

MEASUREMENT AND DISCLOSURE OF FINANCIAL EXCHANGE CONTRACTS IN WAQF INSTITUTIONS AND THEIR AUDIT PROCEDURES

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Abstract. Financial exchange contracts and Waqf institutions will be defined in this study. We will also try to figure out how to measure financial Exchange contracts and how to disclose accounting information in Waqf institutions so that people can make better decisions based on the financial statements. Additionally, it seeks to provide light on how external Sharia audit processes for these significant Waqf organizations represent the reality of financial Exchange contract measurement and disclosure. To accomplish the goals of this study, we used the criteria set out by the Accounting and Auditing Organization for Islamic Financial Institutions. Independent records of financial transactions involving the Waqf's private monies and donor waqf must be maintained, according to the research. Additionally, it seeks to establish audits that adhere to the tenets and regulations of Islamic Sharia.

Keywords: Financial exchange contracts, Waqf institutions, Measurement Disclosure, symbolic value, External Sharia Audit.

1. INTRODUCTION

Waqf (endowments) are a fundamental pillar of Islamic society. They are a driving force for development and constitute a type of non-profit organization that performs a fundamental function in modern cultures. They are the primary funder of various sectors, including healthcare, education, and cultural institutions. They contribute significantly to providing appropriate community services that improve the economic well-being of society and individuals. Their mission is achieved through the use of financing tools compatible with the principles and provisions of Islamic Sharia, and they promote local and national development. Waqf are an important economic sector that contributes to comprehensive development through their diverse activities and investment operations. Interest in development has grown in all countries, encompassing Muslims and non-Muslims, the wealthy and the poor alike. National development has become increasingly important, particularly for economically developing countries, given the growing demand for public needs and services. Waqf institutions face challenges arising from the lack of a measurement and disclosure model in the business environment that ensures the provision of standardized methods for measuring and disclosing financial Exchange contracts. This is despite the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) issuing several accounting standards in this regard, with the aim of standardizing measurement and disclosure methods for Islamic financial institutions and strengthening the soundness of the Islamic financial industry.

The importance of this research stems from its contribution to reviewing the principles of accounting measurement consistent with the nature of the activities of waqf institutions and the contracts they conclude. It also reviews the contents of the main statements of Waqf institutions, based on the standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

The study (Abdul Halim and Aribi, 2019) demonstrated that the unified accounting system for banks and insurance companies in Iraq does not take into account the nature and specificity of Islamic banking activities, particularly with regard to Islamic financing instruments, including murabaha, mudaraba, salam, ijarah, istisna'a, and others. The study (Al-Tamimi and Hammadi, 2014) also demonstrated that banking activities in Iraq are exposed to a range of risks, regardless of whether they are Islamic or conventional banks, including liquidity, credit, and operational risks. Islamic banking activities are also exposed to a range of risks specific to the nature of Islamic financing formulas, in addition to the traditional risks associated with banking activities in general. (Ahmed, 2008) also stated in his study that there is a lack of an organized international Islamic financial market that contributes to helping Islamic banking and financial institutions invest their funds in the optimal way and mobilize funds through these markets, as well

as the weakness of coordination and joint work between Islamic financial institutions at the local and international levels despite the establishment of a large number of these institutions at the local, regional, and international levels.

The current research aims to contribute to clarifying the foundations of measuring and disclosing financial Exchange contracts in waqf institutions in accordance with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the impact of this on external Sharia audit procedures.

2. FINANCIAL EXCHANGE CONTRACTS

Individuals enter into contracts that grant the contracting party rights and impose obligations on him. The rights and obligations arising from Exchange contracts are binding and enforceable on the parties. No one has the right to renounce their obligations under the contract, nor do they have the unilateral right to change or amend it. (Faleh and Youssef, 2023: 96)

Contracts are defined in the language as the plural of "aqd," meaning guarantee and covenant (Al-Sanani, 2022: 167). It is a source of the verb "aqada," meaning an agreement between two parties whereby each party is obligated to implement its provisions (Omar, 2008: 1527). In the language, the word "aqd" also means "to bind." Contracts are recent in origin, and the plural is "aqūd," which clearly means "to bind," "to secure," and "to document." (Hassan, 2022: 91)

Contract, in the technical sense of jurisprudence, does not deviate from its linguistic meaning. Jurists have given two meanings: one is general, encompassing everything a person undertakes, upon which a legal ruling is based, whether the commitment is from both parties, such as a sale, lease, or a salam contract, etc., or the commitment is from one party, which is based on a single will, such as charity and a gift. The specific meaning of "contract," however, is the conclusion and commitment of both parties to a matter through an offer and acceptance. (Al-Sinani, 2022: 168-169)

