THE ROLE OF SHARIA AUDITORS IN ENSURING COMPLIANCE OF SHARIA FINANCIAL INSTITUTIONS IN SHARIA BANK

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Abstract

The current development of sharia banking has encouraged the need for sharia auditors because sharia auditors have a role in sharia compliance. This research aims for sharia auditors to ensure the compliance of sharia financial institutions. This type of research uses a qualitative method, a descriptive approach with literature study data. The results of this research show that ensuring compliance of sharia financial institutions is in accordance with sharia financial concepts. Sharia auditors must have competence in the field of sharia accounting and auditing.

Keywords: Sharia Auditor, Sharia Financial and Institution Compliance

INTRODUCTION

The development of Sharia Banks in Indonesia is currently quite rapid, as evidenced by the development of conventional banks to open banks that apply sharia principles. In general, it can be said that sharia and conventional financial institutions have the same function as financial intermediaries or bridging the needs of two different customers, one customer who has funds and the other customer who needs funds. One of the important pillars for sharia banks is sharia compliance. This pillar is the main differentiator between sharia and conventional banks.

Sharia financial institutions, especially sharia banking, need to have a reliable governance model and appropriate strategies to encourage strong and effective implementation of sharia compliance. Fulfilling sharia compliance aims to maintain the public image, especially the interests of stakeholders, in the hope of realizing economic activities that comply with sharia principles, investment activities that are free from usury. The series of processes for fulfilling sharia compliance needs is the implementation of sharia audits. Likewise, in the context of sharia audits, examining financial reports and other financial information is also very important, because both can be a source of economic disaster in the form of crises and so on if they are not managed optimally. Sharia audit can be interpreted as a process to ensure that every activity carried out by sharia banking does not violate the rules or tests for sharia compliance.

In conducting an audit, an auditor must have good personal qualities, adequate knowledge and professional skills possessed by the auditor as a result of formal education, professional examinations and participation in training, seminars and symposiums. Therefore, a sharia auditor has a big responsibility, because apart from having to be responsible to company management, superiors, the public, and other parties involved, a sharia auditor is also responsible to Allah SWT, and says that the auditor Sharia acts as the party that provides guarantees to investors who provide funds under mudharabah contracts based on the profit sharing principle that the profit or (loss) stated by management is correct. Investor stakeholders need guarantees that the Sharia Financial Institutions (LKS) they fund have managed the funds they provide effectively and efficiently and in accordance with sharia regulations and principles.

This research chose the title of the role of audit in complying with sharia financial institutions because in general auditors are responsible for the performance of sharia financial institution companies, one of which is banks. Based on the explanation above, researchers feel the need for research on "The Role of Sharia Auditors in Ensuring Compliance with Sharia Financial Institutions".

METHOD
This research uses qualitative methods, library research, namely research that uses library data as research objects. The sources for this research are research journals and books.

RESULTS AND DISCUSSION

Sharia Auditor

The term sharia auditor was coined to adapt to operations Sharia entities where the audit process is not only carried out based on regulatory standards but also sharia standards or principles. According to Haniffa, sharia auditors are not strict intended only for independent auditors who are members of the office Public accountants are parties who can carry out sharia audit functions. Key players involved in sharia auditing in an entity with their respective roles are external auditor, Sharia Supervisory Board, internal auditors, audit committee and governance division.

Sharia Compliance Audit

Sharia Financial Institutions have special risk characteristics and requirements to fulfill compliance with sharia principles. The urgency of the Sharia Compliance Audit is to minimize operational risks in Sharia Financial Institutions and to strengthen the internal control system. Operational risk arises from internal control failures related to operational activities, human resources, systems, or certain events in the external sphere. The main challenge in managing operational risk in Sharia Financial Institutions, especially Islamic banking, is the process of ensuring the level of compliance with Sharia. However, it is very important to develop a sharia compliance methodology.

The AAOIFI audit standard in the sharia banking system is the standard used for the most comprehensive audit method, namely by emphasizing that compliance with sharia is the main and mandatory search object. The urgent need for sharia banking now is that sharia banking must have a Halal Assurance System (HAS) so that all sharia banking products and activities meet halal and comply with sharia principles.

Abdur Rahim explained the three phases of sharia audit which consist of:

a. Planning. The sharia auditor must know and understand the business scope of the sharia financial institution to be audited, then the sharia auditor needs to identify the appropriate technique for developing an audit program, then the audit program will identify the main activities to be carried out and determine the sampling technique in order to achieve the audit objectives.

b. Inspection. Key aspects of field inspection require sampling techniques. Working papers and audit notes are the two most important things in the audit stage, namely to provide a systematic record of the work carried out during the audit and are a record of the information and facts obtained to support the findings and conclusions.

c. Report. The results of the audit include sharia audit reporting. This is good communication from the auditor to stakeholders regarding the suitability of the audited financial statements and the entity's sharia compliance.

Sharia audit compliance function

In Bank Indonesia regulation Number: 13/2/Pbi/2011 concerning the implementation of the compliance function of Commercial Banks, it is emphasized that the compliance function is a series of preventive actions or steps to ensure that policies, provisions, systems and procedures, as well as business activities carried out by the bank is in accordance with Bank Indonesia provisions and applicable laws and regulations, including sharia principles for Sharia Commercial Banks and Sharia Business Units.

