Al-Furqon
Jurnal of Islamic Economics, Management and Finance
Volume 1 Nomor 2 April 2026
P-ISSN: xxxx-xxxx E-ISSN: xxxx-xxxx

ANALYSIS OF SHARIA AUDIT ON ISLAMIC BANKING COMPLIANCE AT BSI UNIVERSITAS ISLAM RIAU, PEKANBARU CITY

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Abstract

This study aims to examine the role of sharia audit in ensuring compliance within Islamic banking institutions, with a particular focus on BSI UIR Pekanbaru as the contextual reference. The main issue addressed is the existing gap between the implementation of sharia principles and actual operational practices in Islamic banking. The research questions focus on how sharia audit affects the level of compliance and the factors that determine its effectiveness. This study employs a qualitative approach using a descriptive method based on a literature review of scientific journals, books, and relevant regulations.The findings indicate that sharia audit plays an essential role in improving compliance by ensuring that all banking activities are conducted in accordance with Islamic principles. In addition, the effectiveness of sharia audit is influenced by several factors, including auditor competence, management support, the role of the Sharia Supervisory Board, internal control systems, regulatory frameworks, and the organizational culture of compliance. The study also reveals that effective sharia audit contributes to strengthening good corporate governance, reducing the risk of non-compliance, and enhancing public trust in Islamic banking institutions, including at the operational level of BSI UIR Pekanbaru. Therefore, strengthening the implementation of sharia audit is crucial to ensure the sustainability and credibility of Islamic banking.

Keywords: Sharia Audit, Compliance, Islamic Banking, Governance, BSI UIR Pekanbaru

A. INTRODUCTION

Islamic banking is a financial institution that conducts its operational activities based on Islamic principles derived from the Qur'an and Hadith (Antonio, 2019). In practice, Islamic banking not only focuses on achieving economic profit but also bears the responsibility of ensuring that all activities are in accordance with sharia values (Ismail, 2020). However, in the current development of the Islamic banking industry, including within the operational context of BSI UIR Pekanbaru, there are still inconsistencies found between sharia principles and actual operational practices in the field.

This issue is important to address because compliance with sharia principles is the fundamental aspect that distinguishes Islamic banking from conventional banking (Chapra, 2016). Non-compliance with these principles may reduce public trust and negatively affect the reputation of Islamic financial institutions (Haniffa & Hudaib, 2017). Therefore, an effective supervisory system is required to ensure that all operational activities are carried out in accordance with sharia provisions. One of the main mechanisms for maintaining such compliance is through sharia audit (AAOIFI, 2021).

Sharia audit functions as a control instrument used to assess and ensure that all banking activities comply with Islamic principles (Rahman, 2020). Through the optimal implementation of sharia audit, the level of compliance in Islamic banking, particularly in operational units such as BSI UIR Pekanbaru, is expected to improve significantly (Grassa, 2018).

Based on the background above, this study aims to examine the role of sharia audit in improving Islamic banking compliance and to identify the factors influencing the effectiveness of its implementation.

B. METHOD

This study employs a qualitative approach using a descriptive method (Creswell, 2016). This approach was chosen because it can provide a deeper understanding of the role of sharia audit in improving compliance in Islamic banking, including within the operational context of BSI UIR Pekanbaru (Sugiyono, 2019). The data used in this study are secondary data obtained through a literature review, including scientific journals, books, and various regulations relevant to the research topic.

The data collection technique was conducted through documentation by gathering various reference sources related to sharia audit and compliance in Islamic banking (Nazir, 2017). Furthermore, the data were analyzed using descriptive qualitative analysis by classifying, comparing, and interpreting the collected data in order to produce comprehensive and systematic conclusions in accordance with the focus of the study.

