

SHA-11

## THE VIEWS OF ISLAMIC FINANCIAL INSTITUTIONS ON AUDIT SHARI'A

Siti Maria Wardayati  
Abdul Muis Al Wahid  
Abd. Mujib  
University of Jember  
[siti.maria@unej.ac.id](mailto:siti.maria@unej.ac.id)

### ABSTRACT

Islamic banking in Indonesia is growing rapidly since the issuance of policies on Islamic Banking. In order to minimize the risk of problems in the banking system, efforts are made to control the use of patterns and mechanisms to be better and comprehensive. Audit Sharia in the Islamic financial services means the accumulation and evaluation of evidence to determine and report the level of concordance between the information and the criteria established for the purpose of Shariah compliance. Audit should be conducted by a competent and independent. Therefore, auditors are representatives of the shareholders who want jobs (investment) them according to the laws of Islamic Shari'a.

*Keywords:* Syariah Banking, Islamic Bank, Shari'a audit

### 1. Introduction

Shari'a Financial institutions in Indonesia have shown rapid development over the last decade. Based on data from Statistics Islamic Banking (Bank Indonesia, 2012) states that the number of Islamic Banks in 2006 amounted to 3 (three) bank with its number as many as 349 pieces. Meanwhile, until the end of 2012 the number of Islamic banks increases more than doubled the total of 11 (eleven) which stood by the number of bank offices are also experiencing a significant increase than in 2006 that as many as Office 1745. It shows that the growth of Islamic banks in Indonesia is quite rapid. According to a survey that has been conducted and reported in Global Islamic Finance Report (CIMB Islamic, 2012) that Indonesia ranked seventh in the development of Islamic banking in the world (Wardayati and Wulandari, 2014). This is also shown by the increasing in

assets, the increasing in third party funds (DPK) 15% s.d. 45% per year, as well as financing rises significantly to 50.05% per annum (Nengsih, 2015).

Sharia is the main economic pillars of Islamic banking (Muhammad, 2008). Target customers on the use of Islamic banking products or expectation of reward is sharing ratio, so that the customer is often referred to as an investor. Their financial and banking crisis has provided a lesson that the Islamic banking system turned out to have the endurance to face the crisis and this is driving a more intense development of Islamic banking which actually started in 1992 with the enactment of Law No. 7 of 1992 on Banking, which is updated by the government the Law of the Republic of Indonesia Number 10 of 1998.

Law No. 7 of 1992 this is the gate of the commencement of Islamic banking in Indonesia, but the Act has not provided the legal foundation that is strong enough for the development of Islamic banks because not explicitly regulate the existence of banks based on Islamic principles, but the bank for the results (Rahman, 2008). When referred to the historical development of Islamic banks, the principal reason of the existence of Islamic banking is the awareness of the Muslim community who want to run the entire financial activities in accordance with the guidance of religion. The idea of the establishment of the bank using the system for this result appears for a long time, which is marked by numerous thinkers who wrote the idea of Islamic banks (Sudarsono, 2004).

Islam is very hard in addressing the phenomenon of usury. All Muslims are strictly forbidden to approach especially dabbling in it. All parties associated with usury got the anathema of the Prophet is known to be very generous. Jabir bin Abdullah ra. said:

لَعَنَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ - أَكِلَ الرَّبَا وَمُوكِلَهُ وَكَاتِبَهُ وَشَاهِدِيهِ وَقَالَ هُمْ سَوَاءٌ.

"The Prophet, condemn someone who eats usury treasure, which feed on usury treasure, treasure taker of usury, and the two witnesses. And he said, they are all the same. "(HR. Muslim)

He even gives a terrible overview related to the position usury treasure users, in his saying it is narrated by Ibn Majah and al-Hakim from his friend Abdullah bin Masud ra. that He said, "Riba consists of 73 door. The door is the lightest as a man to marry his own mother." Conceivably, how great a sin given to the perpetrators of usury, if the lightest only sin like to marry his own mother (Ramadan, 1987).

