

# Conceptual framework of internal Shari'ah audit effectiveness factors in Islamic banks

Internal  
Shari'ah audit  
effectiveness

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## Abstract

**Purpose** – The main purpose of this research is to figure out the most effective determinants that play a vital role in enhancing the effectiveness of the internal Shari'ah audit in the Islamic banking industry.

**Design/methodology/approach** – This paper reviews the existing literature to build comprehensive knowledge that would assist in determining the main factors that impact on the effectiveness of Shari'ah audit in Islamic banks.

**Findings** – This research proposes a conceptual framework of factors that impact on Shari'ah audit effectiveness in IBs based on previously published studies. The proposed framework includes external and internal factors as well as internal Shari'ah audit structure, process and requirements.

**Practical implications** – First, the regulators need to provide a detailed framework for Shari'ah audit which covers the main requirements for effective Shari'ah governance. Second, Islamic financial institutions (IFIs) need to pay more attention to following the Shari'ah audit process in order to achieve the objective of effective Shari'ah governance. Finally, the dearth of empirical research on the role and effectiveness of Shari'ah audit in Islamic banking highlights the need to develop an appropriate methodology to enhance the study of the effectiveness of Shari'ah governance practices.

**Originality/value** – The Shari'ah ensures compliance with its rules and regulations and enhances the soundness and credibility of the Islamic finance industry. This study identifies a number of issues that require further investigation in order to establish a better system of Shari'ah audit and to identify the factors that affect Shari'ah auditing practices. This paper is unique in covering the main elements that have influence on the effectiveness of Shari'ah audit and proposes them in one framework.

**Keywords** Internal audit, Islamic banking, Shari'ah governance, Shari'ah audit

**Paper type** Conceptual paper



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## Introduction

The Global Report on Islamic Finance 2018 stated that the Islamic banking sector is considered the main element of the Islamic finance industry. This industry has sharply grown in recent years, recording values of assets close to US\$1.72tn managed by more than 505 Islamic financial institutions (IFIs), spread across more than 50 economies around the world in both Muslim and non-Muslim countries (World Bank Group and IRTI, 2018). All financial institutions that carry the label “Islamic bank” must apply the rulings of the Sharī’ah (Islamic law) in all of their financial transactions and investments because carrying that name makes them part of the Islamic economy. Based on the findings of some studies (Chapra and Habib, 2002; Yaacob and Donglah, 2012) internal Sharī’ah audit should be implemented in Islamic banks (IBs) to achieve the following objectives: to fulfill *maqāṣid al-Sharī’ah* (objectives of Islamic law); to avoid possible Sharī’ah non-compliance risks; and to gain the trust of stakeholders by establishing strong Sharī’ah governance, which requires internal control tools such as internal Sharī’ah audit.

The economic system in Islam is an integral part of Islamic jurisprudence that covers the religious, social, political and ethical aspects of life. As a result, the Sharī’ah audit has an important role in helping to achieve the above objectives and fulfill *maqāṣid al-Sharī’ah* (Yasoa *et al.*, 2018). Consequently, it is considered essential that IBs enhance their Sharī’ah audit framework and ensure that all their transactions and products are Sharī’ah-compliant (Masruki *et al.*, 2020). Considering the growth and success of Islamic banking and finance, IBs have a responsibility to make sure that all their activities and transactions are following Sharī’ah rules and this has led to a call for detailed development of Sharī’ah audit (Aziz *et al.*, 2019). It is in this context that this research is studying the internal Sharī’ah audit effectiveness factors in IBs.

Accordingly, this paper is organized as follows. The next section reviews the existing literature on the area of internal and external audit from Sharī’ah and conventional perspectives. This is followed by a brief description of Sharī’ah audit specifications. The conceptual framework on factors that impact on Sharī’ah audit effectiveness is then discussed in detail. It is followed by the final section which concludes with a summary and practical implications of this framework on the Islamic banking system.

## Literature review

While there is extensive literature that examines internal and external audits in the banking industry, the study of internal Sharī’ah audit in Islamic banking is still in its infancy (Khalid *et al.*, 2018). One of the fundamental responsibilities of IBs is to ensure that they are Sharī’ah-compliant and this can be done by strengthening the effectiveness of Sharī’ah governance, which comprises internal Sharī’ah audit and the internal Sharī’ah review function (Abu Ghudda, 2001; Ajili and Bouri, 2018).

According to previous studies (Kinney, 1993; Porter, 1993; Mattila, 2003; CPA, Australia, 2006; Steinbart *et al.*, 2018), there are some issues that exist in internal audit due to the prevalence of some gaps, including the so-called “expectation gaps.” One of these expectation gaps is the “performance gap,” which can be categorized into two types. The first is the deficient standards gap, which is located between the existing guidelines and standards on auditing and what society expects of them (Porter, 1993). The second type is the expectation-performance gap, which is the gap between the expected standards of performance of the auditor and what is being practiced in reality (Kinney, 1993; Porter, 1993).

According to Kinney (1993), there are two main causes of the expectation-performance gap. The first one compares the professional standards with what the end-user requires. The second relates to difficulties in getting competent professional standards that can include all audit practices and responsibilities. These same issues can be faced by IBs. For example, any weakness in the Sharī'ah guidelines and supervisory framework of IBs may increase disruptions in their Sharī'ah governance, particularly the scope of the internal Sharī'ah auditor, which may cause an IB to be viewed as a conventional one (Basiruddin and Ahmed, 2019). Hence, this paper tries to explore the factors, which impact on internal Sharī'ah audit effectiveness and how it takes place in IBs.

Aziz *et al.* (2019) argued that Sharī'ah auditing does not reject all the techniques and mechanisms of conventional auditing as they can be used to test the values that are in line with the Sharī'ah. Furthermore, Yahya (2018) stated that auditing techniques gained from conventional auditing in the financial sector are relevant to the socio-economic infrastructure and culture of Islamic society. The objective of internal Sharī'ah auditing is similar to that of auditing in conventional financial institutions. However, differences emerge based on Auditing Standard No.1 for Islamic Financial Institutions (ASIFI), which mentions that Sharī'ah auditing provides assurance that the transactions of IBs are in accordance with Sharī'ah principles and rules; the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) standards; and the national accounting standards.

Internal Sharī'ah auditing gives a certain level of assurance to stakeholders. However, it has a lot of weaknesses and issues, such as lack of professional competence in both financial and Sharī'ah skills and independence from the influence of other parties (Kasim *et al.*, 2013; Khalid *et al.*, 2019). In conventional accounting and auditing, materialistic values are the main features, which render the objectives discrete from *maqāṣid al-Sharī'ah* (Kasim *et al.*, 2009). This is because the main objective of Sharī'ah is to protect and benefit people in their affairs in both this life and the hereafter. The objective of maximizing profits is permissible but subordinate to this main objective (Laldin, 2011).

