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ANALYSIS OF THE IMPLEMENTATION OF SHARIA AUDIT ON THE APPLICATION OF GOOD CORPORATE GOVERNANCE IN ISLAMIC BANKING

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ABSTRACT

This study is motivated by the suboptimal implementation of Good Corporate Governance (GCG) in Islamic banking, which is influenced by the effectiveness of Sharia auditing. This research aims to analyze the role of Sharia audit in supporting the implementation of GCG and to identify the factors affecting its effectiveness. The method used is a descriptive qualitative approach through a literature review, utilizing various secondary sources such as scientific journals, books, and relevant official documents. The data were analyzed using content analysis techniques to obtain a systematic understanding of the relationship between Sharia audit and GCG. The results of the study indicate that Sharia audit plays an important role in enhancing transparency, accountability, and compliance with Sharia principles. However, its implementation still faces several obstacles, such as limited auditor competence, the lack of standardized audit systems, and the suboptimal role of the Sharia Supervisory Board. Therefore, strengthening Sharia audit is a strategic step in improving the quality of governance in Islamic banking.

Keywords: Sharia Audit, Good Corporate Governance, Islamic Banking

INTRODUCTION

The growth of Islamic banking in Indonesia has shown a relatively rapid increase in recent years, both in terms of asset development, the number of institutions, and innovation in financial products offered to society. This dynamic requires the implementation of good corporate governance (GCG) to ensure that all operational activities are conducted transparently, accountably, and in accordance with Sharia principles (Amrullah et al., 2024). In the context of Islamic banking, the implementation of GCG is not only oriented toward regulatory compliance but is also directed at achieving Maqashid Sharia, making it more complex compared to conventional banking (Shabri & Amalia, 2022).

However, empirical evidence shows that the implementation of GCG in Islamic banking still faces various challenges. One of the main issues lies in the suboptimal consistency in applying Sharia principles in operational activities. Several studies indicate that GCG implementation is still largely formalistic and has not been fully supported by strong internal control and supervisory systems (Mayliza & Yusnelly, 2021). This condition reflects a gap between ideal governance concepts and their practical implementation.

In strengthening GCG implementation, Sharia audit plays a very important role. Sharia audit aims to ensure that all banking activities comply with Sharia requirements and are free from prohibited elements such as riba, gharar, and maysir. Thus, Sharia audit does not only focus on financial aspects but also includes compliance with Islamic ethical values comprehensively (Nasution et al., 2022). Therefore, Sharia audit serves as a strategic instrument in maintaining the integrity of Islamic financial institutions.

However, the implementation of Sharia audit in Indonesia is still not optimal. Several obstacles include the limited number of qualified Sharia auditors and the absence of an integrated Sharia audit standard framework (Fadhlihi et al., 2025). In addition, auditor independence is also an important concern in ensuring audit objectivity (Etika et al., 2022). These issues may reduce the effectiveness of Sharia audit in supporting GCG implementation.

Furthermore, the role of the Sharia Supervisory Board (SSB) in the internal control system has not been fully optimal. Ideally, the SSB should not only ensure Sharia compliance but also contribute to strengthening corporate governance systems (Aziz et al., 2022). However, in practice, its role is still mostly limited to administrative functions and has not been actively involved in strategic decision-making processes (Syach et al., 2025). This becomes one of the barriers to optimizing Sharia supervision.

On the other hand, weak implementation of GCG can negatively affect the performance and reputation of Islamic banking institutions. Various cases of irregularities and fraud indicate that weak governance systems can create opportunities for misconduct (Sitompul, 2022). Therefore, strengthening Sharia audit is crucial as a control mechanism to detect and prevent potential deviations at an early stage (Putriana et al., 2024).

The urgency of this study is also increasing in line with public demand for transparency and accountability in Islamic financial institutions. As institutions based on Islamic principles, Islamic banks are required not only to achieve financial performance but also to maintain public trust through compliance with Sharia values (Anggreni et al., 2022). In this regard, Sharia audit plays an important role in maintaining institutional reputation.

