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DEDICATION

Dedicated to my beautiful family.
My father and mother, may God have mercy on them,
To the most precious people in my life: my parents, brothers, sisters, sincere wife, and my beloved sons and daughters.

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ABSTRACT

The aim of this research was to investigate the impact of Shariah supervisory board characteristics (SSBC) on the Internal Shariah auditor Effectiveness (ISAE), and the role of Management Support as a Moderator in Islamic finance institutions in the United Arab Emirates. The selected characteristics were independence, competence, and size of SSB. A quantitative approach using Structural Equation Modelling (SEM) was utilized as the main research design. The actual survey questionnaire was collected from 365 respondents (Shariah Supervisory Board, Internal Shariah Auditor, Audit and governance committee, Accountants, Chief executive officers) and the data were analyzed using confirmatory factorial analysis (CFA) to determine the impact of SSBC on ISAE. The research results indicated the significant effects were independence (β =-0.463, $p<0.05$), followed by competence (β =0.960, $p<0.05$), and only the size (β =1.124, $p> 0.05$). Moreover, management support moderated the relationships between independence (β =-0.021, $p<0.05$) and competence (β =0.020, $p<0.05$). In conclusion, independence and competence are the most dominant SSB factor that affects ISAE, and the same thing happened as an influential moderator between SSB characteristics and ISAE. In implication, IFIs should focus on management support to enhance the effectiveness and impact of SSB characteristics on Internal Shariah auditor effectiveness and performance. Also, this study suggested that AAOIFI standards as a regulatory body of IFIs in UAE should look out how to design new roles and guidelines to make the internal Shariah auditors more efficient and effective. The theoretical research framework for this study is Maqasid al-Shariah theory Islamic as an umbrella theory. Other theories used are Islamic agency theory and Islamic accountability theory. The theoretical implications are that the results are beneficial to IFIs, regulators, and policymakers in the area of SSB and ISAE to formulate suitable policies to ensure IFIs make use of Islamic rules in a comprehensive manner. The practical implications of the study of all the variables are consistent with AAOIFI standards.

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KESAN CIRI-CIRI LEMBAGA PENYELIAAN SYARIAH TERHADAP KEBERKESANAN JURUAUDIT SYARIAH DALAMAN, PERANAN SOKONGAN PENGURUSAN SEBAGAI MODERATOR DALAM INSTITUSI KEWANGAN ISLAM DI THE UNITED ARAB OF EMIRATES

ABSTRAK

Matlamat penyelidikan ini adalah untuk menyiasat kesan ciri lembaga penyeliaan Syariah (SSBC) terhadap Keberkesanan juruaudit Syariah Dalaman (ISAE), dan peranan Sokongan Pengurusan sebagai Moderator dalam institusi kewangan Islam di Emiriah Arab Bersatu. Ciri-ciri yang dipilih ialah kebebasan, kecekapan, dan saiz SSB. Pendekatan kuantitatif menggunakan Structural Equation Modelling (SEM) telah digunakan sebagai reka bentuk penyelidikan utama. Soal selidik tinjauan sebenar telah dikumpul daripada 365 responden (Lembaga Penyeliaan Syariah, Juruaudit Syariah Dalaman, Jawatankuasa Audit dan tadbir urus, Akauntan, Ketua pegawai eksekutif) dan data dianalisis menggunakan analisis faktorial pengesahan (CFA) untuk menentukan kesan SSBC terhadap ISAE. Hasil kajian menunjukkan kesan yang ketara ialah kebebasan (β =-0.463, $p<0.05$), diikuti dengan kecekapan (β =0.960, $p<0.05$), dan hanya saiz (β =1.124, $p> 0.05$). Selain itu, sokongan pengurusan menyederhanakan hubungan antara kebebasan (β =-0.021, $p<0.05$) dan kecekapan (β =0.020, $p<0.05$). Kesimpulannya, kebebasan dan kecekapan adalah faktor SSB yang paling dominan yang mempengaruhi ISAE, dan perkara yang sama berlaku sebagai moderator yang berpengaruh antara ciri-ciri SSB dan ISAE. Secara implikasinya, IFI harus memberi tumpuan kepada sokongan pengurusan untuk meningkatkan keberkesanan dan kesan ciri SSB terhadap keberkesanan dan prestasi juruaudit Syariah Dalaman. Selain itu, kajian ini mencadangkan bahawa piawaian AAOIFI sebagai badan kawal selia IFI di UAE harus melihat cara mereka bentuk peranan dan garis panduan baharu untuk menjadikan juruaudit Syariah dalaman lebih cekap dan berkesan. Kerangka kajian teori bagi kajian ini ialah teori Maqasid al-Shariah Islam sebagai teori payung. Teori lain yang digunakan ialah teori agensi Islam dan teori akauntabiliti Islam. Implikasi teorinya ialah keputusannya bermanfaat kepada IFI, pengawal selia dan penggubal dasar dalam bidang SSB dan ISAE untuk menggubal dasar yang sesuai untuk memastikan IFI menggunakan peraturan Islam secara menyeluruh. Implikasi praktikal kajian semua pembolehubah adalah konsisten dengan piawaian AAOIFI.

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CONTENTS

		Page
DECLARATION OF ORIGINAL WORK		ii
DECLARATION OF THESIS		iii
ACKNOWLEDGEMENT		iv
DEDICATION		v
ABSTRACT		vi
ABSTRAK		vii
CONTENTS		viii
LIST OF TABLES		xiv
LIST OF FIGURES		xvii
LIST OF ABBREVIATION		xviii
LIST OF APPENDICES		xx
CHAPTER 1 INTRODUCTION		
	1.1 Introduction	1
	1.2 Background of the Study	1
	1.3 Problem Statement	9
	1.4 Research Questions	24
	1.5 Research Objectives	24
	1.6 Research Hypothesis	25
	1.7 Research Framework	26
	1.8 Significance of the Study	29
	1.9 Research Scope	32
	1.10 Operational Definitions	33
	1.11 Organization of the Remaining Chapters	34

05-4506832 pustaka.upsi.edu.my Perpustakaan Tuanku Bainun Kampus Sultan Abdul Jalil Shah PustakaTBainun ptbupsi

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CHAPTER 2 OVERVIEW AND BACKGROUND OF CONTEXT OF STUDY

2.1	Introduction	36
2.2	The Islamic Worldview	37
2.2.1	Objectives of Islamic Law (Maqasid Al-Shariah)	38
2.2.2	Shariah Compliance Audit	41
2.3	The History of Auditing in Islam	48
2.4	Shariah and Financial Audit in UAE	53
2.4.1	IFIs Market and Islamic Takaful in UAE	56
2.4.2	Banking Sector in UAE	59
2.4.3	The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)	63
2.4.4	Comparative Analysis on AAOIFI, IFSB and BNM	65
2.4.5	Shariah Audit Practices in IFIs	79
2.5	The Internal Shariah Auditor Roles and Responsibilities in IFIs	92
2.6	Summary	98

CHAPTER 3 LITERATURE REVIEW

3.1	Internal Shariah auditor effectiveness	100
3.1.1	Internal Auditor Effectiveness and ISA Effectiveness	111
3.2	Characteristics of Shariah Supervisory Board	119
3.2.1	Independence of Shariah Supervisory Board	130
3.2.2	Competence of Shariah Supervisory Board	135
3.2.3	Size of Shariah Supervisory Board	138
3.3	Role of Management support	144
3.4	Underlying theory	152

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3.4.1 Maqasid Al-Shariah theory 153

3.4.2 Islamic Agency theory 157

3.4.3 Islamic Accountability theory 162

3.5 Research hypotheses development 167

3.5.1 Impact of SSB Independence on Internal Shariah auditor effectiveness 169

3.5.2 Impact of SSB competence on Internal Shariah auditor effectiveness 173

3.5.3 Impact of SSB size on Internal Shariah auditor effectiveness 177

3.5.4 Moderating effects of Management support on SSB characteristics and internal Shariah auditor effectiveness 179

3.6 Summary 183

CHAPTER 4 RESEARCH METHODOLOGY

4.1 Introduction 185

4.2 Research Design 187

4.3 Population, Sampling and Sampling technique 188

4.3.1 Population and sampling 189

4.3.2 Sampling Techniques 192

4.3.3 Sampling Size 194

4.4 Data Collection 197

4.5 Research Instrument 200

4.5.1 Instrument Construction Procedures 201

4.5.2 Source of Constructs Items 202

4.5.3 Questionnaire Construction 206

4.6 Validity and Reliability 207

05-4506832 pustaka.upsi.edu.my Perpustakaan Tuanku Bainun Kampus Sultan Abdul Jalil Shah PustakaTBainun ptbupsi

05-4506832 pustaka.upsi.edu.my Perpustakaan Tuanku Bainun Kampus Sultan Abdul Jalil Shah PustakaTBainun ptbupsi

4.6.1 Validity Test 208

4.6.2 Reliability Test 210

4.7 Procedure of Study 213

4.8 Operational Definition and Measurement of the Variables 217

4.8.1 Independent Variables – Shariah Supervisory Board Characteristic 218

4.8.2 Dependent Variable - Internal Shariah Auditor Effectiveness 222

4.8.3 Moderator Variable – Management Support 224

4.9 Data Analysis Procedure 227

4.9.1 Descriptive and Inferential Analysis 227

4.10 Summary 235

CHAPTER 5 RESEARCH FINDINGS

5.1 Introduction 236

5.2 Exploratory Factor Analysis 237

5.2.1 Demographic Characteristics of EFA 238

5.2.2 Descriptive Statistics of EFA 240

5.2.3 Reliability Test of EFA 241

5.2.4 EFA Test and Results 244

5.3 Confirmatory Factor Analysis 246

5.3.1 Demographic Characteristics 246

5.3.2 Descriptive Statistics of CFA 251

5.3.3 Missing Data and Outliers 260

5.3.4 Normality Test 261

5.3.5 Reliability Test 262

5.3.6 Measurement Model Evaluation 265

05-4506832 pustaka.upsi.edu.my Perpustakaan Tuanku Bainun Kampus Sultan Abdul Jalil Shah PustakaTBainun ptbupsi

05-4506832 pustaka.upsi.edu.my Perpustakaan Tuanku Bainun Kampus Sultan Abdul Jalil Shah PustakaTBainun ptbupsi

5.3.7 Structural Equation Model Evaluation 272

5.4 Hypotheses Testing 276

5.4.1 Regression Weights of Direct Hypothesis 277

5.4.2 Regression Weights of Moderating Effect Hypotheses 278

5.5 Summary 281

CHAPTER 6 DISCUSSION, RECOMMENDATION AND CONCLUSION

6.1 Introduction 282

6.2 Major Findings of the Research 283

6.2.1 Objective 1: To Analyze the impact of SSB independence on internal Shariah auditor effectiveness in IFIs in UAE 286

6.2.2 Objective 2: To Analyze the impact of SSB competence on internal Shariah auditor effectiveness in IFIs in UAE 288

6.2.3 Objective 3: To Analyze the impact of SSB size on internal Shariah auditor effectiveness in IFIs 289

6.2.4 Objective 4: Moderating Effect of Role of Management support on the Relationship between characteristics of SSB on Effectiveness of ISA in IFIs in UAE 290

6.3 Research Discussion 291

6.3.1 UAE central bank 292

6.3.2 Selection of Demographic Characteristics 292

6.3.3 Exploratory Factor Analysis (EFA) Outcome 293

6.3.4 Confirmatory Factor Analysis (CFA) Outcome 294

6.4 Research Implications 294

6.4.1 Theoretical Implications 295

6.4.2 Practical Implications 298

05-4506832 pustaka.upsi.edu.my Perpustakaan Tuanku Bainun Kampus Sultan Abdul Jalil Shah PustakaTBainun ptbupsi

05-4506832 pustaka.upsi.edu.my Perpustakaan Tuanku Bainun Kampus Sultan Abdul Jalil Shah PustakaTBainun ptbupsi

6.5	Limitations of the Study	302
6.6	Suggestions for Future Research	303
6.7	Recommendations	305
6.8	Conclusion	306
REFERENCES		309
APPENDICES		

05-4506832 pustaka.upsi.edu.my Perpustakaan Tuanku Bainun Kampus Sultan Abdul Jalil Shah PustakaTBainun ptbupsi

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LIST OF TABLES

Table No.		Page
2.1	Banks Assets in million dirhams 2015 – 2019	62
2.2	Auditors involved in different organizations	64
2.3	Duties, Responsibilities and Accountability of the SC	72
2.4	Functions of Four Shariah Compliance Functions by SGF 2010	74
2.5	Shariah Governance Guidelines of IFIs	75
2.6	Comparative Analysis among Shariah Governance Guidelines.	76
2.7	The summary of Shariah Review and Shariah Audit Function	77
2.8	SC`s Member criteria	78
2.9	Definitions, Responsibilities, Scopes and Reports of Shariah Audit	80
2.10	Critical features of shariah audit process	86
3.1	Standards for Competence Requirement	104
3.2	Development stages of the Shariah auditors	118
3.3	Shariah Governance Framework (Key markets)	124
3.4	Shariah Corporate Governance Institutions by Country	125
3.5	AAOIFI, IFSB, and BNM Characteristics	141
3.6	Islamic accountability theory extended to Shariah auditing	167
4.1	Islamic Financial Institutions in the UAE	189
4.2	Measurement of Variables	203
4.3	Experts Information	210
4.4	Coding of Constructs Items	214
4.5	Reliability Tests Results	217
5.1	Profile of Respondents EFA	238

05-4506832 pustaka.upsi.edu.my Perpustakaan Tuanku Bainun Kampus Sultan Abdul Jalil Shah PustakaTBainun ptbupsi

05-4506832 pustaka.upsi.edu.my Perpustakaan Tuanku Bainun Kampus Sultan Abdul Jalil Shah PustakaTBainun ptbupsi

5.2	Descriptive Statistics of EFA	240
5.3	EFA Reliability Test Results	242
5.4	EFA KMO and Bartlett's Test Results	243
5.5	Total Variance Explained	244
5.6	Profile of Respondents CFA	247
5.7	Recursive Distribution of Independent of Shariah Supervisory Board	251
5.8	Mean and Standard Deviation of Independent of Shariah Supervisory Board	252
5.9	Recursive Distribution of Competence of Shariah Supervisory Board	253
5.10	Mean and Standard Deviation of Competence of Shariah Supervisory Board	254
5.11	Recursive Distribution of Size of Shariah Supervisory Board	254
5.12	Mean and Standard Deviation of Size of Shariah Supervisory Board	255
5.13	Recursive Distribution of Internal Shariah Auditor Effectiveness	256
5.14	Mean and Standard Deviation of Internal Shariah Auditor Effectiveness	257
5.15	Recursive Distribution of management support	257
5.16	Mean and Standard Deviation of Management Support	258
5.17	Mean and Standard Deviation of all Constructs	259
5.18	Normality Distribution Testing	261
5.19	Reliability Test of All Constructs	263
5.20	KMO and Bartlett's Test of CFA	264
5.21	Statistics for Goodness of Fit Indices of Measurement Model	267
5.22	Deleted Items	268
5.23	Final Standard Loadings	268
5.24	Convergent Validity Results	271
5.25	Goodness of Fit of Structural Equation Model	274

05-4506832 pustaka.upsi.edu.my Perpustakaan Tuanku Bainun Kampus Sultan Abdul Jalil Shah PustakaTBainun ptbupsi

05-4506832 pustaka.upsi.edu.my Perpustakaan Tuanku Bainun Kampus Sultan Abdul Jalil Shah PustakaTBainun ptbupsi

5.26 Regression Weights of Direct Hypotheses 276

5.27 Regression Weights with Moderator 279

5.28 Summary of Research Hypotheses 281

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LIST OF FIGURES

Figure No.		Page
1.1	Report of Internal Shariah Auditor in IFIs	21
1.2	Relationship between Internal, External Auditor and SSB	22
1.3	Conceptual Framework	29
2.1	Shariah Compliance Audit Framework	44
2.2	Compliance Audit Scope	46
2.3	The Components of Shariah	47
2.4	Global Takaful contribution	58
2.5	SGF Model for IFIs	71
2.6	Process of shariah auditing. Sources: (Htay et al., 2013)	86
2.7	Shariah audit approach - three levels	87
2.8	Keyword in the definition of shariah audit	92
4.1	Research Procedures.	200
5.1	Measurement Model for All Items	265
5.2	Final Measurement Model	269
5.3	Structural Equation Model without Moderator	273
5.4	Structural Equation Model with Moderator	275

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LIST OF ABBREVIATION

AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
ACCA	Association of Certified Chartered Accountant
ACSAA	Association of Chartered Shariah Accountants and Auditors
AGC	Audit and Governance Committee
ASIFI	Auditing Standard for Islamic Financial Institutions
AVE	Average Variance Extracted
BNM	Bank Negara Malaysia
BOD	Board of Director
CB	Covariance Based
CBUAE	Central Bank of UAE
CEO	Chief Executive Officer
CIA	Certified of Internal Auditor
CIBAFI	General Council for Islamic Banking and Financial Institutions
CIPA	Certified Islamic Professional Accountant
CPA	Certified Public Accountants
CR	Composite Reliability
CSAA	Certified Shariah Advisor and Auditor
CSR	Corporate Social Responsibility
GAAP	Generally Accepted Accounting Principles
GCC	Gulf Cooperation Council
GDP	Growth Domestic Product
GSIFI	Governance Standard for Islamic Financial Institutions
IAIB	International Association of Islamic Banks

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IAs	International Accounting Standards
IBs	Islamic Banks
IDB	Islamic Development Bank
IFI	Islamic Financial Institution
IFIs	Islamic Financial Institutions
IFSB	Islamic Financial Services Board
IIA	Institute of Internal Auditor
IIBI	Institute of Islamic Banking and Insurance
IIFM	International Islamic Financial Market
IMF	International Monetary Fund
IPPF	International Standards for Professional Practice Framework
ISA	Internal Shariah Auditor
ISPPIA	International Standard for the Professional and Practice of Internal Auditing
ISRA	Islamic Shariah Research Academy
NSAC	National Shariah Advisory Council
AMOS	Analysis of Moment Structure
SAs	Shariah Advisors
SEM	Structural Equation Model
SGF	Shariah Governance Framework
SSB	Shariah Supervisory Board

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LIST OF APPENDICES

A Summary of previous literature of SSB, ISAE, and MS

B Questionnaire Survey

C Summary of research findings

05-4506832 pustaka.upsi.edu.my Perpustakaan Tuanku Bainun Kampus Sultan Abdul Jalil Shah PustakaTBainun ptbupsi

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CHAPTER 1

INTRODUCTION

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1.1 Introduction

This chapter introduces the research agenda of this study. It outlines the background of the study, problem statement, research questions, research objectives, significance of the research, definition of key terms, and organization of the remaining chapters.

1.2 Background of the Study

The Shariah audit function is performed by internal auditors who have adequate Shariah related knowledge and skills. It is handled by the internal audit department of Islamic financial institutions (IFIs), and they should be able to demonstrate that there is no threat to its independence such that an outsider would not doubt the auditor's objectivity

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(Shafii et al., 2013). Their essential goal is to ensure a sound and effective internal control system which follows the Shariah rules and principles (Yaacob, 2012). Shariah audit is an examination of the extent of IFIs compliance, in all its activities, with the Shariah rules and procedures.

This examination includes contracts, agreements, policies, products, transactions, memorandum and articles of associations, financial statements, reports (especially internal audit and central banks inspection), circulars, etc. (AAOIFI, 2017). IFIs that offers Islamic financial services are expected to operate with reference to the code of Islamic ethics and must function within the limits of the Shariah. Thus, to ensure that the operations of IFIs do not contradict the Shariah rules and principles, the Shariah Supervisory Board (SSB) normally functions as advisors or supervisors of IFIs activities. These activities are intended both to enhance the confidence of the users of the financial statements of IFIs regarding the information that is produced by them and to encourage these users invest or deposit their funds in IFIs and to use their services AAOIFI (2020).

A Shariah Board (also Shariah Supervisory Board, Advisory Board or Religious Board) certifies Islamic financial products as being Sharia-compliant (i.e., in accordance with Islamic law). Because compliance with Shariah law is the underlying reason for the existence of Islamic finance, Islamic banks (and conventional banking institutions that offer Islamic banking products and services) should establish a SSB to advise them on whether their products comply, and to ensure that their operations and activities comply with Shariah principles. There are also national Shariah boards in many Muslim majority countries that regulate IFIs nationwide. One of the most

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dominant and highly needed business activities in the world of economy today is the business activity of banking financial institutions, because of their function as fundraisers that play an important role to support economic growth. (Muda, 2017).

SSB is one of the main components of an Islamic bank. Shariah boards have fiduciary responsibilities towards the institution's stakeholders. Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI), an accounting standard setting body based in Bahrain, has issued the Governance Standard for IFI No.1 on the SSB (Appointment, Composition and Report) effective from 1 January 1999. This standard has been adopted and referred to only as guidance by some Muslim countries. AAOIFI defined SSB as an independent body of specialized jurist in Fiqh al-muamalat (Islamic commercial jurisprudence) that is entrusted with the duty of directing, reviewing, and supervising the activities of the IFI in order to ensure that they are in compliance with Islamic Shariah rules and principles. (Arsyianti, 2010).

According to AAOIFI (2017) the internal Shariah audit shall be carried out by an independent division/department or part of the internal audit department, depending on the size of an IFI. It shall be established within an IFI to examine and evaluates the extent of compliance with the Islamic Shariah rules and principles, Fatwas, guidelines, and instructions issued by the IFIs SSB, hereafter referred to as Shariah rules and principles. The primary objective of the internal Shariah audit is to ensure that IFI discharges its responsibilities in relation to the implementation of the Shariah rules and principles determined by the IFI's SSB. The internal Shariah audit is an integral part of the Shariah governance of the IFI and operates under the policies established by the IFI. It shall have a stated purpose, authority, and responsibility (charter). The charter shall

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be prepared by management and shall be consistent with the Islamic Shariah rules and principles. The charter shall be approved by the SSB of the IFI and issued by the board of directors.

The responsibility of internal auditor has recently been extended to include consultancy and assisting in corporate governance (Stewart & Subramaniam, 2010). The role has also been expanded to include Shariah audit in ensuring that the operations of IFIs are Shariah compliant. This leads to the issues of independence and objectivity, Competence of the internal auditor and auditor's performance in performing new task, which has been outlined in AAOIFI standards. The role of an auditor in the Islamic economy is very different as they are responsible to the society and help uphold the Islamic principles. The role of conventional auditors in Islamic practices has been widely criticized by many Muslims scholars. The importance of internal Shariah audit in an IFI setting, especially in Islamic banks leads various researchers to be concerned over its operation. An organization that has an effective internal audit function will be much better than those organizations that has no such a function, especially in relation to fraud, detection, and prevention (Corama, 2006; Maria, 2012; Omar & Bakar, 2012).

The role of auditors in auditing has increased dramatically changed, primarily because of the increased size and complexity of many corporations. The subject of governance has become a pertinent issue for business, government, politics, and the public. In both the private and the public sectors, there is an increasing demand for good governance in terms of accountability and transparency, and internal audit function within organizations has an important role to play in the achievement of these objectives. (Asaolu et al., 2016).

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The (Institute of Internal Auditors, 2017) explain that internal auditing is an independent, objective assurance and activity designed what value and improves and organizations operations. An internal audit function could be viewed as a "first line defence" against in adequate corporate governance and financial reporting. Corporate governance is an organizational approach which provides assurance to external stakeholders that an organization unfulfilling its responsibility to them.

These days, researchers and practitioners have given more emphasis on Internal Auditing and internal auditor's role to the company operations than earlier. (Baharud-din, et al., 2014; George et al., 2015; Changwony & Rotich, 2015). For the time being, increasing attention has risen on issues such as performance evaluation and effectiveness of Internal Auditing (Mihret & Yismaw, 2007; Belay, 2007; Mihret et al., 2010; Abu Azza, 2012; Ramachandran et al., 2012; Endaya & Hanefah, 2013; Wubishet & Dereje, 2014; George et al., 2015).

Therefore, it is important to have an effective internal audit function/unit as part of the modern governance system in different sectors. In corporate governance, internal audit (IA) issue has received increasing attention in recent years, due to different reasons. To mention some of them, internal audit links to the internal control-risk management system; improve organizational efficiency and effectiveness through providing constructive criticism and recommendations about organizations status; reduce information asymmetry during decision making; serves as an important internal assurance in the business and financial reporting process of corporations (Mihret & Yismaw, 2007; Cohen & Sayag, 2010; Soh & Bennie, 2011).

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Currently, an internal audit is considered an integral part of management and an essential element of strong corporate governance. Dynamic changes in the global economy, the complexity of regulations, and technological advances in recent years have set new tools and directions for the development of internal audits, which support management and create added value to the organization. These capabilities also resulted in the new image of an internal auditor with an extended set of skills and best practices adapted to the requirements of the environment (Olga, 2017).

The developing role of the internal auditing is also reflected in its current definition. The IIA (2017) defined an internal audit as "an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

In this context, it is important to explain the concept of internal audit effectiveness and identify critical factors that contribute to the creation of "added value" of internal audit (Hella & Mohamed, 2016). With the rising demand for audit services, there are scientific and practical deliberations on the evaluation of the effectiveness of internal audit in the company. Researchers from different countries and members of the Association of the Institute of Internal Auditors in several studies try to find proper measures to evaluate the audit work both from the theoretical and practical point of view (Olga, 2017).

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Effectiveness becomes the main aspect that affects the achievement of an organization. So, the organization must decide to do some activities which will help them. The internal audit must be effective that they could achieve the goals of their audit activity. Internal audit effectiveness the measurement to evaluate whether the internal audit function can achieve the goal of that function (Adhista, 2015).

The importance of effective internal audit and the existence of an effective audit committee (AC), as the foundation of good corporate governance, has been increasingly recognized in the aftermath of various financial collapses (Bedard & Gendron, 2010). Many such collapses occurred in the early 2000s, causing confidence in capital markets to plummet. Consequently, more attention has been directed towards the internal audit effectiveness (IAE) and the AC's role in helping the board of directors discharge its financial and fiduciary obligations (Puri et al., 2010). As a corporate governance mechanism, the AC is charged with scrutinizing company financial information and with facilitating the work of internal audit and financial accountants. The AC is also obligated to monitor the IAE. To execute these duties, the AC must assist the IAE which acts to discharge the committee's responsibilities on its behalf. In addition, the AC and the IAE must be attached to senior management, so they are not undermined by other organizational functions (Soh & Bennie, 2011).

There are discrepancies and variations between the Shariah committees that are currently found in most Islamic banks inside the Emirates regarding many products and programs associated with Islamic economic offerings, and consequently this enterprise became in determined need of a federal umbrella that sets requirements to cope with any disorder. Undoubtedly, the remarkable importance of the Shariah ideal body for the

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Islamic financial services industry in the UAE, and what this body contributes to reaching the imaginative and prescient of the UAE and facilitates it to focus on its pioneering function as an international Islamic monetary middle and platform for the Islamic financial system.

According to (Institute of Islamic Banking and Insurance, 2020) “While elimination of "Riba" or interest in all its forms is an important feature of the Islamic financial system, Islamic banking is much more. At the heart of Islam is a sense of cooperation, to help one another according to principles of goodness and piety (but not to cooperate in evil or malice). In essence, it aims to eliminate exploitation and to establish a just society by the application of the Shariah or Islamic rulings to the operations of banks and other financial institutions. To ensure compliance to the Shariah, Islamic banks use the services of religious boards comprised of Shariah scholars”.

According to (Centeral Bank of UAE, 2017) “The past years have witnessed many jurisprudence from the Islamic committees in Islamic banks about the new products proposed and the mechanisms for their implementation, and we have seen banks that allow tawarruq and others that refuse, and banks that are strict in personal finance services and cars and others that are not strict, and the time has come for there to be standards that everyone adheres to regarding personal finance services Auto financing services, credit cards and real estate financing, in addition to deciding on investment services and products, most notably investment on the basis of collateral or on the agency to invest, as well as the current account on the basis of the loan, in addition to sukuk, treasury products and exchange Currencies and others.”

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(IIA) 2017, defined the Islamic banking "a system of banking or banking activity that is consistent with the principles of the Shariah (Islamic rulings) and its practical application through the development of Islamic economics. The principles which emphasize moral and ethical values in all dealings have wide universal appeal. Shariah prohibits the payment or acceptance of interest charges (riba) for the lending and accepting of money, as well as carrying out trade and other activities that provide goods or services considered contrary to its principles. While these principles were used as the basis for a flourishing economy in earlier times, it is only in the late 20th century that a few Islamic banks were formed to provide an alternative basis to Muslims although Islamic banking is not restricted to Muslims".

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1.3 Problem Statement

This study investigates the effectiveness of internal Shariah auditor in IFIs in UAE. A review of the literature indicates that there is a lack of extensive research in this area. The studies that are available tend to be limited in scope of needs and challenges, professionalization, conceptualizing the duties and roles of Shariah auditors as well as Shariah audit practices in IFIs focused on the Competence, independence, scope, and work performed by Shariah auditor. The main issue of this study is to examine the relationship between SSB characteristics and internal Shariah auditor effectiveness, Role of Management support as a moderator in IFIs in UAE.

