

Audit Effectiveness and Waqf Sustainability: The Mediating Role of Islamic Accountability

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ABSTRACT

Waqf institutions play an important role in supporting socioeconomic development by managing resources entrusted for religious, educational, healthcare and community-based programmes. The sustainability of these programmes depends not only on the availability of waqf resources but also on effective governance, accountability and responsible resource management. Auditing represents an important governance mechanism that can enhance transparency, compliance and the effective utilization of waqf resources. However, limited attention has been given to how different dimensions of audit effectiveness contribute to waqf sustainability and the mechanisms through which such relationships occur. This conceptual paper proposes a framework examining the relationship between financial audit effectiveness, Shariah audit effectiveness and performance audit effectiveness and waqf sustainability, with Islamic accountability serving as a mediating variable. Drawing upon Stakeholder Theory and the Islamic accountability perspective, the paper argues that effective auditing strengthens accountability by promoting responsible stewardship, transparency, compliance and effective resource utilization. Stronger Islamic accountability is subsequently expected to enhance the sustainability of waqf programmes. The proposed framework contributes to the waqf governance literature by integrating financial, Shariah and performance audit perspectives and identifying Islamic accountability as a potential mechanism linking audit effectiveness to sustainable waqf outcomes. The framework provides a basis for future empirical research among Malaysian waqf institutions.

Keywords: Waqf, audit effectiveness, financial audit, Shariah audit, performance audit, Islamic accountability, waqf sustainability

INTRODUCTION

Waqf is an important Islamic socioeconomic institution that has historically contributed to the provision of religious, educational, healthcare and community services. The institution is based on the concept of permanently dedicating assets for purposes that generate continuing benefits for society (Kasim, Zin, & Ubaidi, 2025). In the contemporary context, waqf institutions are increasingly expected to manage resources professionally and demonstrate that entrusted assets are utilized effectively to achieve their intended objectives (Uula & Kassim, 2023). The sustainability of waqf programmes has consequently become an important concern. Although the availability and growth of waqf assets are important, the long-term sustainability of waqf programmes also depends on the quality of governance, accountability, transparency and resource management within waqf institutions (Ibrahim, Masruki, & Laili, 2025; Uula & Kassim, 2023). Poor governance may undermine public confidence and reduce the ability of institutions to achieve their intended social objectives (Kasim, Zin, & Ubaidi, 2025). One governance mechanism that may contribute to improved waqf management is auditing. Auditing provides an independent and systematic mechanism for assessing financial information, compliance and organizational performance (Irwansah, Idris, & Ardinata, 2026). In the context of waqf institutions, different forms of auditing may address different aspects of institutional accountability. Financial auditing provides assurance concerning financial records and the stewardship of financial resources (Ibrahim, Masruki, & Laili, 2025). Shariah auditing assesses whether activities and transactions comply with Islamic principles (Algabry, Alhabshi, Soualhi, & Alaeddin, 2020). Performance

auditing evaluates whether resources are utilized economically, efficiently and effectively and whether programme objectives are achieved (Mury, 2018).

Effective auditing can strengthen organizational accountability by encouraging management to provide reliable information, comply with established requirements and demonstrate responsible stewardship of entrusted resources (Uula & Kassim, 2023). In the context of Islamic institutions, this accountability has an additional dimension because waqf managers are entrusted with resources that carry religious and social responsibilities (Basri, Siti-Nabiha, & Majid, 2016).

Despite the importance of auditing and accountability, limited research has integrated different dimensions of audit effectiveness within a single framework to explain waqf sustainability (Qurrata, Shafiai, Alma'amun, Wahid, & Ismail, 2024). More importantly, the mechanism through which audit effectiveness may contribute to sustainable waqf outcomes remains insufficiently understood. This paper therefore proposes that Islamic accountability mediates the relationship between audit effectiveness and waqf sustainability. The remainder of this paper discusses the background of the study, relevant literature, theoretical foundation, conceptual framework and proposed hypotheses. The paper concludes by highlighting its theoretical and practical contributions and suggesting directions for future empirical research