Based on such considerations as the basis for the various parties, to make a concerted effort towards the development of the bank is based on Islamic principles. Eventually, business activity does not only aim for worldly gains, but also the hereafter (Asra and Musirin, 2013).

## **2. Study Of Islamic Bank And Islamic Audit**

### **2.1 Islamic Bank**

In general, the basic functions of Islamic banks and conventional banks are the same, so that the general principles of regulation and supervision of the banking system also applied to Islamic banks. A special characteristic of Islamic banking requires special handling in the regulation and supervision by the introduction of the Sharia Supervisory Board (Antonio, 2001). Another distinctive characteristic can be seen from the guarantee of regulatory compliance and adherence to Islamic principles in all activities, in particular the prohibition of interest is replaced with revenue sharing instrument (Rifa'I, 2002).

Operation of Islamic Bank must follow or be guided by the principles of business that were developed at the time of the Prophet Muhammad, which follows the principles of business and business forms that are not prohibited by the Prophet Muhammad, or forms a new business as a result of *ijtihad* of the scholars or Muslim scholars who do not deviate from the provisions of the Al-Quran and Al-Hadith. In addition to the provisions based on the Quran and al-Hadith, the establishment of Islamic Banks also shaped by the realities explained by Syaedi (2002) as follows:

- 1) Practice of interest and its consequent. The system in question is the additional interest payment on the principal of the loan, the amount of

which has been set in advance, usually specified as a percentage (%) and continues to be as long as there is still residual loan.

- 2) The existing banking system has a tendency of concentration of economic power in the hands of the elite, bankers and financiers. The concentration of economic power will result in collisions and even conflicts between social classes, which in turn has the potential to destabilize the state of the national economy and internationally.
- 3) The banking system which applies interest can cause high inflation, where it is caused by the tendency of banks to extend credit to excess. On the other hand, it is often the interest rate and the inflation rate are closely related, so it is a choice of a dilemma for policy makers of development.
- 4) The banking system which applies interest now felt less successful in helping the fight against poverty.
- 5) In the current era of economic development, the role of banking institutions is crucial and affects the development in a country.

Islamic banking in Indonesia is growing rapidly since the issuance of various policies on the Islamic Bank. Statistical Data Bank Indonesia in Indonesia in December 2007 showed there were already three Islamic Banks, 26 Bank Syariah Business Unit and 114 syariah rural banks with total assets in million of Rp 36,719,603 (excluding Sharia Rural Bank). Basically, conventional banking operations are different from sharia banking activities that can be seen from the basic principles that are used in banking operations (Wjaya, 2004), such as;

- 1) Syariah Bank in conducting business activities in the banking sector adheres to the principle of sharing, while conventional banks adhere to the principle of interest money.
- 2) The principle of the agreement adopted by Syariah Bank is the principle of trading while the Conventional Bank adheres to the principle of borrowing.
- 3) The relationship of Islamic Bank and the customers is a partnership relationship while Conventional Bank shaped debtor relationship with the lender.

- 4) From the operational side, in the Islamic Bank, public funds is in the form of deposit and investment that will get results if "should be" first afforded on the lawful and profitable, while in conventional banks in the form of deposits of public funds to be paid interest upon maturity tempo and distribution on a profitable sector, *halal* aspect is not a major consideration.
- 5) From the social aspect, the Islamic Bank stated explicitly and unequivocally stated in the Mission and Vision, while conventional banks can not be known explicitly.
- 6) From the organizational aspect, the Islamic Bank shall have the Sharia Supervisory Board, whereas in conventional banks do not have the DPS.

