



Development of Sharia Auditing in Indonesia: Opportunities, Structural Challenges, and Competency Frameworks

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ABSTRACT

The rapid expansion of the Islamic financial industry in Indonesia necessitates a robust Sharia auditing framework to ensure compliance, transparency, and public trust. This study analyzes the evolutionary landscape, growth opportunities, and structural challenges of Sharia auditing in Indonesia, while formulating a comprehensive Sharia auditor competency framework. Utilizing a qualitative-normative research design, this paper examines primary statutory regulations, accounting and auditing standards (AAOIFI, PSAK 101–112, IAPI decrees), and contemporary peer-reviewed literature. The findings reveal that while legislative mandates and digital transformations present significant opportunities for expansion across banking and Islamic social finance, the field is constrained by structural bottlenecks. These include the lack of independent Sharia audit firms, regulatory fragmentation, and a dual knowledge asymmetry between religious scholars (lacking audit methodology expertise) and financial auditors (lacking deep Fiqh Muamalat mastery). To bridge these gaps, this study proposes an Integrated Sharia Auditor Competency Framework spanning four core dimensions: (1) Islamic Jurisprudence & Fiqh Muamalat Mastery, (2) Technical Audit Proficiency & Accounting Assurance, (3) Digital Governance & Data Analytics, and (4) Moral Accountability & Independence grounded in the principle of *Amanah*. Furthermore, a strategic implementation roadmap involving joint professional certifications (SAS), academic curriculum alignment, and automated audit tools is recommended to institutionalize Sharia auditing standards nationwide.

ABSTRAK

Pesatnya perkembangan industri keuangan syariah di Indonesia menuntut adanya kerangka audit syariah yang tangguh untuk menjamin kepatuhan, transparansi, dan kepercayaan publik. Penelitian ini bertujuan untuk menganalisis rekam jejak evolusi, peluang pertumbuhan, serta tantangan struktural dalam praktik audit syariah di Indonesia, sekaligus merumuskan kerangka kerja kompetensi auditor syariah yang komprehensif. Menggunakan desain penelitian kualitatif-normatif, paper ini menganalisis regulasi perundang-undangan utama, standar akuntansi dan audit (AAOIFI, PSAK 101–112, regulasi IAPI), serta literatur akademis terkait. Hasil penelitian menunjukkan bahwa meskipun dukungan regulasi dan transformasi digital memberikan peluang ekspansi yang besar pada sektor perbankan maupun keuangan sosial Islam, industri ini masih terhambat oleh kendala struktural. Kendala tersebut meliputi ketiadaan kantor akuntan khusus audit syariah yang independen, fragmentasi regulasi, serta asimetri pengetahuan ganda antara dewan pengawas syariah (yang kurang menguasai metodologi audit) dan auditor keuangan (yang kurang memahami Fiqh Muamalat secara mendalam). Untuk mengatasi kesenjangan ini, penelitian ini merumuskan Kerangka Kerja Kompetensi Auditor Syariah Terintegrasi yang mencakup empat dimensi utama: (1) Penguasaan Fiqh Muamalat & Yurisprudensi Islam, (2) Keahlian Audit Teknis & Penjaminan Akuntansi, (3) Tata Kelola Digital & Analisis Data, serta (4) Akuntabilitas Moral & Independensi berbasis prinsip *Amanah*. Lebih lanjut, peta jalan implementasi strategis yang melibatkan sertifikasi profesi bersama (SAS), penyelarasan kurikulum akademis, dan otomatisasi

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alat audit direkomendasikan untuk menginstitusikan standar audit syariah secara nasional.

INTRODUCTION

The theoretical framework of modern Islamic economics began to gain global recognition in the 1970s through the landmark contributions of Muslim scholars such as Muhammad Abdul Mannan, M. Nejatullah Siddiqi, Khurshid Ahmad, Syed Nawab Haider Naqvi, and M. Umer Chapra (Mardiyah & Mardian, 2015). A key institutional milestone during this period was the establishment of the Islamic Development Bank (IsDB) in 1974 under the auspices of the Organisation of Islamic Cooperation (OIC) (Gunawan, 2023; Silvia & Baihaqi 2026). Primarily operating as an intergovernmental multilateral development bank, the IsDB was created to provide fee-based lending and profit-sharing project financing anchored explicitly in Islamic jurisprudence (Sharia) (Silvia & Baihaqi, 2026).

Inspired by the groundbreaking IsDB framework, commercial Islamic financial institutions emerged globally during the late 1970s, including Dubai Islamic Bank in 1975, Faisal Islamic Bank of Sudan in 1977, Faisal Islamic Bank of Egypt in 1977, and Bahrain Islamic Bank in 1979 (Shafiia et al., 2014). In the Asia-Pacific region, early initiatives included the Philippine Amanah Bank, established in 1973, and the Muslim Pilgrims Savings Corporation in Malaysia in 1983 (Silvia & Baihaqi, 2026). These institutional developments demonstrated that alternative financial systems grounded in risk-sharing and ethical principles could function effectively alongside conventional banking models (Zakirullah, 2021; Shafiia et al., 2014).