In this study, management support was chosen as a moderator variable according to the opinion (Endaya & Hanefah ,2013) which indicates that the higher

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management that cares and encourages support for the activities in the organization will ensure the effectiveness, activities, and processes of internal auditing. There is no consensus among researchers about the effectiveness and performance of the audit or even the best framework for its effectiveness (Endaya & Hanefah ,2013). The effectiveness of internal audit can be improved through the characteristics of internal audit that are supervised by administrative support (Endaya & Hanefah ,2013). To achieve the goals in accordance with the policies set by the administration, the auditor, as a management partner, plays an important role in ensuring the achievement of these goals, since the department's support is a vital contribution to providing and creating the necessary conditions for the success of any project (Staehr, 2010).

Improving the relationship between internal auditors and external auditors is a form of management support (Alzeban & Gwilliam ,2014). Management Support is an effort and concern for management to support internal audit activities with the aim of improving organizational performance (Poltak et al., 2019). It is obvious and expected that the presence of internal auditing helps the manager so that all the activities of the agent are under the supervision of the director, and therefore it is hoped that the delegated authority would used according to the contract and the agreed goals that were announced by the manager. To work properly and optimally, the management`s support is very important to support its internal audit functions, so that it can be concluded that management support is a very important factor that plays a strong role in the effective implementation of internal audit duties.

However, the era of high-profile accounting misconduct (e.g., Enron; WorldCom) has shredded investors' confidence in financial reports and caused a capital

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market crisis. Investigations have been conducted that revealed that fraud is the main reason for the crisis and that auditors (e.g., Arthur Andersen) participated in many of these frauds. This crisis resulted in a wave of anger about the quality of the audit profession (Frost, 2012). Accordingly, a stream of reforms was enacted to restore investors' confidence in capital markets and the audit profession. For example, the regulations in many countries (e.g., the US, UK, Australia, and Canada) require auditors to maintain their independence by limiting the provision of non-audit services to their clients and mandate audit rotation (PCAOB, 2011).

The rapid growth of IFIs meant that the industry has not been able to produce enough experts needed to support this growth (Iqbal & Molyneux, 2005). Many professionals have not had enough time to gain the required experience to enable them to competently advise on or manage IFI transactions. The Internal Shariah auditor experience is relatively scarce in some IFIs. This phenomenon will affect the effectiveness of internal Shariah auditors in the IFIs. To address this issue in the number of trained professional auditors in IFIs, AAOIFI has offered training leading to the Certified Shariah Advisor and Auditor (CSAA) and Certified Islamic Professional Accountant (CIPA) qualification. In fact, it's a positive initiative, but there are no pre-requisites required for the enrollment in the courses. The targeted candidates are those who are currently involved with Shariah compliance and review for banking and finance, professional and executives who are currently involved in accounting, auditing, and finance and professional and executives with interests in the field of Shariah, accounting, auditing, or finance (Othman & Ameer, 2015). This implies that any interested person can apply irrespective of his background which will affect the

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desire object of the whole programme since there is not any stated requirement mandating the applicant to possess before application for enrollment.

Consequently, the qualifications will not cover the full AAOIFI standards leading to the question of how many internal Shariah auditors in IFIs will truly qualify. Thus, the Shariah department will unavoidably be under-resourced, and it is most regrettable if management treats it as low priority (Rehman, 2012). This is due to fact that its role is very fundamental to the existence of the IFI. In recognition of these challenges, this study intends to examine the effectiveness of internal Shariah auditor in IFIs in UAE which cannot be achieved without requiring qualifications as well the independence, Competence, and work performance.

The problem of internal Shariah audit in UAE indicates a lack of internal Shariah auditor effectiveness. In the same manner the ineffectiveness of internal Shariah auditor may be blamed on the lack of internal Shariah auditor characteristics which are measured by previous researchers, namely: independence, competence and work performed in engagement planning, performing engagement, and communicating results (Osman et al., 2009 ; Al-Twaijry et al., 2003; Alzeban & Gwilliam, 2014; Arena & Azzone, 2009; Mihret & Yismaw, 2007). The absence of these characteristics of the internal Shariah auditor to perform an effectiveness of internal Shariah auditor in IFIs were demonstrated by SSB's reports for the past five years from annual reports of IFIs available on the website from 2015-2021, found three SSB's reports that are not complying with Shariah Law in more than bank.

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For example, Dubai Islamic Bank (Public Joint Stock Company) ("the Bank") was incorporated by an Amiri Decree issued on 29 Safar 1395 Hijri, corresponding to 12 March 1975 by His Highness, the Ruler of Dubai, to provide banking and related services based on Islamic Shariah principles. It was subsequently registered under the Commercial Companies Law number 8 of 1984 (as amended) as a Public Joint Stock Company. The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. 8 of 1984.

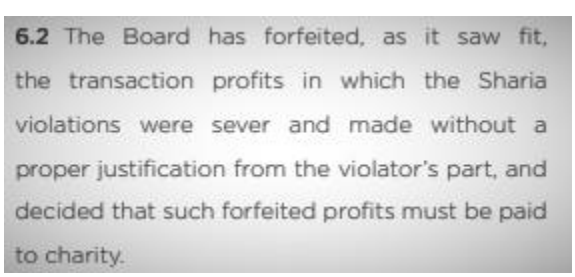
This bank shows in the SSB annual report in the year of 2016, 2017, 2018, 2019, and 2020, there is a clear violet for shariah regulation. For example, but not limited, in 2020, the report stated the following " The Board has forfeited, as it saw fit, the transaction profits in which the Shariah violations were severe and made without a proper justification from the violator's part and decided that such forfeited profits must be paid to charity " and this paragraph comes with the report of Violated Islamic Shariah rules and principles or Fatwa.

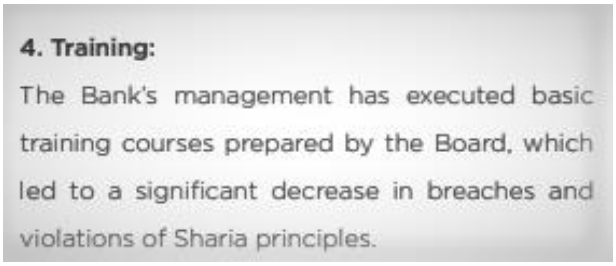
Also in the same year 2020, the report stated the following in the field of Violated Islamic Shariah rules and principles or Fatwa this paragraph "Banking Services fees The Board has reviewed the Shariah audit report pertaining to the banking services offered by the Bank during the year as well as the fees it received for these services. The Board has given its observations on the services and fees and warned the various Bank departments that fees must be in return for actual services rendered, that the fees' values must be like those of their counterparts and that they must not represent an addition to the debt in exchange of postponing it".

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It's not mention clearly that there is a lack of the qualification of the staff of shariah auditor department or mention unsatisfaction regarding the effectiveness of Internal shariah auditor but mention clearly in more than report "Such training is intended to provide the Bank's staff with sufficient banking experience to apply and market different Islamic products. The Fatwa and Shariah Supervision Board prepared an integrated plan for the Shariah training which the Bank Management has been quick to adopt, something that led to minimizing instances of violations".


6.2 The Board has forfeited, as it saw fit, the transaction profits in which the Sharia violations were sever and made without a proper justification from the violator's part, and decided that such forfeited profits must be paid to charity.


4. Training:
The Bank's management has executed basic training courses prepared by the Board, which led to a significant decrease in breaches and violations of Sharia principles.

Source: Dubai Islamic Bank annual report 2020

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Also, another example of non-Shariah compliance in another bank in IFIs in UAE is Abu Dhabi Islamic Bank (ADIB), the second largest Islamic bank in UAE. ADIB was established on 20 May 1997 as a Public Joint Stock Company through the Amiri Decree No. 9 of 1997. The Bank commenced commercial operations on 11 November 1998, and was formally inaugurated by Abdullah Bin Zayed Al Nahyan, UAE Minister of Information and Culture on 18 April 1999. All contracts, operations and transactions are carried out in accordance with Islamic Shariah principles.

The SSB in ADIB mention in Violated Islamic Shariah rules and principles or Fatwa report 2021 that " The contracts, documentations and Operations executed, offered and performed by ADIB (and its associates and subsidiaries companies and

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05-4506832 pustaka.upsi.edu.my Perpustakaan Tuanku Bainun Kampus Sultan Abdul Jalil Shah PustakaTBainun ptbupsi

international branches which do not have their own Fatwa and Shariah Supervisory Board), during the financial year ended on 31st December, 2021 which we have seen, were generally carried out in accordance with the rulings and principles of the Islamic Shariah; those that were found to be shortcoming were directed to the management for redressing and their consequences were rectified in accordance with the requirements of the Islamic Shariah". And "Any returns that occurred through sources or methods that were not permissible with the rulings and principles of the Islamic Shariah have been transferred to the charity account to be spent in charitable purposes to acceptable charity cases by Shariah under our guidance in a way that ADIB shall never, directly or indirectly, benefit from such charity disposals".

5. The ISSC's Opinion on the Shari'a Compliance Status of the Institution

Premised on information and explanations that were provided to us with the aim of ascertaining compliance with Islamic Shari'a, the ISSC has concluded with a reasonable level of confidence, that the Institution's Activities in the Financial Year are in compliance with Islamic Shari'a, and the incidents of non-compliance observed were highlighted in the relevant reports, and the ISSC issued the corrective or preventative actions to take appropriate measures in this regard.

The ISSC formed its opinion, as outlined above, exclusively on the basis of information perused by the ISSC during the Financial Year.

We ask Allah, the Most High and Capable, that He guides the Bank and those responsible for it with that which is right and that which is good.

May the peace, mercy and blessings of Allah be upon you,

Signatures of the members of ADIB's Internal Shari'a Supervisory Committee

- The contracts, documentations and Operations executed, offered and performed by ADIB (and its associates and subsidiaries companies and international branches which do not have their own Fatwa and Shari'a Supervisory Board), during the financial year ended on 31st December, 2018 which we have seen, were generally carried out in accordance with the rulings and principles of the Islamic Shari'a; those that were found to be shortcoming were directed to the management for redressing and their consequences were rectified in accordance with the requirements of the Islamic Shari'a.

05-4506832 pustaka.upsi.edu.my Perpustakaan Tuanku Bainun Kampus Sultan Abdul Jalil Shah PustakaTBainun ptbupsi

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- Any returns that occurred through sources or methods that were not permissible with the rulings and principles of the Islamic Shari'a have been transferred to the charity account to be spent in charitable purposes to acceptable charity cases by Shari'a under our guidance in a way that ADIB shall never, directly or indirectly, benefit from such charity disposals.

Prohibited income

According to the Internal Shari'a Supervisory Committee "ISSC", the Group is required to avoid any transaction or activity deemed to be not acceptable by Shari'a and to identify any income from such source and to set it aside in a separate account (charity account) to be disposed to charity by the Group under the supervision of the ISSC (as purification amount).

Source: Abu Dhabi Islamic Bank annual report 2020.

More example for non-Shariah compliance in another bank in IFIs in UAE is Ajman Bank. Ajman Bank is a young, agile Islamic commercial bank built on the values of integrity, trust, and transparency. The first Islamic bank incorporated in the Emirate of Ajman; the Bank was established in 2007. Its shares were listed on the Dubai Financial Market in February 2008 and the Bank opened officially and started operations in 2009 from two branches in Ajman.

In 2019 the report of Shariah supervisory Board (SSB), states "The opinion of the committee regarding the bank's commitment to Islamic law. Based on what we obtained from information and clarifications to ensure the bank's commitment to Islamic law, the committee concluded with an acceptable degree of reassurance that the bank's business during the financial year was following Islamic law, except for the violations that were observed, reports on which were reported, and the committee has directed to take appropriate measures In this regard.

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The ISSC's Opinion on the Shari'ah Compliance Status of the Institution

Premised on information and explanations that were provided to us with the aim of ascertaining compliance with Islamic Shari'ah, the ISSC has concluded with a reasonable level of confidence, that the Institution's Activities are in compliance with Islamic Shari'ah, except for the incidents of non-compliance observed, as highlighted in the relevant reports. The ISSC also provided directions to take appropriate measure in this regard.

Shari'ah Training

- Conducts training for bank's staff on aspects of their duties related to Islamic business compliance with Islamic Shari'ah
- Also provides adequate training for the staff on what they need to be equipped with from information and skills, depending on nature of work of each employee, to ascertain that the bank complies with Islamic Shari'ah at all times.

Source: Ajman Bank annual report 2019

This training increases the efficiency of the internal Shariah auditor, as approved by (AAOIFI, 2017) which we will discuss in detail in the coming chapters, as the fact that the research topic is the effectiveness of the internal Shariah auditor. The non-Shariah compliance can affect the income and profitability of banks adversely. In the long-run, mitigation of Shariah principles can negatively affect the perception of shareholders about the Islamic financial practice by causing a serious loss of trust and credibility.

Non-Shariah compliance is a significant risk for an IFI from two perspectives: firstly, it affects the reputation of IFIs and deteriorates the reliance of the depositors, investors, customers, and other stakeholders in the long term. Secondly, it will have an impact on the revenue as well, because in case of an identified non-Shariah compliance, the income arising from non-Shariah compliance is to be given to charity. Since Shariah compliance is the essence of Islamic bank's activities, it is thus crucial that a

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governance mechanism is in place to ensure the credibility and viability of the IFIs are expected to adhere to the Islamic Shariah principles such as prohibition of receipt and payment of Riba (Interest), engage in Gharar (uncertainty includes gambling), pay Zakat dues, and avoid engaging in non-Islamic business (such as the sale of alcohol, gambling, casino activates, pork production and pornographic production).

The internal Shariah audit is required to ensure that the activities carried out by an IFI do not contravene the Shariah rules and principles and the management of an IFI discharges their responsibilities in relation to the implementation as determined by the IFI's SSB. An Internal Shariah audit is required also to add value and improve IFI compliance by providing an independent assessment and objective assurance. Previous researchers have found that independence, competence, and work performance of internal audit have an influence on their effectiveness (Al-Twaijry et al., 2003; Alzeban, 2014; Mihret & Yismaw, 2007).

By designing the program of the internal Shariah audit based on the defined scope of work of internal Shariah audit procedures for a complete Shariah audit, are put in place. Consequently, conducting the Shariah audit in accordance with the defined scope of internal Shariah auditing is concerned with work that would enhance the effectiveness of the internal Shariah auditor. Therefore, no internal Shariah auditor can be effective unless the internal auditor is independent (Kasim, 2009; Rahman, 2011; Shafii et al., 2014), competent (Nawal Kasim et al., 2009; Yaacob & Donglah, 2012) and have a good work performance (Mulyany & Hj. Mohamed Ibrahim, 2016; Kasim & Sanusi, 2013).

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Studies have also shown that an effective oversight board is an important factor that will influence the effectiveness of internal audit (Mihret & Yismaw, 2007; Fadzil et al., 2005; Turley & Zaman, 2007). However, it will be important to empirically examine the moderating effect of SSB in future studies (Puad, 2014; Sharma et al., 2011). In this study, SSB plays an important supervision to ensure that internal Shariah audit is carrying out their role effectively. Uniquely, Shariah audit in the IFIs is supervised by the SSB (Kasim, 2009).

According to AAOIFI (2017), the SSB is entrusted with the duty of directing, reviewing, and supervising the activities of IFIs to ensure that they comply with Shariah rules and principles, the Fatwa, and rulings of the SSB shall be binding on the IFI The SSB also has to assess further information and reports such as circulars, operating and financial reports and policies. In addition, if the Shariah audit function does not exist the SSB can direct the management to get the people to perform the function and, supervise the daily dealings and report directly to them about any transactions that do not comply with the Shariah rules and principles (Al-Mahmoud, 2007).

Hence, without a strong and proper internal Shariah auditor, the SSB would not be able to support their opinions as expected by the stakeholders. Turley & Zaman (2007), argue that an audit committee can set a tone that allows internal audit to have a specific degree of influence in the organization. As such, SSB is seen to play a critical role in supporting the internal Shariah auditor's position and strengthening internal Shariah audit effectiveness. Successively, SSB significantly relies on internal Shariah audit to perform its duties. On the other hand, internal Shariah auditors can assist external auditors to understand the role and work performed by internal Shariah

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auditors. Selecting a sample to be tested and sending confirmation letters to the debtors and the banks are other areas where internal Shariah auditors can be of assistance to the external auditors. External auditor also reviews the findings of all internal Shariah audit. Consideration shall be given to the findings of these reviews and whether these findings affect the nature, timing or extent of the work carried out by the external auditor during his examination (AAOIFI, 2017).

Followings models show the reports of internal Shariah auditors in IFIs, the roles of internal Shariah audit are two prongs as he serves Audit and Governance Committee (AGC) can be considered like audit committee and SSB issues the audit reports to shareholders- on Shariah compliant matters, as well as serves Chief executive officer (CEO) daily transaction. Partly based on internal Shariah auditors (ISA) findings and SSB's own investigation. Figure 1.1 shows the relationship between SSB and AGC in IFIs in UAE.

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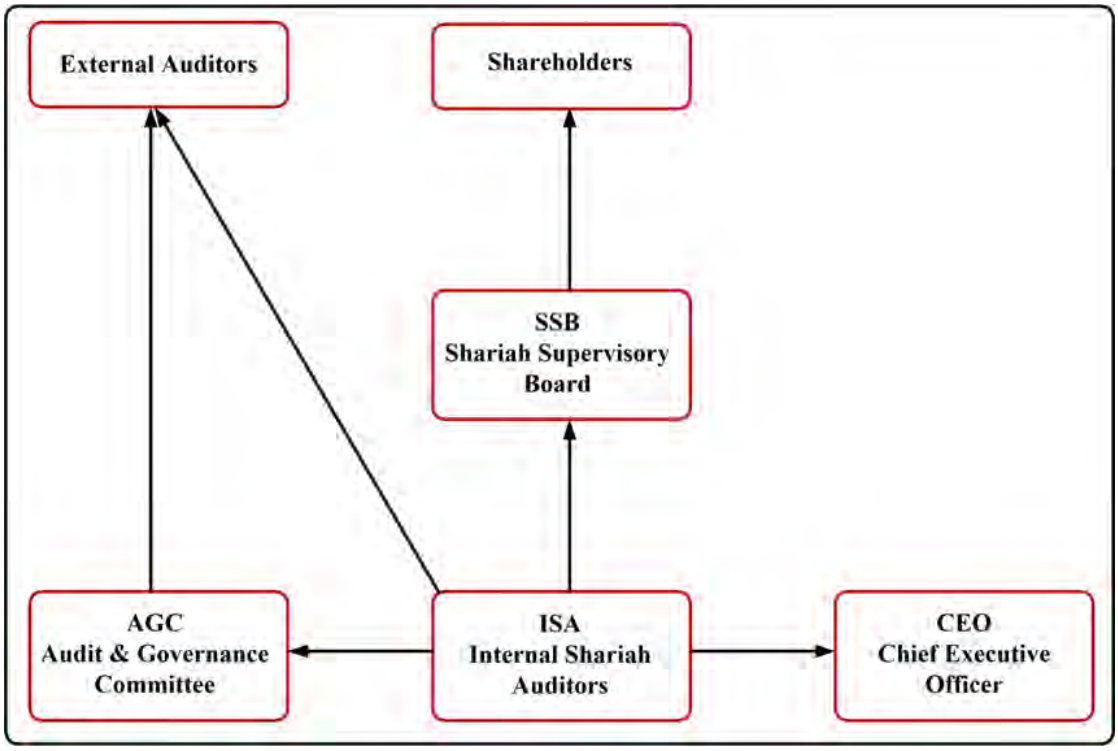


Figure 1.1. Report of Internal Shariah Auditor in IFIs

Cooperation between internal Shariah auditor and external auditors has long been seen as important to the audit benefits for the IFIs and external stakeholders. Academic studies indicate that appropriate cooperation increases the economy, efficiency, and effectiveness of audit and helps management provide a high-quality service. Therefore, the absence of cooperation between internal and external auditors is frequently identified as a factor impairing the quality of both forms of audit in the public sector in developing countries ((Brierley et al., 2003; Brierley et al., 2001). Figure 1.2 shows the relationship between external, internal Shariah auditors, and SSB:

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Figure 1.2. Relationship between Internal, External Auditor and SSB

Mihret & Yismaw (2007); Mihret & Woldeyohannis (2008), contend that management support to Internal Auditing is considered as a determinant of Internal Auditing effectiveness and it is identified as one of the factors that bode well for a good Internal Auditing department profile (Mihret, 2009). In addition, the IIA's Standards for Professional Practice of Internal Auditing (1100–Independence) state that internal auditors should have the support of senior management and of the board so that they can gain the cooperation of auditees and perform their work free from interference (Institute of Internal Auditors 2011d).

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Management support is a factor that cannot be underestimated (Schwaitz et al., 2005; Alzeban & Gwilliam, 2014). Internal auditors try to obtain the greatest possible support from management while at the same time they try to distance themselves from management's influence. This was confirmed by Tugiman (2005), that the effect of administrative support can be both positive and negative. As it is known that the function and role of internal auditing is internal supervision that tries through this function to provide added value to the organization and as a means of evaluating performance. Therefore, management must respond to the requirements of internal auditing and take further actions regarding the recommendations and findings presented by the internal auditor. Fernandez & Rainey (2006), emphasized that, based on what has been comprehensively reviewed in the literature, the support provided by senior

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management plays an important role in organizational renewal. Sarens & Beelde (2006a, b) delved into the study of the relationship of management with internal auditing and concluded that the loss of control due to organizational complexity, management requires the internal audit function to play a comprehensive and expanded role.

Their confirmation that senior management has the largest, general, and broader influence over the operations, the board of directors, stakeholders, and even the internal audit function. Since the logic says that the internal audit function should add value to the management, but at the same time is not an obedient servant and submit an honest and neutral report on the situation to the board of directors or the decision-makers (Gansberghe, 2005). This is what was indicated Alzeban & Sawan (2013), in their study conducted in the public sector that management support has a great influence on the effectiveness and performance of the internal audit function and that this support is important and necessary, provided it is linked to issues of efficiency, resources, independence, and qualification.

However, to the best of the researchers' knowledge, there is no previous research that has examined the relationship between Shariah Supervisory Board characteristics namely (independence, competence, and size) and internal Shariah auditor effectiveness, role of Management support as a moderator in IFIs in the UAE.

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1.4 Research Questions

Given the problem statement described in the previous section, this study aims to investigate the relationship between SSB Characteristics, namely: (SSB independence, SSB competence, and SSB size), and Internal Shariah Auditor Effectiveness, role of Management support as a moderator. The study hopes to answer the following research questions as follows:

1. What is the impact of SSB independence on internal Shariah auditor effectiveness in IFIs in UAE?
2. What is the impact of SSB competence on internal Shariah auditor effectiveness in IFIs in UAE?
3. What is the impact of SSB size on internal Shariah auditor effectiveness in IFIs in UAE?
4. Does Management support moderate the impact of SSB characteristics (Independence; competence and size) on internal Shariah auditor effectiveness?

1.5 Research Objectives

The principal aim of this study is to examine the impact of SSB characteristics on internal Shariah auditor effectiveness in IFIs in UAE. Therefore, the research objectives of this study are:

1. To analyze the impact of SSB independence on internal Shariah auditor effectiveness in IFIs in UAE.

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2. To analyze the impact of SSB competence on internal Shariah auditor effectiveness.
3. To analyze the impact of SSB size on internal Shariah auditor effectiveness.
4. To analyze whether the role of Management support moderates the impact of Shariah Supervisory Board characteristics (independence; competence and size) on its Internal Shariah Auditor effectiveness.

1.6 Research Hypothesis

The researcher suggests several hypotheses to measure the impact of SSBC on ISAE between the research variables. We have direct hypotheses for measuring the impact of SSB characteristics on the ISA Effectiveness, also we have moderating hypotheses for measuring the effect of Management support on the SSBC and ISAE relation.

Direct Effect Hypotheses:

1- H1: Independence of SSB positively impact on internal Shariah auditor effectiveness in UAE IFIs.

2- H2: Competence of SSB positively impact on internal Shariah auditor effectiveness in UAE IFIs.

3- H3: Size of SSB positively impact on internal Shariah auditor effectiveness in UAE IFIs.

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Moderating Effect Hypotheses:

4- H4: Management support moderates the impact of SSB independence on internal Shariah auditor effectiveness in UAE IFIs.

5- H5: Management support moderates the impact of SSB competence on internal Shariah auditor effectiveness in UAE IFIs.

6- H6: Management support moderates the impact of SSB size on internal Shariah auditor effectiveness in UAE IFIs.

1.7 Research Framework

The theoretical research framework for this study is Maqasid al-Shariah theory Islamic as an umbrella theory. Other theories used are agency theory and Islamic accountability theory. The dependent variable is the Internal Shariah Auditor Effectiveness (ISAE), and the independent variables is Shariah Supervisory Board Characteristic (SSBC) namely (independence, Competence, and size). The moderating variable is the Management support.

Due to the need to ensure proper adherence to the Shariah audit principles in operations and activities, the role of each key factor in the auditing of an IFIs is essential. Despite the importance of financial control in Islamic banks, the understanding of the Shariah control system remains quite limited, either in theoretical formulation or empirical characterization of the Shariah control system (Harahap, 2002).

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First is the AGC of the IFIs. This committee is responsible for the following functions: internal control system, and use of the restricted investment accounts, Shariah compliance, interim and annual accounts and accounting and auditing practices. Second is the SSB, they are responsible to issue Fatwas, formulate policy, according to the Shariah, and give a Shariah endorsement of product and services of the IFI; their basic role is as an approval or stamping authority (Yaacob & Donglah, 2012). Third, the internal auditors are responsible to conduct internal audits and to ensure the IFI comply with the Shariah, and all transactions and contract are executed within the Shariah framework. Some IFIs is also having their Shariah officers as a unit cooperating with the internal auditors or they are part of the internal auditors. Finally, the external auditors are responsible to give their opinion whether the transactions and contract are within the Shariah policies, rulings, and guidelines. Both the internal and external auditors are also responsible to test for IFI's Shariah compliance.

Apparently, the stakeholders are also one of the important actors in Islamic finance (Yaacob & Donglah ,2012) strongly opine that the stakeholders are the one whose property rights are at stake or at risk due to voluntary or involuntary actions of the firm. Both argued that it comprises any group of people or individuals with whom the firm has explicit or implicit contract obligations are qualified as stakeholders even though the firm may not have formal contracts with them through mutual bargaining. However, (Yaacob & Donglah, 2012) argued that there is still a vague understanding of how the Shariah audit should work.

An in-depth understanding on how the Shariah audit should work is vital. This is important to ensure the sustainability of the IFI in the long run, running within the

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Shariah framework and achieve the Maqasid Al- Shariah (Yaacob & Donglah, 2012). As such, this study focuses on the Shariah Supervisory Board Characteristics of the IFIs; and Internal Shariah Auditor Effectiveness enhancing their effectiveness and levels of management support necessitate their optimal effectiveness.

Following the Maqasid al-Shariah theory and in line with the man is indebted to God for his existence on earth and obey Him is the way to pay off his debt; the internal Shariah auditor characteristic is used by the internal Shariah audit so that their effectiveness or auditing activities of IFIs is enhanced.

The effectiveness of the internal Shariah auditor will depend on the characteristic of Shariah Supervisory Board in terms of them independence, Competence, and size. The Shariah Supervisory Board characteristic (independence; competence of the size) will have an influence on the effectiveness of internal Shariah auditor, which in turn would be able to meet the objectives and goals of the IFIs. Based on the Islamic agency theory, internal Shariah auditors often are employed by management, but at the same time are also agents of the SSB. SSB can be said to be the oversight board that oversees the quality of work performed by the internal Shariah auditor. A management support positively moderates the relationship of character tics of SSB and internal Shariah auditor effectiveness.

