

## Implementation of Audit in Sharia Perspective

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### ABSTRACT

Ridho Allah SWT, conveyed by the Prophet Muhammad through Islam for the good of humanity. Everything has been arranged in Islam about every line of life from the largest to the smallest. Islam also helped regulate how humans in the field of finance. Islam with a sharia base has increased interest. Companies including sharia-based financial institutions have also experienced a fairly rapid increase to date. In Indonesia, sharia -based companies are companies engaged in finance, especially banking. The operational activities of sharia -based companies do not stand alone, in the composition of capital, and their products will be related to various external parties. Based on the results of the explanation above, this article aims to analyze the implementation of audit in the perspective of sharia through the study of the results of previous studies on sharia audit practices in Indonesia. This study is a literature study research using a descriptive analysis approach. Discussion on the implementation of competency and the role of sharia auditors in Indonesia. From the discussion above it can be concluded, that the implementation of audit can be carried out but constrained in terms of quantity as well as the quality of sharia auditors in Indonesia.

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## 1. INTRODUCTION

The pleasure of Allah SWT, conveyed by the Prophet Muhammad SAW through Islam for the good of mankind. Everything has been arranged in Islam regarding every line of life from the biggest to the smallest. Islam regulates aims for the life of mankind that runs in an orderly manner. Islam also regulates how humans are in the financial sector. Sharia-based Islam has experienced increasing interest. Companies including sharia-based financial institutions have also experienced a fairly rapid increase to date. The application of sharia-based accounting has also developed in various countries. In Indonesia itself, companies, banks or sharia-based financial institutions have increased in number quantitatively. Conventional banks have also started to expand their business by establishing sharia-based (Islamic) banks, such as Mandiri Syariah Bank, BRI Syariah Bank, BCA Syariah Bank, Muamalat Bank, Panin Syariah Bank, and others. However, in Indonesia, sharia-based companies are companies engaged in finance, especially banking. The operational activities of sharia-based companies do not stand alone, in terms of capital composition, and their products will be related to various external parties. Indirectly, external parties have an interest in the company.

In this case, a sharia-based company must show openness, accountability, and accountability to external parties who have an interest which is realized in the form of a sharia financial report.

Supervision is a form of activity function in Islamic financial reports. The problem is, can these financial statements be used as oversight by external parties? Although it does not have an independent agency/institution that audits/examines the sharia financial statements. Doubts will arise regarding Islamic financial statements, especially for external parties. Islamic Financial Reports, as well as General/Conventional Financial reports, require auditing in various company business activities as well as financial statements. Islam views auditing as (a) the process of calculating, checking, and monitoring (a systematic process); (b) A person's actions (worldly work or acts of worship) are complete and in accordance with sharia; (c) to get a reward from Allah in the afterlife (Shafii et al, 2013). For company stakeholders, this audit is very important because it is a means of accountability and supervision for the company. Therefore, the sharia audit acts as the basic basis for decision making for the company's stakeholders. Based on the results of the explanation above, this article aims to analyze the implementation of audits from a sharia perspective through a review of the results of previous studies regarding sharia audit practices in Indonesia.

### **Auditing**

According to Knowledge, Auditing is the process of collecting and evaluating evidence carried out by an independent and competent party, to determine whether the information presented is in accordance with the established criteria. According to the records of an accounting historian, it is said that: "The origin of auditing began more earlier compared to the origins of accounting. When the progress of civilization leads to the need for a person who is to a certain extent trusted to manage other people's property, it is deemed appropriate to check the loyalty of that person, so that everything will become clear.

It is said that the rulers of ancient Egypt performed independent checks on and records of tax receipts, the ancient Greeks conducted examinations of the accounts of public officials, while the Romans compared expenditures with authorization of payments, while castle-dwelling nobles in England appointed auditors to review records. accounting and reports prepared by their servants. The beginning of auditing companies can be attributed to British legislation during the industrial revolution in the mid-1800s. Advances in transportation and industrial technology have given rise to economies of scale and larger companies, the emergence of professional managers, and the growth of ownership of companies by many people.