Background of Waqf in Malaysia

Waqf institutions in Malaysia operate within a distinctive institutional and regulatory environment. The management of waqf is generally administered at the state level through State Islamic Religious Councils (SIRCs), which act as the sole trustees of waqf assets within their respective jurisdictions (Abas & Raji, 2018; Kader & Zubaidah, 2017). The institutional structure creates significant responsibilities for waqf administrators. These institutions are expected to ensure that waqf assets are protected, developed and utilized according to the intentions of the waqif and the principles of Shariah (Abas & Raji, 2018). Consequently, effective governance and accountability are essential for ensuring that waqf resources generate sustainable benefits (Latif, Din, & Mustapha, 2018). The growing expectations placed on waqf institutions also highlight the importance of appropriate monitoring and assurance mechanisms (Alshater, Hassan, Rashid, & Hasan, 2021). Financial accountability alone may not be sufficient because waqf institutions must also demonstrate Shariah compliance and the effectiveness of their programmes (Mohaiyadin, Aman, Palil, & Said, 2022). Thus, a comprehensive audit perspective is therefore relevant in assessing whether waqf institutions are fulfilling their responsibilities.

LITERATURE REVIEW

Waqf Sustainability

Waqf sustainability refers to the ability of waqf institutions and their programmes to maintain their operations and continue generating intended benefits over time (Sapuan & Zeni, 2021). Sustainability extends beyond financial survival and may include the institution's ability to preserve waqf assets, maintain effective operations and generate continuing social benefits (Widiastuti, et al., 2022; Sapuan & Zeni, 2021). For this study, waqf sustainability is conceptualized through three complementary dimensions:

- Financial sustainability - the ability to maintain adequate financial resources to support ongoing programmes and activities (Ibrahim, Masruki, & Laili, 2025).
- Operational sustainability - the ability to maintain effective processes, management and service delivery (Widiastuti, et al., 2022).
- Social sustainability - the ability to continuously generate meaningful benefits for beneficiaries and the wider community (Widiastuti, et al., 2022).

This multidimensional perspective recognizes that the success of waqf institutions should not be assessed solely through financial outcomes (Sapuan & Zeni, 2021).

Audit Effectiveness

Audit effectiveness refers to the extent to which audit activities achieve their intended objectives and provide useful assurance regarding an organization's financial management, compliance and performance (Khalid, 2020). In this paper, audit effectiveness comprises three dimensions: Financial Audit Effectiveness, Shariah Audit Effectiveness and Performance Audit Effectiveness. Studies of internal audit effectiveness, for example, have shown that effectiveness is influenced by the characteristics of the audit team, the audit processes and activities adopted, and the organizational links between the audit function and other governance mechanisms (Arena & Azzone, 2009). Likewise, management support, interdepartmental coordination and the support and acceptance of auditees have been found to be associated with effective auditing, while independence, objectivity and competence constitute the core building blocks of audit quality (Singh, Ravindran, Ganesan, Abbasi, & Haron, 2021). These findings suggest that the effectiveness of an audit function depends not only on the conduct of individual audits but also on the broader governance environment within which the audit operates.

Recent literatures reinforce the view that audit effectiveness is determined by macro and micro factors operating at different levels of the organization (Lenz & Hahn, 2015). However, much of this evidence has been generated in private-sector and commercial settings, leaving the effectiveness of auditing in public-sector and religious-based organizations comparatively underexplored (Chammaa Benazzi, & Attak, 2026). This gap is particularly relevant for waqf institutions, which act as trustees of assets dedicated to social and religious purposes, and where effective auditing underpins stakeholder confidence and the responsible management of entrusted resources (Ibrahim, Masruki, & Laili, 2025).

Financial Audit Effectiveness

Financial audit effectiveness concerns the extent to which financial auditing provides reliable assurance regarding financial information, financial transactions and the proper stewardship of waqf resources. Effective financial auditing can identify weaknesses in financial controls, improve the reliability of financial information and encourage responsible resource management (Alshater, Hassan, Rashid, & Hasan, 2021). These outcomes may contribute to stronger accountability and ultimately support sustainable programme management (Ibrahim, Masruki, & Laili, 2025). In the broader auditing literature, financial audit effectiveness is closely associated with the concept of audit quality, which is commonly defined as greater assurance of high financial reporting quality (DeFond & Zhang, 2014). Audit quality itself reflects the effectiveness of an audit in detecting material misstatements and ensuring the reliability of financial reporting (Liu, 2025). Research further suggests that audit quality is shaped by the client's control environment, the organizational conditions of the audit firm, and the stakeholder and regulatory environment in which audits are conducted (Francis, 2004). In addition, key drivers of audit effectiveness identified in the literature include auditor competence, firm structure, regulatory oversight and market forces (Babalola, Kokogho, Odio, Adeyanju, & Nwokediegwu, 2022).