With regard to the legal definition of "contract," it refers to a legally binding agreement between two parties. Article (73) of the Iraqi Civil Code No. (40) of 1951 (as amended) defines a contract as "the binding of an offer issued by one of the contracting parties to the acceptance of the other in a manner that establishes its effect on the subject of the contract." In accounting thought, a contract refers to the creation of a combined right and duty to exchange economic resources. The right and duty are interconnected and inseparable. (Saudi Organization for Certified Public Accountants, 2022: 72)

As for Exchange, it is the plural of the word "Exchange." Linguistically, "Exchange" means taking Exchange, which is the substitute. "Ta'awwad" and "Ittada" mean taking Exchange. (Ibn Manzur, n.d.: 3170-3171) " means "He compensated him," and "Isti'adahu" means "He gave him Exchange," replacing and replacing what he lost (Omar, 2008: 1576). Most linguistic dictionaries give the meaning of "exchange" to "exchange," meaning taking and giving (exchange). As for the technical meaning of the word "Exchange," it does not deviate from the linguistic meaning, because the substitute is the Exchange and vice versa (Al-Astal, 2011: 43), as the word in the technical sense is consistent in terms of meaning and usage with its linguistic connotation, and the technical use of Exchange mostly means pure Exchange that is basically based on the exchange of two things in return, whether they are money or benefits (Al-Ghanaim, 2008: 25-27), and Exchange differs from Exchange, as the latter arises from an action by one party, while Exchange, on the weight of "mafa'ala," means an exchange by two parties. (Saleh, 2012: 108).

Regarding financial Exchange contracts Contracts are based on the exchange of reciprocal obligations between the contracting parties, whether it is an exchange of money for money, as in a sale, including a salam contract, or an exchange of money for a benefit, as in a lease (Hamad, 2013: 142), Alternatively, these contracts establish reciprocal duties between the contracting parties, ensuring that both parties receive Exchange, as seen in sales and rentals (Qandouz, 2019: 31), They are contracts in which each party gives the other something In exchange for what he takes from him, like sale and lease. (HAZNE,2020:1442)

In light of the foregoing, the study's authors have come to the conclusion that, strictly speaking, Exchange contracts mark the presence of a duty requiring the exchange of assets between many parties. The nature of the exchange could result in a purchase and sale, a financial benefit, or a completely different outcome. A contract is an agreement between two or more people in which one party promises to do something in exchange for another party's promise to do something else, such as own an asset or reap the benefits of a service.

There are many forms and products of Islamic finance that are compatible with the provisions of transactions in Islamic Sharia and provide an alternative to the traditional tools prevalent in conventional financial institutions. These tools contribute to enhancing economic development and fulfilling the desires and needs of societies, regardless of whether they are at the level of individuals or institutions (Al-Shorfa, 2024: 6). These forms have multiple and different benefits, all of which aim to support development in society (Al-Fakhri, 2009: 3). Financial Exchange contracts are among the most important because they are linked to the

social lives of individuals and institutions and their transactions. Financial Exchange contracts include two categories: money for money, which encompasses Murabaha sales, Salam and parallel Salam, as well as Istisna and parallel Istisna; and money for benefit, which includes Ijarah and Ijarah ending with ownership. These latter contracts are somewhat similar to financial leasing but differ in certain conditions regarding the guarantor, who is the lessor rather than the lessee. (Al-Wadi et al., 2014:201)

3. WAQF (ENDOWMENT) INSTITUTIONS

Waqf is the fruit of Islamic jurisprudence, and in reality, it is an ongoing charity, not a temporary one. The legitimacy of Waqf is absolutely permissible, and this is the view of the majority of jurists (Al-Mashhadani et al., 2018: 675). Waqf is a divine law, which the righteous predecessors took care of generation after generation, which confirms its religious and worldly role, as its effective role in Islamic history and the support of Islamic civilization has been present in the minds of Muslims throughout the ages and times (Talib, 2015: 40). The majority of scholars have proven its legitimacy by its inclusion in the general meaning of the verse "And do good that you may succeed" (Surat Al-Hajj 77) and the verse "You will never attain righteousness until you spend from that which you love. And whatever you spend—indeed, Allah is Knowing of it" (Surat Al-Imran 92).

