

Prioritizing Zakat Core Principles (ZCP) Criteria

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Abstract

Zakat Institution (OPZ) is the intermediary organizations based on social. The entire of operating expense is taken from the zakat and infaq funds collected. The Zakat Core Principles are a starting point for the frameworks and standards of zakat-based governance best practices. The Zakat Core Principles is mainly aimed to improve the quality of the zakat systems by identifying such weaknesses in the existing of supervision and regulation. This study try to prioritize the Principles of ZCP and also the essential criteria from each level using Analytic Hierarchy Process (AHP). There are five core principles of charity principle, consisting of: regulation, supervision, collection and disbursement management, risk management, and audit and transparency. From these principles, the main priority is regulation following with audit and transparency.

Keywords: zakat core principles, analytic hierarchy process, zakat institution

Abstrak

Institusi zakat merupakan lembaga perantara berbasis pada kegiatan sosial. Keseluruhan biaya dialokasikan dari dana penghimpunan zakat dan infak. Prinsip inti zakat merupakan titik awal kerangka kerja dan standar praktik tata kelola berbasis zakat. Prinsip inti zakat (ZCP) terutama ditujukan untuk memperbaiki kualitas sistem zakat dengan mengidentifikasi kelemahan seperti adanya pengawasan dan regulasi. Studi ini mencoba memprioritaskan prinsip-prinsip ZCP dan juga kriteria esensial dari masing-masing level dengan menggunakan analytic hierarchy process (AHP). Ada lima prinsip dasar pada prinsip amal yang terdiri dari: peraturan, pengawasan, pengumpulan dan pengelolaan pencairan, manajemen risiko serta audit dan transparansi. Berdasarkan prinsip ini, prioritas utama ialah menyusun aturan mengenai audit dan transparansi.

Kata Kunci: prinsip inti zakat, analytic hierarchy process, institusi zakat.

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INTRODUCTION

Zakat has a main role in the creation of justice in the economic field, in which all citizens have a source of revenue and income to fulfill daily needs for their life. In management of the use of zakat funds, the most important is the role of *amil zakat* (read: Zakat Institution) as bearers of the trust in management of the zakat funds. If the *amil zakat* is good in its management, then eight of zakat receipts (*ashnaf*) will be good anyway. But if the *amil zakat* is not good in its management, it should not be expected to *ashnaf* will be good too, that is essence of the *amil zakat* strategic. In other words, the most important thing of zakat is how to manage the use of zakat funds (management).

Zakat Institution (OPZ) is the intermediary organizations based on social. The entire of operating expense is taken from the zakat and *infaq* funds collected. It is also justified by Sharia, because OPZ committee is *Amilin zakat* that also included in eight *ashnaf* eligible for Zakat. The portion used for operation activities and *Amilin's* salaries.

Zakat system comprising of zakat institution, zakat collector, zakat recipients (*'ashnaf*), and zakat payer (*muzakki*) elements, has started to re-emerge in some Muslim populated countries (Kahf, 2002). Some of them have already had a well designed operating guidelines and regulations. However, in general, the development of Zakat system is still in the early stage. To foster the development of Zakat system, it can take the benefit from the advancement that has been achieved in the financial market. Learning from institutional theory, institutional environment that covers strong legal environment and regulatory environment, good governance, and socio-economic impacts are among the important aspects that the Zakat system can learn from. In the absence of institutional environment for Zakat development, there will be the absence of governing rules or common grounds for Zakat institutions worldwide. Thus, an international collaboration in terms of working group is deemed necessary to explore the potential of zakat development in the future. The working group came up with principles for effective and efficient zakat operation including the legal foundation, governance, risk management, financial integrity and etc.

Although OPZ based on social, but the management still needs to uphold professional, accountability, and transparency principles. Most recently, in the measurement of the effectiveness of zakat management, Baznas in cooperation with Bank Indonesia initiate the concept of Zakat Core Principles (Beik, 2014). The development of zakat regulations may benefit from current developments that are taking place in other financial sector industries. Thus, the Core Principles on Governance for Zakat Management aim to adapt the existing internationally recognized frameworks of the Basel Core Principles (BCPs). The Basel Core Principles (BCPs) are the minimum standards for sound prudential regulation and supervision of banks and banking systems. The BCPs have already been conducted as a banking quality benchmark in more than 150 countries, so that the BCPs may represent the best role model for assessing the quality of the supervisory practices. By adapting the BCPs, the Zakat Core Principles represent an international standard of high-level principles to achieve and assess Zakat supervisory practices. This section adapts the 29 Basel Core Principles that were last revised in September 2012 (Basel Committee on Banking Supervision, 2012).

To retain as a flexible, globally, applicable standard, the Zakat Core Principles are formulated by the proportionality concept from a broad range of zakat institutions (from compulsory zakat management system to voluntary zakat management system). The main objective of the Zakat Core Principles is to strengthen a sound supervisory zakat management and a zakat safety net instrument among Muslim countries.

The Zakat Core Principles are the minimum standards to be applied by all zakat supervisions. In implementing compliance with a Principle, this section proposes the assessment criteria for each 18 Principles under a set of “essential criteria” and “additional criteria” for each Principle. Essential criteria are elements that should be present in to assess full compliance with a Zakat Principle. Additional criteria are elements that may be relevant to the countries with advanced zakat system. To achieve best zakat supervisory practices, a country may voluntarily choose to be assessed against the additional criteria, in addition to the essential criteria. These studies try to prioritize the 18 Principles of ZCP and also the

essential criteria from each level.

METHOD

This research is using primary data, which is obtained by doing in-depth interview with experts from academician. In order to synthesize the problems and make it in priority, second meeting (interview) with experts is needed to complete pair-wise questionnaires. In order to choose respondents in this research is by considering their understanding about zakat development. The amount of respondent consists of seven experts related to the topic discussed. There is no maximum or minimum quotes to choose respondent, the most important things to be considered is they must have good ability and good understanding about zakat problem.

This study applies Analytic Hierarchy Process (AHP) methodology in two steps. First, develop an appropriate AHP network and relevant questionnaires to glean the necessary data from experts and academician of zakat. Second, AHP analysis is applied to set priority of zakat principles and essential criteria's.