## ***2.2 Supervision of Islamic Financial Institutions in Islam***

Given the diversity of the activities of Islamic banks plus the liabilities obey the rules of Sharia, the regulatory process through an independent agency becomes urgent to do (Minarni, 2013). One of the differences between conventional banking to Islamic banking is the Sharia Supervisory Board (DPS) in each Islamic bank. His job is to ensure Islamic banking operates in accordance with the rules of Islam so as to minimize the things that are forbidden in Islam. To give confidence to the people who still doubt Islamic banking operations over the years, it also regulates the business activities that do not conflict with Islamic principles including activities that do not contain elements of usury, gambling, *gharar*, illegitimate and unjust.

As the legislation specifically regulating Islamic banking, in Law Number 21 Year 2008 concerning Islamic Banking set of laws on the issue of adherence of sharia (Sharia compliance) whose authority is at the Indonesian Ulama Council (MUI) is represented by the Sharia Supervisory Board (DPS) and should formed in each of the Sharia Bank and Sharia Business Unit. Implementation of the fatwa issued by MUI into Bank Indonesia Regulation the creation of a committee of Islamic banking in internal Bank Indonesia which consists of representatives from

Bank Indonesia, the Ministry of Religion, and the public compositionally balanced.

Islamic bank supervision functions as mandated in legislation aims to support efforts to achieve a healthy Islamic banking, operate prudently meet various applicable banking regulations, protect interests of users of banking services and consistently run on Islamic principles. Islamic bank supervisory approach uses integrated pattern that integrates indirect supervision (off-site supervision) and the direct supervision or inspection of the field (on-site supervision) and adopt a risk-based approach to bank supervision.

Supervisory activities done off-site and on-site aimed to maintain the soundness of banks and to support the achievement of its business plan with due regard to the principle of prudence and adherence to Islamic principles. Off-site supervision activities carried out by analyzing the financial condition through the Management Information System Control (SIMWAS) and reports submitted by the bank, and the bank assess compliance with applicable provisions.

Islamic banking supervision basically have two systems, namely: (1) The control of the financial aspects, compliance with the banking in general and bank prudential principles, and (2) supervision of Sharia principles in bank operations (Harisman, 2002).

Terms of membership DPS as regulated by the DSN-MUI among others (Umam, 2015) 1) good character, 2) have the competence expertise in the field of sharia *muamalah* and knowledge of banking and / or finance in general, 3) has a commitment to develop financial based on sharia, 4) have sharia supervisory eligibility as evidenced by a letter / certificate of DSN.

Another task of DPS is to examine and make recommendations of new products from banks it supervises. Thus, the first DPS acts as a filter prior to a product recall and issued by DSN. Based on the report of DPS at their respective of Islamic financial institutions, the DSN can give warning if the agency deviated from the guidelines that have been set. If the institution concerned did not heed the warning given, DSN can make recommendations to the institutions that have authority, such as Bank Indonesia and the Ministry of Finance, to impose

sanctions (Triandaru and Santoso, 2006). DPS mechanism can be described as follows:

Figure 1  
Mechanish of DPS



### 2.3 Sharia Audit

Sharia Audit in the Islamic financial services means the accumulation and evaluation of evidence to determine and report the degree of correspondence between the information and the criteria established for the purpose of compliance with sharia. Audits must be performed by a competent and independent (Tugiman, 1996). To conduct the audit, there should be information in the form of verified and some standards (criteria) in which the auditor can evaluate the information. Information are obtained and taken from all fronts. Sharia auditors conduct audits on two objective information of interest (eg, profit sharing financial information) and subjective information (information shari'a) to ensure compliance of Shariah in Islamic banks.

Instructions or Sharia Audit evidence is to conduct an audit of the sharia in the determination of audit evidence. Hint or shariah audit evidence can be defined as any information used by the auditor to determine whether information is audited in accordance with the stated criteria. Instructions or Sharia Audit evidence is to conduct an audit of the sharia in the determination of audit evidence. Hint or shariah audit evidence can be defined as any information used by the auditor to determine whether the information being audited is stated in

accordance with the criteria established for the purpose of guaranteeing the sharia. Criteria for evaluating information are various depending on the information being audited. In the audit of historical financial statements by auditors, the criteria are usually financial reporting standards (FRS).

