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# Enhancing Shariah Audit Practices in Islamic Financial Institutions in Malaysia

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It is undeniable that Islamic financial institutions (IFIs) in Malaysia are growing with a positive impact on the national economic growth. In order to sustain and maintain Shariah compliance in Islamic financial industry, adequate Shariah audit practices are necessary to ensure that the operation of IFIs should be in parallel with Shariah guidelines and policies set by the authority. In order to equip Islamic industry practitioners with adequate Shariah audit practices, Faculty of Economics and Muamalat (FEM), Universiti Sains Islam Malaysia (USIM) has introduced a professional Shariah Audit Training (SAT) program for IFIs staffs. SAT is a program that covers various aspects on Shariah audit practices starting from Shariah principles, Shariah governance, Shariah audit program, Shariah audit process, Shariah audit fieldwork, Shariah risk management and Shariah audit communications. Modules used in SAT have been developed based on collaboration between academic institutions and industry players in order to ensure that the knowledge and practice in the industry are harmonized and relevant. The series of trainings conducted in the program are believed to achieve the programme's ultimate objective which is to produce Shariah auditors who are qualified and trained to fill the gap for Islamic finance industry. The objective is to produce talents with adequate Shariah audit knowledge. This study provides the result of the SAT program toward IFIs practitioners' skills and knowledge on Shariah audit practices.

*Keywords:* Shariah audit program, Shariah governance, Shariah audit process, Shariah audit fieldwork, Shariah risk management, Shariah audit communication

## Introduction

Malaysia aspires to become a leading hub in International Islamic Financial Centre. Currently, Islamic finance industry in Malaysia comprehensively covers Islamic banking, takaful and capital market. The regulatory regime governing IFIs varies across countries. International organizations have established standards to strengthen and eventually harmonise prudential regulations they are applied to Islamic financial institutions (IFIs). This also includes regulations on the practice of Shariah audit. Shariah audit has currently emerged as an important mechanism in ensuring Shariah compliance in line with the rapid development of IFIs. The demand for Shariah audit practices is mainly to strengthen the Shariah compliance and enhance the integrity of the IFIs. Shariah audit is necessary due to the different nature and characteristics that exist in the Islamic banking practices.

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Despite IFIs need to comply with different rules and regulations and also accounting standards and guidelines, there is room for improvement that needs to be done to ensure that Shariah audit has been regulated by proper standards or framework that can lead to harmonization among the IFIs. At present in Malaysia, there is neither a framework nor standard that specifically addresses Shariah audit practices that can be referred by the practitioners in implementing Shariah audit function in the IFIs. It is argued that Shariah auditing profession needs standards, for both the established criteria (such as IFRS in financial statement auditing) and audit methodology (such as the corresponding international auditing, review and assurance standards). To make this issue become worst, a previous study by Yaacob and Donglah (2012) found that Shariah audit practices are still at the development stage and need further improvement. Thus, there is a need to increase the understanding of Shariah audit among internal auditors, enhance the Shariah knowledge of internal and external auditors, standardization of Shariah audit framework and providing general guidelines to design audit training for Shariah audit.

To fulfil the above objectives, the Faculty of Economics and Muamalat (FEM), Universiti Sains Islam Malaysia (USIM) has introduced a professional program called Shariah Audit Training (SAT). SAT is an innovative program since Shariah audit is a newly developed sub-discipline spinning off from auditing and Shariah. The advancement of Islamic finance industry requires a governance system that enhances the quality of delivery of Islamic financial products to cover the rights of shareholders and users of the products. Compliance to Shariah is the core value to the Islamic finance industry. Thus, issued Islamic products and services tolerate nearly zero risk to Shariah non-compliance and Shariah audit discipline is developed to solve this requirement.

SAT consists of comprehensive trainings that are related to Shariah audit. It is a program that covers various aspects on Shariah audit practices starting from the concept of Shariah principles, Shariah governance, Shariah audit program, Shariah audit process, Shariah audit fieldwork, Shariah risk management and the Shariah audit communication.

## **Shariah Audit Practices**

### **Overview of Shariah Audit**

Currently, there is no standardized definition of Shariah audit issued by the regulated bodies as the IFIs industry is still growing. However, there are few descriptions regarding Shariah audit that can be used in identifying Shariah audit. For instance, Bank Negara Malaysia (BNM) in Shariah Governance Framework (SGF) refers Shariah audit as:

The periodical assessment conducted from time to time, to provide an independent assessment and objective assurance designed to add value and improve the degree of compliance in relation to the IFI's operations, with the main objective of ensuring a sound and effective internal control system for Shariah compliance. (BNM, 2010, p. 10)

Before the issuance of SGF in 2010, several scholars have defined Shariah audit based on their understanding and experience. This includes a definition of Shariah audit by Prof Dr Abdul Rahim Abdul Rahman which is: "the accumulation and evaluation of evidence to determine and report on the degree of correspondence between information and established criteria for Shariah compliance purposes" (Abdul Rahman, 2008, p. 9).

Another Shariah audit definition by Associate Prof Dr Nawal Kasim is as follows: "a systematic process of obtaining sufficient and appropriate evidence to form an opinion as to whether the subject matter correspondence with Shariah rules and principles in broadly accepted by stakeholders and society at large" (Kasim, Ibrahim, & Sulaiman, 2009, p. 1).