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The theoretical framework for this study based is as depicted in Figure 1.3

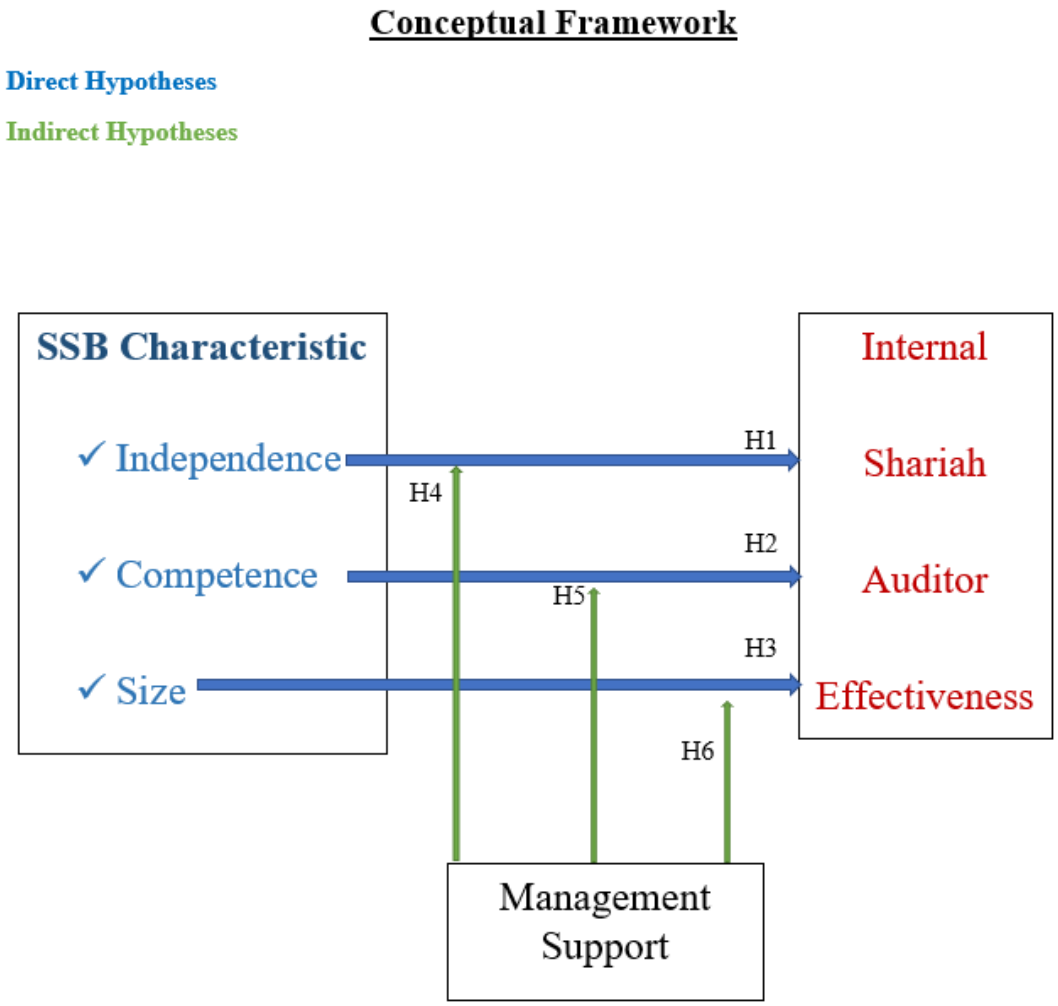


Figure 1.3. Conceptual Framework

1.8 Significance of the Study

This study contributes to the theoretical, methodological and the practice of the internal Shariah audit profession in IFIs in UAE. From the practical perspective, obviously, empirical studies on internal Shariah auditor effectiveness are not yet study in IFIs in UAE. Therefore, the studies on conventional banks and companies were used as the

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guidance in evaluating and improving internal Shariah audit effectiveness. This study provided empirical evidence on the impact of Shariah Supervisory Board Characteristics on internal Shariah auditor effectiveness. It was accompanied by a moderating effect of the role Management support within the context of IFIs in UAE. The study may also benefit policy makers within UAE especially when they consider the roles of those variables in the study toward objective achievement of an IFI.

The findings from this study may enable researchers, scholars, and internal Shariah auditors, to understand how the salient Maqasid Al Shariah theory can be applied as the basis for a theoretical framework of this study. This theoretical framework was developed to provide more insight on the contributing factors that will affect internal Shariah audit effectiveness. Consequently, this study will contribute to the body of literature by extending the needs for more empirical internal Shariah audit research in the future.

This study adds to the growing body of international literature concern with the relation between various corporate Shariah governance mechanisms, namely SSB, AGC and internal Shariah audit. A significant amount of academic research has been examining the contributing factors that affect internal audit contribution in a financial statement audit in companies and public sector organizations, the results of these studies are inconsistent, and the only direct relationship tested. This is the first type of research conducted in IFIs in UAE. Therefore, from a practical perspective, this study provides feedback to the regulators, e.g., AAOIFI and IFSB on the need for Shariah rules and principles that support and enhance the internal Shariah auditor in an IFI and the impact of the SSB and on internal Shariah auditor.

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Moreover, the methodological contribution of this study is to develop new measurement for internal Shariah auditor effectiveness, SSB characteristics, Management support based on AAOIFI standards. The results of this study will help to shed light and improve the internal Shariah audit practices and performance in IFIs in UAE. The findings of this study will benefit academic researchers to rethink reviewing the syllabus for auditing courses. Finally, this research would be useful to internal Shariah auditor practitioners, members of SSB, AGC, board of directors, shareholders, and academic researchers.

Also, the implication for practice is that the results can be beneficial to IFIs, regulators, and policymakers in Shariah supervision and CG. The research can be providing new insights to regulators and policymakers in terms of the needed aspects to formulate suitable policy to ensure IFIs make use of CG in a comprehensive manner instead of letting each of the boards work in isolation. That is to means that there is a need by the BODs and banking regulators to ensure that SSBs and the Management work in a collective manner to promote robust risk monitoring in IFIs.

Also, IFIs in the UAE need to ensure that they have mechanisms in place to enhance the credentials of SSBs, and specifically, by ensuring that they have relevant expertise in areas related to Shariah and IFIs. This approach would be more effective than the presence of Shariah scholars whose sole role is to influence the decision-making process of the Shariah Supervisory Boards. In this process, companies that have safety standards and overall exposure to Shariah regulations can make significant contributions to IFIs as they can deal with practical challenges related to Islamic legal processes. Also, the results can be to confirm the need to adopt and implement the

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current legal provisions for security programs across the UAE banking and financial sector. In this case, companies may aspire to take appropriate measures that enhance Shariah functions such as strengthening SSB and ISA and enhancing the role of management. In addition, financial institutions in the UAE need to develop training plans for their Shariah auditors and develop their skills in accordance with AAOIFI rules and principles.

Finally, the results of this research can be obtained to enhance customer confidence in international financial institutions across the United Arab Emirates and to provide empirical evidence regarding health and safety, procedures followed in Islamic institutions, and the role of their departments in enhancing the performance of financial institutions and compliance with Islamic law and Islamic laws. Specifically, the results will show that the integration of agency theory that emphasizes oversight and oversight reveals how boards of directors operate to ensure directors focus on advancing the interests of shareholders and the interests of the wider public.

1.9 Research Scope

The research is based on the use of a survey questionnaire to investigate important issues related to the characteristics of the Shariah Supervisory Board and its impact on the internal Shariah audit effectiveness. Additionally, research investigates the role of Management support as a moderator variable.

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Moreover, the research relies on the agency and accountability theories to provide the theoretical foundation for this research. These theories are introduced in chapter two. To analyze the connection between the SSB and its characteristics and the ISAE, factor analysis is used to test the research hypotheses and formalize a structural equation model. Several tests are used such as regression, correlation, and reliability tests. The investigation is being conducted in UAE, especially at IFIs. Auditing and accounting personnel of the selected companies are the respondents who were selected using the random sampling technique.

1.10 Operational Definitions

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For this study, the following terms would utilize:

1. Internal Shariah Auditor: internal Shariah auditor is the one who assist IFIs in meeting their objectives; therefore, IFIs should ensure that their internal Shariah audit is effective to create value and effectiveness in such organization (Khalid et al., 2018).

2. Internal Shariah Auditor Effectiveness: According to the IIA (2010), effectiveness can be defined as degree, including quality to which established objectives are achieved.
3. Shariah Supervisory Board Independence: an independent body, they should not become involved in management decisions of IFIs, and that they or their family members should not be employed as a senior executive officer or have a substantial shareholding in the IFIs (AAOIFI, 2017).

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4. Shariah Supervisory Board Competence: A person who has a sound knowledge of Shariah rules and principles, particularly the knowledge of Fiqh Al-Muamalat (Jurisdiction of Islamic Transaction), also possess reasonable knowledge of accounting and auditing, and more important operational aspects of the IFIs (AAOIFI, 2017).

5. Number of Board Members of Shariah Supervisory Board: The SSB shall consist at least three members. The SSB may seek the services of consultants who have expertise in business, economic, law, accounting and/or others (AAOIFI, 2017).

6. Management support: Support from management is not just a matter of words. It means allowing employees to develop and use their skills and abilities. Based on (Dellai & Ali Brahim Omri, 2016) Top management support is very critical for the proper functioning of the internal audit department.

1.11 Organization of the Remaining Chapters

This thesis consists of five chapters in the following order:

First chapter provides the introduction to research. The chapter provides background of research topic and highlights the problems and problem statement, as well as the purpose of the study. The chapter also presents research questions and objectives. The importance of research is explained in addition to the scope of the research.

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Second chapter provides a summary of the conceptual definition of SSB, internal shariah auditor effectiveness, concept of management support, and related studies in the same field, in addition to discussing of previous studies. It also illustrates the relevant theories and conceptual model for hypothesis development.

Third chapter contains information and justification towards materials, theoretical approach, experimental design, and method (including statistical analysis) used to achieve the research's objectives. Materials and methods used in the research need to be explained thoroughly and accurately. Introduction in the methodology chapter will discuss the survey design, sampling technique, sample size, research instruments, data collection procedures and methods used for analyzing the data. Thus, for the present study, the researcher would adopt a positivist approach. The research design is descriptive in nature and will follow a quantitative research paradigm. Data collection used is a single method.

Fourth chapter presents and analyses the research data. The overall findings of the study and analysis can be presented in tables, figures, and statements to enable important discoveries to be highlighted.

Finally, fifth chapter presents the research findings and recommendations. Focuses on explaining how search results relate to specific questions and research objectives. Then the chapter displays a summary of the search results. In addition, the chapter presents the practical and theoretical implications of this research and provides some recommendations for future work to expand the results. Finally, it provides limitations and research conclusions.

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CHAPTER 2

OVERVIEW AND BACKGROUND OF CONTEXT OF STUDY

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2.1 Introduction

In this chapter, will gives an overview of the history of auditing in Islam, Islamic worldview, management support and financial audit in UAE, AAOIFI, Shariah Governance Framework (SGF), internal Shariah audit roles, internal Shariah audit characteristics and SSB. AAOIFI issued governance standards for IFIs that established standards and provide guidance on the internal Shariah auditing in institutions, which conduct business in conformity with the Islamic Shariah rules and principles. Therefore, in addition to discuss previous studies, this study will include the AAOIFI standards that are highly regarded as best current practices and other relevant guidelines on internal Shariah auditing in IFIs in UAE.

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2.2 The Islamic Worldview

Shariah has numerous objectives, some of which are essential and optional. The key is to protect and preserve religion, property, intellectual property, life, family, and honor (Saifuddeen et al., 2014). The secondary one is to improve social security (Ahmed & Faosiy Ogunbado, 2015; Mohamad, 2015), justice and equality in society (Yusof et al., 2009), preserving peace (El-Najar & Mohammed, 2014; Sulayman, 2014).

A discussion of the Islamic worldview may help clarify the framework within which Islamic accounting and corporate reporting may be developed (Maliah, 2005). Tawheed (Oneness of God, i.e., Allah) this is the principle that Islam believed. Allah is the Supreme Being, who is one and unique. According to (Ibrahim, 2011) as far as the Islamic ontology (the nature of reality) is concerned, the Islamic worldview sees this world from dual perspectives; this world (universe) and the hereafter (the day of judgment) as opposed to the Western secularist (separation of religion with other activities) and materialistic worldview. The intention of this study to base the Islamic worldview that provides, among others foundation in maintaining universal justice, in emphasizing on maintaining financial propriety, and in providing foundations to safeguard the Islamic economic activities (Kasim, 2009).

The basis of Islamic banking and finance is compliance with Sharia. Numerous studies have been conducted on Shariah governance in many countries (Grais & Pellegrini, 2006; Hasan, 2011; Alam et al., 2019). Most of these studies focused on the various governance practices implemented by different countries. The appointment and

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formation of Shariah Supervisory Boards (SSBs) is one of the main criteria for Shariah governance.

2.2.1 Objectives of Islamic Law (Maqasid Al-Shariah)

The idea of Maqasid Al-Shariah, or higher objectives of Islamic law have gradually captured the attention of increasing numbers of modern Muslim scholars for solving contemporary issues. Ibn Ashur defined Maqasid Al-Shariah as "the deeper meaning and inner aspects of wisdom (Hikam) considered by the lawgiver in all or most of the areas and circumstances of legislation". He also explained the importance of the knowledge of Maqasid Al-Shariah for Mujtahids not only in understanding and interpreting the texts of Shariah, but also to find solutions to the new problems facing Muslims and on which those texts are silent (ISRA & Finance, 2013).

The primary objectives Shariah is the realization of the benefit of the people (Maslaha of the Ummah), concerning to their affairs both in this world and the hereafter (Laldin, 2006). Generally, the Shariah held in all its parts aims at securing a benefit of humankind and protecting them against corruption and evil (Ibn Ashur, 2006; Laldin, 2006; Chapra et al., 2008; Kamali, 2008). The following are among other objectives of the Shariah:

1. Educating the individual (Tahdhib al-Fard): the injunctions of Shariah aim to educate the individuals and inspire them with faith and instill in them qualities of being trustworthy and righteous. It is through reforming the individuals that Islam

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aims at achieving its social goals. In the matters related to Mu'amalah, all the injunctions of Shariah are geared to achieve the objective to educate people by adhering to the principle of justice, trustworthiness, honesty, and social responsibilities. Justice in Islamic institutions makes these characteristics apply directly to those involved in the management of financial resources and wiring in recording financial transactions. Similarly, these also related to those who substantiate and validate the work of the management, i.e., the Shariah auditors who are the focus and the subjects of this research.

2. Upholding justice (Adalah): this is another objective of Shariah which aims at achieving the social goals. Adalah means placing things in their right place where they belong, thus establishing a balance by way of fulfilling rights and obligations and by eliminating excess and disparity in all spheres of life (Laldin, 2006). The Qur'an emphasizes that Muslims should be just in their relationship with everyone even with their enemy:

> "O you who believe, Stand out firmly for Allah and be just witnesses and let not the enmity and hated of others make you avoid justice. Be just: that is nearer to pity, and fear Allah. Verily, Allah is well acquainted with what you do" (5:8).

In relation to work of an auditor, if he adds or removes a word or a letter or misinterprets a word, he could cause damage and could provide benefits to those who do not deserve them, and this may damage the interest of innocent people (Abdullah, 2000). Therefore, Adalah should be straightforward required for the appointment of Shariah auditors to ensure that they are reliable, trustworthy and can express their opinions without bias prejudice.

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3. Public interest (Maslahah): or can say its public interest, is a technical word that refers to the general benefit of mass people in Islamic Law. It is invoked to prohibit or permit something based on whether it serves the public's benefit or welfare (Hurayra, 2015). That is, the Shariah in its entirety ultimately aims at promoting Maslahah, which must be real or genuine and should promote the benefits to the larger section of the society and prevent them from haram (Mohammed, 2011). The individual can elevate himself spiritually above his animalistic desire this allows by religion. Through religion, man will be able to control his access desires for wealth and sacrifice the surplus for the welfare of the less privilege members of the society. Thus, the Shariah audit should ensure that the IFIs policies and programs of public interest take into consideration, and it is an important element in their business objective of corporate social responsibility.

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Corporate governance can be used to change the rules under which the agent operates and restore the principal's interests. The principal, by employing the agent to represent the principal's interests, must overcome a lack of information about the agent's performance of the task. Agents must have incentives encouraging them to act in unison with the principal's interests. Agency theory may be used to design these incentives appropriately by considering what interests motivate the agent to act. Incentives encouraging the wrong behavior must be removed, and rules discouraging moral hazard must be in place. Understanding the mechanisms that create problems helps businesses develop better corporate policy (Investopedia, Updated Dec 9, 2020).

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2.2.2 Shariah Compliance Audit

A Shariah compliance audit is conducted to enable the SSB to express an opinion that the operations of Islamic banks are conducted in accordance with the Fatwas, rulings and guidelines issued by the SSB of the IFIs, the AAOIFI, national accounting standards and practices, and relevant legislation and regulations applied in the country in which the IFIs operates (Grais & Pellegrini, 2006).

Shariah auditing required to be existing in all Islamic institutions for performance from external and internal shariah auditor to guarantee organizations comply with shariah rules, principles and accounting standards place by accounting and auditing organization for Islamic financial institutions (AAOIFI), (Yussof, 2013, p. 80; Abdul Rashid et al., 2017, p. 2).

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The request for Islamic banking services and products has shown an uptrend in treating vast opportunities for the Islamic Financial Institutions (IFIs). So, the IFIs need to have a solid and active corporate governance technique within the Islamic environment to secure their compliance with the Shariah rules. Non-compliance with the rules of Islamic law and shariah, depositors may withdraw their deposits and investors can cancel their investment agreements, which reduces the profitability of introducing brokers and increases the risk of banks (Hamza, 2013; Grassa, 2015).

A proper standard framework for Shariah compliance audit is essential to ensure the harmonization of Shariah practice in IFIs (Shafii et al., 2010). In addition to that there is also studying that identifies the issues and challenges of Shariah compliance

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process in the IFIs on corporate governance and Shariah compliance in institutions offering Islamic financial services (Grais & Pellegrini, 2006), their study focused on the limitations in relying to the Shariah compliance assurance to the internal party (i.e. Shariah Committee). They also proposed in their study that an effective framework to monitor and assess Shariah compliance.

Compliance with Shariah is seen as one of the defining features of Islamic Financial Institutions (IFIs) from their traditional Institutions. IFIs are delegated to run based on Shariah principles in all operations, systems, and activities. Shariah compliance is significant in promoting the ability of IFIs and meeting the growing demand for Shariah compliant products (Abu Kasim, 2012). Strict regulations are imposed on IFIs to gain important confidence from stakeholders (Alhabshi, 2016; Bank Negara Malaysia, 2016). Achieving full compliance with Shariah is a challenge for IFIs, but efforts to prohibit Shariah non-compliance activities should be appreciated (Ghani & Rahman, 2015).

To achieve the effectiveness in Shariah supervision of compliance, it is urgent take for the Shariah advisors to examine the whole aspects related to the operation of the bank, as the responsibility of the board is to ensure that the whole aspects are conducted based on Shariah principles. The Shariah supervision is not limited, solely in giving Shariah opinions or issuing Fatwas or advice before certain products are launched by the banks, rather, reviewing and auditing exercises after the product or schemes are launched are indeed compulsory. For such reason, there are three stages of the supervision method that may be adopted – Pre – supervision (Qabliyyah/Sabiqah),

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ongoing supervision (Athna' Al- 'Amal), and post- supervision (Ba'diyyah / Lai'qah) (Abu Ghuddah, 2002).

Shafii et al., (2010) proposed Shariah compliance audit framework as follows: The basic general rulings in Muamalat are all transactions for IFIs should be free from Riba, Maysir, Gharar and other prohibited activities these rules are essentials and considered that most important guidelines that need to be followed and in line with Al-Quran and Al-Sunnah. The requirement from regulators such as the Central Bank of UAE (CB UAE) is needed for Shariah audit compliance with the duties and responsibilities of Shariah Committee in IFIs. The first and second level of the pyramid is the preliminary stage of Shariah Compliance audit framework. The third level is where the auditing process of attestation and assurance on the documentations and procedures (proposal form, contract, agreement, or other legal documentation used in executing the transactions, product manual, marketing advertisement, sales illustration, and brochures). The insurance of the Shariah compliance audit report will take place whereby the Shariah auditors need to state their opinion whether the institutions comply with Shariah regulations and principles or not. The issuance of the Shariah compliance audit report is important to the stakeholders that require assurance of Shariah compliance and accountability in the IFIs.

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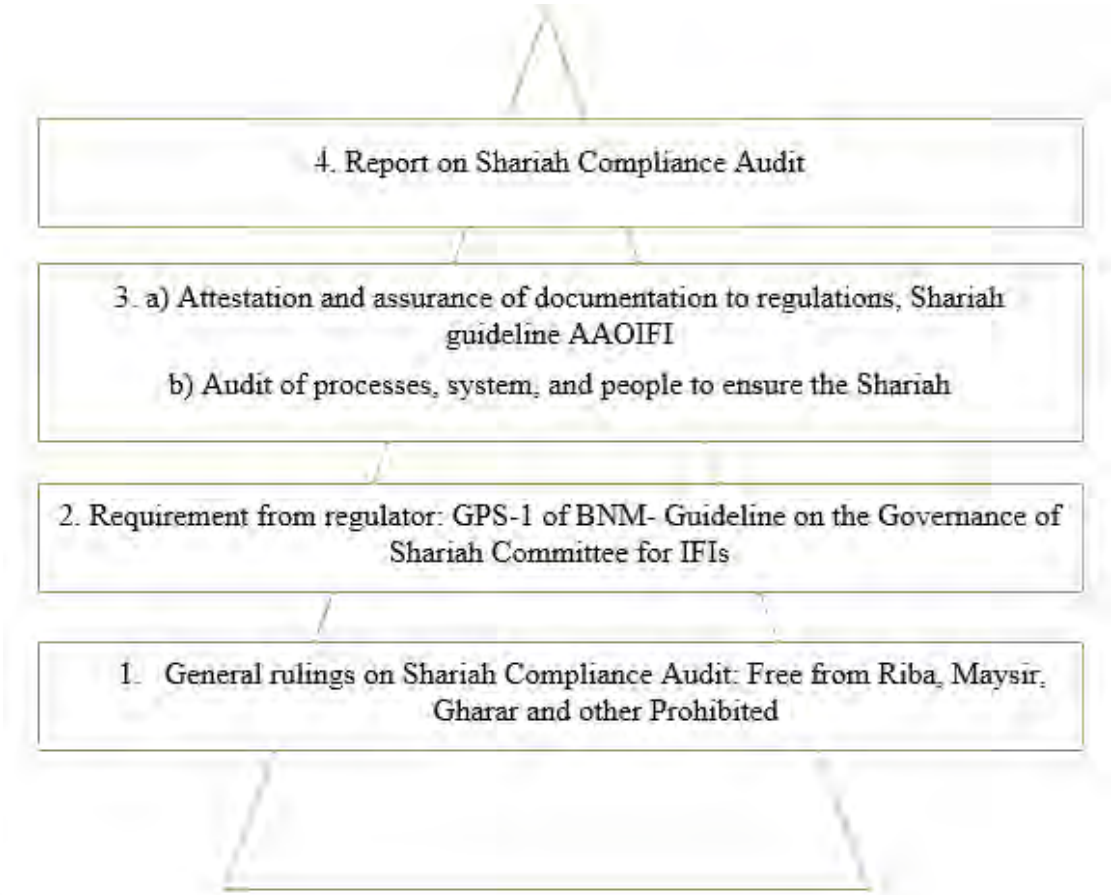


Figure 2.1. Shariah Compliance Audit Framework. Source: (Shafii et al., 2010)

In addition, the auditors shall examine the adequacy of control in information systems and related operations to ensure system effectiveness. Shariah audit, IT is the process of collecting and evaluating evidence to determine whether a computer system has been designed to maintain data integrity, safeguard assets, allow organizational goals to be achieved effectively, and uses resources efficiently. For example, the IT system that the IFIs used in recording the transactions shall be different from the system that they used in recording the conventional transactions. Each IFI must have its own Human Resources policy, from the Shariah point of view, human resources policy must address the issues such as the address code of employees, training in products offered by IFIs and any other human resource issues identified by the SSB.

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The SSB of an IFI must ensure that the policy is being followed through Shariah audit and regular check must be properly addressed, in the event of Shariah non-compliant, it must be rectified immediately. Shariah audit on organization structure is performed to ensure that the structure allows for effective Shariah governance in the IFIs (Hanefah et al, 2012). It has been concertedly agreed that Islamic organizations and banks must guarantee that their financial activities and business operations obey with Islamic rules.

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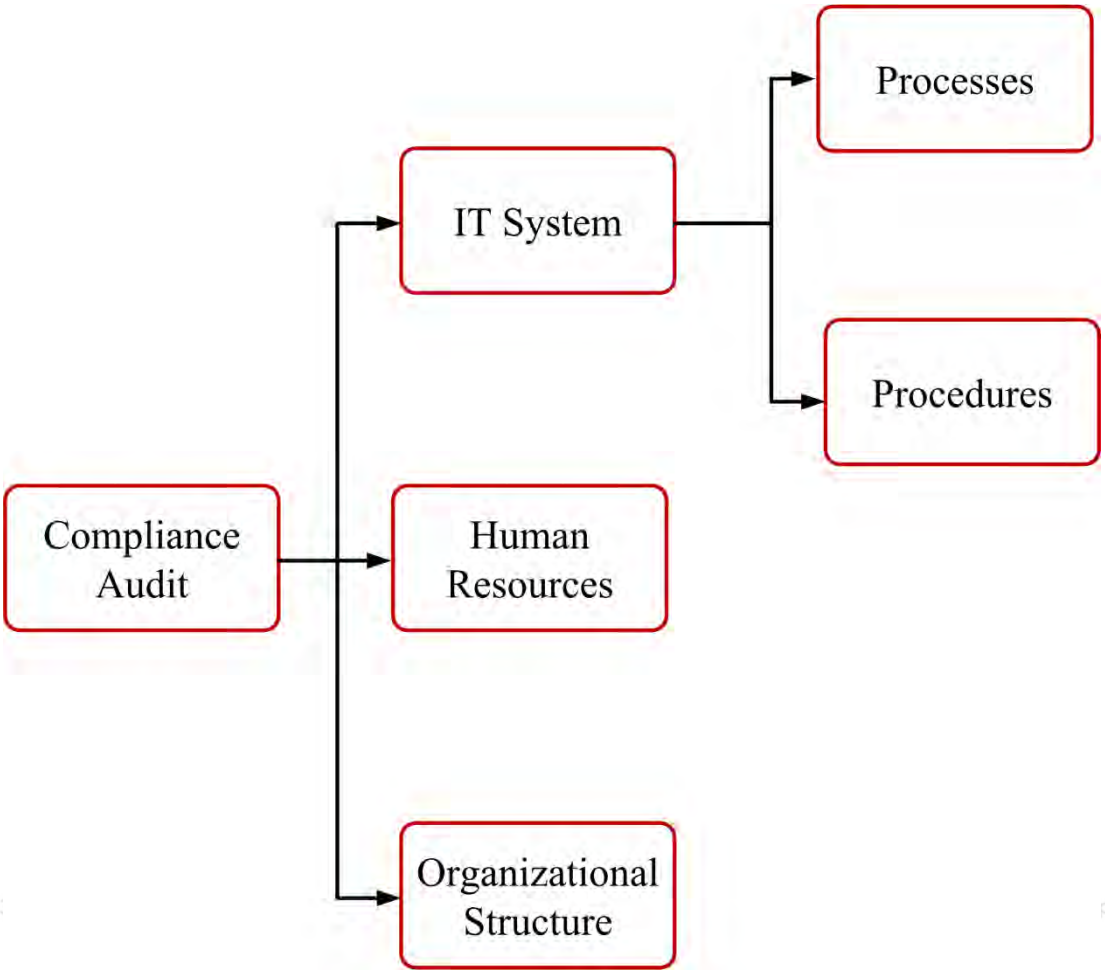


Figure 2.2. Compliance Audit Scope . Source: (Hanefah et al, 2012)

The Qur'an, the hadiths, and the consensus of scholars (Ijma ulama) are the sources and rules regarding compliance with Shariah is still broadly outlined. One of the references in measuring the extent of the commitment of financial institutions that use Shariah as the basis for their business to provide the foundations for compliance with Islamic law is IFSB. In describing the indicators used to express compliance with Islamic law in Islamic banking services, (Hameed et al., 2004) provided the best interpretation of these indicators.

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From the Shariah point of view, there is no difference between products which originate from the conventional market or otherwise, if the product is following all the requirements of Shariah, it can be deemed acceptable. The components of Shariah can be divided into three fields. The first is Al- ahkam al- I'tiqadiyyah (the sanctions relating to beliefs). The second is Al-ahkam al-Akhlaqiyyah (the sanctions relating to moral and ethics). The last category is Al-ahkam al-amaliyyah (the sanctions relating to the sayings and doings of the individual and his relations with others, which is also called Fiqh (ISRA & Finance, 2013).

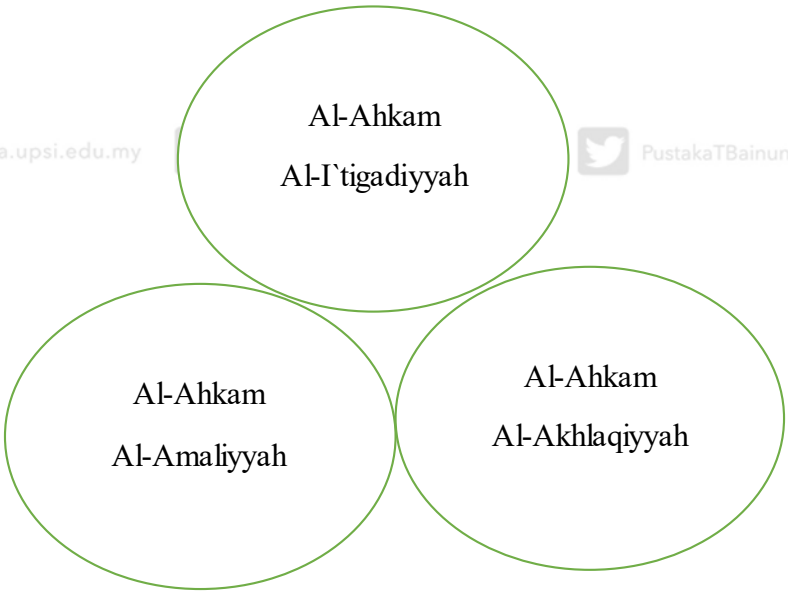


Figure 2.3. The Components of Shariah. Source: Islamic Shariah Research Academy (2013).