In addition, regulatory authorities such as the Financial Services Authority (OJK) continue to improve the implementation of Good Corporate Governance (GCG) in the Islamic banking sector. This indicates that good governance is a key element in maintaining the stability of the national financial system (Ningsih et al., 2024). Sharia audit functions as an assessment tool to ensure that policies and operational practices align with applicable principles (Fitri & Afriyenti, 2021).

The relationship between Sharia audit and GCG is an interesting aspect to be further examined, as both mutually support the creation of a healthy and sustainable banking system. An effective Sharia audit can improve the quality of GCG implementation, while good governance strengthens audit independence and transparency. Therefore, analysis of Sharia audit implementation within the GCG framework is essential. This study aims to examine the implementation of Sharia audit in the application of Good Corporate Governance in Islamic banking. It is expected that the findings of this research will contribute to academic development and serve as a reference for practitioners and regulators in improving governance quality in Indonesian Islamic banking.

METHOD

This study applies a descriptive qualitative method through a literature review approach. This method is used to analyze in depth the implementation of Sharia audit in supporting Good Corporate Governance in Islamic banking through valid and relevant written sources. The data used are secondary data obtained from national and international scientific journals, academic books, and official documents related to Sharia audit and corporate governance.

Data collection was conducted through documentation techniques, involving searching, selecting, and classifying literature according to the research objectives. All collected sources were analyzed to identify concepts, theories, and research findings related to Sharia audit and GCG in Islamic banking. Furthermore, data analysis was conducted using content analysis, where literature content was systematically reviewed, compared, and interpreted to examine the relationship between Sharia audit and GCG.

Through these steps, this study is expected to provide a structured overview of the role of Sharia audit in strengthening the implementation of Good Corporate Governance in Indonesian Islamic banking.

RESULTS AND DISCUSSION

The literature review findings indicate that Sharia audit plays a crucial role in supporting the implementation of Good Corporate Governance (GCG) in Islamic banking in Indonesia. Sharia audit functions not only as a supervisory tool but also as a mechanism to ensure that all banking operational activities are conducted in accordance with Sharia principles and applicable regulations. The existence of Sharia audit enhances transparency, accountability, and integrity in the management of Islamic financial institutions, thereby contributing to the achievement of effective governance (Mustion et al., 2024). This demonstrates that Sharia audit has a direct contribution to improving the quality of corporate governance.

The findings also indicate that the effectiveness of Sharia audit is closely related to the role of the Sharia Supervisory Board (DPS). DPS holds the primary responsibility for overseeing Sharia compliance and providing guidance and recommendations to management regarding policy decisions. The more optimal the DPS functions in carrying out its supervisory role, the higher the quality of GCG implementation in Islamic banking (Aprilya et al., 2024). However, in practice, limitations still exist in the implementation of DPS roles, particularly in terms of involvement in strategic decision-making and the intensity of supervision.

On the other hand, the implementation of GCG principles in Islamic banking has been proven to positively affect financial performance and institutional stability. The principles of transparency, accountability, responsibility, independence, and fairness are essential foundations for building a professional and trustworthy management system. Sharia audit serves as a control mechanism that ensures these principles are implemented continuously and consistently (Mukaromah et al., 2024). Therefore, Sharia audit strengthens the foundation of corporate governance.

In addition, Sharia audit also plays a strategic role in reducing the possibility of fraud in Islamic banking. Through systematic and regular audit processes, potential deviations in financial reports and operational activities can be detected early (Flamboyan et al., 2026). Studies show that effective Sharia audit implementation can reduce data manipulation practices and improve the quality of financial reporting (Putriana et al., 2024). This indicates that Sharia audit functions not only as a compliance tool but also as a risk prevention mechanism.