The above Shariah audit definitions are also in line with the scope for internal Shariah review by Accounting and Auditing Organization for Islamic Financial Institutions Governance Standard (AAOIFI, 2010) for IFIs (GSIFI-3) No. 3 which is to ensure that the management of an IFI discharge their responsibilities in relation to the implementation of the Shariah rules and principles as determined by the IFI's Shariah Supervisory Board (SSB).

Another related description regarding internal Shariah audit is put forward by Dr Asyraf Wajdi Dusuki in defining Shariah audit as:

A systematic process of obtaining and evaluating, sufficient and reliable evidence by an internal Shariah auditor, as a basis to form an opinion, as to whether the operations and activities of the entity being audited is in compliance with established Shariah criteria and reporting the opinion hereon to the appropriate authority. (Dusuki, 2011, p. 3)

Last but not least, the latest Shariah Governance Exposure Draft issued by BNM on November 2, 2017 also re-defines the Shariah audit as: "a function that provides an independent assessment on the quality and effectiveness of the IFIs internal control, risk management systems, governance processes as well as the overall compliance of the IFIs operations, business, affairs and activities with Shariah" (BNM, 2017, p. 18).

Based on all above definitions regarding Shariah audit, it can be said in general that Shariah audit is considered as tools or procedures to give assurance to the stakeholders that an organization's operations are in accordance with Shariah laws and principles. Although there are a lot of descriptions regarding Shariah audit, yet it still lacks in terms of detailing the scope of Shariah audit itself. As a result, Shariah audit practices by each IFI currently are different each other.

Thus, a comprehensive scope of Shariah audit that covers overall possible aspects regarding Shariah matters is needed. For this, in order to identify Shariah audit scope, it must consider at least by incorporating basic principles of Shariah or known as *maqasid* Shariah regarding the needs to have *maqasid* Shariah in Islamic finance (Lahsasna, 2013). The important element of *maqasid* Shariah in Islamic finance is preservation of wealth that will result in fulfilling the needs of the stakeholders including society at large.

### **Shariah Audit Scope**

Currently, Shariah audit remains as a control of the IFIs to ensure compliance with the Shariah principle itself, making it similar as conventional operational audit. Due to the lack of development of Shariah audit job scope, Shariah auditors tend to only audit compliance of the IFIs based on the regulations regulated by the IFIs and BNM. Besides, Shariah audit scope stated in SGF is mostly based on the conventional audit scope. As IFIs, it is merely taking the conventional system into a permissible system with Shariah, so does Shariah audit (Shafii, Hanefah, Abdul Rahman, Salleh, Zakaria, & Kamaruddin, 2017).

This contravenes with the *maqasid* Shariah, which aims to cater the needs of society from essentials (*daruriyyat*), complimentary (*hajiyyat*) and enhancing (*tahsiniyyat*) point of views. For example, what differentiates Islamic banking from conventional banking when both are driven by profit orientation? When the sales person of the IFIs promotes the Islamic products and services using conventional terms to ease up understanding to the customer? When the product development function only focuses on developing conventional products, only after that they convert the product to Islamic products and services in dual Islamic banking practices?

Thus, an ideal scope of Shariah audit should include *maqasid* Shariah in its implementations. This is to ensure that Shariah audit serve the real role of its existence. Dusuki (2011) stated that the scope of Shariah audit should include any areas which could potentially result into Shariah compliance issues such as products and services, financial reporting, organizational structure, human resources, processes, marketing and IT. As Shariah audit serves the “means” function of achieving the “aim” of *maqasid* Shariah in the IFIs, thus, thorough process and procedure in line with the objective are needed.

For example, in Shariah, to make profit is okay, but to say “what matters is the bottom line” is not applicable in Islamic finance. Thus, it might be suitable for a Shariah audit function to check and balance the progress of the IFIs, whether just merely generating profit as the conventional banks, or has different aims in the end. It is important for a Shariah audit function to play proactive roles and not only to ensure operational compliance.

An ideal Shariah audit framework should include from the organizational structure of the IFIs, which include the final aim of the existence itself, to the operational process, end-to-end process of the IFIs related with Shariah compliance.

### **Shariah Auditor Backgrounds**

Another important issue on Shariah audit faced by Islamic finance industry is to have human capital with adequate Shariah and audit knowledge. Abdul Rahman (2010) stated that one of the challenges in implementing Shariah audit would be to produce competent and independent Shariah auditors. This happens as both Shariah and audit knowledges are essential to carry out Shariah audit practices.

Currently, there are lots of debates on the level of competency of a Shariah auditor. As there are an inadequate number of practitioners who have both audit and Shariah knowledge in Islamic finance industry, the debate focuses on to deter whether a specialist in audit or a Shariah person should be the most qualified person to do Shariah audit. Therefore, there is a gap especially on talents to carry out Shariah audit practices.

Regarding this, Flint (1988) stated that audit competence requires both knowledge and skills, which is the product of education, training and experiences. This is supported by the International Federation of Accountants (IFAC) on International Education Standard (IES) 8 (Revised), Professional Competence for Engagement Partners Responsible for Audits of Financial Statements, where an auditor must have the formal education (knowledge) relevant to audit (IES 2), professional skills (IES 3) and be able to apply the professional values, ethics and attitudes (IES 4) to different contexts and organizations (IFAC, 2016). In addition, the Institute of Internal Auditors (IIA) in the International Standards for the Professional Practices Framework of Internal Auditing also highlights that internal audit unit should be appropriately staffed in terms of numbers, grades, qualifications and experience, with regard to its responsibilities and objectives (IIA, 2017).