Waqf institutions are defined as special units that manage endowed funds in accordance with the provisions and principles of Islamic Sharia and the objectives of the founders' document, with the aim of maximizing the benefits and services accruing to individuals and communities (Ministry of Waqfs and Religious Affairs/Sultanate of Oman, 2019: 20). They are also defined as a collective entity with a legal personality and independent financial status, subject to professional administrative work that seeks to provide internal and external systems that regulate work policies and administrative decision-making. They seek to manage the waqf and its funds in accordance with the founders' conditions and the provisions of Islamic Sharia, with the aim of developing and maximizing private and public benefits and services. They are subject to internal and external oversight under government supervision (Al-Zahrani, 2023: 1564).

Waqf institutions are managed by specialized institutions. These institutions have a set of objectives they seek to achieve, including the following: (Al-Jabouri, 2010: 55-56)

- a. Achieve an abundance of benefits or revenues to achieve the goals set by the founders.
- b. Ensure the preservation of fund and property assets.
- c. Reduce unemployment by employing a large number of workers.
- d. Provide the necessary supplies to sustain life through the production of agricultural products for human consumption.
- e. Facilitate housing for a large number of citizens.
- f. Support trade by ensuring that merchants have access to commercial premises, such as shops and warehouses, where they can conduct their business.
- g. Enabling beneficiaries (those to whom waqfs are endowed) to obtain the means to support them in life.
- h. Contribute to the revitalization of education and learning through schools established in accordance with the founders' conditions.
- i. Developing and expanding buildings to increase benefits.
- j. Adding new waqfs to existing waqf, based on the benefits provided by such exploitation.

4. ACCOUNTING MEASUREMENT IN WAQF ORGANIZATIONS

Accounting is inconceivable without a quantitative measurement tool for measuring financial statement elements. This principle was one of the basic requirements for the emergence of double-entry accounting, as any accounting system relies on the double-entry method and the balance sheet. Its introduction into real-life practice has allowed for the creation of an accounting information model that integrates all elements of an organization's operational and financial activities. In this regard, the search for optimal types of measurement and methods for applying them to entities has become one of the most important goals of current accounting theory and practice worldwide, given the impact of measurement on achieving financial statement objectives (Abdalova and Karelskaia, 2016: 1). Measurement in accounting is an essential aspect of financial reporting, as the measurements arrived at and incorporated into financial statements influence the decisions users make regarding accounting elements and their perceptions of the entity. Measurement provides a quantitative picture of financial information from a monetary or economic perspective, as accountants use these measurements in accounting reports or information for internal and external users (Ibadin, 2013: 114).

Measurement is generally defined as "associating numbers with objects to express their properties based on natural rules discovered either directly or indirectly" (Matar and Al-Suwaiti, 2012: 137). Accounting measurement, on the other hand, is defined as "the quantitative determination of the elements recorded in financial statements" (Saudi Organization for Certified Public Accountants, 2022: 84). Based on these

definitions, it becomes clear that measurement is the basis upon which numerical values are assigned to elements of financial reports. Regarding the definition of accounting measurement in waqf institutions The researchers believe it can be defined as "the process of determining the monetary amounts of financial statement items to be recognized for the purpose of disclosing them in the financial statements in a consistent manner, demonstrating and transparently demonstrating the extent of compliance with the founders' conditions and the waqf institution's goals and mission, and ensuring that management is protected from accountability".

The controversy still exists regarding the subject of accounting measurement and choosing the appropriate basis, as each basis has its advantages and disadvantages and varies according to the nature of the business institutions' work (Al-Mobaideen et al., 2011: 1). However, in order to choose the appropriate measurement basis, the qualitative characteristics of the useful accounting information related to the elements of the financial statements must be taken into consideration. The nature of the information resulting from the measurement basis must also be taken into account (Aoun and Salman, 2021: 179). The political conditions and changes that our economic units have witnessed have disrupted their work and made them lag behind their counterparts in the region and the world (Abdulkadhim, et al., 2022: 1). In addition, the selection of accounting measurement bases and their use in waqf institutions differs from what it is in profit-oriented economic institutions. The accounting principles in economic institutions focus on proof, measurement, presentation, and disclosure of capital with the primary goal of achieving profits, whereas the prevailing accounting principles in waqf institutions aim to provide benefits without Exchange or for a symbolic price. For a symbolic price (Fouda et al., 2020: 565), the most commonly used measurements at the present time are historical cost and fair value. The choice of the basis to be followed generally reflects the trade-off between suitability and faithful representation (Kieso et al., 2020: 142). Each basis prioritizes one of these characteristics over the other. In addition, waqf institutions face some challenges arising from assets that are not expected to generate future economic benefits, such as mosques, manuscripts, Islamic heritage buildings, and other such assets, as they should be recognized at symbolic values (AAOIFI, FAS 37: 9). Accordingly, we will review below the concepts of each basis and the possibility of its application in waqf institutions.