Today, AHP is part of ANP. Analytic Network Process (ANP) is a mathematic theory that allows one to deal systematically with dependence and feedback and that can capture and combine tangible and intangible factors by using ration scale. ANP as a general theory of relative measurement is also used to derive composite priority ratio from individual ratio scale reflecting relative measurement of interconnected elements within control criteria. ANP is a new approach in decision making process that provides general framework in treating decision without making any assumption about independency of elements in higher level from elements in lower level and about independency of elements within the same level. Moreover, ANP uses network without having to determine level as in hierarchy used in Analytic Hierarchy Process (AHP), which is a starting point of ANP. The main concept of ANP is influence while the main concept of AHP is preference. AHP with its dependency assumptions on clusters and elements are special cases of ANP (Saaty & Vargas, 2006).

To construct AHP model in phase 1, based on theoretical and empirical literature reviews of the problem, open questionnaires are asked to experts from

various institutions, universities, and consulting firms. Follow-up is conducted through in-depth interviews to garner more detailed information to be able to comprehend the real problems.

Table 1. Comparison of Verbal and Numeric Scales

Definition	Intensity of Importance
Equal Importance	1
Weak	2
Moderate importance	3
Moderate plus	4
Strong importance	5
Strong Plus	6
Very strong or demonstrated importance	7
Very,very strong	8
Extreme importance	9

Source : Saaty (2003)

To quantify and measure the AHP model or hierarchy in phase 2, pair-wise questionnaires are drawn based on final AHP hierarchy designed in phase 1, which has been automatically formed in SUPERDECISIONS software. To make sure that the questionnaires are worked effectively within allowable inconsistency, questionnaire testing is conducted to respondents. In this step, modification to questionnaires might be needed to improve effectiveness to gather appropriate data (Ascarya, 2011).

In phase 3, results or synthesis of AHP hierarchy in SUPERDECISIONS software for each respondent can be generated. The data are then exported to excel worksheet to be manipulated to produce the desired outputs. To produce scientific 'consensus' results, geometric means of all respondents' responses are calculated, re-inputted to AHP hierarchy in SUPERDECISION software and re-synthesized. This is the formula of Geometric Mean (Ascarya, 2011):

$$(\prod_{i=1}^n a_i)^{1/n} = \sqrt[n]{a_1 a_2 a_n} \quad (1)$$

Based on the research results through literature review and indepth interviews with the respondents academics who understand the zakat core principle (ZCP) for the zakat institution, especially in Indonesia it is known there are five basic principles that apply zakat institution in the world. From the ZCP it

will be known which ones should be a priority to do, especially in Indonesia, and it will be known that the most important priority of every principle of the ZCP.

The results showed that the priorities contained in the ZCP principle consists of:

1. Regulation, consists of (1) objective, independent and power, (2) permissible activities, and (3) licensing criteria.
2. Supervision, consists of (1) supervisory approach, (2) supervisory technique and tools, (3) supervisory reporting, (4) Corrective and sanctioning power of zakat supervisor, and (5) Good amil governance.
3. Collection and disbursement management, consists of (1) collection management and (2) disbursement management.
4. Risk management, consists of (1) country and transfer risk, (2) reputation and muzakki loss risks, (3) disbursement risk, and (4) operational risk.
5. Audit and transparansi, consists of (1) sharia control and internal audit, (2) financial reporting and external audit, (3) disclosure and transparansi, and (4) abuse of zakat service.

From the above data, it can be formed on the model hierarchy of ZCP for zakat institution in Indonesia with the Analytic Hierarchy Process approach (It can be seen in Figure 1)

RESULT & DISCUSSION

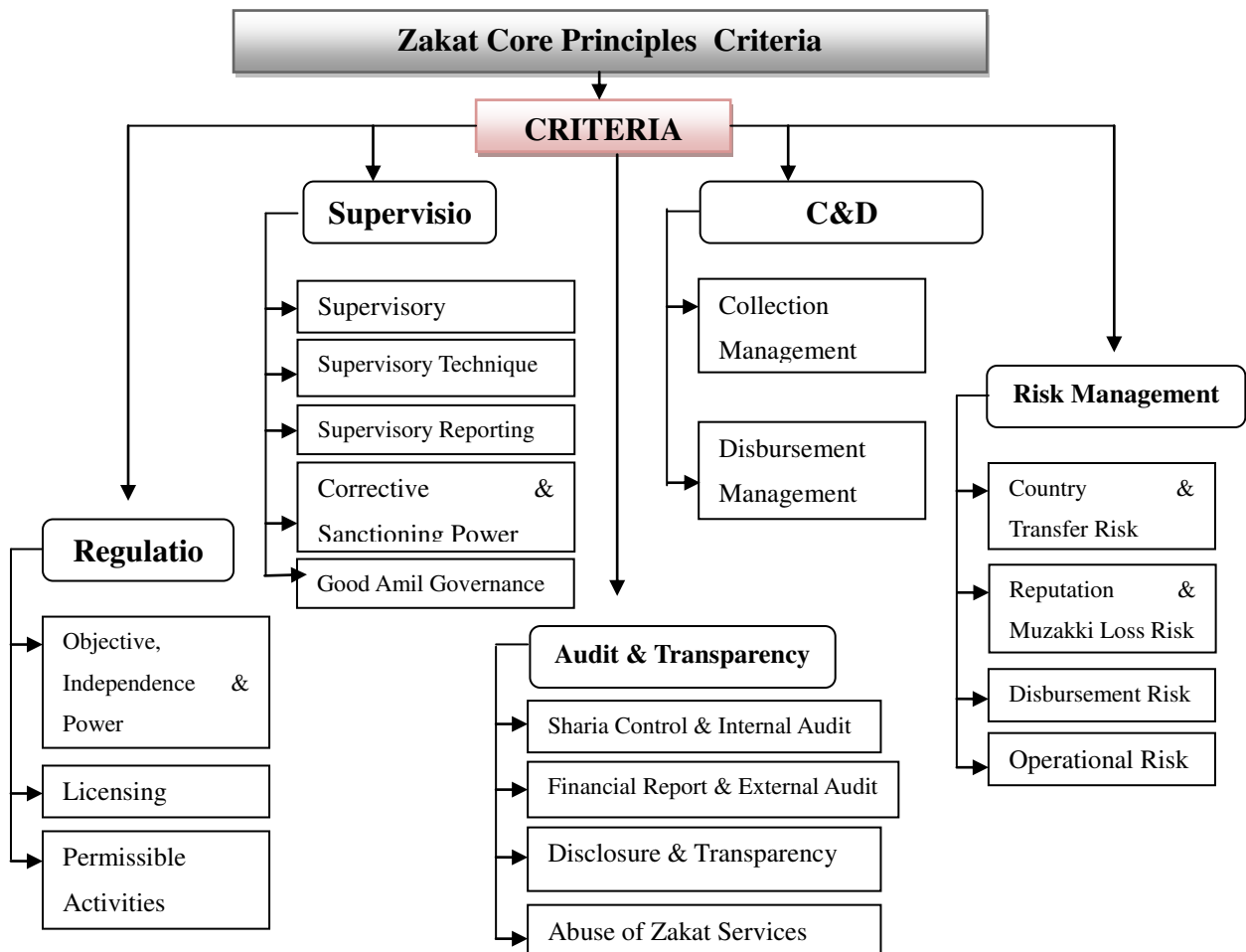
Based on the consensus of all respondents academic experts, it can be found that the five principles of ZCP, there is a top priority that can be done in the management of zakat institution in Indonesia.

