

Shariah auditing: analyzing the past to prepare for the future

Shariah
auditing

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Received 1 November 2021
Revised 12 January 2022
Accepted 10 March 2022

Abstract

Purpose – This study aims to present a detailed investigation of Shariah audit research based on a systematic literature review.

Design/methodology/approach – A total of 53 studies were collected from the Scopus and Web of Science databases following a systematic methodology. These studies were analyzed and evaluated based on the theoretical perspective, geographical distribution, research settings and themes background.

Findings – The findings indicate an increase in the literature on Shariah auditing over time, especially in the Malaysian context, with a dearth of research in other contexts and institutions (Takaful). It has been also revealed that the existing literature is still unclear about the effectiveness and consequences of effective Shariah auditing, pointing the need for more work on these areas. The authors outline opportunities for future Shariah auditing research.

Originality/value – The synthesized findings are helpful for policymakers and managers to understand better how research in Shariah auditing is developing and how to translate research findings into practice. To the best of the authors' knowledge, this is the first research to comprehensively synthesize the literature on this topic and identify the potential opportunities for future research directions.

Keywords Corporate governance, Islamic financial institutions, Shariah supervisory board, Risk management, Shariah audit

Paper type Literature review

1. Introduction

Shariah audit (SA) is an assessment of the extent to which Islamic financial institutions (IFIs) follow the principles and rules of Islamic law. Shariah auditing can be defined as the process of financial institutions that follow Islamic Shariah to the extent of their compliance with all activities, including contracts, risks and financial statement operations. It consists of the persistence of financial institutions following Islamic Shariah's principles, policies, instructions and provisions when carrying out activities. To ensure the achievement of organization objectives in IFI, effective internal Shariah auditing necessitates investment by IFIs in internal auditing resources and enhancement by IFI of the independence of internal



Shariah auditors. The SA function became mandatory for all IFIs in some countries. However, there are still gaps between the actual and desired SA practices (Puad *et al.*, 2020).

Furthermore, although corporate governance in IFIs has attracted much attention in the literature, very little is written on SA, its effectiveness, determinants and outcomes. Several researchers (Khalid and Sarea, 2021; Omar, 2019) reported that there is limited work on this topic available in the literature. The existing empirical studies have mainly focused on countries such as Malaysia (Mohd Ali *et al.*, 2018; Najeeb and Ibrahim, 2014) and Indonesia (i.e. Suryanto and Ridwansyah, 2016). The existing review research discussed Shariah auditing from various aspects based on the narrative theoretical and critical review (Alahmadi *et al.*, 2017; Khalid and Sarea, 2021; Najeeb and Ibrahim, 2014). Up to date, to the best of the authors' knowledge, there is no study that provided a systematic review (SR) to assess the SA research. Consequently, conducting a comprehensive study using SR based on previous studies might be an essential way to highlight the gaps in the field and provide insights for future research (Khatib *et al.*, 2022). It has been suggested that the need for a new study is not as great as the need for the assimilation of already existing studies.

Against this background, this study aims to summarize and structure existing research on SA published in the Web of Science (WoS) and Scopus databases. Identifying the major topics, methods and theories of this stream of research is important given the outlined role of SA in Islamic institutions' activities. Therefore, this paper's contribution is to fill the gap in the existing literature by providing a systematic literature review to the existing literature on SA and answer three main questions:

- Q1. How was the research related to the Shariah audit developed?
- Q2. What is the current evaluation of previous studies (focus and criticisms)?
- Q3. What are the avenues available for future researchers in this field?

To address these questions, the analysis critically reflects on state-of-the-art review and discusses avenues for future research.

To achieve the objectives of the study, a systematic literature review approach was used to evaluate the literature that dealt with Shariah audit; the examination started from 197 papers related to the topic of the research, and after several evaluations, we reached 53 studies that explicitly dealt with SA. Hence, the results indicated that the literature deals with four main topics in SA research, such as the effectiveness of SA; the role of the Shariah auditor; disclosure; and governance, while it dismissed other topics that could establish future research.

Moreover, the literature extensively deals with Shariah scrutiny from the perspective of agency, while it has not given sufficient consideration to other theories such as the Maqasid al Shariah and Islamic accountability theory. In addition, the focus of the literature on the Malaysian context does not give sufficient views on the subject, so this research gap must be covered in the future.

The study makes many contributions to the literature, as the current review provides a comprehensive systematic evaluation of the growing literature on Shariah auditing from various aspects such as geographical distribution and theoretical lens. The study presents many opportunities for researchers to fill the gaps in the future by accurately identifying research gaps and presenting future proposals to researchers. The study results also have important implications for policymakers, regulators and analysts of Islamic institutions by providing a comprehensive view of the previous studies' results and extracting essential ideas from them. To the best of the authors' knowledge, this study is the first to conduct a

thorough assessment of the Shariah auditing literature to identify research gaps and develop a roadmap toward future research.

The rest of the paper is organized as follows. Section 2 presents an overview of the Shariah auditing topic; Section 3 discusses the methodology applied in collecting the literature sample; Section 4 presents the results and discussions and future research agenda. Finally, in Section 5, the conclusion of the study is presented.

2. Overview of Shariah auditing

The SA performs the developing, monitoring and evaluating the organization's compliance with the provisions and principles of Islamic Shariah and related controls (Khalid *et al.*, 2017). Recently, the interest in SA has increased by researchers, as the literature focused on various aspects of SA, some of which dealt with the effectiveness of Shariah auditing (Khalid, 2020; Islam and Bhuiyan, 2021; Shafii *et al.*, 2014a), and the other group discussed the relationship between governance and Shariah auditing (Jan *et al.*, 2021; Sani and Abubakar, 2020; Darwanto and Chariri, 2019). Besides, other researchers linked the concept of SA with corporate disclosure (Ridwan and Mayapada, 2020; Mukhibad *et al.*, 2020; El-Halaby and Hussainey, 2015).

The effectiveness of SA refers to the extent to which the auditors can achieve the objectives of institutions through the process of verifying their commitment to the provisions of Islamic Shariah. It is, therefore, crucial to have factors such as independence and efficiency to enhance the effectiveness of the audit process. Shafii *et al.* (2014a) focused on the need to build the auditor's competency through training courses. This is in line with Khalid *et al.* (2017), who stressed that efficiency in Shariah auditing enhances audit quality through professional certificates providing the Shariah auditor with skills that improve the ability to perform tasks more professionally.

Furthermore, corporate governance ensures adherence to the company's regulations, related regulatory requirements and best practices to achieve the company's goals and strengthen the relationship with stakeholders. According to Jan *et al.* (2021), the governance practices of Islamic institutions improve their performance. Also, the effectiveness of SA is an essential tool in strengthening the governance of Islamic institutions (Sani and Abubakar, 2020) by reducing the risk of non-compliance with the principles of Islamic Shariah applied by IFIs (Ahmad and Abdul-Rahman, 2020) and ensuring the highest levels of compliance. The researchers also argued that the governance environment in Islamic institutions enhances the performance of the Shariah auditor (Darwanto and Chariri, 2019; Khalid, 2019). This highlights the role of the organizational environment in influencing the performance of SA in Islamic institutions.

Moreover, information disclosure practices are one of the transparency tools companies practice, where companies disclose their financial and non-financial activities to communicate information to users. The literature did not provide sufficient evidence about the impact of the SA on corporate disclosure. For example, Ridwan and Mayapada (2020) did not find any relationship between SA and disclosure of corporate social responsibility. Similarly, Mukhibad *et al.* (2020) also claimed no relationship to Shariah supervision over the disclosure of risks, while El-Halaby and Hussainey (2015) argued that Shariah supervision enhances corporate disclosure practices. These inconclusive findings necessitate the exploration of new, nuanced and multiple theoretical paradigms to explain and understand the complex relationship between Shariah auditing and disclosure practices. Similarly, the literature is unclear about the antecedent of Shariah auditing effectiveness (Khalid *et al.*, 2017; Ab Ghani *et al.*, 2019; Khalid and Sarea, 2021).

