

The Present and Future Labour Shariah Auditor Market

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The Shariah audit function within Islamic Financial Institutions (IFIs) provides assurance on IFI's compliance with Shariah principles. In spite of the importance of the Shariah audit, there is little literature on the its effective and efficient implementation from the human capital perspective, in particular Shariah audit education and training. This study aims to explore the Shariah audit discipline in terms of academic qualification and professional training courses. In addition, the paper attempts to visualize the future of the Shariah audit profession in light of the industrial revolution of 4.0. This study is based on a literature review of past studies related to Shariah audit discipline conducted in Malaysia and Brunei Darussalam. Evidence from the analysis suggest that several initiatives have been undertaken to ensure Shariah auditor efficacy and efficiency in implementation of Shariah audit. The Insight Report of The Future of Jobs Report 2018, World Economic Forum identified that accounting and auditing are considered to be redundant roles and will have declined by 2022. There is some belief that in the Shariah audit profession a Shariah robo auditor will replace human intervention. This study aims to contribute to the current body of knowledge of the subject matter in order to narrow down the identified literature gap. This study is also useful for policymaking in jurisdictions that offer Islamic finance, with relation to Shariah governance mechanisms, especially regarding policies related to Shariah audit.

Key words: *Shariah Audit, Shariah Governance Framework, Islamic Financial Institutions, Shariah Audit Education and Training, Industrial Revolution 4.0.*

Introduction

The Shariah audit function within the Islamic Financial Institutions (IFIs) provides assurance of IFI compliance with Shariah principles. This study will explore the availability of academic qualification and or courses offered by selected universities in Malaysia and Brunei Darussalam. Additionally, the paper endeavours to explore on the professional certification and

training available for Shariah auditors. Future job prospects in the audit discipline in general are also investigated in light of the industrial revolution 4.0. This study is based on a review of past literature and the available information using secondary data.

The paper is divided into 6 sections, beginning with an introduction, followed by a summary of the present labour Shariah Auditor markets in terms of academic qualification and professional training in Malaysia and Brunei Darussalam in Section 2 and 3 respectively. Then, the next section highlights relevant literature reviewed in the context of Malaysia and Brunei Darussalam Shariah audit. Section 5 will present the future labour Shariah Auditor market in light of the industrial revolution 4.0. Lastly, a conclusion is drawn with reference to limitations and potential avenues for further research are suggested.

The Present Supply of Labour Market for Shariah Auditor in Malaysia

This section will provide information extracted from the relevant universities and training organizations that are related to Shariah audit academic qualification and professional training in Malaysia:

Universities in Malaysia

Universities in Malaysia are generally categorized as public or private universities. For the purpose of this study, only the selection process of universities from the public sector are investigated. Table 1 details the three selected universities in this study, together with the rationale for their selection:

Table 1: list of selected universities in Malaysia

No	Name of University	Rationale
a.	Universiti Sains Islam Malaysia (USIM), upgraded from Kolej Universiti Islam Malaysia (KUIM) in 2007	Majority of Shariah audit literature is written from this university
b.	International Islamic University Malaysia (IIUM)	One of the prominent Islamic universities in Malaysia
c.	Universiti Kebangsaan Malaysia (UKM)	The National University of Malaysia

1.1
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Shariah Audit Academic Qualification in Malaysia

Table 2 below lists the present academic qualifications offered by the three selected universities: Universiti Sains Islam Malaysia (USIM)

Table 2: list of academic qualification on Shariah audit offer by USIM; www.fem.usim.edu.my

Faculty	Program/ Courses
Faculty of Economics and Muamalat (FEM)	Master of Accounting and Shariah Audit Bachelor of Accounting with Honours

- a. International Islamic University of Malaysia (IIUM)

Table 3: list of academic qualification on Shariah audit offer by IIUM; www.iium.edu.my

Faculty	Program/ Courses
Kulliyyah of Economics and Management Sciences (KENMS)	Bachelor of Accounting Master and Doctor of Philosophy in Accounting

- b. Universiti Kebangsaan Malaysia (UKM)

Table 4: list of academic qualification on Shariah audit offer by UKM; www.ukm.my

Faculty	Program/ Courses
Faculty of Accountancy	Master and Doctor of Philosophy in Accountancy

Shariah Audit Professional Training in Malaysia

The following are the available professional certification and training courses for Shariah auditors:

- a. Shariah Audit Training (SAT) offered by USIM
This is a pilot program jointly conducted by USIM and Bank Muamalat Malaysia Berhad (BMMB). In order to equip Islamic finance practitioners with adequate Shariah audit practices, FEM of USIM has introduced professional training called Shariah Audit Training (SAT) for the IFIs. The SAT covers modules on Shariah principles, Shariah governance, Shariah audit program, Shariah audit process, Shariah audit fieldwork, Shariah risk management and Shariah audit communications. In ensuring practicality and suitability, the modules are developed based on collaboration between academics and industry players.
- b. Certified Professional Shariah Auditor (CPSA) offered by Islamic Banking and Finance Institute Malaysia (IBFIM)
The CPSA program is designed to equip candidates with the essential technical understanding and professional skills of Shariah compliance audit and Shariah review processes for the Islamic banking and finance industry.