a. Historical cost basis: Historical cost can be defined as "the cost at which a transaction or asset was conducted, which requires measuring and reporting assets and liabilities at their acquisition price" (Leonard, 2015: 5). Historical cost has several advantages, according to those who support its use. It supports faithful representation and provides sufficient documentation and evidence to substantiate the financial event. Critics also criticize the historical cost basis, as it fails to account for timeliness, inflation, and price changes, and lacks adequate disclosure of intangible assets (Al-Shadidy and Muhammad, 2020: 8).

b. Fair value basis: It is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (Scott, 2015: 254). The impact of the fair value basis on the balance sheet and income statement may be more severe than the historical cost basis due to the potentially large price fluctuations. On the other hand, the fair value basis is superior to the historical cost basis because it reflects the current market situation, while the latter is based on the past (Biswas, 2020: 47). Some consider fair value to be an exchange value (rather than a purchase or sale price). This distinction is due to the salient features of the fair value definition, which treats the buying and selling prices of assets as practically the same for any market participant, while the two prices are likely to differ. Therefore, the effect of the definition is that fair value is neither an actual purchase price nor an actual sale price, but a theoretical value somewhere in between (ICAEW, 2006: 28).

c. The basis of symbolic value: All organizations should measure the assets they control, not just the assets they own. Control means the ability to control the use of the asset, benefit from it, or bear the risks of its use. The basis for measuring assets is often the initial recognition at cost or fair value, followed by subsequent measurement at amortized cost, fair value, or replacement cost. If initial recognition at cost or fair value is not possible due to the lack of supporting information or the absence of an active market for such assets, accounting policies may permit simplified methods, such as statistical estimates based on similar assets in the market or of the same nature (Cavanagh, et al., 2016: 44). The symbolic value basis is usually used in organizations with a large human capital structure and a high rate of innovation, such as technology companies, as well as organizations that are connected to society through reputation in the business environment. It gives an indication of the organization's status and the desirability of being associated with its name or products (Cezanne And This, in turn, has brought about a significant development in the field of Islamic financial institutions' work. Therefore, these institutions need to establish an effective financial and accounting system (Hadi and Flayyih, 2024: 8).

Based on the above, the researchers see the need to introduce what is known as the symbolic value basis within the accounting measurement framework to address cases where a specific asset cannot be compared to its monetary value. The researchers believe that the definition of this basis can be derived from the cases in which it is considered appropriate to use it. Regarding the current research topic, the researchers believe that the symbolic value basis in waqf institutions can be defined as "the basis adopted for measuring

and proving assets for which there are no objective reference bases to determine their monetary equivalent." The measurement of their monetary equivalent depends on the nature of the assets and the extent of their impact on society. This definition is derived from the specificity of certain assets managed by waqf institutions that have an impact on Islamic society, such as mosques, religious shrines, manuscripts, and Islamic heritage buildings. These assets have a psychological, intellectual, and ideological connection to Muslims and are held in sacred regard by Muslims. They cannot be compared to a monetary amount, given their symbolic value to Islamic society. They can be accounted for within the "honorary assets" account.

5. ACCOUNTING DISCLOSURE IN WAQF INSTITUTIONS

Users of financial statements rely on the disclosures provided by institutions to make their economic decisions (Hamid and Al-Mu'ini, 2024: 193). Disclosure is one of the two main functions of accounting. Once an institution's financial events are measured, they are disclosed in the financial statements. Disclosure is important for institutions because it has generally become a tool for effective communication between management, external parties, and market shareholders (Rashid and Jaf, 2023: 470). Internal and external parties need accounting information to base their decisions on, and this information can only be provided through financial statements, which represent the outputs of the accounting system (Hamdan, 2022: 5746). These financial statements reflect the successive financial and economic events that have occurred within institutions, which have had a significant impact on rationalizing economic, financial, and investment decisions (Alslihat et al., 2017: 106).

