

Sharia Audit: Understand the Risk of Gap that May Occur

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Abstract

Islam is very rapid so that the development of Islamic-based institutions is very rapid, with user-investor awareness of the obligation to apply the concept of Islamic muamalah which is needed to achieve economic stability. Sharia audit in this realm is not only focused on finance, but also the concept of gaps in the risks that occur in sharia-based companies, so that they are required to understand Islamic law. In this study using primary data which came directly interviewed all sharia employees in dealing with risks in monitoring and examining the operational activities of the bank. The task of the Sharia Supervisory Board (DPS) is to monitor and examine all operational activities and business processes of the bank in accordance with previously understood Sharia criteria. Sharia law enforcement in Indonesia primarily uses preventive enforcement. Preventive audits are limited to Shariah awareness, whereby the internal audit team focuses on identifying transactional activities that should be deemed to be in violation of Shariah principles and leaves information about non-compliance unchecked.

Keywords: Sharia institution, Sharia supervisory board, preventive control, audit

INTRODUCTION

The market share of sharia banking is currently around 5% of the national market share. This data shows that public trust in Islamic Financial Institutions (LKS) and Sharia Compliance (*Sharia Compliance*) still needs to be improved. Sharia compliance is the main pillar and differentiator of LKS from conventional financial institutions (Mardian, 2015). Data from Bank Indonesia and the Bogor Agricultural Institute in 2004 show that there are public doubts about sharia compliance in Islamic banks. Research on the behavior of Islamic Bank customers in Bahrain found that customers' decisions to choose Islamic banks are driven more by religious factors related to banking adherence to Islamic principles. In addition, according to Chapra (2002) in (Junusi, 2012), failure to apply sharia principles will make customers move to other banks by 85%. Junusi (2012) explains, the results of Bank Indonesia's research stated that customers who use Islamic bank services, some have a tendency to stop being customers, among others, because of doubts about the consistency of the application of sharia principles. Wardayati (2011) explains that in order to foster a sense of trust from all stakeholders, managers of Islamic Banks need to fulfill the sharia principles required in carrying out their activities. The need for certainty of sharia compliance has prompted the emergence of a new audit function, namely

sharia audit. In this case, sharia auditors play a crucial role in ensuring the accountability of financial reports and compliance with sharia aspects. So that stakeholders feel safe investing and the funds owned by LKS can be ensured that they have been managed properly and correctly according to Islamic law. The current audit is part of the conventional financial system which only assesses economic aspects. Along with the development of science and technology, aspects outside the economy are starting to become the spotlight to be assessed in audits. This is marked by the emergence of other audit scopes such as performance *audit*, *social and environmental audit* and currently starting to develop sharia audit as well. (Ibrahim, 2008) the implementation of sharia audit has its own challenges. According to (Kasim, Ibrahim, Hameed, & Sulaiman, 2009) there is a separation between expectations and current practice of sharia auditing. There are at least 4 main factors that are major obstacles to the implementation of an audit based on sharia law, namely the framework, scope, qualifications and independence. Another challenge is the role of the supervisory board as a sharia auditor. The supervisory board does not have binding and coercive powers but only limited to fatwas, this raises the issue of independence (Abdul-Razzaq, 2009).

In Indonesia itself, according to research conducted (Kasim et.al., 2013) it appears that audit practitioners in Indonesia are still looking for appropriate basic rules for the scope, regulatory framework, qualifications and independence of sharia auditors. As a country with a majority Muslim population, the number of sharia auditors owned is still very limited. Until 2014 only about 54 people had Sharia Accounting Certification (SAS) issued by the Indonesian Institute of Accountants (IAI, 2013). And public accountants who can audit LKS based on data issued by the Financial Services Authority (OJK) only number around 30 KAPs (Public Accountant Offices).

In order to determine the achievement of sharia compliance, it is necessary to carry out more specific research on units that are directly related to the implementation and supervision of bank sharia compliance. According to OJK, the market share of sharia banking in Indonesia at the end of 2015 only reached 4.87%. This figure is still below the target of 5% of the national banking market, and far below Malaysia's market share of over 20%. Seeing that Indonesia's population is more Muslim, the share of the Islamic banking market should have reached far above 5%. This fact illustrates that the public has not fully placed their trust in these Islamic banks. The skeptical view that Islamic banks are not much different from conventional banks is also one of the main factors in the market share of Islamic banking which is still below the target of 5%. A survey from Chapra and Ahmad (2002) in Darmadi (2013) shows that most Islamic bank customers tend to withdraw their funds at the Islamic bank if there are doubts about the implementation of sharia principles. In order to oversee the implementation of sharia compliance in Islamic banks, it is necessary to have an independent institution that understands sharia knowledge and principles and has knowledge in the field of banking business.