Therefore, conventional audit that mostly emphasizes the financial statement to assess whether it presents a fair and true view of the company is insufficient to meet the objectives of the Sharī'ah and is, therefore, not suitable as a framework for IBs (Kamaruddin and Hanefah, 2018; Reid *et al.*, 2019). On the other hand, the satisfaction of stakeholders is the main target of any business, as business growth and stability depend on stakeholders' trust. In the context of Islamic institutions, gaining the trust of stakeholders' means running a business with a high degree of professionalism in management based on religious beliefs (Alaeddin *et al.*, 2017). Consequently, if the Sharī'ah aspect is weak or absent in the products and services being offered by IBs, this is considered to seriously undermine trust in these institutions, which might result in a Sharī'ah non-compliance risk (Bhambra, 2012).

Table I highlights the differences between conventional and Sharī'ah internal auditing as discussed above to draw attention to the main reasons why conventional internal auditing is not sufficient for IBs.

Furthermore, Karagiorgos *et al.* (2010) discussed corporate governance (CG) issues and concluded that the effectiveness of internal audit can be determined by exploring the mutual relation between internal audit and the main factors of CG. The study also highlights the audit committee as a main factor contributing to establishing CG mechanisms. Internal

**Table I.**  
Differences between  
conventional and  
Sharī'ah auditing

Criterion	Conventional internal auditing	Sharī'ah internal auditing
Definition	"Internal auditing is an independent, objective assurance and consulting activity" (Nagy and Cenker, 2002)	"Sharī'ah audit is the examination of an Islamic bank's compliance with Sharī'ah in all of its activities" (Sultan, 2007; Hanif, 2011)
Objective	"To add value and improve an organization's operations" (Nagy and Cenker, 2002)	The objective of the Sharī'ah audit is to ensure that IBs' operations and transactions are in line with Sharī'ah rules (AAOIFI, 1999b)
Scope	Conventional internal auditors focus on an organization's governance and management controls and assess the financial statement (Messier <i>et al.</i> , 2008; Raiborn <i>et al.</i> , 2017; Roussy, 2018)	Internal Sharī'ah auditors check the compliance of all activities with Sharī'ah rules and regulations, which include all the transactions, products, policies and procedures, agreements and contracts, financial statements and reports (Sultan, 2007; Hanif, 2011)
Auditor skills and qualifications required	Moral, academic and professional knowledge (Uddin <i>et al.</i> , 2013)	Academic, professional and Islamic knowledge (Kasim <i>et al.</i> , 2009; Rahman, 2011)
Disclosures and reports	Limited information disclosures that concern the public only and the report usually presents economic matters (Uddin <i>et al.</i> , 2013)	Full disclosures of information that concern all stakeholders considering the economic and social matters based on Islamic ethical values (Bhatti and Bhatti, 2010)
Orientation	Always oriented toward the organization and individuals (Uddin <i>et al.</i> , 2013)	Oriented to the public and society (Khan, 1985)

auditors contribute to the audit committee by performing periodical audits and provide the main findings to the board of directors (BOD) (Gramling and Myers, 2003).

Consequently, to examine the internal Sharī'ah audit's effectiveness, this research highlights the Sharī'ah governance factors, such as existing regulations and the organs of Sharī'ah governance that interact with internal Sharī'ah audit, by looking into best practices (Alam *et al.*, 2020). CG best practices include compliance with corporate laws and with recommendations developed by financial institutions, international organizations and consulting companies (Bocharova, 2014). Therefore, this research attempts to describe the common variables that influence the effectiveness of internal Sharī'ah audit in the Islamic banking industry by focusing on the existing regulations and the organs of Sharī'ah governance as well as their practices and attributes. Examining the internal Sharī'ah audit's effectiveness in IBs is essential as the function of Sharī'ah audit helps to fulfill the objectives of *maqāsid al-Sharī'ah* (Kasim *et al.*, 2009; Yaacob and Donglah, 2012). It also assists in gaining and maintaining the trust of stakeholders *vis-à-vis* Allah's pleasure.

Because of limited research available on internal Sharī'ah auditing in IBs, the significance of this research lies in its aim to fill in this gap by identifying the factors that have an effect on Sharī'ah auditing performance and then determining ways to increase Sharī'ah auditing effectiveness. This research seeks to achieve this aim by providing a comprehensive framework of the factors that impact on internal Sharī'ah audit effectiveness. Furthermore, this research investigates the attributes of Sharī'ah auditors in IBs and highlights the external and internal Sharī'ah audit structure, including its requirements, plans and processes, to obtain an indicator of how seriously the management

of IFIs consider the matter of internal Shari'ah audit. Finally, it is hoped that this research may act as a reference to other researchers seeking to assess and evaluate the effectiveness of internal Shari'ah audit in IBs and to compare progress over time, and thus, encourage further research in this area.

### Shari'ah auditing specifications

Given the rapid growth of IBs around the globe, it has now become essential to have Shari'ah audits (Yaacob and Donglah, 2012; Kasim *et al.*, 2013). The definition of the Shari'ah audit is not widely agreed upon due to the lack of literature on the subject. According to Sultan (2007), the terms "auditing" and "reviewing" are used interchangeably, especially in the AAOIFI standards. Therefore, this research highlights the most commonly used Shari'ah auditing definitions.

A Shari'ah audit is an extensive examination that should be conducted by the Shari'ah committee or by selected auditors with an extensive and competent knowledge of Shari'ah. Moreover, they should not have a managerial position in the bank being audited to guarantee an objective opinion on whether or not the transactions and products are Shari'ah-compliant (Kasim *et al.*, 2013; Rashid *et al.*, 2017). Bank Negara Malaysia (BNM) in its Shari'ah governance framework (SGF) refers to the Shari'ah audit as:

[...] a function that provides an independent assessment on the quality and effectiveness of the IFI's internal control, risk management systems, governance processes as well as the overall compliance of the IFI's operations, business, affairs and activities with Shari'ah (BNM, 2019, p. 18).

According to Rahman (2008), this assessment of the Shari'ah audit includes examining contracts, policies, transactions, financial statements, memoranda, agreements, reports or any other legal documents that are considered the backbone of any business.