Sharia audit program also needs to be written in a language that can be easily understood by potential shareholders. There are three-phase of Sharia Audit (Harahap, 2002), namely:

- 1) Planning. Auditors must understand the business of Islamic financial institutions including the nature of the contract used for various types of Islamic financial services. Then, Sharia auditors need to identify the right techniques, resources and scope to develop an audit program. The audit program will then identify the main activities to be conducted, the purpose of each activity and the techniques to be used, including sampling techniques in order to achieve the objectives of the audit. Among the techniques that can be used include paper checks, interviews, benchmarking, surveys, case studies, flowcharts, etc.
- 2) Examination. Appropriate audit techniques need to be identified and described. Proper techniques needed to gather the necessary evidence, both quality and quantity to reach a reasonable conclusion in accordance with sharia compliance. The main aspect of the checks in the field requires sampling techniques. More detailed examination of the documentation would be required whether the sampling methodology is used or not. Audit working papers and notes are the two most important things in the assessment phase. The purpose is to provide a working systematic records of work performed during the audit and the records obtained information and facts to support the findings and conclusions.
- 3) Reports. The results of the audit, the audit report includes the preparation of sharia, which is good communication from the auditor to the users or readers. In general, the report will be different, but all have to inform readers of the degree of correspondence between the information and the criteria that have been set.



## 2.4 *Multilayer Audit System*

In the audit of Shariah, known as a layered control system (multilyer audit system) consisting of:

### a. *Self Control*

This is the key of Shari'ah system success. The first key is that good quality recruitment, with measurable input standards and properly maintained. The quality of individuals can guarantee the process and good results. A good self control can guarantee the quality of the organization, so that other control is hardly needed.

Self control in a Shari'ah audit is very important. In the Islamic concept, there is a system of self-control that we already know that:

- 1) *Ihsan*, which means that in any case only, a Muslim should feel that he is always in the direct supervision of the Creator, Allah 'azza wajalla. If being overseen by the company leader, the employees are very careful in their work, then it should be a believer when supervised by the Most High, his passion and caution becomes more extras and multiplied as in the Hereafter all his actions will be in-reckoning and responsible for.
- 2) *Muhasabatun nafs*, it is a mean for a Muslim to make an introspection. Before being audited by the system and others, a true believer should have an internal audit system of your good self.
- 3) Triangle fraud and control of faith. There are three conditions that normally cause fraud, the pressure or motive, an opportunity and rationalization. But all that actually are died and come back on the quality of faith and self-control respectively.

### b. *Integrated Control (Built-in Control)*

This second stage requires the existence of procedures and rules of the organization, because it implied the integrated control system. Each section has contributed in creating a conducive climate to the organization. In Surah As-Shaf paragraph 4, of Allah. said:

إن الله يحب الذين يقاتلون في سبيله صفا كأنهم بنيان مرصوص

"Truly Allah loves those who fight in the way of God in orderly row as if they like solid cemented structure."

Also in Surah Ali Imran verse 103:

واعتصموا بحبل الله جميعا ولا تفرقوا

"You hold fast to the rope of Allah and do not scatter."

*c. Internal audit*

The third phase of this role is to ensure both the control phase had previously been in line with expectations. Internal audit needs to be carried out by other elements in the organization who is not directly involved in the activities.

*d. external Auditor*

This is the fourth level of the audit, conducted by an external and independent so as to provide a neutral and objective assessment for the organization.

