Journal of Social Research

E-ISSN: 2828-335x
Vol. 5, No. 11, October 2026, pp. 5882-5889
DOI : 10.55324/josr.v5i11.3529
Journal of Social Research

Sharia Audit as a Mechanism for Institutional Compliance and Accountability

Sri Septya Ningsih*, Asgaft Asysyad Rasyid
Institut Agama Islam SEBI, Indonesia
Email: sri.septianingsih88@gmail.com*, asgaftasysyadrasyid@gmail.com

Keywords:

sharia audit, sharia compliance, accountability, governance, literature review

This is an open access article under the CC BY-SA license.

Copyright © 2026 by Author. Published by International Journal Labs

Abstract

Objective: This study aimed to examine the role of Sharia audits in strengthening institutional compliance, accountability, and governance while identifying key challenges associated with their implementation. Method: This qualitative narrative literature review synthesized relevant regulations, professional standards, scholarly books, and academic studies addressing Sharia auditing, Islamic financial institutions, and institutional accountability. The literature was examined through a comparative interpretation of auditing functions, Sharia supervision, and internal governance mechanisms. Results: The reviewed literature indicated that Sharia auditing extended beyond financial statement assurance to assess the compliance of contracts, financial products, transactions, and operational practices with Sharia principles. Its effectiveness depended on auditor competence and independence, the availability of appropriate auditing standards, the reliability of audit evidence, and effective coordination among Sharia auditors, Sharia Supervisory Boards, and institutional management. The findings also highlighted inconsistencies in auditing practices and limitations in specialized professional expertise and institutional audit capacity. Conclusion: Sharia auditing could strengthen institutional transparency, accountability, and governance when its independent assurance function was clearly distinguished from supervisory and managerial responsibilities. Strengthening Sharia auditing standards, enhancing professional competencies, and improving institutional coordination emerged as key priorities for effective implementation. However, as a narrative literature review, this study did not quantify the effects of Sharia auditing on institutional performance or establish the prevalence of Sharia noncompliance.

INTRODUCTION

The development of Islamic institutions in Indonesia has shown an increasing trend across various sectors, including Islamic banking, nonbank Islamic financial institutions, zakat and waqf management organizations, foundations, and Sharia-based educational institutions (Sutedi, 2009; Yaya et al., 2017). This growth has created a greater need for effective supervisory mechanisms to ensure that institutional activities comply not only with financial and administrative regulations but also with the Sharia principles underlying their operations (Law of the Republic of Indonesia Number 21 of 2008, 2008; National Sharia Council of the Indonesian Ulema Council, 2014). In this context, Sharia auditing has emerged as an essential mechanism for ensuring compliance with Islamic principles while maintaining public trust and strengthening institutional credibility.

Sharia auditing is a systematic and independent examination process designed to assess whether an institution's activities, transactions, financial products, and financial reporting comply with Sharia principles (Accounting and Auditing Organization for Islamic Financial Institutions [AAOIFI], 2021; Haniffa, 2010; Khatib et al., 2022). Unlike conventional financial statement audits, which primarily focus on the fair presentation of financial information in accordance with applicable financial reporting frameworks (Arens et al., 2019), Sharia audits specifically evaluate compliance with Islamic legal and ethical requirements. Accordingly, Sharia auditing plays a crucial role in identifying and preventing prohibited practices, including riba (interest or usury), gharar (excessive uncertainty), maysir (gambling or speculation), and other activities that contradict Sharia principles (Bank Indonesia, 2008). As Haniffa and Hudaib (2007) stated, "Islamic Banks (IBs) are considered as having ethical identity, since the foundation of their business philosophy is closely tied to religion." This ethical foundation reinforces the importance of Sharia auditing in maintaining the integrity and legitimacy of Islamic financial institutions.

Sharia compliance is a fundamental determinant of the credibility, legitimacy, and long-term sustainability of Islamic institutions. Noncompliance with Sharia principles may expose institutions to reputational risks, potentially undermining public confidence and stakeholder trust. Furthermore, inadequate Sharia supervision may increase the risk of irregularities in fund management, financial transactions, and institutional operations. Therefore, effective Sharia governance and auditing mechanisms are essential to ensure that institutional activities remain consistent with Islamic legal requirements, ethical standards, and the broader objectives of Sharia (maqasid al-Shariah) (Az Zahra & Khoirunnisa, 2025; Islamic Financial Services Board, 2020).

