

**Competencies and Knowledge of Internal Auditor in Islamic Financial  
Institution: A Literature Review**

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**Abstract**

**Purpose:** *Recently, the phenomenon of internal audits in Islamic financial institutions is that the fulfillment of sharia principles has not run ideally. This study aims to examine the competence and experience of internal auditors in Islamic financial institutions using a literature review.*

**Method:** *Data collection techniques were used to search for relevant articles through databases on Emerald, Springer, and Google Scholar by emphasizing keywords related to the theme.*

**Results:** *The results show that empirical evidence states that the competence and experience of internal auditors in Islamic financial institutions need to be added with several things related to competence and knowledge in accordance with Islamic law, such as knowledge of Islamic principles and laws, especially in fiqh muamalah; a strong understanding of As-Sunnah and Islamic jurisprudence such as ushul fiqh; understanding of accounting and auditing standards that apply within the national territory, as well as standards adopted by other Muslim countries that have implemented sharia auditing and have the competence to argue about the provisions and objectives of sharia.*

**Implications:** *The implications of this study are expected to be a reference for improving the quality of internal audits in Islamic financial institutions so that they can run in harmony with sharia provisions and principles.*

**Novelty:** *This study has differences from the studies that have been done before which the difference lies in the object of internal audit in Islamic Financial Institutions and research methods literature review. Therefore, in the next study is expected to conduct research on one of the Islamic financial institutions so that the results obtained can be more specific in accordance with the knowledge and competence of internal auditors at the institution.*

**Keywords:** *audit competence; audit knowledge; internal auditor; islamic financial institution*

**Abstrak**

**Tujuan:** *Baru-baru ini, fenomena terkait audit internal di Lembaga Keuangan Syariah yang merupakan pemenuhan prinsip syariah masih belum berjalan secara ideal. Penelitian ini bertujuan untuk menguji kompetensi dan pengalaman auditor internal di Lembaga Keuangan Syariah dengan menggunakan kajian pustaka.*

**Metode:** *Teknik pengumpulan data yang digunakan untuk mencari artikel yang relevan melalui database di Emerald, Springer, dan Google Scholar dengan menekankan pada kata kunci yang sesuai dengan tema.*

**Hasil:** Hasil penelitian menunjukkan bahwa bukti empiris menyatakan kompetensi dan pengalaman auditor internal di Lembaga Keuangan Islam perlu ditambah dengan beberapa hal yang berkaitan dengan kompetensi dan pengetahuan yang sesuai dengan hukum Islam, seperti pengetahuan tentang prinsip dan Hukum Islam terutama dalam fiqh muamalah; pemahaman yang kuat tentang As-Sunnah dan yurisprudensi Islam seperti ushul fiqh; pemahaman tentang Standar Akuntansi dan audit yang berlaku dalam wilayah nasional, serta standar yang diadopsi oleh negara-negara Muslim lainnya yang telah menerapkan audit Syariah dan memiliki kompetensi tentang ketentuan dan tujuan Syariah.

**Implikasi:** Penelitian ini diharapkan dapat menjadi acuan untuk meningkatkan kualitas audit internal di Lembaga Keuangan Syariah sehingga dapat berjalan selaras dengan ketentuan dan prinsip syariah.

**Kebaruan:** Penelitian ini memiliki perbedaan dengan penelitian-penelitian yang telah dilakukan sebelumnya yang mana perbedaan tersebut terletak pada objek berupa audit internal di Lembaga Keuangan Syariah dan metode penelitian kajian pustaka. Oleh karena itu, pada penelitian selanjutnya diharapkan dapat melakukan riset pada salah satu lembaga keuangan syariah sehingga hasil yang diperoleh dapat lebih spesifik sesuai dengan pengetahuan dan kompetensi yang dimiliki auditor internal pada lembaga tersebut.

**Kata kunci:** kompetensi audit; pengetahuan audit; auditor Internal; institusi keuangan syariah

## INTRODUCTION

In 2021, Indonesia recorded many outstanding achievements, (alamisharia.co.id), one of these achievements is the development of the Islamic finance industry with the unification of three Islamic banks, namely BNI Syariah, BRI Syariah, and Bank Syariah Mandiri. The three merged into Bank Syariah Indonesia (BSI). Islamic financial institutions have different characteristics from conventional financial institutions; their operational activities must be in line with shariah provisions and the products they produce (Mardiyah & Mardian, 2015). Islamic banking requires a more competent internal audit to monitor its performance. However, the development of internal Audits in Indonesia towards fulfilling sharia principles has not run ideally (galamedia.pikiran-rakyat.com). The shariah audit function is carried out by internal auditors who have adequate shariah-related knowledge and skills (Arens, 2008; Messier & Boh, 2004).