C. RESULTS AND DISCUSSION

1. The Role of Sharia Audit in Islamic Banking

Sharia audit is one of the essential elements within the Islamic corporate governance system in Islamic banking (Archer & Karim, 2018). This mechanism aims to ensure that all banking operational activities are aligned with sharia principles derived from the Qur'an, Hadith, and fatwas issued by authorized institutions (AAOIFI, 2021). In this regard, the scope of sharia audit is not limited only to financial aspects but also includes compliance with Islamic ethical and legal values in every transaction and operational activity, including its implementation in banking units such as BSI UIR Pekanbaru (Hasan, 2019).

In its implementation, sharia audit does not merely function as a control mechanism but also as a corrective and evaluative mechanism for the existing system (Rahman, 2020). This audit serves to detect potential sharia non-compliance, evaluate the effectiveness of internal control systems, and provide strategic recommendations to improve the level of sharia compliance within banking institutions (Grassa, 2018).

Sharia audits are generally conducted by internal auditors who possess competencies in accounting and fiqh muamalah (Islamic commercial jurisprudence). In addition, these audit activities are supervised by the Sharia Supervisory Board (SSB), which has the authority to issue fatwas, guidance, and recommendations related to compliance with sharia principles. The SSB plays a crucial role in ensuring that all banking products, contracts, and operational activities do not contradict sharia provisions.

Furthermore, the role of sharia audit encompasses several main aspects, namely:

a. **Preventive function**, which is to prevent violations of sharia principles from the outset through proper supervision and control systems;

b. **Detective function**, which is to identify and detect irregularities occurring in bank operations;

c. **Corrective function**, which is to provide recommendations for improvement based on audit findings; and

d. **Educational function**, which is to enhance the understanding of all parties within the organization regarding the importance of compliance with sharia principles.

In addition, sharia audit plays a significant role in enhancing transparency and accountability within Islamic financial institutions. Through a structured and continuous audit process, financial reports and banking operational activities become more credible and trustworthy for stakeholders such as customers, investors, and regulators. This condition greatly contributes to maintaining and strengthening public trust in the Islamic banking industry, including operational units such as BSI UIR Pekanbaru.

Thus, sharia audit functions not only as a supervisory instrument but also as a fundamental pillar in maintaining the integrity, credibility, and sustainability of Islamic banking. Strengthening the role of sharia audit is an important factor in ensuring the achievement of the primary objective of Islamic banking, namely the realization of a fair, transparent, and fully sharia-compliant financial system.

2. Sharia Compliance as the Main Indicator

Sharia compliance is one of the primary indicators in assessing the operational success of Islamic banking, including within institutions such as BSI UIR Pekanbaru. This concept reflects the extent to which a financial institution is able to comprehensively implement sharia principles in all operational activities, ranging from fund collection and financing distribution to customer services. Therefore, sharia compliance becomes the most fundamental distinguishing aspect between Islamic banking and conventional banking.

More than merely fulfilling formal regulations, sharia compliance also reflects the institution's moral and ethical commitment to Islamic values such as justice ('adl), honesty (shiddiq), and trustworthiness (amanah). Consequently, sharia compliance is not only understood as a final outcome but also as a continuous process involving all elements of the organization (Antonio, 2019). Various studies indicate that the level of sharia compliance is influenced by several factors, including management policies, the effectiveness of internal control systems, the quality of human resources, and organizational culture that supports the implementation of sharia values. A strong organizational culture can build collective awareness in maintaining compliance, thereby minimizing the potential for violations from the outset.

In addition, sharia compliance is closely related to the level of public trust. The higher the compliance level of an Islamic bank, the greater the confidence of customers and investors in the institution. This demonstrates that sharia compliance not only affects religious aspects but also influences the economic and reputational aspects of the institution, including operational units such as BSI UIR Pekanbaru.

Sharia compliance functions not only as an indicator of operational success but also as the legitimacy of the existence of Islamic banking within society. Without consistency in implementing compliance, the existence of Islamic banking may be questioned due to the loss of its core characteristics.

