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CHALLENGES IN THE IMPLEMENTATION OF SHARIA AUDIT IN MAINTAINING SHARIA COMPLIANCE IN MODERN ISLAMIC BANKING

Reihan Fadhillah
State Islamic University of Sultan Syarif Kasim Riau
Email: reihanhsb2020@gmail.com

ABSTRACT

This article discusses the critical issue of ensuring Sharia compliance in modern Islamic banking, which is facing increasing complexity in products and financial transactions. The main research question is: what are the key challenges in conducting Sharia audits and what viable solutions can be implemented to address them? This study employs a qualitative literature review method by analyzing recent academic journals and books. The findings reveal three main challenges: (1) the scarcity of auditors with dual competencies in Islamic law and modern finance, (2) the lack of standardized audit procedures across Islamic banking institutions, and (3) the potential moral hazard arising when the Sharia Supervisory Board (DPS) also serves in an advisory role. The proposed solutions include the development of specialized certification programs for Sharia auditors, harmonization of audit standards with international bodies such as AAOIFI, and the implementation of a robust internal control system supported by information technology. This study concludes that a proactive and technology-driven audit approach is essential for the sustainability of the Islamic banking industry.

Keywords: Sharia Audit, Islamic Banking, Compliance, Audit Challenges, AAOIFI

INTRODUCTION

Islamic banking is one of the financial sectors that has experienced significant growth over the past few decades, both globally and in Indonesia. This growth is reflected in increasing assets, a rising number of customers, and the diversification of Islamic financial products and services. In

Indonesia, this development is supported by growing public awareness of the importance of financial transactions that comply with Islamic principles. In this context, Sharia compliance serves as the main foundation distinguishing Islamic banking from conventional banking and becomes a key determinant of public trust in Islamic financial institutions (Yuliani, 2019).

Sharia compliance requires all operational activities, products, contracts, and policies of Islamic banking to align with Sharia principles established by the National Sharia Board–Indonesian Ulema Council (DSN-MUI) and relevant regulators. Non-compliance with Sharia principles may not only result in legal and reputational risks but also reduce customer and investor trust. Therefore, an effective supervisory mechanism is required to ensure that all Islamic banking activities consistently adhere to Sharia principles (Fatmawati & Usnan, 2018).

One of the main instruments in maintaining Sharia compliance is Sharia audit. A Sharia audit is a systematic and independent process used to assess the level of conformity of operations, products, transactions, and governance of Islamic financial institutions with Sharia principles. Unlike conventional audits that focus primarily on financial and regulatory compliance, Sharia audits have a broader scope, encompassing ethical, moral, social, and spiritual dimensions. Thus, Sharia audit plays a strategic role in maintaining the integrity and credibility of Islamic banking (Nugroho, 2024).

However, the implementation of Sharia audit in modern Islamic banking faces increasingly complex challenges. The development of financial technology, digital banking services, and multi-contract-based financial innovations requires Sharia auditors to possess more comprehensive competencies. On the other hand, auditors with dual expertise in auditing, accounting, and Islamic jurisprudence (fiqh muamalah) are still limited. This condition often becomes an obstacle to optimal and sustainable Sharia audit implementation (Fatimah & Ainulyaqin, 2022).

In addition to human resource limitations, another challenge lies in the lack of standardized Sharia audit frameworks across Islamic financial institutions. Harmonization between national standards, regulatory requirements, and international guidelines such as those issued by AAOIFI is still an ongoing issue in the Islamic banking industry. Inconsistencies in standards may lead to differences in audit interpretation, thereby affecting audit quality and the effectiveness of Sharia supervision (Amanda & Ramadan, 2025).

In the era of digital transformation, Sharia audit is also required to adapt to the use of technologies such as big data, artificial intelligence, and blockchain. These technologies can improve efficiency, accuracy, and early detection of potential Sharia violations. However, technology adoption also introduces new challenges, including infrastructure readiness, auditors' digital competencies, and technological risk management. Therefore, modernization of Sharia audit is an unavoidable necessity in facing the dynamics of today's banking industry (Fatimah & Ainulyaqin, 2022).

This study aims to analyze the various challenges in the implementation of Sharia audit and formulate strategies to strengthen Sharia compliance in modern Islamic banking. It is expected to contribute academically to the development of Sharia audit literature and serve as a practical reference for auditors, Sharia Supervisory Boards, regulators, and Islamic bank management in improving the effectiveness of Sharia governance in the modern era (Nugroho, 2024).

METHOD

This study uses a qualitative approach with a library research design. This approach was chosen because the study focuses on conceptual analysis of the challenges in implementing Sharia audit in maintaining Sharia compliance in modern Islamic banking.

Data were collected from secondary sources, including national and international scientific journals, books, banking regulations, fatwas issued by the National Sharia Board–Indonesian Ulema Council (DSN-MUI), Sharia audit standards published by the Accounting and Auditing Organization for

Islamic Financial Institutions (AAOIFI), as well as official publications from the Financial Services Authority (OJK) and Bank Indonesia.