Based on the former Deputy Governor of BI, Siti Fajriyah stated that the progress of Islamic banking institutions in quantitative terms has not been accompanied by adequate human resource readiness (Sari & Amri, 2018). As a result, the experience of Syariah Internal Auditors is still relatively rare in some Islamic Financial Institutions. This phenomenon will affect the effectiveness of Sharia internal auditors in Islamic Financial Institutions (Khalid, A.A., Haron, H. and Masron, 2018). According to Baotham (2007), professional auditor refers to the ability and professional attitude. Therefore, auditors at Islamic Financial Institutions require special competencies that must be mastered to ensure maximum performance for all stakeholders. Sharia Internal Auditors must

maintain their technical competence through continuing education; participate in training, regular meetings, courses, and seminars (Khalid, A.A., Haron, H. and Masron, 2018). According to Arens (2008), The first general standard requires auditors to have formal auditing education and accounting training, sufficient practical experience to perform the work performed, and adherence to ongoing professional training. Competence is obtained through education and experience, so each member must achieve a level of competence that will ensure that the quality of services provided meets the high level of professionalism required by ethical principles (Farida & Dewi, 2018).

Internal auditors who work according to their knowledge can achieve better results than those who do not have sufficient knowledge of their responsibilities (Riani, 2013). According to Salsabila & Prayudiawan (2011) knowledge is very important for all auditors, especially in accounting and auditing. Both pieces of knowledge are an important basis for their capital as long as they work as accountants, especially when auditing financial statements. Auditors with a high level of knowledge will be able to monitor and evaluate an entity and obtain a quality audit opinion. The more knowledge the auditor has, it is expected to improve audit quality (Sihombing & Triyanto, 2019). Someone who does work according to his knowledge will give better results than those who do not have sufficient knowledge of his task (Salsabila & Prayudiawan, 2011).

Study of Haryanto & Susilawati (2018) concluded that auditor competence positively affects audit quality. Auditor competence has a significant effect on the quality of internal Audits, so the better the level of competence, the better the quality of internal Audits (Ariany, 2019). In addition, the results of research conducted by Mardiyah & Mardian (2015) prove that the auditor's knowledge significantly impacts the internal auditor's Audit performance. This follows the results of the study Salsabila & Prayudiawan (2011) and Mabruri dan Winarna (2010), namely, the more knowledge possessed by the auditor, the better the quality of the audit results produced so that knowledge significantly affects the quality of audit results in the local government environment. However, in a study conducted by Parasayu & Rohman (2014) and Sihombing & Triyanto (2019) found that knowledge has no significant effect on the performance of the internal audit report.

The phenomenon of the increasing prevalence of Islamic financial institutions, and the need for adequate auditor knowledge competencies for this field, is an interesting and important thing to do a literature review related to the competence and knowledge of internal auditors in Islamic financial institutions by observing and identifying empirical results from previous research.

## **METHOD**

This study uses data collection techniques in the form of library research, which is a method in the form of theoretical studies related to values, customs, and norms that grow and develop in the social situation under study (Sugiyono, 2011). This Literature Review method is a critical evaluation of material that has been published, which is relevant and adequate. Using data collection methods with this literature review technique can take quite a lot of time and effort because researchers need to study several references that are appropriate to the research topic (Abdhul, 2021). In this case, the researcher reviewed many scientific journals from e-journal platforms such as Emerald Insight, Springer, Google Scholar, and e-journal portals of several campuses in Indonesia. In addition, on some theories, researchers also quote from many libraries, such as online books that follow the topics discussed in the study. Researchers found literature based on keywords such as Islamic financial institutions, internal auditors, auditor competence found a number of 560 articles in Springer, and auditor knowledge found a number of 2.119 articles on Google Scholar.

In the auditor competency keyword, twelve works of literature were obtained. The auditor knowledge keyword obtained as many as ten works of literature, the Islamic financial institution keyword produced about seven to eight reference works of literature, and the last keyword, internal auditor, produced six reference works of literature. The period determined in searching for the reference literature ranges from 2010 to 2022. After the researchers searched for literature that matched the keywords, then the researchers looked for a description of the research results and theories contained in the journals and reference books by using the 'find' feature and re-typing each keyword in this paper so that several sentences were found in the form of research result. The literature used as a reference is an article that contains theories, explanations, and research results in accordance with the specified keywords. In addition, the literature is an article from a scientific journal or from learning books or public reading books that have been officially registered.