## **2.5 Audit in Islam**

Based AAOIFI-GSIFI 3 explained that Islamic audit is independent internal report of Sharia or part of the internal audit testing and evaluation approach sharia rules, edicts, instructions, etc. which are issued by fatwa IFI and supervision institution of sharia. Rahman (2008) describes the auditing in Islam is:

1. The process of counting, checking and monitoring (systematic process)
2. Individual acts (of worldly work or deeds)
3. Complete and sharia-compliant
4. To get a reward from Allah in the Hereafter

The Audit Objectives in Islam, namely: (1) to assess the degree of completion (progress of completeness) of an action, (2) to repair (correction) error, (3) provide rewards (rewards both) on the success of the work, and (3) provides punishment (bad retribution) for lack of work. The ultimate goal is not to "find fault", but how "establish the truth".

## 2.6 *Audit in the Qur'an and Hadith*

In the Al-Quran conveyed that we should measure the fair, do not overbid and should not be reduced. We are forbidden to demand justice for our size and scale, while for others we do any less. In this case, the Quran states in various verses, among others, in Surah Asy-Syu'ara 181-184 paragraph which reads:

وزنوا بالقسطاس المستقيم. أوفوا الكيل ولا تكونوا من المخسرين.  
ولا تبخسوا الناس أشياءهم ولا تعثوا في الأرض مفسدين.  
واتقوا الذي خلقكم والجبلة الأولين

"Full measure and do not include those that harm and weigh with a balance that is straight. And do not harm humans on their rights and do not rampant in the earth to make mischief and keep your duty to Allah who has created you and the followers the first. "

In the hadith mentioned:

كيلوا طعامكم ببارك لكم

"Weigh your food properly, and then you will get the blessing."

## 3. Conclusion

Supervision on Islamic banks to carry out an audit of Sharia does not mean it can replace the task of the bank's management and does not guarantee the bank could be free from crisis, loss or bankruptcy which are caused by several factors, including: human error, asymmetric information, policy and regulation is less supported, and reward and punishment are not clear. Embodiments of effective and efficient supervision willed Bank Indonesia as the authority's banking supervision Indonesia to fully support all oversight activities of Islamic banking that involves the National Sharia Council (DSN) and Sharia Supervisory Board (DPS) by providing guarantees of independent, worth incentives and clear accountability.

In addition, Bank Indonesia in cooperation with the Ministry of Finance should make strict rules and policies regarding to the management of reward and punishment in the Islamic bank for its commitment to run banking business based on the principles and rules of Sharia. As for the audit should be run according to

Sharia correct mechanism and adapted to AAOFI auditing standards that apply to all Islamic Financial Institutions (LKS). All the weaknesses that exist in the system audits, such as the human error factor, asymmetric information, and others let minimized to achieve the right results. For that very important that all the strategic positions filled by the right people and have the ability as required.

## REFERENCES

- Al-Qur'anul Karim.
- Antonio, Muhammad Syafi'ie. 2001. *Bank Syariah: Dari Teori ke Praktek*. Jakarta: Gema Insani Press
- Bank Indonesia. 2014. *Undang-Undang Perbankan Syariah No. 21 Tahun 2008*. (Online), ([www.bi.go.id](http://www.bi.go.id))
- Direktorat Perbankan Syariah Bank Indonesia. Desember 2007. *Data Statistik Perbankan Syariah*. Jakarta
- Halim, Marah. 2011. *Eksistensi Wilayahul Hisbah dalam Sistem Pemerintahan Islam*. Jurnal Ilmiah Islam Futura. Volume X, No. 2, Februari 2011.
- Haqqi, Abdurrahman Raden Aji. 2007. *Shariah Advisory Board in Islamic Financial Institutions In The Eye of Asian Islamic Banks Laws: A Must?*. Paper presented in ASLI Conference, Fakultas Hukum UI, Jakarta.
- Harahap, Sofyan S. 2002. *Auditing Dalam Perspektif Islam*. Jakarta: Pustaka Quantum.
- Harisman. 2002. *Pelaksanaan Pengawasan Perbankan Syariah di Indonesia*. In [www.Tazkia.com](http://www.Tazkia.com), Kategori Bank Syariah.
- Hiro Tugiman. 1996. *Pengenalan Internal Audit*. Yogyakarta: Penerbit Kanisius.
- Kep. Direksi BI No. 32/34/KEO/Dir Tahun 1999. Keputusan Dewan Syariah Nasional No : 01 Tahun 2000 Tentang Pedoman Dasar Dewan.
- Majelis Ulama Indonesia (PD DSN-MUI). *Laporan Perkembangan Perbankan Syariah Bank Indonesia Tahun 2006*.
- Maksum, Asra dan Musirin. 2013. *Pemikiran Kiai As'ad tentang Ekonomi dalam Islam*. Cet. Kedua. Surabaya: Pena Salsabila.
- Mardiyah, Qonita dan Sepky Mardian. 2015. *Praktik Audit Syariah di Lembaga Keuangan Syariah Indonesia*. Akuntabilitas Vol. VIII, No. 1, April 2015.
- Minarni. 2013. *Konsep Pengawasan, Kerangka Audit Syariah, dan Tata Kelola Lembaga Keuangan Syariah*. Jurnal Ekonomi Islam La Riba, Volume VII, No. 1, Juli 2013.
- Muhammad, Rifqi. 2008. *Akuntansi Keuangan Syariah : Konsep dan Implementasi PSAK Syariah*. Yogyakarta : P3EI Press.