- c. Certified Shariah Adviser and Auditor (CSAA) offered by International Shariah Research Academy (ISRA)

The CSAA is a program developed by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). However, based on the AAOIFI's website, the CSAA is currently in overhaul and will be re-introduced. Their website further states that one of the major changes will be the splitting of CSAA into Certified Shariah Advisor (CSAD) and Certified Shariah Auditor (CSAU).

The Present Supply of Labour Market for Shariah Auditor in Brunei Darussalam

This section will provide information extracted from the universities and training organizations related with Shariah audit academic qualification and professional training in Brunei Darussalam. Similar to its neighbour Malaysia, Brunei Darussalam shares a higher education institute approach of having both full-fledged public and private universities. Table 5 below presents the three selected public universities in this study together with the rationale for selection:

Table 5: list of selected universities in Brunei Darussalam

No	Name of University	Rationale
a.	Universiti Brunei Darussalam (UBD)	Literature on Shariah audit been written from this university
b.	Universiti Islam Sultan Sharif Ali (UNISSA)	The Islamic university of the country
c.	Kolej Universiti Perguruan Ugama Seri Begawan (KUPUSB), upgraded in 2007 from a college to a university status	The religious college university in the country

Shariah Audit Academic Qualification in Brunei Darussalam

Table 6 and 7 below list the present academic qualifications offered by the three selected universities:

- a. Universiti Brunei Darussalam (UBD)

Table 6: list of academic qualification on Shariah audit offer by UBD; www.sbe.ubd.edu.bn

Faculty	Program/ Courses
School of Business and Economics (SBE)	<p>Master of Islamic Finance Module: Shariah Audit It is designed to provide students with knowledge and skills in Shariah Audit practices and auditing system from an Islamic perspective. The effect of Shariah on auditing principles and concepts on IFIs is also covered. Apart from that, it is also designed to provide students with the knowledge of contemporary issues in Shariah Audit.</p> <p>Bachelor of Business (Accounting and Finance) Module: Accounting and Auditing for Islamic Finance It is designed to introduce students to accounting and auditing from the Islamic view by illustrating the financial recording and reporting practices with regards to Muamalah contracts issued by IFIs, as well as the current standards and guidelines for accounting, auditing and governance for IFIs.</p>

b. Universiti Islam Sultan Sharif Ali (UNISSA)

Table 7: list of academic qualification on Shariah audit offer by UNISSA; www.unissa.edu.bn

Faculty	Program/ Courses
Faculty of Islamic Economics and Finance (FEKIm)	<p>Bachelor of Science in Islamic Finance</p> <p>Master of Islamic Banking and Finance (Research) Areas of Research: Islamic Accounting and Auditing</p> <p>PhD Islamic Banking and Finance</p>

c. Kolej Universiti Perguruan Ugama Seri Begawan (KUPU SB)

A search of the university's website reveals that there is no information indicating a specific program offer in the field of auditing.

Shariah Audit Professional Training in Brunei Darussalam

The available training related to Shariah auditing follows:

- a. Shariah Audit Training by Centre for Islamic Banking, Finance and Management (CIBFM)

CIBFM is the Centre of Excellence for the finance industry in Brunei Darussalam. It is under the oversight of Autoriti Monetari Brunei Darussalam (AMBD) and plays an important role in developing human capacity in the areas of Islamic banking, finance and management.

The following listed Shariah audit training courses were offered by CIBFM in 2017 and 2018 based on their website:

- i. Shariah Audit and Review for Islamic Financial Institution; and
- ii. Shariah Compliance, Review and Audit for Takaful

In addition to the above, according to an article in the local newspaper, there is also an industrial talk conducted by the UNISSA in 2019 that focuses on Shariah Governance in Islamic Financial Institutions. Due to limited public information regarding the Shariah audit training in Brunei Darussalam, it is assumed that there may be private training held in the country but it is not open for the public.

Review of Literature on Human Capital Development of Shariah Auditor in Malaysia and Brunei Darussalam

It is very encouraging to note that research by Yaacob and Donglah (2012) on postgraduate student perspectives on Shariah audit was conducted in the Brunei Darussalam context. The results of the study reveal that there is still a low level of awareness and understanding of the term as well as the Shariah audit concept. The study further highlighted the importance of the media in an effort to promote the Shariah audit. The students in this study agreed that Shariah audit has a big potential in the Bruneian market. Other research conducted in Malaysia by Shafii (2013); Yildirim et al (2016) identify the independence and competency quality that is needed for human capital development in Shariah audit. The study used respondents from regulators, IFIs management, employees and shareholders. It was revealed that Shariah auditors possess Shariah and accounting knowledge, however in the case where auditors do not have the necessary qualification, work experience in the Islamic banking could be considered. These study findings gathered can benefit higher learning institutions in developing the syllabus and training modules to cater for industry needs.