Beyond ensuring Sharia compliance, Sharia auditing contributes to strengthening institutional accountability and transparency. Institutional accountability involves the responsibility of organizations to provide reliable information and justify their decisions and activities to stakeholders, including customers, investors, donors, regulators, and the broader public. Through independent Sharia audits, institutions can provide greater assurance regarding the management of financial resources, compliance with Sharia requirements, and the integrity of operational practices. Haniffa and Hudaib (2007) emphasized that "The results have important implications for communication management if IBs are to enhance their image and reputation in society." This perspective highlights the relationship between transparent institutional reporting, stakeholder confidence, and organizational reputation. Consequently, Sharia auditing constitutes an important component of effective governance within Islamic institutions.

Despite its strategic importance, the implementation of Sharia auditing continues to face several challenges. Previous studies have identified a shortage of professionals possessing expertise in both auditing and Islamic jurisprudence (fiqh al-muamalat), variations in the application of Sharia auditing standards, and the increasing complexity of Islamic financial products and transactions (Kamaruddin et al., 2024; Kasim et al., 2013; Shahid et al., 2023). These challenges may limit the consistency, effectiveness, and reliability of Sharia audit practices across institutions. Furthermore, Karim (1990) emphasized the importance of auditor independence in maintaining the credibility of Islamic financial institutions. The independence of Sharia auditors and supervisory bodies is particularly important for ensuring objective assessments, minimizing conflicts of interest, and maintaining stakeholder confidence. Addressing these challenges requires improvements in professional competency development, auditing standardization, institutional coordination, and the independence of Sharia assurance functions (Lorensa & Kasdiyanta, 2026).

Based on these considerations, this study aimed to examine the importance of Sharia auditing in strengthening institutional compliance and accountability through a narrative

literature review. Specifically, the study explored the roles, benefits, implementation challenges, and governance implications of Sharia auditing within Islamic institutions. By synthesizing relevant theoretical perspectives, regulatory frameworks, and previous research findings, this study sought to provide a more comprehensive understanding of Sharia auditing as an institutional assurance mechanism. The findings were expected to contribute to the development of more effective Sharia auditing practices, improved institutional governance, and stronger accountability frameworks within Islamic institutions.

RESEARCH METHODS

This study employed a qualitative research design using a narrative literature review approach to examine the role of Sharia auditing in ensuring compliance with Sharia principles and strengthening accountability within Islamic financial and business institutions. Data were obtained from relevant secondary sources, including peer-reviewed journal articles, scholarly books, regulatory frameworks, auditing standards, and previous studies addressing Sharia auditing, Sharia compliance, institutional governance, and accountability.

The literature search was conducted using keywords such as "Sharia audit," "Sharia compliance," "accountability of Islamic institutions," and "Islamic corporate governance." Sources were selected based on their relevance to the research objectives, particularly their examination of the relationship between Sharia auditing practices, institutional compliance, and accountability. The review adopted a narrative rather than a systematic approach, as the available methodological documentation did not include a comprehensive database-specific search strategy, a formal study selection flowchart, a structured quality appraisal, or a predefined synthesis protocol. Accordingly, the findings were interpreted as a qualitative synthesis of the selected literature rather than an exhaustive assessment of the available evidence or a quantitative evaluation of audit effectiveness.

Data analysis involved identifying, selecting, classifying, critically examining, and synthesizing relevant literature. The selected sources were compared to identify recurring themes, similarities, differences, and patterns concerning the functions, implementation challenges, and governance implications of Sharia auditing. The findings were subsequently synthesized using a descriptive-interpretive approach to examine how Sharia auditing contributed to institutional compliance, transparency, and accountability while identifying factors that influenced its effectiveness within Islamic institutions.

RESULTS AND DISCUSSION

The Role of Sharia Audits in Maintaining Sharia Compliance

The results of the literature review show that sharia audits have an important role in ensuring that the operational activities of sharia institutions not only comply with applicable accounting provisions and regulations, but also in accordance with sharia principles. Sharia audits have a wider scope than conventional financial audits because audits not only focus on the fairness of financial statements, but also include the conformity of contracts, products, transactions, procedures, and operational activities with sharia principles.