### *Shari'ah audit scope*

Auditing techniques that originated from traditional auditing in the financial sector are relevant to the socio-economic infrastructure and culture of Islamic society (Kamaruddin and Hanefah, 2018). It is understandable that the purposes of internal Shari'ah auditing are similar to those in traditional financial institutions. However, differences emerge when one considers ASIFI No. 1, which mentions that Shari'ah auditing provides an assurance that an IBs' transactions are in accordance with Shari'ah principles and rules, as well as AAOIFI standards and national accounting standards.

Moreover, there are additional objectives in IFIs, which necessitate setting a wider scope. Conventional auditing focuses on checking the accuracy of transactions and records and on reviewing the financial statement (Khalifa *et al.*, 2007). Thus, the focus of auditing in traditional banks is only from the materialistic perspective and as such is limited to policies and procedures in addition to the financial statement, whereas in IFIs Shari'ah audit has a wider scope (Khan, 1985; Sultan, 2007; Hanif, 2011; Kamaruddin and Hanefah, 2018). The Shari'ah control system considers internal Shari'ah audit as a means of evaluating the effectiveness and adequacy of Shari'ah-compliance to assess the degree of commitment to achieving the objectives of IBs (Shafii *et al.*, 2010).

Internal Shari'ah audit not only has a wider scope but also it focuses on the details of the overall operations to give a fundamental opinion about the current situation regarding the IB's compliance with the Shari'ah guidance and fatwas issued by its Shari'ah committee (Kasim *et al.*, 2013). Any area exposed to Shari'ah risk should be audited, including

information technology, people, products, the computation of zakat (alms), operational activities, financial statements, policies and procedures (Sultan, 2007).

The AAOIFI standards state that effective auditing should meet transparency criteria, which can be realized only by providing sufficient evidence that leads the auditor to conclude that the IB is in compliance with the principles of Shari'ah and the fatwas issued by its Shari'ah supervisory board (SSB). Another important dimension that the auditor should adhere to, as explained by the AAOIFI governance standards for IBs, is to provide their observations on the annual financial statement (AAOIFI, 1999a). The previous literature in general has discussed the preference of employing external auditors in addition to internal auditors, which might help internal auditors issue an unbiased audit opinion on the final statement (Graiss and Pellegrini, 2006; Khalid *et al.*, 2018).

#### *Shari'ah audit and related terms*

It has been observed by a number of studies that the terms "Shari'ah review," "Shari'ah auditing" and "Shari'ah supervision" are used interchangeably without much to distinguish between their technical differences (Sultan, 2007; Alomrani, 2015). Obscuring the differences between the terms by using them interchangeably may lead to confusion in the concepts and, consequently, a misunderstanding of the specifications of the Shari'ah auditor's role. Distinguishing the given terms will give a more comprehensive and exact definition of Shari'ah auditing and enable a correct assessment of its effectiveness.

The audit function as defined by Ebaid (2011) comprises services that provide a higher level of assurance, whereas a service review in an enterprise is defined as "a service through which the auditors can deliver a reasonable level of assurance on the financial statement" (CPA, Australia, 2006). However, as compliance with Shari'ah principles is an additional aspect that IBs need to consider, AAOIFI defines Shari'ah review as an activity that examines whether IBs abide by the Shari'ah in all their activities. Hence, there is a need to clarify the difference between reviewing and auditing. Rahman (2011) believes that a Shari'ah review conducted by the management of IBs assists the Shari'ah committee and provides assurance that IBs are meeting the basic requirements of Shari'ah. That is in line with the SGF of BNM (2019), which states that "Shari'ah review refers to a function that conducts regular assessment on the compliance of the operations, business, affairs and activities of the IFI with Shari'ah requirements" (BNM, 2019, p. 17). On the other hand, Shari'ah auditing is conducted by the Shari'ah auditing team, who are fully independent and work under the direct supervision of the audit committee and BOD. Moreover, Rahman (2008) states that the Shari'ah auditing function is *ex-post*, whereas the Shari'ah review is an *ex ante* and *ex post* assurance process.

Alomrani (2015) is of the opinion that AAOIFI's Governance Standard No. 2 (GSIFI 2) incorrectly defined Shari'ah supervision as: "a function to check the commitment of IBs to Shari'ah principles in all transactions." Furthermore, the responsibility of the SSB is not mentioned in detail in AAOIFI's Governance Standard No. 1 (GSIFI 1) (Hameed and Mulyany, 2007).

Also, AAOIFI's definitions of Shari'ah audit and Shari'ah review function are not specified separately. AAOIFI unified the scope of Shari'ah audit and Shari'ah review and made each accountable to different levels in the organization despite both functions being conducted by the same department. It is not appropriate to use the term Shari'ah supervision to indicate the system and departments, which are part of the supervisory process. It would be more appropriate if the supervising department was called the Shari'ah auditing department or the Shari'ah review department. According to Hameed and Mulyany (2007), due to the incompleteness of the AAOIFI standards and the confusion

surrounding terms such as Shari'ah review and Shari'ah audit, international accounting and auditing standards should be used.

### Conceptual framework on factors that impact on Shari'ah audit effectiveness

Effectiveness is defined as "the degree to which the established objectives are fulfilled and achieved" (Dittenhofer, 2001). According to Gansberghe and Nordin (2005), the factors that evaluate the internal audit's effectiveness are: governance framework, high competence, legislation, internal audit resources and conceptual framework.

#### *Internal Shari'ah audit effectiveness*

The International Professional Practices Framework of the Institute of Internal Auditors (IIA) extended the areas where internal audit effectiveness can be measured to include the performance of auditors, auditing process enhancement, the effectiveness of meeting stakeholders' needs, the effectiveness of meeting objectives, risk management improvement and governance processes (IIA, 2017). Furthermore, Khalid *et al.* (2017) concluded that there is a high correlation between the effectiveness of each auditee and the internal audit effectiveness in general. There is also a lack of studies about the internal Shari'ah audit as compared to conventional audits in the banking system. Therefore, this research reviews and analyzes the literature on internal audit to deduce the main factors that affect the internal Shari'ah audit effectiveness.

Moreover, internal audit effectiveness can be evaluated by means of the quality and sustainability of the audit plan, as well as its execution and follow-up (Dhamankar and Khandewale, 2003; Alahmadi *et al.*, 2017). Table II below highlights some studies, which have identified the main factors that significantly affect the effectiveness of internal auditing.

In the conventional space, a number of studies have been conducted on the issue of internal audit effectiveness in many countries that have different environments and cultures. Likewise, it is important that similar studies be carried out on internal Shari'ah audit effectiveness. As seen in the above review of related literature, internal Shari'ah audit objectives do not exhibit much disparity from the traditional internal audit. This is because it is only the addition of the Shari'ah factor that makes the scope and framework wider. With the inclusion of Shari'ah, some additional players consequently need to be considered such as the SSB, internal Shari'ah auditor and specific Shari'ah regulations.