To this end, it should be noted that relevant literature on this topic is scarce. It is noticeable that there are inconsistent results between studies, which is reflected in the need for more research and investigation into the relationship between Shariah auditing other dimensions. Additionally, it appears that there is an urgent need for an in-depth SR of Shariah auditing. To address this gap, the current study aims to systematically evaluate the SA literature to provide insight into the theoretical and research settings applied by scholars in this field and thus identify research gaps to guide future researchers.

3. Methodology

In this paper, a systematic literature review is applied to analyze the research studies on SA, encompassing articles published over 10 years. SR is one of the most common management research tools that combines qualitative and quantitative assessment to the existing literature (Hazaea *et al.*, 2021a; Khatib *et al.*, 2021a, 2021b; Limmenluecke *et al.*, 2020). According to Cronin *et al.* (2008), SR provides new insights into creating further questions and building new theories from gaps in the previous studies. It is a frequently used technique for organizing and synthesizing research results. They are especially beneficial when dealing with vast and complicated research bodies, such as those in Shariah auditing topic. While narrative approaches may be beneficial, they have been criticized for their high degree of subjectivity and lack of generalizability (Hazaea *et al.*, 2021b; Zamil *et al.*, 2021). SRs have defined methodologies for conducting a complete literature review.

As suggested by Block and Fisch (2020), both systematic narrative and bibliographic studies rely on a systematic collection of articles. The latter provides a summary of the structure of a particular research field and its development, and it is very broad, while an SR summarizes the content of a particular research field and a summary of the most important findings with regard to a particular research question. Given that a small sample of studies exists on this topic, the systematic literature review was chosen.

The studies under investigation were obtained from the Scopus and WoS database, as they are the most extensive databases that include high-quality research. These studies were obtained in April 2021, and studies that discussed Shariah auditing as the main construct. For mining the literature, the authors search in the title, abstract and keywords of prior studies using specific keywords string, namely, TITLE-ABS-KEY (“Sharaah” OR “Shariah” OR “Shari’ah Compliant*” OR Sharia OR “Shari’ah” AND Audit*). This search string helped to collect most of the studies that have a combination of keywords related to Shariah and auditing. This method was applied in several prior SR research (Khatib *et al.*, 2022; Khatib *et al.*, 2021b, 2021c; Sahi *et al.*, 2021; Hazaea *et al.*, 2021a; Zamil *et al.*, 2021).

This study designed a review protocol as a definitive guide for systematic literature review development. As shown in Figure 1, the initial sample of searching the literature in WoS resulted in 120 studies from WoS and 163 studies from the Scopus database. These documents were subject to duplication check, and 86 documents were duplicated. After that, out of 197, only 53 appeared to explicitly address the Shariah auditing as a primary construct of the study. These studies were analyzed and evaluated based on the theoretical perspective, geographical distribution, research settings and themes discussed.

4. Results and discussion

Figure 2 shows that the number of research studies related to SA is increasing, reaching their highest levels in 2020 with 13 studies compared to one research in 2012. The increase in the awareness for Islamic products encourages the need to have a robust IFI to support the rise of Islamic banks in many countries. Therefore, financial institutions played an important role in developing financial markets, contributing to worldwide recognition (Arabi *et al.*, 2019). Given

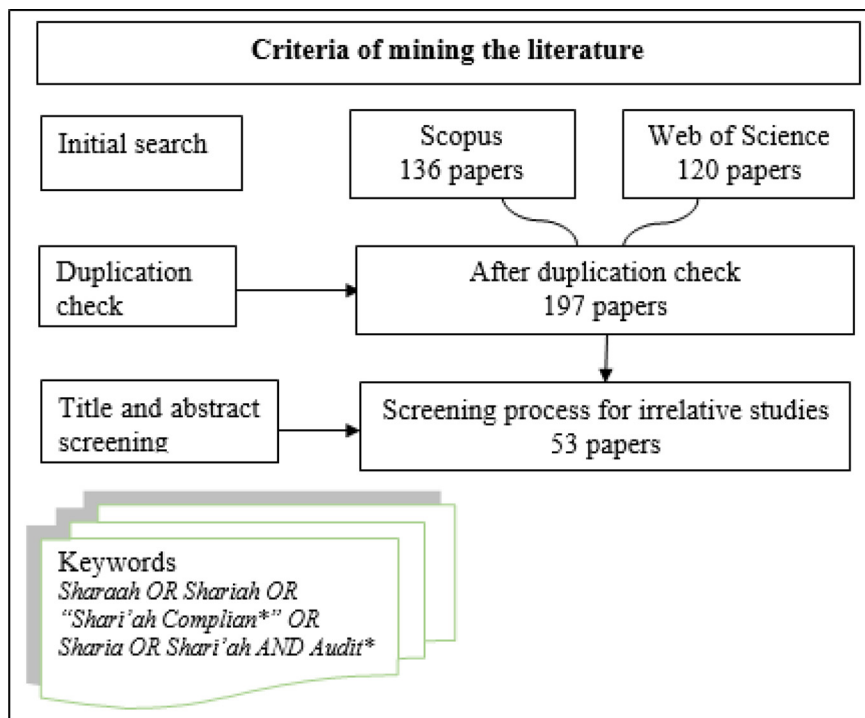


Figure 1. Flow chart of searching the literature

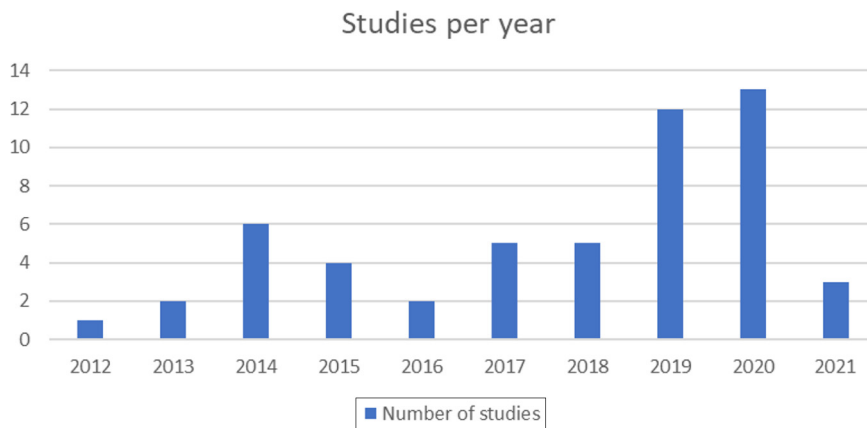


Figure 2. Yearly research trend

that there is a concern amidst the significant rapid growth of the industry, the standard of Shariah compliance will loosen. As a result, it will affect the customers' interests, besides other issues such as product disclosure and transparency, and no directive from the authority to make it mandatory for Islamic banking institutions to undergo an external audit. Thus, it can be argued that the spread of Islamic institutions and the emergence of their importance in the

capital market have attracted the researchers' attention in exploring various aspects of this field.

4.1 Theories applied in the literature

While impactful research requires bases of novel and clear theoretical insights, the majority of the studies included in this review were motivated and inspired by practical concerns, frequently overlooking the use of theoretical frameworks, indicating the need for future work to address this gap. The results in Table 1 revealed that only 21 studies were based on theories, while the number of studies that were not based on a multiple or single theoretical ground is 32 articles (Puad *et al.*, 2020; Yasoa *et al.*, 2020b). Rather than prescribing the development of new theories to study Shariah auditing, researchers are encouraged to creatively build on theoretical themes developed in the Shariah auditing literature and infuse them with robust theoretical arguments. Shafii *et al.* (2013) maintained that, in Shariah auditing literature, there is a gap between theoretical and field study research.