In Indonesia, the formal development of Islamic banking was initiated in 1992 with the establishment of Bank Muamalat Indonesia (Utama, 2020; Fibriyani & Salman, 2024; Silvia & Baihaqi, 2026). The initial legal basis was established under Law No. 7 of 1992 on Banking, which was subsequently amended by Law No. 10 of 1998 to recognize dual banking systems formally (Munthe et al., 2021). Following the 1997–1998 Asian financial crisis, Bank Syariah Mandiri was established as the second full-fledged Islamic commercial bank (Riani & Mardian, 2017). Today, Indonesia's Islamic financial sector comprises 21 full-fledged Islamic commercial banks and Sharia business units, along with 168 Sharia Rural Banks (Pradesa et al., 2023).

Globally, Sharia-compliant financial principles have gained widespread traction across both traditional and emerging financial centers (AAOIFI, 2015; Shafiia et al., 2014). They serve ethical investors seeking strict Sharia compliance as well as conventional investors searching for portfolio diversification and sustainable returns (Farida & Dewi, 2018; Shafiia et al., 2014). Financial instruments rooted in Sharia principles are now actively traded across Europe, Asia, and North America (Utama, 2020). This global expansion has been supported by institutional bodies such as the Islamic Research and Training Institute (IRTI), International Islamic Financial Market (IIFM), Islamic Financial Services Board (IFSB), and Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) (Silvia & Baihaqi, 2026).

In Indonesia, Sharia oversight is structured through a multi-tiered regulatory infrastructure involving the National Sharia Board of the Indonesian Ulema Council (DSN-MUI), Sharia Supervisory Boards (DPS), Bank Indonesia (BI), and the Financial Services Authority (OJK) (Munthe et al., 2021). DSN-MUI formulates binding Sharia rulings (fatwas) governing financial transactions, while individual DPS units ensure compliance at the institutional level (Munthe et al., 2021; Syahrial, 2022). However, as Islamic financial instruments grow in complexity, relying solely on qualitative fatwa compliance is insufficient, necessitating specialized auditing practices (Fadhlihi et al., 2025; Amanda et al., 2025).

Despite significant market expansion, the practical implementation of Sharia auditing faces internal and external obstacles (Fadhli & Hammed, 2025). Theoretical gaps persist in operationalizing



complex Islamic contracts into standard auditing procedures, while practical challenges involve institutional maturity and public literacy (Amanda et al., 2025; Yaacob & Donglah, 2012). Internal problems stem from human resource limitations, whereas external challenges relate to navigating entrenched conventional financial practices (Etika et al., 2022).

To preserve stakeholder trust and maintain institutional integrity, robust Sharia auditing procedures are important. However, acquiring and standardizing necessary auditing competencies remains a critical bottleneck in the domestic market (Fadhli & Hammed, 2025). Prior studies emphasize three main structural problems: the absence of unified Sharia auditor competency standards, limited specialized educational programs, and difficulty translating theoretical Sharia principles into audit verification tasks (Aini & Muhari, 2022).

This study addresses these gaps by evaluating the current development landscape of Sharia auditing in Indonesia (Utama, 2020; Gunawan, 2023). Through a comprehensive examination, it analyzes key growth opportunities alongside the systemic challenges that currently impede the optimization of Sharia auditing practices (Fadhli & Hammed, 2025). A nuanced understanding of these dynamics is critical for offering actionable insights to regulators, professional bodies, and Islamic financial institutions. Ultimately, the synthesis of these findings serves as the foundation for formulating a robust, structured, and relevant Sharia auditor competency framework. By establishing this benchmark, the study aims to enhance Sharia compliance assurance and bolster public trust in Indonesia's Islamic financial ecosystem. To guide this investigation, the study addresses the following research question: What is the current development landscape of Sharia auditing in Indonesia? What are the key growth opportunities and systemic challenges facing Sharia auditing in the country? How can a comprehensive competency framework be formulated to effectively enhance the professional standards of Sharia auditors in Indonesia?

LITERATURE REVIEW

Conceptual Foundations and Theoretical Anchors of Sharia Auditing

A Sharia audit refers to a systematic process of obtaining and evaluating evidence to determine whether an entity's financial, operational, and administrative activities comply with established Sharia principles and regulatory standards (Shafiia et al., 2014). Unlike conventional financial auditing, which focuses primarily on financial statement accuracy and internal controls, Sharia auditing evaluates both objective criteria (financial compliance and profit-sharing calculations) and subjective criteria (substantive adherence to Islamic legal rulings) (Fadhlihi et al., 2025; Amanda et al., 2025).