Besides, BNM on Shariah Governance Exposure Draft requires Shariah auditor must be able to perform the following Shariah audit functions (BNM, 2017):

- (1) Establish an audit methodology to assess the risk profile and vulnerabilities of each auditable area;
- (2) Generate an audit plan for the assignments to be performed;
- (3) Establish clear documented audit programs that provide guidance to the internal audit assessment;
- (4) Communicate results to the board and Shariah Committee (SC) through an audit report, dealing with the audit findings and recommendations for rectification measures, as well as the auditee’s responses and action plans.

Based on these requirements for Shariah auditor, it is clear that Shariah auditors' competence is determined by considering a set of relevant attributes such as knowledge, skill and attitudes. Thus, Shariah auditors in IFIs must not only have the auditing skills but also need to have an additional Shariah knowledge specifically in *fiqh muamalat* (Islamic business law). This is to ensure proper Shariah audit has been conducted and that the overall operations of IFIs are fully in compliance with Shariah.

Besides, Shariah auditor should be properly trained to fulfil all his responsibilities. The effectiveness of internal audit depends substantially on the quality, training and experience of its staff. The aim should be to appoint staff with the appropriate accounting or audit and Shariah background as well as having personal qualities and potential to be trained as a Shariah auditor. Thus, IFIs should provide the necessary experience, training and continuing professional education on Shariah audit. However, education and training programs on Shariah audit should equip the Shariah auditor with at least two basic kinds of knowledge which are Shariah knowledge and auditing knowledge.

It is ideal for a Shariah auditor to be competent in both Shariah and audit knowledge. This is because to audit Shariah related matters, it needs to know about Shariah itself. Some scholars agreed that Shariah person who has audit knowledge would be the most suitable and competent Shariah auditor and some agreed vice versa. Yet, both parties agreed that a Shariah auditor must possess the knowledge of audit and Shariah. This agreement also proved on previous studies conducted where either Shariah or auditing alone is not sufficient in conducting Shariah audit practices (Lahsasna, Ibrahim, & Othman, 2013; Shafii, Salleh, Hanefah, & Jusoff, 2013; Aziz & Faizal, 2012; Ibrahim, 2008; Grais & Pellegrini, 2006).

Another question arises from this Shariah auditor background issue is who are responsible and who are in charge for Shariah auditor background? Further question is whether person in charge of Shariah auditor background is competent enough to be responsible for recruiting Shariah auditor? Is that possible for SC to be the most suitable people to be responsible with these Shariah auditor background responsibilities? All of these questions yet still need to be answered.

### **Current Shariah Audit Practices**

As Shariah audit is still evolving and expanding, it is assumed that the scope would be different from the conventional statutory audit. As of today, guidance and framework of Shariah audit are still being developed and guided by the conventional practices. So do the requirements of the auditors. For example, current Shariah internal auditor group's composition in one of the IFIs in Malaysia shows that out of five auditors, four of them graduated in accounting or auditing and another remaining one in business administration.

Practitioners of Shariah audit practices are expected to serve the needs of the stakeholders whose focus and priorities are different from other world views. As any other organizations, Shariah auditing practitioners of IFIs seem to be held accountable not only for the manner in which appropriated funds are utilized, also for the transparency of the financial account.

It is expected that the practitioners of Shariah audit practices in Malaysian IFIs are qualified in both Shariah and accounting/auditing related subjects. Yaacob and Donglah (2012) stated that Shariah auditors should be the one with adequate knowledge, capabilities and independent to carry out the audit. They must have been trained in accounting and finance and auditing as well as Shariah and *fiqh* (Islamic law).

Lack of Shariah audit practitioners with both qualifications indirectly may distort the growth of Shariah audit and even Islamic finance industry itself. This subsequently may fail in determining the vision and mission of Islam that preserved within the IFIs. Due to incompetence of Shariah auditors, it can lead to a financial loss if it involves with financial matters and income purification needs to be done in order to ensure that profit gains are Shariah-compliant. The lack of both qualifications was also highlighted by Kasim et al. (2009) as they mentioned that there is still lack of people who have both Shariah and accounting qualifications. The lack of both Shariah and audit knowledge has dampened the crucial needs of the Shariah auditor.

To overcome such lack especially in Shariah knowledge, BNM allows Shariah auditor to engage the expertise of IFIs Shariah officers in performing Shariah audit as long as the objectivity of the audit is not compromised. IFIs also allowed appointing an external party to conduct Shariah audit process. This happened as most of Shariah auditors in the current Islamic finance industry came from various backgrounds such as accounting, finance, business and so on. There are also many Shariah auditors in the current industry practices who previously have taken Shariah related subject during their studies as a minor subject. As a result, questions arise whether that would be considered as having adequate Shariah knowledge or not.

Besides, Shariah audit not only should ensure compliance based on internal regulations by IFIs as current normal practices, but also must ensure that the control of Shariah governance is in place as well. When doing current Shariah audit practices based on BNM SGF, it cannot be claimed that all Shariah matters are considered. For instance, if documentation for opening a *Mudharabah* Account does not specify the profit sharing ratio, a conventional auditor would quickly take that finding as an audit finding. On the other hand, Shariah auditor will probe further, whether there is a probability that the customer has already made known verbally by the officer during the account opening before deciding to consider it as an audit finding.