Initially, the audit of the company must be carried out by one or more shareholders who are not officers of the company, as well as those appointed by other shareholders as shareholder representatives. The accounting profession quickly rose to meet market demands and legislation was soon revised, allowing non-shareholders to audit. This has led to the emergence of various formations of audit offices. In general, the auditor's report can be defined as a report that expresses the independent auditor's opinion regarding the appropriateness or accuracy of the client's statement that its financial statements are fairly presented in accordance with generally accepted accounting principles, which were applied consistently with the previous year. In preparing and issuing an audit report, the auditor must adhere to the four reporting standards contained in the Professional Standards of Public Accountants (SPAP).

In a corporate company, where managers are placed in a position where they can benefit the company which is reflected in the financial statements that they prepare for a certain period. The financial statements that are prepared are a form of accountability for the results of their work during a period. Managers are tempted to present biased financial statements, contain untruths, and may hide certain information from other parties with an interest in the financial statements, including investors, creditors, and regulators. Therefore, the financial community needs professional services to assess the fairness of financial information presented by management. On the basis of reliable financial information, the public will have a strong base to channel their funds to businesses that operate efficiently and have a sound financial position. For this reason, the public wants the financial statements submitted to them to be examined first by the auditor. The involvement of an independent audit will provide benefits, among others, increase the credibility of financial statements, reduce corporate fraud, and provide a more reliable basis for tax reporting and other financial reports that must be submitted to the government.

### **Auditing According to the Qur'an**

"Perfect the measure and do not harm others. And weigh with the right scales. And do not harm people by reducing their rights and do not cause damage to the earth. And fear Allah who created you and the ancient peoples." (Ash-Syua'ra, 26: 181-184).

The verse above explains that in measuring (measuring) it must be done fairly, neither too much nor too little. Moreover, we demand a measure of justice for ourselves while for others we reduce it.

According to Umer Chapra, the truth and justice in measuring (measuring), also involves measuring the company's wealth, debt, capital, income, costs, and profits, so that an accountant must measure wealth correctly and fairly. An accountant will present a financial report compiled from evidence that exists in an organization that is run by a previously appointed or appointed management. Management can do anything in presenting reports according to their motivations and interests, so it is logically feared that they will take advantage of the opportunity for their benefit. For this reason, an Independent Accountant is required to conduct an examination of the report and its evidence. These auditing methods, techniques, and strategies are studied and explained in auditing science. In Islam, this Auditing function is called "tabayyun" as described in Surah Al-Hujuraat verse 6 which reads:

"O you who believe!  
If someone who is wicked comes to you with a message,  
So check the truth, so that you do not harm a people  
because of stupidity (recklessness), which in the end you regret your actions."

Then, in accordance with Allah's command in the Qur'an, we must complete the above measurements in the form of items presented in the Balance, as described in Surah Al-Israa' verse 35 which reads:

"And complete the measure when you measure, and weigh it with the right balance. That is more important (for you) and the result is better."

From the explanation above, we can draw the conclusion that the accounting rules in the concept of Islamic Sharia can be defined as a collection of standard and permanent legal bases, which are concluded from Islamic Sharia sources and used as rules by an accountant in his work, both in bookkeeping, analysis, measurement, exposure, and explanation, and serve as a basis in explaining an event or events. The legal basis in Sharia accounting is derived from the Qur'an, Sunnah Nabwiyyah, Ijma (agreements of the scholars), Qiyas (the equation of a certain event, and 'Uruf (customs) which do not conflict with Islamic Sharia. The principles of Sharia Accounting, have special characteristics which distinguishes it from Conventional Accounting rules. Shari'a accounting principles are in accordance with the norms of Islamic society, and include social science disciplines that function as public servants at the place where the Accounting is applied.