Data collection was conducted through documentation study by reviewing relevant literature using academic databases such as Google Scholar, Garuda, SINTA, and accredited national journal portals. The selection criteria included relevance to Sharia audit, Sharia compliance, Islamic banking, and publications within the last ten years to ensure that the data reflects current developments in the Islamic banking industry (Surury & Ainulyaqin, 2022).

Data analysis was carried out using qualitative descriptive analysis, including data reduction, data presentation, and conclusion drawing. The collected data were categorized into main themes such as Sharia auditor competence, audit standardization, digital transformation, the role of the Sharia Supervisory Board, and regulatory challenges. The data were then analyzed comprehensively to identify key obstacles and formulate strategies to strengthen Sharia audit implementation in modern Islamic banking (Fauzi & Supandi, 2019).

To enhance validity, source triangulation was applied by comparing findings from previous studies, regulations, and Sharia audit standards. This approach enables a more in-depth, objective, and systematic understanding of the challenges in implementing Sharia audit in contemporary Islamic banking. Thus, the results are expected to provide both academic contributions and practical recommendations for regulators, auditors, and Islamic financial institutions (Nasution, 2022).

RESULTS AND DISCUSSION

Based on the literature review, the implementation of Sharia audit plays a highly strategic role in maintaining Sharia compliance in modern Islamic banking. Sharia audit not only functions as an internal supervisory tool but also serves as a mechanism to ensure that all operational activities, products, and banking services comply with Sharia principles. According to the Shariah

Governance Framework theory, Sharia audit is a key component of the Sharia governance system that functions to supervise, evaluate, and provide assurance regarding compliance with fatwas, regulations, and Sharia principles. With an effective Sharia audit system, compliance risk can be minimized, thereby maintaining public trust in Islamic financial institutions (Nugroho, 2024).

Sharia audit is a supervisory mechanism aimed at ensuring that all operational activities, products, contracts, and transactions of Islamic banking comply with Sharia principles. In practice, Sharia audit does not only function as a control tool but also as a strategic instrument to maintain public trust, enhance transparency, and strengthen Sharia governance. As the modern Islamic banking industry develops, the scope of Sharia audit has expanded to include operational aspects, information technology, risk management, and digital-based product innovation (Amanda & Ramadan, 2025).

According to Sharia Enterprise Theory (SET), Islamic financial institutions are accountable not only to shareholders but also to Allah, society, and the environment. Therefore, Sharia audit serves as an accountability instrument ensuring that all business activities reflect the values of justice, trustworthiness, and public welfare. Rizkiyanti et al. emphasize that Sharia audit acts as a bridge between normative Sharia principles and their operational implementation in practice (Rizkiyanti et al., 2024).

5. Limited Competence of Sharia Auditors

One of the main challenges in implementing Sharia audit in modern Islamic banking is the limited competence of Sharia auditors. Auditor competence does not only include technical skills in auditing and accounting but also requires a deep understanding of fiqh muamalah, fatwas issued by the National Sharia Board–Indonesian Ulema Council (DSN-MUI), and Islamic banking regulations. This multidisciplinary combination makes the Sharia auditor profession more complex compared to conventional auditors (Irnawati et al., 2025).

In practice, many internal and external auditors in Islamic financial institutions have backgrounds in conventional accounting and auditing but lack adequate Sharia knowledge. This creates a gap between technical competence and Sharia competence. As a result, auditors may struggle to identify transactions involving riba, gharar, maysir, or non-compliant contracts. This situation reduces the effectiveness of Sharia compliance supervision in banking operations (Jusri & Maulidha, 2020).

A study by Aulia Putri Oktaviani Jusri and Erina Maulidha (2020) found that an ideal Sharia auditor should master three main aspects: Sharia knowledge, audit skills, and professional character based on Islamic values. However, auditors who meet these criteria are still very limited in Indonesia, posing a serious challenge for the rapidly growing Islamic banking industry.

Similarly, Muhammad (2024) emphasizes that Sharia auditor competence is a fundamental factor in ensuring audit quality. The lack of certified auditors with specialized Sharia expertise causes audit processes to be suboptimal, particularly in ensuring comprehensive compliance with Sharia principles.

Musfiroh et al. (2021) introduced the KSOC model (Knowledge, Skills, and Other Characteristics) as a framework for developing Sharia auditor competence. This model emphasizes that Sharia auditors must possess broad knowledge, adequate technical skills, and personal characteristics such as integrity, trustworthiness, objectivity, and commitment to Sharia principles. Without these elements, the quality of Sharia audit cannot be optimally achieved.

6. Suboptimal Standardization of Sharia Audit

The lack of optimal standardization in Sharia audit remains one of the main challenges in maintaining Sharia compliance in modern Islamic banking. Currently, Sharia audit implementation in Indonesia has not fully adopted a unified standard framework. Most Islamic banks use Sharia PSAK as the primary guideline, while international standards such as AAOIFI are only used as complementary references. This condition leads to variations in procedures, scope, and reporting of Sharia audits across institutions, resulting in inconsistencies in supervisory quality and differences in interpreting Sharia compliance.

