, analyzing, and reporting patterns within the collected data (i.e., themes) (Braun & Clarke, 2006). This thematic analysis is one of the most commonly used approaches when analyzing qualitative data (Bryman, 2016). A qualitative data analysis software, Atlas.ti version 23, was used in conducting thematic analysis. The software was employed to identify critical patterns, find connections between themes, and perform analysis and data management more efficiently.

CASE FINDINGS: INTERNAL CONTROL PRACTICES OF WAQF UNIT IN YAYASAN CANSELOR, UNIVERSITI KEBANGSAAN MALAYSIA (YCUKM)

Control Environment

Organizations need a stable internal control system, and the control environment is a vital part of that because it shows the policies and attitudes of the organization. Establishing a controlled environment means creating the organization's rhythm; thus, people are affected and aware of control's importance. As one of the responsibility centers in UKM, YCUKM also applies a commitment to integrity in line with the ethical values that exist in the university. The ethical values indirectly regulate the conduct of YCUKM administrators in carrying out their duties, as the quote below indicates:

"YCUKM is the responsibility center who in charge for bringing funds and money into UKM. So, when involving this money fund, we must first have that integrity. The second is trust, followed by honesty and the like. These values are always emphasized in our





monthly meetings. The director will continuously emphasize those values regarding integrity and advice." (Waqf Manager)

Besides, YCUKM demonstrates a commitment to attracting, developing, and retaining competent personnel who follow their objectives, as the following quote illustrates:

"YCUKM are mostly contracts. Only the permanent ones, like the director and deputy director, are here because they are lecturers. They are permanent. There are 12 people, and there are three who are permanent. Most of the others are all contracts. Like me, renew every year. Then, there are also two years based on our performance. If you want to stay, you have to perform. KPIs are provided. We have to reach 80 or 90 percent." (Waqf Manager)

In general, in pursuit of goals, YCUKM holds individuals accountable for their internal control responsibilities, as mentioned below:

"At UKM, we have a system called SPPU, Sistem Penilaian Prestasi Universiti. It is general for UKM staff. It has a set method that every responsibility and faculty center must follow. It has a format. I will be evaluated by the Deputy Director and then brought before the director to evaluate our performance and efficiency. This productivity will be evaluated every three months." (Waqf Manager)

Risk Assessment

Every organization always has a vision and mission to guide its organizational activities. Risk assessment is how organizations determine how significant each risk is to achieve their organizational goals. There are various levels of risk assessment within organizations based on the scope of the assessment. YCUKM identifies risks to achieving its objectives across entities and analyzes risks to determine how risks should be managed. A comment by Waqf Managers of YCUKM:

"Because we are one of the responsibility centers at UKM, we have a risk management department. Those involved with YCUKM are risk management, the customer feedback section, the document management section, and the audit section. Then came the incident and safety section. There are four or five. As for risk management, one of our staff members is responsible for regulating risk at YCUKM, and this report will be brought out at UKM. If I am not mistaken, they will attend the 'Mesyuarat Induk' every two or three months. They need to send a report. YCUKM's activities and risks were brought up for discussion. That is a necessary periodic report, which each responsibility center must prepare at UKM." (Waqf Manager)

"In January 2022, as many as six risks had been identified, and monitoring is done every six months." (Internal Auditor)

In YCUKM, this institution identifies and evaluates changes that may significantly impact the internal control system, as mentioned below:

"One of the Deputy Vice Chancellors has control over YCUKM. He oversees all administrative proceedings. So, if there is any change, we get his instructions. All from him. He will decide. For example, say the director is suddenly transferred to another





place. There is a vacancy. So, the Deputy Vice-Chancellor will decide who will be the new director or leave it empty. So, the Deputy Director will act. The Deputy Director will act and be monitored by the Deputy Vice-Chancellor.” (Waqf Manager)

Control Activities

Control activities are the policies and procedures implemented by management within organizations. They are classified into five categories: segregation of duties, authorization and approval, documentation and records, physical control of assets and records, and independence checks on performance (Kamaruddin & Ramli, 2017). No two or more organizations have similar internal control (Morehead & Butler, 2007). Administrative features like size, structure, complexity, purposes, and management philosophy contribute to control differences (Doyle et al., 2007). In YCUKM, they select and develop control activities that contribute to the acceptable risk reduction associated with achieving objectives, as mentioned below:

