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SHARIA AUDIT IN MAINTAINING COMPLIANCE AND TRANSPARENCY IN ISLAMIC BANKING AT BANK SYARIAH INDONESIA

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ABSTRACT

This study aims to analyze the implementation of sharia audits in maintaining compliance and transparency within Islamic banking institutions. The primary issues identified include the dual role of Islamic banks as both commercial entities and institutions operating in accordance with sharia principles, as well as the challenges encountered in sharia audit practices. This research employs a qualitative method using a literature review approach by analyzing various studies published in Sinta-accredited journals from 2014 to 2024. The findings indicate that sharia audits play a crucial role through the synergy between internal audits, which focus on operational monitoring, and external audits, which provide independent assessments. Factors influencing audit effectiveness include auditor competence, independence, and supportive corporate governance. However, three major challenges remain: the absence of nationally standardized sharia audit standards, the limited availability of competent sharia auditors, and weak legal certainty. This study concludes that strengthening professional standards, improving auditor competence through certification programs, and enhancing collaboration between the Sharia Supervisory Board and external auditors are essential steps toward improving audit quality in Islamic banking institutions.

Keywords: Sharia Audit, Islamic Banking, Sharia Compliance, Transparency

A. INTRODUCTION

The Islamic banking industry in Indonesia has experienced significant growth over the past two decades. Based on data from the Financial Services

Authority (OJK) as of December 2024, the market share of Islamic banking assets in relation to the total national banking assets has reached approximately 7.5%, increasing from only 2% in 2010. This growth has been driven by the increasing awareness among Muslim communities regarding the importance of conducting financial transactions in accordance with Islamic principles (sharia compliance), as well as strong regulatory support from the government through various Islamic economic policy packages and the strengthening of legal infrastructure, such as Law Number 21 of 2008 concerning Islamic Banking.

However, this rapid growth has also resulted in increased complexity in supervision, particularly concerning legal certainty and sharia compliance. Islamic banks are not only required to maintain financial soundness but must also ensure that all operational activities are free from elements of *riba* (usury), *gharar* (uncertainty), *maysir* (speculation), and other prohibited elements under Islamic law. This dual compliance requirement positions sharia auditing as a fundamental and indispensable pillar (Amelia, Rizal, & Nurhasanah, 2024).

The main issue that arises is the existence of dual supervision within Islamic banks. On one hand, Islamic banks are required to comply with conventional national banking standards, such as accounting standards issued by the Indonesian Institute of Accountants (IAI) and prudential regulations established by OJK. On the other hand, they must adhere to fatwas issued by the National Sharia Council – Indonesian Ulema Council (DSN-MUI), which regulate banking products and operations from the perspective of Islamic law. This condition often creates gaps between accounting and operational practices and genuine sharia principles. For example, differences in interpretation still exist among accountants, auditors, and the Sharia Supervisory Board (DPS) regarding the recognition of deferred income or the management of non-halal funds.

The urgency of this issue is very high because failure to maintain sharia compliance not only results in financial sanctions, such as fines or license revocation, and reputational damage, but also leads to a loss of public trust, which is the most valuable asset for an industry based on religious values (Rizal, Qalbia, & Santoso, 2023). Public trust serves as the primary goodwill distinguishing Islamic banks from conventional banks.

Furthermore, theoretically, sharia auditing possesses characteristics distinct from conventional auditing. While conventional audits primarily focus on the fairness and accuracy of financial statement presentation (*true and fair view*), sharia audits must also encompass compliance with Islamic law (*sharia compliance*) and the achievement of Islamic socio-economic objectives (*maqashid shariah*). This aligns with the concept of Islamic accountability, which is accountable not only to shareholders but also to Allah SWT (vertically) and society (horizontally).

However, in practice, not all Islamic banks have internally certified sharia auditors, and not all public accounting firms handling Islamic banks possess adequate understanding of DSN-MUI fatwas and AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) standards. The gap between theoretical demands and practical realities represents a critical weakness in the current Islamic banking supervisory system.

In addition, structural challenges also arise from the absence of nationally binding sharia audit standards. Indonesia still relies on conventional auditing standards issued by the Indonesian Institute of Certified Public Accountants (IAPI). In contrast, countries such as Malaysia and Bahrain have already established independent sharia auditing standards. This condition is further aggravated by the limited number of human resources possessing dual competencies in auditing, accounting, and Islamic law. According to a 2023 survey conducted by the Indonesian Sharia Auditors Association (ASASI), the ratio of certified sharia auditors to total Islamic banking assets remains significantly imbalanced and is even lower than that of neighboring countries such as Malaysia and Brunei Darussalam.