The first principle is regulation. The most important priority for the principle of regulation is "licensing criteria". It is important to do because to be a good zakat institution must meet the requirements set by the government, so that all forms of licensing required by the government should do well. This is intended to prevent the institutions that manage zakat is not good, because zakat institutions will deal directly with the public so that the responsibility is very great.

The second priority is "permissible activities". This is an important priority for the second because of all activities undertaken by the zakat institutions

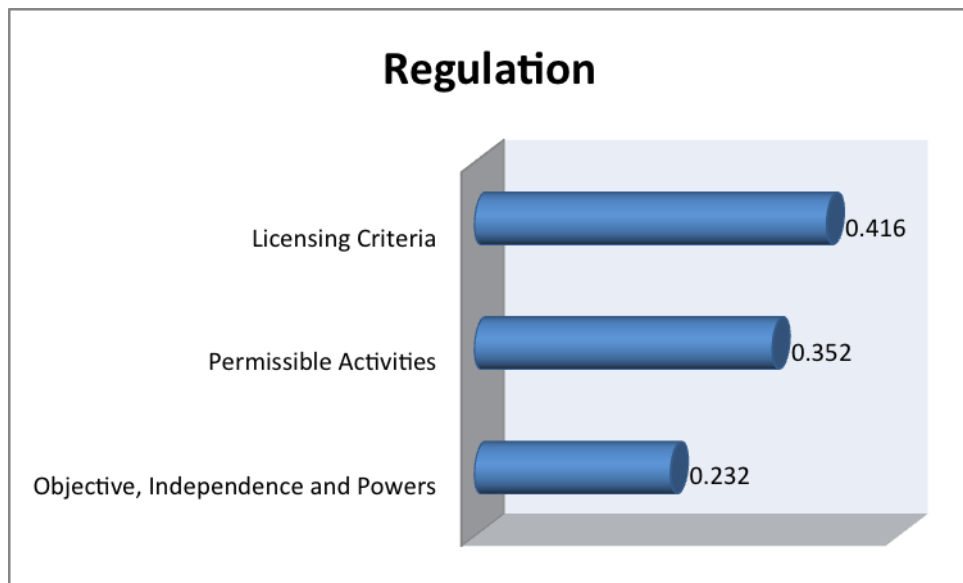
must obtain permission from the regulator (government) to avoid activity that is prohibited by law and religion. So if the government found zakat institution whose activities were prohibited, then the permissions will be revoked and institutions can not operate anymore. It is a form of regulation of commitment in order to create good institutions.

Figure 1: Model Hierarchy of ZCP



The third priority is "objective, independence and powers". Zakat institutions should run its operations with the objective without selfish interests of certain parties because responsibility is to the public institutions, especially mustahik zakat distribute their zakat to the institution. Moreover, zakat institution must also have the strength and independence of institutions that can sustain itself with its financial strength so it will not lean towards certain parties. For more details about other priorities can be seen in Figure 2.

Figure 2. Priorities of Regulation



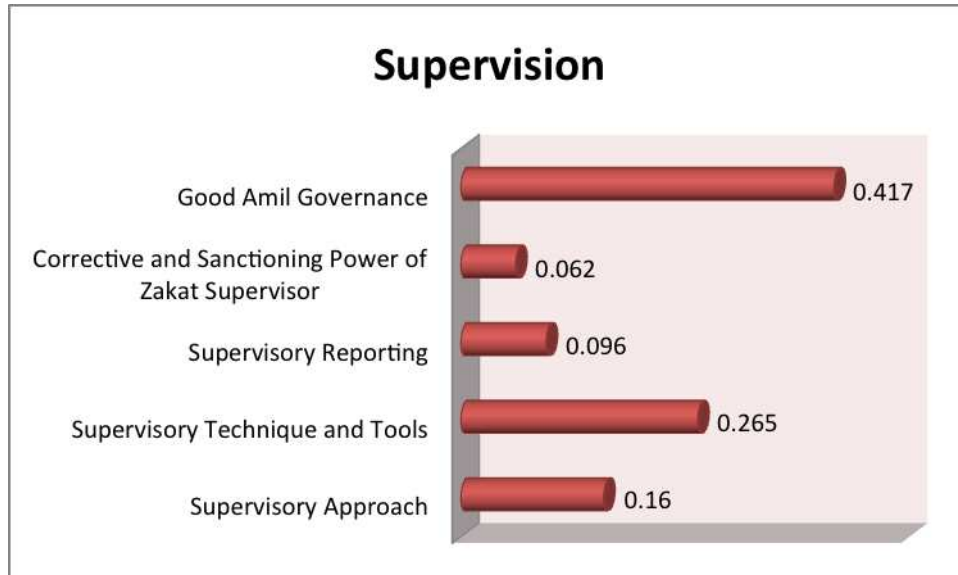
The second principle of ZCP for zakat institution is supervision. In order to achieve the principle of supervision, then the main priorities that must be done is "good amil governance". This priority is very important because the good zakat institutions governance (good amil governance) is essential in order to manage zakat institution professionals. Zakat institution just like other institutions should follow the good corporate governance (GCG) to avoid the abuse of authority of each officer, and this will make it easier to conduct surveillance.

