Title: Governance and Shariah Audit in Islamic Financial Institutions

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Abstract: This textbook is designed to give a basic understanding of Shariah governance structure and Shariah Audit in Islamic financial institutions (IFIs). The practice of Shariah Audit is still new and evolving locally and more so at the international level. This book contains topics such as corporate governance from the Islamic perspectives before elaborating further on the concept of Shariah governance structure in Islamic financial institutions. It also discusses the importance of risk management in IFIs. Later chapters elaborate on concepts and provide analysis on significant differences between Shariah Audit and Shariah Review. A number of chapters are dedicated to provide an overview of the Shariah Audit processes, which covers audit planning, audit scope and the audit report. This textbook not only provides students with current knowledge of the local regulatory framework for Shariah governance, but also exposes students to the international standards and guidelines for comparison purposes. Practical examples of the IFIs’ application of the relevant standards and guidelines are also provided to students to have a better understanding on the topics discussed. All lecturers and students of Islamic banking, finance, accounting and auditing will find this book very useful.

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The study surveyed corporate governance issues in Islamic financial institutions at three levels: regulators, Islamic banks, and depositors. We are grateful to all regulators as well as Islamic banks who responded to our questionnaires by mail. The regulators were from Algeria, Azerbaijan, Bahrain, Bangladesh, Indonesia, Jordan, Kuwait, Kyrgyz Republic, Malaysia, Qatar, Saudi Arabia, Sudan, Turkey, and UAE. For Islamic Financial Institutions operating within a group, such Islamic Financial Institutions must ensure compliance with the Standards on solo and group levels; and branch offices of foreign financial institutions in the UAE licensed by the Central Bank that conduct all or part of their activities and business in accordance with provisions of Islamic Shari’ah (‘Branch Offices’). The Internal Shari’ah Audit Division/Section is generally responsible for undertaking Shari’ah audits and monitoring the Islamic Financial Institution’s compliance with Islamic Shari’ah. The Internal Shari’ah Audit Division/Section is required to submit reports to the ISSC and to the Board Audit Committee at least bi-annually. Conclusion. Governance systems of Islamic banks have elements of both conventional as well as Shariah, and need to have principles having components of banking and shariah sufficiently diffused for their successful operations in a longer term. Aim of this research is to review the literature about the knowledge diffusion process of islamic banking principles which guides the governance of Islamic banks. Therefore, institutions like Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and Islamic financial Services Board (IFSB) are established for developing standards for promoting harmony and. 3. standardization in islamic financial industry (Kasim & NuHtay, 2013).