



PROCEEDINGS

The 4th International Conference on Sustainable Innovation (ICoSI) 2020

Cutting Edge Innovations for Sustainable Development Goals

Universitas Muhammadiyah Yogyakarta (Indonesia)

October 13 - 14 2020

<https://icosi.umy.ac.id/>

Focal Conferences



- ✔ (ICPU) The 2nd International Conference on Pharmaceutical Updates
- ✔ (ICOMS) The 6th International Conference on Management Sciences
- ✔ (ICLAS) The 9th International Conference on Law and Society
- ✔ (ICMHS) The 4th International Conference Medical and Health Sciences
- ✔ (ICAF) The 6th International Conference for Accounting and Finance
- ✔ (ILEC) The 2nd International Language and Education Conference
- ✔ (ICONURS) The 2nd International Conference on Nursing
- ✔ (ICITAMEE) The 1st International Conference on Information Technology, Advanced Mechanical and Electrical Engineering
- ✔ (IConARD) International Conference on Agribusiness and Rural Development
- ✔ (ISHERSS) The 2nd International Symposium on Social Humanities Education and Religious Sciences
- ✔ (ICONPO) The 10th International Conference on Public Organization
- ✔ (DREAM) The 5th Dental Research and Exhibition Meeting
- ✔ (ICHA) The 5th International Conference on Hospital Administration
- ✔ (ICOSA) The 3rd International Conference on Sustainable Agriculture





Proceedings

4th International Conference on Sustainable Innovation

2020

Publisher UMYPress

Lembaga Penelitian, Pengabdian, dan Pengembangan Masyarakat (LP3M)

Universitas Muhammadiyah Yogyakarta

Address

Gedung D Lantai 2

Universitas Muhammadiyah Yogyakarta

Jalan Brawijaya, Bantul,

55183 Indonesia

ISBN : 978-623-7054-43-6



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Preface by the Chairperson of the 4th ICoSI 2020



Dr. Yeni Rosilawati, S.IP. S.E., MM.

Assalamu'alaikum Wr. Wb.

All praise is due to Allah, the Almighty, on whom we depend for sustenance and guidance. Prayers and peace be upon our Prophet, Muhammad SAW, his family and all of his companions.

On behalf of the organizing committee, it is my pleasure and privilege to welcome the honourable guests, distinguished keynote & invited speakers, and all the participants.

With the main theme of “Cutting-Edge Innovations on Sustainable Development Goals (SDGs)”, the 4th International Conference on Sustainable Innovation (ICoSI) 2020 serves as a forum to facilitate scholars, policy makers, practitioners, and other interested parties at all levels from Indonesia and abroad to present their novel ideas, promote cutting-edge research, and to expand collaboration network. The conference has about 1373 participants participating from more than 8 countries 4 continents all over the world, making this conference a truly international conference in spirit.

This multidisciplinary conference was first held in 2012 and has undertaken various changes and adopted to the current technological trends of our education system. From having this conference with just 175 participants back in 2012 we have come a long way in making the conference a huge success with more than 1373 participants participating in this two-day conference.

Formerly, this conference consisted of only 9 (nine) focal conferences. This year, there are 14 focal conferences from various disciplines, namely: 1) The 2nd International Conference on Pharmaceutical Updates (ICPU), 2) The 6th International Conference on Management Sciences

(ICoMS), 3) The 9th International Conference on Law and Society (ICLAS), 4) The 4th International Conference Medical and Health Sciences (ICMHS), 5) The 6th International Conference for Accounting and Finance (ICAF), 6) The 2nd International Language and Education Conference (ILEC), 7) The 2nd International Conference on Nursing (ICONURS), 8) The International Conference on Information Technology, Advanced Mechanical and Electrical Engineering (ICITAMEE), 9) The 2nd International Conference of Agribusiness and Rural Development (IConARD), 10) The 10th International Conference on Public Organization (ICONPO), 11) The 2nd International Symposium on Social Humanities Education and Religious Sciences (ISHERSS), 12) The 5th Dental Research and Exhibition Meeting (DREAM), 13) The International Conference on Hospital Administration (ICHA), and 14) The 3rd International Conference on Sustainable Agriculture (ICoSA).

Accordingly, We are proud to announce that this year, the 4th ICoSI 2020 breaks the Museum Rekor-Dunia Indonesia (MURI) record as the Virtual Multidisciplinary Conference with the Largest Number of Area of Fields in Indonesia

In addition, this year, this conference holds special value since this is the first conference in the history of our university where the entire conference is taking place remotely on a digital platform through the use of advance technologies due to the Covid-19 Pandemic.

