# An Overview on the Basics of Islamic Audit

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**Abstract:**
Today is the age of globalization and business is considering as the leading global factor for social and economic development. It is said that, Accounting is the language of business but it is another gigantic thought that Auditing is the side language of business. Audit is the vital factor to ensure the accountability of an organization, this paper events to explore audit on the perspective of Islam which further enables a practitioners and intended users to be self-confident and inspirational in using his or her acquired knowledge both in traditional system of auditing as well as Islamic perspective. The plot of the paper is as follows: In the first part we shall examine the development and approach of established auditing and point out some of its inadequacies from the Islamic point of view. In the last part, we shall state the role of auditing in the Islamic framework.
**Keywords:** Islamic Auditing, Conventional Auditing, Islamic Shari'ah.

**1. Introduction**
Shariah auditing has a key importance as there is a growing awareness among Islamic institutions that every such institution should contribute towards achieving the objectives of the Islamic law- the Maq'asid Ash-Shariah (Shahul and Yaya, 2005). The concept of shariah auditing should be extended to the activities relating to among others, the system, the products, the employees, the environment and the society (Syed Alwi, 2007). There is a need to develop a useful shariah audit framework to ensure effectiveness of the goals of shariah compliance in IFIs which in turn can contribute positively to the ummah (society) at large. Auditing in an Islamic framework would have wider scope than traditional Auditing. In contemporary practice, the auditor is directly liable only to his clients, i.e. owner of the business being audited. He is not guided by the religious principles,the quality of the managerial decisions too, is not his concern. In the light of Islamic teaching and practice in early Islamic society, the auditor should be liable also to financiers, should assess management practices, and report on its compliance with shariah (e.g. ,fulfillment of contract, honesty, avoidance of monopoly and extravagance).Hence auditor must have effective knowledge of Islamic law. This paper will help the learners and practitioners to have the knowledge of shariah auditing and practicing in Islamic financial institutions.

**2. Objectives of the study**: The main objective of this paper is to develop a general approach towards auditing in the Islamic framework. The specific objective of this paper is:
1. To justify the need for an Islamic auditing system.
2. To evaluate the Issues and Challenges in Shari'ah Audit.
3. To outline a process of Islamic Auditing and the duties of Shariah auditor.

**3. Methodology of the study:**
The methodology followed in this study is mainly of library work, basically it was based on Holy Quran, Hadiths and related literatures written in conventional and Islamic perspective. Some information is taken from the practitioner's of many organizations through a primary data collection.

**4. Meaning of auditing under Quran and Sunnah**: "Then as for he who is given his record in his right hand, He will be judged with an easy account, and return to his people in happiness."(Surah al-Insyiqaq: Verses 6-9). " And indeed, [appointed] over you are keepers, Noble and recording; they know whatever you do."(Surah Al-Infithar: Verses 10-12).
"Surely Allah takes account of all things" (Surah al-Nisa' Ayat 82).
**Prophet Mohammad (PBUH) says**: when he has been about IHSAN: "…….then tell me about IHSAN: He said: it is to worship Allah as though you are seeing Him, and while you see Him not you truly, He sees you…."

**General meaning**: The general meaning of Auditing in Islam is to watch and inspect the operations of reviewing, controlling and reporting about transactions and dealing for correcting to the due, according to rules and Islamic jurisprudence to provide useful, right, timely trust and fair reports for decision making.

 

**5. Features of Islamic audit:** Auditing under Islamic perspective has some worth noting characteristics, amongst these features are given hereunder:

1. It is based on the belief that Allah is only owner of all things, the believe in the day after for accountability in front of Allah.

2. It is based on morals: Such as; Allah fearing, honesty, trust, keep-promises, co-operation, and forgiveness. In this context, Allah says: "Allah commands justice, the doing good and giving kinsfolk and He forbids all shameful deeds and injustice and receives admonition" (AL-Nahl-90).

3. Auditing principles in Islam are conducted from the sources of Islamic jurisprudence such as the Holy Quran and Sunnah. These principles are perfect, permanent and comprehensive.

4. Auditing in Islam deals only with lawful transactions, and avoids evil and unlawful dealings.

5. Auditing in Islam does braid on the behavioral aspects of the mankind working in the enterprises and motivates and incentives him towards straight path according to Islamic jurisprudence.