These considerations are highly pertinent to waqf institutions. Unlike profit-oriented entities, waqf institutions are expected to demonstrate not only financial stewardship but also the fulfilment of their social and religious objectives, and weakness in reporting on waqf matters has been identified as a concern in the Malaysian context (Daud, 2019). Consequently, accounting and reporting for waqf has received growing scholarly attention (Ula & Kassim, 2023). Effective financial auditing can assist trustees in demonstrating that waqf funds are properly recorded, safeguarded and used for their intended purposes, and internal audit practices have been shown to be associated with the financial sustainability of incorporated waqf institutions in Malaysia (Ibrahim, Masruki, & Laili, 2025). Financial audit effectiveness may therefore be regarded as a foundational governance mechanism that supports accountability and sustainable waqf management.

Shariah Audit Effectiveness

Shariah audit effectiveness concerns the ability of the audit function to assess whether activities, transactions and operations comply with relevant Shariah requirements (Zamri, Asni, & Rosman, 2025). This dimension is particularly important in waqf institutions because compliance with Islamic principles represents a fundamental requirement of waqf management (Mohaiyadin, Aman, Palil, & Said, 2022). The Shariah audit function is regarded as effective when it is able to guarantee Shariah compliance and provide assurance that the operations and activities of an institution conform to Islamic principles (Tuzzahroh & Laela, 2022). The effectiveness of Shariah auditing has been shown to depend on a range of factors, including top management support, organizational independence and objectivity, and the design of the Shariah audit process and activities (Zakaria, Ariffin, & Abidin, 2019). Prior literature also highlights the importance of auditor attributes such as professionalism, integrity, competence and independence, as well as support from the audit committee and board of directors, in determining the success of internal Shariah audits. More broadly, the literature proposes that Shariah audit effectiveness is shaped by external and internal factors as well as by the structure, process and requirements of the internal Shariah audit function (Algabry, Alhabshi, Soualhi, & Alaeddin, 2020).

Shariah compliance is of utmost importance for the sustainability of Islamic institutions because stakeholders will only engage with institutions that operate within Shariah precepts (Zakaria, Ariffin, & Abidin, 2019). The Shariah audit therefore serves not only as a compliance tool but also as a mechanism that enhances the soundness and credibility of the institution (Algabry, Alhabshi, Soualhi, & Alaeddin, 2020). This function is particularly significant in waqf institutions, where assets are dedicated in perpetuity for religious and social purposes and where any deviation from Shariah requirements would undermine the legitimacy of waqf management. Nevertheless, evidence from zakat and waqf institutions in Malaysia indicates that Shariah audit practices are still developing, with challenges relating to audit scope, auditor competency and the absence of an external Shariah audit function (Kamaruddin, Shafii, Hanefah, Salleh, & Zakaria, 2023). Scholars have accordingly argued for strengthening Shariah governance arrangements, including the establishment of external religious assurance, to improve governance and increase stakeholder confidence, (Zamri, Asni, & Rosman, 2025; Haridan, Hassan, & Karbhari, 2018). These insights reinforce the importance of Shariah audit effectiveness as a distinct dimension of audit effectiveness in waqf institutions (Khalid, 2020).

Performance Audit Effectiveness

Performance auditing, also known as value-for-money auditing, is conventionally framed around the classical 'three Es; economy, efficiency and effectiveness (Bringselius, 2018). Economy refers to minimizing the cost of resources used or spending less; efficiency refers to the relationship between outputs and the resources used to produce them, or spending well; and effectiveness refers to the relationship between intended and actual results, or spending wisely (Mury, 2018). Within performance auditing, effectiveness is thus assessed by the organization's success in achieving expected outcomes aligned with its strategic goals, while efficiency emphasizes the optimization of work processes and resource use (Yulisfan, et al., 2025).

For waqf institutions, which are expected to translate entrusted assets into sustainable socioeconomic benefits, the three Es provide a useful lens for assessing whether waqf programmes deliver intended outcomes with available resources. Given that waqf institutions continue to face accountability and transparency challenges in demonstrating the effective use of waqf assets (Salsabila, Rini, & Hidayat, 2024; Mohaiyadin, Aman, Palil, & Said, 2022), performance audit effectiveness may complement financial and Shariah auditing by directing attention not only to whether resources are properly accounted for, but also to whether they are being used wisely to achieve waqf objectives (Yulisfan, et al., 2025). Consequently, performance audit effectiveness may have implications for the Detzen, D., & Gold, A. (2021). The different shades of audit quality: A Review of the Academic Literature. *Maandblad Voor Accountancy En Bedrijfseconomie*, 95, 5–15. <https://doi.org/10.5117/mab.95.60608>