Thus, there is a need for practitioners, especially Shariah auditor, to have such as a Shariah audit training to fill the loopholes. Therefore, SAT introduced by the FEM, USIM seems to be on the right time to provide Shariah auditor with adequate Shariah and audit knowledge.

### SAT

SAT is a professional programme conducted by FEM, USIM focused on Shariah audit practices. It is a program with the objective to produce Shariah auditors who are qualified and trained to fill the gap for Islamic finance industry to have human capital with adequate Shariah audit knowledge. At present, SAT program is accredited by the Financial Accreditation Agency (FAA), an international accreditation agency supported by BNM. SAT is expected to train Shariah audit practices for various groups of Islamic finance players such as below:

(1) Islamic banks in the world: In Malaysia alone, there are 16 Islamic banks with hundreds of branches. Other countries with Islamic banks and its branches are such as Indonesia, Cambodia, Vietnam, Thailand, GCC, Pakistan, Sudan, Iran and the United Kingdom;

(2) Takaful institutions: In Malaysia, the number of takaful institutions is 7. Takaful operators also operate in other countries as mentioned above;

(3) Shariah-compliant funds: In Malaysia, the number of Shariah-compliant funds is 29, while the number of wholesale funds is 17. Each of the funds will be able to use the product in order to perform the audit of the funds. Failaka International, a body tracking the performance of Shariah-compliant funds registered 367 funds in the world;

(4) Shariah-compliant companies on Bursa Malaysia: At current, there are 839 Shariah-compliant counters out of 946 counters on Bursa Malaysia as at November 31, 2011;

(5) Universities, professional bodies, institutes and training centres offering Islamic finance related courses at undergraduate and postgraduate levels and training programs which the numbers to consist of hundreds of institutions, local and overseas. An estimated number of students all over the world are 30,000.

There are six trainers appointed to conduct SAT classes. These trainers are USIM's lecturers with various expertise backgrounds related to Shariah audit such as Shariah, audit, Islamic accounting, corporate governance which specified for IFIs practices. They also experienced in conducting lectures, seminars, workshops and other related academic engagements regarding this Shariah audit for years. In addition, three of them currently appointed as Shariah committee members in three different IFIs respectively.

SAT program consists of eight modules that related to Shariah audit. These modules cover various aspects on Shariah audit practices starting from Shariah principles, Shariah governance, Shariah audit program, Shariah audit process, Shariah audit fieldwork, Shariah risk management and the Shariah audit communication. Besides, these modules have been developed based on collaboration between academic institutions and industry players in order to ensure that the knowledge and the practice in the industry are harmonized and relevant. The module outline for SAT is summarized in Table 1.

Table 1

*SAT Module Outline*

Modules	Description
Module 1: Shariah principles and applications in Islamic banking and capital markets	This module covers such as principles of <i>fiqh muamalat</i> and <i>maqasid</i> Shariah, Shariah decision-making ( <i>usulfiqh</i> ), Islamic legal maxims, siyasah Shariah and application of Shariah principles and contract ( <i>thathbiq</i> and <i>taqyif</i> ) in Islamic banking products and services and capital market.
Module 2: Shariah corporate governance in Islamic banking and capital markets	This module covers such as corporate governance structures from Malaysian and international regulatory perspectives, roles and functions of Shariah organs, risk governance and internal audit.
Module 3: Shariah audit process	This module covers such as internal control framework, Shariah audit activities, Shariah audit planning and Shariah audit framework.
Module 4: Shariah audit program	This module covers such as fundamentals of Shariah audit program, Shariah audit program for Islamic banking, Shariah audit program for governance, Shariah audit program for selected Islamic products and services and Shariah audit program for Islamic capital market.
Module 5: Shariah risk management	This module covers such as fundamentals of Shariah risk, Shariah tolerance level and Shariah risk control measurement.
Module 6: Shariah audit fieldwork	This module covers such as methods in performing Shariah audit fieldwork, approaches in executing Shariah audit fieldwork and also ethical principles in conducting Shariah audit.
Module 7: Shariah audit communication	This module covers such as format of good Shariah audit report, Shariah reporting line (governance), Shariah audit report presentation and also follows up process on Shariah audit issues.
Module 8: Shariah audit case study workshop	This module covers on a real scenario case related with Shariah audit practices including conducting Shariah audit process, recognizing and reporting Shariah issues, presenting Shariah audit report and follows up on Shariah issues practices.

Each module has two parts, eight hours for each and it will make a total of 128 hours for 16 days. The schedule is arranged on weekend as it is the suitable time for trainees to attend the classes. Besides, schedule is also arranged based on mutual agreement and availability for both trainers and trainees. In addition, each module has its own assessment and weightage carrying mark and accumulated at the ending of the coursework. Assessments and weightage for each module are presented in Table 2.

Table 2

*SAT Assessment Types and its Weightage*

Module	Assessment type	Weightage
Module 1	Quiz	10%
Module 2	Case study	10%
Module 3	Presentation	10%
Module 4	Case study	15%
Module 5	Case study	15%
Module 6	Quiz	10%
Module 7	Presentation	15%
Module 8	Presentation	15%
Total		100%

After all evaluation being made, a graduation ceremony is held to celebrate trainees who pass all assessments given during all classes conducted. Certificates of SAT are also awarded and these trainees are recognized as certified Shariah audit professionals. The grading level for evaluation purpose is presented in Table 3.

