OFSGOE ASSESSOR TRAINING MODULE 2

Islamic Institutional Governance
OFSGOE Assessor Certification Programme
Module Number: 2
Module Title: Islamic Institutional Governance
Duration: 12–15 Hours
Level: Intermediate to Advanced
Prerequisite: Module 1 – Introduction to OFSGOE
Certification Weight: 10%

MODULE OVERVIEW

Islamic Institutional Governance is the backbone of sustainable organisational excellence. Institutions may possess strong financial resources, effective operations, and ambitious strategic plans, but without sound governance, long-term sustainability remains vulnerable.

This module equips OFSGOE Assessors with the knowledge and skills required to evaluate governance effectiveness within Islamic organisations, including:
Islamic organisations
Mosques
Islamic NGOs
Islamic schools and universities
Islamic financial institutions
Waqf institutions
Da'wah organisations
Zakat institutions
Faith-based healthcare institutions

Participants will learn how governance principles derived from the Qur'an and Sunnah align with modern governance frameworks and how to assess governance maturity objectively.

LEARNING OUTCOMES
At the end of this module participants should be able to:
Explain Islamic governance principles.
Assess governance structures and effectiveness.
Evaluate board performance.
Examine accountability systems.
Measure governance maturity.
Identify governance risks.

Conduct governance assessments using OFSGOE tools.
Score governance indicators objectively.
Recommend governance improvements.
Prepare governance assessment reports.

SECTION 1
Understanding Governance
Definition of Governance
Governance refers to:
The system through which organisations are directed, controlled, supervised, and held accountable.
Governance answers:
Who makes decisions?
How are decisions made?
Who monitors performance?
Who is accountable?
How are stakeholders protected?
Why Governance Matters
Poor governance causes:
Corruption
Mismanagement
Mission drift
Financial leakages
Loss of trust
Institutional collapse
Strong governance produces:
Transparency
Accountability
Sustainability
Stakeholder confidence
Better decision-making
Long-term growth

SECTION 2
Islamic Foundations of Governance
Islam views governance as an Amanah (Trust).
Allah says:
"Indeed, Allah commands you to render trusts to whom they are due and when you judge between people to judge with justice."
(Qur'an 4:58)
Governance is therefore:
- a religious obligation

● an ethical responsibility
● a legal accountability
● a leadership trust

Governance vs Management Clarification
This is one of the most misunderstood areas in Islamic organisations.
:
Governance responsible for:
Direction
Oversight
Accountability

While Management is responsible for:
Planning
Execution
Operations

Core Islamic Governance Principles

Principle 1: Tawhid (Divine Accountability)
Governance begins with recognition that ultimate authority belongs to Allah.

"The command belongs to none but Allah."
(Qur'an 12:40)

Implications:
Leaders are trustees.
Power is delegated.
Authority is not absolute.
Assessment Questions:
Does leadership demonstrate ethical responsibility?
Are decisions aligned with Islamic values?

Principle 2: Amanah (Trust)
Leadership positions are trusts.
The Prophet ﷺ said:
"Each of you is a shepherd and each of you is responsible for his flock."
(Bukhari and Muslim)
Assessment Indicators:
Integrity systems
Fiduciary responsibility
Ethical leadership

Asset protection

Principle 3: Adl (Justice)
Justice is central to governance.
Allah says:
"Indeed Allah commands justice."
(Qur'an 16:90)
Governance Assessment Areas:
Fair recruitment
Fair compensation
Fair procurement
Equal opportunities

Principle 4: Ihsan (Excellence)
Governance should not merely meet minimum standards.

The Prophet ﷺ said:
"Allah loves that when one of you performs a task, he perfects it."
Assessment Areas:
Continuous improvement
Governance innovation
Performance excellence

Principle 5: Accountability (Muhasabah)
Leaders are accountable before Allah and society.
Umar ibn Al-Khattab (RA) said:
"Take account of yourselves before you are taken to account."
Assessment Areas:
Reporting systems
Audit systems
Performance reviews

SECTION 3
Shūrā (Consultative Governance)
Definition
Shūrā means collective consultation before decision-making.

Allah says:
"And whose affairs are conducted by mutual consultation."
(Qur'an 42:38)

Characteristics of Effective Shūrā
Inclusiveness: Relevant stakeholders participate.

Diversity: Different perspectives represented.

Transparency: Decisions openly communicated.

Respect: Constructive discussion encouraged.

Collective Wisdom: Decisions improve through consultation.