Accounting disclosure has been defined as "providing various external parties, as well as providing the organization's management, with useful and necessary information about the company and its activities, at the appropriate time and in a manner that does not affect its activities." (Al-Tamimi and Shaker, 2009: 9)

The success and continuity of any institution are largely linked to its commitment to accounting disclosure of the nature of its financial and non-financial activities and the risks surrounding its operations (Hassan and Ahmed, 2024: 267). Therefore, it is essential to pay attention to disclosing accounting information, the financial position, and the results of the activities of waqf institutions, as this information targets a wide range of users and those interested in waqf affairs. The objectives of accounting disclosure in waqf institutions vary, given the diverse users of these institutions' financial statements. These objectives vary occasionally and from place to place. However, a set of objectives achieved through accounting disclosure for waqf institutions can be explained as follows (Bani Atta, 2016: 99-100):

- a. Presenting all the waqf's activities and achievements, comparing them with what was previously planned, highlighting the positive aspects for development, and identifying the negative aspects for remediation.
- b. Identifying the available and untapped potentials and capabilities of the waqf's funds, with the aim of leveraging them to enhance the benefits directed to the beneficiaries.
- c. Identifying the most prominent obstacles that reduce performance and overcoming them through periodic discussion of reports.
- d. Contributing to the formulation of policies and the development of various plans related to the waqf, taking into account all aspects related to the waqf's funds and sources.
- e. Resolving policy conflicts through coordination and integration among all waqf executive bodies.
- f. Encouraging charitable and philanthropic individuals with wealth to enhance, support, and develop the role of the waqf and assist in its continuity through new waqf, based on their awareness of its distinguished role in social, economic, and cultural development.
- g. Highlighting the role of social waqf for all parties, people, and the government. This, in turn, encourages support for the waqf institution to continue giving and contributing effectively to social development.

Moreover, accounting disclosure enables waqf institutions to highlight their leadership role in improving the flow of environmental information related to financial markets, as well as their contributions to promoting development and environmental conservation (Hamdan, 2020: 4793).

6. DISCLOSURE IN WAQF INSTITUTIONS ACCORDING TO (AAOIFI) STANDARDS

Standards must be adhered to in terms of measurement and disclosure when preparing financial reports to help users obtain information that helps them rationalize their decisions (Sahib and Hamdan, 2021: 2104). International standards seek to unify the language of accounting worldwide, and they also seek to regulate accounting practices in a way that achieves consistency between global accounting environments (Abdullah and Ibrahim, 2024: 6-7). Many financial accounting standards have been issued by the AAOIFI, including Financial Accounting Standard (FAS 37) "Financial Reporting for Waqf Institutions," which includes a set of requirements that must be taken into account when disclosing the activities of waqf institutions and which includes obligating waqf institutions to disclose a complete set of financial statements, including the following: (FAS, 37, 2020)

a. Balance Sheet: The balance sheet displays the assets of the waqf, distinguishing between "assets constituting the waqf property" and other assets. The balance sheet also displays the waqf's liabilities. Among the key aspects presented within liabilities are those known as restricted funds. These funds must be classified according to their nature, with a distinction to be made between zakat funds and other substantial restricted funds, such as program expenses payable. The balance sheet shows the waqf's equity, which consists of different categories based on the nature of the institution's operations and includes adjustments from the sale, transfer, or exchange of waqf property in accordance with Islamic Sharia principles and provisions.

b. Statement of Financial Activities: This includes the revenues of various investment categories and other assets according to the classification included in the statement of financial position, in addition to the net income from trading and commercial operations, if any, and contributions provided by the waqf or others that are not classified as waqf property. This statement also includes fair value gains/losses for investments and other assets that do not constitute waqf property and net program surplus/deficit (with each program explained in the notes to the financial statements). The statement includes governance and management expenses, impairment losses, similar losses, depreciation, amortization, and surplus/deficit for the period.

c. Yield Statement: This is one of the presentation statements that reflects the nature of the waqf institution. It is like the cash flow statement, and its goal is to find the yield based on the founder's conditions or the waqf's goals. The yield statement may include adjustments related to depletion, amortization, and decline in the value of investments and assets, and the corresponding formation of capital reserves or reserves for replacing assets or investments, if the founder or supervisor deems it necessary.

d. Statement of Changes in Waqf Equity: This statement should show the movement of the various components of Waqf equity during the period, with particular attention paid to the movement related to yield and the distribution of benefits within the movement of unallocated surplus/accumulated deficit.

e. Cash Flow Statement: This statement displays the cash flows generated from and used in operating activities, investing activities, and financing activities for the period, taking into account the disclosure of the institution's policy regarding the components of cash and cash equivalents used as a basis for preparing the cash flow statement.