#### **Sharia Audit**

Sharia audit is an auditing process carried out on the basis of sharia provisions in ensuring that all activities carried out by the Islamic Financial Institution (IFI) being audited are still in accordance with applicable regulations (Minarni, 2013). Internationally, the applicable rules regarding sharia auditing are described in the standards of the Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI). The existence of an auditor's evaluation capability of all information both objectively (for example information on profit sharing) and subjectively (information about sharia) in ensuring compliance is very necessary (Wardayati and Wahid, 2016). Sharia audit is also intended as a sharia-compliant internal control tool by internal auditors who have the appropriate knowledge and skills (Yaacob, 2012). In addition, the important role of this sharia audit of course is to reduce the occurrence of sharia non-compliance in sharia financial institutions (Najeeb and Ibrahim, 2014).

Some of the objectives in the sharia audit are described in Accounting, Auditing and Governance for Takaful Operations (John Wiley & Sons, 2012):

- 1) Creating effective governance for the company;
- 2) Will be provided with an independent assessment and objective assurance in such a way as to provide added value and improve compliance regarding the company's business operations;

- 3) Conduct an audit of Sharia compliance in ensuring that the activities carried out on product and service components carried out by the company are still in accordance with sharia principles and values, which are carried out through strict observation and review of halal and prohibiting haram things as ordered by Allah Almighty ;
- 4) Have a better understanding of the company's business framework and to ensure compliance with Shariah requirements.
- 5) Ensure a good and effective internal control system for Sharia compliance.

Based on the principles of Islamic law, Shariah audit is expected to be able to achieve the highest objective of Islamic law, namely Maqasid al-Shari'ah (Kasim et al., 2013; Othman and Ameer, 2015). Othman and Ameer (2015) further state that there are three Maqasids (Hifz-al-mal, Hifz-al-din and Hifz-al-nasl) which mean that when savings are stored safely in Islamic banks, Islamic banks act as agents (wakeel) will also receive a fee for the savings security service. The security carried out in saving savings based on a sharia audit perspective must be carried out cautiously and carefully (Hifz-al-aql) so as not to be misused by management or errors in the allocation of non-shari'ah-compliant assets. This is an effort to avoid information asymmetry which indicates a violation of Hifz-al-din. Transparency must be carried out as emphasized by Hifz-al-aql and Hifz-al-mal in the sharia audit. In addition, auditors are also expected to broaden their understanding or views on sharia, where auditors must also expand their expertise in order to achieve greater sharia substance.

According to Lukman (2016) explained that Rasulullah SAW was sent to be a mercy for the universe (rahmatan lil al alamin) and at the same time bear the responsibility of preaching calling all mankind and jinn towards self-servitude to Allah. Here after Allah SWT of course the True Auditor is the Great Prophet Muhammad SAW where the Auditee is Humanity and of course what is audited is the behavior, actions, thoughts and everything that Allah SWT has determined then given the responsibility to Rasulullah SAW to improve the morals of mankind. When the time of the Prophet SAW described in the following hadith: From Aisha radhiallahu 'anha that the Quraysh were saddened by the incident of a woman from the Makhzum group who stole -and had to cut off her hand. They said: "Who dares to discuss this woman with the Messenger of Allah s.a.w.?" Then they said: "There is no one who dares to file this case - meaning to ask for forgiveness from the punishment of cutting off his hand - except Osama bin Zaid, namely the love of the Messenger of Allah s.a.w.

Osama then talked about it to him s.a.w., then Rasulullah s.a.w. said: "Would you like to ask for help to abolish any punishments from those that have been determined by Allah Ta'ala?" Then he stood up and gave a sermon: "Indeed, what caused the corruption of the previous people was because of them, if those who steal belong to the noble class among them, they let them alone - that is, they are not treated with any punishment -, while if the person who steals is a weak person - poor and powerless, then they carry out their hadnya.

By Allah who has bestowed blessings, if Fatima, the daughter of Muhammad, stole, I would actually cut off her hand," that is, even if her own child must also be punished like other people. (Muttafaq 'alaih) In another narration it is stated: Then the color of the face of the Messenger of Allah changed, then said: "Do you want to ask for help to abolish any had-punishment- from the had determined by Allah Ta'ala?" Usama then said: "Ask for forgiveness for me, O Messenger of Allah." The one who narrated this hadith said: "Then the Prophet s.a.w. ordered the woman to come and cut off her hand."