The second priorities is "supervisory technique and tools". To achieve good zakat institution, it would require a good monitoring technique is accompanied by a device to conduct surveillance. People who will serve as supervisors must be people who have mastered the technique of good supervision, especially those who have had experience as supervisor of both zakat institutions and non zakat institution. It is becoming form of maximization of internal control zakat institution.

The third priorities is "supervisory approach". That supervision must be based on a good approach. Suppose zakat institution supervisory agency is based on the approach of governance or distribution approach. So in conducting surveillance, the agency will give priority in accordance with the approach used. It is towards achieving the vision of the zakat institution. Even more important is the monitoring conducted in an orderly and each manager do his job in accordance

with their respective responsibilities. For more details about other priorities can be seen in Figure 3.

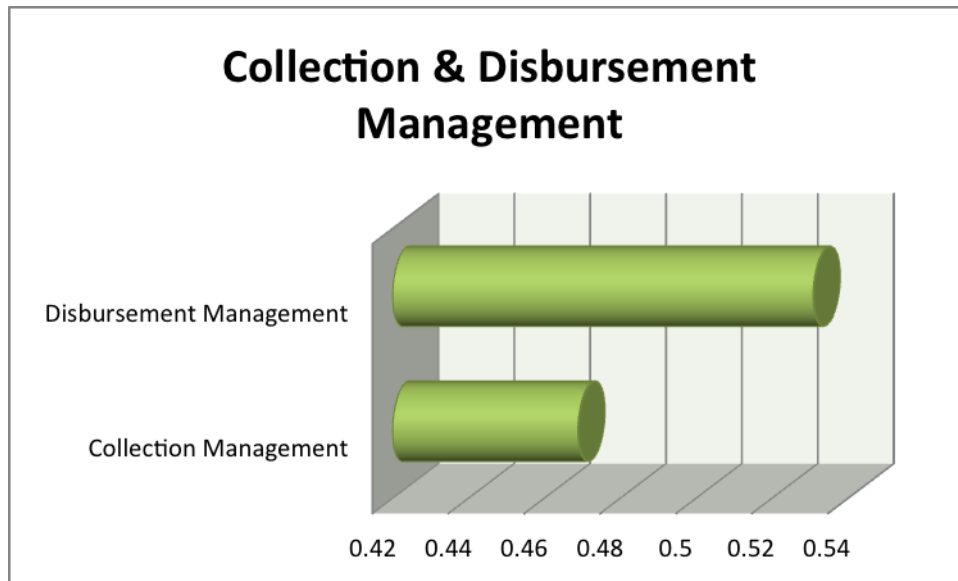
Figure 3. Priorities of Supervision



The third principle of ZCP is Collection and Disbursement Management. There are two priorities namely Collection Management and Disbursement Management. Of these priorities, the first priority should be done to improve the Collection and Disbursement Management zakat institution of "disbursement management". To increase public confidence in the zakat institution, then that should be prioritized, namely the distribution of zakat. so necessary among the best ways to be right on mustahik zakat distribution of zakat. This is the toughest challenge for charity institution for reasons muzakki to not distribute zakat through the agency is due to a lack of confidence in distributing zakat funds. So that would be the biggest mistake if the distribution of zakat funds are misdirected and will harm muzakki.

The second priorities is "collection management". Institutions should be able to collect zakat on zakat potential is huge, especially in Indonesia. so that zakat funds can be absorbed, however, the organization must create ways to facilitate mustahik in distributing zakat funds to the institution. For more details about other priorities can be seen in Figure 4.

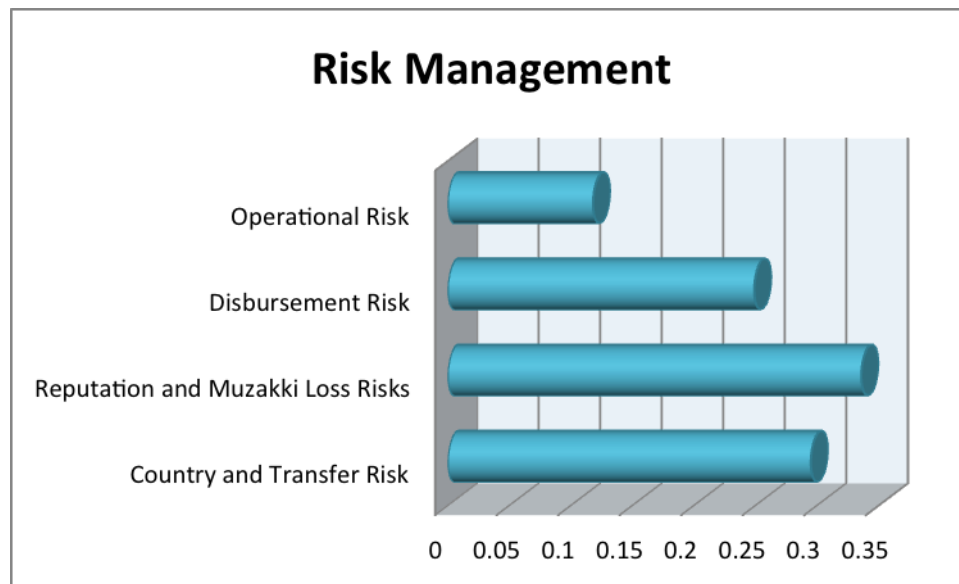
Figure 4. Priorities of Collection and Disbursement Management



The fourth principle of ZCP is risk management. The main priorities should be done on aspects of risk management is "muzakki loss of reputation and risks". To carry out operations zakat institutions should run good risk management, if this is done continuously, it will create a cozy atmosphere and a culture of good work. the result is muzakki will trust institution to the trade-off is the institution will also provide the best service in the trust received from muzakki in order to minimize the risk of losses for muzakki.