The agency theory is the most used theoretical lens in the sample literature (12 times). This theory addresses the relationship between stakeholders of an organization, namely, the owners of companies (the shareholders) and managers, where agency problems can occur in the event that the company's managers focus on the personal interest rather than the owners' interest (Khatib *et al.*, 2021c). Agency theory argues that the purpose of having a proper monitoring mechanism mitigates the conflict of interest between the principal and the agent (Zamil *et al.*, 2021). As a result of robust governance practice, according to all Shariah principles, the authentic annual report would strengthen stakeholders' confidence and secrecy while minimizing information asymmetry about the institution's operational responsibilities. However, this theory does not account for the owner's motivation to disregard Shariah as Islamic law governing the application of assets and contractual advantages. Also, researchers have significantly stated that agency theory has limitations in certain areas (environment responsibility, social responsibility, climate change, Islamic regulations, etc.). From a general agency theory, an Islamic agency theory was developed based on the Quran and Hadith to determine the features and framework of the organizational relationships and activities. Islamic agency theory assumes that monitoring mechanisms (including Shariah auditor and Shariah board) maximize effectiveness when endowed with the full spectrum of independence across multiple dimensions (degrees of

Theory name	2013–2015	2016–2018	2019–2021	Total
Agency theory	1	4	7	12
Stakeholder theory		1	5	6
Stewardship theory			3	3
Islamic agency theory		1	2	3
Islamic accountability theory			3	3
Signaling theory	1	1		2
Legitimacy theory	1		1	2
Maqasid al Shariah theory		2		2
Other theories*		1	3	4
No theory	11	5	16	32

Table 1.
Theories applied in
the literature

Note: *Other theories include resource dependence theory, institutional theory, Shariah enterprise theory and job performance theory

freedom, reporting level, direct contact, conflict of interest, interference, unrestricted access, appointment, removal and status in the organizational hierarchy).

Additionally, stakeholder theory is applied in six studies, and it expresses the need for executives to pay attention to all stakeholder interests (Al Amosh and Mansor, 2021; Sisaye, 2021). Therefore, establishing strong Shariah governance and audit is very important as organizations must take the necessary strategies to gain the trust of all stakeholders. In the sample literature, six studies have adopted the stakeholder theory (Alam *et al.*, 2020; Mukhibad *et al.*, 2020; Ridwan and Mayapada, 2020; Sulub *et al.*, 2020). Ajili and Bouri (2018) mentioned that the quality of the Shariah supervisory board as one of the good governance mechanisms would serve stakeholders' interests and improve their welfare. In addition, Shariah governance and the relevant Islamic committees, such as the audit committee and the risk control committee, work within the aspirations of all stakeholders, not only shareholders, through their commitment to implement and disclose social responsibility (Ridwan and Mayapada, 2020).

The literature also discussed a number of other theories such as resource dependence theory, institutional theory, Shariah enterprise theory, job performance theory, signaling theory and Maqasid al Shariah theory. The signaling theory suggests that corporate management tried to draw attention to its ability to identify risks by disclosing more risk information (El-Halaby and Hussainey, 2015). On the other hand, the Shariah enterprise theory indicates that social responsibility practices are one of the manifestations of responsibility toward God first before it is toward stakeholders, so the Islamic perspective considers social welfare as one of the outstanding goals that transcend maximizing the profit of stakeholders (Pujiati, 2017).

Shariah councils are also subjected to regulatory pressures to monitor financial operations and ensure their compatibility with Islamic Shariah. This falls within the perspective of institutional theory, which argues that regulatory pressure is one of the means of ensuring transparency in institutions. The boards also provide valuable resources such as expertise and consulting (Aslam and Haron, 2020). Furthermore, it reflects the legitimacy perspective of other concepts of governance and transparency practices in Islamic institutions, where the legitimacy theory suggested that SA on the board's practices is an essential pillar of the construction of organizational legitimacy of institutions (Alam *et al.*, 2020), in addition to promoting spiritual and moral legitimacy by supporting the demands of social stakeholders (Othman and Ameer, 2015). Also, Maqasid al Shariah theory argues that the independence of internal Shariah auditors affects the audit's effectiveness and thus promotes Shariah compliance (Khalid *et al.*, 2017).

4.2 Geographical distribution of the literature

Interestingly, the investigation revealed that Shariah auditing literature is distributed in only nine countries in Asia (see Table 2). Malaysia is the most investigated context with 20 papers [34.15%]. Malaysian institutions are highly committed to Shariah auditing, in line with the country's religious commitment. Therefore, it is considered a fertile environment for Shariah auditing research. Also, as a part of the Shariah governance framework, the enhancement of Shariah auditing was introduced by the Malaysian regulatory body as a mandatory practice for IFIs.

The rest of the studies were distributed as follows: Indonesia, seven studies [13%] and Bahrain, three studies. The other countries were subject to only one study. Moreover, seven studies used data from multiple countries (cross-country). Surprisingly, the Arab countries, including the Kingdom of Saudi Arabia, have received relatively scant attention to date. This may be an important research area for future work. Furthermore, there is a noticeable

Table 2.
Countries under
investigation

Country	No.	Continent	(%)
Malaysia	20	Asia	30
Indonesia	7	Asia	13
Bahrain	3	Asia	6
Saudi Arabia	1	Asia	2
Sudan	1	Asia	2
Oman	1	Asia	2
Pakistan	1	Asia	2
Bangladesh	1	Asia	2
Brunei	1	Asia	2
Cross-country	7	International	13
Non-empirical	10		
Total	53		

lack of studies in the African context, which is also an important context for research, as there is a large number of Islamic institutions operating in African countries, especially Islamic ones. Future researchers should address this research gap, as Shariah auditing practice may differ from one market to another because of the unique culture each country.

4.3 Shariah auditing in Malaysia

For 35 years, the Islamic financial sector witnessed significant prosperity in Malaysia because of the evolution of Islamic financial products (Ali and Kasim, 2019), and this growth was accompanied by significant evolution of Islamic governance legislation. For example, many institutions, especially finance, were issued to enforce more instructions on Islamic governance practices, such as the Bank Negara Malaysia in 2010, which issued a special framework for Shariah governance. Many of the training courses have emerged for the development of the vocational aspect of the legal audit processes in Malaysian IFIs, which contributed to the development of the SA differently over time (Ali and Kasim, 2019). Also, in 2010, the Islamic Financial Services Board was established in Malaysia as an accounting and auditing organization for IFIs to monitor and develop Islamic financial services and practices of this sector. Malaysia's Central Bank, the Bank Negara Malaysia, outlined that SA is internal when conducted by the internal SA unit of an Islamic bank and requires an internal Shariah auditor. These developments indicate the great attention to the financial services industry compatible with Islamic Shariah in Malaysia.

Under previous developments, institutions of Islamic financial services must appoint special committees in Shariah issues, ensure the work of the foundation is compatible with the principles of Islamic law, review the implementation of internal accession procedures and make recommendations on issues that promote Shariah governance. In the meantime, it has become an urgent need for legitimate auditors for institutions with great efficiency and professionalism of the Shariah supervisory board related to Shariah principles issues and economic, financial and accounting practices issues. Hence, it enhances the quality of disclosure of religious elements in annual reports that meet the aspirations of Muslim stakeholders (Aribi *et al.*, 2019; Che Pa *et al.*, 2017). This development may bring many benefits, attract more Islamic investments in Malaysia and obtain economic benefits by sharing its experience in auditing and Shariah compliance with the world. It will also gain many revenues by exporting its Islamic financial services worldwide (Najeeb and Ibrahim, 2014).