Effective Shūrā is NOT:
endless meetings
voting without evidence
popularity contests
Effective Shūrā includes:
consultation
evidence
expertise
accountability

Governance Assessment Indicators
Assessors examine:
Existence of governing board
Consultation procedures
Meeting regularity
Attendance records
Stakeholder engagement

SECTION 4
Governance Structure Assessment
Governance Architecture

Typical structure:
General Assembly
↓
Board of Trustees
↓
Governing Council

↓
Executive Management
↓
Operational Units
Governance Components
Vision Oversight
Board monitors strategic direction.
Policy Oversight
Board establishes policies.
Financial Oversight
Board monitors finances.
Risk Oversight
Board manages risks.
Compliance Oversight
Board ensures legal compliance.
Governance Assessment Checklist
Assess:
✓ Constitution
✓ Governance Charter
✓ Board Manual
✓ Policies
✓ Organisational Structure
✓ Reporting Lines
✓ Decision Authority Matrix
✓ Delegation Framework

Succession Planning
A major governance weakness in many Islamic institutions is:
dependence on founders or charismatic leaders.
Consider adding:
Governance Assessment Area
Succession Planning
Indicators:
documented succession plans
leadership development
emergency succession procedures

SECTION 5
Board Effectiveness Assessment
Role of the Board
Board responsibilities include:
Strategy approval
Policy approval

CEO oversight
Risk oversight
Resource stewardship
Characteristics of Effective Boards
Competence
Members possess relevant expertise.
Independence
Members act objectively.
Diversity
Skills diversity exists.
Integrity
High ethical standards maintained.
Commitment
Active participation demonstrated.
Board Performance Indicators
Indicator
Excellent
Meeting Attendance   >90%

Governance KPIs
Board KPIs
Meeting attendance
Policy review completion
Audit compliance rate
Strategic objective achievement
Risk mitigation implementation

Strategic Oversight- Strong
Policy Review- Annual
Risk Review- Quarterly

Self-Evaluation
Annual
Common Board Weaknesses
Rubber-stamp boards
Founder domination
Conflict of interest
Poor attendance
Lack of expertise

SECTION 6
Accountability Systems
Accountability Dimensions
Upward Accountability
To Allah.
Internal Accountability
To governing structures.
Stakeholder Accountability
To members and beneficiaries.
Regulatory Accountability
To regulators.
Accountability Mechanisms
Audits
Internal audit.
External audit.
Shariah audit.
Reporting
Annual reports.
Performance reports.
Governance reports.
Disclosure

Transparency of:
Financial information
Decisions
Projects
Risks
Governance Assessment Indicators
Assessors verify:
✓ Audit reports
✓ Board reports
✓ Management reports
✓ Compliance reports
✓ Annual reports

SECTION 7
Governance Risk Assessment
Governance Risks
Strategic Risk
Poor strategic direction.
Leadership Risk

Weak leadership.
Compliance Risk
Regulatory breaches.
Reputation Risk
Public trust erosion.
Fraud Risk
Misuse of resources.
Risk Evaluation Matrix

Risk	Likelihood	Impact
Fraud	High	High
Leadership Failure	Medium	High
Regulatory Breach	Medium	High
Data Breach	Medium	Medium

Governance Risk Assessment Exercise
Scenario:
A board has not met for 12 months.
Questions:
What governance risks exist?
What evidence is needed?
What OFSGOE score would you assign?
What corrective actions are recommended?

SECTION 8
Governance Maturity Models
Governance maturity reflects the extent to which governance systems are formalised, implemented, measured, and continuously improved.

Level 1 – Initial
Characteristics:
Informal governance
Founder dependent
Minimal documentation
Score: 0–20%

Level 2 – Emerging
Characteristics:
Basic structures
Some policies

Limited monitoring
Score: 21–40%

Level 3 – Defined
Characteristics:
Formal governance system
Board oversight
Regular reviews
Score: 41–60%

Level 4 – Managed
Characteristics:
Performance monitoring
Risk management
Governance metrics
Score: 61–80%
Level 5 – Excellent

Characteristics:
Best practice governance
Benchmarking
Continuous improvement
Score: 81–100%

Governance Maturity Assessment Exercise
Evaluate an institution that has:
Board charter
Annual external audits
Strategic plan
Risk register
Board evaluation
Determine maturity level.