## **RESULTS AND DISCUSSION**

### **Auditor Competence**

The results of research conducted by Zegers et al. (2018) show that the quality of an audit depends on the quality of the auditors, and it can be achieved by training and evaluating auditor competencies and skills. High quality of internal audit can be obtained through the competence possessed by the internal auditor, the level of assurance and follow-up process provided, as well as the functions of the audit committee in evaluating and reviewing the results of internal audit (Ratri & Bernawati, 2020). In addition, according to research

Izzatika, Farhana, and Lubis (2016) competencies that shariah auditors must possess are as follows:

1. Have skills, attitudes, and knowledge in the field of accounting or auditing
2. Have knowledge of shariah related to Islamic principles and law, especially in muamalat fiqh
3. Have a strong understanding of As-Sunnah and Islamic jurisprudence such as ushul fiqh
4. Understand the international accounting standards adopted with accounting and auditing standards that apply in the national territory. As well as the standards adopted by other Muslim countries if they want to work in other countries that have implemented shariah auditing
5. Fluency in Arabic and English
6. Have an understanding with good knowledge of finance and business
7. Understanding management theory and practice
8. Have good morals, are authoritative, able to argue about the provisions and objectives of shariah.

The results of research conducted by Haryanto & Susilawati (2018) prove that auditor competence has a positive effect on audit quality. Auditors must have good personal qualities, effectiveness, and special abilities in their fields (Maulana, 2020). In addition, in the research conducted Nugraha (2018) the auditor can maintain objectivity and professionalism in conducting audits by having good competence so that it is directly proportional to the internal audit results. Then the research conducted by Khalid, A.A., Haron, H. and Masron (2018) concluded that competence is the only independent variable affecting the quality of sharia internal Audits in Islamic financial institutions. However, in the research conducted by Jusri & Maulidha (2020), the study's results indicate that the competence of auditors does not impact the practice of shariah auditing.

### **Auditor Knowledge**

Research conducted by S & R (2020) shows that Auditor's knowledge has a positive and significant effect on the quality of the auditor's work. In research conducted by Mardiyah & Mardian (2015) auditor knowledge has a significant effect on the internal auditor's audit performance. Sharia auditors in Islamic banking must have knowledge in the field of audit and Sharia. The knowledge that is meant is general knowledge and specific knowledge. General knowledge related to the sciences obtained during formal education includes: Islamic banking, fiqh muamalah, Auditing, conventional banking, risk management, mathematics, business accounting, related laws, internal control, and risk mapping. While specific knowledge is the knowledge gained from additional training (Jusri & Maulidha, 2020). Based on the Internal Audit Professional

Standard (1210.2), it is stated that in detecting indications of fraud, the knowledge possessed by internal auditors must be sufficient (Ratri & Bernawati, 2020).

An internal auditor must carry out a shariah audit with adequate knowledge and skills related to shariah related to Arens (2008a) because Auditors at Islamic Financial Institutions require special competencies related to Shariah Audit to ensure performance maximum for all bank stakeholders and internal organizations or companies (Khalid, A.A., Haron, H. and Masron, 2018). For example, the understanding of the Shariah Internal Auditor regarding the validity of a transaction when any error has the possibility of canceling the transaction, it is necessary to have adequate knowledge and skills related to shariah auditing by the shariah internal auditor (Rashid & Ghazi, 2021).

## CONCLUSION

A conventional Internal Audit is a systematic and objective assessment carried out by an internal auditor of different operations and controls within the organization to determine various aspects of the audit. It also does not significantly differ from the Audit in Islamic Financial Institutions. However, in this Shariah audit, auditors are more likely to have more knowledge and follow Islamic sharia, such as a strong understanding of As-Sunnah and Islamic fiqh and the provisions and objectives of sharia. The need for Sharia Internal Auditors in Islamic Financial Institutions makes Internal Audit important in detecting all defects in work and taking the necessary steps to prevent them according to Islamic law. So, it is necessary to have auditor competence that includes adequate skills and knowledge so that the performance and results of the audits carried out can be maximized.

Internal auditor competence is usually characterized by how much experience an auditor has in examining financial statements and providing audit opinions precisely and clearly. While the knowledge of internal auditors is characterized by the amount of knowledge or knowledge possessed by an auditor so that the auditor will be better at completing his duties and responsibilities. Internal auditor competence is frequently characterized by how much experience an auditor has in examining financial statements and providing audit opinions precisely and clearly. While the knowledge of internal auditors is characterized by the amount of knowledge or knowledge possessed by an auditor so that the auditor will be better at completing his duties and responsibilities.

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