LITERATURE REVIEW

Agency Theory

Agency theory states that an organization employs agents to work on its behalf, and the reason why workers do not always perform as expected by employers is because the interests of

workers and employers are not in perfect harmony (Berle and Means in Hennis, 2012).). According to Jensen and Meckling (1976) agency theory studies the agency relationship that occurs when one or more (principals) employ another person (agent) to provide a service and delegate decision-making authority to the agent.

Agency theory is widely used in the fields of economics, management, marketing, information systems, and finance. The relationship between principal and agent is divided into two, namely: (1) the relationship between the company owner or principal shareholder) and top management (agent) (Jensen and Meckling, 1976), and (2) the relationship between top management (top management) who acts as principal with middle management as agent. (Govindarajan and Fisher, 1990).

According to Eisenhard (1989), agency theory is based on three assumptions, namely: (a) assumptions about human nature, (b) assumptions about organization, (c) assumptions about information. The assumption about human nature explains that humans are selfish(*self Interest*), has limited rationality(*bounded rationality*) and do not like the risk(*risk aversion*) Organizational assumptions are the existence of conflict between members in the organization, efficiency as a productivity criterion and the existence of asymmetric information between principals and agents. The last one, namely the assumption about information, explains that information is something that can be bought and sold (Hanggareni, 2015).

Principals as owners of capital have the right to have access rights to internal company information. Meanwhile, the agent has information about the real and comprehensive operation and performance of the company because the agent's job is to carry out operational activities within the company. However, agents do not have the right to make decisions, especially decisions that are strategic, long-term and global.

Principals and agents contradict each other, where agents act as information providers and principals as decision makers which will sometimes lead to conflicts, but principals and agents need each other. The difference in interests between the principal and the agent is known as the *agency problem*.

Agency problems are usually caused by *asymmetric information*, namely information that is not balanced because the information conveyed is not the same to the principal and agent. As a result of the existence of unbalanced information, it creates two problems caused by the difficulty of principals in controlling and also monitoring the actions of their agents. The two problems are: (1)*Moral hazard*, namely problems that arise as a result of the agent not carrying out the agreement that was taken at the time of the work contract, and (2)*Adverse selection*, namely the problem where the principal does not know whether the decision taken by the agent is in accordance with the correct information or there is a negligence in the task (Jensen and Meckling, 1976).

There is *Agency Problem* may incur agency costs (*agency cost*), which consists of: (1) monitoring costs, namely costs incurred by principals to monitor agents, as well as efforts to control (*control*) agent behavior through budget *restriction*, and compensation *policies*; (2) *bonding cost*, namely costs incurred by the agent as a guarantee that the agent does not take certain actions that harm the principal or as a guarantee that the principal will be compensated if he does not take many actions; (3)*residual loss*, namely the cost of decreasing the level of welfare of the principal and agent after the existence of an agency relationship (Jensen and Meckling, 1976).

Corporate governance is the concept based on agency *theory* so that it is expected to be useful as a tool to provide confidence to investors that they will receive return for the funds they invest. This concept relates to giving investors confidence that the board of directors and managers will benefit them, confident that management will not steal and also embezzle or invest in unprofitable projects related to funds/capital invested by investors (Sheileifer and Vishny, 1997). *Corporate governance* can also serve to emphasize or reduce agency costs

Sharia Enterprise Theory (SET)

Sharia Enterprise Theory (SET) enterprise theory which has been internalized with Islamic values with the aim of producing a theory that transcendental and more humane. *Enterprise theory* According to Triyuwono, it is a theory that recognizes accountability not only to company owners, but to a wider group of stakeholders. *Enterprise theory* able to accommodate the plurality of society, it is because of the concept enterprise *theory* shows that economic power is no longer in one hand (*enterprise theory*), but in many hands (*stakeholders*) (Triyuwono, 2007). According to experts, *enterprise theory* is more appropriate for an economic system that is based on sharia values. This is because enterprise theory emphasizes broad accountability. The concept of sharia prohibits the circulation of wealth only among certain circles. *Enterprise theory* needs to be developed so that it has a form that is closer to sharia. The development was carried out until finally a theoretical form was obtained known as *Sharia Enterprise Theory (SET)*. SET does not only care about the interests of individuals (shareholders), but also other parties. Therefore, SET has great concern for stakeholders (Triyuwono, 2007).