is a fundamental principle in the management of entrusted resources (Gidado & Yusha'u, 2017). In the Islamic context, accountability extends beyond responsibility towards organizational stakeholders to include responsibility before Allah (Zakiy & Turahman, 2023). Islamic accountability therefore encompasses concepts

such as amanah, stewardship, transparency, responsibility and compliance with Islamic principles (Yasmin, Ghafran, & Haniffa, 2018; Basri, Siti-Nabiha, & Majid, 2016). Waqf managers are entrusted with assets for specified purposes and are expected to ensure that these assets are managed responsibly and according to the intentions of the waqif (Tumirin, Triyuwono, Mulawarman, & Prihatiningtias, 2017). Effective auditing can strengthen this accountability by providing systematic assessment of whether resources are properly managed, activities comply with relevant requirements and intended objectives are achieved (Uula & Kassim, 2023). As such, Islamic accountability is therefore proposed as an important mechanism linking audit effectiveness with waqf sustainability (Salsabila, Rini, & Hidayat, 2024; Hatta, Nawas, & Rahman, 2023).

THEORETICAL FOUNDATION

Stakeholder Theory

Stakeholder Theory provides a useful foundation for understanding the governance of waqf institutions. Waqf institutions have multiple stakeholders, including waqif, beneficiaries, regulators, employees, donors and the wider community (Himmawan, Ninglasari, & Mirzal, 2025). These stakeholders have an interest in knowing whether waqf resources are managed responsibly and whether intended objectives are achieved (Alshater, Hassan, Rashid, & Hasan, 2021). Effective auditing can provide assurance to these stakeholders by improving transparency and accountability (Daud, Rahman, & Sulaiman, 2011). From a stakeholder perspective, audit effectiveness can therefore contribute to organizational sustainability by strengthening responsible management and demonstrating that stakeholder interests are being appropriately considered (Alawiye & Kader, 2025).

Islamic Accountability Perspective

While Stakeholder Theory explains the importance of accountability to organizational stakeholders, an Islamic accountability perspective provides an additional dimension that is particularly relevant to waqf. Islamic accountability recognizes that human beings are trustees of resources and are ultimately accountable to Allah for how those resources are managed (Basri, Siti-Nabiha, & Majid, 2016). This principle is particularly relevant to waqf because waqf assets are entrusted for specified religious and social purposes (Yasmin, Ghafran, & Haniffa, 2018). The integration of Stakeholder Theory and Islamic accountability provides a more comprehensive theoretical explanation of waqf governance. Audit effectiveness may strengthen institutional accountability, while Islamic accountability ensures that this responsibility is understood not only from a stakeholder perspective but also from a religious and ethical perspective (Hatta, Nawas, & Rahman, 2023).

CONCEPTUAL FRAMEWORK

Model Overview

Driven by Stakeholder Theory and the Islamic accountability perspective elaborated in Section 5, this study proposes a conceptual framework in which the three dimensions of audit effectiveness; financial, Shariah and performance serve as antecedents of Islamic accountability, which in turn drives the sustainability of waqf programmes. The framework responds to concerns in the literature that accountability issues within waqf institutions may hinder their growth and long-term sustainability (Salsabila, Rini, & Hidayat, 2024), and to calls for a more integrated understanding of the mechanisms through which governance functions such as auditing produce sustainable outcomes (Ainol-Basirah & Siti-Nabiha, 2022).

Consistent with the argument developed earlier, effective auditing is expected to strengthen institutional accountability, while Islamic accountability deepens this responsibility so that it is understood not only in relation to organizational stakeholders but also as a religious and ethical obligation. The framework therefore positions Islamic accountability as the mechanism (mediator) that transmits the effects of audit effectiveness to waqf sustainability.

The proposed conceptual framework consists of three independent variables: financial audit effectiveness, Shariah audit effectiveness and performance audit effectiveness. Islamic accountability is proposed as the mediating variable, while waqf sustainability conceptualized along financial, operational and social dimensions represents the dependent variable.