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2.3 The History of Auditing in Islam

The first audience of Prophet Mohammad (p.b.u.h) was the trading community of Mecca. At that time, the principal commodity of trade in Arabia was money itself. Besides the foreign exchange and trade, the other principal business was banking. The Thaqifs of Tai'f were famous bankers who lent heavy sums on Riba. The speculation in kind and currencies was another favorite activity of the Quraysh. Although there are accounts of mass, illiteracy among the Arabs of those days, but a sheer stretch of imagination would suggest that these activities could not have been possible except by having some concept of accounting and auditing. Thus, The idea of keeping accounts, in general verbal, and rendering them to the Sahib Al-mal became in fashion many of the Arab, and they were additionally privy to the idea of accountability (Khan, 1985).

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The Hisba is a religious institution under the authority of the state that appoints people (the Muhtasibs) carry out the responsibility of enjoining what is right, whenever people start to neglect it; and forbidding what is wrong, whenever people start to engage in it. The purpose is to safeguard the society from the deviance, protect the faith and ensure the welfare of the people in both religious and worldly manners according to Shariah. Allah (s.w.t) has made it obligatory upon all Muslims to enjoin good and forbid wrongdoing to the extent of their knowledge and abilities. The prophet (p.b.u.h) said:

> "Whosoever among you sees an act of wrongdoing should change it with his hands. If he is not able to do so, then he should change it with his tongue. If he is not able to do so, then with his heart, and this is the weakest of fith".

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The function of Muhtasib was linked to Qur'an verses that urge Muslims to promote right and prevent wrong. Such as: 3:104: "Let there arise out of you, a band of people, inviting to all that is good, enjoining what is right, and forbidding what is wrong: They are the ones, to attain felicity", and in 59:7 " So take what the Messenger assigns to you, and deny yourselves that which he withholds from you. And fear Allah; for Allah is strict in punishment." According to Imam Ghazali, Hisba practice must be seen as a fard kifayah for Muslims; where every Muslim is expected to play a positive role in the propagation of good (Ma'ruf) and suppression of evil (Munkar) however, it has been made an obligation on a section of society to remain engaged in it. Muhtasib is the official appointed by the ruler to implement Hisba on behalf of the state (Yaacob, 2012).

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Khan (1982) found that, some of the Muhtasib may be relevant to the scope of work of Shariah auditors, such as:

1. Manage equilibrium: this function implies that the economy is actively managed by the state and a Muhtasib is appointed by the state. The economic equilibrium is manipulated to attain a reasonable degree of efficiency and justice. In relation to this, a Shariah auditor in the modern Islamic era will need to adopt performance auditing function. Performance audit of the management of organizations would comment on how effective, efficient, and economical the managers have managed the resources of the entity under their control. If this type of audit is performed by a Shariah auditor, it would appear to be an ideal vehicle for attaining efficiency and justice in the eyes of the stakeholders. Siddiqui & Podder (2002), Suggest a detailed

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performance audit may result in the defining of quality organizational procedures and the evaluation of quality management process.

2. Regulation of supply: A Muhtasib ensures that all trades must be done in the open market. He is to prevent secret dealings by the traders at their homes, warehouses and behind closed doors that could disturb the supply flows and thus interfere with the establishment of a natural price level. Free access to market is ensured to anyone who wants to enter the market. In this respect, a Shariah auditor is to pay a serious attention on the concept of Gharar. Gharar can be defined as the ambiguity and uncertainty present in any contractual relationship. It is also interpreted as the degree of information asymmetry and absence of information that can provoke one of the parties to commit deceit or other fraudulent activities (Sultan, 2007). Thus, it is a responsibility of the Shariah auditor to ensure the organization he is auditing avoiding Gharar elements as this would mitigate the risk of litigation and disputes because of ambiguity in the contract.

3. Price controls: if there exist market rigidities so that the economically powerful class can manipulate the price level, the Muhtasib has a duty to apply corrective measures and to save the public from hardship. As a Shariah auditor, he is expected to report any kind of Ihtikar (hoarding) being practiced in the organization he is auditing (Banaga et al., 1994). This is prohibited in Islam as the intention of causing scarcity and bidding up prices artificially may prohibit the principle of fairness and justice which is central to Islamic economy.

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4. Credit structure: A Muhtasib is to check for any transactions involving usury and Riba'. In this case the debtor cannot pay the debt; he would arrange help from the Zakat fund. In Islam, any situation which gives rise to Riba' (usurious practices) is prohibited. It is on this ground that one of the main reasons why Islamic banking and finance exist. Thus, it is clearly necessary for a Shariah auditor to protect the trust of depositors in ensuring the organization he is auditing is free from Riba' activities. In addition, he may suggest benevolence activities that may contribute to Maslahah of the debtors.

5. Efficiency in the public sector: Muhtasib must advise the regulator to adopt commendable behavior and refrain from improper conduct. This was based on the prophetic tradition that the best of Jihad was to pronounce the truth before an oppressive ruler. He would also deal with complaints of bribery and misappropriation of public funds. In the case of a Shariah auditor, he is to analyze on the accuracy of the transactions to ensure no element of Tatfif which may cause damage to the other party in the transactions. Transparency in reporting the truth should be part and parcel of a Shariah auditor (Kasim, 2009).

The audit function in an Islamic state is important and mandatory as it reflects the accountability of the auditor not only to the users of the financial statements, but more important, to the Creator, Allah (s.w.t). This is because; Muslims believe that one's actions and thoughts are always being watched by Allah (Muraqabah). Fundamental in Islam is the edict that "surely Allah takes account of all the things" (Qur'an, 4:86). It is to be noted that these references are to "account" in its generic

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sense, refer to one's obligation to "account" to God on all matters pertaining to human endeavor in which every Muslim is "accountable" (Askary & Clark, 1997).

Abdullah (2004) argues that the accounting systems and recording procedures practiced in Muslim society commence before the invention of the Arabic numerals in response to religious requirements, especially in Zakat, a mandatory religious levy imposed on Muslim in the year 2 H. They were designed to serve the needs of the Islamic state to ensure the proper collection, disbursement, recording and control of certain state revenues and expenses. A form of auditing was practiced after the establishment of the Islamic state in 622 A.D. The role of the auditor in Islamic history was explained by Al-Kalkashandy (1913, as quoted by Zaid, 2004) by stating that: "it is common for a person not to see his mistakes but can see other 'errors. It is necessary for the Head of Dewan (state) to appoint a person to review the books. This person must possess a high standard of language, be Hafidz (a memorizer) of the Qur'an, intelligent, wise, trustworthy and neither prejudiced nor inimical. When the reviewer is satisfied with the contents of the book being reviewed, he should sign in the book as an indication of his satisfaction with the contents". Al-Qur'an impliedly mentions the importance of auditing (Harahap, 2002) in 49:6:

> "O you who believe, if a wicked person comes to you with any news, ascertain the truth, lest you harm people unwittingly, and afterwards become full of repentance for what you have done," And the need to exact measurements in reflected in 17:35: "Give full measure when you measure, and weigh with a balance that is straight: that is the most fitting and the most advantageous in the final determination".

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In addition, the longest verse in the Al-Qur'an, 2:282 indicates the accountability (Taqlif) concept which is the 'spiritual' aspect of auditing (Harahap, 2002). The expansion of trade during the time of the second Caliph, Omer bin Al-Khattab, promoted the development of a mechanism for ensuring adequate accountability with the formal introduction of accounting books, concepts and procedures (Abdullah, 2004). In line with the concept of Khilafah, accountability places a greater emphasis on the duties than on rights because if duties are fulfilled by everyone, Self-hobby is automatically held inside bounds and the rights of all are surely safeguarded (Chapra, 1992).

2.4 Shariah and Financial Audit in UAE

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For the success of any economic business, effective human resources must be available as an essential element. Therefore, the success of financial institutions depends mainly on the availability of effective and qualified human resources for Islamic banking. And to enable individuals to perform their effective functional roles by having knowledge, capabilities, and skills.

UAE is a pioneer is promoting Islamic finance and banking; The first commercial Islamic bank, Dubai Islamic Bank (DIB), was established in 1975. UAE issued the Federal Law no (6) of 1985 regarding Islamic banks, financial institutions, and investment companies. The number of Islamic banks in the UAE reaches seven banks, including Abu Dhabi Islamic, Al Hilal Bank, Dubai Islamic, Emirates Islamic, Noor Bank, Sharjah Islamic and Ajman Bank, and many commercial banks have

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established Islamic windows, most notably the National Union banks, First Abu Dhabi, Abu Dhabi Commercial, the bank, Standard Chartered Bank, the bank Commercial International, RAK Bank, Umm Al Quwain.

In UAE, the SSB in Dubai Islamic bank acts as a monitoring function included the checking of documents and procedures to scrutinize each operation carried out by the bank, whether directly or through the Shariah internal audit department. The SSB of DIB planned by the Shariah internal audit department to carry out monitoring functions by obtaining all the information and clarifications that were deemed necessary to confirm that the bank did not violate the Shariah rules and principles.

The bank transactions of DIB will audit by the Shariah internal audit department and submitted a report to the SSB. The report confirmed the bank's commitment and conformity to the SSB 's opinions. Both Islamic and non-Islamic financial institutions are operated, thus it is not obligatory for organizations to follow Islamic concepts (Hood & Bucheery, 1999). However, if special claims are being made by IFIs (in that their activities adhere to Islamic precepts) then these claims must be attested in some way (since shareholders, customers, the state, and even suppliers may act differently toward Islamic institutions) (Hood & Bucheery, 1999).

The GCC's banking landscape has, in recent years, taken substantial strides in terms of digitization, product expansion and customer acquisition. Islamic banks in the UAE and regionally have also kept pace, garnering considerable attention. Earlier this year, Dubai Islamic Bank (DIB) completed the acquisition of rival Noor Bank to create

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a lender with total assets exceeding Dhs275bn, establishing it as one of the largest Islamic banks in the world.

(Tawfik & Osman Bilal, 2020), The Islamic view of auditing manifests in the responsibility of the auditors to address the concerns of not only the stakeholders but ultimately for the Creator, Allah (Shafii et al., 2013, p. 29). The concept of Shariah auditing is derived mainly from the concept of ḥisbah in Islam (Yaacob & Donglah, 2012, p. 225; Mirakhor, 2000, p. 28).

The United Arab Emirates is the hub of the Gulf Cooperation Council countries for several reasons, including its unique environment regarding Islamic banking. The UAE is located within the Gulf Cooperation Council (GCC) countries, which are at the heart of the Islamic world, and thus the GCC countries are expected to be at the heart of the fast-growing Islamic finance industry, which includes retail and investment banking, insurance, issuance, and trading of sukuk (Sharia). Compliant securities) (Wilson, 2009) In the GCC countries, Sharia-compliant assets represent a large portion of total banking assets (Basu et al., 2018). Moreover, the UAE has adopted a set of standards including corporate governance standards that aim to protect the rights of investors and encourage investment in various economic sectors, including the Islamic banking sector. Hasan (2011) asserts that some countries like Malaysia prefer greater participation of regulatory authorities, while GGC prefer slight intervention.

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2.4.1 IFIs Market and Islamic Takaful in UAE

The International Association of Islamic Banks (IAIB) outlined that, the Islamic banking system involves a social implication which is necessarily connected with the Islamic order itself and represents a special characteristic that distinguishes Islamic banks from other banks based on other philosophies. In exercising all its banking or development activities, the Islamic bank takes into prime consideration the social implications that may be brought about any decision or action taken by the bank. Since the 1970s, Islamic banking has emerged as a new reality in the international financial scene. Its philosophies and principles are, however, not new, having been outlined in the Holy Qur'an and the Sunnah of Prophet Muhammad (p.b.u.h.) more than 1,400 years ago.

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The emergence of Islamic banking is often related to the revival of Islam and the desire of Muslims to live all aspects of their life in accordance with the teachings of Islam. One of the countries which have a significant role towards the development of Islamic banking and finance is United Arab Emirates which has started Islamic banking industry since 1975. Most bank financings in UAE are in personal, trade, manufacturing, and construction sector. The DIB was the first Islamic bank in UAE established in 1975 and since then, the industry has been growing rapidly. UAE has become a country with the highest number of Islamic banks not only in the Middle East but also in the world (Iqbal & Molyneux, 2005). All UAE banks are required to adopt International Financial Reporting Standards (IFRS) as stipulated by the Central bank of the UAE and starting from 2003. On the other hand, foreign banks are required to either

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comply with the United Kingdom (UK) or USA Generally Accepted Accounting Principles (GAAP) or to comply with (IFRS) (Islam, 2003).

In 2000, the CB UAE has set a comprehensive prudential set of regulations, which includes capital adequacy, asset quality, and management of investment accounts, corporate governance, and liquidity management in ensuring IFIs have comparable standards to conventional banks. This regulatory framework has attracted confidence among the investors and customers of Islamic banking in UAE, hence the industry enjoys sustainable growth, product innovation and an expanding market (Iqbal & Molyneux, 2005).

Takaful is one of the Islamic finance areas, which has been growing significantly for the last decade. The World Takaful Report 2019 indicates that the Compound Annual Growth Rate (CAGR) of the industry from 2012-2017 with contributions grew at a compound average growth rate of almost 6.9%. GCC region as the main driver (EY 2017). Among the GCC member, UAE is seen as one of the important markets for Takaful with CAGR of 13.2% during 2017 as showing in the figure 2.4.

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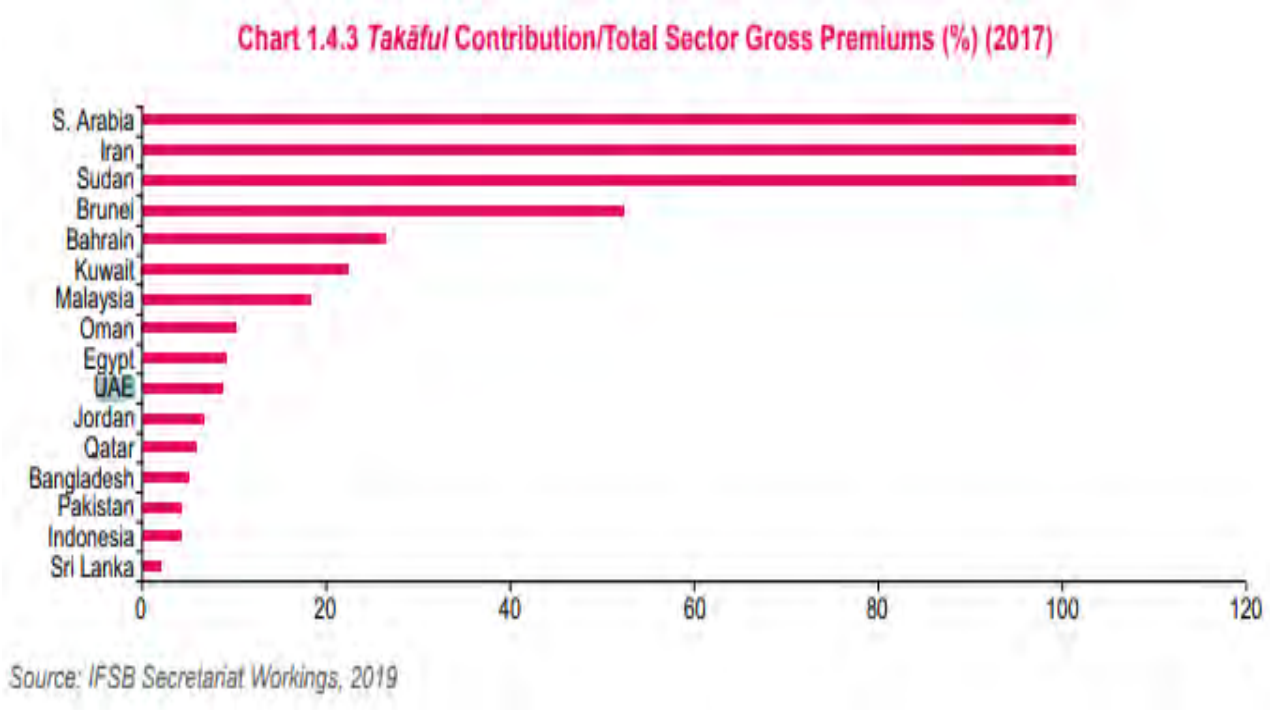


Figure 2.4. Global Takaful contribution

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Islam is a comprehensive way of life. Islam always gives solutions to all aspects of our life. For example, Takaful is the solution to the conventional insurance which is deemed to be impermissible according to Shariah. It is based on the idea of social solidarity, cooperation, and joint remuneration of losses of the members. It is an agreement between the members to jointly remunerate the damage that may inflict one of them out of the collective donated fund/tabarru'. It also means that Takaful aims to establish a caring society (Hidayat, 2010).

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2.4.2 Banking Sector in UAE

United Arab Emirates is a country in the Middle East. UAE is a member of GCC beside the oil and gas sector, the financial services sector is among the highest contributors to the country's overall GDP. According to the CB UAE annual report 2019, the sector contributed 8.3 % to the GDP of the country in 2018. The banking system in the UAE is considered as being the largest component of the financial system. UAE's banking sector has remained to be a cornerstone for growth of the domestic economy.

According to the International Monetary Fund (IMF), the Real GDP growth (Annual percent change) of UAE was -3.5% in 2020 compared to 1.3% in 2019. Owing to the oil driven economy, real GDP - adjusted for inflation - is expected to grow to 2.8 per cent and 3.3 per cent in 2018 and 2019. Strong oil production and a highly favorable base effect will be the main driver of growth, however; the economic crisis in Europe can affect its growth. According to CBUAE's Economic Indicators Report of 2019, the Consumer Price Index (CPI) declined by 1.9% in 2019 (Central bank of UAE, 2019).

The Islamic banking industry in the UAE also benefits from having a single reference for all institutions that offer Islamic financial services to align with different opinions on Shariah rules and principles, and the presence of the authority as an accredited reference contributes to helping the Islamic banking industry to improve management and compliance with Shariah in relation to Islamic financial services And reduce the cost, which will ultimately benefit consumers and strengthen the regulatory and supervisory control of the industry, especially as the authority will provide a group of competent experts in Shariah supervision and the Shariah Supreme Authority for the

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Islamic Financial Services Industry in the UAE constituted a major quantum leap in the Islamic financial services industry in the Emirates. For the first time, the Islamic Financial Services Industry in the UAE has a committee that sets Shariah standards for Islamic banking, its products, and tools, in addition to business ethics, governance, accounting and auditing according to Islamic thought.

The latest statistics of the Emirates Central Bank revealed that the assets of Islamic banks increased from 403.9 billion dirhams at the end of December 2014 to 550.2 billion dirhams at the end of December 2017, an increase of 146.3 billion dirhams and 36.2%, and the assets of Islamic banks constitute 20.4% of the assets of the banking sector in the UAE, as deposits increased Banking in Islamic banks from 284.7 billion dirhams at the end of December 2014 to 383.8 billion dirhams at the end of December 2017, an increase of 99.1 billion dirhams, or 25.8%.

In line with the UAE's vision to become an international hub for Islamic finance, the Higher Shariah Authority (HSA) continued pursuing the alignment of practices of Islamic Financial Institutions (IFI) with international standards. In 2019, the HSA's work focused on: (i) Compliance with the internationally recognized Shariah Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), with the adoption of the new Standard on sale of debt and the initiation of a new generation of Standards regarding Murabaha; (ii) Issuance of updated guidance for new Shariah compliant product application process; and (iii) Strengthening of the Shariah governance of IFIs. In conducting its work, the HSA collaborates closely with the UAE market participants and the UBF. During the year, it held nine meetings and organized an inaugural executive program delivered by the HSA

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Members on the effective integration of Shariah in the regulatory and legal framework of the Shariah-compliant financial industry.

In the United Arab Emirates, Islamic banking services began to appear among the private sector banks with the establishment of Dubai Islamic Bank in 1975, which was considered at the time the first Islamic bank in the region. A mixed banking system was then prevalent for the UAE economy, with Islamic and conventional banks operating side by side. After the expansion of the banking sector in the Gulf Cooperation Council countries (Al-muharrami & Murthy, 2017). To keep pace with the development in the Islamic economy, many traditional banks in the UAE have opened Islamic windows (an Islamic section in a traditional bank that provides Islamic banking services and products).

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In UAE banks, the board of directors is governed by articles 95 to 118 of the UAE commercial code of the companies, No. 8 of 1984 and its impediments published in law no 26 of 1988 (Gebba & Aboelmaged, 2016). The banking sector represents over 85% of total financial assets (El-Quqa et al., 2009). Furthermore, the banking system compromises both conventional and Islamic banks. The conventional sector includes retail banks, specialized banks, wholesale banks and representative offices of overseas banks. On the other hand, the Islamic sector consists of retail banks and wholesale banks which offer as host of Shariah compliant products and services. The sole regulator for financial systems in UAE is the CBUAE. Up to 31 December 2019, 60 national, foreign, and wholesale banks are licensed to operate in the UAE, according to central bank data. 21 are locally-incorporated, five of which are standalone Islamic banks—Dubai Islamic Bank (acquired Noor Bank in January), Emirates Islamic, Abu

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Dhabi Islamic Bank, Sharjah Islamic Bank, and Ajman Bank—while many others have Shariah-compliant subsidiaries or offer Islamic banking and financial products and services.

The CBUAE is responsible for maintaining monetary and financial stability in the United Arab Emirates. UAE has rapidly become a global leader in Islamic finance, playing host to the largest concentration of Islamic financial institutions in the Middle East. There are 139 IFIs registered under the CBB as of December 31, 2015, categorizes as follows: 25 Islamic banks, 12 Takaful insurance, 7 Islamic investment business, 3 Islamic finance companies and 5 Islamic windows. The high numbers of Islamic banks show high profile of the country as the leading Islamic financial center in the region. In 2011, Islamic banks accounted for around 12% of Bahrain's banking sector (Winton, 2011). Table below show UAE financial sector:

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Table 2.1

Banks Assets in million dirhams 2015 – 2019

Year	Islamic assets	Conventional assets	Total assets	% Islamic market share
2015	464,151	2,014,074	2,478,225	18.73
2016	505,499	2,108,112	2,613,611	19.34
2017	550,171	2,143,636	2,693,807	20.42
2018	582,576	2,285,940	2,868,516	20.31
2019 (preliminary)	572,407	2,513,432	3,085,839	18.55

Data source: Central Bank of the UAE

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2.4.3 The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)

AAOIFI formerly known as the Financial Accounting for Islamic Banks and Financial Institutions was established in accordance with the Agreement of the Association, which was signed by IFIs on Safar, 1410H corresponding to 26 February 1990 in Algiers. AAOIFI was registered on 11 Ramadan 1411H corresponding to 27 March 1991 in the Kingdom of Bahrain as an international autonomous non-profit making corporate body, with the aim of developing Islamic accounting and auditing standards AAOIFI is the Standard setting body for Islamic financial industry worldwide, which has issued over 88 Shariah, accounting, auditing, and governance standards, as well as a code of ethics. Professional qualification programs (notably Certified Islamic Professional Accounting (CIPA), the Certified Shariah Advisor and Auditor (CSAA), and the corporate compliance program) are offered by AAOIFI in its efforts to enhance the industry's human resource base and government structures. AAOIFI has gained support for the implementation of its standards, which are now adopted in the Kingdom of Bahrain, UAE, Jordan, Lebanon, Qatar, Sudan, and Syria. AAOIFI formulates and publishes accounting, auditing, ethics, and governance and Shariah standards for the Islamic finance industry. The objectives of AAOIFI are:

1. To develop accounting and auditing thoughts relevant to IFIs.
2. To disseminate accounting and auditing thoughts relevant to the IFIs and its applications through training, seminars, publication of periodical newsletters, carrying out and commissioning of research and other means.
3. To prepare, promulgate and interpret accounting and auditing standards for IFIs; and
4. To review and amend accounting and auditing standards for IFIs.

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AAOIFI carries out these objectives in accordance with the precepts of Islamic Shariah which represents a comprehensive system for all aspects of life, in conformity with the environment in which IFIs have developed. This activity is intended both to enhance the confidence of users of the financial statements of IFIs in the information that is produced about these institutions, and to encourage these users invest or deposit their funds in IFIs and to use their services. In a number of jurisdictions, the AAOIFI standards are either mandatory or adopted voluntarily by IFIs; since Western standards may be inapplicable to IFIs. Non-IFIs follow the traditional Western business practices and are audit by financial (external) auditors only. The IFIs follows the Islamic financial laws and are audited by both religious and financial auditors. The relationships are depicted in table 2.2.

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Table 2.2

Auditors involved in different organizations

	Non-Islamic Organizations	**Islamic Organizations**
Financial Auditors	Yes	Yes
Religious Auditors	No	Yes

Source: Hood and Bucheery (1999).

Shafii et al., (2014) mentioned in his study, it was noted that the only certification of Shariah advisor and the auditor was launched by the Accounting and Auditing Organization for Islamic Financial Institutions known as the "Certified Shariah Advisor and Auditor" (CSAA). The CSAA program is designed so that candidates under the program are equipped with the required technical understanding and professional skills in Shariah compliance review processes in the International IB

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and the finance industry. The program also covers technical topics considered essential for compliance with Sharia, auditing processes and procedures such as Shariah standards issued by the AAOIFI on Islamic products and practices, Islamic banking, and financial supervision in addition to the Application of Islamic law. And the Fiqh (Islamic Jurisprudence) of Islamic Banking and Finance Practices (AAOIFI, 2017).

2.4.4 Comparative Analysis on AAOIFI, IFSB and BNM

Shariah Governance Guidelines

Governance is a system of leading, guiding, monitoring, and controlling institutions and organizations (Hasan, 2008). In accordance with World Bank, governance is motivating justice, transferability, and liability. International Financial Service Board (IFSB) in their standard 3 (2006) defined Islamic Financial Institutions (IFIs) corporate governance, a set of correlation between management, the board of directors, shareholders of a company which gives the framework out of which the goals of the company are prearranged; the path of realize the objectives and controlling achievement are determined. Ginena & Hamid)2015) defined SG as A complete and comprehensive system whose tasks are to implement the method of compliance of Islamic financial institutions with the rules of Islamic law in their commercial activities and communications.

It is in BNM Shariah Governance Framework (SGF) that a definition has been assigned separately to Shariah “audit” and “review”. As stated, Shariah audit is defined

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as the periodical assessment conducted from time to time, to provide an independent assessment and objective assurance designed to add value and improve the degree of compliance in relation to the IFI's business operation, with the main objective ensuring a sound and effective internal control system for Shariah compliance". The scope of Shariah audit includes an audit of the financial statements, a compliance audit on organizational structure, people, process and information technology application systems, and a review of the adequacy of the Shariah governance process.

The framework of Shariah audit can be performed by an IFI's internal auditors "who have acquired adequate Shariah-related knowledge and training". On the other hand, "Shariah review" refers to regular assessment of Shariah compliance in the activities and operations of the IFI, with the objectives to ensure that the activities and operations carried out by the IFI do not contravene with Shariah". Thus, a Shariah review is specific to Shariah compliance in relation to the IFI's overall business operations and does not scope in the entire financial statements. Unlike a Shariah audit, a Shariah review must be performed by "qualified Shariah officers" who holds at least a bachelor's degree in Shariah, which includes a study in Usul Al –Fiqh (the origin of Islamic law) and Fiqh Al-Muamalat (Islamic transactions/commercial law)".

It can be defined as the system that controls and directs SSBs to ensure compliance with Shariah rules (Grassa, 2013). A systematic SGF can construct the solidity of Islamic financial institutions in terms of its responsibility and trustiness (Hasan, 2008). Besides, compliance with Shariah is one of the main components that make Islamic corporate governance unmatched. Besides the roles of the Board of Directors (BOD), SSB in Islamic insurance also has important roles to monitor

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compliance with the provisions of Islamic Shariah law in commercial transactions. One of the main responsibilities of SSB is to develop and review new products and services to ensure compliance with Shariah law and previous roles (Bank Negara Malaysia, 2010; IFSB, 2009; Nathan & Ribière, 2007; Abdullah & Rahman, 2017).

Shariah governance it seems the link between organizations and its stakeholders, which include government, employees, creditors, society and else. also, the shariah governance is distinct from conventional corporate governance whereby it also takes into consideration the shariah law or maqasid shariah in its relationship. only used these relationships to define and supervision the strategic direction and performance of the IFIs. Three main organizations that issue Shariah governance guidelines are: the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Islamic Financial Services Board (IFSB), and Bank Negara Malaysia (BNM).