The second priorities is "country and transfer risk". The second priority is very important because in order to minimize the risk to the institution of zakat the state should be able to become the supporting institution in the event of something unexpected. That in practice, zakat institution must conduct a cooperation agreement with the country in many ways and one of them in risk management.

The third priorities is "disbursement risk". Zakat institutions must create a distribution plan in accordance with kriteris mustahik charity, and this became the greatest responsibility as Amilin zakat institution. Economic equality is an important factor in the framework of the distribution of zakat. Therefore, it needs a good program with the involvement of the government in order to know which one is more of a priority for the distribution of zakat. This can minimize the risk of error distribution. For more details about other priorities can be seen in Figure 5.

Figure 5. Priorities of Risk Management

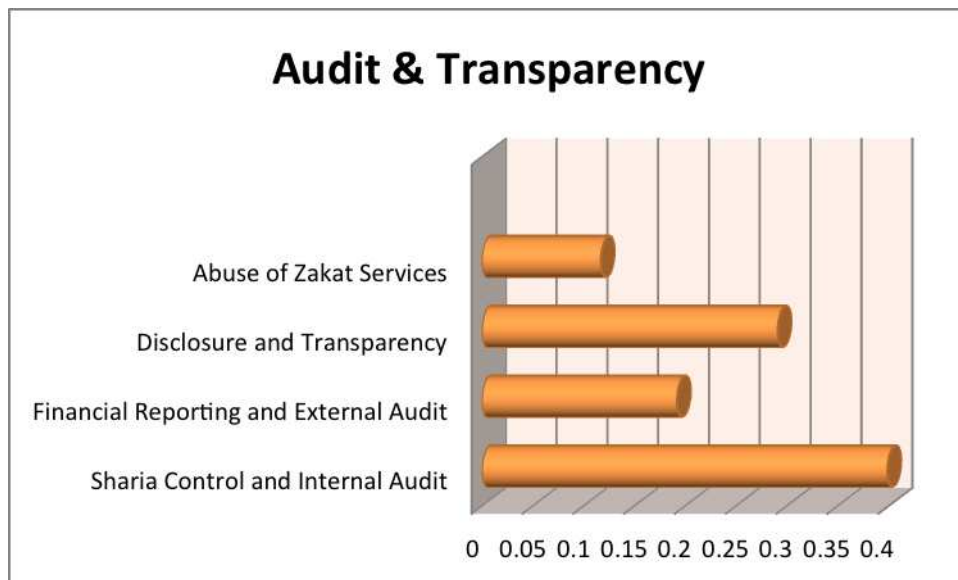
The fifth principle of ZCP is audit and transparency. The main priorities should be done on the principle of audit and transparency is "sharia control and internal audit". On this priority, the internal audit function is essential for all forms of misappropriation or fraud is a bad form of internal audit. Therefore, it should be established a clear framework in creating audit procedures (control). Examination of not only the financial aspect but also conducted on aspects of sharia compliance. So if the internal audit and audit sharia can run well then the institution will be easier to provide transparent information.

The second priorities is "disclosure and transparency". Any activities carried out by the institution of zakat must be disclosed in periodic reports, because of the disclosure is a form of accountability. Disclosure regarding the activities of collection and distribution of zakat is the responsibility of the institution to the community and should be disclosed in order to form transparency will increase trust mustahik to the institutions that will eventually be recognized for the existence of the agency.

The third priorities is "financial reporting and external auditors". The financial statements must be prepared in accordance with applicable accounting standards. In Indonesia, accounting standards concerning zakat institution referred to in Financial Accounting Standar of Sharia issued by the agency accounting profession. Therefore zakat institution shall make good financial

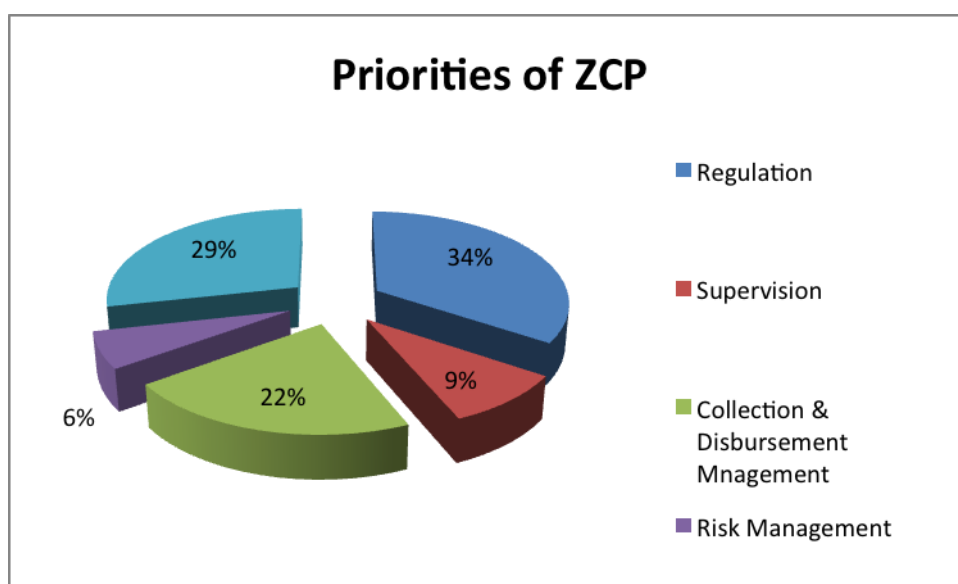
statements and conducted an audit of the financial statements in order to provide reasonable information to the public. So that people can trust that the zakat institution manages funds that are deposited with the good. For more details about other priorities can be seen in Figure 6.

Figure 6. Priorities of Audit and Transparency



From the five principles contained in the ZCP, then through the AHP done anyway priority weighting in order to know the most important priority. Based on the consensus of the respondents academics, the obtained sequence of the most important principles such as in Figure 7.

Figure 7. Priorities of Zakat Core Principle



From the five principles above, it was found that the first principle is the most important thing to do is regulation. This is because the regulation will not give permission for the operation of zakat institution, so that good regulation determines the quality of the institution of zakat. Government should make strict rules that every institution has a responsibility zakat established good because zakat institution is not a financial institution that is a profit-oriented, but oriented institutions in the interests of the people.