Based on the hadith, that Rasulullah SAW is the best example and is an example of action in being objective in making a decision for the good of the Muslim Ummah. Aligned with auditors. Even though an auditor is under pressure from his client, he must remain objective and work in accordance with the applicable professional code of ethics. Thus, the results of the examination issued later can be trusted by interested parties. Then there is the action of the Prophet Muhammad which also reflects a true auditor after Allah SWT.

From Abu Hurairah and Zaid Ibn Kholid al-Juhany that there was an Arab Bedouin who came to the Prophet sallallahu 'alaihi wa sallam and said: O Messenger of Allah, in the name of Allah, I just want him to judge me with the Book of Allah. His friend said -and he was smarter than the Bedouin-: Yes, judge between us and the Book of Allah and allow me (to tell our story). He said: "Say." He said: My son became this man's laborer, and he committed adultery with his wife. Someone

told me that he should be stoned, but I redeemed him with a hundred sheep and a slave girl. Then I asked the pious people and they told me that my son should be lashed a hundred times and be exiled for a year, while this man's wife should be stoned.

Then the Prophet sallallaahu 'alaihi wa Sallam said: "By God in whose hand my soul is, I will really decide between the two of you and the Book of Allah. Slaves and sheep will return to you and your child will be lashed a hundred times and exiled for a year. , O Anas, meet this man's wife. If he confesses, stone him." *Muttafaq Alaihi* and its pronunciation according to Muslim. Based on the hadith, we can conclude that the study of other people or colleagues to decide everything, because by asking for opinions from other people will open our minds and hearts, because we are afraid when doing an audit or examination that person is having problems or is angry. By asking for opinions from colleagues who are more experienced or who know more, it will open up our horizons and hearts.

An auditor is like a judge, because the auditor is tasked with deciding or giving an opinion regarding the financial statements of an agency or company that are presented fairly or not.

This is in accordance with Surah An-Nisa' verse 65:

فَلَا وَرَبِّكَ لَا يُؤْمِنُونَ حَتَّىٰ يُحَكِّمُوكَ فِي مَا شَجَرَ بَيْنَهُمْ ثُمَّ لَا يَجِدُوا فِي أَنفُسِهِمْ حَرَجًا مِّمَّا قَضَيْتَ وَيُسَلِّمُوا تَسْلِيمًا

It means :

So by your Lord, they (in essence) do not believe until they make you judge in the case they dispute, then they have no objection in their hearts to the decision you give, and they accept it completely.

In addition, the assumption that the auditor is like a judge is supported by the following hadith:

From Buraidah Radliyallaahu 'anhu that the Messenger of Allah sallallaahu 'alaihi wa Sallam said: "There are three judges, two in hell and one in heaven. One who knows the truth and he decides with it, then he is in heaven; one who knows the truth, but he does not decide with it, then he is in hell; and one who does not know the truth and he decides for society by ignorance, then he is in hell." *History of the Four Priests. Sahih Hadith according to Hakim.*

An auditor must consider many things before making a decision or giving an opinion. This is supported by the following hadith:

From Ali Radliyallaahu 'anhu that the Messenger of Allah sallallaahu 'alaihi wa Sallam said: "If there are two people who ask you for a legal decision, then do not decide for the first person until you hear the testimony of the second person so that you will know how to decide the law." Ali said: After that I was always a good judge. *History of Ahmad, Abu Dawud and Tirmidhi.* The hasan hadith, according to Tirmidhi, was confirmed by Ibn al-Madiny, and judged authentic by Ibn Hibban.

Prophet Muhammad SAW was a person who was very polite in speech, honest, never lied and had noble character. He has very noble behavior and morals towards fellow human beings, especially towards his people without distinguishing or looking at someone from social status, skin color, ethnicity or class. He always does good to anyone, even to bad people or people who are not kind to him. Therefore, it is not surprising because in the Qur'an, he is referred to as a human being who has the greatest morals

تَقَدْ كَبُرَ نَكْرًا سَبَّ سَبَّكَ اللَّهُ دَعَا دَعَاكَ اللَّهُ أَنْ تَكُونَ رَكْنًا لَهُ.