Internal Shari'ah audit effectiveness can be achieved by laying out a comprehensive plan and working on it diligently (Khalid *et al.*, 2018). This can be done by documenting all the findings, making recommendations and following up on previous internal Shari'ah audit results. Ahmad *et al.* (2009) define internal Shari'ah audit effectiveness as the degree to which the internal Shari'ah auditor is able to fulfill the established objectives.

Effectiveness of internal Shari'ah audit is also defined by BNM (2010) as having a systemized effective internal control to guarantee Shari'ah-compliance. On the other hand, AAOIFI (1999c) defines it as:

[. . .] the performance of internal Shari'ah audit work such as the ability to plan, implementation, document information and Shari'ah audit findings, ability to make a recommendation, numbers of repeated reports, follow up and evaluation of the extent of Shari'ah compliance with Islamic Shari'ah rules and principles, Fatwas, guidelines and instructions by the IFT's SSB.

Other studies define the effectiveness of internal Shari'ah audit as the internal Shari'ah auditors' capability of achieving IFIs' objectives, which can be obtained by improving their performance (Khalid *et al.*, 2017).

This effectiveness is affected by a wide range of factors such as the auditors' independence and competence and the professionalism of the work performance in

	Significant factors	Research method	Author (s)/ year
	Shari'ah auditing process	Qualitative (cross-sectional and case-based field study)	Puad <i>et al.</i> (2019)
	Competency of the Shari'ah auditor		
	Shari'ah audit planning		
	Shari'ah audit objective	Qualitative (purposive sampling through judgment sampling based on the pre-determined group)	Ab Ghani <i>et al.</i> (2019)
	Shari'ah audit scope		
	Shari'ah audit charter		
	Competency of internal Shari'ah auditors	Quantitative (structured questionnaire/survey of 181 participants)	Khalid <i>et al.</i> (2017)
	Shari'ah audit process, reporting requirements and independence		
	Work performance		
	Competency of the internal auditor	Quantitative (questionnaire survey of 240 firms)	Drogalas <i>et al.</i> (2015)
	Independence of the internal auditor		
	Competence of the internal audit team		
	Audit committee	Quantitative (structured questionnaire, interview and observations)	Endaya and Hanefah (2013)
	Internal audit quality		
	Independence of internal audit		
	Internal characteristics of auditors	Quantitative (survey of 153 Italian companies)	Arena and Azzone (2009)
	Internal audit department performance		
	Organizational support		
	Management support	Quantitative (questionnaire survey of 99 participants)	Ahmad <i>et al.</i> (2009)
	Characteristics of an internal audit team		
	Audit processes and activities		
	Organizational links	Quantitative (structured questionnaire, interview and observations)	Mihret and Yismaw (2007)
	Management support		
	Level of auditor qualifications and training		
	Level of auditing acceptance by management	Quantitative (interview of 25 organizations)	Belay (2007)
	Management support		
	Organizational setting		
	Auditee attributes	Quantitative (interview of 25 organizations)	Belay (2007)
	Internal audit quality		
	Audit committee and stakeholder support		
	Professional audit standards		
	Existence of approved audit charter		
	Qualified auditors		

**Table II.**  
Previous studies on  
the effectiveness of  
internal auditing

planning, performing and reporting the results of the internal Shari'ah audit. The following are some of the external and internal factors that play a vital role in the implementation of an effective internal Shari'ah audit.

#### *External factors for effective internal Shari'ah auditing*

*Shari'ah auditing institutions.* The existence of international and national regulations for IBs is an indication of the development taking place in this sector. Some efforts have been



made, despite the short history of Islamic banking, to set up a regulatory framework and supervisory systems. This includes those made by AAOIFI and the Islamic Financial Services Board (IFSB). AAOIFI was established in Bahrain in 1991 and is considered a non-profit corporate body. The AAOIFI standards are applied either as guidance or as compulsory requirements in some countries such as Sudan, Jordan, Saudi Arabia, Bahrain, Yemen and Syria. The IFSB is another example of an international regulatory institution for Islamic banking. It was established in 2002 and is located in Malaysia. The IFSB complements AAOIFI and the Basel Committee by means of focusing and extending their scope to cover the insurance and capital markets.

In addition, there are self-regulatory associations in different countries that seek to enhance the Islamic financial sector. These include the Islamic Development Bank and the Islamic Research and Training Institute, which were set up in Saudi Arabia in 1975 and 1981, respectively. Another association that regulates and develops the international financial market along the lines of Shari'ah is the International Islamic Financial Market, which is based in Bahrain and was founded with the cooperation of the central banks and monetary agencies of Sudan, Malaysia, Indonesia, Brunei and Bahrain. Furthermore, the International Islamic Liquidity Management Corporation in Malaysia aims to manage the fund surpluses of IBs and invest them in line with the Shari'ah. Furthermore, there are many other supporting organizations working toward promoting the success of the Islamic financial system.

*Islamic banking laws and guidelines.* Islamic law is the main reference for the Islamic banking sector. However, because Islamic banking principles are derived from the Shari'ah, the rules are significantly different from those that govern traditional banks (Alkhwaildi, 2010; Ashraf and Lahsasna, 2017). Abubakr (2013) states that despite the importance of Shari'ah supervision, it will not be effective enough unless there is a law that obligates all IBs to have an SSB and extend all the regulations needed to have an effective Shari'ah audit. Additionally, Abubakr (2013) recommends that the management of Shari'ah supervision should be given high attention to ensure that Islamic finance is on the right track. On the other hand, not having a law to deter any violation in IBs will lead to increased Shari'ah risks and, consequently, lead to a loss of the spirit of *maqāṣid al-Shari'ah*. Regarding the role of the external Shari'ah auditor, Alkhwaildi (2010) believes that it is a fundamental aspiration to have laws and legislation in Islamic countries that oblige companies to appoint legitimate auditing bodies to control companies' operations.

According to Alomrani (2015), to organize the work involved in Shari'ah supervision and Shari'ah auditing, the law and its articles must provide the basic points that cover all the aspects related to it and clarify the course of its work. Clarity is, for example, required regarding such work, which may include, but is not limited to, inspection, auditing, reviewing and reporting (whether written, oral, long or short, periodic, daily, weekly, monthly, etc.) through which workflow is monitored and approved by the established standards as a measure of performance. Also, the law must define the action against any Shari'ah non-compliant transaction or product and the pre-control given by the SSB in advance, such as written or oral regulations and instructions, to ensure good performance and compliance with the resolutions. Moreover, control during the work, which means following up on the operational process, is highly important as through its imbalance is stopped, a deviation is prevented and employees are more convinced that the work should be done in accordance with Shari'ah rules.