The role of the Sharia Supervisory Board in Sharia Compliance

The Sharia Supervisory Board (DPS) is an independent body placed by the National Sharia Council (DSN) in Sharia Banking and Financial Institutions. Members of the Sharia Supervisory Board
must consist of experts in the field of muamalah sharia who also have knowledge in the field of banking economics. In carrying out its duties, the Sharia Supervisory Board is obliged to follow the DSN-MUI Fatwa which is the highest authority in issuing Fatwas regarding the conformity of BMT products and services with sharia provisions and principles.

The role of the Sharia Supervisory Board is also to supervise the business activities of Sharia Financial Institutions so that they comply with sharia provisions and principles that have been issued by the National Sharia Council (DSN). Meanwhile, its main function is as an advisor and provider of advice to the Board of Directors, heads of sharia business units and heads of sharia branch offices regarding matters related to sharia aspects and secondly, as a mediator between Sharia Financial Institutions and the National Sharia Council (DSN) in communicating proposals and suggestions for product and service development from Sharia Financial Institutions that require review and Fatwa from DSNMUI. In carrying out its duties, the Sharia Supervisory Board is required to follow the DSN-MUI Fatwas, supervise the business activities of Sharia Financial Institutions so that they do not deviate from the provisions and principles of Sharia that have been issued by the National Sharia Council (DSN) and report on the business activities and developments of the financial institutions they supervise, regularly to DSN-MUI, at least twice a year.

See the wider scope of sharia audit compared to conventional audit, then sharia auditors do not just to make sure fairness of financial statements, but must also be able to check compliance with sharia principles. So competence is needed more comprehensive sharia auditor.

**Concept of Compliance with Sharia Principles**

The essence and basis of the concept of compliance with Sharia principles is as follows:

a. Fulfillment of all Sharia principles in all activities carried out as an embodiment of the characteristics of the Sharia entity.

b. For Sharia banking entities, the continuity of Sharia banking operations requires comprehensive supervision and firmness in the actions that need to be taken if there is non-compliance with Sharia principles carried out by the entity.

c. If there is non-compliance with Sharia principles, it can cause the Sharia entity to lose the characteristics and operational characteristics of the Sharia entity.

d. The image of Sharia banks will be disturbed if Sharia banks are seen and proven to be non-compliant with the principles of compliance with Sharia principles. In fact, if something negative happens from the Sharia bank, such as fraud, it can cause the Sharia entity to be abandoned by customers and also those who use products from the Sharia entity.

**Basic Principles of Sharia**

Sharia banks are banks that operate in accordance with Sharia Principles. The implementation of sharia principles is the main differentiator from conventional banks. In essence, the principles of sharia refer to Islamic sharia which is primarily guided by the Al-Quran and Hadith. Islam as a religion is a concept that regulates human life comprehensively and universally, both in relations with the Creator (HabluminAllah) and in relations with fellow humans (Habluminannas).

**Urgency of Sharia Compliance Audit**

Public trust in sharia financial institutions is something important. HAS assesses the significance of management's commitment to implementing transparency regarding rules and accountability related to compliance with sharia. HAS is one of the exigencies of sharia compliance audits, where HAS provides the need for public knowledge and awareness, which is guaranteed by Sharia Financial Institutions regarding the halalness of all operational aspects of products and HR codes of ethics in carrying out business that should comply with sharia principles.

**Sharia Compliance Audit Methodology**
There are several sharia compliance audit approach methods that are needed to observe the provision of HAS for Sharia Financial Institutions. Some of these approaches are as follows:

a. **Approach to the principles of halal and haram**

One of the sharia compliance audit methods is to strictly observe halal and absence of haram as ordered by Allah SWT. In contemporary practice, sharia principles reflect that divine rules (ahkam shari') strictly prohibit the principles of interest (riba), uncertainty (gharar), gambling (maisir) and prohibited commodities such as wine and pork. This method places sharia principles in fundamental legal rules (ahkam) surrounding business and financial transactions which are considered pragmatic. Through this method, users will easily differentiate between Islamic and conventional banking.

b. **Contract approach**

Halal and haram elements relate to financial instruments determined by the legality of Islamic contracts or contracts. The contract can be defined as a link between request (ijab) and acceptance (qabul). The contract that occurs is based on the fulfillment of four contract principles, namely: buyer and seller, price, object of the contract and consent.

c. **Legal documentation approach**

The purpose of this legal documentation is as a means of providing a sense of security in carrying out transactions, where rights, obligations and responsibilities are clearly outlined in the contract. To ensure that new products and all sharia banking product contracts fully comply with sharia principles, the sharia monitoring policy body identified prohibited elements in contracts, such as:

1) Compulsion (ikrah)
2) Mistakes and mistakes (ghalat/khat'a): for the parties involved and the object of the contract
3) Inequality (ghubn): whether the impact is serious or not.
4) Deception (taghrir): verbal and non-verbal
5) Illegal goods/assets
6) Illegal goals/motivations

d. ** Sharia maqashid approach**

Sharia principles always have the aim and direction of sharia law or known as Maqasid Shariah. One of the objectives of Maqasid Shariah is the provision and protection of basic things (daruriyat) for a person, which if not fulfilled then their survival will be threatened. The basic needs in Islamic law are religion (Din), soul (Nafs), family/descendants (Nasl), reason (‘Aql) and property (Mal).

e. **Financial reporting approach**

The purpose of financial reporting is to provide information about the financial condition, state of the company and changes in the company's financial position. Of course, it is also necessary to eliminate the element of uncertainty (gharar) in financial contracts through factual reporting of transactions that occur. Therefore, financial reporting must be understandable, relevant, reliable and comparable (with previous year’s reports) as standardized by the International Financial Reporting Standard (IFRS). This standard specifically regulates the foundation and functions of external auditors to support internal audits.

**Identify sharia compliance risks**

Compliance risk is the risk that sharia banks must accept because they do not comply with and do not implement laws and regulations, provisions and sharia principles. Bank Indonesia also provides an understanding regarding compliance risk as a risk resulting from banks not complying with and not implementing the applicable laws and regulations properly. Meanwhile, there are also those who provide the understanding that compliance risk is a risk caused by not complying with or not implementing statutory regulations and other applicable provisions, because in practice, compliance risk is attached to bank risks related to statutory regulations.
Compliance risk aims to determine the level and trend of compliance risk (PBI no. 5/8/PBI/2003). Not only that, risk also has a function, the compliance function is a series of public actions or ex-ante (preventive) steps to ensure that policies, provisions, systems and procedures, as well as business activities carried out by the Bank are in accordance with the provisions of Bank Indonesia and applicable laws and regulations, including in accordance with Sharia Principles, as well as ensuring the Bank's compliance with commitments made by the Bank to Bank Indonesia and other competent supervisory authorities.

**Competence**

Competence is the basic foundation of a person's characteristics indicates a way of behaving or thinking, equalizing situations and support for quite a long period of time. Factors that influence a person's competency skills, namely beliefs and values values, skills, personality characteristics, motivation, emotional issues, intellectual abilities and organizational culture (Spencer & Spencer, 1993). Viewed from the discipline of organizational behavior, competence along with Commitment is included in the group of individual member characteristic factors organization. Organizational behavior experts such as Kreitner & Kinicki (2003), the concept of competence is understood as a combination of abilities and Skills. The ability to exhibit related stable characteristics to one's maximum physical and mental capabilities. Skills in the other side is a special capacity to manipulate an object. The competencies that sharia auditors must have are: Sharia Auditor Competency

**Table 1. Sharia Auditor Competency**

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<th>No.</th>
<th>Competencies that sharia auditors must have</th>
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<tr>
<td>1</td>
<td>Have skills, attitudes and knowledge in the field of accounting or auditing</td>
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<td>2</td>
<td>Have knowledge of sharia related to Islamic principles and law, especially Muamalat Fiqh</td>
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<td>3</td>
<td>Have a strong understanding of As-Sunnah and Islamic fiqh such as ushul fiqh</td>
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<td>4</td>
<td>Understand international accounting standards adopted with accounting and auditing standards applicable in the national territory.</td>
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<td>5</td>
<td>As well as standards adopted by other Muslim countries if they want to work in other countries that have implemented sharia audits.</td>
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<td>6</td>
<td>Fluency in Arabic and English</td>
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<td>7</td>
<td>Have an understanding with good knowledge in the fields of finance and business</td>
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<td>8</td>
<td>has good morals, is authoritative, able to express opinions regarding the provisions and objectives of sharia</td>
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**CONCLUSION**

Sharia audit is an integrated system of audit concepts and sharia concepts which have a very important role in improving a country's economy, especially in the process of monitoring a system of sharia financial institutions or sharia businesses including business entities such as MSMEs. Systematic sharia audit for processing data collection on the activities of a financial institution and a business entity whose data is collected based on Islamic sharia principles. Accountability is one of the main issues in the operations of sharia financial institutions or sharia business entities because they must ensure that their operations do not violate sharia law. Because sharia audit is an important aspect of Islamic financial operations, from an Islamic perspective Islamic financial services are related to the accountability of corporate entities. Therefore, sharia audit activities must be carried out in harmony with appropriate mechanisms and adapted to AA0IFI audit standards which apply to all sharia financial institutions. The role of auditors in ensuring sharia financial institutions is very important in maintaining the integrity, trust and compliance of sharia financial institutions with sharia principles and applicable regulations, which supports the stability and credibility of the sharia financial system as a whole.
SUGGESTION

As for the suggestions proposed from the results of this research, the author provides suggestions that might be used as input for how to address the existing shortcomings, namely: Improve education and training programs so that auditors can increase their work experience to support audit assignments in the future. The concept of sharia audit should be expanded to include related activities with systems, products, employees, the environment, and society. There is the need to develop aspects of sharia audit useful for ensuring the effectiveness of sharia compliance objectives, thereby providing positive contribution to society as a whole.

BIBLIOGRAPHY