Dusuki & Abozaid (2007) place that to recognize what the real meaning of maqasid shariah, IFIs should make certain that whole transaction and procedure are compliant with Shariah, not tied to legal forms and mechanism but as well on the economic core that is established on the goals summarized by shariah. over and above, Shafii et al., (2010) declare that the shariah governance development is significant to define the procedures (maqasid shariah) for every one of the Islamic services and products provided by IFIs. Thus, the shariah governance in IFIs is crucial to achieving financial and economic constancy.

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According to (Kamaruddin et al., 2020) Which brings together several definitions of corporate governance and shariah governance. Starting with shariah governance definitions: The system by which companies are directed and controlled. Board of Directors (BOD) is responsible for the governance of their companies. The process and structure used to direct and manage the business and affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long-term shareholder value, whilst considering the interests of other stakeholders (malaysian code on corporate governance, 2017).

Involves the way the business and affairs of the individual banking institutions are being governed by their BOD and senior management, how the economic returns are generated to the owners, the day-to-day running of the operations of the business and the consideration of the interests of recognized stakeholders including depositors; and how they behave in a safe and sound manner, in compliance with applicable laws and regulations (BNM, 2013a)

After we knowledge of some of the most important definitions of corporate governance mentioned by (Kamaruddin et al., 2020), now review the important definitions regarding the shariah governance for IFIs. The definition of shariah governance for IFIs is defined by IFSB-10 of the Islamic Financial Services Board (IFSB): Guiding Principles on Shariah Governance Systems for Institutions Offering Islamic Financial Services, as the following:

Set of the strategic roles and functions of each organ of governance and mechanisms for balancing the institutions that offering Islamic financial services

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accountabilities to various stakeholders (IFSB, 2009), and when talking about the objective of corporate governance, that can be viewed in three alternative views, which are: (i) the legal view; (ii) the economic view; and (iii) the accounting view (Lewis, 2005).

And in the other hand, the objective of shariah governance (Garas & Pierce, 2010) attempts to identify the objective of shariah governance from five important resources, which are: (i) religious; (ii) social; (iii) economic; (iv) legal; and (v) governance. Under the religious resources, shariah governance concerns on the capability of the shariah committee in understanding and interpreting shariah principles. Meanwhile, under social resources, shariah governance focused to gain stakeholders' confidence on the transactions and activities conducted by the organization. On the other hand, under economic resources, shariah governance stressed on the performance of the shariah committee as it will affect on the profitability of the organization. While, under legal resources, shariah governance ensure that all related regulators frameworks and guidelines are to be imposed by the organization. Finally, under the governance resources, the hierarchical position of the shariah committee gives power for them to set and monitor shariah compliant within the organization. (Kamaruddin et al., 2020)

On October 22. 2010, BNM issued the shariah governance framework (SGF) and sets out the process of shariah governance for IFIs, specially for Malaysia organizations in Islamic field. the purpose of that issue to boost BOD`s role and management on shariah matters in IFIs. Shariah Governance Framework (SGF) is a structural process by which Islamic banks monitor, control and conduct their activities.

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Shariah governance is an important issue for Islamic Financial Institutions (IFIs). This includes the corporate Shariah control process and effective and beneficial governance (Sori et al., 2015). A good and solid system of Shariah governance practiced by IFIs in compliance with Shariah guidelines helps the sustainability of Islamic financial institutions (Sori et al., 2015). Weak Shariah governance systems, as well as weak Shariah and Islamic financial law, are driving IFIs to market failure and review of complete financial systems (Sori et al., 2015; Hassan et al., 2017).

The factors which the framework seeks related to the shariah governance general requirements, independence, Competence, supervision, responsibility and accountability, consistency, and confidentiality and finally the shariah compliance and function of research. Down the shariah governance`s general requirements, IFIs are responsible to establish shariah governance with the comprehensive roles of key organ functions (BNM, 2010). Figure below explain shariah governance model structure.

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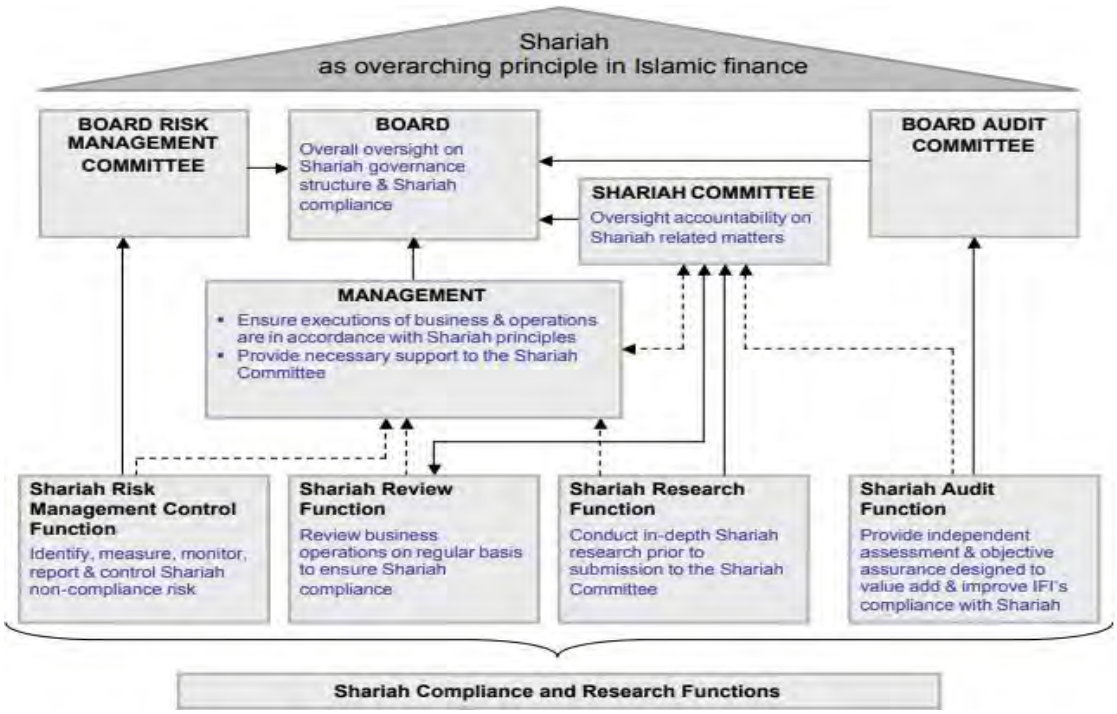


Figure 2.5. SGF Model for IFIs. Source: BNM (2010)

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IFIs strictly required from them to follow the SGF to guarantee full compliance with shariah rules and regulations. The table 2.3 below illustrate in details duties, responsibilities, and accountability of the SC.

Table 2.3

Duties, Responsibilities and Accountability of the SC

Duties & Responsibilities	Explanations
Responsibility and accountability	To responsible and accountable for all shariah decisions, opinions, and views.
Advise to the BOD and IFI	To advise the BOD and provide input to the IFI on shariah matters.
Endorse shariah policies and procedures	To endorse and ensure that shariah policies and procedures are in line with shariah.
Endorse and validate relevant documentations	To ensure that IFI's products and services are comply with shariah principles.
Assess the work of shariah review and shariah audit	To assess the work of shariah review and shariah audit to ensure the compliance with shariah by IFI.
Assist related parties on shariah matters	To assist related parties such as legal counsel, auditor or consultant that seek for advice on shariah matters.
Advise on matters to be referred to the SAC	To advise IFI to consult with the Shariah Advisory Council (SAC) of BNM on shariah matters that could not be resolved.
Provide written shariah opinions	To provide written shariah opinions for IFI to engage with the SAC or BNM on shariah matters.

Source: BNM (2010)

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The shariah committee must observed upon independence to guarantee SC can practice their responsibility and duties to the fullest and with complete independence. In this situation, the BOD is required to ensure the independence of the SC to ensure the sound shariah decision-making (Kasim et al., 2013). In other words, any decisions made by the SC could not be overruled by the BOD (Hasan, 2009).

On the other hand, Competence required from all IFIs in shariah governance functions based on their duties and responsibilities. Competence consists of developing their personal knowledge and updating themselves with the latest developments in the field of Islamic institutions. For the SC composition, most of the SC members should have a qualification in shariah which includes the study in usul fiqh (Islamic jurisprudence) or fiqh muamalat (Islamic transaction). Besides, IFIs should have a proper process on how to assess the performance of the SC members and developing suitable succession planning program for the SC. (Kamaruddin et al., 2020).

Regarding consistency and confidentiality, the Shariah committee must ensure that any information they obtain while performing their duties is treated as confidential and not misused. At the same time, all members in SC must preserve their professional ethics to ensuring Shariah compliance. Shariah review, Shariah audit, Shariah risk management and Shariah research must be in very good condition in IFIs to ensure that`s all Shariah functions in proper way works. The table 2.4 below summarizes the shariah functions.

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Table 2.4

Functions of Four Shariah Compliance Functions by SGF 2010

Shariah Compliance Function	Functions
Shariah Review	▪ Regular assessments on shariah compliance in the activities and operations. ▪ Examine and evaluate the level of shariah compliance. ▪ Identify corrective measures to resolve shariah non-compliance. ▪ Propose a sound control mechanism to avoid recurrences of shariah non-compliance. ▪ Covers IFI's overall business operations including end-to-end product development process from product structuring to product offering.
Shariah Audit	▪ Periodical assessment conducted from time to time, to provide an independent assessment and objective assurance designed to assess its value and improves the degree of compliance in relation to the IFI's business operation. ▪ Covers overall IFI's business operation, including: (i) audit of financial statement; (ii) compliance audit on organizational structure, people, process, and information technology application system; and (iii) review of adequacy of the shariah governance process
Shariah Risk Management	▪ Identify, measure, monitor and control of shariah non-compliance risks to mitigate any possible of shariah non-compliance events. ▪ Formulate and recommend shariah non-compliance risk management policies, procedures, and guidelines. ▪ Develop and implement shariah non-compliance risk awareness processes.
Shariah Research	▪ Conduct pre-product approval process, research, vetting of issues for submission and undertake administrative and secretarial matters relating to the SC. ▪ Perform in-depth research and studies on shariah issues, day to day shariah advice and consultancy to relevant parties including product development.

Source: BNM (2010)

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The Corporate Shariah Governance issue has emerged with the commencement of the corporation; it became an attractive issue due to the financial crisis. Prevailing Shariah governance guidelines are issued by AAOIFI, IFSB and BNM. These Shariah governance guidelines are the tools used to meet the unique needs of the Islamic financial industry. In order to examine whether there is any significant difference among them it is necessary to compare the prevailing Shariah governance guidelines (NuHtay & Salman, 2013). The followings are Shariah governance guidelines of AAOIFI, IFSB and BNM:

Table 2.5

Shariah Governance Guidelines of IFIs

AAOIFI	IFSB	BNM
SSB	General Approach to the Shariah Governance System	General requirement of SGF
Shariah review	Competence	Oversight, accountability, and responsibility
Internal Shariah review	Independence	Independence
AGC	Confidentiality	Competence
Independence of SSB	Consistency	Confidentiality and consistency
Statement on governance principles of IFIs		Shariah compliance and research functions includes: Internal Shariah review Shariah audit Shariah risk management Shariah research
Corporate Social Responsibility (CSR)		

Sources: AAOIF (2017), IFSB (2009), BNM (2010)

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IFBS provides the definition of Shariah governance while AAOIFI and BNM, are silent on this. All the guidelines discuss and emphasize on independence, competence, responsibility, accountability of SSB. Moreover, the importance of Shariah review and audit functions is highlighted in all guidelines, although AAOIFI discussed in more detail. Shariah risk management and research function have been discussed only in the BNM Shariah governance framework (NuHtay & Salman, 2013).

Table 2.6

Comparative Analysis among Shariah Governance Guidelines.

No.	Discussion	AAOIFI	IFSB	BNM
1.	Definition of Shariah governance	Not provided	Provided	Provided
2.	Independence, competence, responsibility of SSB	Discussed	Discussed	Discussed
3.	Shariah review and Shariah audit	Discussed	Discussed	Discussed
4.	Risk management	Not discussed	Not discussed	Discussed
5.	Research function	Not discussed	Not discussed	Discussed

Source: Kassim et al (2013).

In the international markets of Shariah Governance, various types are existing in the practice of various jurisdictions (Wardhany & Arshad, 2012). According to (NuHtay & Salman, 2013), all these guidelines are not comprehensive enough, for instance, while IFSB defines the Shariah governance, AAOIFI and BNM do not do and when BNM discusses on the Shariah risk management and research functions, the other two guidelines are silent. NuHtay & Salman (2013), suggests that to have one

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standardized and comprehensive guidelines or framework so that it can be the easy reference for IFIs, regulators, SSB and investors.

SG Concept for Islamic Banking issued by IFSB views SG as complementary to the existing corporate governance system. In addition to the existence of a board of directors, an internal and external audit, and a compliance unit as basic elements of the corporate governance system, Islamic banks must have a Shariah Supervisory Board, internal and external Shariah audit and Sharia. Compliance unit as essential components of the Shariah governance system. In this system, the Shariah Supervisory Board plays a significant role in the process of monitoring, auditing, supervising, and providing opinions on compliance with Islamic law for Islamic financial institutions (Grassa, 2013; Hasan, 2011; Muliadi & Feriyanto, 2018; Yadiat et al., 2017).

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Table 2.7

The summary of Shariah Review and Shariah Audit Function

	Shariah Review	**Shariah Audit**
Objective	To ensure the activities and operation do not contravene with the Shariah	To provide independent assessment and objective assurance to make sure aneffective and sound internal control system
Scope	Overall business operation, including end to product development process	All aspects of IFIs business operation and activities including auditing of financial statements, compliance audit on organizational structure, people, &Its application systemand review of adequacy of the Shariah governance process
Process	i. Planning the review programincluding SOP, reporting, rectification and follow up action by the execution of theprogram ii. Documentation of the process involved iii. communicating the outcome &highlighting any noncompliancetothe Shariah committee and the management iv. Rectifying any mistakes of Shariah noncompliance.	i. Develop comprehensive audit program ii. Understanding the business activities of IFI iii. Obtaining and referring to his relevant sources iv. communicating result or findings to the Board Audit Committee and the Shariah Committee v. provides recommendation or rectification measure taken as well as following up onthe implementation by the IFIs

Source: (Bahari & Akhtar Baharudin, 2016)

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Shariah Governance Policy Document (SGPD 2019)

on 19 September 2019, BNM issue the Shariah Governance Policy Document (SGPD) to enhance the IFIs employees who are engaged in the implementation of shariah governance. By implementing SGPD 2019, it is expected for IFIs to have a better arrangement in supporting a strong shariah compliance risk culture. This is based on more active roles from the BOD, the SC and senior management. (Kamaruddin et al., 2020).

In general, six main factors highlighted in SGPD 2019, covering: the BOD, SC, senior management, control functions, shariah compliance culture and remuneration, finally the transparency and disclosures. below table 2.8 explains the criteria of SC member in details.

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Table 2.8

SC`s Member criteria

Shariah Compliance Function	Criteria
Appointment	▪ Muslim individual. ▪ Fulfill all requirements as stated in the Fit and Proper Criteria; and ▪ Shariah qualified or an expert with relevant skills, knowledge and experience required by the SC.
Shariah Qualified Person	▪ Minimum a bachelor's degree in shariah (includes usual fiqh or fiqh muamalat). ▪ Have solid knowledge in shariah with sound Islamic finance knowledge and experience; and ▪ Have strong proficiency and knowledge in Arabic (written and verbal), with good command in the IFI's preferred language.

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Table 2.8 *(continue)*

Shariah Compliance Function	Criteria
Disqualification	▪ An undischarged bankrupt. ▪ Charge for criminal offence relating to dishonesty or fraud; or ▪ Under any law relating to prevention of crime, drug trafficking or immigration.
Conflict of Interest	SC member or his/her immediate family: ▪ Not an executive or within the last two years of his/her proposed appointment of the IFI. ▪ Not a substantial shareholder, executive director, or senior officer of the IFI or any of its affiliates; or ▪ Not have a significant business or other contractual relationship with the IFI or any of its affiliates within the last two years.

Source: BNM (2019)

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2.4.5 Shariah Audit Practices in IFIs

At this point in time, it is important to clarify the different approach to Shariah review and Shariah audit between AAOIFI, IFSB and BNM. Starting with AAOIFI Governance Standards, the GSIFI discusses "audit" in relation to audit of financial statements and refers to the term "Shariah review" exclusively as an "IFI's compliance, in all its activities, with Shariah". The IFSB on the other hand, in its guiding principles in Shariah Governance Systems, interchangeably use Shariah "audit/review". In other words, audit and review have the same meaning. An example of how the IFSB interchangeably uses audit and review is: "An internal Shariah compliance review/audit is verifying that Shariah compliance has been satisfied, during which any incident of non-compliance can be recorded and reported, and as far as possible, addressed and rectified".

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According to one of the early studies on Shariah audit by (Rahman, 2008) Shariah audit is an independent assessment and objective assurance process that involves obtaining and evaluating sufficient and reliable evidence to establish whether activities and operations are in accordance with established Shariah criteria and recommending rectifications and improvements thereof. Thus, the need for Shariah audit stems from the requirement that the IFI should comply with Shariah.

Table 2.9 below shows the definitions, responsibilities, scopes, and reporting and related of Shariah by the regulators and standards setters in Islamic finance:

Table 2.9

Definitions, Responsibilities, Scopes and Reports of Shariah Audit

Items	AAOIFI	IFSB	BNM
Definition	Expression of opinion on financial statement that need to be prepared in all material respects, in accordance with the Fatwas, rulings and guidelines issued by the SSB, accounting standards of the AAOIFI, national accounting standard and practices, and relevant legislation and regulations applied in the country.	Internal Shariah Review/Audit Unit (ISRU) to verify Shariah compliance has been satisfied.	Periodical assessment to provide independent assessment and objective assurance to add value and improve IFIs compliance in ensuring sound and effective internal control system for Shariah Compliance.

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Table 2.9 *(continue)*

Items	AAOIFI	IFSB	BNM
Responsibility	Review of internal controls (including internal audit). Review of accounting practices and audit plan. Review of interim and annual accounts and financial reports (inclusive of matters arising from the audit). Ensure IFIs adheres to AAOIFIs' Code of Ethics for Accountants and Auditors of IFIs. Review the compliance with Shariah rules and principles. Review the use of restricted investment accounts' funds. To assist the BOD in exercising independent and objective monitoring as follows: a. Preserving the integrity of financial reporting process. b. Safeguarding the interests of shareholders, investors, and other corporate stakeholders. c. Providing additional assurance on the reliability of financial information presented to the BOD. d. Acting as an independent link between the IFIs' management and its stakeholders.	Record and report any incident of any Non-compliance. Address and rectify any non- compliance activity. Shall require or recommend the management to address and rectify any issues of Shariah compliance.	To provide independent assessment and objective assurance to add value and improve IFIs compliance in ensuring sound and effective internal control system for Shariah compliance includes: a. Assess efficiency and effectiveness of internal control system. b. Assess compliance to guidelines set by regulator; and c. Assess compliance to internal policies & procedures. Develop comprehensive internal audit program or plan: Objective, scope, personnel assignment, Sampling, control & duration Establish proper audit processes. Obtain and refer to relevant references Shariah Advisory Council rulings, Shariah Committee decision, Fatwas, guidelines, Shariah audit results & internal Shariah Checklist. Provide recommendations & follow up on rectification measures taken by IFIs. To be performed by internal auditors, who have acquired Shariah related knowledge and training. The internal auditors may engage expertise of Shariah officers in performing the audit.

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Table 2.9 *(continue)*

Items	AAOIFI	IFSB	BNM
Scope	The subject matter of Shariah audit not only cover the financial statement but also akhlaq (ethics), internal processes, personnel, financial and non-financial performance, financial position, information and IT systems, marketing and other relevant issues pertaining to Shariah.	ISRU will review the products and services and see if it adheredto the opinions of Shariah board.	Audit of financial statement of IFIs. Compliance audit on organizational structure, people, and information technology application system. Review adequacy of Shariah governance process.
Reporting	Shariah audit will provide additional assurance on the reliability of financial information presented to the Board of Director. Audit report reflects the opinion of the auditor on the audited financial statements and on the IFI's accounting andother records.	ISRU shall report to the Shariah board. Produce reports indicating whetherthe IFI has complied with Shariah requirements throughout the financial year. Were appropriate, the ISRU reports shall requireor recommend the management of the IFI to address and rectify any issues of Shariah compliance.	Shariah Audit findings shall be reported to the Board of Committee and Shariah Committee.

Sources: AAOIFI (2010), IFSB (2009) and SGF (2010)

Auditing refers to the screening of the statements of financial via an external auditor who is independent of all the sides related to all kinds of financial statements to confirm that they are prepared depending on the generally reasonable principles of accounting. It suggests a correct and fair opinion of the financial stance of an IFIs (Eilifsen et al., 2010, p. 25; Arens et al., 2017, p. 28; Kasim & Sanusi, 2013, pp. 11-12). As can be seen from these two definitions, the difference with "audit" and "review" according to BNM is that an "audit" is an "independent" and "periodical" assessment; whereas for "review" there is no requirement of independence, but there must be a "regular assessment" (meaning more frequent than an audit) and this on the "Shariah compliance" of the activities and operations carried out by the IFI.

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Shariah audit exercise support Shariah-compliance and promote the integrity of the IFIs. They raised to support to the different characteristics and of Islamic banking practices. The Islamic banking scholars argued that the nature of Islamic banking should be unlike from conventional banks. While Sultan 2007) defined Shariah audit a systematic process to obtain sufficient and relevant evidence to form an opinion on whether employees, process and financial performance are broadly in compliance with the rules and principles of Islamic law.

All financial institutions are keen to ensure that Shariah compliance issues are handled properly and accurately because non-compliance poses a risk to these institutions. These organizations can do this by developing and improving appropriate guidance on Shariah audit practices in relation to independence, framework, scope, Competence processes, responsibilities, reporting, and performance. With the extended international finance and Islamic banking industry, there is a need for promoting and improving professional Shariah auditing practices. According to (Sultan, 2007), Shariah non-compliance 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. Chik (2011) also address that Shariah auditing should not only address worldly corporate governance practice, but also on the religious obligations of IFIs and Shariah auditors (as cited by Salleh et al., 2019).

Abdul Rahman (2011) states that the Shariah committees in financial institutions usually express their views on the application and compliance with the provisions and rules of Shariah in relation to services, products and activities that occur

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within the institution. It should be noted that a Shariah audit should theoretically enhance shareholder evaluation and shareholder confidence in IFIs. Hence, if the stakeholders (i.e., clients, depositors, etc.) suspect compliance with the provisions of Islamic law, this will negatively affect the integrity of Islamic finance (Abdul Rahman, 2011).

Yahya & Mahzan (2012) found that a deficiency in the practice of Shariah auditor, which is in the development stage and requires further improvement. Therefore, the need to increase the understanding, practice, and application of Shariah auditing among internal auditors to enhance the Shariah knowledge and skills of those internal auditors and thus unify the Shariah audit framework. Previous studies in Shariah auditor have investigated the needs and challenges (Rahman, 2008), perceptions of academicians and practitioners towards Shariah audit (Mulany, 2008), professionalization of Shariah auditor (Shahul, 2013), conceptualizing the duties and rules of Shariah auditors (Othman & Ameer, 2015) and audit framework for Shariah compliance (Shafii et al., 2010). As well as a few studies done on Shariah audit practices in IFIs focused on the scope. Competence, and working practices and current framework used to perform a Shariah audit (Kasim et al., 2009; Nik Suliman, 2012; Yahya & Mahzan, 2012).

Shariah audit is of major importance, as there is a growing awareness among international financial institutions that every such institution must contribute to achieving the objectives of Maqasid Shariah, and the concept of Shariah audit must extend to include activities related to, among other things, the system, products,

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employees, environment, and society. Audit gaps are growing rapidly in Shariah audit practices (Othman & Ameer, 2015; Zakari et al., 2014; Kasim et al., 2009).

The process of the shariah audit is the stages included in achieving the function of the shariah audit that is achieved through the auditors and mainly consist of i) preliminary review ii) establish materiality and assess risk iii) plan the audit iv) consider control for shariah compliance v) perform audit procedure vi) issue shariah audit report (Hanefah et al., 2012).

SGF introduced by BNM in 2010 defined Shariah audit in paragraph 7.7 as "a periodic estimate to be conducted on and off, to supply independent valuation and objective trust designed to add value and improve compliance with international financial institutions. The main objective is to guarantee a sound and dynamic internal control system for compliance with Shariah (BNM, 2011). Also, BNM on November 2, 2017, redefined Shariah audit "A function that provides an independent assessment of the quality and effectiveness of internal control of IFIs, and governance processes as well as general compliance with the operations, business, affairs, and activities of international financial institutions with Shariah (Puad et al., 2019).

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Table 2.10

Critical features of shariah audit process

Shariah audit process	Critical feature
Plan	✓ Go through preliminary review as tools for do the sampling ✓ Doing the sampling
Execution	✓ Do the internal control evaluation ✓ For external auditor: internal audit is part of the plan because they want to rely on reporting and so on. ✓ For internal auditor: part of execution scope of internal audit because one of the objectives of internal audit is to investigate the control. So, internal control evaluation is major scope in internal audit itself.
Audit report	✓ Shariah audit report to audit committee then leave the decision to the board

Sources: Hanefah et al., 2012 & (Puad et al., 2019)

On the same base, (Htay et al., 2013) describe the process of shariah auditing as below in figure:

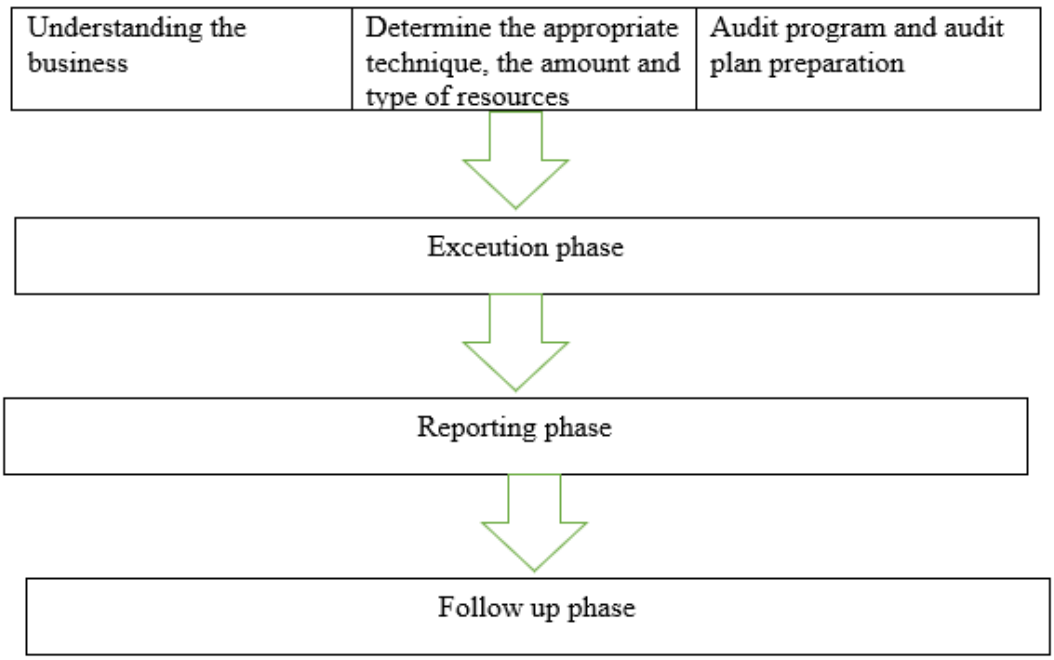


Figure 2.6. Process of shariah auditing. Sources: (Htay et al., 2013)

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2.4.5.1 Shariah Audit Approach

The Shariah Audit function is to be performed by internal auditors who have adequate Shariah-related knowledge and skills. Their goal is to ensure a sound and effective internal controls system for Shariah compliance. Internal auditors may also engage the expertise of IFIs' Shariah officers in performing the audit so long as the objectivity of the audit is not compromised. IFIs may also appoint an external party to conduct a Shariah audit on their banking operations. A key pillar of the Shariah Governance Framework is the Shariah audit function. It provides assurance to stakeholders independently. by ensuring conformance with Shariah, including the products and services offered by Islamic financial institutions and Takaful operators.

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1	2	3
Audit of ifis' financial statements	Compliance audit on organizational structure, people, and processes	Review on adequacy of the Shariah governance process
Independent assessment and objective assurance to ensure a sound and effective internal control system for shariah compliance	Scope of Shariah audit to cover all aspects of business operations and activities.	Provide recommendations and communicate results to Audit Committee and Shariah Committee.

Figure 2.7. Shariah audit approach - three levels. Source: Shariah Governance Framework for Islamic Financial Institutions, 26 October 2010 (www.bnm.gov.my)

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2.4.5.2 The Theoretical Needs for Shariah Auditing

Muslim scholars and intellectuals are working towards incorporating modern knowledge to give it an Islamic mode, which they named as the Islamization of knowledge. This is seen as the first step to integrate and develop the Muslim personality and outlook, which had become schizophrenic due to the dichotomization of knowledge between secular and religious, as a result of the modern education received by Muslims (Brohi, 1988).