The empirical literature on this context has addressed several aspects, such as the SA association with Sukuk (Ahmed *et al.*, 2019); professionalizing SA (Najeeb and Ibrahim, 2014); competency in Shariah auditing (Ali and Kasim, 2019; Mohd Ali *et al.*, 2020); responsibilities of Shariah auditor (Yasoa *et al.*, 2020b); Shariah auditor characteristics (Mohd Ali *et al.*, 2018); challenges in Shariah practices (Puad *et al.*, 2020); assess the implementation of the internal Shariah governance framework in selected Islamic banks (Aziz *et al.*, 2019); the effectiveness of internal SA function (Ab Ghani *et al.*, 2019; Shafii *et al.*, 2013); external SA (Shafii and Salleh, 2010); SA labor market (Shafii *et al.*, 2014a); students' awareness of SA (Khalid *et al.*, 2019); and Islamic legal maxims and SA practices (Abd Rahman *et al.*, 2020). It has been reported that Shariah auditors play their roles as the third line of defense by giving assurance to the shareholders and stakeholders that all businesses and operations comply with Shariah precepts.

In Malaysia, Yasoa *et al.* (2020b) argued that Shariah review and SA have apparent differences and play their roles as a second and third line of defense, respectively, which could eventually provide a stimulus Shariah governance and strengthen market confidence. Shariah auditors need to look at the internal control elements of whether effective and efficient enough to alleviate any possible Shariah breaches. Certain skills, knowledge and characteristics added with years of experience in the field are prerequisites to becoming competent Shariah auditors. Hence, for qualified Shariah auditors, Shariah knowledge is the essential knowledge component, followed by knowledge of Islamic banking operation and knowledge of Fiqh Muamalat (Ali and Kasim, 2019; Mohd Ali *et al.*, 2018; Yasoa *et al.*, 2020b).

4.4 Research setting

In Table 3, the investigation showed that the empirical quantitative approach was the most applied methodology in the sample studies with 19 articles (Ab Ghani and Abdul Rahman, 2015; Ahmed and Sarea, 2019), while the studies that used the qualitative approach were less with 14 studies (Alam *et al.*, 2020; Khalid *et al.*, 2018b). Thesis studies have discussed a variety of topics such as external SA and review committee (Alam *et al.*, 2020), competency of SA (Mohd Ali *et al.*, 2020) and role of Shariah auditor (Yasoa *et al.*, 2020b), to mention some. The qualitative approach helps to understand how and why things occur. It is highly believed to be the best way because of its exploratory nature and to extract the rich data necessary to address Shariah auditors' group or personal behavior. Such a method is vital to gauge as many as possible and uncover possible SA issues.

Additionally, in the sample documents, three studies were primarily descriptive and discussed the practice of SA (Ahmad, 2017), Shariah auditor labor market (Shafii *et al.*, 2014a) and awareness of Shariah auditing (Khalid *et al.*, 2019). Two review studies were identified in the prior studies. These reviews have discussed the development of SA practice and the Shariah auditor labor market (Alahmadi *et al.*, 2017; Omar, 2019).

Methodology	2013–2015	2016–2018	2019–2021	Total
Quantitative	4	7	8	19
Non-empirical	7	1	7	15
Qualitative	1	2	11	14
Descriptive	1	1	1	3
Review		1	1	2

Table 3. Methodology applied in the prior studies

With regard to financial institutions addressed in the empirical literature, it is worth mentioning that majority of studies have considered the Islamic banks in the sample (Hassan and Haridan, 2019; Mohd Ali *et al.*, 2020; Yasoa *et al.*, 2020b), while the knowledge is still scarce and fragmented on other IFIs such as Takaful organizations. For example, it has been suggested that no specification is provided for the Takaful industry while the existing rule by the regulators is mostly suitable for the banking industry. Hence, auditors claimed that the existing guidelines are insufficient (Puad *et al.*, 2020), and therefore, attention should be given to the Takaful industry by providing the necessary auditing policy and guidelines. This issue has largely been ignored by the studies reviewed in this research.

5. Thematical analysis

In this part, the authors investigated the themes discussed in Shariah auditing literature. It was found that several topics were investigated in prior studies, with the effectiveness of Shariah auditing to be the most investigated theme, followed by the role of SA, corporate disclosure and governance mechanisms and board committees. A general noteworthy observation is a need for an increase in efficiency and effectiveness of internal Shariah auditors in IFIs, and external auditors' corroboration on Shariah compliance of the IFIs to continually maintain the confidence of ethically conscious stakeholders who require assurance on the compliance of their products and operations with Shariah, yet the implementation of these recommendations is still not visible (Khalid *et al.*, 2017; Shafii and Salleh, 2010). Appendix provides a summary of the sample literature on Shariah auditing.

5.1 Effectiveness of Shariah audit

The effective SA can be defined as the degree to which SA function achieved its established objectives to ensure an effective internal control system for Shariah compliance as outlined by the Shariah Governance Framework established by Bank Negara Malaysia. As shown in Figure 3, the study revealed many factors that could improve the performance and effectiveness of Shariah auditing in Islamic institutions, including competency (knowledge, skill and training), independence, Shariah auditor qualification, internal audit characteristics, external audit, audit committee attributes, Shariah supervisory board, top management and work performance (Ahmed and Sarea, 2019; Algabry *et al.*, 2020; Ali and Kasim, 2019; Khalid, 2019; Khalid *et al.*, 2017; Khalid, Haron, and Masron, 2018a; Khalid and Sarea, 2021; Mohd Ali *et al.*, 2018). Effective SA function could provide reasonable assurance

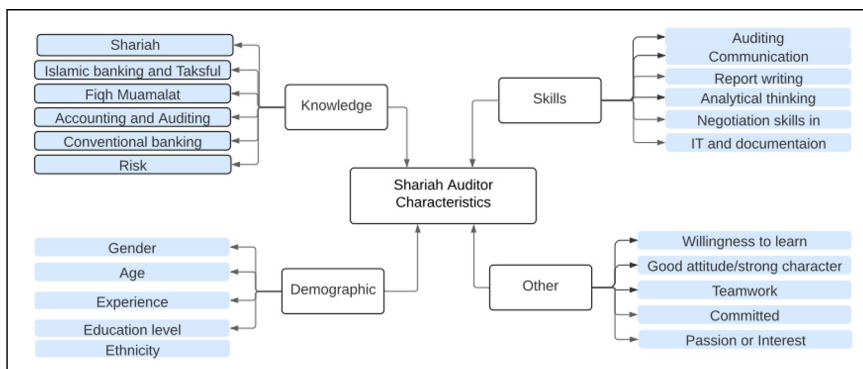


Figure 3. Summary of characteristics, knowledge and skills of Shariah auditors

that Islamic financial activities and operations are Shariah-compliant. However, the literature is unclear whether these attributes play an important monitoring role of the Islamic practices that enhance Shariah auditing effectiveness. For example, [Ab Ghani \(2019\)](#) and [Khalid and Sarea \(2021\)](#) argued that the effectiveness of the internal SA function is significantly influenced by its independence, while another study by [Khalid *et al.* \(2017\)](#) reported empirical evidence that the effectiveness of the internal SA is not influenced by its independence. Hence, further research is needed to address inconsistencies in the results of these studies.

Furthermore, the most challenging issue faced by the SA team is limited resources in terms of on-the-job work experience or Shariah knowledge ([Aziz *et al.*, 2019](#)). According to [Ab Ghani and Abdul Rahman \(2015\)](#), most Islamic banks have developed adequate audit goals, governance structures, competence standards, audit processes and reporting requirements as part of their SA procedures. However, several Islamic institutions have not specified the audit scope and charter sufficiently. A recent study conducted by [Puad *et al.* \(2020\)](#) suggested that there are still gaps between the actual and desired SA practices.