Table 3

*Grading Evaluation Level*

Grade	Marks	Points	Classification
A	80-100	4.00	Excellent
A-	75-79	3.75	Credit
B+	70-74	3.50	Credit
B	65-69	3.00	Pass
B-	60-64	2.75	Weak pass
C	0-59	0.00	Fail

### Research Methodology

Currently, SAT is already conducted with two IFIs staffs in Malaysia which are Bank Muamalat Malaysia Berhad (BMMB) and Malaysia Building Society Berhad (MBSB). BMMB is a full-fledged Islamic banking, established on October 1, 1999 and licensed under the Islamic Banking Act (now known as the Islamic Financial Services Act 2013) (BMMB, 2017).

Meanwhile, MBSB is a company that received the status of non-banking institution that gives authorization to undertake financing business in the absence of banking license granted on March 1, 1972. Recently on November 6, 2017, MBSB requires Asian Finance Bank (AFB), a commercial bank with banking license that will provide an opportunity for MBSB, to emerge as a full-fledged Islamic banking in the near future (MBSB, 2017).

Training sessions for these two IFIs are being conducted separately. In this case, training sessions for BMMB are conducted in between June 2014 and May 2015. Meanwhile, training sessions for MBSB are conducted in between September 2016 and January 2017. Separate training sessions for both IFIs are conducted due to the fact that SAT program is conducted by using "in-house training" concept.

There are 17 trainees from BMMB and 18 trainees from MBSB who participate this program. These trainees come from different academic backgrounds such as accounting, Shariah, risk, finance, business and law. In addition, they are also designated with different scopes at their IFIs such as Shariah audit, Shariah risk, Shariah review, Shariah management and Shariah compliance. Besides, these trainees also vary in position levels which consist from executive to executive vice-president (head of department). Last but not least, these trainees also have different working experience years in Islamic financial industry when the shortest working experience is 1 year and the longest working experience exceeds 10 years.

For each module conducted, it is compulsory for each trainee to take both pre and post questions prepared by trainers for each module except Module 8 (Shariah Audit Case Study Workshop). This is because Module 8 is developed and evaluated based on real scenario cases and action and not focuses on theory knowledge as compared to other modules. Therefore, there is no pre and post questions developed for Module 8 and this module is excluded from evaluation process. Back to other modules, these pre and post questions for each module are developed in order to evaluate trainees' understanding, before and after class for each module presented by trainers. There are a total of 10 questions for pre and post questions for all seven modules. For recording process, a score of 1 will be assigned for each question that is answered correctly, while a score of 0 will be assigned if the question is answered wrong. It means that the total score for each module for BMMB is 170 (17 trainees  $\times$  10 questions), while the total score for each module for MBSB is 180 (18 trainees  $\times$  10 questions). The results from pre and post questions for each module conducted for both IFIs are presented and discussed in the following section.

### Results and Discussions

In this section, results and discussions on the impact of SAT conducted toward trainees' Shariah audit knowledge are presented. In this case, presentation of results is based on each module for all eight modules conducted, which are as follows.

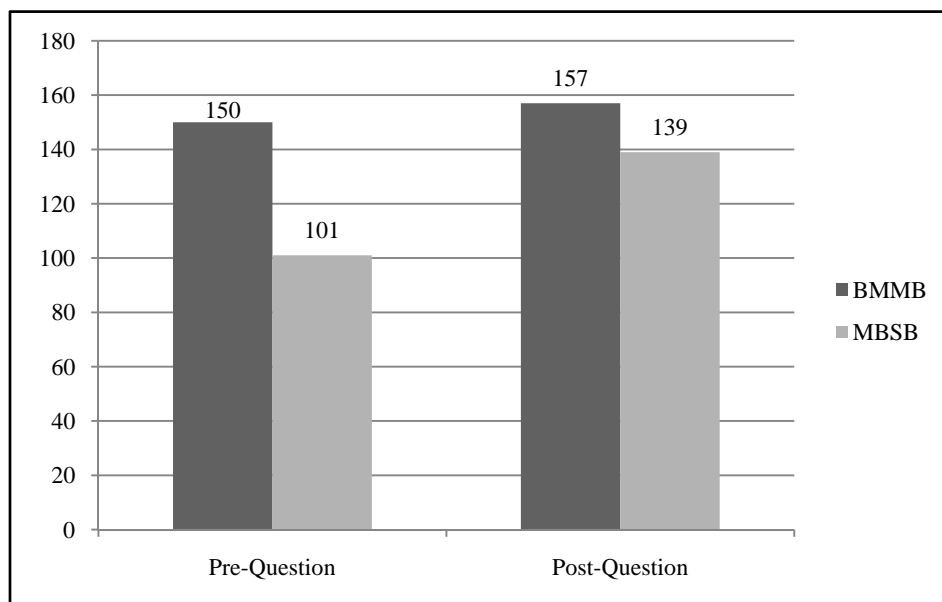


Figure 1. Module 1 - Shariah principles and applications in Islamic banking and capital markets.

Based on Figure 1 above, it is shown that both BMMB and MBSB trainees increased their Shariah audit knowledge for Module 1 - Shariah principles and applications in Islamic banking and capital markets when the score for post-training questions is higher compared with the score for pre-training. A significant increase is scored by MBSB trainees when they scored 139 for post-training questions as compared to the score of only 101 for pre-question (an increase about 22.4% from 59.4% to 81.8%). Similarly, a little increase is also shown by BMMB trainees when they score 157 for post-training question as compared to 150 for pre-training question (an increase about 3.9% from 83.3% to 87.2%).