*External Shari'ah auditor.* The external auditor plays an important role in giving a formal and legal opinion about the adherence of IBs to Shari'ah principles (Banaga *et al.*, 1994; Masruki *et al.*, 2020). The AAOIFI standards require that IFIs employ an external

auditor for Sharī'ah-compliance assurance (Chapra and Habib, 2002). The work of an internal auditor differs from that of an external auditor. The internal Sharī'ah auditor assesses Sharī'ah-compliance by assessing the governance, control and monitoring of IBs, whereas the external auditor's duty gives an independent opinion about the bank's transactions (Chapra, 2014; Alama *et al.*, 2020).

There is an obvious relationship between the internal and external auditors based on the international standards of an audit. This relationship is controlled by a set of guidelines, which includes the following:

- The external auditor and internal auditor should frequently meet to discuss the matters, which are in common and those that influence the external auditor's job.
- The external auditor should assess the internal auditor's work in relation to the scope that the internal auditor is supposed to work on.
- The external auditor should be familiar with the internal auditing activities so that the external auditor can examine the financial statement and ensure that it is free from material misstatements.
- The external auditor should ensure that the internal auditing function is planned and performed efficiently so that during meetings the plans and procedures of internal auditing can be improved.

Hence, cooperation between the external auditor and the internal auditor is important because the external auditor should inform the internal auditor of the areas that should be focused on and in return, the internal auditor should provide the external auditor with the documents needed to improve the effectiveness of the audit activities (Haron *et al.*, 2004; M-AUD, 2016).

Sharī'ah audit practices are varied among IFIs. While some perform their internal Sharī'ah audit activities by the internal department, others outsource those activities to external service providers. Furthermore, some IFIs merely conduct Sharī'ah reviews. This is a common practice among the leading IFIs.

*External auditors.* External auditing is a set of checking activities performed on the organization's financial statements to ensure the absence of any mistake or deceit, which may cause material misstatements. It also confirms that these statements have been prepared in accordance with applicable locally and internationally accepted financial reporting standards (Haron *et al.*, 2004).

Banks' external auditors must be knowledgeable about the financial industry due to the complexity and systemic nature of banking activities. They also have to be highly competent in providing appropriate responses to the risk of material misstatement and work properly to fulfill all the requirements of the statutory audit. All of this should be performed with a high level of objectivity and independence while taking into consideration all ethical requirements of audit activities (Mat Zain *et al.*, 2015).

In addition to providing the auditing report, external auditors' activities include communication with the BOD or the internal audit committee based on external auditing results. This communication is categorized in three different levels, namely, communication related to internal control matters, communication with the audit committee and communication to confirm the independence of the audit activities (Humphery-Jenner, 2012).

#### *Internal factors for effective internal Sharī'ah auditing*

*Sharī'ah supervisory board.* The SSB is a key pillar in IBs and plays a crucial role in ensuring stakeholders that all transactions and operations are in accordance with Sharī'ah

principles by means of providing guidance, direction and business supervision (Grais and Pellegrini, 2006). Based on the AAOIFI standards, the SSB is part of internal governance and consists of not less than three scholars with knowledge in *fiqh mu'amalat* (Islamic commercial jurisprudence). It may also include other members specialized in fields related to Islamic finance. The SSB should be an independent body appointed by the shareholders (AAOIFI, 1999a). The SSB acts as the agent of the bank's general assembly; therefore, it should not be under the authority of the BOD. This structure preserves SSB independence and enhances its integrity (Alkhwaili, 2010; Aziz *et al.*, 2019). While an audit is being conducted, the internal Shari'ah auditor should constantly refer to SSB resolutions and fatwas and report the results of their work periodically to the SSB. Furthermore, the Shari'ah auditor serves as the SSB's "eyes and ears" in the IFIs (Aljasser, 2009).

Moreover, Rahman (2008) stated that the SSB should be entitled to design educational programs and train employees on Shari'ah rules. The SSB is also responsible for providing a written report to shareholders to confirm that IBs are committed in their applications of Shari'ah standards and Shari'ah regulations (Lahsasna *et al.*, 2013; Basiruddin and Ahmed, 2019). However, Alaeddin *et al.* (2017) found that there is a lack of transparency in IBs' yearly reports in terms of providing detailed information; for example, on the number of SSB meetings held, the products approved and resolutions passed. In addition, SSB members tend to have a lack of skills and knowledge in finance and accounting, which hampers IBs' performance. Also, according to Chapra and Habib (2002), having an SSB member sit on two or more SSBs of competitors results in a conflict of interest.

According to AAOIFI Governance Standard No. 7 in relation to SSB responsibilities, SSBs must implement adequate policies and procedures and ensure that they are in accordance with AAOIFI's standards (AAOIFI, 1999a, para. 14). Generally, the SSB should make sure that their resolutions and fatwas are applied in the IFIs. This can be monitored through the reports produced by the internal Shari'ah auditor.

Furthermore, the SSB should have proper authority and the financial institution should not place restrictions on the SSB. Where there are such restrictions, it should be mentioned in the SSB's report (AAOIFI, 1999a). In addition, the SSB should not include members of the BOD or shareholders who have effective influence or those who have held any administrative position in the institution (AAOIFI, 1999b, para. 5, 7 and 9).

*Board of directors.* In IBs, the ultimate responsibility of both corporate and Shari'ah governance falls on the BOD (Chapra and Habib, 2002). Chapra and Habib (2002) added that the effectiveness of the BOD's performance is linked to strong control systems, which can exist by having effective internal and external auditing. Therefore, according to Haniffa (2010), an efficient BOD can help to minimize agency conflicts because part of its responsibilities in an IB is to set the objectives, framework, policies, standards of appropriate behavior for the staff and code of conduct for senior management in line with the Shari'ah and as appropriate to the business's size and complexity. The lack of competence and moral integrity in CG is the main factor that affects the BOD's efficient performance (Grant and McGhee, 2017). According to Chapra and Habib (2002), having non-executive directors can assist in improving CG by providing a more comprehensive understanding of the industry and can benefit the bank by a deeper understanding of the bank's external affairs. According to the BNM (2019) guidelines that are applied in Malaysia, the BOD should include at least one member of the Shari'ah committee to strengthen communications and linkage between the board and the Shari'ah committee.

*Management support.* The organization's management can support the internal Shari'ah audit department by allocating needed resources such as assigning professional staff, which plays a vital role in the department's success (Dellai and Omri, 2016). As mentioned by the

IIA, management support is part of professional management practices to guarantee an accurate internal audit in the organization (Salehi, 2016).