Table 2. Zakat Core Principles Criteria

		ZCP NUMBER	ZCP NAME	EIGENVALUE	RANK
C&D MANA GEME NT (0.216)	REGULATIO N (0.343)	ZCP 1	Objective, Independence and Powers	0.232	3
		ZCP 2	Permissible Activities	0.352	2
		ZCP 3	Licensing Criteria	0.416	1
		ZCP 4	Supervisory Approach	0.160	3
	SUPERVISION (0.092)	ZCP 5	Supervisory Technique and Tools	0.265	2
		ZCP 6	Supervisory Reporting	0.096	4
		ZCP 7	Corrective and Sanctioning Power of Zakat Supervisor	0.062	5
		ZCP 8	Good Amil Governance	0.417	1
	RISK MANAGEMENT T (0.064)	ZCP 9	Collection Management	0.469	2
		ZCP 10	Disbursement Management	0.531	1
		ZCP 11	Country and Transfer Risk	0.295	2
		ZCP 12	Reputation and Muzakki Loss Risks	0.336	1
	AUDIT & TRANSPARENCY (0.284)	ZCP 13	Disbursement Risk	0.249	3
		ZCP 14	Operational Risk	0.118	4
		ZCP 15	Sharia Control and Internal Audit	0.399	1
		ZCP 16	Financial Reporting and External Audit	0.192	3
		ZCP 17	Disclosure and Transparency	0.291	2
		ZCP 18	Abuse of Zakat Services	0.117	4

While the second order, namely Audit and transparency. In order to give the public confidence in the khususnys muzakki, then any activity carried out by the institution of zakat must be audited in order to be found in case of misuse of funds, the audit carried out on the financial side and on the side of the sharia. In addition, each activity must be informed in a transparent manner so that the public trust operations zakat institution. For more comprehensive calculation about the priorities of Zakat Core Principles criteria, can be seen on the Table 2.

From regulation perspective, to improve the quality of regulation, then the zakat institution must have a supervisor who has a good mission. that is able to work with high quality and given credence. The zakat supervisor has the power to: obtain full access to zakat institution, review overall activities and impose appropriate corrections. In addition, source of zakatable items must be clearly determined in the zakat act to avoid wrong action. in order to increase the professionalism of the institution, the zakat act identifies the authority responsible for granting and withdrawing a licensed zakat institution and manpower. .so that the existence of zakat institution would be guaranteed by either.

In carrying out its functions, the zakat supervisor uses a methodology for assessing the risk of shari'ah issues, internal control environment, and the optimization of zakat management system. And also the zakat supervisor uses a clear framework of information system and strategic tools to regularly assess the processing-monitoring of zakat management system. in practice, zakat management institutions must be proactive to the supervisor, because zakat supervisor has the power to require zakat institutions to submit supervisory information on an accurate basis, such as their financial condition. If found errors or fraud The zakat supervisor imposes sanctions not only to the zakat institutions but, when and if necessary also to management. Therefore, Shari'ah law, regulations, and the zakat supervisor determine that the concept and definition of amil still can be applied in the current zakat institutions (Mannan, 2000).

In order to improve the quality of the collection of zakat, then the most important factor is the presence of a supervisor, because zakat supervisor will determine the period of collecting zakat. On the other hand to distribute zakat

which has been obtained, The zakat supervisor requires that zakat institutions have a procedure to give a priority scale of the eight ashnaf. The poor (fuqara) and the needy (miskin) are the most important groups that must be given the first priority.

From risk management perspective, to reduce the risk in the management of zakat, The zakat supervisor determines policies & processes to identify, measure, evaluate, control, and mitigate country & transfer risk. The zakat supervisor also imposes prudential standards to identify, assess, evaluate, monitor, report, control, and mitigate reputation risk. As an institution that was given the mandate by mustahik zakat, then to mitigate misallocation of disbursement, the zakat institutions have a comprehensive assessment for each ashnaf. And this is important to do. So that the management unit should have proper methodology to identify, measure, mitigate and monitor the operational risk (Rusydiana and Devi, 2013).

The responsibility of the institution is able to demonstrate accountability through a report that can be published each period well. So in order to obtain a good report then shari'ah laws, regulations or the zakat supervisor require zakat institutions to have internal control frameworks (Shirazy, 1996). One way is to increase the supervisor function. Zakat supervisor has the power to establish the standard & scope of work for external audits that cover areas such as the asset valuations and the percentage of disbursement effectiveness. If everything has been done well, laws, regulations or the zakat supervisor require zakat institutions to publish periodic disclosures of information on a consolidated and it will be easy to do. Other important factors is Zakat act establishes the duties, responsibilities, and powers of the zakat supervisor related to the zakat supervision of internal controls and regulations regarding criminal activities, such as terrorism, money laundering, and corruption.

CONCLUSION

There are five core principles of charity principle, consisting of: regulation, supervision, collection and disbursement management, risk management, and audit and transparency. From these principles, the main priority is regulation

following with audit and transparency. The most important priority of the principle of regulation is "licensing criteria," followed by "permissible activities" and "objective, independence and powers". The most important priority of the principle of supervision is "good governance amil" followed by "supervisory technique and tools" and "supervisory approach". The most important priority of the principle of Collection and Disbursement Management is "disbursement management" followed by "collection management". The most important priority of the principle of risk management is "muzakki loss of reputation and risks" followed by "country and transfer risk" and "risk disbursement"