I would take this opportunity to express my highest respect to the Rector of Universitas Muhammadiyah Yogyakarta, Dr. Gunawan Budiyanto who gave approval and ensured the maximal support from all the faculty members of Universitas Muhammadiyah Yogyakarta (UMY) that made this event a big success. In addition, my appreciation goes to all the support teams who have provided their valuable support and advice from planning, designing and executing the program.

Let me conclude my speech by encouraging the delegates to participate with an increasing number in all the activities and discussions through the digital platforms for the next two days. I wish everyone a successful, safe, and fruitful conference.

Thank you!

Wassalamu'alaikum Wr. Wb.

Yogyakarta, Indonesia, 14 October 2020



Welcoming Remarks by the Rector of Universitas Muhammadiyah Yogyakarta



Assoc. Prof. Dr. Gunawan Budiyanto

Innovation is the beginning of the development of technology, and technology is a development machine that is expected to provide benefits to humans and provide the smallest possible impact on environmental quality. In the concept of sustainable development, development must improve the quality of human life without causing ecological damage and maintain the carrying capacity of natural resources.

International Conference on Sustainable Innovation (ICoSI) is an international conference which is an annual conference held by the University of Muhammadiyah Yogyakarta (UMY), Indonesia. In 2020 this raises the issue of "Cutting-Edge Innovations on Sustainable Development Goals." Therefore, on behalf of all UMY academics, I would like to congratulate you on joining the conference, hoping that during the Covid-19 Pandemic, we can still provide suggestions and frameworks for achieving sustainable development goals.

About The 4th International Conference on Sustainable Innovation (ICoSI) 2020

Cutting Edge Innovations for Sustainable Development Goals

The 2030 Agenda for Sustainable Development is enacted by the United Nations as a shared blueprint for peace and prosperity for people and the planet, now and into the future. It consists of strategies to improve health and education, reduce inequality, and spur economic growth while also conserving natures by 2030.

This year, however, at the first one-third of its timeline, the SDG Reports shows that the outbreak of COVID-19 did hinder the achievement, or at least decelerate the progress of achieving the 17 goals. In fact, according to the report, “some number of people suffering from food insecurity was on the rise and dramatic levels of inequality persisted in all regions. Change was still not happening at the speed or scale required”, accordingly.

Therefore, in this event of pandemic, the quantity and quality of research, innovation, and more importantly multi-disciplinary collaboration are indispensable. Furthermore, there needs to be clear ends of those works. That is how those research are applicable and benefits directly to the society. That is how those research is incorporated as the drivers of policy making, and used practically in the society. Hence, the stakeholders especially the triple helix of higher education institution, government, and industry must be re-comprehended and supported to reach the common goal of the SGD.

International Conference on Sustainable Innovation (ICoSI) has been essentially attempting to strengthen this regard since its first establishment. One of the goals of ICoSI is to provide primarily a platform where scholars, practitioners, and government could grasp the development and trends of research. Hopefully, meeting these actors altogether would result in stronger collaboration, sophisticated and advantageous research, and brighter ideas for further research. Based on these reasoning, this year, the 4th ICoSI 2020 UMY is themed ‘Cutting-edge Innovations for Sustainable Development Goals’.

Improving from last year conference which brought nine focal conference, this year ICoSI 2020 UMY brings 14 disciplines, from social sciences, natural sciences, and humanities. ICoSI 2020 received as much as 1005 papers. The paper works submitted in ICoSI 2020 UMY will be published in Atlantis Proceedings, IOP Proceedings, National/International Journals, and ICoSI ISBN-indexed Proceedings.

Nevertheless, ICoSI believes that publication is only the beginning of research dissemination. The publications will enhance the chance of the research known by wider audience, and then used, applied, and incorporated at either system, institutional, or personal level of human lives.