Furthermore, BNM's SGF (2010) noted that management support can be expressed by providing adequate resources, allocating professional experts and providing the needed training that can promote an efficient and effective Sharī'ah audit. Providing professional training for the staff of the internal Sharī'ah audit department is considered a crucial decision as the internal Sharī'ah auditors are required to be well educated in all aspects of Sharī'ah knowledge (Salehi, 2016; Roussy, 2018).

To achieve internal Sharī'ah audit effectiveness, management's role does not stop at providing the required resources and human capital only. There is also need for management's commitment to implement the recommendations provided in the audit report to confirm the compatibility with Sharī'ah in all of the bank's activities (Khalid *et al.*, 2017). Hence, it is anticipated that management support is an important factor in assuring the effectiveness of internal Sharī'ah audit in IBs.

#### *Internal Sharī'ah audit structure*

*Internal Sharī'ah audit references.* To conduct efficient and effective auditing, the internal Sharī'ah auditor should have a set of Sharī'ah audit references. Al-Fazee (2009) stated that for the auditor or reviewer to implement Sharī'ah principles, comprehensive Sharī'ah references should be available to them, which they can refer to when undertaking their work. These references should include the following:

- Legislation that relates to IBs, such as Islamic banking law;
- Instructions and rules issued by the relevant central bank;
- The IB's regulations and policies, memorandum, annual strategic plan and structure;
- The SSB's minutes of meetings and resolutions, samples of contracts and agreements that were endorsed by the SSB and samples of contracts and agreements that were not endorsed by the SSB;
- Previous Sharī'ah audit results;
- The International Islamic Fiqh Academy resolutions and AAOIFI standards; and
- Sharī'ah audit manual (Al-Fazee, 2009; Alkhwaildi, 2010).

*Internal Sharī'ah audit charter.* According to BNM (2019) guidelines, the Sharī'ah auditor charter is important because it specifies the internal Sharī'ah auditor's tasks, responsibilities, purpose and authority in the form of formally written and detailed documents approved by the Sharī'ah committee. The Sharī'ah auditor charter should be endorsed by the BOD so that all levels of bank management will be aware of the Sharī'ah auditor's internal role. According to GSIFI 3, the internal Sharī'ah audit is an integral part of the organization's means of control and it operates in accordance with the policies established by the institution:

The internal Sharī'ah auditor should have a Sharī'ah Auditor Charter that illustrates the purposes, powers and responsibilities of the internal Sharī'ah auditor. The Sharī'ah Auditor Charter should be prepared by the administration in accordance with the provisions of Sharī'ah and it should be endorsed by the SSB of the institution and issued by the BOD. Furthermore, the Sharī'ah Auditor Charter should show that the internal Sharī'ah auditor has no authority or executive authority over the business (AAOIFI, 1999b, para. 4).

*Internal Sharī'ah audit plan.* The Sharī'ah audit plan should be designed by the manager of the Sharī'ah supervision department in cooperation with the other departments that are more exposed to Sharī'ah risks, which include assets, treasury and credit card departments (Karim, 2001; Ashraf and Lahsasna, 2017). According to Al-Attaiwi (2015), the annual Sharī'ah audit plan should include a general introduction that shows the purpose and scope of the audit, as well as the audit objectives, which can be summarized as follows: all the contracts, transactions, products and service agreements are Sharī'ah-compliant and endorsed by the SSB. In addition, the annual Sharī'ah audit plan should include the scope of work that should be audited, the timeline of each audit task and the percentage of the samples (Aljasser, 2009; Hilmy and Hassan, 2019).

The plan's content should be reviewed frequently and may cover a period of one to five years. However, the frequency of the plan's review is dependent on the risk factors identified in the audit plan. The significance of these risk factors is based on the size of transactions, the complexity of the transactions and the quality of Sharī'ah supervision (Aljasser, 2009; Khalid *et al.*, 2019).

The Sharī'ah audit plan can be subdivided into a strategic Sharī'ah audit plan, an annual plan and a tactical plan. The strategic Sharī'ah audit plan usually covers a period of two to five years and gives priority to high/main risks. The annual plan is related to the internal Sharī'ah audit and is valid for one year only. The tactical plan describes the procedures of the field visit for the internal Sharī'ah auditor. It is composed of three steps, namely, internal Sharī'ah audit preparation, its execution and post-execution tasks (Al-Fazee, 2009; Kamaruddin *et al.*, 2020).

*Internal Sharī'ah audit manual.* The audit manual, considered one of the vital factors of the internal control system in IBs, provides details on the procedures to follow when auditing either the products or the transactions that are endorsed by the SSB. This written audit manual includes the definitions of products or transactions and the Sharī'ah control standards related to them, as well as the contracts needed to execute them so that the Sharī'ah auditor can refer to them and, consequently, produce the correct audit forms during the auditing process (Dahlawi, 2013; Alomrani, 2015). The audit manual is also defined as a set of methods to which the Sharī'ah audit department refers to get valid information that leads to the internal auditor being satisfied about the audited firm's commitment to Sharī'ah principles (Issa, 2002; Masruki *et al.*, 2020).

The Sharī'ah supervisory department is responsible for preparing the internal Sharī'ah audit manual, following up on the Sharī'ah committee's resolutions, classifying them, preparing the required Sharī'ah research studies, developing the products and training new employees on the basics of jurisprudence (AAOIFI, 1999b).

#### *Internal Sharī'ah auditor requirements*

*Objectivity and independence.* Internal Sharī'ah audits are carried out by the internal audit department, provided that the staff is qualified for the task and independent. To ensure the independence of the internal Sharī'ah audit department, it must have similar authority to that of a traditional internal audit department (AAOIFI, 1999b, para. 5). The independence and objectivity of Sharī'ah auditors are essential for public confidence and for the *maṣlahah* (benefit) of the Ummah (nation) to fulfill *maqāṣid al-Sharī'ah* in the economy (Mansouri *et al.*, 2009; Kasim *et al.*, 2009).

Independence and objectivity have been considered in the IIA standards as forming part of the framework for internal auditors. The IIA distinguished and defined both terms. Objectivity is where the assessments and judgments of an auditor are not affected by any pressure and remain unbiased (IIA, 2017). On the other hand, independence is freedom from

conditions that threaten the internal audit activity's ability to carry out internal audit responsibilities in an unbiased manner. According to [Mutchler \(2003\)](#), threats to objectivity can occur in the following cases:

- the auditor assesses his/her own work;
- his/her employment or salary is managed by the organization whose work is being audited, which may reflect negatively on the truthfulness of an assessment;
- the auditor is influenced by other members of the auditing team;
- the auditee has personal relations with the auditor (friend, a previous colleague in the same career or relative); or
- the auditor has gender, cultural or racial biases or has a cognitive bias, which may result from preconceived expectations.