"Indeed, you have in the Messenger of Allah a good role model for you, namely for those who hope for Allah's mercy and the coming of the Day of Judgment and who often mentions Allah." [Surat al-Ahzab (33): 21]

The Prophet Muhammad SAW had very noble character and qualities. Therefore the auditor should learn and have the properties of the Prophet, namely Siddiq, Amanah, Tabligh and Fathonah. The true auditor is the Prophet Muhammad. Which Auditee is his fellow human people and what is obtained by Allah SWT. What is obtained from the audit itself is the improvement of the people, especially solely to worship Allah SWT like the auditor today when meeting the client must remain guided by the rules that have been set.

According to Hilman and Antoni (2010) states that Islam, Auditing and Accounting in Islam has been known in the era of the Prophet, meaning that 14 centuries ago, he specifically educated

several friends to handle accountant's perofets as "Hafazhatul Amwal" This refers to the Qur'an Al-Baqarah verse 282 which explicitly explains the functions of recording transactions, basics, and its benefits, as explained in the rules of law that must be guided. His employees are from friends who have capabilities as well as ability and feasibility to occupy the mandated position.

Siregar, B. G. (2015) states that in the beginning the book recording in Islam was called "Jaridah", namely during the Daulat Abbasiyyah reign, around 132 H. This shows that the Abbasiyyah daulat already knew the accounting seven hundred and forty -five years before the Italian writer Pacioli who wrote "Journal" in English, etymologically two words "Journal" and "Zornal" are the meaning of the word "Jaridah" the first notebook to the Islamic State. With the development of the financial system in the abbasiyyah, the more specific recording of financial transactions with the discovery of various kinds of books, from revenue, costs, assets, to debt and receivable books. Thus, it can be seen from the history that Islam turns out to be familiar with the accounting system, because the Qur'an has been reduced by 610 AD, which is 800 years more than the book written by Luca Pacioli in 1494.

The audit in the Qur'an was said that it must measure fairly, do not be exaggerated and not to be reduced. It is forbidden to demand justice of size and scales for us, whereas for others we reduce it. In this case, the Qur'an states in various verses, including QS Ash-Syu'ara verse 181-184 which reads:

"Perfect the measurement and do not be among those who are menggikik and weighing with a straight scale. And do not harm humans at the same time and do not run rampant on earth by making damage and confiscation to God who has created you and the first umt-umt. "

The truth and justice in measuring (measuring), according to Umer Chapra also concerns the measurement of wealth, debt, capital income, costs, and profit, so that an accountant must measure wealth correctly and fairly. An accountant will present a financial statement compiled from the evidence that exists in an organization run by a management that was appointed or appointed earlier. Management can do anything in presenting reports in accordance with their motivation and interests, so that it is logically feared he will piggyback on his interests. For this reason, an independent accountant is needed who examines the report and the evidence. This examination method, technique and strategy are studied and explained in auditing.

In Islam, this auditing function is called "tabayyun" as described in QS al-Hujuraat verse 6 which reads:

"O you who believe, if you come to you the wicked brings a news, then check carefully, so that you do not inflict a disaster to a people without knowing the situation that causes you to regret the act." Then, according to God's command in the Koran, we must perfect the measurement above in the form of a postpos presented in the balance sheet, as described by QS Al-Israa 'verse 35 which reads:

"And perfect the dose if you measure, and weigh it with the correct balance sheet. That is more important (for you) and better."

From the above explanation, we can draw conclusions, that accounting rules in the Islamic sharia concept can be defined as a collection of standard and permanent legal basics, which are concluded from the sources of Islamic sharia and are used as rule by an accountant in his work, both in Bookkeeping, analysis, measurement, exposure, and explanation, and become a foothold in explaining an event or event. Al-Ghazali emphasized that the development of the purpose of the use of accounting is concern for self-supervision, this is the basis of a broader supervision because if someone has watched himself, then he has evaluated him so that the supervision of an broader institution or organization will be better , and ultimately produce credible financial performance. This is based on the Qur'an stating in various verses, among others in the Surah Al-Baqarah verse 284 in the explanation above also that humans and their work along with companies or organizations need an audit and have always been regulated in the Qur'an and Applied because the context of the enactment of the audit itself has a good impact and has been practiced during the time of the Prophet Muhammad SAW.