Another study conducted by Yaacob et al (2013) highlighted that apart from differences in terms of Shariah audit scope and framework, there is another key issue which is the limited number of competent Shariah auditors to conduct the Shariah audit of IFIs. The study respondents were undergraduate students in accounting, business and Shariah in Brunei Darussalam. Students in this study are not certain about the objective of Shariah auditing. This has implications for the Bruneian government with respect to necessary revision of its education syllabus in order to cater to the demand for qualified and trained Shariah auditors.

Kasim and Sanusi (2013) on the other hand, examined practitioners' perspective on the issues of Shariah audit standard, qualification and independence. Their findings emphasized the importance of qualification and independence as there are no mandatory regulated professional auditor codes in line with the growth of IFIs. Thus, the paper provided practical impact for regulators in the review of existing standards for Shariah audit practices and emphasised the need to develop a mandatory professional governance structure for Shariah auditors. One key policy impact from the study is that the Malaysian Institute of Accountants (MIA) or the Central Bank of Malaysia (Bank Negara Malaysia) should take responsibility for the identification and implementation of a comprehensive integrated Shariah audit framework to cater for increased IFIs.

Shafii et.al, (2014) explored the perception of undergraduates on Shariah audit in Malaysian Islamic banks. Their study revealed that there is a major difference between students who are exposed to courses in Shariah audit compared with those who never take the subject. This result demonstrates positive impact when Malaysian higher learning institutions deliver Shariah audit to students so as to produce Shariah auditors in the relevant industry. There is clear indication that there is no specific guidance on the role of the Shariah auditor as a qualified professional in an Islamic bank. Based on the study, it is found that the majority of undergraduates in Malaysia are exposed to auditing discipline either through accounting or Islamic studies courses. The claimed is that there is no local Malaysian university or professional body that provides professional certification for the Shariah auditor.

This research employed a questionnaire with categories of questions such as: awareness and knowledge; perception regarding Shariah audit practice in Malaysia and lastly the type of skills and knowledge respondents want a university to offer. The study respondents agreed that the Shariah audit should be performed by a professional that possesses auditing and Shariah background as well as sufficient knowledge in banking operations and financial products. The study results suggest that a university can work with the leading training provider, such as IBFIM, to offer training and formal courses on Shariah audit so as to come up with talented Shariah auditors in order to cater with current needs. Research conducted by Shafii et al (2014) and Yilmaz, (2018) investigated what type of audit certification would convince stakeholders that Shariah auditors are skillful and competent. The study highlighted the present gap as there is neither certification nor a professional body which could provide such certification. This study thus examines the content and scope of the audit and employed a questionnaire administered to the regulators, Shariah committee, Shariah reviewers and undergraduate students.

Mohd Alia et al (2015) note that the challenge is the mismatch of the pool of talent between what is required by the banks and what is offered by the market. The paper explained the competency framework for Malaysian Shariah auditors and revealed that the competency

requirements for Shariah audit are still in a developmental stage and that there is a need for such. The study calls upon an urgent need in drafting the competency requirements that include knowledge, skill and other characteristics or in short, KSOC to ensure sufficient supply of competent auditors. The study suggested the so called KSOC model as a basis for the framework. This study is a very narrow in nature without a comprehensive explanation of the KSOC model. Kamaruddin and Hanefah (2017) in their study highlighted the effort undertaken by the FEM of USIM that introduced a professional SAT program for the IFIs' staff. The modules of the program cover the Shariah principles, governance, audit program, audit process, audit fieldwork, risk management and audit communications.

The Future Labour Shariah Auditor market

This section attempts to provide an insight into the future job of the Shariah audit discipline by referring to the key findings in the Insight Report on The Future of Jobs Report (2018) by the World Economic Forum. According to the report, although the industrial revolution 4.0 technological advancement will decrease the number of employees required to do certain work tasks, report respondents indicate that it will produce increased demand for the performance of others, leading to new job creation. Based on the survey, the future of jobs is divided into three categories: stable roles, new roles and redundant roles. Accountants and auditors are considered to be in the redundant role category as follows in Table 8 below:

Table 8: Examples of stable, new and redundant roles, source: Insight Report on The Future of Jobs Report 2018 by World Economic Forum