Also, the auditor's engagement in consulting activities or assurance activities may raise questions as to his/her objectivity.

The concept of auditor independence is widely discussed in many detailed guidelines and ethical standards, which means auditors should be educated about the culture and cognitive concept ([Brody and Lowe, 2000](#)).

*Competency.* Previous studies ([Mat Zain et al., 2015](#); [Naheem, 2016](#)) have discussed the attributes of an auditor and found that the internal auditor's capability of solving problems is a sign of audit efficiency. It has also been found that expertise can reduce the influence of irrelevant factors on the judgment of an auditor. However, [Naheem \(2016\)](#) provided a more comprehensive description of internal auditing competency as a mix of knowledge and skills, which are the results of education and experience.

All the requirements mentioned in this definition are needed in IBs in addition to Sharī'ah knowledge ([Rahman, 2008](#); [Rahman and Mastuki, 2019](#)). However, the recent practices of Sharī'ah auditors have highlighted that there is a lack of knowledgeable and qualified Sharī'ah auditors due to lack of training in Sharī'ah and the skills required ([Rahman, 2011](#); [Puad et al., 2019](#)). Moreover, [Kasim et al. \(2009\)](#) stated that internal Sharī'ah audit faces the challenge of understanding the essence of fatwas in a way that facilitates the needs of modern businesses and in a way that does not contradict Sharī'ah principles. Therefore, arranging Sharī'ah training programs for auditors of IFIs is important to strengthen Sharī'ah governance and achieve the objectives required for implementing Sharī'ah principles in IBs' transactions.

*Internal Sharī'ah audit process.* To develop an appropriate conceptual framework of the factors that affect the effectiveness of the internal Sharī'ah audit process, it is important to highlight the Sharī'ah audit process and its contents as presented in the AAOIFI standards together with the insights of previously-related studies. The Sharī'ah audit process is composed of five elements, namely, preparation, planning, execution and documentation, reporting and follow-up.

The first stage is called "preparation." According to GSIFI 2:

Sharī'ah audit procedures must be planned to be performed efficiently and effectively. The audit plan should be developed in a suitable manner that includes a full understanding of the operations of the organization in terms of its products, the size of its operations, subsidiaries, affiliates and divisions. The planning stage includes obtaining a list of all fatwas, decisions, and guidelines issued by the SSB ([AAOIFI, 1999b](#)).

Also, according to [Al-Fazee \(2009\)](#), the Sharī'ah auditor should first define the scope by means of one of the following methods: the first method is the strategic method. In this

method, the Shari'ah auditor should have full independence in checking all the documents, contracts and agreements without any exceptions with the full support of the Shari'ah committee and the BOD. The second method is the relative importance method. In this approach, the internal auditor should categorize the activities of IBs based on one of the following three standards:

- (1) the "financial concentration standard," where the Shari'ah auditor should categorize the IB's activities based on financial size compared to others;
- (2) the "standardized and non-standardized activities standard," where the Shari'ah auditor should classify the activities into non-standardized activities and standardized activities and audit 80% and 20% of those activities, respectively; or
- (3) the "related supervised activities standard," where the Shari'ah auditor should divide the activities in the IB into activities run by the institution itself and activities run by others, whether they are domestic or international.

The selection of one of the standards mentioned above will make it easier for the Shari'ah auditor to choose the correct policy for adopting the most appropriate sampling method (Rahman and Mastuki, 2019).

The second stage of the internal audit process is titled the "general and specific objective and prepare the plan for auditing." One of the IIA requirements is that auditors should create a sufficient plan to acquire useful audit findings and to make suitable recommendations. After defining the scope in this stage, the Shari'ah auditor can define and evaluate the general objective, which is usually concerned with identifying the extent to which the IB is committed to Shari'ah principles based on the fatwas issued by the SSB, contracts, agreements and the IB's memoranda (Lahsasna *et al.*, 2013; Aziz *et al.*, 2019). According to Lahsasna *et al.* (2013), the business's nature and main transactions are the essential factors that should be considered before setting the Shari'ah audit objectives, policy and plan. Furthermore, the audit assessment should be conducted based on the specific objective of the institution's activity. When this point is reached, it will be possible to create the auditing plan and policy and its approval can then be obtained from the concerned authorities including the Shari'ah committee of the IB under audit (Sultan, 2007; Sulub *et al.*, 2018).

The third stage is called "preparing the forms and executing the auditing function." In this stage, the internal Shari'ah auditor should collect, analyze, interpret and document all the information needed to support the results. The information collected should be related to the objectives and scope of the internal Shari'ah audit. The collection of information should include an analytical examination of the documents; inquiries and discussions with the management; and general observations. The information should be adequate, reliable, appropriate and useful to provide a sound basis for final results and recommendations on the internal Shari'ah audit. The documents should also be properly updated, organized, reviewed and kept (GSIFI 3, Article 19). Furthermore, GSIFI 2, para. 9 states:

Understanding the activities and products along with management realization toward its commitment about the Shari'ah application is very important and will have a direct impact on the nature, extent and timing of internal sharia audit procedures (AAOIFI, 1999b).

A range of audit forms needs to be completed by the internal Shari'ah auditor. These are classified as forms for each activity, forms for periodic field visits, forms for urgent field visits and main annual audit form (Al-Fazee, 2009). After the plan which has been developed in the second stage has been accepted, communications and interviews should be conducted with the relevant parties to identify the areas that need intensive Shari'ah auditing (Shafii

*et al.*, 2010). At this stage, the preparation of review forms is conducted and to be effective, a separate and special form should be designed for each activity performed in the bank. The Sharī'ah auditor documents all the answers needed in the forms and lists additional observations (Lahsasna *et al.*, 2013). The information collected should be reliable and sufficient and, thus, requires the assistance of all the managers of the departments under audit to provide the auditor with the needed documents.

The fourth stage is "reporting." The head of the internal Sharī'ah audit department discusses the findings and recommendations with the appropriate administrative parties before the final report is issued in writing. The head of the internal legal supervision must prepare a written report signed by him, addressed to the BOD with a copy to the SSB and the management. It should include the opinion of the internal Sharī'ah auditor and his/her recommendations for future improvements and any suggested corrective actions. Furthermore, the internal Sharī'ah auditor should recognize outstanding performance whenever possible. As appropriate, the report should also include the views of those who have been consulted on the outcome or the final recommendations provided by the internal Sharī'ah auditor (AAOIFI, 1999b, Articles 20).