The study also found that internal auditors, Shariah executives and members of the Shariah committee mostly agreed on the importance of developing a proper structure for the SA function ([Ab Ghani and Abdul Rahman, 2015](#)) to communicate better with management and have sufficient information to provide sound opinions were formed by SA ([Khalid *et al.*, 2017](#)).

5.2 Role of Shariah auditors

Internal and external auditing can help to risk management in the organization. Similarly, many studies found that Shariah auditing plays a vital role in these Islamic financial sectors. Because of poor governance, most IFIs normally may still fail in offering Islamic financial products which comply with the Shariah principles and guidelines established by the regulators. Therefore, ensuring Shariah compliance in Islamic financial activities through SA practices is crucial in enhancing IFIs integrity. Shariah auditors are responsible for the method in which the IFIs conduct their operations and the effectiveness of SA operations that contribute to Shariah's principle itself. They serve as the third line of defense, ensuring that all firms and activities adhere to Shariah principles. Furthermore, Shariah auditors must assess if the internal control mechanisms are effective and efficient enough to prevent potential Shariah violations. They are also responsible for examining various contracts, product structures, transaction reporting and the preparation of financial statements, reports, marketing circulars and any other legal documents pertinent to IFI operations ([Othman and Ameer, 2015](#); [Yasoa *et al.*, 2020b](#)).

From a critical economic perspective, qualifications from Western professional accounting bodies are now being combined with Islamic finance degrees and diplomas to create a new generation of accountants and auditors trained in Western principles and capable of auditing IFIs ([Najeeb and Ibrahim, 2014](#)). As a result, there is a mix of practices regarding Shariah auditor recruiting. Rather than employing new graduates or acquiring experienced Shariah auditors from other financial organizations, the majority of banking firms opt to use their current internal auditors ([Ali and Kasim, 2019](#); [Mohd Ali *et al.*, 2018, 2020](#)). There is no doubt that conventional auditing significantly influences the auditing frameworks used in IFIs. The role and responsibilities of auditors in IFIs are much broader than those found in conventional banks in relation to an examination of a variety of contracts, product structures, transactions reporting, preparation of financial statements, reports, marketing circulars and any other legal documents, which are pertinent to IFIs' operations. Shariah auditors can take part in these responsibilities; they do not reject all the

techniques and mechanisms of conventional auditing as they can be used to test the values that are in line with the Shariah (Algabry *et al.*, 2020).

Given that the internal audit teams may not be able to comprehend the complexity and intricacies inherent to IFIs' audit environment if they lack the necessary knowledge, skills and other attributes in the Islamic banking context (Yasoa *et al.*, 2020b), Shariah auditor is a dedicated audit team that complements the audit performed by the internal auditors. Therefore, the interaction between internal audit, external audit, board of directors and others should not be neglected on understanding the effectiveness of Shariah auditing practices. For example, Shafii *et al.* (2013) suggested the SA function has an added value toward the role of the Shariah Committee, particularly on the knowledge of the implementation process of the product in the organization and the internal control that should be imposed.

The existence of SA, Shariah board and Shariah committee in Islamic firms raises interesting questions. How do Shariah auditors and their efforts enhance the firm reputation and performance? How does Shariah auditor attempt to institutionalize corporate social responsibility and sustainability assurance, particularly as an audit issue? Additionally, does the outcome contribution of Shariah auditing vary between the types of IFIs?

5.3 Corporate disclosure

The Shariah auditing section ensures that investors are following Islamic rules. The need for Shariah auditing services stems from a perceived requirement to regularly examine developments in banking practice and accounting against Islamic orthodoxy standards. The Shariah auditing department's activities include verifying that the organization's operations do not entail any dealings in forbidden industries and that the corporation adheres to the concepts of equality and social justice. Therefore, it is important for the institution to disclose Shariah auditing information to the public. In Malaysia, Shariah issues and the activities' results were clearly stated in the annual report but were not discussed thoroughly in some Islamic banks, while in other banks, there was no Shariah issue shared and discussed with the public for that particular year (Shafii and Salleh, 2010). If the Shariah issues were discussed and highlighted in the annual report, it would have increased the level of transparency to the shareholders. The shareholders would at least appreciate the information given through the annual report. The question now is whether these disclosure practices are the same in other IFIs such as Takaful, where little empirical research on Takaful has been reported.

Additionally, it has been stated that the Shariah committee is merely meeting a bare minimum of the report's requirements by recommending a Shariah auditing department within the bank to improve Shariah compliance and encourage social responsibility for Islamic banks. However, Ridwan and Mayapada (2020) suggested the audit committee and Shariah supervisory board have no substantial influence on corporate social responsibility disclosure in Islamic banks. Similarly, the number of Shariah supervisory board members and the cross-memberships of the Shariah supervisory board do not influence risk disclosure (Mukhibad *et al.*, 2020). On the other hand, there is a positive association between disclosure levels and the existence of a Shariah auditing department (El-Halaby and Hussainey, 2015). It should be noted that the level of disclosures made overall by financial institutions is relatively low compared to the stakeholder expectations measured by the designed Shariah reporting index (Aribi *et al.*, 2019). Furthermore, Garas (2012) reported that the ex ante SA, ex post SA and reporting of Shariah control department are significantly related to the Shariah supervisory board control, whereas corrective actions and the number of Shariah supervisory board members have insignificant relation.

5.4 Governance mechanisms and board committees

The significance of Shariah governance is communicated through the enhancement in the corporate governance in several countries, such as the shariah governance framework introduced by the central bank (Bank Negara Malaysia). While the board of directors and audit department focus on monitoring and evaluating the financial and operational performance of the organization, in Islamic institutions, the Shariah department and auditor complement the monitoring process by concentrating on the Shariah compliance practices. SA is essential as the third line of defense in ensuring the operations of IFIs are in line with Shariah principles. The unique aspect differentiating between Islamic banks and conventional banks in running their business is that the former have a Shariah supervisory board as the primary mechanism of their governance.

However, it has been reported that Shariah auditors' roles and responsibilities are still under the jurisdiction of the banks' internal audit unit (Yasoa *et al.*, 2020a). Therefore, there is a need to structure clear guidelines about Shariah auditors' roles and responsibilities in the Islamic institutions. The SA function has an added value in ensuring compliance with the Shariah principles (Shafii *et al.*, 2013). The literature has suggested that governance attributes and Shariah board positively affected the financial performance of firms (Khalid, Haron, Sarea, *et al.*, 2018b; Darwanto and Chariri, 2019). Because of the position of Shariah supervisory board as the ultimate oversight organ in the IFIs. Audit and governance committee in terms of its independence, qualification and experience may impact Islamic banks' internal SA performance (Khalid, 2019).

5.5 Other issues

In this investigation, some issues have received little attention in Shariah auditing literature. Researchers have explored the SA in relation to risk (Oktavina *et al.*, 2014; Sani and Abubakar, 2020), standardization of Shariah audit (Novikova and Kharisova, 2019), Islamic legal maxims (Abd Rahman *et al.*, 2020), firm performance (Ajili and Bouri, 2018; Aslam and Haron, 2020; Darwanto and Chariri, 2019), labor market (Omar, 2019; Shafii *et al.*, 2014a), fraud (Suryanto and Ridwansyah, 2016), service quality (Tawfik and Bilal, 2020), Shariah auditing of financial statement (Shafii *et al.*, 2014a) and student awareness of SA (Khalid *et al.*, 2019; Yaacob *et al.*, 2014).