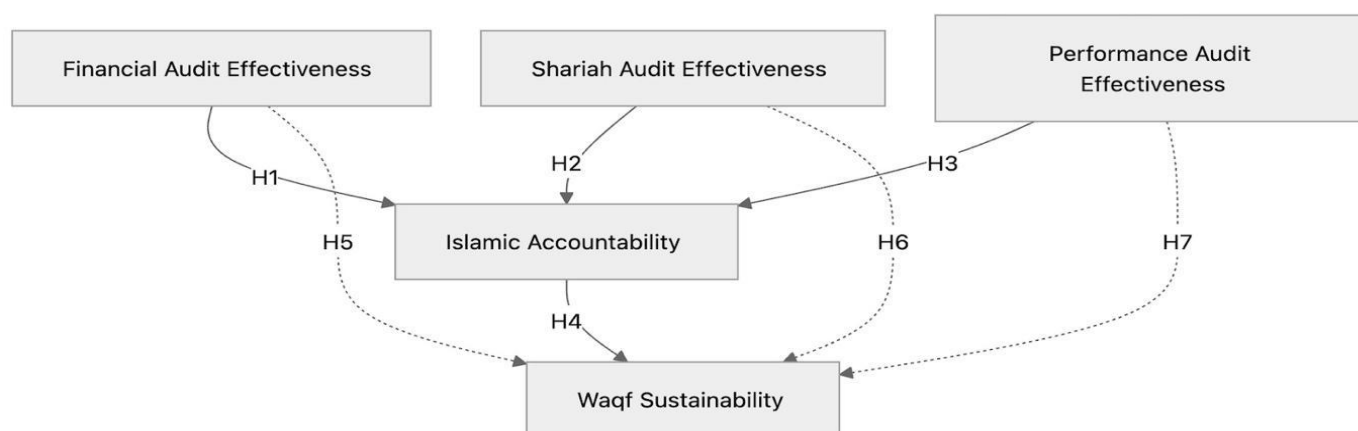


Figure 1: Conceptual framework of audit effectiveness, Islamic accountability and waqf sustainability.

Variable Definitions

To establish conceptual clarity, the five variables are defined as follows:

Variables	Conceptual definition
Financial audit effectiveness	The extent to which financial auditing provides reliable assurance regarding the recording, reporting and stewardship of waqf financial resources (DeFond & Zhang, 2014; Francis, 2004)
Shariah audit effectiveness	The extent to which the audit function provides assurance that the activities, transactions and operations of the waqf institution comply with Shariah requirements (Algabry et al., 2020; Tuzzahroh & Laela, 2022)
Performance audit effectiveness	The extent to which auditing evaluates the economy, efficiency and effectiveness (the "three Es") of resource utilisation and programme implementation (Mury, 2018; Parker, Jacobs, & Schmitz, 2018)
Islamic accountability	The obligation of waqf managers, as trustees (amanah), to account for the use of entrusted resources to stakeholders and ultimately to Allah, encompassing transparency, compliance and responsible stewardship (Zakiy & Turahman, 2023; Tumirin, Triyuwono, Mulawarman, & Prihatiningtias, 2017)
Waqf sustainability	The ability of waqf institutions to maintain operations and continue generating intended financial, operational and social benefits over time (Sapuan & Zeni, 2021; Widiastuti, et al., 2022)

Rationale for the Proposed Relationships

Audit Effectiveness and Islamic Accountability

The three audit dimensions are expected to strengthen Islamic accountability in complementary ways. Financial auditing improves the reliability of financial information, identifies internal control weaknesses, and promotes stewardship and transparency in waqf fund management (Gaynor, Kelton, Mercer, & Yohn, 2016; DeFond & Zhang, 2014). In waqf institutions, internal auditing is also associated with financial sustainability (Ibrahim, Masruki, & Laili, 2025). Shariah auditing ensures compliance with Islamic principles and strengthens religious accountability, particularly as waqf assets are dedicated permanently to religious and social purposes (Kamaruddin, Shafii, Hanefah, Salleh, & Zakaria, 2023; Haridan, Hassan, & Karbhari, 2018).

It is also directly linked to institutional transparency (Elias, Mohamed & Elias, 2026). Sani et al., (2025) suggests implementing an independent Zakat audit within its proposed framework, where an internal Shariah committee or external auditors verify the legitimacy of distribution channels and the correctness of Zakat calculations to ensure accountability. Performance auditing assesses whether resources are used economically, efficiently, and effectively, and whether programme objectives are achieved, extending accountability to results and value for money (Mury, 2018; Nath, Peurseem, & Lowe, 2005). Thus, the three functions address complementary dimensions of accountability: financial stewardship, Shariah compliance, and performance (Irwansah, Idris, & Ardinata, 2026).