According to (Sulayman & Hamid, 1989), Islamization of knowledge is "the critical examination of modern disciplines in light of the vision of Islam and the reacting of them under categories with that vision". And knowledge must be acquired for the purpose of utilizing it in the service of life so that life is lived by mankind according to the aims of and purpose for which it has been created and the mission which it has been assigned to fulfil (Brohi, 1988). There is a necessity to Islamize contemporary knowledge from the knowledge and the sciences that are taught, learnt and later applied in contemporary universities and higher learning institutions are representations of the western experience and are based on, and imbued with a western worldview (Haneef, 2005).

Since this Western worldview differs fundamentally on some very important fundamental concepts, the knowledge structure and the systems built on them cannot be accepted, as they are needed to be subject to a process of evaluation, shifting and modification. (Khan, 2001) argues that any new approach (an audit approach, for instance) on the line of Islam must be compatible with Islamic Shariah, but to make a

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change, he asserts that the theory and practice in the west must be understood and analyzed. To view of the achievements and progress made in the modern fields of auditing knowledge, we need to bring to bear the expertise of Shariah auditor who is well-versed in the various affairs of social life. Such auditors should at the same time have firsthand knowledge of the Qur'an and Sunnah, which give them proper insight into the moral, valued and purpose of existence as understood in Islam and validate their activities and contributions (Sulayman & Hamid, 1989).

However, at present in the Muslim world, there exists an imported secular conventional auditing which dominates every aspect of control and monitoring functions of the Islamic organizations; they imitate blindly the trend and the developments of the age. Hence the two categories of knowledge are unable to grow because the Islamic knowledge lacks the essential dynamism while the secular one is alien to Muslims, their lands, goals and objectives (Sulayman & Hamid, 1989).

The notion of Shariah auditing in Islamic institutions concentrates on the implementation of fundamental auditing principles derived from Islamic laws to check all the activities carried out by IFIs (Shafii et al., 2013, p. 28). For this reason, to reform and reconstruct (part of the Islamization process) the perspective of Islamic knowledge, one should initiate a revival to make them fit. By providing technical and Islamic commit by the auditors who are well-versed in Islamic teachings can make the possibility of uprooting the two forms of knowledge.

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2.4.5.3 The Practical Needs of Shariah Auditing

Islamic institutions in Muslim countries have been witnessing the revival of some institutions such as the institution of the Zakat, and later the institutions of Waqf and Takaful. This motivation of the revival comes from the desire of various Muslim communities to formulate and recognize their social, economic, and especially financial activities on an Islamic basis. This is raised the evolution of Islamic banks in Muslim countries with an interest-free basis (Kasim, 2009).

In UAE, the establishment of Dubai Islamic bank (DIB) in 1975 as the first Islamic commercial bank is a major step towards an interest free financial system in the United Arab Emirates. However, the introduction of special laws for IFIs has resulted in great changes; especially in the way the institutions do their business (Kasim, 2009). These laws have also affected the audit of these institutions. Accordingly, the audit objective should be changed to comply with the special law because the normal conventional auditing is unable to cater for the values of Shariah Islamiyah (Harahap, 2002).

According to (Rahman, 2013) Shariah auditing points to the evaluation and examination of all the actions executed by the banks. This covers transactions, agreements, contracts, policies, and products. It includes the process of collecting proofs that authorize the auditor to provide a neutral think to ensure compliance with the Shariah principles and the instructions issued by the Shariah Supervisory Board (Shafii et al., 2014, p. 160). Shariah audit is among an important function which serve as a governance mechanism in Islamic finance as it provides the verification that the

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IFIs operate according to the Shariah (Shafii et al., 2010). Shariah auditing can be defined as a systematic process of gaining adequate and relevant proof to form an opinion on whether the subject matter, (staff, procedure, financial and non-financial) performance is broadly consistent with the principles and rules of Islamic law.

Hameed (2008) has provided wider definition of shariah audit which defined as " a systematic process of objectively gaining and assessing proof regarding assertions about socio-economic, religious, and environmental actions and events that fulfill the degree of the consistency between those affirmation and shariah (Islamic law) and the communicating the results to the users.

The definition of shariah audit stated from (Haniffa, 2010) considered as exhaustive as it includes the socioeconomics aspect because he pointed to the events of religious, social, and economic works. All the above definition provides a good understanding of the definition of Shariah audit. There are a few keywords that define forensic audit that can be captured that distinguish between Shariah audit and regular audit. Figure below summarizes all the important elements of shariah audit.

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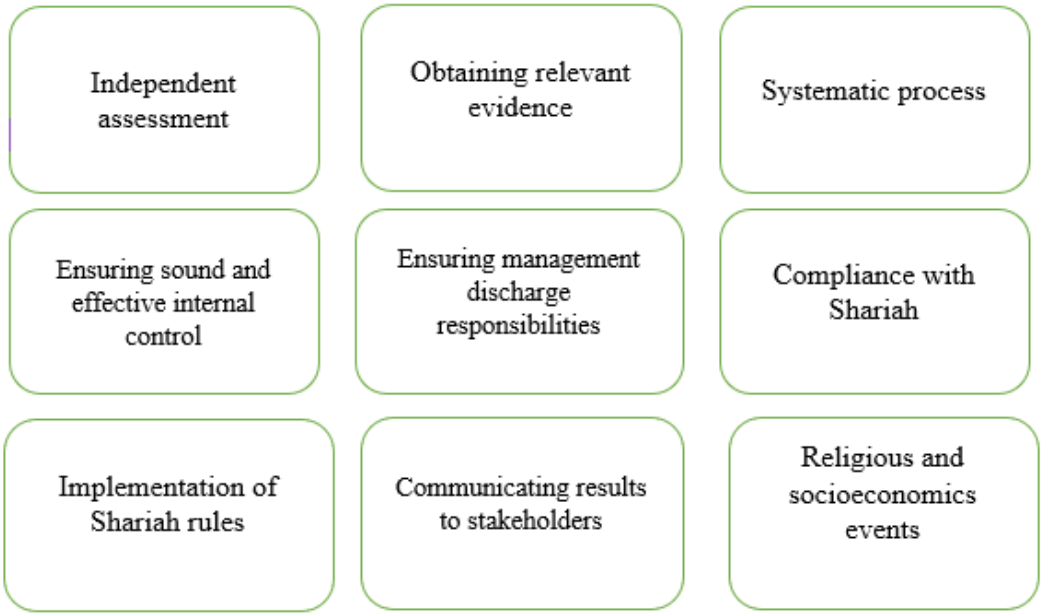


Figure 2.8. Keyword in the definition of shariah audit. Sources: Reshercher (2019)

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2.5 The Internal Shariah Auditor Roles and Responsibilities in IFIs

According to GSIFI No.3 issued by AAOIFI (2010), is to establish standards and provide guidance on the internal Shariah auditor in institutions which conduct business in conformity with the Islamic Shariah rules and principles. The standards cover the following: objectives; internal Shariah review; independence and objectivity; professional proficiency; scope of work performance of the internal Shariah review work; management of the internal Shariah review; quality assurance and elements of an effective internal Shariah review control system.

The internal Shariah auditor shall be carried out by an independent division/department or part of the internal audit department, depending on the size of

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an IFI. It shall be established within an IFI to examine and evaluate the extent of compliance with the Islamic Shariah rules and principles, Fatwas, guidelines, and instructions issued by the IFIs SSB, hereafter referred to as Shariah rules and principles. The primary objectives of the internal Shariah auditor are to ensure that the management of an IFI discharge their responsibilities in relation to the implementation of the Shariah rules and principles determined by the IFI's SSB (AAOIFI, 2010).

The internal Shariah auditor is an integral part of the organs of Shariah governance of the IFI and operates under the policies established by the IFI. It shall have a stated purpose, authority, and responsibility (charter). The charter shall be prepared by management and shall be consistent with the Islamic Shariah rules and principles. The charter shall be approved by the SSB of the IFI and issued by the board of directors, this charter shall be regularly reviewed (AAOIFI, 2017).

Khan (1985) outlines some specific areas which Islamic auditors are expected to report. The list is not exhaustive, and as follows:

1. Determination of profit and loss is a subjective and a value laden area in a business organization. The relevant standards of morality and integrity in Muslim countries suggest that the auditors would have to operate in an extended field and to verify an accurate and just figure of profit or loss which may not to be a strict compliance of the management's policies.

2. Managerial efficiency: the auditors in the Islamic framework would report whether the management adopted prudent policies or not. They will have to lay down the

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principles of efficient managerial policies. For this purpose, auditors may have to manually their standards.

3. Adherence to the Shariah: in the Islamic economy, the motive of profit-maximization is substituted with the maximization of the social good (Siddiqi, 1981). Thus, any business organization which generates social externalities, add to environmental pollution, depletes non-renewable resources, or undertakes any operations considered illegal on the Haram-Halal continuum. It would be objectionable from the Islamic point of view. The auditor in the Islamic framework would comment on this aspect as well. They would be required to testify that the organization did not indulge in any Haram activity or did not undertake any socially harmful operation. The specific areas in which the auditors may be enumerated as follow:

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4. Tatfif – means causing damage to the other party in weights and measures. The Shariah does not allow this to happen, therefore, the auditor is supposed to check the accuracy of the weights and measures.

5. Uquad – means contracts. Quran requires that all parties to the contract must keep the contract terms, therefore the auditor is required to report if there are non-fulfilment of the terms of contracts.

6. Ihtikar – means hoarding. This is prohibited in Islam, specifically hoarding of foodstuffs with the intention of causing scarcity and bidding up prices artificially. The auditor should report any kind of hoarding being practiced.

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7. Israf – means extravagance, which is prohibited in Islam, thus required a report from the auditor if he observes one practiced by IFIs.

8. Khiyanah – means embezzlement. This includes not only embezzlement of funds, but also falsification of accounts, bogus insurance claims, tax evasions, window dressing and misstatements of accounts. The auditor is required to report on any form of khiyanah being practiced by the IFIs under audit.

9. Determination and payment of Zakat. The idea is that Zakat is collected from the rich to be distributed to the poor to ensure socioeconomic justice through equitable distribution of wealth. Therefore, it is needed from the auditor to observe the fair collection and distribution of Zakat.

10. Observance on Adl: one of the objectives of the Shariah is the establishment of an adl (justice) in the society. An auditor in the Islamic economy would be required for analyze impacts of the organization decisions and peace agreements on the level of existing inequalities and would recommend necessary changes to reduce them.

11. Reporting on Ihsan: socioeconomic values of the Islamic economy include Ihsan. Ihsan in turn, is a cluster of various value such as Amana (honesty), Ithar (sacrifice), Ta'awun (cooperation), Sabr (patience), Shukr (thank-giving), Tawakkul (trust), Infaq (spending) and Sila rahmi (joining of kinship ties) etc. in an Islamic economy, the adoption and promotion of Ihsan are one of the requirements of the Shariah.

12. Changes in accounting practices: the extended role of audit in the Islamic framework would require suitable changes in the accounting practices. The format

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of accounting statements, and the information disclosed by them would have to conform to the changed audit requirement. The auditors would make suitable recommendations of this aspect as well.

The IFIs auditors form and express an opinion on the financial statements after the completion of the Shariah review. The annual management report, the SSB report, and the shareholders report all depends on the auditor's report. However, like auditors in conventional banks who are responsible for auditing the annual management report, including financial statements, which later presented to the shareholders during the Annual General Meeting, on the other hands, the IFIs auditors have another responsibility to provide facts and evidence to the SSB for its preparation of a report to shareholders. The report is to be reviewed by SSB before it is presented to shareholders. So, the auditors are responsible to not only to the management, but also to the SSB. Besides performing financial statement audit, the auditors must perform a compliance audit of the organizational structure, people and processes and audit review of the adequacy of the Shariah governance process, providing recommendations to the ACG and SSB. While conventional auditor conducts their audit based on samples, Shariah auditor must make sure that the IFI is complying with Islamic precepts in all its transactions before it can issue its report. The IFIs auditor is accountable not only for the manner in which the IFIs undertake their activities, but also the effectiveness with which these activities contribute to the principle of Shariah to propagate the virtues of Islam in all areas of the institutions (Othman & Ameer, 2015).

The Internal auditors focus on financial compliance, and act as a supervisory mechanism for good internal control (Alzeban, 2014). However, there was a significant

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improvement in the importance of forensic audit. This involves consulting Shariah compliance with international financial institutions. It is necessary and important to have an internal audit body familiar with the jurisprudence of Shariah transactions and Islamic financial expertise, and on this basis, it is difficult for Shariah Supervisory Boards to follow up their decisions and recommendations in Islamic financial institutions, and this allows to the Shariah Supervisory Board to audit and follows up all banking activities (Yahya & Mahzan, 2012, pp. 1635-1636). To achieve the company's management goals, internal Shariah auditor functions are an integral part of ensuring effective Shariah governance.

It had been discovered by (Ahmad et al., 2009) that there are many factors that affect the effectiveness of internal Shariah auditors in the Malaysian government sector. These factors are insufficient support and training, insufficient workers and the manager's negative response to solutions proposed by the auditors. In addition to this, effective auditing is also related to understanding stakeholders' expectations towards the organization's performance. It has been discovered that internal auditors can carry out their duties effectively once they understand the expectations of the organization's board of directors, the CEO and management (Feizizadeh, 2012). An effective and professional internal Shariah auditor has these qualities. This is the ability to align the internal Shariah auditor structure with the dynamics of the bank's operations, and a strong relationship between managerial capabilities in maintaining SSB needs and expectations and what is appropriate.

Another experiential study examined the relationship between three factors such as independence, competence, and business performance with effective internal Shariah

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auditor of IFIs in Bahrain (Khalid et al., 2017). The research found that efficiency and work performance in terms of participation planning, participation performance, and reporting of internal Shariah auditor results were positively related to the effectiveness of internal Shariah audit, but independence does not significantly affect effective internal Shariah audit. This study indicated that the unimportant relationship between independence and effectiveness of internal Shariah auditor results from independence criteria such as insufficient contribution of senior management support, level of reporting, and unrestricted access to all departments and employees to add value to the effectiveness of internal Shariah auditor (Khalid et al., 2017) . As such, effective auditors will assist their organizations in achieving company goals; These banks must ensure the competence of these auditors in creating value and effectiveness. Through the literature review, no research has been conducted to explore the ACG's function of the effectiveness of internal Shariah auditor in Islamic banks in Bahrain.

2.6 Summary

This chapter provides a history of auditing in Islam, the Islamic worldview, religious and financial audit in UAE and banking sector in UAE, review of related standards and regulations such as AAOIFI presented the internal Shariah auditor, Shariah supervisory board characteristics, and management support.

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CHAPTER 3

LITERATURE REVIEW

In this chapter, will introduce literature review concerning Shariah Supervisory Board Characteristics, Shariah governance, internal Shariah audit effectiveness & internal Shariah auditor effectiveness, internal Shariah audit characteristics and Management support as well as will present the theoretical research framework of this study. The chapter also discusses the research framework and the development of hypotheses to establish the relationships among the Shariah Supervisory Board Characteristics, namely (Independence, Competence, and size), and internal Shariah auditor effectiveness. It was started with a description of the research framework followed by the hypothesis's development of the direct effects and the indirect effects (moderating effect).

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3.1 Internal Shariah auditor effectiveness

Auditing definition as: "a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users" (Committee on Basic Auditing Concepts [COBAC], 1972: 2).

The Shariah Audit defined by SGF as: periodical assessment conducted from time to time, to provide an independent assessment and objective assurance designed to add value and improve the degree of compliance in relation to the IFI's business operations, with the main objective of ensuring a sound and effective internal control system for Shariah compliance (BNM, 2010, p. 23). Internal auditors are becoming vital in businesses as results of the recent financial scandals and business closures (Schneider, 2009).

Mohd Ali et al., (2020) argued that the responsibility to ensure that these IFIs execute their operation in accordance with Shariah is bequeathed to the Shariah Auditor (SARs). Despite the importance of the Shariah audit function, there is, however, little guidance on how to train or groom qualified SARs. To ensure that governance processes are effective and efficient and to ensure that organizational goals and objectives can be achieved, these auditors provide assurance that the organization's internal control systems are adequate to mitigate any type of risk. The auditor's experience reflects the effectiveness or ineffectiveness of conducting an audit in the organization.

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Malaysia the first country started by Kasim et al., (2009) empirical research for shariah audit needs, who revealed that IFIs choose shariah review instead of the Shariah audit comprehensive. At that time, it was not a mandatory request for IFIs to have a shariah audit function. Engaging external auditors to carry out the task will lead to extra operating costs to the IFIs (Kasim & Sanusi, 2013). Shariah audit of Islamic financial services means the accumulation and evaluation of evidence to determine and report the level of suitability between information and criteria that have been established for the purpose of shariah compliance (Shafii et al., 2014).

Outcome indicators use the influence of results of the audit process to the organization. These indicators cover an extensive area of aspects, for instance, the cost savings created due to the enforcement of recommendations made by internal auditors or contribution to the organization's achievements, such as net profit, revenue, or price of the share. Although the outcome indicators are tangible and interesting, measuring them is oftentimes problematic and difficult, due to challenges faced regarding data availability and time delay (Arena & Azzone., 2009).

Tawfik & Osman Bilal (2020) explored in their study the impact of Shariah auditing requirement on the service quality of Islamic banks. Results showed a correlation and significant effect between the availability of the Shariah auditing requirements and the quality of service of Islamic banks in the Sultanate of Oman. Internal audits have become one of the key practices for any organization to monitor the commitment of its operations to standard transactions, procedures, and regulations. The benefits of conducting internal audits are well-acknowledged in the literature.

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However, it is harsh for any organization to assess the performance and effectiveness of internal audits and to realize the factors that impact audit effectiveness.

This element refers to the professional care and proficiency of the Internal Auditing department, as represented by the internal auditor. According to IIA, 'the internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities', which is referred to as proficiency. Similarly, 'the internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor', which is referred to as professional care (IIA, 2017).

In general, knowledge refers to the essential comprehension of an individual along with something, be it specific information or process. the obtained knowledge can be in the shape of specific knowledge or general. Natt et al., (2009) indicated skillful worker need to own both levels of knowledge from the perspective of Islamic. The knowledge of both acquired and discovered is incorporated into professional training programs, then qualified, competent people are prepared to work in the Islamic financial services industry.

As for the skills, refer to an individual`s ability to implement the knowledge to complete the mission and Overcomes problems. Skills are represented in different forms, including cognitive, and tend to use creative, intuitive, logical, and practical thinking, in other words, they require human alertness and the optimal use of resources and tools (Hoffmann et al., 2010).

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Hoffman et al., (2010) argued that other characteristics indicate to factors of behavioral of a human that be a brand, which differs between humans. Mohamed & Lashine (2003) also highlights other traits of personality traits such as moral responsibility, self-motivation, self-esteem, self-management, and integrity, which also contribute to competence requirements. The main features of the Muslim factor are pious, possess good moral values or akhlak (Saheh Tirmidhi) and the spirit of teamwork or amal jama'l (Saheh Abu Daud) competent or experts (Surah al-Qasas: 26; Saheh Bukhari and Muslim) in terms of qualification, skills, and experience (Abdul Ghani Azmi, 2015). para 7.7 in SGF stated that shariah audit to be conducted by the expert internal auditor who owns adequate knowledge and training related to shariah.

Four Islamic principles in employee selection were defined by Hashim (2010) compassion, honesty, Justice, and competence. Furthermore, Friendship, the relationship of blood, age, race, or the like has nothing to do with the choice of individuals. To shed light on the difference in the adoption and application of standards in Islamic countries, it led to different interpretations of the basic requirements of Shariah auditors. Table 3.1 demonstrate the different needs by different standards as related to competence needs in employ shariah auditors within the scope of IFIs. Standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Standards for Internal Auditors or otherwise known as the International Professional Framework for Practices (IPPF) and the specific framework for international financial institutions. In Malaysia, the Shariah Governance Framework (SGF) issued by the Central Bank of Malaysia (CBM), which became effective in 2011, they adopted these three standards.

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Table 3.1

Standards for Competence Requirement

Guidelines/Standard	Competence requirement
BNM's SGF	Para 7.8: Internal auditors who have acquired Shariah-related knowledge and training
AAOIFI (Internal Shariah Review)	Para 12: Knowledge of Islamic Shariah rules and principals in general, and Fiqh Muamalat in particular
IPPF (Internal Auditing)	Attribute Standards 1210: Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities

Source: (Mohd Ali et al., 2020), (Ali & Kasim, 2019)

Bednarek (2018) debate that one of the compulsory conditions to be met to permit an internal auditor to conduct IAS's effective is the availability of an adequate number of competent experts. Similarly (Arena & Azzone, 2009). It is possible for the internal auditors to rotate within the department of the department is large, at the end leading into a more topical Internal Auditing. Hence, the size of the Internal Auditing department is an important factor that is likely to influence the effectiveness of Internal Auditing (Chang et al., 2018).

The size is also closely related to the resources allocated and the level of investment made on the Internal Auditing function (Alhajri, 2017). Some of the primary studies (Bednarek, 2018) and (Arena & Azzone, 2009) report this factor as a metric used by the external auditors to assess the quality of the Internal Auditing. (Ahmad et al., 2012) Shows that the quality of Internal Auditing is likely to be higher when there are enough employees in the department. To measure the size of the Internal Auditing department, Hence, (Arena & Azzone, 2009) uses the number of employed Internal

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Auditing department members, while (Bednarek, 2018) use the number of employed full-time - equal internal auditors. However, as indicated in (Arena & Azzone, 2009), the rate between the number of internal auditors and the figure of total employees in the organization can be more helpful as it gives a normalized amount for comparison causes.

An efficient internal auditor operates in commitment to professional standards (Feizizadeh, 2012). (Feizizadeh, 2012; Dejnaronk et al., 2016) use the adherence to IIA standard as an influential factor. According to IIA standard, both Internal Auditing activities and internal auditors should comply with the IIA standard related to Internal Auditing objectivity, proficiency, and professional care (Dejnaronk et al., 2016). The literature also reports on the use of the ISO 19011:2016 standard as a guideline for performing audit activities (Beckmerhagen et al., 2004).

Dellai & Omri)2016) emphasized that the administration training base develops the Internal Auditing effectiveness where can the Internal Auditing activities can be utilized to train prospective managers. By implementing Internal Auditing activities, the internal auditor can have the best conception of the process as well as internal controls and a broad diversity of knowledge. Yee et al.,)2008) expressed his reservation regarding this factor, Given the impact that the involvement of managers in internal auditor agencies can have on the independence and objectivity of internal audit. Cohen & Sayag)2010) uses the below questionnaire items to grab this factor:

- Internal Auditing is considered for training and preparing employees in the organization

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- Internal Auditing is considered for the promotion process of employees in the organization,

and - Internal Auditing is considered a stage in the career development of employees in the organization.

How internal auditors carry out their activities and evaluate operations according to the procedure or standard that quality indicates internal auditor (Cohen & Sayag, 2010; Rupsys & Boguslauskas, 2007). Endaya & Hanefah)2013) refer to the quality of audit work "the planning and supervision, fieldwork, recording, reporting, findings, recommendations, and follow up activities of internal audit". IIA)2017) confirmed that the internal auditor must develop and maintain a quality assurance and improvement program that covers all aspects of the Internal Auditing activity.

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Several studies emphasize on the importance of soft-skills of internal auditors (Mihret et al., 2010; Soh & Martinov-Bennie, 2011). For instance, determination, diplomacy, or being able to speak up in controversial situations are considered highly significant on Internal Auditing effectiveness (Lenz & Hahn, 2015). Such factors deserve more attention in future empirical research (Turetken et al., 2020). Moreover, most of the work indicates its investigation into the influence of supply-side factors on audit effectiveness, leading to a narrow perspective and an overly optimistic self-evaluation by internal auditors (Lenz & Hahn, 2015).

Yahya & Mahzan)2012) argued to enhance the Shariah knowledge of internal auditors, to unify the Shariah audit framework and provide general guidance for designing Shariah audit programs, there is a need to increase the understanding of

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Shariah audit among internal auditors. Kasim et.al.,)2009) argued that only shariah professional auditors carry out a Shariah audit instead of accountants, while (Yaacob, 2012) added some other features advantage and skill, which is that the internal auditor is trained to assume responsibilities.

Alzeban)2014) presented the evidence for the effectiveness of internal auditors in the public sector in the Kingdom of Saudi Arabia. This study examined the contributions of the internal audit department's size and competence, the relationship between the freedom of internal auditors, internal and external auditors, and the level of support by management for the issue under investigation. Managers and internal auditors of the organizations provided the study data. Multiple regression was used to examine the relationship between the effectiveness of internal auditors, and the five components: It is the size, competence, and independence of the internal audit department, in addition to the relationship of the external and internal auditors, and the support provided by the management.

Khalid)2020) suggested that the effectiveness of the internal Shariah auditor is stronger at the higher level than the AGC. In addition, more factors and / or accounting variables secondary to Islamic accountability theory can be added to this conceptual framework such as Competence of internal Shariah auditors, scope of internal audit, Shariah compliance officers, SSB, to name a few. However, the external auditors could be considered as respondents for the future study.

Internal audit has become a crucial function within organizations due to the recent spate of corporate collapses and financial scandals (Schneider, 2003; Arena &

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Azzone, 2009). These events made internal audit as one of the contributing factors towards good corporate governance and has strongly influenced on the adoption and practice of the internal audit. The effectiveness is a key issue for those interested in internal audit such as internal auditors themselves or its main customers, namely: (1) the board and the audit committee, to whom internal audit reports, (2) senior management, who should be sure that internal audit activities cover the principal business risks, and (3) external auditors, who have a direct interest in the work of internal audit (Mihret et al., 2010; Lenz & Hahn, 2015).

According to the IIA (2010), effectiveness can be defined as degree, including quality to which established objectives are achieved. BNM (2010) defines effectiveness as objective to ensure a sound and effective internal control system for Shariah compliant. Badara & Saidin)2013) in their research highlighted a few definitions of the effectiveness term. It means that internal audit effectiveness can be defined as the degree to which established objectives are achieved (Badara & Saidin, 2013). Most of the researcher agrees that a program can be seen as effective if its outcome goes along with its objective (Ahmad et al., 2009).

The literature review relates to internal Shariah audit effectiveness will be adapted from previous literature. Previous research related to internal audit effectiveness is conducted by (Ahmad et al., 2009; Arena & Azzone, 2009; Badara & Saidin, 2014; Endaya & Hanefah, 2013; Mihret & Yismaw, 2007). Traditionally, the role of internal audit focused on financial compliance and on monitoring through a having a good internal control in place (Alzeban, 2014). However, internal Shariah

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auditing has grown significantly in importance. It includes Shariah consulting on Shariah compliance within IFIs.

In Nigeria, (Badara & Saidin, 2013) examine the antecedents of internal audit effectiveness: a moderating effect of effective audit committee on local government in Nigeria. The research is limited to those variables identified in the literature review and it is in the context of local government. The study contributed to the literature on the internal audit effectiveness at local government as it develops a model showing the relationship between risk management and internal audit effectiveness in local government. IFIs especially Islamic banks are showing concern to their internal Shariah audit in order to ensure the effectiveness of Shariah compliance, which in turn can contribute to positively to the Ummah (society) at large (ISRA & Finance, 2013).

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There are several reasons why internal auditor effectiveness remains a continuously relevant issue. First, the role of internal audit of a company is considered important in the corporate governance field (Bostan & Grosu, 2010). Second, the effectiveness of internal audit is a new research area in internal auditing (Sarens, 2009) so only few studies have studied it worldwide, and several researchers have recommended the need for more research especially in developing countries (Al-Twaijry et al., 2003; Mihret & Yismaw, 2007; Yee et al., 2008; Endaya & Hanefah, 2013). Third, as indicated earlier, until today, there is no consensus among researchers either about the factors influencing, or the best framework for the effectiveness of internal auditing (Endaya & Hanefah, 2013). However, the internal Shariah auditor effectiveness has not been extensively studied compared to studies in external audits and internal audit in conventional bank. This research will examine the effectiveness of

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the internal Shariah auditor, within the IFIs in UAE. Currently, the Shariah audit and Shariah review process are done internally.

Ahmed et al.,)2012) found few factors that affect the internal Shariah auditor effectiveness in a Malaysian public sector, such as lack of training and support from management, lack of employees, and negative perception of management towards the recommended solutions given by the internal auditors. In addition, the internal audit effectiveness relates to understanding the stakeholders' expectations towards the performance of an organization. It is found that the internal audit function could deliver an effective performance of internal audit when the internal auditors understand the expectations of the board of directors, CEO, and operating management in the institutions (Feizizadeh, 2012). Effective internal Shariah auditor professionals have the following characteristics: the ability to align the structure of internal Shariah audit with the dynamics of the Islamic banks' operations; there should be a strong relationship between the management skills for maintaining appropriate and SSB needs and expectations. Beside the above, the level of training, education, experience as well as professional qualifications of the internal auditors influenced the effectiveness of internal audit (Al-Twaijry et al., 2003).