In a broader context, sharia compliance consists of two dimensions, namely formal compliance and substantive compliance. Formal compliance relates to adherence to rules and regulations such as fatwas and applicable operational standards. Meanwhile, substantive compliance emphasizes conformity with the values and objectives of sharia (maqashid al-shariah), such as justice, public welfare, and balance.

3. The Relationship Between Sharia Audit and Compliance

Sharia audit has a very close relationship with the level of compliance in Islamic banking. The primary function of sharia audit is as a supervisory instrument to ensure that all bank operational activities comply with sharia principles. The more optimal the implementation of sharia audit, the higher the level of compliance that can be achieved by the banking institution (Ismail, 2020).

In practice, sharia audit plays a role in identifying potential violations of sharia principles (sharia non-compliance risk), evaluating existing systems, and providing constructive recommendations for improvement. Through a structured and continuous audit process, Islamic financial institutions can continuously improve their systems in order to maintain and enhance compliance levels (Farook et al., 2019).

The relationship between sharia audit and compliance can be understood as a mutually reinforcing relationship. Sharia audit encourages compliance through its supervisory and evaluative functions, while a good level of compliance facilitates the audit process and enhances the effectiveness of internal control systems.

Thus, sharia audit functions not only as a control mechanism but also as a key driver in building a strong, consistent, and sustainable compliance system in Islamic banking. This relationship also has a strategic dimension in establishing a sustainable supervisory system, enabling compliance mechanisms to operate optimally rather than merely administratively.

In practice, sharia audit operates in three main stages, namely:

a. **Ex-ante audit**, which refers to supervision before a product or transaction is implemented;
b. **On-going audit**, which refers to supervision during the operational process; and
c. **Ex-post audit**, which refers to evaluation after activities have been carried out.

This approach demonstrates that sharia audit has a broad scope because it is involved in all stages of the banking operational cycle. Therefore, sharia audit not only plays a reactive role in identifying existing errors but also acts proactively in preventing violations of sharia principles from occurring in the first place.

Moreover, the dialectical relationship between sharia audit and compliance can be viewed from the perspective of improving governance quality. Effective audits produce stronger and more structured compliance systems, while a sound compliance system, in turn, supports greater efficiency and effectiveness in audit implementation.

4. Factors Influencing the Effectiveness of Sharia Audit at BSI UIR

The effectiveness of sharia audit in Islamic banking within the BSI UIR Pekanbaru environment is influenced by various interrelated factors, including human resources, organizational systems, and external support. These factors determine the extent to which sharia audit can function optimally in ensuring compliance with sharia principles.

a. Competence of Sharia Auditors

The competence of sharia auditors is the primary factor determining audit quality. Auditors are required not only to master accounting and auditing but also to understand fiqh muamalah and sharia principles in banking. Limited understanding of sharia aspects may reduce the accuracy of compliance assessments and potentially result in errors during the audit process (Rahman, 2020). In the context of BSI UIR, the need for auditors with dual competencies becomes increasingly important due to the complexity of Islamic banking products.

b. Management Support

Top management support plays a major role in the successful implementation of sharia audit. Management's commitment to sharia compliance principles is reflected in internal policies, resource allocation, and responses to audit findings. Without strong support, audit recommendations are often not implemented optimally (Ismail, 2020).

c. The Role of the Sharia Supervisory Board (SSB)

The SSB has a strategic role in ensuring that all banking activities comply with sharia provisions. Effective collaboration between the SSB, internal auditors, and management greatly determines the quality of supervision. Within the BSI UIR environment, the SSB acts as an important bridge between operational activities and sharia compliance (AAOIFI, 2021).

d. Internal Control System

A strong internal control system facilitates the sharia audit process. Components such as operational procedures, internal policies, and structured supervisory mechanisms can reduce the risk of sharia violations. Conversely, weaknesses in this system may increase the potential for non-compliance.