Theoretically, the conceptual foundation of Sharia auditing rests upon the Islamic principles of *Hisbah* (the duty to command good and forbid wrong) and public accountability (*Amanah*) (Gunawan, 2023). Extending beyond classical theological roots, these concepts align closely with Agency Theory and Stakeholder Theory in modern corporate governance literature. In Islamic financial institutions, the agency relationship transcends the conventional principal-agent dichotomy; auditors act as multi-stakeholder stewards who mitigate information asymmetry and moral hazard not only for shareholders, but also for depositors, regulators, and the broader public (Mardiyah & Mardian, 2015). By validating that financial practices remain free from prohibited elements such as usury (*Riba*), ambiguity (*Gharar*), and gambling (*Maysir*), Sharia auditors safeguard both material accuracy and spiritual integrity across the institutional operational chain (Mardiyah & Mardian, 2015; Shafiia et al., 2014). This extensive operational scope encompassing legal contracts (*Akad*), revenue recognition models, charity fund management (*Zakat*, *Infq*, *Sedekah*), and risk management imposes unique intellectual demands on the audit profession (Utama, 2020; Gunawan, 2023). Consequently, Sharia auditors require a sophisticated



synthesis of conventional auditing methodologies and classical Islamic jurisprudence (*Fiqh Muamalat*) (Mohd Ali et al., 2020).

Objectives, Governance Standards, and the Imperative for Competency Frameworks

The primary objective of a Sharia audit is to enable independent practitioners to express a formal opinion on whether an institution's operations comply with Sharia rules in all material respects (AAOIFI, 2015; Mardiyah & Mardian, 2015). Governance bodies derive these operational benchmarks from international standards, such as those issued by AAOIFI, alongside national fatwas (DSN-MUI) and regional accounting frameworks like the Statements of Financial Accounting Standards (PSAK) (Riani & Mardian, 2017). Within broader governance architecture, Sharia auditing serves as an indispensable risk-mitigation tool. By detecting non-compliant transactions early, auditors neutralize Sharia non-compliance risk a critical exposure that can trigger severe reputational damage, financial panics, and systemic loss of investor confidence (Farida & Dewi, 2018). Operationally, Sharia auditing acts as a structural governance bridge connecting executive management, external public accountants, Sharia Supervisory Boards (SSB), and state regulatory authorities (Munthe et al., 2021). It provides robust assurance to market participants that institutional growth does not compromise underlying Sharia principles (Ghoriyyudin et al., 2024; Aini & Muhari, 2022).

However, achieving these governance objectives relies heavily on the structural mechanisms explained by Institutional Theory. Institutional forces specifically normative isomorphism (professionalization pressures) and coercive isomorphism (regulatory mandates) dictate that Sharia governance mechanisms can only function effectively when supported by standardized practitioner competencies. Without a formalized, nationwide competency framework, discrepancies in auditor expertise create structural vulnerabilities, impeding the seamless execution of governance standards across Islamic financial institutions (Fadhli & Hammed, 2025). Thus, evaluating the current Sharia auditing landscape is essential not only for identifying operational gaps, but also for establishing a holistic competency framework that reinforces institutional legitimacy and professional rigor.

RESEARCH METHODOLOGY

This study adopts a qualitative research design that incorporates normative analysis and examination of conceptual documents (Gunawan, 2023; Fadhlili et al., 2025). A qualitative-normative approach is particularly suitable for analyzing the regulatory infrastructure, structural governance, and professional development frameworks within the Sharia auditing landscape, where statutory mandates and theoretical principles dictate operational practices (Fadhlili et al., 2025).

The study relies on secondary qualitative data collected from primary regulatory instruments and peer-reviewed scholarly literature. To capture the full context of Indonesia's Sharia auditing environment, the analyzed materials were categorized into three distinct layers: first, Statutory and Regulatory Frameworks: Banking Law No. 7 of 1992, Law No. 10 of 1998, and Law No. 21 of 2008 on Sharia Banking, alongside circulars and supervisory guidelines issued by the Financial Services Authority (OJK) and Bank Indonesia (BI). Second, Professional and Accounting Standards: Governance and auditing guidelines established by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and Indonesian Financial Accounting Standards (specifically PSAK 109 governing zakat, infaq, and sedekah). Third, Academic Literature and Industry Reports: Peer-reviewed journal articles, policy papers, and statistical reports (e.g., OJK Islamic Finance Development Reports) focusing on Sharia governance, auditor competencies, and institutional challenges in Indonesia.

Data were collected through structured desk research targeting national and international



academic repositories, regulatory archives, and institutional publications. The analysis was executed through a three-stage qualitative content analysis process (Miles et al., 2014): Data Reduction, selected documents were systematically evaluated to extract key qualitative data regarding Sharia banking growth, regulatory mandates, competency requirements, and institutional constraints. Conceptual Categorization: the extracted data were organized into thematic nodes, specifically separating growth drivers (e.g., market expansion, digital integration, socio-religious finance transparency) from structural bottlenecks (e.g., DPS-auditor role overlaps and skill mismatches). Thematic Synthesis: the categorized themes were synthesized to evaluate current practices and conceptualize actionable recommendations for establishing unified Sharia auditor competency standards.