6. Auditing framework in Islam is wider, it implies spiritual and material aspects, it is applicable to the whole life.

**6. Foundation of Islamic Audit**: It would be obvious from the role of auditor described above that he would be at a great disadvantage if the current practice of appointment and payment for the audit services remains a responsibility of his clients. It would impair the independence of the auditors to a large extent. Therefore, it is proposed that an independent organization known as Islamic Auditing Foundation (IAF) be established with the following functions and responsibilities:
The IAF would lay down auditing standards for the auditors in the Islamic Framework.

1. It would evolve general standards for economical, efficient and effective business management.

2. It would develop training courses, training materials and audio-visual aids for the auditors in accounting, auditing and other allied disciplines.

3. It would nominate any pay for auditors of business organizations registered with it.

4. It would receive donations from business organizations which would be in lieu of the audit fees they would have paid themselves to the auditors. The donations would be large enough to cover part of the administrative cost of the IAF.

5. Qualified auditors would be disallowed by a statue to accept any appointment directly from any business organization registered with IAF.

6. All business organizations should be registered with the IAF.

'True accountability' – accountability to man to man as well as accountability to Allah is the best solution to attain good corporate governance.

 

**7. Difference between Traditional Audit and Islamic Audit**:

| Points | Traditional Auditing | Islamic Auditing |
|---|---|---|
| Definition | A critical examination carried out by auditor(s) in respect of financial statement prepared by third parties. | The computation, checking and monitoring of the work and practices of an individual either in connection with his work during preparation of accounts or the good deeds carried out by him to ensure that it is both complete and correct and thereafter is duly rewarded by Almighty Allah. |
| Qualification of External Auditor | Auditor must have academic, Professional and moral qualification. | Muhtasib(auditor) must have academic, professional as well as Islamic knowledge. |
| Liability of auditor | First: The auditor is directly liable to his clients, which are owners of the organization. He has no liability towards creditors or financiers of the business (except in the limited sense discuss above). It is not his liability to see whether the money extended by the lenders is safe and protected –or that other people's money has been utilized prudently. | In the light of Islamic teaching and practice in early Islamic society, the auditor should be liable also to financiers, should assess management practices, and report on its compliance with shariah (e.g., fulfillment of contract, honesty). |
| Responsibilities of Auditor | Examine the financial statement, based on contract. | Responsible to any unfavorable events that occur during his watch unless it was brought about as a result of certain deliberate actions by his employer. Must compensate the owner or any party who hired them for any losses arising from their negligence when carrying out their duties. |
| Governance | It is governed by Auditing and accounting concepts and principles. | It is governed by Al-Qur'an and Sunnah or Islamic shariah |
| Orientation | It is always firm or individual oriented. | It is always society or community oriented. |
| Basis | Economic rationalism. | Unity of God (Allah)(Towhidism). |
| Disclosure | Limited disclosure provision of information subject to public interest. | Full disclosure to satisfy any reasonable demand for information in accordance with the shariah. |
| Accounting period | Periodical measurement of performance. | One lunar year for Zakat calculation. |
| Accountability | Personal accountability focusing on individuals who control resources. | Public accountability focusing on the community who participate in exploiting resources. |
| Report | Reports only economic transactions and events. | Reports socio-economic and religious events and transactions. |

**8. Issues and Challenges in Shari'ah Audit**

Kasim et al., (2009) argue that various researchers claim that critical comments and demands for wider responsibility and accountability of companies have led to many debates of what ought to be the ideal audit function. In their survey of the gap between the 'desired' and the 'actual' shari'ah audit practices, they found that the issues of shari'ah audit framework, the audit scope, the auditor's qualification and independence to be the four main issues. While this paper agrees on the four issues, however, this paper is focusing on two additional issues and challenges to shari'ah auditing practice in IFIs. Such pressing issues are the issue of shari'ah auditor independence (which has been intensely debated since the 1990s, please see Karim, 1990), issues of shari'ah compliant inspectors which include the Hisbah institution and the muhtasibs lack of qualification of the accountant and auditor on shari'ah and finance knowledge in the shari'ah personnel, and lastly the lack of accountability of shari'ah auditors.