The literature showed that the degree of compliance with social responsibility is related to the level of Shariah auditing quality (El-Halaby and Hussainey, 2016). This finding could be explained by the fact that greater disclosures would be expected if governance and Shariah mechanisms are complementary as more governance mechanisms will strengthen companies' internal control and provide an intensive monitoring package for a firm to reduce opportunistic behavior and information asymmetry. Additionally, enhancing compliance with the rules and principles of Islamic law in IFIs reduces the risk of non-compliance (Sani and Abubakar, 2020) and reveals the presence of any potential risks, both internal and external (Oktavina *et al.*, 2014). Moreover, the efficiency and independence of the Shariah auditors also reduce the possibility of fraud in Islamic institutions (Suryanto and Ridwansyah, 2016). This is reflected positively in the quality of Islamic financial services provided to various clients (Tawfik and Bilal, 2020) and enhances the confidence of the various stakeholders in Islamic institutions.

As the Islamic financial industry develops, the increasing demand for competent Shariah auditors is inevitable. However, SA has not been comprehensively introduced to the potential auditing labor market. For instance, accountancy students show a low level of understanding of the difference between internal SA and conventional audit (Khalid *et al.*, 2019); a similar finding was reported by Shafii *et al.* (2014a), who suggested that despite the

low level of understanding on internal SA, the accounting students are willing to learn more about internal SA. The current shortage of qualified individuals in the labor market has effectively influenced the industry's vision to serve the stakeholders and become a viable alternative to conventional Shariah non-compliant finance. Therefore, concentrated and coordinated efforts between the government, industry and academia are further required to ensure that the continuous supply of knowledgeable and qualified Shariah auditors is not disrupted, potentially having a disastrous impact on this Shariah-based industry.

6. Future research avenues

The previous literature provided crucial empirical evidence for Shariah auditing practices; however, the theoretical aspect was not strongly reinforced. Future research should focus on the theoretical lens behind those practices and propose new theoretical ground to enrich future research. Although agency theory is said to provide a sufficient ground for corporate governance research, it focuses on the agent and shareholder interest and does not consider it necessary to consider the customers' interest in having Islamic products. In other words, this theory does not account for the owner's motivation to disregard Shariah as Islamic law governing the application of assets and contractual advantages.

One of the common limitations of the prior studies is the small sample size (Hassan and Haridan, 2019; Khalid *et al.*, 2017; Yasoa *et al.*, 2020a; Ridwan and Mayapada, 2020). Hence, it is important for future researchers to consider a large sample size for the results to be generalizable and have more views and opinions on the Shariah compliance audit practices. Also, the vast majority of the prior studies examine the Islamic banks, and little effort is given to the other IFIs. The reason is that the majority of IFIs are Islamic banks. Hence, more work is needed on the Islamic insurance companies (Takaful) as the results of prior studies may not be applicable to such firms (El-Halaby and Hussainey, 2015; Mohd Ali *et al.*, 2018).

There are several factors that were overlooked in prior studies. Further work is also invited to explore the direct and interactive influence of the antecedents of Shariah audit quality, such as the ownership structure family, government, foreign, state, institutional and block-holder ownership; governance attributes (board size, board meetings and non-executive directors); audit committee attributes; size of the internal audit department; cooperative between internal and external auditor; and capital structure (Al Amosh, 2021; Al Amosh and Khatib, 2021; El-Halaby and Hussainey, 2015; Hassan and Haridan, 2019; Khalid *et al.*, 2017).

Regarding the Shariah auditing outcomes, the existing studies on this topic raise interesting questions: How does Shariah auditor and their efforts enhance the firm's reputation, image and performance? How does Shariah auditor attempt to institutionalize corporate social responsibility and sustainability assurance, particularly as an audit issue? Additionally, does the outcome contribution of Shariah auditing vary between the types of IFIs (banks and insurance)?

Lastly, future research should focus on the less-examined countries in the SA studies, especially in Arab and Islamic countries such as Saudi Arabia, Turkey and Egypt. Also, there is good potential for comparative studies on Shariah auditing practices, antecedents and consequences from different countries.

7. Conclusion

There is a growing trend of SA research over time. However, research is still limited in scope. Our study presents a detailed investigation of SA studies based on a systematic literature review. The findings show an increase in the number of studies that discussed the scrutiny of Shariah in recent years. The majority of the studies were concentrated in certain

countries, such as Malaysia. Hence, there is a significant lack of studies in other contexts, especially in Arab and other Islamic countries.

Furthermore, it has been found that prior studies are still not clear about the antecedents and consequences of effective Shariah auditing practices in IFIs, such as auditor independence and disclosure quality. Additionally, the focus of studies on specific theories, such as agency theory, limits the theoretical interpretation of the results because it does not account for the owner's motivation to disregard Shariah as Islamic law governing the application of assets and contractual advantages. Also, researchers have significantly stated that agency theory has limitations in certain areas (environment responsibility, social responsibility, climate change, Islamic regulations, etc.).

Moreover, it has been commonly documented that rather than employing new graduates or acquiring experienced Shariah auditors from other financial organizations, the majority of banking firms opt to use their current internal auditors. Given that the role and responsibilities of auditors in IFIs are much broader than those found in conventional banks, the standard of Shariah compliance will loosen, and as a result, it will affect the customers' interests. Apart from the conventional auditing practices, Shariah auditors take part in evaluating any other legal documents which are pertinent to IFIs' operations and monitoring these operations. However, the authority has no directive initiative to make it mandatory for Islamic banking institutions to have experienced Shariah auditors. These findings provide important implications for policymakers and regulators about the auditing effectiveness in Islamic institutions.

For practical implications, Islamic institution needs to have Shariah auditors with the necessary knowledge, skills and other attributes in the Islamic practices' context as internal audit teams may not be able to comprehend the complexity and intricacies inherent to IFIs' audit environment because of the lack of such attributes. Thus, policymakers, regulators and practitioners should update current policies to enhance the role of the Shariah auditor to support transparency, governance and disclosure in Islamic institutions. The study also provides analysts insight into the reality of Shariah auditing in Islamic institutions and their role in supporting their performance, where analysts can build their expectations based on the effectiveness of the role of auditors in Islamic institutions. We also suggest expanding the scope of professional programs for Shariah auditors to enhance their ability to achieve audit objectives.

Despite the contributions, our study has some limitations, as the investigated studies were obtained from the Scopus and WoS databases only. Therefore, future studies can look at studies in other bases such as the Australian Business Dean Council and Chartered Association of Business Schools. In addition, it is possible to search for studies that discuss auditing in general, including SA, as our study was limited to investigating studies that examined Shariah auditing only. It is also possible to suggest other words to search to reach a different sample of published studies. Also, future researchers can evaluate studies conducted during the COVID-19 pandemic.