### **Sharia Audit In IFI**

In the world of sharia financial there is an arrangement regarding governance issued by the Islamic Financial Services Board, namely the Sharia Governance Framework that refers to institutional and organizational rules. This is then regulated in IFI which ensures an effective independent supervision of sharia compliance with the structure and process of relevant sharia statements/ resolution; Dissemination of information about the sharia resolution is a state personnel of IFI operations; Review or Audit of Internal Sharia Compliance; To the Annual Sharia Compliance Review or Audit for Verification of Internal Sharia Review (Wardhani and Arshad, 2012). Shariah Governance Framework is designed to fulfill several objectives in IFI (Haqqi, A.R.A., 2014), namely:

- 1) Determining the expectations of banks regarding the structure, process and regulation of IFI sharia governance in ensuring that all operating activities and business activities are in accordance with sharia;
- 2) Provides comprehensive guidelines to the council, sharia committee and IFI management in carrying out their duties regarding sharia;
- 3) Describe functions related to sharia reviews, sharia audits, sharia risk management and sharia research

Of the three functions issued by the Sharia Governance Framework, which is related to sharia audits can be seen in the third point, which indicates that the fulfillment of sharia audit frameworks is indeed needed in order to describe the function of the sharia audit itself.

**Table 1 Comparison Between Conventional Audits And Sharia Audits**

No	Conventional Audit	Sharia Audit
1	Aims similar to sharia audits in terms of providing information to users of financial statements	The rules are more complex so that more complex examinations are needed
2	In accordance with Anglo-American Laws and not bound by any law or religious code. The auditor is not responsible for the examination of management practices and their impact on the community	In accordance with the rules of Islamic Sharia (Sharia)
3	The audit standard that regulates it is IAI	The audit standard that regulates it is AAOIFI
4	Contains an opinion regarding the reasonableness of the presentation of the company's financial statements	Contains opinions about the should not be fulfilled Sharia Compliance

Source: Othman and Ameer (2014); Minarni (2013)

Every sharia audit activity against Islamic financial institutions is supervised by the Sharia Supervisor Board (SSB) or if in Indonesia is referred to as the Sharia Supervisory Board (DPS). DPS itself currently plays a role in the focus of compliance with rules and procedures as well as the completeness of documents from IFI. Broadly speaking, when IFI aims to operate their company based on Islamic principles (sharia), the sharia auditor plays a role in accounting for the certainty of the company's sharia compliance which is audited based on audit assignments (Kasim et al., 2013). In achieving an increase in compliance and added value of business operations at IFI through an independent assessment and objective guarantee, sharia audits are conducted that refer to periodic assessments from time to time, so that effective internal control systems will be achieved for sharia compliance (Wardhani and Arshad, 2012). Fundamentally and conceptually the comparison of sharia audits with conventional audits can be seen in Table 1.

### Scope Of Sharia

The scope of the sharia auditor consists of: (1) Scope as an independent auditor. Independent auditor is a certified public accountant or a public accounting firm that conducts audits of commercial and non-normalized financial entities. The public accounting profession is responsible for providing an assessment of the fairness of the company's financial statements, so that the community in general, and business people in particular, obtain reliable financial information as the basis for deciding the allocation of economic resources. An accountant is also responsible if there is financial manipulation (Carolita and Rahardjo 2012). (2) Scope as Sharia Compliance. Sharia compliance in Islamic bank operations not only includes products, but includes the company's systems, techniques and identity. Therefore, corporate culture which includes the company's clothing, decoration and image is one aspect of sharia compliance in Islamic banks. The aim is to create a collective morality

and spiritual morality, which when combined with the production of goods and services, can sustain the progress and growth of Islamic ways of life (Mulazide 2016). (3) Scope as an internal audit. The function of internal audit according to Suginam (2017), is a free activity, which is contained in the organization, which is carried out by checking accounting, finance, and other activities, to provide services for management in carrying out their responsibilities by presenting analysis, assessment, recommendations and important comments on management activities. (4) The scope of the Sharia Supervisory Board (DPS).