**8.1 Shari'ah auditor independence:**

The integrity of the shari'ah auditor needs to be perceived as independent enough by those stakeholders of Islamic finance. It is a common practice for the shari'ah auditors to rely heavily on or follow the advice of shari'ah advisors or the SSB. This is not acceptable if we want to have fully independent shari'ah auditors. Shari'ah audit in Islamic finance is argues as one of the social functions for the benefit of the ummah. The full benefit of the shari'ah audit cannot be realized if they are not wholly or truly independent. Self-review threats may occurs because there is no clear line of separation of duties (Kasimet al., 2009). Literature on internal audit independence pinpoints three factors that significantly contribute to the degree of auditor independence, 1) Clarity of definition of the auditor's responsibilities,2) The position of the internal auditor within the institution's organizational structure, and 3) The reporting structure. Haniffa (2010) raises the question of the SSB independence as they are making fatwa and at the same time helping the shari'ah auditors in conducting shari'ah review or shari'ah audit. Clearly there is no clear line on the separation of duties which is essentials for any good internal control practices. The IFIs need to rethink of where they could clearly separate these roles to avoid the misperception of the stakeholders on the SSB and/or shari'ah auditors' independence.

**8.2 Shari'ah compliant inspectors which include the Hisbah institution and the muhtasib:**

It is argued that the shari'ah audit is only to be conducted by shari'ah professionals instead of accountants, while some others prefer the trained internal auditor to undertake the responsibilities. The Audit Committee of the IFIs should discharge their best effort to ensure that the external auditors are capable of undertaking the ex-post shari'ah compliance reviews within their term of references (IFSB, 2006). They should also work with the internal auditor and the shari'ah auditor, if the internal auditors are not shari'ah capable, and more importantly with the SSB. Hence, the IFIs auditing should evolve into a professional shari'ah internal and external auditors capable of doing the financial, management and also the shari'ah audit. Chartered audit firms should acquire the necessary knowledge and personnel to undertake the shari'ah audit.

**8.3 Lack of competency of shari'ah auditor**:

Until today, the lack of both shari'ah and accounting knowledge has dampened the crucial needs of the shari'ah auditor. Those with accounting knowledge tend not to have shari'ah knowledge and vice versa. This issue has been debated since the early formation of modern Islamic finance in the 1970s. It should be noted that a shari'ah auditor must have a good knowledge in accounting and also in shari'ah to be able to understand and audit the IFIs. Investments for the education in shari'ah, accounting and auditing is crucial to enhance the knowledge and expertise of the actors involve with the shari'ah audit especially and IFIs in general (Rahman, 2011; Sulaiman, 2011). A strong Arabic and English fluency and understanding with a good knowledge in shari'ah, Islamic fiqh, accounting, finance, auditing and business should enable the shari'ah auditor to perform better and could help the IFIs improve further and comply with the shari'ah (Khan, 1985).It is also argue that since the IFIs are operating under a different platform that is with the Islamic worldviews, they may need a different type of accounting and auditing. The IFIs and shari'ah auditors are expected to serve the needs of the ummah whose focus and priorities are different from the other communities and societies (with different worldviews). The managers of the IFIs are accountable for the funds and the way they manage and utilize it. The shari'ah auditors are also accountable to ensure that the IFIs follow all shari'ah guidelines and principles; otherwise, they have committed zulm (Injustice) to the ummah who had entrusted them to audit and ensure the IFIs comply with the shari'ah.

**8.4 Lack of accountability of shari'ah auditors**:

Shari'ah audit can be performed by the internal auditors or the external auditors they must have adequate shari'ah related knowledge and training. Subsequently, the report is forwarded to the Committee of the IFIs. The Shari'ah committee may give their opinions only on shari'ah matters to the Board of Directors, who will decide or make the final decision (IFSB, 2006; ISRA, 2011). Shari'ah auditor should have been more accountable because they have to be accountable to the stakeholders, which include the shareholders, the society and the Ummah. Next, they are accountable to Allah for every actions and inactions. Therefore, the roles of the shari'ah auditors are very much limited in influencing the decision of the IFIs. The Board of Directors of the IFIs is the one with the power to change or make the important decisions regarding the products and services offered. Just to throw a hypothetically question, what happen if the board refuse to abide by the shari'ah committee opinion if it is going the affect the IFI, for example huge losses to the IFI because of a non-compliance issue?