e. Regulations and Regulatory Policies

Clear regulations from financial authorities serve as important guidelines in implementing sharia audits. Compliance with OJK regulations and national as well as international sharia standards helps maintain consistency in audit implementation at BSI UIR.

f. Auditor Independence

Auditor independence is crucial in maintaining the objectivity of audit results. Auditors influenced by certain interests may produce biased findings, thereby reducing the credibility of the sharia audit.

g. Utilization of Technology and Information Systems

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P-ISSN: xxxx-xxxx E-ISSN: xxxx-xxxx

The use of information technology in the audit process increases the effectiveness and efficiency of supervision. Digital systems enable faster and more accurate transaction monitoring, particularly in detecting potential sharia non-compliance in modern banking activities.

h. Compliance Culture

An organizational culture that highly values sharia compliance greatly influences audit effectiveness. If all organizational elements possess a strong awareness of sharia principles, the audit process becomes easier to implement. Conversely, a weak culture may hinder the implementation of audit results.

i. Complexity of Islamic Banking Products

Islamic banking products such as murabahah, mudharabah, and musyarakah possess complex characteristics. This requires auditors to have deep understanding in order to properly assess contract compliance with sharia principles.

j. Coordination Among Supervisory Units

Audit effectiveness is also influenced by coordination among internal auditors, the SSB, and regulators. Poor coordination may result in overlapping supervision or even gaps within the control system.

5. Implications for Islamic Banking

The analysis results indicate that sharia audit significantly contributes to improving compliance levels within Islamic banking at BSI UIR. Through effective audit implementation, the risk of non-compliance can be minimized, ensuring that all banking operational activities are conducted in accordance with sharia principles (Farook et al., 2019).

In addition, sharia audit strengthens transparency and accountability within Islamic financial institutions. This positively impacts public trust, which is a crucial factor in maintaining the sustainability of the Islamic banking industry, including the operational unit of BSI UIR in Pekanbaru (Archer & Karim, 2018).

Furthermore, sharia audit supports the implementation of good corporate governance principles such as transparency, accountability, responsibility, independence, and fairness. The implementation of these principles can improve institutional performance while strengthening the competitiveness of Islamic banking amid increasingly intense competition in the financial industry.

The impact of effective sharia audit is not limited to compliance aspects alone but also extends to various other strategic aspects within Islamic banking at BSI UIR.

First, sharia audit helps reduce risks, particularly reputational and legal risks. Non-compliance with sharia principles can trigger a decline in public trust, affecting institutional stability.

Second, sharia audit contributes to improving the quality of products and services. Through continuous evaluation, banks can ensure that their products are not only sharia-compliant but also competitive in the market.

Third, sharia audit strengthens good corporate governance. Values such as transparency, accountability, and responsibility can be implemented more optimally through an effective audit system.

Fourth, sharia audit influences the enhancement of Islamic banking competitiveness at BSI UIR. A high level of compliance increases public trust, thereby strengthening the institution's position compared to its competitors.

Fifth, in the long term, sharia audit contributes to the sustainability of Islamic banking. Consistent compliance creates a more stable, fair, and sharia-oriented financial system aligned with the objectives of sharia (maqashid al-shariah).

6. Challenges in the Implementation of Sharia Audit in Islamic Banking

Although sharia audit plays a very important role in ensuring compliance within Islamic banking at BSI UIR, there are still various obstacles in its implementation that may affect its effectiveness. These obstacles may originate from both internal and external factors within Islamic financial institutions (Omar & Said, 2022).

One of the main challenges is the limited availability of human resources with integrated competencies in accounting, auditing, and fiqh muamalah (Rahman, 2020). This condition results in the less-than-optimal implementation of sharia audit, as auditors tend to focus more on financial aspects than on sharia compliance aspects.

In addition, the complexity of Islamic financial products also presents challenges in the audit process. Innovations such as sukuk, murabahah, and musyarakah require more comprehensive understanding so that auditors can accurately assess transaction compliance with sharia principles (Zainuddin et al., 2021).