According to SET, stakeholders include God, humans and nature. God is the highest party and the only goal of human life. The second stakeholder from SET theory is the parties who directly contribute to the company (*Direct-Stakeholders*) both financial and non-financial contributions and parties that do not contribute at all to the company (*Indirect-Stakeholders*), but according to sharia they are parties who have the right to obtain welfare from the company.

The third stakeholder from SET is nature. Nature is a party that contributes to the life and death of the company as God and humans. The company exists physically because it was founded on the earth, uses energy scattered in nature, produces using raw materials from nature, provides services to other parties using energy available in nature and so on (Sari, 2017).

Auditing

Auditing in Islamic view is not something relatively new. Audits emerged after the emergence of sharia financial institutions around the 1980s that required audit functions based on Islamic principles. In the history of Islam, during the time of the Prophet Muhammad SAW and the Rashidun caliphate, there was an institution that functioned like an auditor, namely the Hisbah institution that aimed to help mankind in

worship God by ensuring that the rights of God and human rights have been observed and implemented correctly (Shafeek, 2013; Kasim N., 2010; Imran, Ahmad, & Bhuiyan, 2012). Murtuza (2000) mentioned that this institution of hisbah continued to exist and play a role until Islam spread in Spain (Kasim N., 2010). Even in the Al-Qur'an there are verses or proofs which

when interpreted will show that Islam recognizes the current audit function as in QS. Al Insiyaq: 6-9, Al Infithar: 10-12, An Naml: 20-21; and Albaqarah 282.

Harahap (2002) states that the audit function is carried out based on an attitude of distrust or caution towards the possibility that reports presented by companies contain incorrect information that can harm other parties who do not have access to information sources. In this function it is referred to as "tabayyun" or checking the truth of news submitted from sources that are not trusted as stated in Al Hujuraat (49) verse 6.

The auditor has an obligation to witness whether the information presented in the financial statements is correct or not. When compared in the context of the Islamic financial system, sharia audit exists as a system that checks the compliance of financial operations based on sharia law (Shafeek, 2013). Thus, it can be concluded that Islam has known the audit function for a long time, namely in the form of hisbah institutions which have duties similar to the concept of auditing (Harahap, 2002).

In practice, sharia audit is a process of systematically examining the compliance of all LKS activities with sharia principles which include financial statements, products, IT use, operating processes, parties involved in LKS business activities, documentation and contracts, policies and procedures and activity others that require obedience to sharia principles (Sultan, 2007; Yaacob, 2012). The main purpose of LKS auditing is to provide an opinion on the financial report prepared by the management (company), in all material aspects it has been in accordance with sharia law and principles, AAOIFI standards (*Accounting and Auditing Organization for Islamic Financial Institution*), and the country's national accounting standards. In other words, auditing in LKS is not only limited to the general rules of financial auditing but also sharia views (Hanifa, 2010).

Hanifah (2010), explains further that in a sharia audit there are several key players who have their respective roles, namely DPS (Sharia Supervisory Board) and Internal Auditors. DPS is a party that plays a key role in the overall audit and corporate governance framework in LKS (Kasim & Sanusi, 2013). DPS has a role in formulating policies and guidelines that must be followed by management in their activities, including approval of products issued and also carried out *shariah review*, which is an examination to ensure that activities carried out by LKS do not conflict with sharia principles. In carrying out the role as *shariah review* DPS is assisted by internal auditors as daily executors. Yacoob (2012) argues that internal auditors can carry out the function of a sharia auditor if they have adequate sharia knowledge and expertise. Its main objective is to ensure a sound and effective internal control system that strictly follows sharia. External auditors have a unique role in shariah auditing, not only in conducting financial audits but also in conducting shariah *compliance test* to ensure shariah compliance of the company or LKS. The audit process is carried out in a structured manner, starting with planning the audit and ending with giving an opinion by the auditor regarding the financial statements prepared in accordance with the fatwas, AAOIFI and accounting standards and practices that apply in the country concerned.

Hanifah (2010) explained that the scope of audit covered in sharia audit is wider compared to conventional audit. Sharia audit must ensure the truth, fairness and relevance of financial reports published by management and ensure that management has performed its duties in accordance with Islamic law and principles, as well as ensuring that management has tried to

implement sharia goals (maqasid al-shariah) as an effort to protect and improve the lives of the people human in all dimensions.