**9. Auditing systems according to Islamic view point**:

Islamic auditing does not avoid all methods and techniques applied in conventional auditing saying illegal but it justified all contemporary techniques through the testing marble of Qur'an and Sunnah. Islamic auditing accept a conventional method if it is not conflicting with the values and principles of shari'ah and reject's if it conflicts and it also incorporates some other norms and values not practiced by conventional auditing for establishment of justice. Some aspects of Islamic auditing practices are enumerated as below:

**9.1. International Auditing Standard**: Auditing standards are the norms of auditing policies and practices issued by the authority for the guidance of their members regarding the examination of the items and making the audit report for satisfaction of the intended users. The ISA which is currently practiced was developed interest-based western socio-economic culture and environment. But Islamic organizations established and operated based on Islamic shari'ah to achieve legitimate objectives, work in different environment using different financial instruments and perform some transactions which are unknown to the western world. Hence ,The Accounting and Auditing organization for Islamic financial institutions(AAOIFI) is an Islamic international autonomous not-for-profit corporate body that was established in Bahrain to prepare accounting ,auditing, governance, ethics and shari'ah standards for Islamic financial institutions and the industry on 26th February, 1990 to attain the following objectives (1) to develop accounting and auditing thoughts relevant to Islamic financial institutions (2) to broadcast accounting and auditing thoughts relevant to Islamic financial institutions and its applications through training, seminars, publications of periodical newsletters, carrying out and commissioning of research and other means (3) to prepare, promulgate and interpret accounting and auditing standards for Islamic financial institutions and for (4) to review and amend accounting and auditing standards for Islamic financial institutions.

**9.2. principles of Islamic auditing**: Some of the worth noting principles of Islamic auditing are given below: (1) Integrity (2) Objectivity.(3) Confidentiality.(4) Neutrality (5) Competency (6) Continuity (7) Disclosure (8) Giddiness (9) Orienting (10) Planning (11) legality (12) Committed to Ethics (13)Committed to Religious.

**9.3. Terms of audit engagement:** Audit engagement indicates, to do the audit work in a particular time, according to Islamic auditing view point the engagement will occur among the parties by considering following standards; Believable standards, Moral standards, Behavioral standards, Educational standards, Practical Standards.

**10. Role of Auditor in Islamic Auditing:**

**(a) Auditor's liability towards Outside financiers**: The auditor's liability to outside financiers in the Islamic framework is enhanced by specific institutional setup of the economy. In the Islamic economy interest- bearing finance is not available to the business. All finance is risk capital in the form of equity capital or mudarabah capital for different maturities. The outside financiers who provide capital on mudarabah on the basis of profit-loss sharing will need an extended assurance from an independent agency that the profit (or loss) declared by the management is true or correct. In the absence of such an assurance, the outside finance shall be extremely bashful. It would simply make the operation of interest-free financing impossible. In these circumstances who could be looked up for reliance other that the auditor? In the capitalist framework the interest of outside financiers is protected by predetermined interest charge. The auditor makes sure that the final figure of profit (or loss) is arrived at after providing for interest on all loans and financial obligations. With the absence of interest, the determination of true profit (or loss) becomes crucial for the outside financiers as well. It is to them that the auditor will owe a responsibility. Determination of profit or loss is a subjective and value-laden area in a business organization. The ultimate figure of profit depends on a number of decisions such as rates of depreciation on different assets, valuation policies of stocks, amortization of intangible assets, charging to deferred payments to current operational income, apportionment of profit into reserves and dividends, etc. In the capitalist framework these questions are decided by the management and the auditor reports compliance on them. But in the Islamic framework standards may have to be devised for the determination of profit or loss for different categories of trade and industry. Due care would be taken to arrive at a judicious and consistent figure of profit (or loss) so that interest of outside financier are also protected. In the absence of fixed predetermined rate of interest, the financiers may be left at the mercy of the management to declare a profit (or loss) in the manner they like. The prevalent standards of morality and integrity in Muslim countries suggest that the auditor would have to operate in an extended field to verify an accurate figure of profit (or loss), which may not be a strict compliance of the management policies. It would be an outsider's view-a third party opinion on the operations of the business organization. If the Islamic framework does not provide for such a role of the auditor, it would not fetch necessary confidence and support of the masses.