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TRACK ECONOMICS, LAW, EDUCATION, SOCIAL, AND HUMANITIES



Shariah Audit Expectation-Performance Gap in Malaysian Islamic Banks

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ABSTRACT

Shariah audit has currently emerged as an important mechanism in ensuring Shariah compliance in line with the rapid development of Islamic Banking. It strengthens the Shariah compliance and enhance the integrity of Islamic Financial Institutions (IFIs) due to the uniqueness features of the IFIs such as the prohibition of riba, gharar, maysir and other requirements that its activities must be in compliance with Shariah. Research on audit expectations gap in Shariah audit practices has received little attention by researchers. Two objectives are set in this study; these are: Firstly, to examine the perceptions of the internal auditors (Shariah auditors), regulators (BNM), Shariah committee, Shariah officers, external auditors and depositors concerning the Shariah audit practices in the Islamic banks in Malaysia. Secondly, to determine the existence of expectations-performance gap between internal auditors (Shariah auditors), regulators (BNM), Shariah committee, Shariah officers external auditors and depositors concerning the Shariah auditor's performance in the Islamic banks in Malaysia. Based on the findings there is existence of gap in Shariah audit practices and auditor's performance. Thus, there is a need to strengthen the Shariah audit practices in the Islamic banks to ensure greater effectiveness of the goals of Shariah compliance. The research provides new insights into the structure, composition and extent of the audit expectation-performance gap in Shariah audit practices but, more importantly, it signals a rational, comprehensive approach towards narrowing the gap. This should bring practitioner's and stakeholders's expectations on Shariah audit practices and Shariah auditors' performance into closer accord and, as a consequence, reduce the criticism and different expectations on the Shariah audit practices in the Islamic banks.

Keywords: *Compliance, Shariah auditor's performance, gap, Islamic banking.*

INTRODUCTION

Shariah audit practices strengthen Shariah compliance and enhance the integrity of the IFIs. It emerged to cater for the different nature and characteristics of Islamic banking practices. Many Islamic banking scholars, identified the nature of Islamic banking should be distinct from the conventional banks. Islamic banking and finance should differ from conventional banking practices in terms of: i) striving for a just, fair and balanced society as envisioned by Islamic economics, ii) constructed upon the principle of brotherhood and cooperation, which calls for a system of equity-sharing, risk-sharing and stake-taking, iii) characterised by ethical norms and social commitments as a system grounded in the ethical and moral framework of the Shariah community, iv) oriented and entrepreneur-friendly, emphasising productivity and the physical expansion of economic production and services, and v) operates within limits that ensure stability in the value of money and that curtail destabilising speculation (Chapra & Ahmed, 2002; Dusuki, 2011; Iqbal & Mirakhor, 2007).

The motivation of the study is to ensure Shariah compliance issues are properly addressed since Shariah noncompliance is a risk to all IFIs. This can be done through developing proper guidance on Shariah audit practices regarding framework, scope, independence, competency, processes, reporting, responsibilities and performance. With the expanding global Islamic banking and finance industry, there is a need for developing professional Shariah auditing practices. In addition, the failure of external auditors and Shariah Supervisory Board members to conduct a holistic Shariah audit (Najeeb and Ibrahim, 2014) motivates this research to identify gaps in current practices in Shariah audit. According to Sultan (2007), Shariah noncompliance risks may occur in products, the technology supporting the operations, operational processes, the people involved, documentations and contracts, policies and procedures, and other activities that require adherence to Shariah principles. According to Chik (2011), Shariah auditing should not address worldly corporate governance practices only, but a religious obligation on the IFIs and Shariah auditors (muhtasib/mudaqqiq syar'ie).



According to Abdul Rahman (2011), Shariah Committee of the IFIs normally expressed their opinions on the Shariah compliance of the products and services offered (ex-ante compliance). He also argued that a comprehensive and well-guided audit of the Shariah legal contracts, documentations and operations have not been adequately conducted. The ex-post compliance stage is absent in practice. Without a Shariah audit function, this scenario creates a functional gap of Shariah compliance in the Islamic financial system. From the stakeholder's point of view, it will create an expectation gap in Shariah audit practices in the IFIs. Shariah audit, in theory, should enhance the shareholders' value and confidence of the stakeholders of the IFIs. If stakeholders (i.e. customers, depositors, etc.) are suspicious of Shariah compliance, it would adversely affect the integrity of Islamic finance (Abdul Rahman, 2011; Atiqah, 2009).

Two objectives are set in this study; these are: Firstly, to examine the perceptions of the internal auditors (Shariah auditors), regulators (BNM), Shariah committee, Shariah officers, external auditors and depositors concerning the Shariah audit practices in the Islamic banks in Malaysia. Secondly, to determine the existence of expectations-performance gap between internal auditors (Shariah auditors), regulators (BNM), Shariah committee, Shariah officers, external auditors and depositors concerning the Shariah auditor's performance in the Islamic banks in Malaysia.