According to Yaacob & Donglah (2012), the scope of a sharia audit is broader, which includes "*social behavior*" (social behavior) and organizational performance including its relationship with all stakeholders. The scope of sharia audit in LKS is financial reports; operations; organizational structure and management; and information technology systems (Sultan, 2007). Based on the above description it is known that the scope of sharia audit not only related to economic activities and management financial reports but also linking social and environmental influences in the auditing process. , Hameed, & Sulaiman, 2009; Yaacob & Donglah, 2012; Shafeek, 2013).

According to the standards issued by AAOIFI (2010) an auditor besides having knowledge in the field of auditing accounting must also have knowledge related to Islamic principles and law but does not need to be as detailed as the knowledge that must be possessed by the Sharia Supervisory Board. In addition, from research conducted by (Kasim, Ibrahim, Hameed, & Sulaiman, 2009) only 5.9% of the respondents had both qualifications (auditing and sharia accounting), while the number of LKS sharia audit practitioners in Malaysia who became respondents as much as 69%. Meanwhile, according to another study conducted by Mulyani (2007) in (Ibrahim, 2008) an auditor must have the following qualifications: in the field accounting which then has a specialization certificate in the field of sharia auditing. In other studies too, the majority of respondents argued that sharia auditors need to have two qualified qualifications, namely in the field of accountancy auditing and sharia (especially muamalat fiqh) (Khan, 1985).

According to Kasim (2009), auditing in Islamic finance has a social function that must provide benefits to the people. The full benefits of the sharia audit will not be realized if the sharia auditor does not stand independently. The main role of a sharia auditor is to maintain or supervise sharia compliance of sharia financial institutions. Auditors need and must be independent in attitude and institution (Kasim & Sanusi, 2013).

Kasim, et.al (2009) revealed four things (framework, scope, qualifications and independence) that have separators that are really not in accordance with actual practice. Minarni (2013) states that supervision of Islamic banks, Islamic audits and GCG does not mean that they can replace bank management tasks and do not guarantee banks are free from crises, losses or bankruptcy. Furthermore Kasim, et.al (2013) found the practice of sharia auditing in LKS to be regulated, both in Indonesia, Malaysia, or other parts of the world that practice Islamic banking and finance. Malaysia is one country that has started to regulate the practice of shariah auditing.

In Law No. 21 of 2008 it is stated that there is regulation of sharia compliance. The authority over this matter rests with the Indonesian Ulema Council (MUI). The National Sharia Council (DSN) has an extension in the form of DPS. DPS is an independent institution assigned by the DSN-MUI to oversee Islamic bank compliance with banking sharia rules. The implementation and supervision of sharia compliance by the DPS and the compliance unit of each bank is of course different from one bank to another. Even though there are regulations from Bank Indonesia, OJK, and DSN-MUI regarding supervision standards, there is still no standardization of activity mechanisms or work steps for DPS supervision. This becomes necessary to be researched so that the results of this research will later become the forerunner of a theory or

theory *Standard Operating Procedure (SOP)* implementation and supervision of sharia compliance in sharia commercial banks in Indonesia.

This research can be used as reference material for various stakeholders who want to know about DPS work implementation and supervision. This study aims to explore the procedures for implementing sharia compliance supervision by DPS with a case study in one of the sharia banks, to understand how sharia audit reviews are in the process of implementing sharia compliance with DPS, as well as analyze sharia audit function by DPS.

RESEARCH METHOD

The type of research used is qualitative primary data in bank Syariah Situbondo research to be conducted in Islamic banking. know the procedures for implementation and supervision of sharia compliance in the bank's Compliance Work Unit and the Sharia Supervisory Board at PT Bank Syariah. Technique used is trying to explain the concept and elaboration of the relationship of sharia compliance work procedures, the internal audit division and DPS as well as explaining in detail the steps taken in supervising the bank's new product development process and supervising bank activities at PT Bank Syariah situbond and who is doing it. From a complete explanation of the procedure, then an analysis of the risks that might occur is carried out.

RESULTS AND DISCUSSION

Descriptive of Bank Syariah Situbondo Branch

Situbondo branch of Islamic bank located on Jalan Basuki Rahmat No. 160A, RT.02, RW.03, Mimbaan Village, Kec. Panji, Situbondo Regency is a bank that operates according to sharia principles, in application it still uses Islamic values which make sharia-based characteristics different from conventional banks. February 1, 2021, which coincides with 19 Jumadil Akhir 1442 H, marks the history of the joining of independent Islamic banks, BNI Syariah and BRI Syariah into one entity, namely Bank Syariah Indonesia (BSI).

