

# Regulations of Shariah Audit for Islamic Financial Institutions

Yazkhiruni Yahya, Haslida Abu Hasan, Nurmazilah Dato' Mahzan  
*University Of Malaya*

## Abstract

Malaysia is well known for its Islamic capital market and is leading in the Islamic banking industry. Being an Islamic country, Malaysia emphasizes on the purification of its money market to provide Muslims society with *halal* source of finance. Although Malaysia is leading the industry, *shariah* auditing is still in need of good governance and direction to best achieve its potential. The Central Bank of Malaysia (BNM) is the key regulator of Malaysian IFIs and *shariah* auditing practices besides several other institutions which their rules and regulations have been adapted to suit *shariah* requirement. Thus, this article is written with an aim to provide readers on the extant of regulations surrounding *shariah* auditing practices in Malaysia, issues arises and opportunity for improvements. Utilizing archival/historical search, various documents have been reviewed comprises diverse literatures and scholarly discussion on *shariah* auditing issues. Three main issues have been identified for attention (i) competency and skills requirements of internal auditor conducting *shariah* audit and ambiguous guidelines to specify the competency level; (ii) absent of a structured *shariah* auditing framework; and (iii) roles perception gap, where *shariah* audit and review were reported to be conducted only by *shariah* committee and external auditors. In conclusion, this study raised awareness on the importance of shariah auditing education to overcome most of the issues highlighted.