The Sharia Supervisory Board according to Prabowo and Jamal (2017), has a very important role in Islamic banking in line with the sharia contract, namely: (a) Making guidelines for the approval of products and operational sharia banking based on the provisions that have been prepared by the National Sharia Council (DSN); (b) Make a regular report on every year about Islamic banks that are under its supervision that the bank that has been monitored has been running in accordance with sharia provisions. In the annual report (annual report) of sharia institutions, the report from the DPS must be made clearly; (c) The Sharia Supervisory Board should make a report to the development and application of the Islamic financial system in Islamic financial institutions, especially Islamic banks that are under supervision, at least six months. The report has been given to Bank Indonesia located in the provincial capital and / or Bank Indonesia in the Capital City of Indonesia, Jakarta; (d) The Sharia Supervisory Board is also responsible for reviewing and making proposals if there are new innovation products from the bank that they live. This assembly carried out an initial assessment before the new product from the proposed Islamic bank was once again examined and refined by DSN; (e) helping the socialization of banking financial institutions/to the community; (f) Provide input for the development and progress of Islamic financial institutions. Seeing the scope of sharia audits that are broader compared to conventional audits, the sharia auditor not only functions to ensure the fairness of financial statements, but must also be able to examine compatibility in sharia principles (Dewi and Suwarjuwono 2019). Then more comprehensive sharia auditor competence is needed.

#### **Sharia Auditor Competence**

According to Riani and Mardian (2017), auditor competence is the auditor's ability to find errors in the financial accounting system of their clients. In auditing, an auditor must carry out his professional services with caution, competence and perseverance, and the auditor must maintain his competent attitude. The technical competencies of an auditor who carry out the audit are determined by three factors, namely: (1) formal education in the field of accounting in a tertiary institution including the auditor professional examination. (2) Practical training and experience in the field of auditing. (3) Sustainable professional education during the professional auditor's career. Sharia auditors are required to have two competencies at once, namely competencies in the field of accounting and sharia audits. According to Dewi and Sawarjuwono (2019), auditors must have knowledge in the field of sharia. Besides having to have competent accounting and audit capabilities, sharia auditors must also be able to conduct sharia compliance tests on the worksheet. Not only that, auditors are also required to understand international accounting standards adopted with accounting and audit standards that apply in the national region, as well as accounting and audit standards used by countries that apply sharia audits, because it is needed to formulate opinion (Izzatika and Lubis 2016).

Nawal et al. (2009), revealed: "in view of the drastic growth of Islamic institutions all over the world, in particular, the Ifis, this paper examines whether the current practice of sharia auditing in ifis is in line with what is desired by Muslims". That is, so far, sharia auditors are still considered not to have qualified competencies, because there are still a few auditors who have competence in two fields, namely in the field of accounting and sharia audits.

Lack of competence in two fields, accounting and sharia audits, making the need for sharia auditors become crucial (Putri and Hidayati 2019). Unbalanced Competencies in Finance and Accounting with Sharia fields, Certification that are not optimal, and the lack of educational institutions and training that provides a sharia accounting/audit curriculum affecting the lack of competent sharia auditors in Indonesia (Izzatika and Lubis 2016). Qualifications of sharia auditors are always questioned because there is no special institution that provides a certification program for sharia auditors.



In fact, certification is crucial because it can be a benchmark of competencies owned by sharia auditors. If the sharia auditor who assigned an audit assignment to the worksheet does not meet the qualifications, it will cause the audit process not optimal, so as to produce an irrelevant audit report in expressing the sharia compliance of a LKS (Dewi and Sawarjuwono 2019).

### **The Role Of Sharia Auditors**

In general, the role of the auditor in the attitude of independence and responsibility is highly considered by the community, in its task of examining the company's financial statements, the auditor is required to be professional who will give their opinions in accordance with the reality they have found during the audit. Honesty, reliable, maintaining ethics, commitment are some of the characteristics of a professional accountant and auditor (Jesika et al. 2015). Independence contains elements of independence from the dominance of other parties and objectivity in carrying out their duties and obligations.