In this stage, the internal Sharī'ah auditor should also prepare a report that includes the audited transactions, observations, auditing processes and recommendations (Aljasser, 2009). According to AAOIFI, the reports can be categorized into two types. The first is the Sharī'ah audit activity report, which the Sharī'ah auditor should send regularly to the IB management, clarifying the process of implementing the plan of the Sharī'ah audit activity. In this report, any possible deviation from the plan that may occur should be mentioned and the reasons specified. The second type is the compliance report, which contains an evaluation of the extent of the IFT's commitment to Sharī'ah regulations and rules. The Sharī'ah auditor should also provide this report to the SSB to show the purpose and scope covered by the Sharī'ah auditing activities, opinions and the findings of the Sharī'ah auditor, as well as any corrective actions suggested and feedback from those reviewed.

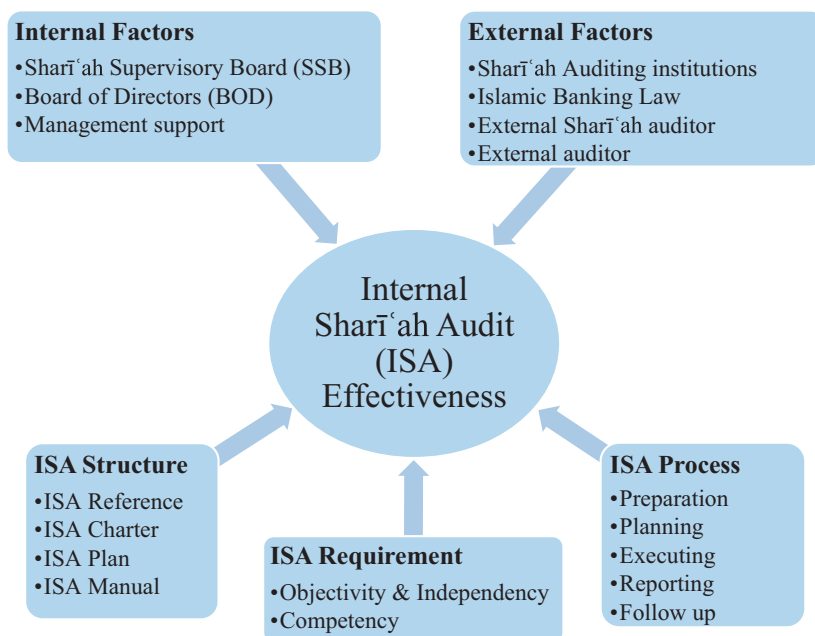
The fifth and final stage is called "follow-up." The responsibility for conducting this function lies with the internal auditor (Keating, 1995). According to a number of studies (Keating, 1995; Mihret and Yismaw, 2007), the duties of the internal audit cannot be fulfilled unless the auditor issues a report, follows up on the result and ensures that the desired results are maintained.

Based on the procedure outlined above, Figure 1 below summarizes the proposed framework of the Sharī'ah audit effectiveness factors identified by this study.

## Conclusion

Internal Sharī'ah audit does not reject all the techniques and mechanisms of conventional internal auditing as they can be used to test the values, which are based on the Sharī'ah. There are a few common objectives shared between the internal Sharī'ah audit and its counterpart in conventional financial institutions. However, differences exist when one considers the ASIFI Sharī'ah auditing standards, which require the provision of an assurance that the contracts and products of IBs are made according to Sharī'ah rules and regulations. The nature of the risks that may occur in IBs differs from that of conventional ones. Thus, Sharī'ah auditing is very important as it is considered one of the tools that strengthen Sharī'ah governance and, consequently, minimizes violations or risks, which can either be internal risks or external risks. However, the lack of Sharī'ah guidelines and supervisory framework may reduce the effectiveness of IBs, which can lead to these banks being viewed as less Sharī'ah-compliant.





Source: Authors' Own

**Figure 1.**  
Proposed framework  
of the Sharī'ah audit  
effectiveness factors

An internal Sharī'ah audit is different from a traditional audit because the latter mainly focuses on auditing traditional banks and such an audit focuses only on the materialistic perspective, which is shown in the financial statement. In IBs, Sharī'ah audit has a wider scope because it covers the overall work essential to give an informed opinion as to whether or not the IB is following the Sharī'ah guidance and fatwas issued by the IB's Sharī'ah committee. Therefore it is vital to identify what makes a Sharī'ah audit different and to clearly define the related terminology to fully understand Sharī'ah auditing and assess its effectiveness correctly.

From an Islamic perspective, there is a strong need for Sharī'ah audit to fulfill *maqāṣid al-Sharī'ah* and thereby protect people's wealth, make transactions fair and transparent for clients and prevent any deals or transactions that are not *ḥalāl* (permissible). However, it should be noted that the Sharī'ah audit is not a newly created method as it has been applied throughout Islamic history in the form of *ḥisbah* (accountability). Nevertheless, currently, due to some differences between Sharī'ah governance and CG, an audit framework and audit programs that focus on Sharī'ah-compliance should become part of overall Sharī'ah governance.

The internal Sharī'ah audit framework has a vital role in monitoring and maintaining the objectives of IBs by mitigating the Sharī'ah non-compliance risks that can be found in products, activities and operations. Therefore, to study the effectiveness of the Sharī'ah audit, this research examined previous studies, which highlighted some factors that significantly affect the internal audit. These factors include external and internal factors, as well as internal Sharī'ah audit structure, processes and requirements. The factors that impact on internal Sharī'ah audit effectiveness are not totally different from those related to

traditional internal audit. However, the principles of Sharī'ah should be considered in all those factors, which could have an effect on a traditional audit. In addition, there are some additional factors and players that need to be considered in Sharī'ah governance such as the Sharī'ah committee of the central bank. The propositions that were formed in this study were based on the selection of some of those factors, which were deemed to support the research objectives.

The practical implications of this study are: first, the regulators need to provide a detailed framework for internal Sharī'ah audit, which covers the main requirements for effective Sharī'ah governance. Second, IFIs need to pay more attention to following the internal Sharī'ah audit process that can attain the objective of effective Sharī'ah governance. Finally, the lack of empirical work in studying the role and effectiveness of internal Sharī'ah audit draws attention to the importance of developing an appropriate method to enhance the effectiveness of Sharī'ah governance practices.

For further studies, it is recommended that empirical research be conducted to test the relationship of the above-mentioned factors on internal Sharī'ah audit effectiveness based on real data from IFIs.

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