RESULT AND DISCUSSION

Development and Evolution of Sharia Auditing in Indonesia

The evolution of Sharia auditing in Indonesia is intrinsically linked to the structural expansion of the national Islamic financial industry over the past three decades (Utama, 2020; Riani; Mardian, 2017). As home to the world's largest Muslim population, Indonesia presents a unique macro-environment where economic growth, religious identity, and institutional governance converge (Aini & Muhari, 2022). Regulatory data from the Financial Services Authority (OJK) indicates that Sharia financial assets have experienced a consistent upward development, expanding from a niche banking experiment into a systemic pillar of the national financial sector (Pradesa et al., 2023). Within this expanding ecosystem, Sharia auditing serves as a foundational trust-building and risk-mitigation mechanism (Munthe et al., 2021; Aini & Muhari, 2022). Unlike conventional auditing, which centers primarily on economic truth, internal controls, and the fair presentation of financial statements, Sharia auditing operates on a multi-dimensional mandate to evaluate ethical and religious compliance across the entire operational spectrum (Amanda et al., 2025).

To illustrate the development of Sharia auditing within the country's financial ecosystem, the historical development can be structured into four main evolutionary milestones: First, Inception Phase: Emergence of Sharia Banking 1991 – 1998. Establishment of Bank Muamalat Indonesia (1991) and Law No. 7/1992 introduced profit-sharing banking. Sharia oversight was informal and handled primarily by individual Sharia advisors without standardized auditing protocols or dedicated internal Sharia auditors. Second, Institutional & Structural Foundation 1999 – 2007. Establishment of the National Sharia Board (DSN-MUI) in 1999 to issue binding fatwas, alongside Law No. 10/1998 recognizing dual banking. Bank Indonesia introduced regulatory frameworks requiring Islamic banks to establish Sharia Supervisory Boards (DPS), marking the formal inception of internal Sharia compliance monitoring. Third, Codification & Standardization Expansion 2008 – 2015. Enactment of Law No. 21/2008 on Sharia Banking solidified governance mandates. The Indonesian Institute of Accountants (IAI) developed dedicated Sharia Accounting Standards (PSAK 101–112) and introduced early professional Sharia accounting frameworks, transitioning Sharia auditing from advisory oversight to a structured compliance function. Forth, Modern Regulatory Integration & Professional Certification Era 2016 – Present. Integration of Sharia audit guidelines into broader macroprudential frameworks by OJK and Bank Indonesia (e.g., POJK on Sharia Governance). The consolidation of state-owned Sharia banks into Bank Syariah Indonesia (BSI) in 2021 and the enactment of updated joint professional standards notably the IAPI regulations on specialized Sharia audit competency certifications for Certified Public Accountants (CPA) in collaboration with IAI marked a shift toward institutionalizing Sharia auditing as an indispensable, professionalized practice.

Analyzing these historical milestones reveals that the development of Sharia auditing in



Indonesia was initiated during the Inception Phase (1991–1998) following the establishment of Bank Muamalat Indonesia and the enactment of Law No. 7/1992. During this foundational period, Sharia oversight operated in a highly informal and decentralized manner, relying on individual religious scholars who acted as informal advisors without formalized audit working papers, standardized procedures, or dedicated internal Sharia audit units. The structural paradigm shifted significantly during the Institutional and Structural Foundation Phase (1999–2007), marked by the creation of the National Sharia Board (DSN-MUI) in 1999 and the legal recognition of the dual banking system under Law No. 10/1998. This era established central authority over Islamic legal rulings (fatwas) and mandated the inclusion of Sharia Supervisory Boards (*Dewan Pengawas Syariah* or DPS) within financial institutions, effectively laying the groundwork for systematic internal compliance monitoring.

The institutionalization of Sharia auditing deepened further during the Codification and Standardization Expansion Phase (2008–2015). The enactment of Law No. 21/2008 on Sharia Banking provided explicit legal mandates for governance, while the Indonesian Institute of Accountants (IAI) promulgated specialized Sharia Accounting Standards (*Pernyataan Standar Akuntansi Keuangan* or PSAK 101–112). Building upon these codified benchmarks, the Modern Regulatory Integration Era (2016–Present) has witnessed the Financial Services Authority (OJK) and Bank Indonesia embedding Sharia audit mechanisms into macroprudential governance frameworks, exemplified by comprehensive regulatory decrees on Islamic bank governance (POJK). This phase reached major structural milestones with the 2021 merger establishing Bank Syariah Indonesia (BSI) and the formalization of specialized professional certification standards. Notably, the Indonesian Institute of Certified Public Accountants (IAPI) promulgated updated regulatory mandates requiring external auditors and public accounting firms (*Kantor Akuntan Publik* or KAP) auditing Islamic institutions to hold specialized Sharia competency credentials developed in partnership with IAI through the Certified Sharia Auditor (*Sertifikasi Akuntansi/Audit Syariah* or SAS) framework. This regulatory push elevates Sharia auditing from an auxiliary compliance activity to a mandatory, legally recognized professional discipline.