LITERATURE REVIEW

To date, a limited number of studies have been conducted on Shariah audit practices in Malaysia. One of the early empirical studies has been initiated by Hood and Bucheery (1999) on audit expectation gap between financial and religious (Islamic) auditors in Bahrain. Hood & Bucheery (1999) further argued that religious audit in Bahrain seems to complement the financial audit by external auditors. Nevertheless, they questioned whether religious auditors have a set of religious statements to audit as compared to financial statement audited by financial auditors. They found that a financial audit expectation gap does exist in Bahrain but not for religious auditors. They also found that financial auditors and religious auditors in Bahrain seem unaware of the tasks performed by each of them. Hood & Bucheery (1999) presumed that this finding was due to respondents' lack of understanding on religious audit. Kassim et al. (2009) examined the expectations and the actual practice of Shariah audit function in IFIs in Malaysia. The study surveys different groups of respondents involved directly or indirectly with the process of Shariah compliance/auditing in IFIs. Based on their study, there is a gap between the 'desirable' and the 'current' practice of Shariah auditing in the IFIs in Malaysia. Kassim et al. (2009) classified the gap into

framework, scope, qualifications and independence. These four components differ from previous studies on audit expectation gap.

Grais and Pellegrini (2006) mentioned that the Islamic banking industry lacks supervision and monitoring, oversight, auditing and management of risks. These are closely related to the competency level of Shariah auditors. Any risks resulting from auditor's incompetency will expose Islamic banks to potential losses (Othman and Ameer, 2015). Losses to the Islamic banks like in the case of Dubai Islamic banks in 1998, signals the importance of identifying and monitoring the gaps that exist in Shariah audit practices. Mulyani (2007) found that the academics, audit practitioners and Shariah scholars in Malaysia, agreed strongly with the creation of a new Shariah audit discipline with a separate regulatory framework. This Shariah audit should be conducted by a new group of professionals termed Shariah auditors. In addition, Yahya and Mahzan (2012) found that the practice of Shariah audit is still at the development stage and requires further improvement. Thus, there is a need to increase the understanding of Shariah auditing among internal auditors, enhance the Shariah knowledge of internal auditors, standardise the Shariah audit framework and provide general guidelines to design audit programmes for Shariah auditing. Abdul Rahman (2011) also suggested the need for establishing Shariah audit evidence, Shariah audit education, Shariah audit programmes and procedures, and reporting resulting from the Shariah audit findings. Training on Shariah audit practices must be undertaken among regulatory authorities, IFI staff and external auditors should reach a uniform level of understanding of what constitutes Shariah audit (Sultan, 2007; Abdul Rahman, 2008). Among the views from scholars and practitioners on the practice of Shariah audit in Islamic banks, there are lack of comprehensive and well-guided audit of the Shariah legal contracts, documentations and operations (Abdul Rahman, 2011). The Islamic banking industry also lack supervision and monitoring, oversight, auditing and management of risks (Grais and Pellegrini, 2006). In addition, there is also lack of auditor competency in performing Shariah audit function according to scholars and practitioners (Uddin et. al., 2015; Yusoff, 2013; Kasim, 2009; Yaacob, 2012). The lack of both Shariah and accounting knowledge has dampened the crucial needs of the Shariah auditor competency. Those with accounting knowledge tend not to have Shariah knowledge and vice versa. Any risks resulting from auditor's incompetency during Shariah audit process will expose Islamic banks to potential losses (Othman and Ameer, 2015). The rapid and tremendous growth in Islamic finance requires the IFIs to have competent Shariah auditors. And to provide the 'check and balance' an equally competent auditor who has good knowledge

of accounting, auditing and finance with the equally good Shariah and fiqh knowledge and understanding (Uddin et. al., 2015). Investments for the education in shari'ah, accounting and auditing is crucial to enhance the knowledge and expertise of the actors involve with the shari'ah audit especially and IFIs in general (Rahman, 2011; Sulaiman, 2011).

Due to that, the academics, audit practitioners and Shariah scholars in Malaysia, agreed strongly with the creation of a new Shariah audit discipline with a separate regulatory framework (Yusoff, 2013; Mulyani, 2007). There is a need to increase the understanding of Shariah auditing among internal auditors, enhance the Shariah knowledge of internal auditors, standardise the Shariah audit framework and provide general guidelines to design audit programmes for Shariah auditing (Yahya & Mahzan 2012).