**(b) Assessment of management practices**: As stated above the business firms would acquire outside finance on the basis of shirkah or mudarabah. The financiers would also require an assurance that the firms acquiring these funds would manage them with due regard for economy, efficiency and effectiveness. In the absence of such an assurance the financiers may not be willing to provide capital for fear of gross mismanagement. The funds provided on the basis of shirkah or mudarabah do not have any predetermined cost in the form of interest. As a result the likelihood of miss utilization of these resources increases. Part of which the financiers can have of the proper management of these resources will come through an independent examination of the business processes and practices. Such an independent examination will be made by the auditor. It is, therefore important that the auditor in the framework would extend his examination to the management of resources as well. The audit criteria for such an examination would be derived from the generally accepted management practices. Of course, in the Islamic economy these practices would also undergo certain change in the light of shari'ah law and values. As a corollary, it is implied that such an examination would require exposition of standards for business management in the Islamic framework. These standards would be utilized by the auditor for his examination. As stated earlier, traditionally it is not part of the statutory responsibility of the auditor to examine and report on the management of resources. Only recently, various shades of 'value for money' auditing have emerged, which have expanded the scope of auditing considerably. The expansion in the scope of auditing is taking place in the capitalist framework as well. In the Islamic economy the basic framework would undergo a change although the concept of expansion in the scope may be similar to the one being evolved in the capitalist framework. It may be added that the 'value for money' auditing is being applied, mainly to public sector organizations where the ownership of resources is impersonal as compared to business firms where the owners exercise direct control on the management. But in the Islamic framework, the outside financiers of business firms would have direct control over management. Therefore they would require an independent examination of the management processes and practices to satisfy themselves that their funds are not being squandered away willfully or handled negligently. Thus the auditor's role in the Islamic economy would expand to include assessment of resource-management even in the private sector.

**(c) Bakh**: The auditor would be required to report on the extent of bakh practiced by the auditee. Bakh literally means to decrease; to diminish; to reduce. But the Qur'an has used this term to indicate any voluntary effort to diminish or decrease the value of the product being sold. The Qur'an has admonished the people of the Prophet Shu'aib for bakhs since they caused a loss to the buyer by reducing the value of the merchandise (7; 85). Bakhs would, therefore, include adulterations in food, changes in specifications of ingredient and raw-material or modification in the production formulate that may result into decrease in the quality of the product.

**(d) Tatfif**: The auditor would investigate into the extent of tatfif exercised by the clients. Tatfif is Qur'anic term which stands for causing damage to the other party in weight and measures (83:1-2). It suggests taking-in an excess measure and giving –out a short measure. The would report on the extent the organization adhered to the shari'ah injunction of 'awful mikyal wal mizan(give a full measure and weight). He would check the accuracy of the weights and measures and in case of packed material would testify, to as far an extent as possible, that these package weigh and measure the quantity stated on them.

**(e) Uqud**. The auditor would investigate into the extent the business firm kept to its 'uqud(contracts).Keeping of contracts has been emphasized in the Qur'an at a number of places(5:1). The auditor would look into various contractual commitments of the clients towards customers, suppliers, debtors, creditors and the state. His report would point out areas of neglect and non fulfillment of obligations.

**(f) Ihtikar:** The auditor would check the extent of ihtikar (hoarding) practiced by an organization. Hoarding of foodstuffs has been prohibited by prophet (peace be upon him), explicitly (Muslim, khatib al musaqat wal muzara'a number 157). By analogy to foodstuffs, hoarding of other article with the intension of causing scarcity and bidding up prices artificially may also be treated as ihtikr. The auditor would express his opinion on the extent an organization practiced ihtikar.

**(g) Khiyanah**: The auditor would point out area of khaiyanah in the affairs of the organization. It does not include merely embezzlement of funds but also falsification of accounts, bogus insurance claim, tax evasions, window dressings, and miss-statement of accounts.

**(h) Israf**: another area of auditor's investigation would be the extent of israf (extravagance) which an organization practiced. Israf has been condemned by the Qur'an as an undesirable behavior for individuals (e.g.6:41). This can be extended to cover the behavior of firms as well. Israf is a socially determinate concept. The state and other institutions (such as chamber of commerce and industry) may lay down desirable scales of office furnishing, business banquets and social functions. These would be guidelines for the auditor to comment on the propriety of expenditure by an organization.

**(i) Speculation**: While auditing the accounts of financial institutions, the auditor would report on the extent of credit extended by these organizations for speculative purposes. He would also examine and report on disguised riba. He would try to unveil all such malpractices which the shariah has banned in the bai'al sarf(exchange of money for money).