Islamic Accountability and Waqf Sustainability

In the Islamic worldview, accountability is not confined to organisational stakeholders; it encompasses a transcendental responsibility before Allah for the manner in which entrusted resources are managed (Zakiy & Turahman, 2023; Gidado & Yusha'u, 2017). This conception of accountability is particularly salient for waqf, because waqf assets are held as a sacred trust for specified religious and social purposes and must be managed accordingly (Sarif, Hidayatullah, Firmansah, & Razak, 2026; Basri, Siti-Nabiha, & Majid, 2016). Strong Islamic accountability is expected to translate into more transparent reporting, more prudent resource management and more effective monitoring of programme outcomes, all of which are conducive to the financial, operational and social sustainability of waqf institutions (Hatta, Nawas, & Rahman, 2023; Latif, Din, & Mustapha, 2018). Conversely, weak accountability exposes waqf institutions to governance failures that erode stakeholder trust and jeopardise their ability to attract resources and sustain programmes (Salsabila, Rini, & Hidayat, 2024; Mohaiyadin, Aman, Palil, & Said, 2022).

The Mediating Role of Islamic Accountability

The framework proposes that audit effectiveness contributes to waqf sustainability primarily through the accountability it instils, rather than solely through direct effects. This mediation logic rests on the argument that audits do not, by themselves, generate sustainable outcomes; rather, they operate by shaping managerial behaviour; encouraging reliable reporting, compliance and responsible resource use which constitutes the substance of accountability from which sustainability follows. Recent empirical research on waqf governance demonstrates the viability of such mediation designs: for example, compliance has been shown to mediate the relationship between supervision and the accountability of waqf institutions (Hendra, Asnawi, & Ekowati, 2025). By integrating the three audit dimensions within a single mediation model, the framework offers a more complete explanation of the process through which auditing contributes to sustainable waqf outcomes; a mechanism that remains insufficiently understood in the existing literature (Ainol-Basirah & Siti-Nabiha, 2022). Direct relationships between the three audit dimensions and waqf sustainability may nevertheless be examined alongside the mediation paths to determine whether Islamic accountability provides partial or full mediation.

Summary of Hypotheses

Consistent with the framework outlined above, and developed in detail in Section 7, the following hypotheses are proposed:

- H1:** Financial audit effectiveness has a positive relationship with Islamic accountability.
- H2:** Shariah audit effectiveness has a positive relationship with Islamic accountability.
- H3:** Performance audit effectiveness has a positive relationship with Islamic accountability.
- H4:** Islamic accountability has a positive relationship with waqf sustainability.
- H5:** Islamic accountability mediates the relationship between financial audit effectiveness and waqf sustainability.
- H6:** Islamic accountability mediates the relationship between Shariah audit effectiveness and waqf sustainability.
- H7:** Islamic accountability mediates the relationship between performance audit effectiveness and waqf sustainability.

HYPOTHESES DEVELOPMENT

Financial Audit Effectiveness and Islamic Accountability

Financial auditing provides assurance concerning the proper recording, reporting and management of financial resources. In waqf institutions, effective financial auditing can enhance transparency and encourage management to demonstrate responsible stewardship of entrusted funds (Uula & Kassim, 2023). When financial information is properly examined and weaknesses are identified, management is more likely to be held responsible for the use of waqf resources. Accordingly:

H1: Financial audit effectiveness has a positive relationship with Islamic accountability.

Shariah Audit Effectiveness and Islamic Accountability

Shariah auditing provides assurance regarding compliance with Islamic principles. Since waqf is fundamentally rooted in Islamic principles, effective Shariah auditing may strengthen the institution's responsibility to ensure that activities and transactions comply with Shariah requirements (Zamri, Asni, & Rosman, 2025; Algabry, Alhabshi, Soualhi, & Alaeddin, 2020). Effective Shariah auditing can therefore reinforce the religious and ethical dimension of accountability within waqf institutions.

H2: Shariah audit effectiveness has a positive relationship with Islamic accountability.

Performance Audit Effectiveness and Islamic Accountability

Performance auditing assesses whether resources are utilized economically, efficiently and effectively and whether organizational objectives are achieved (Parker, Jacobs, & Schmitz, 2018). Performance audit effectiveness may therefore encourage managers to demonstrate that entrusted resources are not only properly recorded but also used effectively to achieve waqf objectives.

H3: Performance audit effectiveness has a positive relationship with Islamic accountability.