Some of the scholars argued that the Shariah audit is only to be conducted by Shariah professionals instead of accountants (Kasim et.al. 2009), while some others prefer the trained internal auditor to undertake the responsibilities (Yusoff, 2013; Yaacob, 2012). The Audit Committee of the IFIs should discharge their best effort to ensure that the external auditors are capable of undertaking the ex-post Shariah compliance reviews within their term of references (IFSB, 2006). They should also work with the internal auditor and the Shariah auditor, if the internal auditors are not Shariah capable, and more importantly with the SC (Abdul Rahman, 2011). Hence, the IFIs auditing should evolve into a professional Shariah internal and external auditors capable of doing the financial, management and also the Shariah audit. Chartered audit firms should acquire the necessary knowledge and personnel to undertake the Shariah audit.

As a result from the discussions above, different expectation in Shariah audit practices especially in the area of framework, independence, competency, reporting, scope and processes. Identifying components of the audit expectation gap is critical because problems arising from different components require different solutions. Possible tools to reduce the gap can be assigned only after the audit expectation gap and its components in a specific society have been identified (Judit, 2015).

Based on the previous studies and given the current scenario, there is no doubting the need to identify the existence of an expectation gap in Shariah audit practices due to different views and opinion by the scholars, practitioners and stakeholders in the practice of Shariah audit. It is crucial to get feedback from the regulators, practitioners and the stakeholders on what would be the best practices in Shariah audit and analyse their expectations to identify gaps in the implementation of the

Shariah audit function based on the SGF (BNM, 2010) and Islamic Financial Services Act (IFSA, 2013). It is important to identify the gaps that exist in the practice of Shariah audit since its implementation requires improvement (Othman and Ameer, 2015). Through the identification of the factors that contribute to the expectation gap in Shariah audit practices, steps will be taken as an initiative to narrow the gaps. This is to enhance and harmonise the practice of Shariah audit in IFIs.

RESEARCH METHODS

After the validation process with the experts, the research proceeds with collecting data using the survey method. There are different methods for data collection identified in the literature, including mail, face-to-face, telephone, electronic mail, and a combination of these methods (Sekaran & Bougie, 2009). The decision to choose a survey method may be based on a number of factors that include sampling, type of population, question form, question content, response rate, costs, and duration of data collection (Cooper & Schindler, 2006). The instrument used in this research will be a mail survey questionnaire. The target respondents will read the questions themselves and mark answers on a questionnaire.

The subjects for questionnaire distribution are the regulators, the Shariah Committee, the practitioners of the IFIs (internal auditors, external auditors and Shariah officers) and the stakeholders. The target population in this study is defined as all individuals in Islamic banks that are aware and related to Shariah audit practices, which are the Shariah Committee; the practitioners (internal auditors, external auditors and Shariah officers), the regulators and the stakeholders. The regulators are representative from Jabatan Perbankan, Insurans dan Takaful (JPIT) department and related departments of BNM are included in the population due to their responsibilities in overseeing the overall operations of Islamic banks. In addition, the Shariah Committee, the practitioners of the IFIs (internal auditors, external auditors and Shariah officers) and the stakeholders are selected as the sample population of this study because they are the three line of defence as referred by IFSB in its "Guiding Principles of Risk Management for Institutions (other than Insurance institutions) offering only Islamic Financial Services" in its principle 14 states that: "IFI should have in place adequate systems and controls, including Shariah Board or Advisor, to ensure compliance with Shariah rules and principles".

ANALYSIS AND FINDINGS

The research received a total of 172 questionnaires out of 340 questionnaires, which resulted in a response rate of 49%. While entering the raw data into an SPSS

file, screening was the first method used to identify the completeness and quality of questionnaires. After screening, the dataset remained at 166 usable questionnaires. Table 1 reveals the demographic profile:

Table 1: Respondents Demographic

GENDER		
	Frequency	Percentage
Male	81	48.8%
Female	85	51.2%
AGE		
Below 30	40	24.1%
31-40	88	53%
41-50	32	19.3%
Above 50	6	3.6%
Designation		
Shariah Committee	14	8.4%
Internal auditors	33	19.9%
External auditors	16	9.6%
Stakeholders (depositors)	43	25.9%
Shariah officers	32	19.3%
Regulators (BNM)	28	16.9%
Years of Experience in Islamic Banks		
1-2 years	73	44%
3-5 years	49	30%
6-10 years	32	19%
More than 10 years	12	7%