Another challenge is the absence of fully standardized sharia audit standards at both national and international levels. Differences in the interpretation of fatwas and sharia standards often lead to variations in audit results among institutions (AAOIFI, 2021).

Moreover, limited utilization of technology in several banking units also becomes an inhibiting factor. The continued use of manual systems in the audit process causes supervision to be less efficient and relatively slower in detecting potential non-compliance (Ali & Rahman, 2023).

7. Efforts to Strengthen Sharia Audit in the Future at BSI UIR

To improve the effectiveness of sharia audit within the BSI UIR environment, various strategic measures need to be implemented by Islamic banking institutions and regulators. These measures aim to strengthen the supervisory system so that sharia compliance can be achieved optimally (Kasim & Sanusi, 2021).

First, improving the competence of sharia auditors through continuous professional development programs is highly necessary. Auditors are required not only to understand accounting and auditing aspects but also to possess in-depth knowledge of Islamic law and developments in Islamic financial products (Hassan et al., 2022). This is important to ensure that auditors at BSI UIR can respond to increasingly complex industry dynamics.

Second, the development of technology-based audit systems or digital sharia audit systems is essential to improve the effectiveness and accuracy of the audit process. The use of technologies such as artificial intelligence and data analytics can assist auditors in detecting potential sharia non-compliance more quickly and accurately.

Third, it is necessary to strengthen and harmonize sharia audit standards at both national and international levels. This effort aims to reduce interpretational differences that may affect audit results and lower the credibility of sharia audit reports, including in practices at BSI UIR.

Fourth, the role of the Sharia Supervisory Board (SSB) needs to be strengthened, not only as a compliance supervisory body but also as a strategic advisor in the development of Islamic banking products and policies.

Fifth, strengthening the compliance culture within the organization is a highly important factor. All elements within Islamic banking institutions must understand that compliance with sharia principles is part of the institution's identity, not merely an administrative obligation (Yusof & Bakar, 2020).

D. CONCLUSION

Based on the results of the analysis and discussion, it can be concluded that sharia audit plays a highly significant role in ensuring and enhancing compliance within Islamic banking at BSI UIR. Sharia audit functions not only as a supervisory instrument but also as a means of evaluation, improvement, and education in maintaining the conformity of all operational activities with sharia principles. Through its preventive, detective, and corrective functions, sharia audit is able to minimize potential deviations and strengthen the internal control system.

Sharia compliance, as the main indicator of Islamic banking success, is understood not only as a final outcome but also as a continuous process

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P-ISSN: xxxx-xxxx E-ISSN: xxxx-xxxx

involving all organizational elements. Such compliance encompasses both formal and substantive aspects aimed at achieving the objectives of sharia (maqashid al-shariah), while simultaneously contributing to increased public trust and institutional reputation. The relationship between sharia audit and compliance is mutually reinforcing (dialectical), where sharia audit promotes optimal compliance levels, while good compliance further enhances the effectiveness of audit implementation.

The effectiveness of sharia audit itself is influenced by various factors, such as auditor competence, management support, the role of the Sharia Supervisory Board, internal control systems, regulations, auditor independence, technology utilization, and organizational compliance culture. These factors demonstrate that the success of sharia audit is not determined by a single aspect alone, but rather by the synergy of all elements within the Islamic banking system.

The implications of effective sharia audit are not limited to improving compliance but also include strengthening good corporate governance, risk mitigation, improving the quality of products and services, and enhancing the competitiveness and sustainability of Islamic banking. Therefore, it is recommended that Islamic banking institutions at BSI UIR continue to improve the quality of sharia audit through strengthening human resource competencies, optimizing internal control systems, and enhancing synergy among auditors, the Sharia Supervisory Board, and regulators. Furthermore, future research is expected to employ empirical approaches using field data in order to produce more comprehensive and in-depth analyses.

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