Islamic Accountability and Waqf Sustainability

Islamic accountability requires waqf institutions to demonstrate responsible stewardship of entrusted resources and ensure that activities are consistent with the intended objectives of waqf (Sarif, Hidayatullah, Firmansah, & Razak, 2026). Strong accountability may encourage greater transparency, better resource management and stronger monitoring of programme outcomes (Hatta, Nawas, & Rahman, 2023). These practices can contribute to financial, operational and social sustainability (Widiastuti, et al., 2022). Therefore:

H4: Islamic accountability has a positive relationship with waqf sustainability.

Mediating Role of Islamic Accountability

The preceding arguments suggest that audit effectiveness may influence waqf sustainability through Islamic accountability. Financial, Shariah and performance auditing may strengthen accountability by improving financial stewardship, Shariah compliance and programme performance. Stronger accountability may subsequently support the sustainability of waqf programmes (Salsabila, Rini, & Hidayat, 2024). Accordingly, the following hypotheses are proposed:

H5: Islamic accountability mediates the relationship between financial audit effectiveness and waqf sustainability.

H6: Islamic accountability mediates the relationship between Shariah audit effectiveness and waqf sustainability.

H7: Islamic accountability mediates the relationship between performance audit effectiveness and waqf sustainability.

METHODOLOGY

Future empirical research can adopt a quantitative research design to test the proposed framework. The population may consist of individuals involved in the administration, governance, finance, auditing and management of waqf institutions in Malaysia. Respondents may include personnel from State Islamic Religious Councils (SIRCs) and other authorized waqf management institutions (Abas & Raji, 2018). Data can be collected using a structured questionnaire. Measurement items for audit effectiveness, Islamic accountability and waqf sustainability should be adapted from established literature and refined to suit the Malaysian waqf context. Partial Least Squares Structural Equation Modelling may be employed to assess the measurement and structural models (Sapuan & Zeni, 2021). The analysis can include reliability and validity testing, assessment of the structural relationships, and mediation analysis using bootstrapping. This approach would determine whether Islamic accountability significantly mediates the relationship between audit effectiveness and waqf sustainability.

Proposed Measurement Items

Consistent with the methodological approach outlined above, the constructs in the proposed framework will be operationalised using multi-item perceptual measures adapted from the literature underpinning the framework and refined to suit the Malaysian waqf context. All items will be measured on a **five-point Likert scale** (1 = strongly disagree, 5 = strongly agree), a format widely used in survey-based governance and accountability research and compatible with the planned Partial Least Squares Structural Equation Modelling approach. Table 8.1 presents the proposed items for each construct, together with the number of items and their source basis.

Table 8.1: Proposed measurement items

Variables	No. of items	Proposed items	Source basis
Financial audit effectiveness	6	FAE1: The financial audit provides reliable assurance that waqf financial records are accurately recorded and reported. FAE2: The financial audit helps identify weaknesses in internal controls over waqf funds. FAE3: The financial audit ensures waqf funds are safeguarded and used for their intended purposes. FAE4: The financial audit improves the reliability of the financial information disclosed by the institution. FAE5: The individuals conducting the financial audit are competent and independent. FAE6: The financial audit encourages responsible stewardship of waqf financial resources.	Audit quality and financial assurance literature (DeFond & Zhang 2014; Francis 2004); internal audit practices and financial sustainability of incorporated waqf institutions in Malaysia (Ibrahim, Masruki & Laili, 2025)
Shariah audit effectiveness	6	SAE1: The Shariah audit provides assurance that waqf activities and transactions comply with Shariah principles. SAE2: The Shariah audit identifies and reports non-Shariah-compliant income. SAE3: Shariah audit findings are communicated to the Shariah supervisory body. SAE4: The Shariah audit function operates with independence and objectivity. SAE5: Top management supports the Shariah audit function. SAE6: The scope, process and competency	Internal Shariah audit effectiveness factors in Islamic financial institutions (Algabry, Alhabshi, Soualhi & Alaeddin, 2020; Zakaria, Ariffin & Abidin, 2019)