Shafii et al. (2013) explained that sharia audits are needed to provide confidence that the activities of Islamic financial institutions have been carried out in accordance with sharia principles. Sharia audit not only looks at aspects of recording and presenting financial statements, but also assesses whether transactions and activities carried out have complied with sharia provisions. Thus, the existence of sharia audits is an important instrument in identifying possible sharia non-compliance.

Rahman (2008) also places sharia audits as an important part of the development of the Islamic finance industry. The development of increasingly complex sharia financial products

and transactions has caused the need for sharia supervision mechanisms to become even greater. Sharia audits are needed so that product innovation remains within the corridor of sharia principles.

In the Indonesian context, compliance is related to the provisions that govern Islamic banking activities, including Law of the Republic of Indonesia Number 21 of 2008 concerning Sharia Banking and fatwas issued by the National Sharia Council-Indonesian Ulema Council (DSN-MUI). Therefore, sharia audits can function as a mechanism to assess the suitability of institutional operational practices with applicable sharia regulations and principles.

Sharia compliance is one of the fundamental aspects in the sustainability of sharia institutions. Products and transactions offered to the public must be based on contracts that are in accordance with sharia provisions and avoid prohibited elements, such as riba, gharar, maysir, and activities that are contrary to Islamic principles. In this context, sharia audits serve as a supervisory mechanism to identify possible sharia non-compliance.

Thus, sharia audits not only function as an audit activity after a transaction is made, but can also be an evaluation instrument to improve the institution's internal systems and procedures. The audit findings can be used as a basis for management to make improvements to weaknesses in the implementation of contracts, transaction documentation, and operational procedures.

Sharia Audit as an Instrument for Increasing Accountability

In addition to maintaining sharia compliance, the results of the study show that sharia audits play a role in increasing the accountability of sharia institutions. Accountability shows the responsibility of the institution in managing resources and accounting for its activities to interested parties.

Mardiasmo (2018) explained that accountability is basically related to the organization's obligation to account for resource management and policy implementation to interested parties. In sharia institutions, the concept has an additional dimension, namely accountability for sharia compliance.

In sharia institutions, the concept of accountability has a broader dimension. Accountability is not only aimed at capital owners, customers, regulators, and the community, but also related to accountability to Allah SubhanAllahuwata'ala. Therefore, the management of sharia institutions is required to pay attention to economic aspects as well as aspects of compliance with Islamic values.

Hameed (2009) explained that Islamic accounting is not only oriented towards providing economic information, but also has ethical and accountability dimensions related to Islamic values. Therefore, the information produced by sharia institutions should ideally not only describe the economic condition of the organization, but also show that organizational activities are carried out in accordance with sharia values and principles.

Haniffa and Hudaib (2007) show the importance of ethical identity in the communication of Islamic financial institutions through annual reports. The information conveyed to stakeholders can be a means to demonstrate the institution's commitment to Islamic values. In this context, sharia audits can strengthen the credibility of information because it provides an audit mechanism for aspects of sharia compliance.

Thus, sharia audits contribute to accountability through three main aspects, namely accountability for transactions, accountability for fund management, and accountability for compliance with sharia principles.

Sharia audits contribute to accountability through a systematic audit and evaluation process. The results of the audit can provide information on the extent to which institutions have carried out their activities in accordance with sharia principles. Transparency of audit results can also help increase stakeholders' trust in sharia institutions.

The better the sharia audit mechanism is implemented, the greater the opportunity for the

institution to identify errors, irregularities, or non-conformities from an early stage. Thus, sharia audit can be one of the check and balance mechanisms in the governance of sharia institutions.

Sharia Audit and Sharia Institution Governance

The results of literature research also show a link between sharia audits and the implementation of good governance. The governance of sharia institutions requires a supervisory mechanism that is able to ensure that the institution's decisions and activities have considered aspects of sharia compliance.

In the structure of sharia governance, the existence of the Sharia Supervisory Board (DPS) has an important role in providing supervision of the conformity of the institution's activities with sharia principles. However, the supervisory function needs to be supported by an adequate sharia audit system. Sharia audit can help provide more systematic evidence and evaluation of the implementation of sharia principles in operational activities.