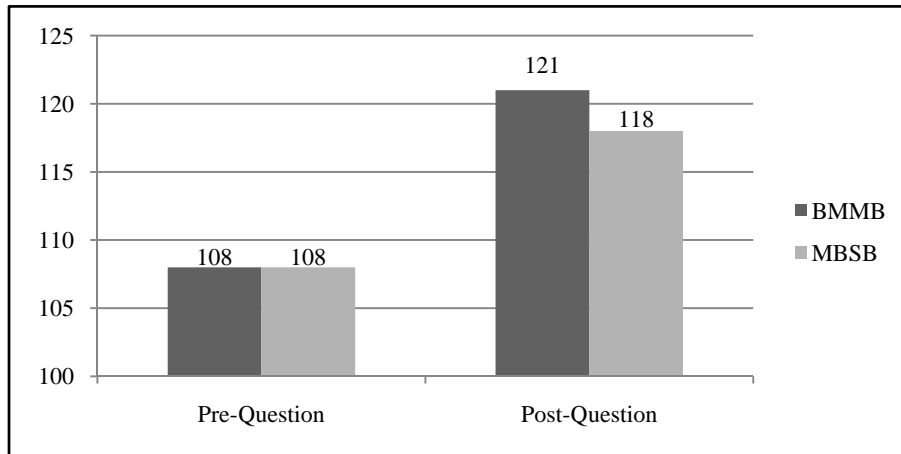


Figure 2. Module 2 - Shariah corporate governance in Islamic banking and capital markets.

Based on Figure 2 above, it is shown that both BMMB and MBSB trainees increased their Shariah audit knowledge for Module 2 - Shariah corporate governance in Islamic banking and capital markets when the score for post-training question is higher compared with the score for pre-training question. A significant increase is scored by BMMB trainees when they score 121 for post-training question as compared to the score of only 108 for pre-question (an increase about 7.7% from 63.5% to 71.2%). Similarly, an increase is also shown by MBSB trainees when they score 118 for post-training question as compared to 108 for pre-training question (an increase about 5.6% from 60% to 65.6%).

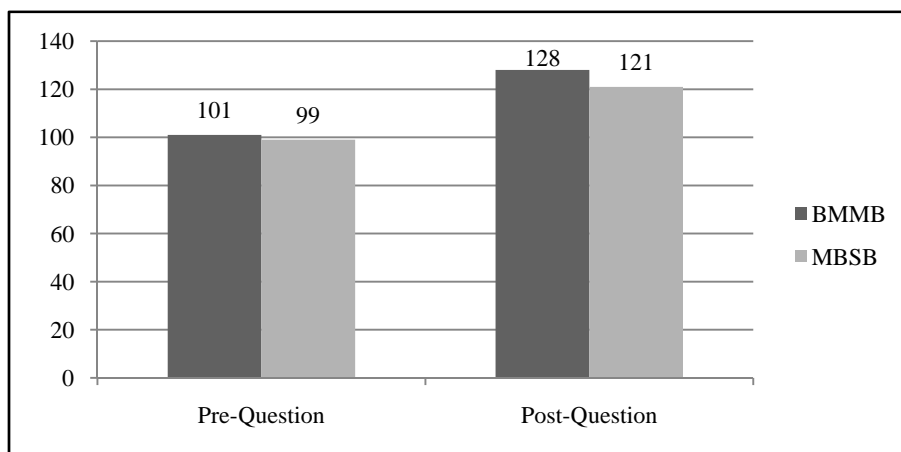


Figure 3. Module 3 - Shariah audit process.

Based on Figure 3 above, it is shown that both BMMB and MBSB trainees increased their Shariah audit knowledge for Module 3 - Shariah audit process when the score for post-training question is higher compared with the score for pre-training question. A significant increase is scored by BMMB trainees when they score 128 for post-question as compared to 101 for pre-training question (an increase about 15.9% from 59.4% to 75.3%). Similarly, a significant increase is also shown by MBSB trainees when they score 121 for post-training question as compared to score of only 99 for pre-training question (an increase about 12.2% from 55% to 67.2%).

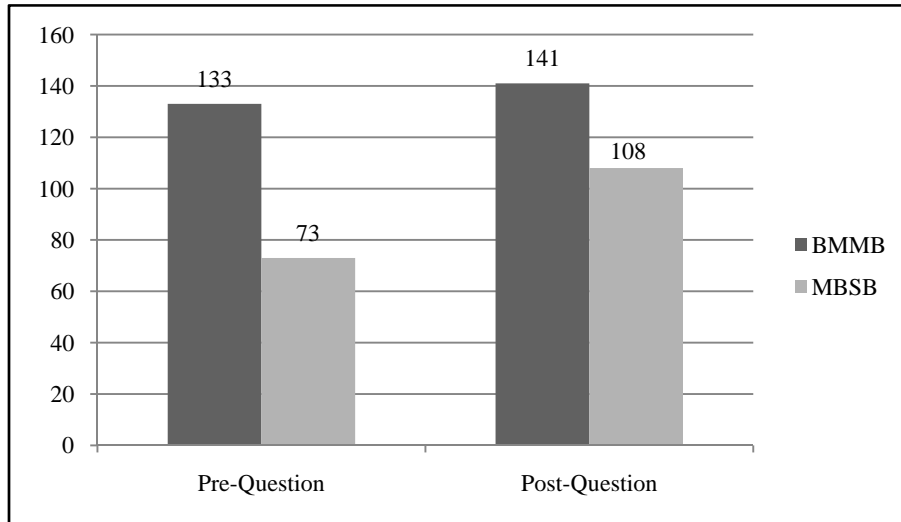


Figure 4. Module 4 - Shariah audit program.