Based on Table 1, 85.7 per cent of the Shariah committee members who responded to the questionnaires hold legal qualifications apart from the existing Shariah qualification that they already possess. This shows that out of 14 Shariah committee members, 12 have legal and Shariah qualification. Also, most of the internal auditors are qualified in accounting, which is 48.5 per cent. Surprisingly 18.2 per cent of the internal auditors are qualified in Shariah, and only 9 per cent have a background in law. The internal auditors of the Islamic banks who responded to the survey are from backgrounds not limited to accounting since the internal auditors of the Islamic banks are responsible for performing the Shariah audit function. 100 per cent of the external auditors involved in the survey are qualified in accounting, and only two of them hold a dual qualification in accounting as well as Shariah. Apart from that, 32 Shariah officers of whom five are the Shariah manager of the Islamic banks participated in the survey. 75 per cent of them hold Shariah qualifications while 34.3 per cent are qualified in law. 17.8 per cent of the Shariah officers are qualified in both areas Shariah and law. However, none is qualified in accounting and auditing. Also, 28 respondents from BNM participated in the study from various departments such as Jabatan Perbankan Insurans dan Takaful (JPIT) and departments related to Islamic banking operations. 42.9 per cent of the regulators who participated in the survey are qualified in accounting, 10.7 per cent are qualified in law and 28.6 per cent are qualified in Shariah. The qualifications of the respondents is illustrated in Table 2:

Table 2: Qualifications of respondents

Designation	No. of respondents / % representative	Accounting qualification	Legal qualification	Shariah qualification	Shariah audit involvement	Awareness in Shariah audit	Mean Years of experience in Islamic Banking
Shariah Committee	14 8.4%	0	12 (85.7%)	13 (92.9%)	1 (7%)	14 (100%)	10
Internal auditors	33 19.9%	16 (48.5%)	3 (9%)	6 (18.2%)	28 (84.8%)	33 (100%)	3
External auditors	16 9.6%	16 (100%)	0	2 (12.5%)	4 (25%)	16 (100%)	5
Stakeholders (depositors)	43 25.9%	5 (11.6%)	6 (13.9%)	5 (11.6%)	0	19 (44.1%)	0
Shariah officers	32 19.3%	0	11 (34.3%)	24 (75%)	9 (28.1%)	32 (100%)	5
Regulators (BNM)	28 16.9%	12 (42.9%)	3 (10.7%)	8 (28.6%)	4 (14.3%)	28 (100%)	3
Total	166 100%	49 (29.5%)	35 (21%)	58 (34.9%)	46 (27.7%)	142 (85.5%)	

To determine the existence of an expectation-performance gap in Shariah audit; Kruskal-Wallis test is used. Kruskal-Wallis test is used to find a statistically significant difference between two or more groups of an independent variable on a continuous or ordinal dependent variable. It is considered the nonparametric alternative to the one-way ANOVA, and an extension of the Mann-Whitney U-test to allow the comparison of more than two independent groups. Since this study involves few respondents Kruskal-Wallis test fit with one of the objectives of the research which is to determine the existence of an expectation-performance gap in Shariah audit practices among the respondents.

The present study utilised the Kruskal-Wallis to assess whether there was a significant difference among six groups of respondents. Most of the questions in the questionnaires use the 5-point Likert scale measurement (1=Strongly disagree to 5=Strongly agree). The data were ranked in nature, and the Kruskal-Wallis analysed the differences based on the mean rank of each group. For

comparing among those surveyed, mean value is used to reflect the accuracy of the score for each group of respondents.

Expectation Gap in Shariah Audit Practices on Shariah Auditor's Performance

Performance gap - deficient performance is a gap between the expected standard of performance of Shariah auditor's existing duties and Shariah auditor's perceived performance, as expected and perceived by society. Based on Table 3 the findings support the hypothesis that H1: There is an expectation gap among the respondents on Shariah auditor's performance in Islamic banks. The respondents were asked to evaluate the Shariah auditor's performance in the Islamic banks. There are 15 statements related to Shariah auditor's performance in the Islamic bank. The rating for this section is based on a five-point Likert scale which '1' represent 'poorly', '2'=adequately, '3'=average, '4'=well and '5'=excellent. The overall average mean score among the respondents for each of the statements on Shariah auditors' performance range between 3.31 to 3.95, which range from 'unable to judge' to 'well'. The findings show that all existing duties are rated significantly different among the respondents. This signifies the existence of expectation gaps among the respondents on the Shariah auditor's performance.