Despite these significant achievements, the historical evolution of Sharia auditing in Indonesia has structurally lagged behind the rapid pace of financial product innovation (Mardiyah & Mardian, 2015). While financial institutions have swiftly introduced complex market offerings including Sharia-compliant financial technology, digital *Sukuk*, and hybrid commercial-social contracts the development of tailored audit methodologies, standardized working tools, and widespread execution of certified audit programs has progressed at a far slower cadence (Etika et al., 2022; Munthe et al., 2021). This systemic lag stems primarily from a persistent structural asymmetry where product development is driven by immediate market forces, whereas auditing frameworks rely on lengthy regulatory alignment among fatwa authorities, professional accounting organizations (IAPI/IAI), and state regulators.

This structural lag manifests across three critical governance dimensions within the current operational landscape. First, regulatory fragmentation between fatwa interpretations issued by DSN-MUI, prudential rules enforced by OJK, and technical auditing standards issued by IAPI and IAI frequently generates operational ambiguity for practitioners during field audit execution. Second, methodological deficits remain widespread; many institutions continue to rely on adapted conventional auditing routines overlaid with superficial Sharia compliance checklists, rather than executing specialized Sharia audit programs designed to test the substantive validity of underlying Islamic contracts (*Fiqh Muamalat*). Third, despite recent IAPI regulatory mandates establishing specialized Sharia certifications, the market faces an acute practitioner supply bottleneck. There remains a structural shortage of licensed public accountants who possess dual competency in rigorous financial audit methodologies and classical Islamic jurisprudence (Fadhli & Hammed, 2025). Consequently, while the



current landscape reflects considerable maturity compared to its early stages, establishing a comprehensive, nationwide competency framework that operationalizes IAPI and IAI professional standards remains an indispensable prerequisite for the future sustainability of Sharia auditing in Indonesia.

Opportunities for Sharia Audit Expansion in Indonesia

The expansion of Indonesia's Islamic financial ecosystem presents significant structural opportunities for scaling and elevating Sharia auditing. As Islamic finance transitions from a market alternative to a core pillar of the national economy, the demand for rigorous compliance monitoring and specialized assurance mechanisms has intensified across commercial, regulatory, digital, and social finance domains.

1. Industry Growth and Market Expansion Across Financial Sectors

Indonesia's Islamic banking sector reached total assets of IDR 1.067,73 trillion in 2025, reflecting a robust growth rate and expanding its share within the national banking industry (Otoritas Jasa Keuangan, 2025). This sustained asset growth directly expands the operational scope and geographic dispersion of Islamic financial institutions (IFIs), thereby creating direct demand for specialized Sharia audit services to maintain governance integrity across sprawling branch networks and subsidiary operations (Pradesa et al., 2023). As financial transaction volumes and contract complexities scale, institutions are exposed to heightened Sharia non-compliance risks, making rigorous audit procedures indispensable for safeguarding institutional stability and market reputation (Ginanjari & Syamsul, 2020). Furthermore, expanding asset bases provide IFIs with the financial capacity to allocate greater capital toward establishing dedicated internal Sharia audit units, procuring specialized audit management software, and implementing continuous monitoring controls (Shafii et al., 2014).

Significantly, market expansion extends beyond commercial banking to encompass non-bank Islamic financial institutions (*IKNB Syariah*), capital markets (including *Sukuk* and Sharia-compliant equity funds), and socio-religious fund management entities (Mardiyah & Mardian, 2015). This multi-sectoral growth broadens the professional horizon for certified Sharia auditors, transforming Sharia auditing into a distinct, high-demand career pathway. In response to these market signals, higher education institutions and professional accounting bodies are incentivized to modernize academic curricula, integrate *Fiqh Muamalat* with modern auditing standards, and establish specialized certification programs to bridge the industry talent gap (Shafique et al., 2022; Zakirullah, 2021).

2. Legislative and Regulatory Framework Acceleration

The institutional maturity of Islamic finance in Indonesia has been accelerated by proactive legislative mandates and state-led regulatory policies (Utama, 2020; Munthe et al., 2021). Landmark legislative milestones including Law No. 7 of 1992, Law No. 10 of 1998, Law No. 23 of 1999, and Law No. 21 of 2008 on Sharia Banking have established the statutory foundation for Sharia governance, explicitly mandating independent oversight and compliance verification (Utama, 2020; Fibriyani & Salman, 2024; Munthe et al., 2021). Building upon these legislative foundations, regulatory authorities such as the Financial Services Authority (OJK) and Bank Indonesia have continuously updated supervisory frameworks, aligning domestic governance requirements with international benchmarks set by AAOIFI and the Islamic Financial Services Board (IFSB) (Silvia & Baihaqi 2026). These evolving regulatory guidelines enforce mandatory, periodic Sharia compliance audits, elevating the Sharia auditor from an advisory role to a statutory gatekeeper of operational integrity (Aini & Muhari, 2022).