This study aims to analyze the implementation of sharia auditing in maintaining compliance and transparency within Islamic banking institutions. The significance of this research lies in its attempt to bridge the gap between regulatory demands, public expectations, and the realities of audit practices in the field. The research questions proposed are as follows:

1. How do internal and external audits contribute to ensuring sharia compliance?
2. What factors influence the effectiveness of sharia audits?
3. What are the major challenges in implementing sharia audits in Indonesia?

The answers to these questions are expected to provide policy recommendations for regulators such as OJK, DSN-MUI, and IAPI, as well as practical guidance for the Sharia Supervisory Board, internal auditors, and Islamic bank management in strengthening integrated sharia audit functions.

B. METHOD

This study employs a qualitative approach using a library research method. The qualitative approach was chosen because the study aims to explore in depth the concepts, practices, and challenges of sharia auditing based on existing theories and empirical findings rather than testing quantitative hypotheses. Library research enables cross-temporal and cross-disciplinary examination of relevant primary sources.

This method is considered the most appropriate because the object of study, namely sharia auditing, continues to develop dynamically in terms of regulations, professional standards, and implementation within Islamic financial institutions. Through this approach, researchers can identify patterns, research gaps, and recent developments without conducting direct field data collection.

The data sources in this research consist of primary and secondary data. The primary data comprise scientific articles published in Sinta-accredited journals (Sinta 2, Sinta 3, and Sinta 4) from 2014 to 2024. The selection of this ten-year period was based on journal template requirements that emphasize the use of up-to-date primary sources within the last decade.

Additional data sources include textbooks related to sharia auditing, relevant dissertations or theses, and official documents issued by relevant authorities such as the Financial Services Authority (OJK), the National Sharia Council – Indonesian Ulema Council (DSN-MUI), and standards issued by AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions). The use of official documents is important to ensure that the discussion is not only theoretical but also grounded in strong regulatory foundations.

The inclusion criteria for data sources are as follows:

1. Articles or documents specifically discussing sharia audits, sharia compliance, or Islamic banking supervision;
2. Publications written in either Indonesian or English;
3. Availability in full-text format;
4. Journal articles accredited by Sinta or indexed in reputable international databases such as DOAJ, Scopus, or Crossref.

The exclusion criteria include sources consisting only of abstracts without full text, non-scientific opinion articles, and documents lacking clear publication years or author identification.

Data collection was conducted through systematic literature searches using academic databases such as Google Scholar, Garuda (Garba Rujukan Digital) managed by the Indonesian Ministry of Education and Culture, DOAJ (Directory of Open Access Journals), and university digital libraries such as Portal Garuda and Neliti. The keywords used in the search included combinations of the following terms: “sharia audit,” “internal sharia audit,” "sharia compliance," "Islamic banking," "internal audit effectiveness," "Sharia Supervisory Board," and "AAOIFI."

To improve search accuracy, Boolean operators such as AND and OR, along with publication year filters (2014–2024), were utilized. The initial search produced approximately 45 articles, which were then screened based on titles and abstracts. As a result, 25 articles met the inclusion criteria, and 20 of them were selected as the main primary sources, in accordance with journal template requirements stipulating a minimum of twenty primary references.

Data validity in this library research was maintained through two techniques. First, source triangulation was applied by comparing findings or statements from at least three different sources discussing the same topic. Second, review of trace references was conducted by examining the reference lists of identified articles to discover additional important sources potentially overlooked during the initial search. This approach ensures that researchers do not rely solely on digital search results but also follow established scholarly trails (*snowball sampling*) within the literature.

Data analysis employed the interactive analysis model developed by Miles and Huberman, which consists of three simultaneous and continuous activities. First, data reduction, which involves summarizing, selecting key points, focusing on essential aspects aligned with the research questions (the role of auditing, effectiveness factors, and implementation challenges), and discarding irrelevant data. At this stage, findings from the 20 primary sources were grouped into three initial coding categories.

Second, data display involved organizing the reduced data into descriptive-analytical narratives accompanied by summary tables comparing findings across sources. The presentation was conducted thematically based on the three research questions.