Table 3: Existence of Expectation Gap in Shariah Audit Practices on Shariah Auditor's Performance

H₁: There is an expectation gap among the respondents on Shariah auditor's performance in Islamic banks.							
Statements: (Expectation of Shariah auditors' performance in the Islamic bank)	SC	IA	EA	DEP	SO	REG	Avg. mean
	Mean						
a) Providing a useful service to the stakeholders.	4.14	3.18	3.00	4.00	3.71	3.10	3.54*
b) Reporting truthfully.	4.14	2.81	3.12	3.91	3.72	3.10	3.46*
c) Providing a useful service to the IFIs.	4.21	2.87	3.91	3.88	3.72	2.92	3.42*
d) Detecting errors and irregularities pertaining to Shariah.	4.42	3.12	3.12	3.97	3.56	3.51	3.51*
e) Acting independently without regard to self-interest	4.21	3.21	2.87	3.81	3.62	3.47	3.47*
f)	2.85	2.90	2.87	4.04	3.56	3.31	3.31*

H₁: There is an expectation gap among the respondents on Shariah auditor's performance in Islamic banks.							
Statements: (Expectation of Shariah auditors' performance in the Islamic bank)	SC	IA	EA	DEP	SO	REG	Avg. mean
	Mean						
Communicating effectively							
g) Prescribing remedies in the event of Shariah noncompliance issues.	3.57	3.03	2.81	3.91	3.53	2.96	3.36*
h) Preventing errors and irregularities pertaining to Shariah.	3.50	3.21	2.87	3.90	3.31	3.14	3.39*
i) Coping with risk and uncertainty in the transactions related to Shariah.	4.14	3.81	2.62	4.06	3.56	4.07	3.95*
j) Diagnosing problem.	3.85	3.06	2.68	3.76	3.37	3.00	3.32*
k) Predicting the future in the event of Shariah litigation.	4.14	3.27	3.06	3.88	3.43	3.21	3.50*
l) Acquiring information related to Shariah noncompliance.	3.57	3.39	3.06	3.97	3.62	3.14	3.53*
m) Enforcing Shariah legal requirements.	3.42	3.33	2.93	4.00	3.53	3.10	3.47*
n) Forming correct judgements.	3.57	3.18	3.06	4.11	3.75	3.07	3.53*
o) Coping with professional rules and Shariah rulings.	3.21	3.33	2.93	3.81	3.28	3.10	3.36*

*Significantly different among overall respondents $p < 0.001$ based on Kruskal-Wallis test. IA: Internal auditors (Shariah auditors); SC: Shariah Committee; EA: External auditors; DEP: Depositors; SO: Shariah officers; REG: Regulator

The results reveal that the external auditors and the internal auditors find a deficiency in the performance of Shariah auditors concerning communicating effectively, prescribing remedies in the event of Shariah noncompliance issues, enforcing Shariah legal requirements, acquiring information related to Shariah

noncompliance, forming correct judgments and coping with professional rules and Shariah rulings.

Table 4: Overall Gap among the Respondents in Shariah Audit Practices on Shariah Auditor’s Performance

STATEMENT	IA/SA	USERS GROUP (OVERALL GAP)				
		SC	EA	DEP	SO	REG
a) Providing a useful service to the stakeholders.	3.18	-0.96**	0.18	-1**	0.29	0.61**
b) Reporting truthfully.	2.81	-1.33**	-0.31	-0.79**	0.19	0.62**
c) Providing a useful service to the IFIs.	2.87	-1.34**	1.04**	0.03	0.16	0.8**
d) Detecting errors and irregularities pertaining to Shariah.	3.12	-1.3**	0	-0.85**	0.41*	0.05
e) Acting independently without regard to self-interest.	3.21	-1**	0.34	-0.94**	0.19	0.15
f) Communicating effectively.	2.90	0.05	0.03	-1.17**	0.48*	0.25
g) Prescribing remedies in the event of Shariah noncompliance issues.	3.03	-0.54**	0.22	-1.1**	0.38	0.57*
h) Preventing errors and irregularities pertaining to Shariah.	3.21	-0.29	0.34*	-1.03**	0.59**	0.17
i) Coping with risk and uncertainty in the transactions related to Shariah.	3.81	-0.33*	1.19**	-1.44**	0.5**	-0.51*
j) Diagnosing problem.	3.06	-0.79*	0.38	-1.08*	0.39	0.37
k) Predicting the future in the event of Shariah litigation.	3.27	-0.87**	0.21	-0.82**	0.45*	0.22

l) Acquiring information related to Shariah noncompliance.	3.39	-0.18	0.33*	-0.91**	0.35*	0.48**
m) Enforcing Shariah legal requirements.	3.33	-0.09	0.4	-1.07**	0.47*	0.43*
n) Forming correct judgements.	3.18	0.39*	0.12	-1.05**	0.36*	0.68**
o) Coping with professional rules and Shariah rulings.	3.33	0.12	0.4*	-0.88**	0.53**	0.18