- Nengsih, Novia. 2015. *Peran Perbankan Syariah dalam Mengimplementasikan Keuangan Inklusif di Indonesia*. Jurnal Etikonomi Vol. 14 No. 2, Oktober 2015.
- Perwataadmadja, H. Karnaen. 1999. *Bank Syariah Sebagai Alternatif Pemecahan Masalah yang Dihadapi Bank Konvensional*. Makalah Diskusi Perbankan Syariah. Fakultas Hukum Universitas Indonesia, Jakarta.
- Peraturan Bank Indonesia No. 6/24/PBI/2004 tentang *Bank Umum yang Melaksanakan Kegiatan Usaha Berdasarkan Prinsip Syariah*.
- Rahman, Abdul Rahim Abdul. 2008. *Shari'ah Audit for Islamic Financial Services: The Needs and Challenges*. Makalah dipresentasikan pada International Shari'ah Research Academy for Islamic Finance (ISRA) Islamic Finance Seminar, Kuala Lumpur, 11 November 2008.
- Ramadlan, Abu H.F.. 1987. *Tarjamah Duratun Nasihin*. Surabaya: Penerbit Mahkota.
- Rifai, Moh. 2002. *Konsep Perbankan Syariah*. Semarang: CV.Wicaksana.
- Sudarsono, Heru. 2004. *Bank dan Lembaga Keuangan Syariah*. Edisi 2. Yogyakarta: Penerbit Ekonisia.
- Syaei, A. Wirman. 2002. *Optimalisasi Pengawasan Dewan Syari'ah Nasional*. Media Indonesia, Rabu 11 Desember.
- Umam, Khotibul. 2015. *Urgensi Standarisasi Dewan Pengawas Syariah dalam Meningkatkan Kualitas Audit Kepatuhan Syariah*. Panggung Hukum, Jurnal Perhimpunan Mahasiswa Hukum Indonesia. Vol. 1, No. 2, Juni 2015.
- Undang-Undang Republik Indonesia Nomor 10 Tahun 1998 tentang *Perubahan atas Undang-Undang Nomor 7 Tahun 1992 tentang Perbankan*.
- Wardayati, Siti Maria and Wulandari, Sisca Ayu. 2014. *Comparisons and Differences of Level Islamic Social Reporting Disclosure Islamic Banking in Indonesia and Malaysia*. Annual International Conference On Islamic Studies- 14 th AICIS, Stain Samarinda, Balikpapan
- Wijaya, Lukman Denda. 2004. *Lima Tahun Penyehatan Perbankan Nasional*. Bogor: Ghalia Indonesia.