In relation to the principle of independence (independence), institutions must be managed independently so that each company or all ranks underneath it does not dominate and cannot be intervened by any party that can influence objectivity and professionalism in carrying out its duties and responsibilities. The existence of transparency (honesty) is intended not only for others but also for ourselves. So that all activities carried out avoid the conflict of interests from various parties (Putri and Hidayati 2019). The auditor's responsibility for carrying out the examination is carried out in accordance with the professional norms and reporting of its findings, so that the auditor provides audit opinion that can be (Jesika et al. 2015).

## **2. RESEARCH METHOD**

This study is a literature study using a descriptive analysis approach. Sources of analysis used are from previous studies which are then compared with existing theories related to sharia auditing practices.

## **3. RESULTS AND DISCUSSIONS**

### **3.1 Sharia Auditor Competence**

In the research of Jusri, APO, and Maulidha, Erina (2020) regarding the Competence of Sharia Auditors, it shows that there is an imbalance in the competence of sharia auditors in Indonesia because the presence of sharia entities in Indonesia is still relatively new, so that human resources have not been able to meet the needs of the current industry so that the board Many sharia supervisors are recruited from the background of scholars and from the charisma factor and their popularity in the community, not because of their knowledge in accounting, finance and sharia (Izzatika and Lubis 2016).

In practice in the field at this time, the competence of sharia auditors in sharia banking is not much different from the competence of sharia auditors in other business sectors. There are still few who have the competence to become a sharia auditor of sharia banking where a sharia auditor of sharia banking must have accounting competence and sharia-related competence which includes muamalah fiqh, ushul fiqh, qawaid fiqh, as well as verses and hadiths about economics. This is in line with research conducted by Aprillianto, Bayu, Roziq, Ahmad, et al., (2017) who stated that "This qualification is related to the requirements of an auditor to be able to carry out his duties as an auditor who audits Islamic financial institutions, hereinafter referred to as sharia auditors. There are no clear rules regarding who has the right and should carry out this sharia audit. This is complicated by the two scopes of sharia auditing which are not only related to capabilities in the field of financial auditing, but also understanding of the sharia concept itself."

### **3.2 Sharia Auditor Role**

In the research of Jusri, APO, and Maulidha, Erina (2020), showing a future accounting graduate to understand the application of different standards in the world of Islamic accounting as different standards have been adopted differently by different Muslim countries. The business environment influences the choice of accounting standards in Muslim countries. Scholars must understand international accounting standards as well as standards adopted by other Muslim countries, if they

want to work in other countries. Higher education is urged to initiate new programs and training for Islamic banks. Currently there is a strong need for proper training on sharia concepts as most bank officers are trained from conventional backgrounds. Because current sharia audits are still carried out by internal auditors, most of the sharia auditors in Islamic banks have no experience and are not yet professional or do not have good academic qualifications in Islamic banking.

This agrees with the research conducted by Aprillianto, Bayu, Roziq, Ahmad, et al, (2017) which stated that "So far, doubts have developed about the independence of sharia auditors. This is because the practice of sharia auditing is only carried out internally by the Sharia Supervisory Board (DPS). It is very vulnerable to non-independence in the audit process. The company's internal interests allow it to influence the results of the audit. Moreover, if the audit results are addressed to external parties, it is vulnerable to fraud in the audit results whose purpose is to increase the external party's assessment of the performance of the Islamic financial institution."

#### 4. CONCLUSION

From the discussion above, it can be concluded that the implementation of the audit can be carried out but is constrained in terms of the quantity and quality of sharia auditors in Indonesia. Sharia auditors must have competencies in the form of: Specific knowledge of sharia auditing, have skills in accounting and auditing, and have a strong Islamic character. The role of the Sharia Auditor is highly dependent on the competence of the sharia auditor itself. This study has limitations, especially in terms of data accuracy because it does not conduct field studies to confirm current conditions and only uses literature studies. Therefore, it is hoped that further researchers will conduct field studies to update the latest data.

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