Hence, an effective internal Shariah auditor is the one who assist IFIs in meeting their objectives; therefore, IFIs should ensure that their internal Shariah audit is effective to create value and effectiveness in such organization. From the author's review of literature, there is no study that has been conducted to examine the factors that contribute to the effectiveness of internal Shariah auditors in IFIs in UAE. An effective internal Shariah auditor assists in adding value and improves the performance

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of IFIs. Based on the approaches of previous research (e.g., Al-Twaijry et al., 2003; Arena & Azzone 2009; Cohen & Sayag 2010; Mihret et al., 2010; Mihret & Yismaw, 2007) the present study will examine the factors that impact on the internal Shariah auditor effectiveness, namely, independence, competence, and work performance of the internal Shariah auditor.

The results suggested that the role of management support for the internal audit function acts a key driver of internal audit effectiveness, this study adds to existing literature on internal auditing UAE. Thus, the results of this study may not translate easily to either other developing countries without similar oil reserves, or to developed countries with a long tradition of commercial enterprise, public sector institutions, and form of governance within those entities. Different authors have attempted to measure effectiveness from different perspectives, focusing on internal audit processes, output, and outcomes. Focusing on process, (Mihret & Yismaw, 2007) used a case study to demonstrate that internal audit effectiveness is a result of the interplay among four factors: internal audit quality, management support, organizational setting, and attributes of the audited.

3.1.1 Internal Auditor Effectiveness and ISA Effectiveness

Internal audit (IA) is considered as an important tool to control the governance and operation of an organization (IIA, 2010). Initially, Internal Auditing function focused on compliance assurance, financial control, and assets safeguarding (Allegrini et al., 2006; Dellai & Omri, 2016). In the recent years, Internal Auditing has experienced

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changes which have resulted in the extension of the area of involvement and the increase of its value adding potential. The Institute of Internal Auditors (IIA) has elaborated a definition of Internal Auditing which is now widely accepted: "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes" (IIA, 2017).

Nowadays, the added value of Internal Auditing draws attention from all audit stakeholders due to the increase in regulatory requirements and focus on governance and risk management (Cohen & Sayag, 2010). The requirements assigned to the Internal Auditing function by internal and external stakeholders are constantly increasing and changing the attention given to this function. Previously, the roles, responsibilities, contributions to internal and external stakeholders, and the recognition by the organization were the focuses of Internal Auditing, whereas now, it has shifted to how Internal Auditing can bring value to the organization (Allegrini et al., 2006; Erasmus & Coetzee, 2018). However, the extent of added value that the Internal Auditing can bring to the organization depends on how effectively it is managed in the organization (Dittenhofer, 2001; Mihret & Yismaw, 2007).

A typical evaluation of Internal Auditing performance is a comparison of the actual performance with the predefined objectives, including the measurement of the achieved effectiveness and efficiency (Beckmerhagen et al., 2004; Shu et al., 2010). The term "effectiveness" has been defined as "the capacity to obtain results that are consistent with target objective" (Arena & Azzone, 2009).

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Bednarek (2018) argues that the effectiveness is more important aspect than efficiency because if the Internal Auditing is not effective, it is worthless regardless of how efficient the audit is. Despite these arguments on the benefits of Internal Auditing, it is challenging for organizations to assess how effective the Internal Auditing activities are and whether the benefits have been achieved. There is a need for accurate, realistic, and simple indicators that would help organizations to measure the effectiveness of the IAs, as it is a key aspect in understanding the drivers of Internal Auditing quality (Beckmerhagen et al., 2004; Cohen & Sayag, 2010; Dittenhofer, 2001; IIA, 2016). Internal Auditing should establish performance metrics and related measurement criterion according to its business environment to measure the degree of objective achievement or -in another words - the effectiveness of internal audits (IIA, 2016).

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The literature offers a considerable body of knowledge on the concept of Internal Auditing effectiveness and a few literature reviews that discusses influential factors (Badara & Saidin, 2013; Dittenhofer, 2001; Endaya & Hanefah, 2013; Gramling et al., 2004; Lenz & Hahn, 2015; Lenz et al., 2018). More recent reviews [e.g., (Endaya & Hanefah, 2013; Lenz & Hahn, 2015; Lenz et al., 2018)] on the other hand, do not apply systematic methods in locating and analyzing the sources and published material, thus, miss a few significant empirical works. The works that study these factors do not necessarily converge into an agreed-upon conclusion regarding the impact of the influential factors. In addition, these works focus their attention on the influential factors [e.g. (Badara & Saidin, 2013; Lenz & Hahn, 2015)], and do not consider how the effectiveness of IAs are quantified or operationalized in relevant empirical works. This is important particularly from the point of view of the practice.

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Organizations should be expected not only to consider potentially influential factors of IAs, but also to assess their actual impact in the organization through well-defined indicators. The professional standards of the Institute of Internal Auditors (IIA, 2017) provide limited help on this. Therefore, there is a need to extend our understanding of the state of the research on the effectiveness of IAs, examine the indicators or metrics used for operationalizing/quantifying the effectiveness of IAs, and understand the factors that influence the Internal Auditing effectiveness as a synthesis of existing literature.

The indicators of Internal Auditing effectiveness can also be categorized based on the type of the entity that is being measured. These are process, output, and outcome indicators (Arena & Azzone, 2009). Process indicators are based on the evaluation of the activities performed by the auditor, such as the adherence to the standards, the ability to plan and execute audit activities and communicate audit findings.

Outcome indicators use the impact of a certain outcome of the audit process to the organization. These indicators cover a wide range of aspects, for example the cost savings generated due to the implementation of recommendations made by internal auditor or contribution to organization's performance, such as profit, revenue, or share price. Although the outcome indicators are tangible and interesting, measuring them is often difficult and problematic, due to challenges faced regarding data availability and time delay (Arena & Azzone, 2009).

The internal Shariah audit may be carried out by the internal audit department/internal control department if properly qualified and independent. The

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organizational status of internal Shariah audit shall be sufficient to accomplish its responsibilities. They shall have direct and regular communications with all levels of management, SSB and external auditors. This can further enhance the organizational status of the internal Shariah auditors. No scope limitation and restriction of accessing documents, reports, etc., shall be placed on the internal Shariah auditors. The head of internal Shariah auditors shall be responsible to the board of directors. He shall ensure Shariah audit coverage, adequate consideration of the internal Shariah auditor reports, and appropriate action on the internal Shariah auditor recommendations (AAOIFI, 2017).

At the organizational independence level, the head of internal Shariah auditor should report to a level within the organization that allows the internal Shariah auditor activity to fulfil its responsibilities and the internal Shariah auditor activity should be free from interference in determining the scope of internal Shariah auditing, performing work, and communicating results. At the individual objectivity level, internal Shariah auditors should have an impartial, unbiased attitude and avoid conflicts of interest in conducting engagements. Objectivity includes independent attitude, which the internal Shariah auditors shall maintain in performing the internal Shariah audit. The internal Shariah auditors shall reach objective conclusions based on work performed and its results (AAOIFI, 2017). In particular, the internal Shariah auditor will need to be free to communicate fully with the external auditor. Hence, the placing of the internal Shariah auditor in the corporate governance is therefore an important first step in managing the internal Shariah auditor process. The responsibility of the head of the internal Shariah audit department is very clear to ensure that independence is written into the internal Shariah auditor charter. Without independence, internal Shariah

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auditing cannot survive, or it has little use if it is not objective. Thus, to ensure independence, the internal Shariah auditor reports should be presented, reviewed, and endorsed by AGC. In addition, these reports should also be escalated to the SSB of an Islamic bank. The internal Shariah auditor must maintain a high level of independence to retain the confidence of users relying on their reports (Rahman, 2011).

Shafii et al.,)2013(emphasized that a successful auditor depends on the quality of the human resources responsible for implementing and implementing the auditor process (p. 31). Developing a review plan, gathering evidence, and writing an auditor report, among others, including expertise. And the availability of specialized human capital to perform the audit process in financial institutions. Shafii et al., (2014) consider it one of the most important aspects of Shariah audit that must be considered and not neglected (p. 162).

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According to GSIFI No. 3 issued by AAOIFI (2017) the internal Shariah auditors shall plan each internal Shariah auditor assignment. Planning documentation shall include, but not limited to, the following:

1. Obtaining background information about activities to be reviewed, such as locations, products/services, branches, divisions, etc.
2. Establishing internal Shariah auditor objectives and scope of work.
3. Obtaining SSB Fatws, guidelines, instructions, prior years internal and external Shariah auditor results, relevant correspondence including supervisory and regulatory agencies.
4. Determining the resources necessary to perform the internal Shariah audit.

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5. Communicating with all individuals in the IFI who need to know about the internal Shariah audit.
6. Performing, as appropriate, a survey to become familiar with activities, risk, and control to identify the area of the internal Shariah auditor emphasis, and to invite auditees' comments and suggestions.
7. Writing the internal Shariah audit programs.
8. Determining how and when the internal Shariah auditor results shall be communicated.
9. Obtaining approval of the internal Shariah auditor work plan from the concerned authorities including the SSB of the IFI.

The internal Shariah auditors shall collect, analyze, interpret, and document information to support their internal Shariah auditor results. The information shall be collected on all matters related to internal Shariah auditor objectives and scope of work. Information collected shall include examination of documentation, analytical reviews, inquiries, discussions with management, and observation. The information shall be sufficient, reliable, relevant, and useful to provide a sound basis for internal Shariah audit findings and recommendations. Working papers that document the internal Shariah audit shall be prepared by the internal Shariah auditor and reviewed by the head of internal Shariah audit. These working papers shall support the internal Shariah auditor findings and recommendations. Working papers shall be appropriately prepared, completed, organized, reviewed and retained (AAOIFI, 2017).

Previously, a focus on the Shariah auditors function included issues of duties, roles and qualifications, experience and training, certifications and training, the

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effectiveness of Shariah auditors in addition to professionalism. The table 3.2 summarizes the development stages of the Shariah auditors' study in three columns. The first and second discussed previous roles before the introduction of the SGF in 2011, while the last column focused on studies that occurred and were conducted after the implementation of the SGF.

Table 3.2

Development stages of the Shariah auditors, Pre- and post-SGF summary of post studies on Shariah auditors

Themes	PRE-SGF		POST-SGF
	1995-2000	2001-2010	2011-2018
Duties and roles	khan (1985), Briston & Al-Ashker (1986), Abdul Karim (1990).	Mulyany (2008), Kasim et al. (2009), Rammal & Parker (2010), Abdul Rahman (2008), Shafii et al. (2010).	PWC (2011), Garas (2012), Yaacob & Donglah (2012), (Kasim & Mohd. Sannsi, 2013), (Kasim, Mutamimah, Sigit Handoyo & Mohd Sanusi, 2013), Safii et al. (2013): Othman & Ameer (2015)
Qualification, Experience, and Training		Chapra & Ahmed (2002), Mulyany (2008), Kasim el al. (2009), Abdul Rahman (2008), Rammal & Parker (2010), Shafii et al. (2010), Haniffa (2010).	PWC (2011), Yaacob (2012), Yaacob & Donglah (2012), Yaacob et al. (2013), Kasim & Mohd sanusi (2013), Kasim et al. (2013), Shafii et al. (2013), Mohd Hassan et al. (2013), Mahzan & Yahya (2014).
Certification and education		Mulayany (2006)	Yaacob & Donglah (2012), Yaacob et al. (2013), Kasim et al. (2013), Mohd Ali & Shafii (2014), Shafii et al. (2014)
Professionalizing the role of shariah auditors			Najeeb & Mohammed Ibrahim (2013)

Source: (Ali & Kasim, 2019)

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In performing their work and jobs, internal auditors need to be objective and uphold the value of integrity. This is not easy to achieve when compared to external auditors, given that internal auditors are exposed to internal influences, powerful insiders and are under pressure to meet management demands (Roussy, 2013).

Internal Shariah auditors do not conduct an audit of the financial statements as they are conducted by external auditors, but instead, internal Shariah auditors rectify the financial statements to ensure that they do not include any issues in violation of the provisions of Shariah law and profits not recognized (Ghani & Rahman, 2015). As we have seen in the submitted review of the relevant literature, the objectives of internal Shariah auditors do not show a diversified contrast from the traditional. This is because only the legitimate factor is added to the wider scope and framework, thus new players are added to the governance such as the SSB and the internal Shariah auditor, including the new bylaws.

3.2 Characteristics of Shariah Supervisory Board

A group of Muslim jurists specialized in the jurisprudence of Islamic transactions called them the Shariah Supervisory Board, which is an independent body aims to ensure and ensure that all transactions and activities, as well as the behaviors carried out by Islamic financial institutions, are carried out in accordance with the controls, rules, and provisions of Islamic law. According to the AAOIFI (2017, p. 1047), the aim of the Shariah Supervisory Board is to ensure that the activities carried out by the organization do not violate the Shariah. The performance of this goal orders that Shariah control

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should be compulsory in the firm. The term Shariah board is used interchangeably with SSB and Shariah Committee (SC). The SSB refers to the designation of the Shariah board used by AAOIFI and IFSB in their standards, whilst the SC is the designation of Shariah Committee used in the Malaysian regulatory guidelines. Commonly, this Shariah governance authority is known as the Shariah board.

The SSB has a leading role in the operation of applying Shariah principles. The Shariah Supervisory Board is an instrument of Shariah bank governance to assist in managing funds efficiently as well as ensuring all Shariah bank products and procedures are in accordance with Shariah principles (Rahman et al., 2014). Also, the existence of SSBs is an important factor in enhancing customers' trust toward the IBs (Amin et al., 2013).

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Term Supervisory means verifying the implementation of the fatwa issued by the authority to find alternatives and legitimate formulas in any actions that contradict legal requirements (Idrees, 2014, p.13). As such, all financial institutions must apply the provisions, rules, and principles of Islamic law in all their banking operations to ensure that all these operations and services are following the provisions of Shariah (Ali et al., 2016, p. 113; Shafii et al., 2014, p. 160).

SSBs were defined by Dubai Islamic Bank (2015) as a body that monitors and supervises the process of developing Islamic services and products for financing and investment in IBs. Also, to enhance the activity and effectiveness of the bank by issuing legal guidelines and legal fatwas for daily transactions according to the needs of the bank's different departments. While (Garas & Pierce, 2010, p. 388) defined it as a

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therapeutic, preventive, and complementary process for monitoring, auditing, reviewing, and analyzing all the IFI activities, contracts, products, and transactions from the establishment stage and beyond, to ensure compliance with Islamic law and ensure a legitimate (halal) profit and thus improve the performance of the financial institution.

Marwan et al., (2016) argued that there are other functions for the SSBs that relate to the selection and hiring processes of the employees and conduct interviews to ensure that their academic qualifications are fit and proper to the IB, as its nature that based on the Shariah principles, another task is to oversee the projects and their implementation (Ibid). The SSB functions can be also classified into two functions, supervisory functions like issuance of Fatwa and giving approval to new products. Moreover, consultative functions like explaining the way of calculating the due Zakat and offering Shariah-compliant solutions during the implementation of contracts (Garas, 2010).

One of the main liabilities of SSB has is to improve, check, and review new product and services to affirm the Shariah compliance and the post ante roles (Bank Negara Malaysia, 2010; IFSB, 2009; Nathan & Ribière, 2007; Abdullah & Rahman, 2017).

Alam et al., (2019) indicates that the SSB plays a significant role in monitoring and ensuring the Shariah rules and regulations within the activities of the organization. Besides, the shareholders can play an important role by participating in the decision-making process and the policy making of the institution to protect the rights and interest

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of all stakeholders rather than maximizing the institution's profit. IBs established an SSB to supervise compliance with Shariah, to ensure compliance with Shariah provisions, and to advise the Board of Directors on Shariah matters (Malim, 2015). Scholars who are well versed in Shariah law and individuals with experience in financial and banking services make up the body (SSB) (Wijethunga & Ekanayake, 2015; Toufik, 2015).

Elamer et al., (2019), argued that the major reason for the high levels of risk consciousness in IBs is that they need to operate in a Shariah-compliant manner often with the approval of a SSB in every aspect of their operations in addition to the traditional risks that they bear as conventional commercial banks. It should be noted that operating in a Shariah compliant manner, includes, but not limited to the prohibition of interest ('RIBA') and speculative activities, and restriction to Islamically acceptable deals and profit-sharing models (Mollah & Zaman, 2015) among others

The SSB is one of the most important governance mechanisms employed by IBs as a legal control form for guaranteed compliance with the Shariah; it has both supervisory and consultative responsibilities (Ahmed et al., 2013). The success of any financial institution depends mainly on good corporate governance, and this governance depends mainly on the effective SSBs existence (Toufik, 2015).

The main function of the SSB is to conduct independent audits, monitor the operations of the bank and declare that they are free from any procedures prohibited under Shariah (Ahmed et al., 2013). The critical role of the SSB, which can cancel any transaction deemed to be illegal, could conflict even with management and the board

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of directors (Mollah & Zaman, 2015). SSB is one of the main components of an Islamic bank. Shariah boards have fiduciary responsibilities towards the institution's stakeholders.

The role of SSB involves five areas:

1. provide fatwas that certify permissible financial products.
2. Undertake Shariah audit to ensure products comply with guidelines.
3. Dispose of non-Shariah compliant income or earnings.
4. Provide advice to the bank on the distribution of income to shareholders or depositors/investment account holders.
5. Provide guidance to the bank on its wider social role

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However, in practice, the role of Shariah boards varies significantly from one country to another. Further, there are three types of Shariah boards:

1. International Shariah Boards: For example, AAOIFI, Islamic Development Bank (IDB). The main role of AAOIFI's Shariah board is to publish Shariah standards to harmonize the industry's practices. The IDB Shariah boards acts in advisory capacity by providing Shariah opinions and working closely with other international agencies (such as: IFSB) in developing standards.
2. National Shariah Boards: For example, Malaysia, Pakistan, Sudan, Indonesia. In this case, the national Shariah board has the overall authority on Shariah governance framework and policy.

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3. Institutional Shariah Boards: These are commonly referred to as Shariah Supervisory Boards (SSBs) and work on an institutional level.

Source: https://www.islamicmarkets.com/

Many authors, like (Amin et al., 2013; Sayani, 2015; Osman et al., 2009; Tameme & Asutay, 2012) demonstrated that the compliance with the Shariah-compliant transactions, which are guaranteed by the SSB, is one of the key drivers of customer's satisfaction in IFIs. On the other hand, (Nomran et al., 2018) emphasized the role of SSB, as a mechanism to attract Muslim clients, whose member selection could be a very important marketing line.

Below the table of Shariah governance framework by countries explains the centralized of SSB with all its names around the world, for example, some countries name it High Shariah Authority or Fatwa Board.

Table 3.3

Shariah Governance Framework (Key markets)

Country	**Centralized SSB or High Shariah Authority or Fatwa Board**	**Islamic Rating Agency**
Jordan	No	No
Malaysia	Yes	Yes
Sudan	Yes	No
Bahrain	No	No
Kuwait	Yes	No
Pakistan	Yes	No
UAE	Yes	No
Indonesia	Yes	No

Source: World Bank

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Also, need to know the Shariah Corporate Governance Institutions by above countries as the below table 3.3 illustrates deeply.

Table 3.4

Shariah Corporate Governance Institutions by Country

Country	Separate Islamic Banking & Takaful Department	Centralized SSB or High Shariah	Islamic Rating Agency	Separate Islamic Capital Market Dept.
Bahrain	Yes, Islamic Financial Institutions Supervision Directorate	No, but the International Islamic Financial Market is to promote the harmonization and convergence of Shariah interpretations in developing Islamic banking products and practices which are universally acceptable	No, but International Islamic Rating Agency operates in Bahrain	No
Indonesia	Yes, the Directorate of Shariah Banking	Yes, the National Shariah Board is authorized to issue fatwas concerning products, services, and operations of BIFS. It also recommends Shariah advisors to BIFS	No	
Jordan	No	No	No	No

(continue)

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Table 3.4 *(continue)*

Country	Separate Islamic Banking & Takaful Department	Centralized SSB or High Shariah	Islamic Rating Agency	Separate Islamic Capital Market Dept.
Kuwait	No	The Fatwa Board in the Ministry of Awqaf and Islamic Affairs is the final authority on Shariah disputes. Its advice is binding when it arbitrates on disputes between members of the same SSB	No	No
Malaysia	Yes, Regulation Department –Islamic Banking and Takaful	Yes. The Shariah Council advises central bank on Shariah matters and is the ultimate arbiter in Shariah interpretation disputes. The directives issued by BNM in consultation with the Shariah Council have binding authority over Banks with Islamic windows.	Yes, Malaysian Rating Corporation - Islamic Capital Market Department	Yes, Malaysian SEC- Islamic Capital Market Department. The SEC also has its own Shariah Advisory Board
Sudan	N/A, the whole financial regulatory system is Islamic	Yes, the Shariah High Supervisory Board is responsible for fatwas, contract specimen, arbitrage, consultations relating to Islamic legal aspects, training, research, lectures, and seminars	No	N/A, the whole financial regulatory system is Islamic

(continue)

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Table 3.4 *(continue)*

Country	Separate Islamic Banking & Takaful Department	Centralized SSB or High Shariah	Islamic Rating Agency	Separate Islamic Capital Market Dept.
Pakistan	Yes, Islamic Banking Department	Yes, the Shariah Board of the State Bank is to advise the central banks on matters of Shariah. It also produces specimen of permissible Islamic Financial contract to ensure compliance with minimum Shariah standards	No	No, but several departments share Islamic finance portfolio
UAE	No	Yes, the Higher Shariah Authority, attached to the Ministry of Justice and Islamic Affairs, is the final arbiter on Shariah matters. It is also responsible of Shariah supervision	No	No

Source: Official country websites and central bank Annual Reports; World Bank

Here will review the literature of the Shariah Supervisory Board characteristics in chronological order from newest to oldest, and the end of this section can be summarized in the table for easier to the readers. The institution of Shariah Supervisory Board (SSB) is the key feature that distinguishes the governance of Islamic banks from their conventional peers (AlAbbad et al., 2019).

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The SSB is one of the key corporate governance mechanisms in the Islamic banking system. It is an independent body of specialized jurists in Islamic commercial jurisprudence and experts in Islamic finance (IFSB, 2009; AAOIFI, 2017). The SSB is a mechanism of internal governance, which aims at transparency in the disclosure of information (as cited by Neifar et. al., 2020)

Shariah Supervisory Board (SSB) is a key element of the Islamic governance organ that oversee and give assurance of Shariah compliance of Islamic bank (Abdullah, 2013; Ghayad, 2008; Grais & Pellegrini, 2006; Mollah & Zaman, 2015; Safieddine, 2009). SSB guarantee the compliance of products and services offered to consumers and investors with Islamic principles and rules (as cited by Neifar et. al., 2020). The role and responsibilities of SSBs typically include: advising the boards of directors; providing input to Islamic financial institutions on Shariah matters to enable firms to comply with Shariah principles; setting Shariah related rules and principles and overseeing compliance to ensure that policies and procedures prepared by Islamic financial institutions are in conformity with Shariah and issuing verdict (fatwa) to create confidence with respect to Shariah compliance (Safieddine, 2009).

Hossain (2012) suggested that the SSB should emphasize the role of Shariah advisory while the obligation is to review compliance with the provisions of Shariah and submit the Shariah compliance report to the external Shariah auditor to improve the quality of ensuring compliance with Shariah.

The mechanism of the governance covers the role of the supervisory board reflected by its size (Setyaningrum, 2005; Aman & Nguyen, 2013; Altwijry, 2015;

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Zemzem & Zouhari, 2016; Elhaj et al., 2017), its independence (Bhojraj & Sengupta, 2003; Ashbaugh et al., 2006; Grassa, 2016; Marfuah & Endaryati, 2016; Mariana, 2016), and the presence of individuals becoming the audit committee (Setyaningrum, 2005; Syakhroza, 2005; Rianingsih, 2009; Marfuah & Endaryati, 2016).

The corporate knowledge governance structure differs from traditional banks due to the presence of internal control bodies in addition to the usual boards such as the board of directors. The Shariah Supervisory Board is an internal governance mechanism aimed at transparency in the disclosure of information (Broquet, 2012). Financial knowledgeable SSB members are likely to be aware of the importance of transparent information for stakeholder decision making (Broquet, 2012). (Alam et al., 2019) argued that the members of SSB are appointed and remunerated by the Islamic Bank, play only the role of advisory bodies. They do not have the necessary authority to accomplish the task and implement decisions and this can be explained by their dependence on the management. Also, it should be noted that the diversity of backgrounds and the different schools of jurisprudence of SSB members as well as the regional context creates inconsistency in the interpretation of Shariah and may thus prevent the harmonization of the product and financial operations. In fact, the independence of the SSB in their mission of supervision and the consistency of Shariah ruling can contribute to an efficient Shariah governance structure. The regulation of Shariah governance in Islamic banks aims to preserve the credibility of the industry (Alam et al., 2019).

Islamic banks are required to have strong Shariah governance to develop the Islamic banking industry, and then the government implements the legal preparations

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to form the Shariah Supervisory Board (Hasan, 2008). IFIs have "multi-level" governance, SSB, aside from BOD which act as dual internal governance mechanisms that affect the performance of the IBs. Since the BOD is a strong internal governance mechanism that affects the performance of the IB, the BOD is also an important shareholder affecting their performance ((Mohammed & Muhammed, 2017a). Management decision-making in IBs is already restricted by the SSB which rejects any proposals considering Shariah principles (Ghayad, 2008); Accordingly, the BOD is obligated to obey the decision of the SSB (Alnasser & Muhammed, 2012).

Within the framework of regulating the governance of Islamic banks, not all countries have adequate regulations, including regulations related to Islamic governance or the existence of a Shariah Supervisory Board. Difference in the framework of Islamic governance leads to a mandatory and voluntary application of the SSB. According to (Grassa, 2015), for Islamic governance there are three different regulatory frameworks. First, many countries implement the regulatory framework for Shariah supervision at the national and international levels. Second, states implement a regulatory framework for Shariah oversight only at the institutional level. The third is the countries that do not have a regulatory framework for Shariah supervision.

3.2.1 Independence of Shariah Supervisory Board

According to AAOIFI (2017), GSIFI) No. 1 "A SSB is an independent body of specialized jurists in Fiqh almua'malat (Islamic commercial jurisprudence). However, the SSB may include a member other than those specialized in Fiqh almua'malat, but

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who should be an expert in the field of Islamic financial institutions and with knowledge of Fiqh almua'malat. The SSB is entrusted with the duty of directing, reviewing, and supervising the activities of IFI to ensure that they are following the Islamic Shariah rules and principles. The Fatwa and rulings of SSB shall be binding on the IFI.

Every IFI shall have a SSB to be appointed by the shareholder in their annual general meeting upon the recommendation of the board of directors taking into consideration the local legislation and regulations, in term of composition the SSB shall consist of at least three members, the SSB may seek the services of consultants who have expertise in business, economics, law, accounting and/or others. The SSB should not include directors or significant shareholders of the IFI, the dismissal of a member of SSB shall require a recommendation by the board of directors and be subject to the approval of the shareholders in a general meeting (AAOIFI, 2017).

On the other hand, SSB members should be independence, they should not become involved in management decisions of IFI and that they or their family members should not be employed as a senior executive officer or have a substantial shareholding in the IFI (AAOIFI, 2017). The CBB requires all banks to establish an independence Shariah supervisory Board in compliance with AAOIFI's governance standards for IFI No's 1 and 2 (CBB, 2014). Its further states:

> "All Islamic banks licensees must comply with all AAOIFI issued accounting standards as well as the applicable Shariah board of AAOIFI. The Islamic banks licensee must have a separate function of Shariah review to verify compliance with the above. The internal Shariah review must be carried out in accordance with AAOIFI governance standards No. 3. The Shariah review function may be in

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> the internal audit function of the Islamic bank's licensee (CBB, 2014)."

Regarding the Shariah supervisory system, Bahrain is characterized by the existence of a dual SSB at both national and institutional levels (Grassa, 2013). Indeed, the CBB has established the National Shariah Advisory Board on the central bank to verify the compliance of the activities with Shariah principles. Forming a SSB is the responsibility of Islamic banks only, as the most noticeable purpose behind that is to legitimate state for participating Muslim customers that the financially offered product or service is acceptable from an Islamic lawful perspective. Generally, a member of the SSB is appointed by the shareholders of the banks, and their remuneration is proposed by the management and approved by the Board of Directors. In addition, the SSB has the right to employ a Shariah internal auditor to supervise the daily dealings and to report directly to them about any transactions that do not comply with Shariah rules and principles (Al-Mahmoud, 2007).

It would be difficult for SSB to meet its Shariah governance obligations without the support from a well-functioning internal Shariah audit. Therefore, SSB will have an impact on the internal Shariah auditor effectiveness. AAOIFI and previous literature suggests that independence and objectivity; educational qualifications, and numbers of board members are likely to relate to the effectiveness of SSB.

According to GSIFI No. 5 issued by AAOIFI (2010) Independence, for the purpose of this standard, is an "an attitude of mind which does not allow the viewpoints and conclusions of its possessor to become reliant on or subordinate to the influences and pressures of conflicting interests. It is achieved through organizational status and

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objectivity". The principle of objectivity imposes obligations on SSB members, to be fair, intellectually honest, and free of conflict of interests (neutral). The importance of the independence of SSB members for an IFI emanates for its role in:

1. Enhancing the public confidence in the IFI as compliant in its application of Shariah rules and principles.
2. Achieving the fundamental objectives of an IFI by enhancing independence and objectivity of its SSB.