Third, conclusion drawing and verification involved interpreting the displayed data, identifying patterns and causal relationships, and rechecking conclusions by referring back to the original sources to ensure the absence of interpretive errors. This process was iterative, with the researcher repeatedly moving between reduction, presentation, and conclusion stages until a comprehensive and credible understanding was achieved.

To maintain transparency and research reproducibility, all methodological procedures — including search keywords, the number of articles identified, the number screened, and the final list of 20 primary sources used — were systematically documented. This documentation is available if required for academic audit purposes.

C. RESULTS AND DISCUSSION

1. The Role of Internal and External Audits in Sharia Compliance

The study shows that sharia auditing consists of two main pillars: internal audit and external audit. Internal sharia audits focus on monitoring daily operational and procedural activities. Internal auditors are responsible for identifying risks of non-compliance at the transactional level before financial statements are issued. This function is both preventive and detective in nature. Field findings confirm that the effectiveness of internal audits largely depends on management support and reporting mechanisms that directly involve the Sharia Supervisory Board (DPS) (Fatimah & Ainulyaqin, 2022).

Meanwhile, external sharia audits play a role in providing comprehensive and independent assessments. External auditors' reports serve as a guarantee of credibility for stakeholders. Research findings reveal that collaboration between the DPS and external auditors is highly essential. The DPS holds authority in issuing fatwas and interpreting Islamic law, while external auditors possess technical expertise in audit procedures. The synergy between the two can enhance the transparency and accountability of Islamic banks; however, it is often hindered by the absence of operational standards governing this functional relationship (Rizal et al., 2023).

2. Factors Affecting the Effectiveness of Sharia Audits

This study identifies three dominant factors influencing the effectiveness of sharia audits.

First, auditor competence. It is insufficient for sharia auditors to merely understand financial accounting standards; they must also possess an in-depth understanding of *fiqh muamalah* (Islamic commercial jurisprudence). Auditors with dual educational backgrounds in accounting and sharia, or those holding professional certifications such as Certified Sharia Accountant (CSA), tend to produce higher-quality audit findings (Fatimah & Ainulyaqin, 2022).

Second, independence. A quantitative study conducted on Islamic banks in East Java found that the independence of internal auditors does not directly and significantly affect sharia compliance unless it is mediated by the effectiveness of the audit process itself. In other words, independence must be reflected in effective audit practices — including a clear audit scope, appropriate methodology, and firm follow-up actions — in order to produce tangible impacts (LPPM Tazkia, 2024).

Third, corporate governance (Good Corporate Governance/GCG). The presence of audit committees, independent boards of commissioners, and a strong DPS collectively creates a conducive control environment for the implementation of sharia audits (Jurnal IESBIR via Garuda, 2020).

3. Challenges in the Implementation of Sharia Audits in Indonesia

Despite its crucial role, the implementation of sharia auditing in Indonesia faces several structural challenges.

First, there are dual or even overlapping audit standards. Indonesia still applies conventional auditing standards issued by the Indonesian Institute of Certified Public Accountants (IAPI), whereas ideally, specific standards such as AAOIFI should be implemented for sharia audits.

Second, there is a limitation in human resources. The rapid growth of the industry has not been matched by the availability of competent and certified sharia auditors.

Third, legal uncertainty remains a major issue. The absence of a specific legal framework regulating sanctions for violations of sharia compliance results in a weak deterrent effect for negligent Islamic banks (Amelia et al., 2024).

In addition, there are philosophical challenges. From an Islamic perspective, the scope of auditing should ideally be broader than that of conventional auditing. Audits should not only examine numerical compliance but also moral and social aspects (*maslahah*). However, in practice, audits are often limited to formal compliance with fatwas rather than addressing the substantive principles of economic justice (Nurhasanah, 2021).

D. CONCLUSION

Sharia auditing is a vital mechanism for maintaining the integrity of Islamic banking. This study concludes that the effectiveness of sharia audits is determined by the synergy between internal and external audit functions, the multidisciplinary competence of auditors, and strong corporate governance support. Nevertheless, the industry continues to face significant challenges related to diverse audit standards, the shortage of competent auditors, and weak legal certainty.

Future research is recommended to empirically examine the influence of AAOIFI standard implementation on the level of sharia compliance among Islamic commercial banks in Indonesia. It is also recommended that regulators immediately establish standardized sharia auditing standards and require sharia certification for auditors who audit Islamic financial institutions.

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