This regulatory momentum is further reinforced by government initiatives aimed at increasing national financial literacy and institutionalizing Islamic economic policy (Fibriyani & Salman, 2024). From the perspective of Institutional Theory, coercive and normative regulatory pressures reduce



market asymmetry and uncertainty, thereby attracting domestic and international institutional capital to Indonesia's Islamic finance sector (Farida & Dewi, 2018). Clear statutory mandates grant Sharia auditors formal authority, standardized working guidelines, and legal protection during field examinations, enabling them to execute objective, uncompromised compliance reviews across all tiers of financial institutions (Munthe et.al., 2021).

3. Digital Transformation and Audit Automation

The rapid adoption of digital banking infrastructure including mobile applications, online customer onboarding, automated credit scoring, and digital payment gateways has fundamentally transformed the operational and risk profile of Islamic financial institutions (Rif et al., 2025; Utama, 2020). While digital transformation accelerates financial inclusion, it introduces new dimensions of Sharia non-compliance risk embedded within automated workflows, algorithmic profit-sharing calculations, and automated contract execution. Consequently, digital transformation mandates a paradigm shift in auditing methodologies, compelling Sharia auditors to transition from traditional manual sampling toward continuous, technology-enabled audit procedures capable of evaluating automated systems in real time (Rif et al., 2025; Utama, 2020).

The integration of advanced digital tools such as automated data analytics, machine learning algorithms, and computerized audit management software enables auditors to test 100% of transaction populations, execute continuous control monitoring, and identify anomalous non-compliant transactions instantly (Rif et al., 2025). This technological integration enhances audit precision, eliminates human sampling bias, and reduces operational costs associated with manual field audits (Sugeng et al., 2025). However, digitizing Sharia auditing also introduces heightened cybersecurity exposures, data privacy concerns, and system integrity risks (Sugeng et al., 2025; Rif et al., 2025). To navigate this digital landscape effectively, Sharia auditors must expand their technical skill sets to encompass IT auditing, smart contract verification, and cybersecurity governance, ensuring that automated financial technologies adhere strictly to underlying Sharia principles.

4. Transparency and Public Accountability in Islamic Social Finance

Heightened public awareness regarding ethical financial governance has driven substantial demand for transparency across Islamic socio-religious entities, particularly Zakat Management Organizations (BAZNAS and LAZ) and Waqf foundations (*Nazhir*) (Ghoriyyudin et al., 2024). Because public trust directly governs donor participation and social capital mobilization, rigorous Sharia auditing mechanisms are essential for establishing institutional accountability and demonstrating the religious legitimacy of fund operations (Ghoriyyudin et al., 2024). Independent verification provides stakeholders with assurance that public funds are managed in accordance with both statutory regulations and Islamic law.

Enforcement of specialized accounting and governance standards most notably PSAK 109 (Accounting for *Zakat, Infaq, and Sedekah*) and PSAK 112 (Accounting for Waqf) requires formal Sharia audits to verify the propriety of social fund collection, allocation, and distribution to eligible beneficiaries (*Mustahik*) (Ghoriyyudin et al., 2024). Formal audit reports serve as public proof of fiduciary integrity, validating that social revenues are not misallocated or contaminated by non-compliant operational practices (Arwani, 2018; Fadhli & Hammed, 2025). Furthermore, institutionalizing transparent Sharia audit routines within zakat and waqf entities creates benchmark governance models for the broader Islamic non-profit sector. By bridging the gap between social financial institutions and the public, independent Sharia audits fortify public trust, ultimately driving greater community participation in national socio-economic development programs (Ghoriyyudin et al., 2024). To address Research Question 3, this section provides a structural diagnosis of current human



resource bottlenecks, formulates a four-dimensional competency framework, and establishes operational strategies for scope delineation and institutional enforcement.

Structural Challenges and Human Resource Bottlenecks

A major structural vulnerability in Indonesia's Islamic financial sector is the absence of independent, specialized Sharia audit firms dedicated solely to religious compliance verification (Fadhlihi et al., 2025; Amanda et al., 2025). Instead, national Sharia governance relies on a multi-layered oversight structure comprising Sharia Supervisory Boards (DPS), internal audit departments, external Public Accounting Firms (KAP), and state regulators such as the Financial Services Authority (OJK) and the Audit Board of Indonesia (BPK) (Munthe et al., 2021). While intended to provide multi-tiered protection, this fragmented architecture frequently results in overlapping operational mandates, fragmented reporting lines, and governance redundancies (Fadhlihi et al., 2025; Amanda et al., 2025).