**(j) Determination and payment of za**kat: Payment of Zakat is an obligation on those who own wealth beyond the exemption limit (nisab). The Prophet, (peace be upon him) said: ''Zakat should be collected from the rich and distributed among the poor….''(Muslim ,kitabul Iman,number29). Thus the obligation of Zakat on the rich is because of their wealth. On the basis of this general rule it is agreed that business firms are also subject to Zakat, although the exact method of its calculation needs reconsideration (Zarqa, pp.89-92). It will be one of the responsibilities of the auditor in the Islamic economy to report that Zakat has been calculated correctly and paid into the public Zakat fund or spent properly on one of the eight heads of account specified in the holly Qur'an (9:60).Thus the auditor would watch the interest of the poor people in the society. Knowledge requirement for a Muslim auditor: The auditor would have to play an extended role in the Islamic economy. He would be operating in the wider social orbit advising management on efficiency, helping state in Amar bil ma'ruf wa nahy'anil' munkar and protecting the interests of third parties such as customers and suppliers.
**(k) The Auditor's report:** Socio – economic values of the Islamic economy include ihsan (Ahmad Z.pp.343-55). Ihsan in turn, is a cluster of various values such as amanah, (honesty), ithar (sacrifice) ta'awun (cooperation), sabr (patience), shukr (thanks giving) tawakkul (trust), infaq (spending), and silatur rahm (joining of kinship ties), etc. Business organization undertakes philanthropic and socio-cultural activities even in capitalist economies. In an Islamic economy, the adoption and promotion of ihsan is one of the requirements of the shari'ah. Auditor in the Islamic framework would report on the extent an organization adhered to these concepts and propagated them over and above its principal operations. Following subject matter must consider for formulating final report,
-The scope of the report,
-The auditing standards are committed,
- The shari'ah rules be committed,
- The main remarks and Errors,
- The main recommendations,
- The date of the report,
- The signature of the Auditor.

**Policy implications**:
Among others the major policy implications of this research are as follows:

1. Muslim owners of business firms and concerns are expected to have guidelines from this article to report their firm's financial statements under Islamic auditing systems.

2. The researchers in Islamic Auditing may usefully use the issues raised in this article for more comprehensive studies in Islamic Auditing and practices in a Muslim majority countries like Bangladesh.

3. The government, for ensuring social welfare and proper Zakat collection and distribution, may practice Islamic Auditing as enunciated in this article.

**11. Conclusion and Future Recommendation**
The rapid and tremendous growth in Islamic finance requires the IFIs to have competent shari'ah auditors. And to provide the 'check and balance' an equally competent auditor who has good knowledge of accounting, auditing and finance with the equally good shari'ah and fiqh knowledge and understanding. They are known as the shari'ah auditor. The shari'ah reviews done by the internal auditors with the help of the shari'ah advisors are not adequate anymore in current circumstances. Shari'ah compliant test by the external auditors are also in question if the external auditors are not competent in shari'ah and relies heavily on the shari'ah reviews done by the internal auditors with the advice of shari'ah advisors of the IFIs. In the early Islamic period, the institution of Hisbah provides the role as the inspector of the 'market'. They are auditing the businesses whether they comply with the shari'ah or not and reported the findings to the institution where corrective actions would have been taken to the offenders (Kasim, 2010). The Muhtasib, who are knowledgeable in the shari'ah and also in accounting, finance and business are paid by the state and this truly enhances their independence. They are not only independence in appearance but also independence in fact. Can we say the same to the contemporary shari'ah advisors and auditors where they receive compensation and payment from the organization (IFIs) that they work for? The external auditors are also being paid by the organization that they audited. And so far, the

external shari'ah audit is not a mandatory audit (Shafii et al., 2010). No wonder we have been hearing so many companies failure due to accounting and auditing scandals especially in the United States, Europe and even in Asia for the past several decades.

The perception of the shari'ah auditors are important to be studied as they are the one who is facing the difficulties in the absence of a complete shari'ah auditing frameworks and standards. Their views should be useful to develop the proper shari'ah auditing standards and frameworks. Some future research may also want to address the need of various stakeholders of IFIs. A different type of reporting for IFIs is suggested which requires specialized audit program to cater for the shari'ah audit (Rahman, 2008 as cited in ISRA, 2011). This is also the view of Shafii et al. (2010) but the proposed structures are still not tested. Lastly, the role of Hisbah institution is worth to be revisit to gain insights as they had provided a very good and effective shari'ah assurance services in the past. In fact, it could fully address the shari'ah auditors' independence, competence and accountability issues.

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