		requirements of the Shariah audit function are well designed.	
Performance audit effectiveness	5	PAE1: The audit evaluates whether waqf resources are used economically (minimizing cost). PAE2: The audit evaluates whether waqf resources are used efficiently (outputs relative to resources used). PAE3: The audit evaluates whether waqf programmes achieve their intended outcomes (effectiveness). PAE4: The audit assesses whether waqf programme objectives are aligned with institutional goals. PAE5: Audit recommendations are followed up to improve resource utilization.	Performance auditing and the "three Es"- (Mury 2018); public sector performance audit (Parker, Jacobs & Schmitz, 2018)
Islamic accountability	6	IA1: Waqf managers recognize their role as trustees (amanah) of entrusted resources. IA2: The institution is transparent in reporting to stakeholders such as the waqif, State Islamic Religious Council and beneficiaries. IA3: Waqf managers feel responsible before Allah for how waqf resources are managed. IA4: The institution complies with Islamic principles in managing entrusted resources. IA5: The institution discloses social and spiritual information beyond financial reporting. IA6: The institution demonstrates responsible stewardship in the utilization of waqf resources.	Islamic accountability in religious organizations (Basri, Siti-Nabiha & Majid 2016); de-facto accountability in Muslim NGOs (Yasmin, Ghafran & Haniffa, 2018)
Waqf sustainability	6	WS1: The institution maintains adequate financial resources to support ongoing waqf programmes. WS2: Revenue generated from waqf assets is sufficient to sustain operations. WS3: The institution maintains effective processes, management and service delivery. WS4: Waqf assets are preserved and developed for continued benefit. WS5: Waqf programmes continuously generate meaningful benefits for beneficiaries and the wider community. WS6: The institution contributes to socioeconomic development over time.	Determinants of waqf sustainability in Malaysia (Sapuan & Zeni 2021); sustainability of Islamic social finance programmes (Widiastuti et al. 2022)

The item set is structured to reflect the conceptual definitions developed in the framework. All items will be subjected to content validity assessment by a panel of experts in waqf governance and Islamic auditing, followed by a pilot test, prior to the main data collection. Reliability and validity of the measurement model including internal consistency, convergent validity and discriminant validity will be assessed within the PLS-SEM procedure.

EXPECTED CONTRIBUTIONS & LIMITATIONS

The study is expected to contribute to theory, practice, and policy. Theoretically, it integrates financial, Shariah, and performance auditing into a single framework and recognizes them as complementary mechanisms of waqf governance (Qurrata, Shafiai, Alma'amun, Wahid, & Ismail, 2024; Irwansah, Idris, &

Ardinata, 2026). It also extends Stakeholder Theory by incorporating Islamic accountability as an important dimension of governance in Islamic institutions (Alawiye & Kader, 2025; Basri, Siti-Nabiha, & Majid, 2016). Practically, the study may help waqf administrators identify effective audit practices that strengthen accountability and sustainability by addressing financial stewardship, Shariah compliance, and programme performance (Irwansah, Idris, & Ardinata, 2026; Mohaiyadin, Aman, Palil, & Said, 2022). From a policy perspective, the framework may assist policymakers and State Islamic Religious Councils (SIRCs) in improving governance and accountability mechanisms, ensuring that waqf resources are managed responsibly and that programmes achieve their intended social objectives (Latif, Din, & Mustapha, 2018; Uula & Kassim, 2023).

Applying audit effectiveness concepts to the waqf context presents several challenges. Measuring Shariah audit effectiveness is complicated by the absence of a standardised Shariah audit framework. These challenges are compounded by limited resources and a shortage of auditors qualified in both accounting and Shariah, as well as the difficulty of assessing compliance with diverse interpretations of Islamic principles (Detzen & Gold, 2021; Mustikarini & Adhariani, 2021). The core difficulty is that conventional audit effectiveness frameworks assume financial materiality and shareholder accountability, neither of which applies cleanly in the waqf context, where institutions are accountable not only to stakeholders but also to Allah (Francis, 2022; Cotton, Cotton and Shipway, 2023; Kasneci et al., 2023).

CONCLUSION

Waqf institutions have an important role in supporting socioeconomic development, but the sustainability of waqf programmes depends on effective governance and responsible management of entrusted resources. This conceptual paper proposes that financial audit effectiveness, Shariah audit effectiveness and performance audit effectiveness can contribute to waqf sustainability by strengthening Islamic accountability. The proposed framework positions Islamic accountability as a mediating mechanism between audit effectiveness and waqf sustainability. By integrating financial, Shariah and performance audit perspectives with Stakeholder Theory and an Islamic accountability perspective, the study provides a more comprehensive framework for understanding sustainable waqf governance. However, measuring Shariah audit posed several challenges such as absence of uniform Shariah audit framework, and different interpretation of Islamic principles. Future empirical research should test the proposed relationships using data from Malaysian waqf institutions. Such research may provide useful evidence on the role of auditing and accountability in ensuring that waqf resources continue to generate sustainable benefits for beneficiaries and society.

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