*Significantly different from internal auditors overall gap at $p < 0.05$ and **significantly different from internal auditors overall gap at $p < 0.01$ based on Man-Whitney *U*-test. IA: Internal auditors; SA: Shariah auditors; SC: Shariah Committee; EA: External auditors; DEP: Depositors; SO: Shariah officers; REG: Regulators

Based on past study on the effectiveness of internal audit in Malaysian public sectors (Ahmad et. al., 2009), the main problems faced by the internal auditors which affect the performance of the internal auditors are due to lack of audit staff, internal audit function does not have full support from top management, lack of training, lack of independence, lack of competency, lack of experience staff and limited resources. Thus, the internal auditors and the management involved in the organisations must ensure that causes of gaps must be identified to boost the auditor’s performance.

Regarding extended analysis on significant findings based on Man-Whitney *U*-test, there are significant differences between internal auditor’s expectation with Shariah committee, depositors and regulators. Based on the average mean, the internal auditors are neutral on the statement ‘*Shariah auditor’s provide a useful service to the stakeholders*’. The Shariah committee and the depositors agree with the statement. Unlike the Shariah committee and the depositors, the regulators score an average mean of 3.10, which shows the Shariah auditor’s performance to the stakeholders is at the average level.

Even though Shariah auditors are directly involved with the Shariah audit functions, the internal auditors are unsure of their roles in the Shariah audit. This is evident since most of the questions on Shariah auditor’s performance answered by the internal auditors scores an average mean between 2.81 to 3.39, which reflects that the internal auditors believe that they have ‘adequately’ and ‘averagely’ accomplished the task. The internal auditors also rated 2.81 on ‘reporting truthfully’, which reflect that they ‘adequately’ manage to report the

Shariah audit findings instead of 'well' or 'excellent'. The Shariah committee, Shariah officers, depositors and regulators expect the Shariah auditors to perform well regarding performance. As such, the Shariah committee perceived that the Shariah auditors are able to predict the future in the event of Shariah litigation. Unfortunately, a significant gap exists of -0.87, which exceeds the expectation of the internal auditors on the statement. Also, the internal auditors score an average mean of 3.39 on diagnosing problems which means they averagely agree with the statement. This statement also involves a significant gap of -0.79 between the internal auditors and the Shariah committee.

Based on Table 4, it can be concluded that among the respondents, the Shariah committee, depositors, Shariah officers and regulators have a high expectation of the Shariah auditor's performance in the Islamic banks whereby the internal auditors believe that they have adequately accomplished the task in Shariah audit function.

CONCLUSIONS

This study contributes to the industry on the practice of Shariah audit in the Islamic banks. Audit gaps are growing rapidly in Shariah audit practices (Othman and Ameer, 2015; Zakari et al., 2014; Kasim et al., 2009; Sulaiman, 2005). Shariah audit has a key importance, as there is a growing awareness among IFIs that every such institution should contribute towards achieving the objectives of the Maqasid Shariah. There is a need to have regular independent Shariah audits in IFIs as people are now experiencing a movement along a continuum from a society that trusts everything and audits nothing to a society that trusts nothing and audits everything. The concept of Shariah auditing should be extended to the activities relating to among others, the system, the products, the employees, the environment and the society. Based on the findings, there is an existence of performance gap in Shariah audit practices which results in 'deficient standards' and 'deficient performance'. The 'performance gap' in Shariah audit practices due to poor standards and deficient performance needs to be addressed to boost the performance of the Shariah auditors. This study also found that performance gap due to 'deficient standard' as a result of inadequate legal and professional standards on the roles and responsibilities of Shariah auditors. The research provides new insights into the structure, composition and extent of the audit expectation-performance gap in Shariah audit practices and, more importantly, it rational and comprehensive approach towards narrowing the gap. This will lead to good Shariah audit practice that meet the expectations of stakeholders will reduce the criticism and different expectations on the Shariah audit practices in the Islamic banks.

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