Cooperation between internal auditors, sharia auditors, DPS, management, and other related parties is important so that supervision does not run partially. Such coordination can strengthen the internal control system and reduce the possibility of violations of sharia principles.

Thus, sharia audits should not be seen only as an audit activity, but as part of a governance system that aims to create sharia institutions that are transparent, accountable, and in accordance with Islamic principles.

The Urgency of Sharia Audits in Increasing Stakeholder Trust

Trust is one of the important factors for the sustainability of sharia institutions. People use the products and services of sharia institutions with the hope that the activities carried out are really in accordance with Islamic principles. Therefore, the existence of a mechanism that can provide confidence about sharia compliance is very important.

Sharia audit can provide assurance to stakeholders that the institution's activities have gone through an examination process on sharia aspects. When the institution is able to demonstrate the existence of a good supervision and audit system, the information can support transparency and increase the credibility of the institution.

On the other hand, weak sharia supervision can pose a risk of sharia non-compliance. This condition has the potential to affect the reputation of institutions and public trust. Therefore, sharia audits have a strategic function in identifying and mitigating sharia compliance risks.

Challenges of Sharia Audit Implementation

Despite having an important role, the implementation of sharia audits still faces a number of challenges. One of them is the need for auditors who have multidisciplinary competence, namely understanding accounting, auditing, finance, as well as fiqh muamalah and sharia principles.

In addition to human resource competence, another challenge is the need for clear and consistent sharia audit standards and methodologies. Differences in the characteristics of sharia institutions can also cause the audit process to require a different approach compared to conventional audits.

These challenges show that strengthening sharia audits not only requires increasing auditor competence, but also strengthening regulations, audit standards, internal control systems, transaction documentation, and coordination between auditors and DPS.

Conceptual Model of Study Results

Based on the results of the literature review, the urgency of sharia audit can be described through the following relationships:

Sharia Audit → Supervision and Evaluation → Sharia Compliance → Transparency and Accountability → Stakeholder Trust

Sharia audit serves as a mechanism that links the supervisory process with the achievement of sharia compliance. Such compliance then supports institutional transparency and accountability, which can ultimately strengthen stakeholder trust

CONCLUSION

Sharia auditing extends beyond conventional financial statement audits by serving as an institutional assurance mechanism that supports compliance with Sharia principles, strengthens accountability and transparency, and promotes effective governance and stakeholder confidence. Its role is particularly important in Islamic institutions, where financial transactions, operational activities, products, and services must comply with applicable regulatory requirements and Islamic ethical principles. Through systematic and independent audit procedures, Sharia auditing provides an objective assessment of institutional compliance while supporting the preservation of integrity and Islamic values in organizational practices.

Beyond compliance assurance, Sharia auditing contributes to institutional transparency, accountability, and stakeholder trust among customers, investors, regulators, and the broader public. Audit findings and recommendations provide a basis for strengthening internal control systems, addressing potential Sharia noncompliance, and improving governance practices. However, the effectiveness of Sharia auditing depends on several institutional and professional factors, particularly auditor competence and independence, consistent auditing standards, adequate resources, and the appropriate integration of technology into audit procedures. Addressing these challenges is essential to improving the reliability and consistency of Sharia audit practices.

Overall, Sharia auditing represents an important component of institutional governance rather than merely a supervisory or regulatory compliance function. Its effective implementation can contribute to organizational sustainability, reinforce public confidence, and support the achievement of economic and social objectives consistent with Islamic principles. Strengthening professional auditor competencies, harmonizing Sharia auditing standards, enhancing institutional coordination, and adopting appropriate audit technologies are therefore key priorities for improving Sharia assurance practices. These conclusions reflect the synthesis of the reviewed literature rather than direct empirical evidence of the effectiveness of Sharia auditing across Islamic institutions.

FUNDING

The author states that this research does not receive special funding support from government, private, or other organizations in the implementation of research and/or publication of this article.

CONFLICT OF INTEREST

The author states that this research was conducted without any commercial or financial relationship that could cause potential conflicts of interest.

AUTHOR'S CONTRIBUTION

The author is responsible for all stages of the research, including the conceptualization of the research, the preparation of the methodology, the search and selection of the literature, the analysis of data, the interpretation of the results, the preparation of the manuscript, and the final revision of the article. The author has read and approved the final version of the manuscript for publication.