SECTION 9
Governance Assessment Tools
Tool 1: Document Review
Assess:
Constitution
Policies
Board minutes

Reports

Tool 2: Interviews
Interview:
Chairperson
Board members
CEO
Compliance officer

Tool 3: Observation
Observe:
Board meetings
Decision-making
Leadership behaviour

Tool 4: Evidence Verification
Evidence hierarchy:
Level 1: Verbal claims
Level 2: Documents
Level 3: Independent verification
Level 4: Performance outcomes

SECTION 10
OFSGOE Governance Assessment Framework
Governance Pillar Weight: 25%

Sample Governance Indicators

Leadership Effectiveness
Score 0–5

Board Governance
Score 0–5

Accountability Systems
Score 0–5

Risk Management
Score 0–5

Stakeholder Engagement

Score 0–5

Maximum Raw Score 25
Normalized Score 25%

SECTION 11
Case Study 1
Mosque Governance Failure
Background:
A mosque committee has:
No elections
No audited accounts
No annual reports
No board meetings
Consequences:
Financial disputes
Membership decline
Donor distrust
Assessor Task
Identify:
Governance weaknesses.
Evidence required.
OFSGOE score.
Improvement plan.

SECTION 12
Case Study 2
Islamic University Governance Excellence
Characteristics:
Independent governing council
Strategic plan
Risk framework
Annual external audits
Performance dashboard
Outcomes:
Financial stability
Accreditation success
Stakeholder confidence

Assessor Task
Assess:

Governance maturity level.
Governance strengths.
Areas for improvement.

SECTION 13
Practical Governance Assessment Workshop
Participants conduct:

Stage 1
Document Review

Stage 2
Governance Interviews

Stage 3
Evidence Verification

Stage 4
Scoring

Stage 5
Report Writing
Sample Governance Assessment Report Structure
Executive Summary
Governance Findings
Evidence Reviewed
Maturity Assessment
Governance Score
Strengths
Weaknesses
Recommendations
Conclusion

SECTION 14
Ethical Conduct of Governance Assessors
Assessors must demonstrate:
Integrity
Confidentiality
Professionalism
Objectivity
Independence
Common Assessor Errors

Avoid:
Personal bias
Assumptions
Insufficient evidence
Score inflation
Score deflation

SECTION 15
MODULE SUMMARY
Key lessons:
✓ Governance is an Amanah.
✓ Shūrā strengthens institutional decision-making.
✓ Accountability ensures trust.
✓ Effective boards improve sustainability.
✓ Governance maturity reflects institutional excellence.
✓ Governance assessments must be evidence-based.
✓ OFSGOE assessors evaluate governance objectively.

CERTIFICATION EXAMINATION
Part A: Multiple Choice Questions (20 Marks)

Question 1
The Qur'anic principle of consultation is:
A. Amanah
B. Adl
C. Shūrā
D. Ihsan

Question 2
Governance primarily concerns:
A. Marketing
B. Decision-making and accountability
C. Operations
D. Sales

Question 3
The highest governance maturity level is:
A. Initial
B. Emerging
C. Defined
D. Excellent

Question 4
Which document provides evidence of board decisions?
A. Invoice
B. Payroll
C. Board Minutes
D. Receipt

Question 5
Governance risk includes:
A. Fraud
B. Compliance failure
C. Leadership failure
D. All of the above

Part B: Short Answer Questions (30 Marks)
Explain the concept of Amanah in governance.
Discuss the role of Shūrā in organisational excellence.
Explain governance maturity.
List five governance assessment tools.
Describe characteristics of effective boards.

Part C: Practical Assessment (50 Marks)
Conduct a governance assessment of a selected institution and submit:
Governance maturity evaluation.
Evidence reviewed.
Governance score.
Key findings.
Improvement recommendations.

Recommended References
The Holy Qur'an.
Ṣaḥīḥ al-Bukhārī.
Ṣaḥīḥ Muslim.
Islamic Financial Services Board Guiding Principles on Governance for Islamic Financial Institutions.
Accounting and Auditing Organisation for Islamic Financial Institutions Governance Standards.
Organisation for Economic Co-operation and Development Principles of Corporate Governance.
Good Governance for Nonprofits.

Corporate Governance.
Al-Mawardi, Al-Ahkam al-Sultaniyyah.
Ibn Taymiyyah, Al-Siyasah al-Shar'iyyah.

End of Module 2 – Islamic Institutional Governance. This module serves as the governance competency foundation for OFSGOE assessors and provides the basis for governance scoring under the Governance & Sustainability Pillar.