However, the implementation of Sharia audit in Indonesia still faces several challenges. One of the main issues is the shortage of human resources with specialized expertise in Sharia auditing. In addition, the absence of an integrated national Sharia audit standard also hinders the achievement of consistent audit quality (Firmansyah & Muhammad, 2024). Auditor independence is also a concern, as it may affect the objectivity of audit results (Etika et al., 2022). These conditions indicate that strengthening the Sharia audit system is still necessary.

Furthermore, Sharia audit also contributes to improving the quality of financial reporting transparency. Financial reports that have been independently audited generally have higher levels of credibility, thereby providing reliable information for stakeholders. This is essential in building public trust in Islamic banking (Amrullah et al., 2024). Good transparency is also a key indicator of successful GCG implementation.

Other findings indicate that Sharia audit can identify weaknesses in the internal control system and recommend continuous improvements. Systematic evaluation allows management to improve policies and procedures that are not yet optimal (Pramestia & Adityawarman, 2024). Thus, Sharia audit serves as an assessment tool that helps improve overall management quality.

On the other hand, GCG implementation supported by Sharia audit also contributes to enhancing the reputation and competitiveness of Islamic banks. Banks that are able to implement good governance gain greater public and investor trust, increasing their potential for growth in the financial sector. This indicates that Sharia audit plays a role not only internally but also in external institutional perception (Rizki Dwi Anggraini, 2024).

Moreover, the relationship between Sharia audit and GCG is mutually reinforcing. Effective Sharia audit encourages better governance practices, while a strong GCG system supports independent and transparent auditing. This interconnection shows that both aspects cannot be separated in building a strong and sustainable Islamic banking system. The synergy between Sharia audit and GCG is a key factor in maintaining stability and improving the overall performance of Islamic financial institutions.

Overall, the research findings reveal that Sharia audit is a crucial element in supporting the implementation of Good Corporate Governance in Islamic banking. Although various challenges still exist, the role of Sharia audit remains indispensable in ensuring compliance, enhancing transparency, and strengthening internal control systems. Therefore, continuous efforts are needed to improve the quality of Sharia audit through strengthening auditor competencies, improving regulations, and optimizing the role of DPS so that GCG implementation can be more effective and sustainable.

CONCLUSION

The research findings indicate that Sharia audit significantly supports the implementation of Good Corporate Governance (GCG) in Islamic banking. Sharia audit functions not only as a supervisory instrument but also as a control mechanism that ensures all institutional operational activities comply with Sharia provisions. The presence of Sharia audit contributes to transparency, accountability, and increased public trust in Islamic banking institutions.

The effectiveness of Sharia audit is influenced by several factors, including auditor competence and professionalism, the level of independence during the audit process, and the optimization of the role of the Sharia Supervisory Board (DPS). Effective collaboration between Sharia auditors and DPS is a key factor in creating a strong and sustainable supervisory system. In addition, Sharia audit also helps reduce the likelihood of irregularities and improves the reliability of financial reporting.

On the other hand, the implementation of Sharia audit in Indonesia still faces several challenges. The shortage of professionals with specialized expertise in Sharia auditing is one of the main obstacles. Furthermore, the absence of an integrated national Sharia audit standard results in inconsistencies in implementation. The suboptimal role of the Sharia Supervisory Board (DPS), particularly in strategic oversight, also contributes to the less-than-optimal implementation of Good Corporate Governance (GCG). This indicates a gap between the expected concept and actual practice in the field.

Therefore, strengthening Sharia audit is an important step to improve the quality of Islamic banking governance. Efforts that can be taken include enhancing auditor capacity and skills through continuous training, developing more comprehensive regulations and audit standards, and strengthening the DPS role to be more proactive and strategic in its supervisory function. In addition, collaboration between regulators, practitioners, and academics is also needed to create a more effective and adaptive Sharia audit system in line with industry developments.

For future research, it is expected that studies will expand their scope using more diverse approaches, including empirical and mixed-method designs, in order to provide a broader and deeper understanding of the relationship between Sharia audit and GCG implementation. Thus, the findings are expected to make a more optimal contribution to the development of transparent, accountable, and sustainable Islamic banking governance in Indonesia.

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