GENERATIVE ARTIFICIAL INTELLIGENCE USAGE STATEMENT

The author states that Generative Artificial Intelligence (AI) is not used to produce research data, conduct scientific analysis, or replace the author's intellectual contribution in the preparation of this manuscript. When used in the manuscript preparation process, AI is only

used to a limited extent to help improve the language and writing structure. The author remains fully responsible for the accuracy, integrity, and final content of the manuscript.

REFERENCES

Accounting and Auditing Organization for Islamic Financial Institutions. (2021). *Shari'ah standards*. AAOIFI.

Arens, A. A., Elder, R. J., & Beasley, M. S. (2019). *Auditing and assurance services: An integrated approach* (17th ed.). Pearson.

Az Zahra, F., & Khoirunnisa, N. (2025). The role of the Sharia Supervisory Board on muamalah principles compliance in Islamic financial institutions. *Journal of Islamic Contemporary Accounting and Business, 3*(2), 107–116. https://doi.org/10.30993/jicab.v3i2.495

Bank Indonesia. (2008). *Codification of Islamic banking products*. Bank Indonesia.

Hameed, S. (2009). *Islamic accounting: Theory and practice*. IIUM Press.

Haniffa, R. (2010). Auditing Islamic financial institutions. In *Islamic finance: Instruments and markets* (pp. 123–145). Bloomsbury Publishing.

Haniffa, R., & Hudaib, M. (2007). Exploring the ethical identity of Islamic banks via communication in annual reports. *Journal of Business Ethics, 76*(1), 97–116.

Islamic Financial Services Board. (2020). *Guiding principles on Shariah governance systems for institutions offering Islamic financial services*. IFSB.

Kamaruddin, M. I. H., Shafii, Z., Hanefah, M. M., Salleh, S., & Zakaria, N. (2024). Issues and challenges in Shariah audit practices in Malaysian Shariah-based sectors. *The Journal of Muamalat and Islamic Finance Research, 21*(1), 82–100. https://doi.org/10.33102/jmifr.564

Karim, R. A. A. (1990). The independence of religious and external auditors: The case of Islamic banks. *Accounting, Auditing & Accountability Journal, 3*(3), 34–44.

Kasim, N., Sanusi, Z. M., Mutalib, H. A. A., & Yusof, R. A. A. (2013). Assessing the current practice of auditing in Islamic financial institutions in Malaysia and Indonesia. *International Journal of Trade, Economics and Finance, 4*(6), 414–418.

Khatib, S. F. A., Abdullah, D. F., Al Amosh, H., Bazhair, A. H., & Kabara, A. S. (2022). Shariah auditing: Analyzing the past to prepare for the future. *Journal of Islamic Accounting and Business Research, 13*(5), 791–818. https://doi.org/10.1108/JIABR-11-2021-0291

Law of the Republic of Indonesia Number 21 of 2008 concerning Sharia Banking. (2008). Government of the Republic of Indonesia.

Lorensa, W., & Kasdiyanta, A. R. (2026). Peran audit syariah dalam meningkatkan kepatuhan syariah pada lembaga keuangan. *Journal of Islamic Economics and Finance, 2*(4), 572–582.

Mardiasmo. (2018). *Public sector accounting*. Andi.

National Sharia Council of the Indonesian Ulema Council. (2014). *The association of Islamic finance fatwas*. Erlangga.

Rahman, A. W. D. A. (2008). Shariah audit for Islamic financial services: The needs and challenges. In *ISRA Islamic Finance Seminar Proceedings* (pp. 1–14).

Shafii, Z., Salleh, S. H. M., & Shahwan, S. (2013). The role of Shariah audit in Islamic

financial institutions. *Middle-East Journal of Scientific Research, 13*(Special Issue), 1–8.

Shahid, M., Khaliq, A., & Hassan, R. (2023). Sharia audit challenges in Malaysian Islamic financial institutions. *Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah, 15*(1), 41–58. https://doi.org/10.15408/aiq.v15i1.26014

Sutedi, A. (2009). *Islamic banking: A review and several legal aspects*. Ghalia Indonesia.

Yaya, R., Martawireja, A. E., & Abdurahim, A. (2017). *Islamic banking accounting: Contemporary theory and practice*. Salemba Empat.