The implementation of this merger has several advantages including providing more complete services, broad prospects and having good capital and the commitment of the government through the Ministry of SOEs to compete at the global level. as a form of endeavor to create Islamic banks to become a synergy towards economic development and can contribute to the welfare of the wider community. The principles of sharia in implementing a product must blend Islamic or use Islamic guidelines, which is the basis for differentiating it from conventional banks that use interest. All sharia products must refer to Islamic sharia which is primarily guided by the Qur'an and hadith. The three main pillars in Islamic teachings are aqidah, sharia and morality.

Framework stigma in Conducting audits.

Sharia audit practices that are commonly used in Indonesia are the scope, scope, qualifications and independence of Islamic auditors. A good advisor must also have a good reputation and have the same qualifications and competencies in the field of muamalat and Islamic

jurisprudence, with a minimum of work experience in the field of Islamic finance (Rahman, A. R.2008). Besides that, many rational people who are not ready to use sharia principles purely contribute to the non-fulfillment of sharia principles (Mardian, S. 2015). Based on these four issues, it will be known how the practice of sharia auditing in Indonesia is running, will it be in line with expectations or will there be a gap between these expectations and reality. The framework for conducting audits is very important. The framework serves as a reference for auditors carrying out audits on companies. So that not all aspects must be examined by the auditor, only those that have risks and related ones that must be tested. However, the current audit framework is an audit framework based on standards and rules for conventional companies.

Thus, it is hoped that the framework used to carry out sharia audits should be a framework that accommodates Islamic principles and law and also has a special framework that is different from conventional audits. The scope of audit examination is now not only limited to financial statements. However, it is increasingly expanding on matters other than financial reports, such as performance audits, environmental audits, HR audits and others. As for the results of interviews with islamic bank employes as follows:

How to disclose important matters information for all parties? Answer 1 employes A: *"Transparency is the disclosure of things information for all intersted parties to know exactly what happened and has happend. That the benefit of applying the principle of transparancy is that stakeholders can understand risk that may occur in conducting transactions within the company". The main foundation of conventional auditing is only oriented towards laws originating from the consensus of the community, both national and international. Meanwhile, sharia audit has an additional legal basis, namely sharia aspects in the form of Islamic laws and principles that originate from Allah SWT. This aspect of religiosity is not accommodated by conventional auditing standards. Thus, sharia audit requires a different reference standard. The shariah audit framework should have its own references.*

The scope of the Audit is not only related to financial report.

The scope of the audit is no longer only related to the company's financial reports or economic activities but wider matters beyond that. In line with this, in recent years sharia audits have begun to develop along with the rapid development of the current LKS. Sharia audit is very different from conventional audit. The aspect of religiosity is the main foundation, this is what isn't covered by any current conventional form of auditing. Because the main purpose of a sharia audit is to ensure that the company has implemented all applicable economic laws, including Islamic laws and principles.

The difference between sharia audit and conventional audit is the sharia aspect which is the main basis for implementing sharia audit which is not accommodated in conventional auditing. For this reason, the audit executor, the sharia auditor, requires two qualifications, namely finance or banking and sharia. The field of sharia referred to here is mainly about fiqh muamalah. It is even better if you have knowledge of sharia accounting or auditing because it is more comprehensive for a sharia auditor, because both sharia aspects and financial aspects are studied by both. Thus, the auditor can immediately master these two qualifications. In carrying out their duties an auditor is not only required to have adequate qualifications and expertise but

also an attitude of independence. As for the results of interviews with islamic bank employes as follows:

Is the sharia audit not only related to the company's financial statement or economic activities ? *"Yes, right so a sharia audit does not only solve financial problems, but to the problem of the effect of customer trust responses making something where the relegious aspect of social interests are fulfilled and interest with God are also fulfilled". In practice, Sharia audit is a process of systematically examining the compliance of all LKS operations with Sharia principles, including financial statements, products, IT use, operational processes, parties involved in LKS business, documentation and contracts, policies and procedures, as well as other activities. . which requires compliance with sharia principles. Maintaining human relations with fellow human beings through good interpersonal relations, maintaining family ties, mediating social sympathy, mutual care, mutual assistance, tolerance and mutual respect. Interact with God by fulfilling Shari'a orders. Ikhlas accepts provisions and destiny and distribution of sustenance from Allah SWT. Leaving the will of his lust to seek the pleasure of Allah SWT.*

Recommendation of the sharia supervisory board

DPS implementation and supervision consists of activities for requesting sharia opinions on bank business schemes, developing product features and new bank products. This supervision includes activities to supervise implementation during bank activities and after the implementation of bank activities. The supervision carried out by the DPS shows that the DPS has carried out its duties as ordered by the DSN-MUI Decree and based on BI Regulation No.111331PBI12009 so that the supervisory role has been carried out.