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Further reading

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Article	Research design/data	Focus of the study	Theory	Summary of results
Garas (2012)	Quantitative – panel data	Corporate disclosure	No	There is a significant impact of the Shariah audit prior and subsequent to the Shariah Supervisory Board, and it is negatively affected by the supervision of the Shariah Supervisory Board
Shafii <i>et al.</i> (2013)	Qualitative – interviews	Role of Shariah auditors	No	Shariah audit enhances the assurance of compliance with the principles of Islamic Sharia
Shafii and Salleh (2010)	Qualitative – questionnaire	Corporate governance	No	The internal Shariah audit supports corporate governance, accountability and transparency in Islamic financial institutions in Malaysia
Shafii <i>et al.</i> (2014a)	Descriptive	Shariah auditors' effectiveness	No	The results indicate the importance of qualifying students through the Shariah audit cycle to produce effective Shariah auditors in the future
Yaacob <i>et al.</i> (2014)	Qualitative – questionnaire	Shariah auditors' effectiveness	No	The results found that the students' understanding of the concept of Shariah audit is still at a lagging stage, and they are ignorant of the main objective of Shariah audit, and therefore, they must focus on their rehabilitation through a strict learning strategy to meet the market requirements of highly qualified Shariah auditors
Oktavina <i>et al.</i> (2014)	Non-empirical		No	The paper aimed to designed the expert system named ipo-srisk was to simplify the model operation of risk assessment on Shariah financial industry. The features on the main page consisted of "home" and "expert system"; "home" provided an explanation for expert systems application; "expert system" covered "initialization" and "assessment." Initialization process was useful to determine the risk indicator used in Shariah financial industry and the variable groups. "assessment" included scale determination of risk impact, scale of the risk occurrence-probability, risk level and recommendation alternative for risk mitigation
Najeeb and Ibrahim (2014)	Non-empirical – discussion paper	Shariah auditors' effectiveness	No	There is an urgent need for a new generation of Islamic auditors, as the current qualifications to produce Shariah auditors have failed to enhance their efficiency, and therefore, there is a need for Malaysia to take the initiative to establish an association of chartered shariah accountants and auditors

(continued)

Table A1.
Prior studies on
Shariah auditing

Article	Research design/data	Focus of the study	Theory	Summary of results
Che Pa <i>et al.</i> (2017)	Non-empirical	Shariah auditors' effectiveness	No	The results indicate that the establishment of the hisbah institution will enhance the function of Shariah audit and compliance with Islamic law, and will limit the violation of Allah's sanctity in banking transactions such as usury
Shafii <i>et al.</i> (2014b)	Non-empirical	Shariah auditors' effectiveness	No	The results showed that Shariah audit plays a crucial role in enhancing compliance with Islamic Shariah principles in Islamic financial institutions through its supervisory role on the daily operations of Islamic institutions
Othman and Ameer (2015)	Non-empirical – descriptive paper	Role of Shariah auditors	Legitimacy theory	The results indicate the need to expand the role and responsibilities of Shariah auditors in Islamic financial institutions, by activating appropriate frameworks and standards to achieve the objectives of Islamic economic systems and meet the expectations of various stakeholders
El-Halaby and Hussainey (2015)	Quantitative – panel data	Corporate disclosure	Agency, signaling theory	The results of the study showed that Shariah auditing department is positively related to the levels of disclosure of corporate social responsibility, and the standards related to the Accounting and Auditing Organization for Islamic Institutions (AAOIFI) support this relationship
Ab Ghani and Abdul Rahman (2015)	Qualitative – questionnaire		No	The majority of Islamic banks in Malaysia follow correct standards to achieve the objectives of Shariah audit and enhance governance and efficiency, while there are other banks that have not fulfilled these requirements and have not clearly defined a charter for Shariah audit. In addition, the Shariah audit function is highly effective in Islamic banks and plays a role crucial to promoting integrity, accountability and governance
Kasim <i>et al.</i> (2015)	Quantitative – panel data	Corporate governance	No	The corporate governance plays an important role in ensuring compliance with the provisions of Islamic Shariah in Islamic institutions, while there is no clear relationship between corporate governance and the quality of Shariah audit
Suryanto and Ridwansyah (2016)	Qualitative – questionnaire	Shariah auditors' effectiveness	No	The results show that the factors that enhance the efficiency of Shariah auditors have a significant impact on preventing fraud in Islamic banks

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Table A1.

Article	Research design/data	Focus of the study	Theory	Summary of results
El-Halaby and Hussainey (2016)	Quantitative – panel data	Role of Shariah auditors	Agency theory, signaling theory	The results indicate that the presence of a Shariah auditing department and the age and size of the Shariah supervisory board affect ensuring compliance with the AAOIFI standards
Ahmad (2017)	Qualitative – questionnaire	Shariah auditors' effectiveness	No	The employees of Pakistani Islamic banks are sufficiently familiar with Shariah audit, and the Central Bank plays an important role in enhancing the quality of Shariah audit, by organizing seminars and training courses to raise awareness of the importance of Shariah audit practices
Fauzi et al. (2017)	Quantitative – panel data	Governance	Agency theory	The results revealed that Shariah audit committees and nomination committees play a vital role in influencing the value of the company
Pujiati (2017)	Quantitative – panel data	Corporate disclosure	Shariah enterprise theory, Agency theory	The results show that the independence of the Shariah audit committees has a decisive role in influencing the disclosure practices of social responsibility, while there is no significant impact on Shariah governance, profitability, the board of independent commissioners and institutional ownership
Khalid et al. (2017)	Qualitative – questionnaire	Shariah auditors' effectiveness	Maqasid al Shariah theory	The results proved that efficiency positively affects the effectiveness of the Shariah auditors, as the auditors obtaining professional certificates enhance their skills and raises their efficiency, which further enhance the quality of the Shariah audit process
Alahmadi et al. (2017)	Review	Shariah auditors' effectiveness	No	The results showed that the job of the Shariah auditor in Saudi Islamic banks is still ambiguous in the absence of any guidelines and standards that define the foundations and policies for practicing the profession, and this may increase the risks of non-compliance with the provisions of Islamic Shariah in banking transactions
Khalid et al. (2018a)	Non-empirical (normative and theorizing)	Other issues	Maqasid al Shariah theory, Islamic agency theory	This study demonstrated how Maqasid al-Shariah or higher objectives of Islamic law have gradually captured the attention of increasing numbers of modern Muslim scholars for solving contemporary issues
Khalid et al. (2018b)	Qualitative – interviews	Shariah auditors' effectiveness	Islamic agency theory	The results indicate that the presence of the Shariah supervisory board affects the effectiveness of the internal Shariah audit in Islamic institutions in Bahrain
Mohd Ali et al. (2018)	Qualitative – interviews	Shariah auditors' effectiveness	No	Shariah knowledge is the essential knowledge component, followed by knowledge of Islamic banking operation and knowledge of Fiqh Muamalat. For the

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Article	Research design/data	Focus of the study	Theory	Summary of results
				skill component, auditing is revealed as the main skill required of SAR to be considered as competent. In addition, this study finds that SAR must also have the willingness-to-learn attitude as a complementing characteristic to the knowledge and skill elements identified above, as a package requirement for a competent Shariah auditor
Ajili and Bouri (2018)	Quantitative – panel data	Governance and performance	Agency theory, the stewardship theory, the stakeholder theory	The results show that there is no significant statistical relationship between corporate governance represented by the board of directors, audit committees, the Shariah supervisory board and financial performance in GCC countries
Mazri <i>et al.</i> (2018)	Quantitative – panel data	Corporate disclosure	No	The results indicate that corporate governance represented by the board of directors, audit quality, audit committees and the information security system affects the transparency of reports in Islamic companies, as it enhances social disclosure practices
Khalid <i>et al.</i> (2019)	Qualitative – questionnaire	Shariah auditors' effectiveness	No	The results show that the level of knowledge and awareness of students majoring in accounting in Malaysian public universities enhances the quality of Shariah audit implementation, and professional courses help prepare and equip students to be Shariah auditors after graduation
Khalid (2019)	Review	Governance	Islamic accountability theory	The audit and governance committee significantly affects the performance of the internal Shariah auditors in Islamic banks
Novikova and Kharisova (2019)	Non-empirical	Other issues	No	It highlights the most significant provisions of the presented standard. Based on the fundamental principles of audit activity, special attention is paid to the organizational independence and objectivity of internal Shariah auditors, as well as to quality control of the audit procedures. It also analyzes the requirements for the skill level of internal Shariah auditors
Ahmed <i>et al.</i> (2019)	Qualitative – interviews	Governance	Classical theory of Islamic jurisprudence, Institutional theory	There is a significant impact of the determinants (pricing, type of structure, Shariah auditing, Shariah risk and Shariah documentation) on the sukuk legitimacy among Islamic financial institutions. The mediating influence of the Shariah supervisory board also affects the relationship between them

Table A1.