Based on Figure 4 above, it is shown that both BMMB and MBSB trainees increased their Shariah audit knowledge for Module 4 - Shariah audit program when the score for post-training question is higher compared with the score for pre-training question. A significant increase is scored by MBSB trainees when they score 108 for post-training question as compared to 73 for pre-training question (an increase about 19.4% from 40.6% to 60%). Similarly, a little increase is also shown by BMMB trainees when they scored 141 for post-training question as compared to score of only 133 for pre-training question (an increase about 4.7% from 78.2% to 82.9%).

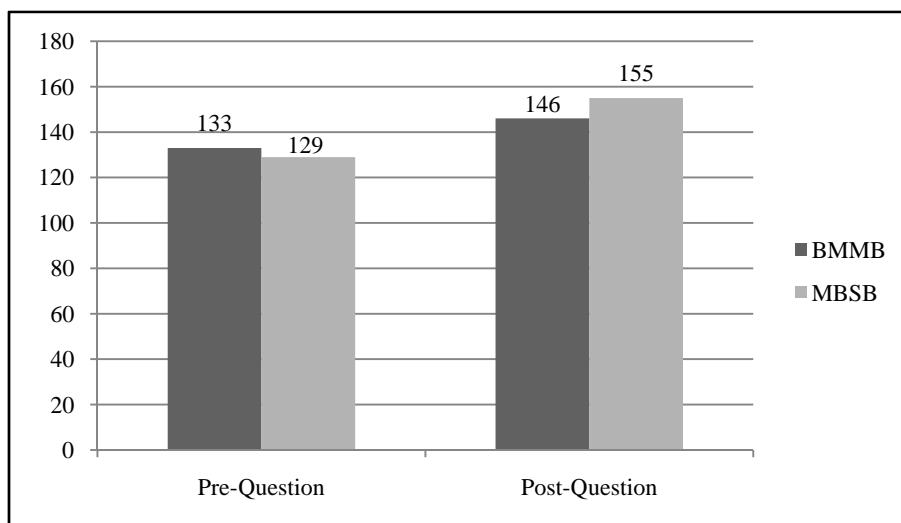


Figure 5. Module 5 - Shariah risk management.

Based on Figure 5 above, it is shown that both BMMB and MBSB trainees increased their Shariah audit knowledge for Module 5 - Shariah risk management when the score for post-training question is higher compared with the score for pre-training question. A significant increase is scored by MBSB trainees when they score 155 for post-training question as compared to 129 for pre-training question (an increase about 10.2% from 75.9% to 86.1%). Similarly, an increase is also shown by BMMB trainees when they score 146 for post-training question as compared to only 133 score for pre-training question (an increase about 7.7% from 78.2% to 85.9%).

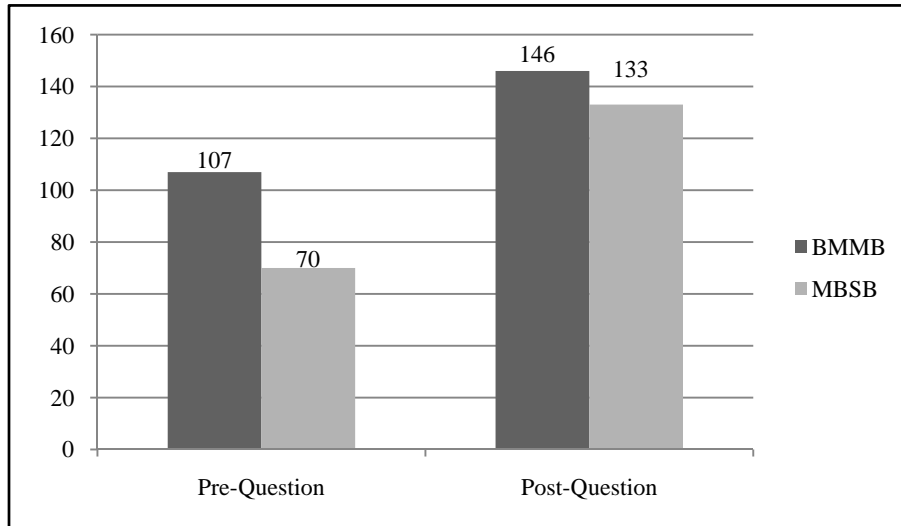


Figure 6. Module 6 - Shariah audit fieldwork.

Based on Figure 6 above, it is shown that both BMMB and MBSB trainees increased their Shariah audit knowledge for Module 6 - Shariah audit fieldwork when the score for post-training question is higher compared with the score for pre-training question. A significant increase is scored by MBSB trainees when they score 133 for post-training question as compared to 70 for pre-training question (an increase about 32.7% from 41.2% to 73.9%). Similarly, a significant increase is also shown by BMMB trainees when they score 146 for post-training question as compared to only 107 score for pre-training question (an increase about 23% from 62.9% to 85.9%).