These findings are consistent with Umiyati et al. (2025), who state that the implementation of Sharia audit standards in Indonesia still faces harmonization challenges between national and international frameworks. Islamic financial institutions tend to prioritize domestic standards as they align more closely with local regulations, while AAOIFI standards have not been fully adopted. Rizkiyanti et al. (2024) also highlight that global standard fragmentation is a major obstacle to achieving uniform Sharia audit practices. This inconsistency may reduce the effectiveness of audits in detecting Sharia violations, especially in increasingly complex financial products.

To address this issue, harmonization is needed between national standards, OJK regulations, DSN-MUI fatwas, and international standards such as AAOIFI and IFSB. The development of a comprehensive National Sharia Audit Standard would provide clearer operational guidance for internal auditors, external auditors, and Sharia Supervisory Boards. Strong standardization would also improve reporting consistency, strengthen stakeholder trust, and enhance the competitiveness of Indonesian Islamic banking globally (Respatiningsih et al., 2025).

7. Complexity of Modern Islamic Banking Products

The complexity of modern Islamic banking products is a major challenge in maintaining Sharia compliance. Industry development has encouraged Islamic banks to introduce innovative products such as *musyarakah mutanaqisah*, *ijarah muntahiyah bittamlik*, sukuk, and Sharia treasury services. These products often use hybrid contracts rather than single contracts. This requires deep understanding from Sharia auditors, as each contract has different pillars, conditions, and legal implications. Errors in contract structuring may lead to gharar, riba, or ta'alluq, which violate Sharia principles.

Hasanudin et al. (2022) explain that hybrid contracts are a form of contemporary ijtihad to meet modern transaction needs, but their implementation requires strict supervision to ensure compliance with fiqh muamalah.

Previous studies show that product complexity is directly proportional to increased compliance risk. Wahab (2021) found that Islamic banking contracts have shifted from single contracts to multi-contract systems, making audit processes more complex and requiring interdisciplinary competence in both fiqh and modern finance. Similarly, Adinugroho et al. (2025) state that hybrid contract implementation is strategically necessary but increases the risk of misinterpretation in contract application.

In Indonesia, this challenge is intensified by rapid digitalization and integration of Islamic financial products. Services such as Islamic mobile banking, digital financing, and Sharia-based cash management add layers of complexity to audit processes. Haryono (2018) notes that multi-contract development reflects Islamic banking progress but requires more adaptive supervision standards. Therefore, Islamic banks must strengthen auditor capacity through certification, continuous training, and AI-based audit technology. This ensures real-time detection of violations and guarantees Sharia compliance in product innovation.

8. Challenges of Sharia Supervisory Board Independence

The independence of the Sharia Supervisory Board (SSB/DPS) is a crucial aspect in ensuring Sharia compliance in Islamic financial institutions. However, in practice, SSB independence faces structural and functional challenges. One major issue is potential conflict of interest due to institutional relationships between SSB members and bank management. SSB members are often appointed and remunerated by the same institution, which may affect their objectivity. Ansar et al. (2024) show that independence issues are closely related to multiple positions, competence, and effectiveness of Sharia supervision in Indonesian banking. This indicates that governance structures have not fully ensured SSB independence from internal pressures.

Dianto et al. (2025) found that SSB positions within internal bank structures create dilemmas between maintaining professional relationships and preserving supervisory independence. Zulbaidah et al. (2023) also state that administrative and financial dependence on banks may reduce SSB objectivity in evaluating Sharia compliance. Kusmastuti and Mujib (2023) further show that SSB opinions often lack executive authority, limiting their role to recommendations without strong enforcement power.

CONCLUSION

The implementation of Sharia audit plays a highly strategic role in maintaining Sharia compliance and strengthening governance in modern Islamic banking. Sharia audit functions not only as a supervisory tool to ensure compliance of products, transactions, and operations with Sharia principles but also as an instrument to maintain public trust, enhance transparency, and minimize Sharia non-compliance risk.

The study identifies four main challenges: limited competence of Sharia auditors, suboptimal standardization of Sharia audit, complexity of modern Islamic banking products, and challenges in the independence of the Sharia Supervisory Board. These challenges are interrelated and may reduce the effectiveness of Sharia supervision if not addressed comprehensively.

Therefore, strategic measures are required, including improving auditor competence through certification and continuous training, harmonizing Sharia audit standards by integrating national regulations with international standards such as AAOIFI, strengthening auditor capacity in understanding multi-contract product innovation, and reinforcing SSB independence through improved governance structures. In addition, the use of technologies such as artificial intelligence, big data, and continuous auditing is essential to enhance audit effectiveness and efficiency in the digital era.

With professional, independent, standardized, and technology-adaptive implementation, Sharia audit can maintain integrity, enhance competitiveness, and ensure the sustainability of the Islamic banking industry in the future.

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