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APENDIX

REGULATION CRITERIA

ZCP NO	ESSENTIAL CRITERIA	EV	RANK
ZCP 1. Objective, Independence and Powers			
ZCP 1.1	The main objective of zakat supervision is to promote the minimum standard for sound regulation and supervision of zakat management system.	0.194	2
ZCP 1.2	The effective zakat system should have a solid legal foundation in terms of zakat act.	0.162	3
ZCP 1.3	The governing zakat act is adequate & comprehensive translated into operational regulation.	0.068	5
ZCP 1.4	The elements of independence & power to regulate have to be clearly mentioned in the articles of zakat act.	0.047	6
ZCP 1.5	Zakat act and its operating rules have to be recognized by other relevant acts and regulations.	0.043	7
ZCP 1.6	The zakat act should clearly define regulatory and supervisory structures that cover shari'ah rules.	0.131	4
ZCP 1.7	The zakat supervisor has the power to: obtain full access to zakat institution, review overall activities and impose an appropriate corrections.	0.353	1
ZCP 2. Permissible Activities			
ZCP 2.1	Sources of zakatable items must be clearly determined in the zakat act.	0.273	1
ZCP 2.2	General criteria of zakat collection should be mentioned in the zakat act.	0.272	2
ZCP 2.3	General criteria of zakat disbursement should be mentioned in the zakat act.	0.219	3
ZCP 2.4	Zakat supervisor publishes available a current list	0.089	5

	of licensed zakat institutions that is accessible by public.		
ZCP 2.5	Zakat institutions can also manage infaq, shadaqah and other charitable funds that are defined in the zakat act.	0.145	4
ZCP 3. Licensing Criteria			
ZCP 3.1	Licensing power is a part of regulatory power that is mentioned clearly in the zakat act.	0.262	2
ZCP 3.2	Licensing process includes providing licenses to operate the zakat institutions.	0.140	4
ZCP 3.3	The zakat act identifies the authority responsible for granting and withdrawing a licensed zakat institution and manpower.	0.374	1
ZCP 3.4	The criteria for licensing zakat institutions are set by the licensing authority.	0.223	3
SUPERVISION CRITERIA			
ZCP NO	ESSENTIAL CRITERIA	EV	RANK
ZCP 4. Supervisory Approach			
ZCP 4.1	The zakat supervisor uses a methodology for assessing the risk of shari'ah issues, internal control environment, and the optimization of zakat management system	0.467	1
ZCP 4.2	The zakat supervisor assesses zakat institutions' compliance with shari'ah regulations and other legal requirements.	0.207	3
ZCP 4.3	The zakat supervisor has a clear framework or process for assuring zakat management activities being fully performed by shari'ah regulations & legal requirements.	0.325	2
ZCP 5. Supervisory Technique and Tools			
ZCP 5.1	The zakat supervisor uses a clear framework of information system and strategic tools to regularly assess	0.577	1

	the processing-monitoring of zakat management system		
ZCP 5.2	The zakat supervisor evaluates the performance of the zakat institutions' internal audit function in identifying strategic areas.	0.256	2
ZCP 5.3	The zakat supervisor may use of independent third parties, such as financial auditors.	0.166	3
ZCP 6. Supervisory Reporting			
ZCP 6.1	The zakat supervisor has the power to require zakat institutions to submit supervisory information on an accurate basis, such as their financial condition.	0.508	1
ZCP 6.2	The zakat supervisor provides a clear instruction for periodic reports that clearly describe the zakat accounting guidelines.	0.164	3
ZCP 6.3	The zakat supervisor utilizes policies and procedures that determine the validity and integrity of supervision information.	0.327	2
ZCP 7. Corrective and Sanctioning Power of Zakat Supervisor			
ZCP 7.1	The zakat supervisor should set an appropriate range of supervisory tools to be used when a zakat institution is not complying with shari'ah laws, regulations, and supervisory actions	0.253	2
ZCP 7.2	The zakat supervisor has a broad range of measurement to take timely corrective actions or to impose sanction.	0.198	3
ZCP 7.3	The zakat supervisor imposes sanctions not only to the zakat institutions but, when and if necessary also to management.	0.548	1
ZCP 8. Good Amil Governance			
ZCP 8.1	Shari'ah law, regulations, and the zakat supervisor determine that the concept and definition of amil still can be applied in the current zakat institutions.	0.363	1
ZCP 8.2	The zakat supervisor provides guidance to zakat	0.149	4

	institutions on expectations for sound amil governance		
ZCP 8.3	The zakat supervisor regularly assesses a zakat institution's amil governance policies and practices commensurate with shari'ah regulations and systemic importance.	0.242	2
ZCP 8.4	The zakat supervisor establishes the amil governance structures and requirements that are appropriate for appointing manpower.	0.160	3
ZCP 8.5	Zakat supervisor determines some aspects of zakat institution Board	0.054	5
ZCP 8.6	The zakat supervisor has the power to recommend changes in the composition of the zakat institution's Board if it is proved legally that any individuals are not fulfilling their duties.	0.032	6

COLLECTION & DISBURSEMENT MANAGEMENT CRITERIA

ZCP NO	ESSENTIAL CRITERIA	EV	RANK
ZCP 9. Collection Management			
ZCP 9.1	Zakat act should designate the institutions that will charges and collects zakat	0.194	3
ZCP 9.2	The zakat supervisor determines the period of zakat collecting immediately	0.321	1
ZCP 9.3	The zakat supervisor should ensure that zakat institution has made the collection proactively	0.112	4
ZCP 9.4	The zakat supervisor determines the rate of zakat (nisab) depend on the source of income or the extent of property accumulation in the light of the shari'ah.	0.055	6
ZCP 9.5	The zakat supervisor determines that zakat institutions have appropriate policies and processes for regularly evaluating the various types of zakatable assets.	0.214	2
ZCP 9.6	The zakat supervisor determines that zakat institutions'	0.036	7

	Board obtains timely and appropriate information on the classification of zakatable assets.		
ZCP 9.7	The zakat supervisor should ensure that zakat institution has made the collection proactively. In order to achieve the primary objective of poverty alleviation, zakat institutions needs to prioritize a larger proportion of zakat fund than other charitable funds.	0.066	5
ZCP 10. Disbursement Management			
ZCP 10.1	Shari'ah laws, regulations, or the supervisor require zakat institutions to formulate policies and processes for identifying and managing zakat funds. Zakat funds are an entity separate from government funds and revenues.	0.074	5
ZCP 10.2	The zakat supervisor determines that zakat fund from the latest collection period must be distributed maximum for 1 year	0.155	3
ZCP 10.3	The zakat supervisor assesses the level of disbursement management by using disbursement-to-collection ratio (DCR).	0.262	2
ZCP 10.4	Shari'ah rules, regulations, and the zakat supervisor require zakat institutions to formulate policies and processes to spend zakat for the benefit of Mustahiq	0.112	4
ZCP 10.5	The zakat supervisor requires that zakat institutions have a procedure to give a priority scale of the eight ashnaf. The poor (fuqara) and the needy (miskin) are the most important groups that must be given the first priority.	0.276	1
ZCP 10.6	Zakat is distributed based on priority after considering principles of equity, justice, and territorial proximity	0.062	6
ZCP 10.7	The zakat supervisor determines that zakat institutions have policies and processes to prevent persons benefiting from the disbursement arrangements.	0.059	7