This structural divide is exacerbated by a pronounced skill mismatch across all oversight tiers: Jurisprudential vs. Audit Methodological Gap: Many DPS members are Islamic scholars (*Ulama*) who possess deep expertise in classical Islamic jurisprudence (*Fiqh*) and fatwa extraction (*Ijtihad*), but lack formal training in financial accounting standards (PSAK), risk-based audit methodologies, and IT controls (Sugeng et al., 2025; Shafique, 2022; Farida & Dewi, 2018). Accounting vs. Fiqh Expertise Gap: External financial auditors and certified public accountants (CPAs) possess rigorous auditing capabilities, but often lack formal education in classical *Fiqh Muamalat*, contract mechanics (*Akad*), and revenue purification protocols (Etika et al., 2022; Shafique, 2022).

Consequently, field audit engagements frequently revert to superficial, checklist-driven compliance exercises rather than substantive evaluations of underlying contract validity (Fadhli & Hammed, 2025). Without a standardized, dual-certified cadre of practitioners who blend technical audit proficiency with jurisprudential mastery, comprehensive Sharia audits cannot be executed consistently across the financial sector (Aini & Muhari, 2022).

Architecture of the Integrated Sharia Auditor Competency Framework

To bridge this structural divide, this study formulates the Integrated Sharia Auditor Competency Framework. Built upon the theoretical pillars of *Hisbah* (public moral oversight), *Amanah* (fiduciary accountability), and Institutional Theory (normative professionalization), the framework establishes four core competency dimensions required for professional Sharia audit practitioners in Indonesia. Dimension 1: Islamic Jurisprudence & Fiqh Muamalat Mastery Sharia auditors must possess a sophisticated understanding of classical and contemporary *Fiqh Muamalat*. This dimension goes beyond memorizing fatwas; it requires auditors to evaluate the substantive legal validity of commercial contracts (*Akad*), including hybrid contracts (*Akad Murakkab*). Auditors must master the operational rules governing prohibited elements such as usury (*Riba*), ambiguity (*Gharar*), and gambling (*Maysir*) and apply *Maqasid Al-Shariah* (higher objectives of Islamic law) to assess whether product structures serve socio-economic welfare (*Maslahah*). Furthermore, practitioners must be proficient in calculating non-halal revenue purification parameters and overseeing *Zakat*, *Infaq*, and *Waqf* fund allocations (Zakirullah, 2021; Farida & Dewi, 2018).

Dimension 2: Technical Audit Proficiency & Accounting Assurance. This dimension encompasses core auditing methodologies required to plan, execute, and report audit engagements. Practitioners must master risk-based auditing techniques, internal control evaluations (COSO framework adapted for Sharia), and substantive transaction testing (Shafique, 2022; Sugeng et al., 2025). Crucially, auditors must demonstrate thorough command of national Sharia Accounting Standards specifically PSAK 101 through 112 issued by the Indonesian Institute of Accountants (IAI) and technical auditing standards established by the Indonesian Institute of Certified Public Accountants



(IAPI). This dual proficiency enables auditors to verify whether financial state calculations (such as *Mudharabah* profit-sharing distribution ratios) accurately reflect underlying contractual terms. Dimension 3: Digital Governance, Smart Contracts & Data Analytics. As Islamic financial institutions undergo rapid digital transformation, auditors can no longer rely exclusively on manual sampling techniques (Shafique, 2022; Shafiia et al., 2014). This dimension requires competence in auditing automated digital banking channels, mobile onboarding algorithms, and automated financing workflows. Practitioners must be capable of conducting continuous data analytics, utilizing Computer-Assisted Audit Techniques (CAATs) to test 100% of transaction populations, and verifying smart contracts deployed on blockchain networks. Additionally, auditors must possess IT governance skill sets to evaluate cybersecurity risks, system logs, and algorithmic compliance within digital financial products (Sugeng et al., 2025).

Dimension 4: Moral Accountability, Professional Ethics & Independence. Grounded in the principle of *Amanah*, this dimension addresses the behavioral and ethical foundations of the auditing profession. Sharia auditors act as multi-stakeholder stewards accountable not only to corporate boards and regulators, but also to depositors and divine authority (Lathifah & Taufik, 2025; Fadhlili et al., 2025). Practitioners must maintain uncompromising professional skepticism, objectivity, and operational independence from executive management. This dimension enforces adherence to the Code of Ethics for Professional Accountants alongside specific Islamic ethical standards, ensuring that auditors resist commercial pressure to downplay non-compliance findings.