In addition, the standard includes other disclosures that waqf institutions must adhere to, such as accounting policies, risk management disclosures, waqf equity sustainability, and a service performance statement, which includes non-financial information to help users understand the waqf institution's operational performance related to its financial activities and overall position.

7. EXTERNAL SHARIA AUDIT

External Sharia auditing dates back to the advent of Islam. The Prophet (peace and blessings be upon him) used to apply Sharia auditing to his workers who were charged with collecting zakat funds. Abu Hamid al-Sa'idi (may Allah be pleased with him) said: The Messenger of Allah (peace and blessings be upon him) employed a man called Ibn al-Lutbiyya to collect the alms of Banu Sulaym. When he came to settle the score, he said, "This is your money, and this is a gift." The Messenger of Allah (peace and blessings be upon him) said, "Why don't you sit in your father's and mother's house until your gift comes to you, if you are truthful?" (Al-Fuzai, 2009: 40)

An external Shariah audit is defined as an independent process that includes examining the business of an Islamic financial institution and the contracts concluded with the aim of providing an impartial technical opinion on the extent of management's compliance with the controls, recommendations, and Shariah fatwas issued by the Authority (the institution's Shariah advisor) and the extent of compliance with the Shariah standards issued by the AAOIFI and the Islamic Fiqh Councils (Jasser, 2009: 15).

The collapse of several global companies has raised many questions about the causes of these collapses, especially after investigations confirmed that the primary reason behind these collapses was fraud in the financial statements that was not detected by auditors. This incident necessitated the introduction of a series of far-reaching reforms that included several principles that auditors must adhere to (Abdul Rahman and Al-Taie, 2024: 122). The general principles of external Shari'a auditing refer to the behaviors of the external auditor, which are integrity, uprightness, honesty, fairness, truthfulness, independence, objectivity, and the exercise of due professional competence to maintain the confidentiality of information, professional conduct, and technical standards. (AAOIFI, 2015: 965-966)

As for the responsibility of the Sharia auditor, it falls on them to achieve a preponderance of confidence and a high degree of certainty regarding the financial institution's management's compliance with the provisions of Islamic Sharia. (Jasser, 2013: 371-373) Since the auditing profession is a social function, serving diverse segments of the business community, the failure of some large companies has necessitated attention to audit procedures when the auditor begins their duties (Al-Lahibi and Khalaf, 2013: 257). External Sharia audit procedures refer to the set of methods the Sharia auditor uses to obtain reliable and verified information that generates a personal conviction and a clear opinion regarding the institution's compliance with the provisions

of Islamic Sharia (Al-Fuzai, 2009: 40). This means that the auditor must adhere to the steps that enable them to verify the management's compliance with the principles and provisions of Islamic Sharia when auditing any Islamic financial institution. Therefore, it has become necessary to formulate robust audit procedures that contribute to enhancing the quality of audit work. (Farhoud and Mohammed, 2024: 1008)

Consequently, the researchers recognize the necessity of formulating a strategic audit plan that considers the legal dimensions of financial contracts established by waqf organizations, alongside devising an audit program that adheres to the rules and stipulations of Islamic Sharia.

8. CONCLUSION

Islamic financial institutions are integral to the contemporary global economy, primarily due to their function in safeguarding waqf funds through prudent management, while also enhancing and developing these funds in accordance with Islamic Sharia principles and provisions, thereby ensuring the perpetuation of their benefits and equitable distribution to deserving recipients. Consequently, the finances of the waqf institution must be assessed and reported in a manner that fosters user confidence in the financial statements and encourages donations and gifts to attain enduring economic and social advantages. The implementation of standards established by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) facilitates essential guidance for objective assessment and thorough disclosure of waqf institutions' performance. Consequently, the administration of waqf institutions must engage with the relevant sectoral authorities responsible for developing accounting systems to investigate the issuance of a system that aligns with the operational nature of waqf institutions and the particularities of their financial agreements, in accordance with Islamic principles. Moreover, separate accounting records must be supplied to guarantee the segregation of the waqf institution's private money from the waqf assets, thus preventing any overlap of financial liabilities. Legislation must be enacted requiring waqf institutions to disclose financial reports to guarantee transparency and accountability regarding waqf holdings. Furthermore, specialized committees must be established to reassess the assets of the private waqf institution and the components of the waqf property, ensuring the delivery of accurate information to users of the financial statements. Additionally, the oversight bodies tasked with auditing waqf institutions must formulate audit programs that align with the specific activities of these institutions.

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