"The internal control used is usually more about administrative or management internal control and prevention. That prevention is as well as the internal control of our administration. And also, another internal accounting control. Accounting is more for us with the Treasurer—internal controls for administration, management, prevention, and accounting." (Waqf Manager)

"Like before, there was a waqf fund box at the Bandar Seri Putra Mosque. Hasanah mosque also had one. The mosque gave permission to be placed there for a week. After a week, the waqf unit must take back the waqf fund box because the mosque has its own waqf fund box. Here, control activities are involved while taking the waqf fund box. Mr. Kahar will take the waqf fund box. After that, Mr. Abu Bakar will verify, and he will calculate the total collection. After that, he will submit it at the counter of the Treasurer's Department. Usually, the Treasurer's Department will deposit the money." (Internal Auditor)

Furthermore, documentation and records would communicate transactions that occur in organizations to stakeholders and form part of the control activities. YCUKM is an organization that selects and develops general technology control activities to achieve its objectives. It is based on the quotes below:

"For data and documentation, each officer will be given responsibility. All the information, all the waqf information, and how much the monthly contribution is, is kept by us. Indeed, we have a backup. Then, those who make salary deductions and the like are kept in the form of softcopy and hardcopy. It is for us to review." (Waqf Manager)

Information and Communication

Communication is the transfer of valuable information within organizations to coordinate activities or make decisions. Internal communication is done by disseminating information to the people in charge of the organization. In YCUKM, internal communication, which is delivering or receiving information, is usually done through phone, email, and WhatsApp. Interestingly, for external communication, one of the channels used by YCUKM in communicating with stakeholders inside the UKM is the UKM e-Portal, as mentioned below:

"Every UKM staff member must log into their UKM e-Portal account daily to log their start and end working hours. We already collaborate with UKM's information





technology department. Before logging in, a pop-up window will appear. Pop-ups about waqf, such as "Do you want to contribute in waqf?". If the staff does not answer that, cannot log in." (Waqf Manager)

In order to communicate with external stakeholders, YCUKM will prepare a list of companies that will be contacted for a courtesy call session. The director of YCUKM will be brought to the company to negotiate with the management. Several YCUKM employees will pay the company a courtesy visit if they receive a positive response. Companies seeking to be targeted are those committed to corporate social responsibility (CSR), as mentioned below:

"So, because there are many CSR companies, this type is what we want. Whether it wants to give in the form of waqf, it wants to give in the form of an endowment, or it wants to give in the form of a visa, we will discuss it there." (Waqf Manager)

Monitoring Activities

Monitoring activities have several focus points, including ongoing monitoring, separate evaluations, and reporting deficiencies. Ongoing monitoring occurs in the ordinary course of operations. Meanwhile, a separate evaluation should be undertaken occasionally, focusing directly on system effectiveness. The scope and frequency of separate evaluations depend primarily on assessing risks and ongoing monitoring procedures. YCUKM chooses to develop and implement continuous assessments to confirm the existence and functionality of internal control components. If complaints are received about YCUKM in general, the director or deputy director will evaluate the situation and bring it up at the monthly meeting, as described below:

"The YCUKM management meeting every month will state that. Any problems or complaints that have been made; we will discuss them. If the problem is about waqf, we will be responsible for solving it." (Waqf Manager)

YCUKM evaluates and promptly communicates internal control deficiencies to those responsible for taking corrective action, such as senior management and the board of directors. The director, who will be replaced in his or her absence by the deputy director, will be responsible for conducting a comprehensive evaluation of internal control at YCUKM.

DISCUSSION AND POLICY IMPLICATIONS

The importance of a stable internal control system in organizations is evident through the control environment, which reflects the organization's policies and attitudes. YCUKM, as a responsibility center within UKM, places a strong emphasis on integrity and ethical values, as highlighted during their monthly meetings. Trust and honesty are fundamental values that guide administrators in their duties. YCUKM is committed to attracting and developing competent personnel, with most staff on contract-based arrangements subject to performance evaluations. The *Sistem Penilaian Prestasi Universiti* (SPPU) is a framework for evaluating staff performance and productivity every three months. These practices demonstrate YCUKM's dedication to internal control responsibilities and goal-oriented approach.