A major obstacle to operationalizing this competency framework is the lack of stakeholder understanding regarding how Sharia auditing differs from conventional auditing (Yaacob & Donglah, 2012). Institutional leaders, executive board members, and public depositors often view Sharia audits as a mere sub-component of conventional financial audits, failing to recognize their distinct scope and spiritual mandate (Fadhlili et al., 2025; Yaacob & Donglah, 2012; Arwani, 2018). To resolve this scope ambiguity, the framework establishes clear operational boundaries: Conventional Financial Auditing: Focuses on economic truth, financial position, internal controls over financial reporting, and compliance with general accounting standards (e.g., PSAK/IFRS). Its primary goal is to ensure that financial statements are free from material misstatement for corporate shareholders and investors. Specialized Sharia Auditing: Evaluates the legal and moral validity of operations under Islamic law (Fadhlili et al., 2025). Its scope extends across the entire operational chain from contract drafting and onboarding algorithms to revenue realization, charity fund distribution, and risk management (Mardiyah & Mardian, 2015; Ghoriiyudin et al., 2024).

Addressing these literacy deficits requires targeted educational initiatives and institutional outreach (Mohd Ali et al., 2020; Shafique, 2022; Lathifah & Taufik, 2025; Yaacob & Donglah, 2012). Regulatory authorities (OJK) and professional bodies (IAPI, IAI, DSN-MUI) must conduct mandatory governance workshops for corporate board members and executive directors. Building institutional literacy regarding the distinct role of Sharia auditing fosters an organizational culture that respects audit independence, allocates necessary budget resources, and acts decisively on Sharia non-compliance findings (Aini & Muhari, 2022).

To transition this competency framework from a theoretical model into a national industry standard, three strategic implementation phases must be executed by regulators and professional associations: First, Regulatory Mandate & Joint Certification Integration (Short-Term): OJK, in coordination with IAPI, IAI (KASAP), and DSN-MUI, should formalize a mandatory dual-certification policy (*Sertifikasi Auditor Syariah / SAS*). Under this mandate, public accountants and internal auditors auditing Islamic financial entities must be certified across all four framework dimensions to obtain or



renew practice licenses. Second, Curriculum Integration & Academic Talent Pipeline (Medium-Term): Higher education institutions offering accounting and Islamic finance degrees must align their academic curricula with the four framework dimensions. Integrating professional certification prep modules directly into university programs will create a continuous pipeline of dual-competent graduates (Shafique, 2022; Lathifah & Taufik, 2025; Zakirullah, 2021). Third, Standardized Audit Working Tools & Digital Integration (Long-Term): Professional bodies must develop standardized Sharia audit programs and working papers mapped directly to OJK regulations and DSN-MUI fatwas. Simultaneously, financial institutions must equip audit units with automated audit management software and data analytics tools to enable real-time compliance monitoring across digital channels (Lathifah & Taufik, 2025; Shafique, 2022).

CONCLUSION

This study provides a comprehensive analysis of the development, growth opportunities, structural challenges, and competency requirements of Sharia auditing in Indonesia. Over the past three decades, Sharia auditing has evolved from an informal advisory function into an institutionalized compliance discipline embedded within national regulatory frameworks. Driven by rapid asset expansion across Islamic banking, capital markets, and social finance entities, the operational scope of Sharia auditing has expanded significantly. Furthermore, proactive support from regulatory authorities alongside digital transformation offers substantial opportunities to modernize audit procedures through continuous data analytics and automated monitoring. However, the rigor of Sharia auditing remains constrained by a pronounced dual knowledge asymmetry, where Sharia scholars often lack formal auditing training and conventional financial auditors lack deep mastery of classical Fiqh Muamalat, frequently reducing audit engagements to superficial checklist exercises. To bridge this divide, the Integrated Sharia Auditor Competency Framework synthesizes jurisprudential mastery, technical audit proficiency, digital governance, and moral accountability grounded in the principle of *Amanah*.

Despite its theoretical and practical contributions, this study is subject to several limitations. Methodologically, the analysis relies primarily on qualitative-normative legal reviews, statutory documents, and secondary literature, which may not fully capture the nuanced operational realities and informal pressures experienced by field auditors during daily audit execution. Additionally, while the proposed competency framework provides a holistic theoretical structure, its practical applicability across diverse institutional sizes ranging from large state-owned Islamic banks to small regional Sharia rural banks (BPRS) and localized Zakat organizations remains to be empirically validated. The study also focuses predominantly on the Indonesian regulatory landscape, which may limit the direct generalizability of its findings to Islamic financial jurisdictions governed by different legal and regulatory traditions.

To address these limitations and advance the field of Sharia auditing, several strategic recommendations are proposed for regulators, professional bodies, and future researchers. Regulatory authorities such as the Financial Services Authority (OJK) and Bank Indonesia, in collaboration with professional accounting associations (IAPI and IAI) and the National Sharia Board (DSN-MUI), should formalize a mandatory joint certification policy to standardize practitioner competencies nationwide. Simultaneously, higher education institutions must align accounting curricula with Islamic finance principles to build a sustainable talent pipeline. For future academic research, empirical studies utilizing mixed-methods or field survey approaches are strongly encouraged to assess the direct implementation of the proposed framework, evaluate auditor independence in practice, and measure the real impact of digital audit tools on Sharia compliance oversight.



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