Stable Roles	New Roles	Redundant Roles
Managing Directors and Chief Executives	Data Analysts and Scientists	Data Entry Clerks
General and Operations Managers	AI and Machine Learning Specialists	Accounting, Bookkeeping and Payroll Clerks
Software and Applications Developers and Analysts	General and Operations Managers	Administrative and Executive Secretaries
Data Analysts and Scientists	Big Data Specialists	Assembly and Factory Workers
Sales and Marketing Professionals	Digital Transformation Specialists	Client Information and Customer Service Workers
Sales Representatives, Wholesale and Manufacturing, Technical and Scientific Products	Sales and Marketing Professionals	Business Services and Administration Managers
Human Resources Specialists	New Technology Specialists	Accountants and Auditors
Financial and Investment Advisers	Organizational Development Specialists	
	Software and Applications Developers and Analysts	

Stable Roles	New Roles	Redundant Roles
Database and Network Professionals Supply Chain and Logistics Specialists Risk Management Specialists Information Security Analysts Management and Organization Analysts Electro technology Engineers Organizational Development Specialists Chemical Processing Plant Operators University and Higher Education Teachers Compliance Officers Energy and Petroleum Engineers Robotics Specialists and Engineers Petroleum and Natural Gas Refining Plant Operators	Information Technology Services Process Automation Specialists Innovation Professionals Information Security Analysts Ecommerce and Social Media Specialists User Experience and Human-Machine Interaction Designers Training and Development Specialists Robotics Specialists and Engineers People and Culture Specialists Client Information and Customer Service Workers Service and Solutions Designers Digital Marketing and Strategy Specialists	Material-Recording and Stock-Keeping Clerks General and Operations Managers Postal Service Clerks Financial Analysts Cashiers and Ticket Clerks Mechanics and Machinery Repairers Telemarketers Electronics and Telecommunications Installers and Repairers Bank Tellers and Related Clerks Car, Van and Motorcycle Drivers Sales and Purchasing Agents and Brokers Door-To-Door Sales Workers, News and Street Vendors, and Related Workers Statistical, Finance and Insurance Clerks Lawyers

One of the key findings from the report is the trend in robotization. According to the report, the companies across all sectors are most likely to adopt stationary robots, compared with humanoid, aerial or underwater robots. However, the employers in the financial services industry are most likely to adopt the humanoid robots in the period up to 2022. If the trends in robotization, in particular in the financial services industry, are considered in context of this key finding, the question is raised regarding whether Shariah auditing in the IFIs would also need to be automated through the adoption of humanoid robots?

As there is already one Malaysia-based private wealth management firm, Farrington Group, who launched its Shariah-compliant robo advisor, named Algebra, in 2017, would there also need to be a Shariah robo auditor in the future? Regardless of whether a Shariah robo auditor is required or not, the focus must be on the preservation of Shariah principles to ensure Shariah compliance is observed at all times. Upskilling and reskilling would definitely be key agenda items regardless of whether a Shariah robo auditor or a human auditor is involved.

Conclusion

Shariah compliance is vital and the negative consequences of non-compliance not only impact financial outcomes, but most importantly are against the commands of Allah Subhanahu Wa Taala and are an impediment of Allah Subhanahu Wa Taala blessing. From the preceding analysis, it is clear that there are already academic qualifications in place in the area of Shariah auditing. In terms of professional certification, based on the research conducted so far, there is clear indication that Malaysia has made an encouraging initiative in designing professional courses such as SAT and CPSA and that recommendations from past studies has been acted upon. Further positive initiatives definitely require Brunei Darussalam future investigation in order to equip Shariah auditors with the necessary professional and technical Shariah auditing skills. An academic qualification alone is not enough, it has to be blend with professional certification and experience so that Shariah auditors are seen as a competent, skilled workforce. Thus, the focus must be ensuring that Shariah audit graduates are able to perform effective and efficient implementation of the Shariah audit so as to meet the objective in providing quality assurance in the IFI's compliance with Shariah principles.

With regard to the future job prospects of the Shariah auditor, although the Insight Report of The Future Jobs (2018) by the World Economic Forum Report reports that redundancy and or reduction of human labour in the field of accountants and auditors will occur in the year 2021, a further study should also be conducted in order to find out what the effect to the Shariah auditor profession might be. The findings of the above Report cannot be generalised to the context of Shariah auditing as auditing in the west may be different to Islamic auditing. A Shariah robo auditor thus may help in how auditing works, however to decide whether there is Shariah compliance or not, may be a more subjective task which definitely requires human intervention and judgmental decision.

A fieldwork type research is recommended as future research in this context. This study should use a survey or questionnaires administered to relevant stakeholders to determine their perceptions regarding replacing a human Shariah auditor with a robo Shariah auditor. A comparative study could also be conducted by surveying other universities. Future research should explore perceptions from other disciplines such as banking, finance, management and



Shariah courses to provide results which can inform future practice, policy and course offerings.

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