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Article	Research design/data	Focus of the study	Theory	Summary of results
Ali and Kasim (2019)	Qualitative – interviews	Shariah auditors' effectiveness	No	The quality of Shariah audit ensures the welfare of religious stakeholders and protects their interests. The quality of effective Shariah auditing is also reflected in the acquisition of knowledge and skills necessary to perform the required tasks
Aziz <i>et al.</i> (2019)	Qualitative – document reviews and interviews	Governance	No	The Islamic banks are generally compliant to the internal Shariah Governance Framework 2010 provisions
Ab Ghani <i>et al.</i> (2019)	Qualitative – interviews	The role of Shariah auditors	No	The Shariah audit function provides reasonable assurances about the compliance of Islamic institutions with the principles of Islamic Shariah, and thus ensuring compliance enhances the confidence of stakeholders and supports accountability, transparency and sustainability of Islamic financial institutions
Hassan and Haridan (2019)	Qualitative – interviews	Governance	Stakeholders theory	Shariah committees of Islamic banks have the crucial governance role of providing Shariah compliance assurance. To maintain the integrity of the bank in conforming with religious faith, Shariah boards should have the talent and skills for an effective monitoring, which, among others, include contributing to Shariah audit task
Ahmed and Sarea (2019)	Qualitative – questionnaire	Shariah auditors' effectiveness	Islamic accountability theory	The effective implementation of the internal Shariah audit has a positive relationship with the efficiency and performance of the internal Shariah audit, in addition to the fact that the independence of the Shariah supervisory board enhances the effectiveness of the Shariah audit process
Arabi <i>et al.</i> (2019)	Quantitative – panel data	Corporate disclosure	No	The level of disclosures overall by Islamic financial institutions in the sample is rather low compared to the stakeholder expectations
Darwanto and Chariri (2019)	Quantitative – panel data	Governance	Agency theory	The Shariah governance represented by the Shariah Board, the Board of Directors and the Board of Commissioners have a positive impact on a number of financial performance indicators for Islamic banks
Omar (2019)	Review	Shariah auditors' effectiveness	No	The Shariah audit function within Islamic financial institutions provides assurance on IFIs' compliance with Shariah principles. The qualification and specialized professional courses enhance the efficiency of the Shariah audit profession

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Table A1.

Article	Research design/data	Focus of the study	Theory	Summary of results
Algabry et al. (2020)	Non-empirical	Shariah auditors' effectiveness	No	The study reached the development of a model for the effectiveness of Shariah audit consisting of a set of factors. Internal factors (Shariah supervisory board, board of directors and management support) External factors (Shariah auditing institutions, Islamic banking law, external Shariah auditor and external auditor)
Alam et al. (2020)	Qualitative – questionnaire	Governance	Agency theory, stewardship, stakeholder theory, legitimacy theory	This study establishes that Shariah officers of Islamic banks in Bangladesh are unable to perform audit functions properly, which indicates the limitations of current Shariah audit functions
Mohd Ali et al. (2020)	Qualitative – interviews	Shariah auditors' effectiveness	Job performance theory	Islamic banks prefer to use their current auditors instead of appointing new graduates, to gain knowledge and experience in Shariah and Islamic financial services for banks, and personal and educational skills are necessary to enhance the effectiveness of Shariah audit
Yasoa et al. (2020a)	Qualitative – interviews	Role of shariah auditors	No	Shariah auditors play a crucial role in giving assurance to shareholders and other stakeholders that all Islamic banking operations are in compliance with Islamic Shariah principles. Also, Shariah auditors should consider the effectiveness of internal control to reduce the risk of non-compliance
Puad e al. (2020)	Qualitative – interviews	Shariah auditors' effectiveness	No	Improving Shariah audit practices and their effectiveness removes the obstacles facing auditors
Yasoa et al. (2020b)	Qualitative – interviews	Role of Shariah auditors	No	The Shariah review and Shariah audit are two different functions, but they play an important role in enhancing market confidence and Shariah governance
Abd Rahman et al. (2020)	Qualitative – interviews	Role of shariah auditors	No	With the implementation of Shariah audit practices, Islamic legal maxims support the achievement of Maqasid al Shariah by Islamic banks. With this, the income generated by these banking institutions is halal, and all business transactions and operations will not violate the Shariah principles
Aslam and Haron (2020)	Quantitative – panel data	Governance	Agency theory, resource dependence theory, stewardship theory	The audit committee and Shariah board play an important role in influencing Islamic banks performance (return on assets and return on equity). While the risk management committee and the size of the board negatively affect the performance of Islamic banks, the results also found the duplicity of the CEO and non-executive managers have a mixed relationship with performance

Table A1.

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Article	Research design/data	Focus of the study	Theory	Summary of results
Mukhibad <i>et al.</i> (2020)	Quantitative – panel data	Corporate disclosure	Agency theory, stakeholder theory	The number of Shariah supervisory board members, the cross-memberships of Shariah supervisory board and the ratio of independent commissioners to the number of audit committees do not influence risk disclosure, whereas leverage to investment account ratio does not influence risk disclosure. Also, the results of this study demonstrate that only the amount of assets influences risk disclosure
Kharisova and Novikova (2020)	Non-empirical	Other issues	No	The standard proposed by AAOIFI can become a reliable methodological and regulatory basis for Shariah internal audit, which in turn can not only protect the interests of Shariah-sensitive partners, but also increase market Confidence in IFIs in times of crisis because its scope covers much broader aspects of religious, economic and ethical standards
Ridwan and Mayapada (2020)	Quantitative – panel data	Corporate disclosure	Agency theory, stakeholder theory	The effectiveness of the Board of Directors positively affects the practices of social responsibility and its disclosure, while there is no significant impact of the Audit Committee and the Shariah supervisory board on disclosure in Islamic banks
Tawfik and Bilal (2020)	Qualitative – questionnaire	Shariah auditors' effectiveness	No	The training and skill are important factors in the effectiveness of Shariah audit, as the Omani market suffers from a scarcity in the presence of sufficiently qualified Shariah auditors, and therefore there is a gap in Shariah governance in Islamic banks
Sulub <i>et al.</i> (2020)	Quantitative – panel data	Governance	Agency and stakeholder theories	The internal audit function is likely used by Islamic banks with higher corporate governance disclosure, and strong Shariah Supervisory Board. While the result showed that there is a negative association between levels of unrestricted Investment Account Holders' (UIAH) ownership and the use of internal audit function. Moreover, the results did not find any effect of the board of directors' strength on the use of internal audit function
Khalid and Sarea (2021)	Review	Shariah auditors effective	general agency theory and Islamic agency theory is	The effectiveness of Shariah audit combined with a reasonable degree of independence for Shariah auditors provides a guarantee of Shariah compliance in international Islamic institutions
Sani and Abubakar (2020)	Qualitative	Role of Shariah auditors	No	A robust risk-based Shariah audit framework has been developed, which focuses on Shariah non-compliance risks to systematically and practically arrive at a

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Table A1.

Article	Research design/data	Focus of the study	Theory	Summary of results
Raja (2021)	Non-empirical	Other issues	No	rated opinion on the level of an IFT's adherence with Shariah rules and principles as recommended by the Accounting and Auditing Organization for Islamic Financial Institutions, aimed to safeguard the IFI and promote financial system stability at large. In this study, the author has summarized the provisions of Zakat according to the traditional law, but only those that are relevant for the financial institutions and the standard issued by the AAOIFI. In the last section, the author has shown that the rulings of the Islamic Fiqh academy and the AAOIFI on Zakat are totally confusing and merely a reproduction of the rulings of traditional law.

Table A1.

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