In terms of work, DPS in the supervisory function checks whether the operations and implementation of bank activities are in accordance with the sharia criteria that have been understood at the beginning. In other words, DPS has an audit function in the form of a sharia audit. In carrying out these audit tasks, the main audit principles must be fulfilled. One of the main principles of auditing is the nature of the auditor's independence from his auditee. In this case, DPS should be independent from the bank where he is assigned. In its work, the DPS is assisted by a staff from the bank's compliance division who does more administrative work, preparation, selecting samples, and even conducting an initial review. The results of the new review are then reviewed and reviewed by DPS members. In fact, the staff assisting the Sharia Supervisory Board is an internal element of the bank. Even though the final review is carried out by the Sharia Supervisory Board, this can somewhat influence the sharia audit process that is carried out. In sample selection, for example, under certain conditions, compliance division staff who are bank staff may select samples that do not support the work of sharia audits. In other words, do not include problematic transactions in the sample. In their work, the supervisory board is a fiqh expert who understands Islamic sharia related to banking transactions and is someone who has high knowledge. DPS members are not restricted from having other jobs related to their expertise in Islamic fiqh.

DPS conducts a review at the stage where an administrative review has been carried out by a compliance staff appointed by the bank. If it is related to the condition that DPS work is assisted by bank internal staff, the effectiveness of DPS work can be reduced. *Sharia Compliance Officer* The person assigned can only select samples that have been adjusted to the interests of the

bank, while DPS does not have enough time to be able to detect and carry out tests when this happens. Taking into account the condition of sharia banking in Indonesia, one of the challenges of increasing market share is efficiency and at the same time the ability to fulfill customer desires, which until now still take into account the returns on investment in banking funds. If the rule is applied that the DPS must have its own staff to carry out the entire sharia audit process, or the DPS is made a party that is completely independent from the bank, then there will be a fairly high increase in costs for sharia banking. This is also a consideration because it can reduce the competitiveness of Islamic banks compared to conventional banks. Because the development of sharia auditing is still not done too much because one of the factors is the auditor staff. As for the results of interviews with islamic bank employes as follows:

Has the supervision carried out by DPS carried out its duties as ordered? *“yes, Competent, capable of acting objectiely and free from influence or pressure from any party (independent) and has a high commitment to develop islamic banks. So that each organ does not dominate each other and cannot be intervened by other parties, the islamic bank must be managed independently. The procedures applied to the flow of requests for opinions have been systematically arranged so that all activities carried out and documents used can be properly documented. The assignment of bank internal staff to assist DPS duties has been stipulated in Bank Indonesia Circular Letter No. 12 of 2010, the minimum number is one employee. PT.Bank Syariah situbondo assigns staff employees compliance officer to take an active role in supervision by conducting studies on sharia issues to understand the risks associated with sharia compliance. Apart from that, the staff compliance officer also conducts a sharia review of requests for review of the draft implementation guidelines and technical instructions, dissemination of fatwas and monitors the DSN-MUI fatwa database. So staff compliance officer has performed the actual supervision function”.*

CONCLUSION

Sharia implementation and compliance at KCP Islamic banks in situbondo Compliance Officers tasked with reviewing sharia compliance issues have been well underway, while monitoring compliance information system risks, and sharia compliance reviews have been carried out although further observations are required. Meanwhile, the DPS has carried out a supervisory role since the beginning of the bank's activities. While the supervisory role includes the implementation and after the implementation of bank activities.

One of the findings, namely in dealing with risks and the main cause of the limited sharia knowledge of the Central Internal Auditor Team is the inability to identify activity transactions that should be findings of non-compliance with sharia principles. This resulted in these activities not being reported and could not be further investigated by DPS. Therefore, for further research, it is expected to examine whether transactions are in accordance with Islamic financial standards as a manifestation not only because of conventional transactions, but also towards sharia towards Islamic transactions that are blessed to bring worship in divine grace.

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