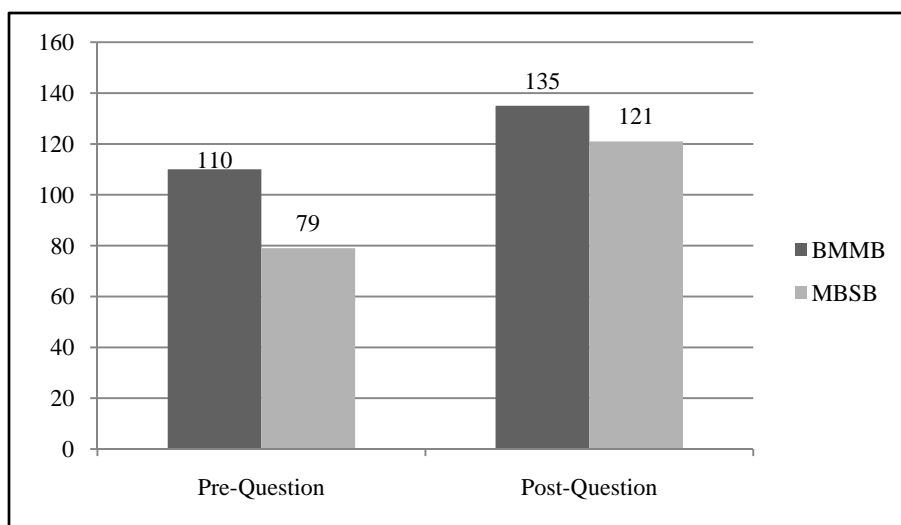


Figure 7. Module 7 - Shariah audit communication.

Based on Figure 7 above, it is shown that both BMMB and MBSB trainees increased their Shariah audit knowledge for Module 7 - Shariah audit communication when the score for post-training question is higher compared with the score for pre-training question. A significant increase is scored by MBSB trainees when they score 121 for post-training question as compared to 79 for pre-question (an increase about 23.3% from 43.9% to 67.2%). Similarly, an increase is also shown by BMMB trainees when they score 135 for post-training question as compared to score of only 110 for pre-training question (an increase about 14.7% from 64.7% to 79.4%).

Overall, it can be concluded that both BMMB and MBSB trainees benefited from SAT program. Specifically, all seven modules conducted have a positive result in increasing trainees' Shariah audit knowledge. BMMB trainees increased their Shariah audit knowledge from 70.8% (before SAT program) to 81.8% (after SAT program). Similarly, MBSB trainees also increased their Shariah audit knowledge from 43.7% (before SAT program) to 63.1% (after SAT program).

Between all seven modules, the most significant increase in Shariah audit knowledge attained by trainees is Shariah audit fieldwork scope (23%) for BMMB trainees and Shariah audit communication scope (34.5%) for MBSB trainees. Meanwhile, the highest Shariah audit knowledge mastered by these trainees is Shariah principles and applications in Islamic banking and capital market (87.2%) for BMMB and Shariah risk management (86.1%) for MBSB trainees. These findings are based on summary of Shariah audit knowledge scores as presented in Table 4.

Table 4

*Tabulation of Shariah Audit Knowledge Before and After SAT Program*

Modules	BMMB				MBSB			
	Pre-question		Post-question		Pre-question		Post-question	
	Score	%	Score	%	Score	%	Score	%
Module 1 - Shariah principles and applications in Islamic banking and capital markets	150	83.3	157	87.2	101	59.4	139	81.8
Module 2 - Shariah corporate governance in Islamic banking and capital markets	108	63.5	121	71.2	108	60	118	65.6
Module 3 - Shariah audit process	101	59.4	128	75.3	99	55	121	67.2
Module 4 - Shariah audit program	133	78.2	141	82.9	73	40.6	108	60
Module 5 - Shariah risk management	133	78.2	146	85.9	129	75.9	155	86.1
Module 6 - Shariah audit fieldwork	107	62.9	146	85.9	70	41.2	133	73.9
Module 7 - Shariah audit communication	110	64.7	135	79.4	79	43.9	121	67.2
Total	842 (70.8%)		974 (81.8%)		551 (43.7%)		795 (63.1%)	

## Conclusion

The growth of IFIs as well as Shariah audit practices cannot be taken lightly. Shariah audit practices cannot just cover operational audit, but it should also cover other audit scopes including Shariah matters. Due to this fact, Shariah auditor needs to equip themselves with both Shariah and audit knowledge in order to ensure they can perform Shariah audit function and scope effectively. Good Shariah audit practices will ensure not only Shariah compliance status by an IFI, but also will give a credible assurance for IFIs' stakeholders and society in general.

The issues and challenges discussed earlier on Shariah audit in IFIs must be taken seriously. Good Shariah audit practices in IFIs can be ensured by the availability of adequate guidelines or standards especially for Shariah audit scope. Currently, the Shariah auditors are working based on their own experience to ensure that they have covered the area which possesses Shariah risk adequately.

For Shariah auditor backgrounds, Shariah auditors can be adequate in Shariah audit knowledge by having a comprehensive training and education such as SAT conducted by the FEM, USIM that will result in high credibility to Shariah auditors. SAT modules cover adequate Shariah audit elements such as Shariah principles, Shariah governance, Shariah audit process, Shariah audit program, Shariah risk management, Shariah audit fieldwork and Shariah audit communication. This program can enhance the knowledge and skills of Shariah auditors in performing their duties as qualified Shariah auditors.

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