YCUKM recognizes the importance of risk assessment in achieving organizational goals. A dedicated risk management division, together with other relevant divisions already in place within UKM, oversees the identification and management of risks. Periodic reports on YCUKM's activities and risks are prepared and discussed during the *Mesyuarat Induk*, held





every few months. Changes that may impact the internal control system are carefully evaluated, and decisions regarding critical positions, such as the director, are made by the Deputy Vice-Chancellor, ensuring effective oversight and monitoring of operations within YCUKM.

Control activities are crucial in organizations' internal control systems, encompassing policies and procedures that vary based on size, structure, complexity, and management philosophy. YCUKM adopts specific control activities tailored to its administrative and accounting functions, focusing on preventing and managing internal controls. Documentation and record-keeping are vital to these control activities. YCUKM employs technology-based control activities to safeguard waqf-related data, including backups, softcopy, and hardcopy records for salary deductions and other financial matters.

Communication plays a vital role in organizations, facilitating the transfer of valuable information for coordination and decision-making. YCUKM employs internal communication channels such as phone, email, and WhatsApp to disseminate information among its personnel. For external communication, YCUKM utilizes the UKM e-Portal to engage with stakeholders within UKM, prompting staff members to contribute to waqf upon logging in. Additionally, YCUKM establishes communication with external stakeholders by preparing a list of companies for courtesy calls, where the director and selected employees visit companies committed to corporate social responsibility (CSR) to negotiate potential collaborations in the form of waqf or other contributions.

Monitoring activities are crucial to ensuring the effectiveness of internal control systems. YCUKM implements ongoing monitoring as part of its regular operations, while separate evaluations are conducted periodically to assess the system's effectiveness. Risk assessments and ongoing monitoring procedures determine the frequency and scope of these evaluations. YCUKM emphasizes continuous assessments to validate the presence and functionality of internal control components. In the event of complaints or issues, the director or deputy director evaluates the situation and addresses it during monthly management meetings. Internal control deficiencies are promptly communicated to the relevant stakeholders, such as senior management and the board of directors, and the director carries out comprehensive internal control evaluations, with the deputy director assuming responsibility in their absence.

CONCLUSION

This study has identified the internal control practices of the waqf unit in YCUKM. Every waqf institution has different activities in delivering services to the community, which shapes the waqf unit's varying internal control practices. The stability of internal control systems in organizations is paramount, and YCUKM's control environment reflects its commitment to integrity and ethical values. They prioritize trust, honesty, and goal-oriented performance evaluations for contract-based staff. Risk assessment is vital, with a dedicated risk management department overseeing periodic evaluations and discussions on YCUKM's activities and risks. Control activities are tailored to administrative and accounting functions, focusing on prevention and efficient communication through documentation and record-keeping. Effective internal and external communication channels facilitate stakeholder engagement, such as the UKM e-Portal and courtesy calls. Ongoing monitoring and periodic evaluations ensure the effectiveness of internal control systems, with prompt communication of deficiencies and comprehensive evaluations conducted by the director or deputy director.

The study acknowledges the selection of interviewees as its limitation. The selected interviewees in this study are limited to only the waqf unit in Yayasan Canselor, UKM. Therefore, the results should be interpreted in context and not generalized to other waqf institutions in Selangor or Malaysia. Therefore, the study has some suggestions for future





research in the area. Firstly, since this study was conducted in the Yayasan Canselor, UKM, future research may be conducted in another waqf unit in Malaysian public universities to provide different internal control perspectives. Secondly, comparative studies may be performed between Muslim countries in the Asian region, for example, Indonesia and Malaysia. Finally, future studies in internal control practices may be conducted in other Islamic organizations, such as the zakat management center, mosques, and the Baitul Mal (public treasury).

More importantly, this study contributes to understanding the internal control practices of the waqf unit in Malaysian public universities. In summary, the findings are expected to guide the regulators of the waqf unit in Malaysian public universities in developing and implementing internal control practices in all Malaysian public universities.

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