RISK MANAGEMENT CRITERIA

ZCP NO	ESSENTIAL CRITERIA	EV	RANK
ZCP 11. Country and Transfer Risk			
ZCP 11.1	The zakat supervisor determines policies & processes to identify, measure, evaluate, control, and mitigate country & transfer risk.	0.328	1
ZCP 11.2	The donor supervisor assesses a scale priority of recipient country through poverty level, calamity impact and the closest territorial from its donor country.	0.258	3
ZCP 11.3	The donor supervisor limits the range of activities by identifying a clear definition and assessment of the eight ashnaf.	0.302	2
ZCP 11.4	Donor and recipient supervisors share appropriate information on a timely basis in line with the informal or formal arrangements (MoU) to enable the exchange of confidential information.	0.113	4
ZCP 12. Reputation and Muzakki Loss Risks			
ZCP 12.1	The zakat supervisor understands the overall structure of the zakat institutions in the wider environment, in particular contagion and reputation risks, may jeopardize the safety of the zakat system.	0.091	4
ZCP 12.2	The zakat supervisor imposes prudential standards to identify, assess, evaluate, monitor, report, control, and mitigate reputation risk.	0.389	1
ZCP 12.3	The zakat supervisor addresses all major aspects of reputation risk in the national zakat system, including periods when contagion and reputation risks could increase.	0.235	2
ZCP 12.4	The zakat supervisor requires zakat institutions' strategies, policies and processes for the management of	0.225	3

	reputation risk to minimize muzakki losses.		
ZCP 12.5	The zakat supervisor requires that zakat institutions have adequate socialization programs to enhance the well-informed public on zakat	0.059	5
ZCP 13. Disbursement Risk			
ZCP 13.1	The zakat supervisor requires zakat institutions have established disbursement strategies, policies and processes to identify, assess, monitor and manage disbursement risks.	0.238	2
ZCP 13.2	To mitigate misallocation of disbursement, the zakat institutions have a comprehensive assessment for each ashnaf.	0.539	1
ZCP 13.3	The zakat institutions should have proper financial planning, recording and management to prevent mismatch allocation of fund distribution	0.139	3
ZCP 13.4	The financial management is up-dated in a frequent manner so that the management has an accurate figure of financial position to meet all financial obligations timely	0.084	4
ZCP 14. Operational Risk			
ZCP 14.1	The management unit should have proper methodology to identify, measure, mitigate and monitor the operational risk.	0.399	1
ZCP 14.2	Zakat institutions have an appropriate internal process for covering potential fraud, technical failure of the IT system, and any other factors that may disturb the zakat institutions from their operations	0.192	3
ZCP 14.3	Laws, regulations, or the zakat supervisor require the zakat institutions must be equipped with good governance structure to ensure that responsibility and accountability are in place.	0.291	2
ZCP 14.4	Zakat institutions should have dedicated unit to take care	0.117	4

 of operational risk.

AUDIT & TRANSPARENCY CRITERIA

ZCP NO	ESSENTIAL CRITERIA	EV	RANK
ZCP 15. Sharia Control and Internal Audit			
ZCP 15.1	Shari'ah laws, regulations or the zakat supervisor require zakat institutions to have internal control frameworks	0.562	1
ZCP 15.2	The zakat supervisor determines that the internal audit function has qualified resources.	0.229	2
ZCP 15.3	The zakat supervisor determines that zakat institutions have an adequately staffed, permanent, independent, shari'ah control & internal audit function	0.208	3
ZCP 16. Financial Reporting and External Audit			
ZCP 16.1	The zakat supervisor holds the zakat institution's Board and management responsible	0.166	3
ZCP 16.2	Zakat supervisor has the power to establish the standard & scope of work for external audits that cover areas such as the asset valuations and the percentage of disbursement effectiveness.	0.577	1
ZCP 16.3	The zakat supervisor has the power to reject and rescind an unprofessional external audit.	0.256	2
ZCP 17. Disclosure and Transparency			
ZCP 17.1	Laws, regulations or the zakat supervisor require zakat institutions to publish periodic disclosures of information on a consolidated.	0.548	1
ZCP 17.2	The zakat supervisor determines that the required disclosures are both qualitative and quantitative information including financial performance, disbursement activities, accounting policies, management, and amil governance.	0.254	2
ZCP 17.3	The zakat supervisor or another government agency	0.198	3

effectively reviews and enforces compliance with disclosure standards.

ZCP 18. Abuse of Zakat Services

	Zakat act establishes the duties, responsibilities, and powers of the zakat supervisor related to the zakat		
ZCP 18.1	supervision of internal controls and regulations regarding criminal activities, such as terrorism, money laundering, and corruption	0.382	1
	The zakat supervisor determines that zakat institutions have adequate policies and processes that promote		
ZCP 18.2	Islamic ethics and professional standards and prevent the zakat institutions from being used, intentionally or unintentionally, for criminal activities.	0.106	4
	The zakat supervisor report to the financial intelligence unit or relevant authorities about such suspicious		
ZCP 18.3	activities and incidents in order to keep the safety, soundness of the zakat institutions.	0.163	3
	The zakat supervisor determines policies and processes that are integrated and appropriate to identify, assess,		
ZCP 18.4	monitor, manage and mitigate risks of criminal activities with respect to countries, regions, disbursement products, and zakat services.	0.252	2
ZCP 18.5	The zakat supervisor determines that zakat institutions have sufficient controls and systems to identify, prevent, and report potential abuses of zakat services.	0.071	5
ZCP 18.6	The zakat supervisor has power to take appropriate action against a zakat institution that does not comply with its obligation regarding criminal activities.	0.025	6