SSB members have a responsibility to the public who rely on the services provided by them that require independence. The public includes clients, credit grantors, government, employers, investors, and others who rely on the objectivity and integrity of SSB members to ensure Shariah compliance about the activities of IFI. AAOIFI (2017) states that the SSB members shall consist of at least three members, the SSB should not include directors or significant shareholders of the IFIs.

The SSB monitors banking activities related to shariah, review Shariah audit, review compliance with shariah provisions and express their views on banking activities that are published in their annual report and submitted to BB (Abdullah & Rahman, 2017). The Individual SSB for Islamic banks also assesses the performance of officials in terms of compliance with shariah and conducts shariah inspections to ensure the application of shariah principles (Alamgir, 2016).

According to (Abdullah, 1997) the SSB is an independent body of Shariah scholars who have comprehensive knowledge and experience in Islamic financial laws.

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Given their qualifications, these scholars have supervisory and advisory roles. Their supervisory roles include approving new products and services, auditing financial statements and issuing fatwas (legal statements). On the one hand, their advisory roles include providing Shariah compliant solutions, computing zakat (obligatory charitable giving) and holding workshops to educate management in Islamic law (Nathan, 2010).

Kasim et al., (2013) About compliance with Shariah rules and principles, the independence of supervisory bodies is vital to building stakeholder confidence in IB. The three main Islamic finance bodies (AAOIFI, IFSB and BNM – see Table 2.15) stipulate, and to preserve the independence of Islamic financial services bodies, these bodies must be recognized as independent from boards of directors. Members should not be employees of the same bank and should not participate in managerial decisions and operational responsibilities, as they are free to exercise their duties to make informed and objective decisions.

Shareholders have the power to assign the members of the SSB during the annual meeting. This is to guarantee independence from the board of directors because managers do not have the authority to appoint or dismiss them, this is in the text of Governance Standard No.1. (AAOIFI, 2018). SSB needs a “clear framework and structure to ensure its independence and effectiveness (Malkawi, 2013).

Musleh (2019) emphasis that the SSB is not only independent from BOD but can also attend their meetings to discuss the religious aspects of their decisions. Moreover, when the Shariah Supervisory Board is at the same level as the Board of Directors, it liberates the Shariah Supervisory Board from any restrictions that the

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Board of Directors or its executive management may impose, based on the Governance Standard issued by the Accounting and Auditing Organization for Islamic Financial Institutions No. 1 (AAOIFI, 2018). Separating SSBs from management with corporate benefits and interests from them may prevent managers from engaging in activities that directly benefit themselves and cause shareholders to bear the costs of their actions.

SSB acts as an independent oversight mechanism that sets the rules and principles related to Shariah mainly, ensures that all activities and projects of the bank are following Islamic Shariah and provides advice to managers and the BOD on any issues related to Shariah (Safieddin, 2009).

SSBs suffer from many challenges that affect their performance, such as the independence of members and the confidentiality of banking information. Moreover, there is a shortage of qualified scholars with sufficient knowledge in non-Shariah finance. The study suggested that it is preferable for small and medium enterprises in IFIs to have consistent views (Grais & Pellegrini, 2006a). To ensure a more independent SSB, (Nathan Garas & Pierce, 2010) suggested that the position of SSB should be located under the shareholders and not under the BOD. They confirmed that SSB should have more knowledge in financial, economic, and commercial fields.

3.2.2 Competence of Shariah Supervisory Board

The quality of the Shariah board has been determined in most of the literature by various variables such as independence, size, reputation, education, experience, management,

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and information disclosed (Abudul Rahman & Bukair, 2013). In the context of SSB, it is easier for the board and management to control smaller SSBs compared to larger SSBs. The larger SSBs of Professional Conduct includes a few scholars with different skills from different schools of jurisprudence and with rich experience, which leads to a better interpretation of products and processes and as a de facto with better performance (Hamza, 2016).

The board may constitute an independent SSB with experienced and knowledgeable persons in Islamic Jurisprudence and board shall be accountable for any lapses or irregularities on the part of the Shariah Supervisory Committee (Bangladesh Bank, 2009). Notably, the Islamic banking industry lacks supervision, control, control, audit, and risk management (Grais & Pellegrini, 2006). Additionally, it also lacks auditor competence in performing shariah audit functions according to scholars and practitioners (Uddin et. al., 2015; Yaacob, 2012; Kasim, 2009). These gaps in Shariah and accounting knowledge weakened the availability of Competence among Shariah auditors.

Those who have accounting knowledge do not tend to know Shariah and vice versa. therefore, any risks resulting from the inefficiency of the auditor during the Shariah audits would expose Islamic banks to potential losses (Othman & Ameer, 2015). Many Shariah and auditor experts have argued that there is a need to increase the understanding of Shariah auditing among internal auditors, to enhance the Shariah knowledge of internal auditors, to standardize the Shariah audit framework and to provide general guidance for designing audit programs for Shariah audit (Yahya & Mahzan, 2012). The member of the SSB must be a Shariah scholar and a financial

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expert at the same time, As this combination of expertise is in high demand and many of SSBs are sit in more than one financial institution at the same time (Haniffa & Cooke, 2002; Nathan, 2010).

Qualification of members is a critical factor in determining the quality of a board (Kakabadse et al., 2010). Hence, the performance of the company is positively related to qualified board members (Haniffa & Cooke, 2002; Cheng et al., 2010). These eligible members can be considered a strategic resource (Ingley et al., 2001). Regarding SSB, a high level of SSB education leads to high profitability (Musibah & Alfattani, 2014). c However, there are scholars who do not have any qualification or academic degree of any kind even in studies related to Shariah (Bakar, 2016).

Shariah governance standards developed and set by the AAOIFI and IFSB focus on SSBs independence, efficiency, confidentiality, consistency, and disclosure. In terms of the size of the SSB, the AAOIFI requires that the SSB have at least three members recommended by the Board of Directors and appointed by the shareholders of an Islamic bank (El-Hawary et al., 2007). (Safiullah & Shamsuddin, 2018) follows in his study (Berger et al., 2014) Academic qualifications among SSB members indicate the number of SSB members holding a doctoral degree, as a percentage of the total SSB members.

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3.2.3 Size of Shariah Supervisory Board

It is natural for there to be a Shariah supervisory body in Islamic financial institutions that supervises the practices and activities of these institutions and monitors them in accordance with their compliance with the principles of Islamic law. (Rahman et al., 2014) they have demonstrated in their studies that the number of SSB is measured by many SSB members in Islamic banks. An increase in the number of members of the Shariah Supervisory Board leads to a higher level of disclosure of shariah compliance in monitoring (Baydoun & Willett, 2000).

Rare studies have examined the effect of SSB size on the performance of IBs such as those of (Matoossi & Grassa, 2014; Mollah & Zaman, 2015; Nomran et al., 2018) who found that SSB size has a significant influence on IBs achievement. The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) recommended at least three SSB members, one of whom should have sufficient knowledge in understanding the issues in Islamic economics (AAOIFI, 2017).

SSB is one of the most important bodies of Islamic banks. The BOD assigns the SSB and is subject to oversight by laws and regulations. SSB is responsible for issues related to Shariah within organizations, provides its opinion on issues of Sharia, and provides compliance report on public activities (Zaidi, 2008). (Ajili & Bouri, 2018) affirmed that the IB with a higher SSB score would lead to more monitoring and control of the activities of the bank and consequently improve the financial performance

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Generally, SSB performs the audit of the banking activities in once or twice in a year. However, along with the Islamic banks, Islamic banking branches and windows of commercial banks also have separate Shariah audit unit with few officers. The shariah auditors of full-fledged Islamic banks are responsible report to the SSB by Shariah secretariat or Shariah compliance unit (Abdullah & Rahman, 2017).

Based on (Alsartawi, 2019) Bahrain and Oman follow the AAOIFI governance standards (as per Table below); it requires IBs to establish SSBs to ensure compliance with the Shariah. Moreover, the UAE requires the establishment of a Higher Shariah Authority to supervise and consult all Islamic institutions. Additionally, with regards to SSBs, the UAE requires a minimum of three members who are competent to perform their duties and who need to be approved by the higher authority.

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Agency theory assumes that a small board size reduces agency costs and increases coordination among board members (Quttainah et al., 2013). However, the agency theory (AGT) and stewardship theory (STD) assume that a larger board is better than a smaller board (Quttainah et al., 2013). In the context of SSB, it is easier for management and the board to control smaller SSBs compared to larger SSBs. Larger SSBs contain scholars with different experiences and skills and from different schools of jurisprudence resulting in better interpretation of products and processes, and thus better performance (Hamza, 2016). Few experimental studies have examined the effect of SSB size on the performance of IBs such as those of (Matoussi & Grassa, 2012; Mollah & Zaman, 2015) and they found that SSB size has a significant effect on the profitability of IBs.

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Nomran et al., (2018) in his paper confirmed the effects of the SSB characteristics on the performance of the Malaysian IBs. It is found that the SSB characteristics (size, cross-membership, doctoral qualification, reputation, experience, and total change in the SSB composition) have significant effects on the performance based on the Generalized Method of Moments estimation. The large size of the SSB can be benefited from its ability to share tasks or the workload of many advisors in this body. The diversity of knowledge and experience in providing advice to the board of directors has a great influence in making quality decisions (Najwa et al., 2019). In addition, (Najwa et al., 2019) argued that the larger boards should provide greater networking opportunities and additional board members with a variety of skills that can enhance the quality of advice and opinions of SSB bodies hence, effective oversight by a large shariah supervisory body reduces the tendency of bank managers to engage in Risky transactions without taking into account risk control strategies.

Considering the competing theoretical literature and inconclusive findings of board size, (Najwa et al., 2019) study indicates that the benefits that greater SSB size could bring in terms of a wider range of experience and skills may exceed the associated costs. The large SSB has access to scholars with different expertise, skills, and schools of jurisprudence that may enable it to conduct rich and meaningful discussions on the interpretation of Shariah provisions and to provide sound advice about the potential risks associated with banking products, which ultimately contribute to the active supervision of risks. Problems of potential weak coordination, lack of control, and conflicts can be overcome by appointing a strong chairperson in Shariah supervisory bodies to bring members together toward a common direction (Najwa et al., 2019).

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In Islamic finance, many members within the Shariah Supervisory Board can get better the performance of IBs. SSB with many scholars can supply strategic input gained through formal and informal networks of relationships or simplify the establishment of business relationships with other institutions (Baklouti, 2020). Increasing the number of Shariah scholars will improve the quality of supervision and reduce costs (Almutairi & Quttainah, 2017; Farag et al., 2014).

on the other hand, (Almutairi & Quttainah, 2017; Nomran et al., 2018; Saeed & Saeed, 2018) argued that a large size of Shariah Board has a positive influence on the financial performance of IFIs, and it decreases Shariah risk.

Table 3.5

AAOIFI, IFSB, and BNM Characteristics

Discussion	AAOIFI	IFSB	BNM
Base	Bahrain	Kuala Lumpur, Malaysia	Kuala Lumpur, Malaysia
Clients	Islamic financial institutions including Islamic banks	Regulators	Islamic financial institutions including Islamic banks
Definition of Shariah governance	Definition not provided. (Shariah compliance)	A set of institutional and organizational arrangements through which an IFI ensures that there is effective independent oversight of Shariah compliance	Definition not provided

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Table 3.5 *(continue)*

Discussion	AAOIFI	IFSB	BNM
SSB Independence	SSB members are not to subordinate their judgment on Shariah supervision matters to third parties. They should not be the employees of the same IB and should not be involved in any matter concerning managerial decisions and operational responsibilities of the IBs SSB is required to continuously assess IBs to resolve any issues of independence impairment	The SSB should play an independent oversight role, with enough capability to implement objective judgment on matters related to Shariah without influence from management or inappropriate outside interests. No individual or group of individuals shall be allowed to dominate the Shariah board's decision-making	Independence of the SSB should always be recognized by the board in exercising their duties In turn, the SSB is expected to make objective and informed decisions. Decisions made by the SSB should not be discarded or changed without its approval
SSB competence	AAOIFI requires that SSB members be specialized in Islamic commercial jurisprudence (fiqh al-muʿamal_at). Nonetheless, an SSB may include a member other than a fiqh al-muʿamal_at specialist, but they need to be an expert in the field of Islamic financial institutions with knowledge of fiqh al-muʿamal_at	The IFSB requires that the board of directors consider the following criteria when recommending members for the SSB: a. good character including honesty, integrity, fairness, and reputation; and b. competence, diligence, capability, and soundness of judgment. An SSB member must at least hold a bachelor's in Shariah from a recognized university.	Requires that any person who bears responsibilities outlined in the Shariah governance framework for an IB needs to have the necessary Competence and continuously improve their knowledge and understanding on the Shariah and Islamic finance. Most members in the Shariah Committee shall at least hold a bachelor's degree in Shariah from a recognized university

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Table 3.5 *(continue)*

Discussion	AAOIFI	IFSB	BNM
SSB Responsibility	The main responsibility of the SSB is to provide direction, guidance, supervision related to the activities of IBs. The purpose is to ensure IBs are following Shariah rules and principles SSBs have binding authority to direct, review and supervise the activities of IBs	The SSB has a clear mandate and responsibility for ensuring Shariah compliance with respect to all Islamic financial products and services that the IB offers.	An IB shall set out the accountability and responsibility of every key functionary involved in the implementation of the Shariah governance framework This principle outlines the responsibilities of the board of directors (BODs), SSBs and management.
Frequency of SSB meetings	Not discussed	SSBs are required to meet regularly to carry out periodic reviews to monitor Shariah compliance of the operations of the IFIs. As and when necessary, the SSB can hold a meeting if the IB urgently requires settling some matters related to the Shariah. The number of meetings to be held by the SSB is not provided. However, the IFSB requires that the SSB should meet with the board of directors at least twice a year.	SSBs are required to hold regular meetings to ensure that the SSB is in touch with the operations of the IB. The SSB meetings shall be held at least once every two months. The number of SSB meetings held in the year, as well as the attendance of the SSB members, shall be disclosed in the IB's annual report. (At least 75% attendance is required).

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Table 3.5 *(continue)*

Discussion	AAOIFI	IFSB	BNM
Shariah review and Shariah audit	Shariah review as an examination of the extent of an IB's Shariah compliance It holds the management accountable for compliance as the Shariah board is only responsible for forming and expressing opinions on the extent of Shariah Compliance. AAOIFI does not require the establishment of a separate internal Shariah auditor department. However, AAOIFI recommends the establishment of an Audit and Governance Committee at the board level.	To maintain a control mechanism, the IFSB requires IBs to have both an internal and external Shariah review unit in addition to the conventional internal and external auditors.	Required to maintain a Shariah compliance function consisting of both review and audit functions, supported by risk management control process and internal research capacity. The Shariah review function ensures that the operations of the IFI do not breach the Shariah. The Shariah audit function ensures an effective internal control system for Shariah compliance.

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The above table 3.5 clearly showing the characteristics between AAOIFI, IFSB, and BNM, regarding Base, Clients, Definition of Shariah governance, SSB Independence, SSB competence, SSB Responsibility, Frequency of SSB meetings, and Shariah review and Shariah audit noting Similarities and differences between each.

3.3 Role of Management support

In all institutions and in the public and personal sectors, attaining the effectiveness of the inner auditor in the overall performance of its features can't be separated from aspects of support control (Albrecht et al., 1988). Management support is almost important to the operation and inner audit; because all different determinants of Internal

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Auditing effectiveness derive from the aid of top control, for the reason that hiring talented Internal Auditing team of workers, growing profession channels for Internal Auditing staff, and supplying organizational independence for Internal Auditing paintings are the outcomes of choices made by top management (Cohen & Sayag, 2010). This method it is the interest of control to maintain a robust internal audit department (Adams, 1994; Mihret & Yismaw, 2007).

In addition, the implementation of audit suggestions is enormously relevant to Internal Auditing effectiveness (Sarens & Beelde, 2006; Van Gansberghe, 2005) that is the element of management aid (Mihret & Yismaw, 2007). The management of a corporation is regarded because the consumer receiving Internal Auditing services. As a result, control's dedication to using audit pointers and its help in strengthening internal audit is vital to the effectiveness of the Internal Auditing.

Therefore, audit feedback, and suggestions would now not serve a great deal purpose unless management is dedicated to imposing them. Furthermore, (Belay, 2007) find that to minimize corruption and inefficiency in the public area of Ethiopia, it's miles obligatory to have a powerful internal audit function (IAF) that during flip needs the suitable governance shape, mobilizing enough and suitable resource and ready personnel.

Management assist is a giant issue that promotes the internal audit effectiveness. For the ID department to be effective, the support of higher management is essential and important. (Boyle, 1993) holds that assist for inner auditors by top management turned into diagnosed in his interviews as a widespread investigation of the reality that

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internal auditors ought to perform their paintings efficiently. Additionally, the research of Mihret & Yismaw, 2007; Mihret & Woldeyohannis, 2008) in Ethiopia indicate that administrative aid for the inner auditors is taken into consideration a determinant of the effectiveness of internal auditing. According to (Mihret, 2009), management help for Internal Auditing has been identified as one of the promising elements for a terrific Internal Auditing department profile. In addition, (Zain et al., 2006) indicate that with the suitable level and type of resources directed to the inner audit function, organizations have to achieve the advantages when it comes to the internal audit function that helps and helps the outside audit. (Albrecht et al., 1988) states that there are 4 factors that internal audit managers can broaden to beautify the effectiveness of inner auditor, which can be:

1) Supporting senior management.
2) An appropriate institutional environment.
3) High quality internal audit staff.
4) An appropriate institutional environment.

The writer also highlights that visible aid for top management of the inner audit section may be the one most essential thing that enhances inner auditor effectiveness. Moreover, (Sarens & Beelde, 2006a) located that the general reputation and reputation of Internal Auditing inside an organization relies upon heavily at the aid it receives from top management. They also found indications that this assist is associated with the maturity of the internal audit feature. Therefore, internal audit actively seeks this support by selling and speaking its potential to add worth.

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The IIA Standards for the Professional Practice of Internal Auditing understand that inner auditors need to have the aid of the top management and the board of administrators with a purpose to acquire the cooperation of auditors and carry out their work without interference (IIA 2011d). Based on this declaration and in step with the above-mentioned literature, there is no doubt that the aid of top management plays an essential role in enhancing the independence of the internal audits. Therefore, to perform effective job, internal auditors must have the aid of the higher management and the board of administrators. Administrative and management guide is likewise essential for the inner audit department to reveal the risk of management. (Walker et al., 2002) stated that establishment threat management might not succeed without robust assist inside the corporation from top management because internal auditors have number one obligations associated with risk identification and assessment and are probable to interact with senior control in managing threat implementation troubles. add to that, the aid of higher management is critical to the success of a variety of tasks. Top management support is verified by means of the incentive that top management gives to internal auditors. This may additionally take the form of establishing educational and education applications for internal auditors, an ok budget for the internal audit department, rewards and rewards for internal auditors, and the attractiveness and implementation of inner audit guidelines.

One form of management support is for senior management to create academic and training packages for its inner auditors. The internal auditor must continue with education, teaching, and training programs within the corporation to behavior a powerful audit. Continuing schooling programs have to complement the ones areas wherein formal education and training are terrible, similarly, to introducing inner

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auditors to a area that can be useful in their very own agency. (Mihret et al., 2010) indicate that technical competence and non-stop education are critical for an effective inner audit.

Moreover, the support of financial in phrases of an appropriate budget for the internal audit section is another sort managing director. (Mizrahi & Ness-Weisman, 2007) mention that without suitable budget - regardless of enough independence - internal auditors can't do their task nicely. Moreover, because the range of certified employees rises, the boom within the finances seems to be extra tremendous than the increase in size (personnel) (Paape, 2007). (Mizrahi & Ness-Weisman, 2007) said that budget autonomy is any other sub-aspect associated with the regulatory framework, as it has aid implications. They determined that the college's internal audit workplace is not a price range center, and proof from interviews and responses to the questionnaire shows that this lack of authority to manipulate the price range negatively affects the performance of the inner audit office. (Cohen & Sayag, 2010) say: “Thus, management assist for internal audit is important each in principle (managers ought to see the audit branch's pastime as legitimate) and in ensuring that inner audit departments have the resources important to carry out their jobs”.

Another form of management assist is monetary aid in phrases of rewards. It can be said that the managing director in phrases of those financial incentives for internal auditor employees motivates personnel to work on this region and to be more effective. In this regard, as an instance, (Muller et al., 2001), referred to in (Göritz, 2004), appointed members of the Commercial Market Research Committee through personal interviews, and the authors demonstrated that 52% of the humans interviewed

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have been offered Motivation They expressed a hobby in turning into a panel member and then registered later.

The acceptability of top management and implementation of internal audit recommendations is also vital to achieving internal auditor effectiveness. After issuing the internal audit report, senior management and the board of directors must ensure that appropriate arrangements are made to determine whether action has been taken on the The acceptability of top control and application of inner audit instruction is likewise important to achieving internal auditor effectiveness. After resulting the internal audit record, higher management and the board of directors have to ensure that appropriate arrangements are made to decide whether or not action has been taken at the internal audit suggestions or that control has understood and assumed the risks of inactiveness. (Burns et al., 1994) observed that management is much more likely to comply with the internal auditor's pointers and that the agency's internal auditors may be of "essential significance" if senior control has an external force to pursue the internal audit department's hints. Without this motivation, the inner auditor may not be able to steer management whilst control moves are inappropriate. It seems that management acceptance of internal auditors' recommendations can also decorate the effectiveness of internal auditor. Therefore, the Internal Audit Department might not have the ability to finish its work in an adequate and powerful way without an appropriate assist from the celebration answerable for it, whether or not this support is ethical through good enough authorities authorized to it or financially thru the provision of all its desires. Strong senior control support, that's communicated across the organization, seems to be an absolute necessity to acquire inner auditor effectiveness. The IIA`s Standards for Professional Practice of Internal Auditing (1110–Organizational Independence)

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perceive that internal auditors need to have the support of senior control and of the board which will gain the cooperation of auditees and carry out their paintings unfastened from interference (IIA, 2016).

According to this announcement and primarily based on the above literature there may be no question that top management assist performs a vital role in enhancing inner auditor independence. Therefore, for effective work overall performance, internal auditors must have the support of higher management and the board of directors. Management aid is likewise critical for an inner audit department to display control chance. (Walker et al., 2002) state that firm risk management may not succeed without robust aid within the agency from senior control because internal auditors have primary responsibilities associated with risk identification and assessment and they're probably to be interacting with senior management on hazard control implementation problems.

Furthermore, top management aid is crucial to the success of a diffusion of initiatives. higher management aid is proven via the incentive provided by top control to internal auditors. This may additionally take the form of setting up schooling and schooling education programmers for his or her internal auditors, adequate budget for the internal audit branch, bonuses and recompense for inner auditors, and popularity and implementation of inner audit tips. Financial support may be expressed in phrases of supplying an adequate finance to IAD and giving financial incentives (bonuses and recompense) to Internal Auditing teams (Abbu-Azza, 2012). According to (Paape, 2007) adequate budget for IAD has a vital position to have an able Internal Auditing group. In addition, such financial guide has an effective influence on the independence of the Internal Auditing group (Mizrahi & Ness-Weisman, 2007).

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Some of the researchers have associated effectiveness of Internal Auditing with Level of management and their cultural anxiety in businesses (Yee et al. 2008); Co-operation between internal auditors and external auditors, management aid, and organizational setting (Arena & Azzone, 2009); Proficiency, objectivity, performance, and data generation (Wubishet & Dereje, 2014); Quality of Internal Auditing, competence of Internal Auditing team, independence of Internal Auditing, and management aid (George et al., 2015); Quality of Internal Auditing, competence of Internal Auditing crew, independence of Internal Auditing, and management guide (Tadiwos, 2016); Quality of internal audit, competences of the team of internal audit, the independence of inner audit and guide of internal audit with the aid of the control (Rudhani et al., 2017) and Internal auditor scope, inner auditors‘ revel in and management reaction (Shamki & Alhajri, 2017) and others can be indexed as a hallmark of lack of consensuses in figuring out elements that have an effect on the effectiveness of Internal Auditing.

Similarly, the works (Unegbu & Kida, 2011) on the effectiveness of inner auditors because the tool of improving public area control in Kano country in Nigeria revealed that Internal Auditors didn't efficiently test fraud within the public area control. Inadequate staffing, the presence of a small range of public quarter audit departments, and absence of control assist in enforcing hints in audit reviews as challenges facing Internal Auditor devices in Nigeria. Lack of control support in imposing audit recommendations, loss of crucial knowledge, and inadequate know-how and revel in of Internal Auditors.

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3.4 Underlying theory

Nowadays, researchers from the accounting perspective are given more concerned to the internal audit research (Badara, 2015); this was due the relevant of internal auditor in saving management of an organization in every aspect of their operations. Internal auditor effectiveness has become a very essential function within various organizations in the world. Internal auditor effectiveness has not yet been widely studied in literature. That is why; some researchers are still recommending the need for more research to be conducted on internal auditor effectiveness predominantly in developing countries (e.g. Al-Twaijry et al., 2003; Badara & Saidin, 2013; Badara & Saidin, 2014; Badara, 2015; Endaya & Hanefah, 2013; Mihret & Yismaw, 2007; Arena & Azzone, 2007 and 2009; Yee et al., 2008; Ahmad et al., 2009), whereas such internal auditing might play an important role especially with regard to fraud detection and prevention. Previous studies have make used of various approaches to explore the internal auditor effectiveness.

Take for instance, (Al-Twaijry et al., 2003) adopted International Standards for Professional Practice of Internal Auditing (ISPPIA) as a guideline toward determining the internal auditor effectiveness while others like (Badara & Saidin, 2013; Endaya & Hanefah, 2013; Mihret & Yismaw, 2007; Arena & Azzone, 2009; Ahmad et al., 2009) developed their own models to examine the internal auditor effectiveness. In this vein, literature shows that different measures and constructs have been employed in determining the internal auditor effectiveness by different researchers (Arena & Azzone, 2009; Badara, 2015) but then, until now, there is no best unanimous framework that described such internal auditor effectiveness, even (Badara & Saidin, 2013) noted

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that such effectiveness can be examine through different variables. This indicates the need for more research on internal auditor effectiveness. The relevant of various theories have not been considered by various researchers on internal auditor effectiveness. Therefore, this paper suggests the combinations of theories which could of help in developing a theoretical framework of internal auditor effectiveness using management support as moderator and extend the internal auditor research that includes Maqasid Al-Shariah theory, Islamic Agency theory and Islamic Accountability theory.

3.4.1 Maqasid Al-Shariah theory

Muslim scholars have tried to define the theory of al-Maqasid itself (Al-Raysuni, 1992) is of the view that the theory of Maqasid al-Shariah is based on the two premises combined, which are: 1) sequential and logical deduction that originates from rational investigation and the belief system of Islam and 2) inductive reasoning. This definition reaffirmed by (Atiyyah, 2003) who has defined a theory as a mental conceptualization that is achieved through the process of sequencing and logical deduction or through inductive reasoning of principles, these definitions also agree to view of al-Shatibi. According to the scholars of al-Maqasid, all Shariah texts are not objectives in themselves. They are means to achieve higher objectives that Law Giver has prescribed, scholars are unanimous that the broad objectives of Shariah are to achieve benefits for mankind (Maslahah) and to ward off all forms of harm (Mafsadah) (Ibn Ashur eta l, 1998). This general theory is supported by Qur'anic verses,

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> "You are the best nation raised for mankind; you enjoin what is good and forbid what is evils" (Al-Quran, Ali Imran, 3: 110).

This study will adopt Abu Zahara's theory of Maqasid al-Shariah Abu Zaharah (1997) sees the objective of Shariah as mercy (Rahmah) to mankind, as confirmed by Quranic verse,

> "We have not sent you thee but as mercy to the whole world (a'lamin)" (al-Quran, Al-Anbiya', 21:107).

Abu Zaharah's general theory of Maqasid al-Shariah is all encompassing and transcends all barriers that divide humanity, regardless of their belief and cultural backgrounds (Mustafa, 2011). Abu Zaharah classified his specific objectives into three as follows:

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1. Educating the individual (Tahdhib al-Fard)
2. Establishing justice (Iqamah al-Adel)
3. Public interest (al-Maslahah)

These three classifications by Abu Zaharah can easily measure results at the individual and institutional level, Muslim, and non-Muslim alike. These three objectives are universal in their application. Therefore, Abu Zaharah's theory will be suitable for the current study because of its comprehensiveness, universality and dynamism (Mustafa, 2011).

Competence of internal Shariah auditor in terms of (knowledge, educational qualification, skill, experience and trainings) seems to be initial bases for internal

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Shariah auditor effectiveness in Islamic banks to achieve the objective of Maqasid al-Shariah, similar to Abu Zaharah regards educating individual (Tahdhib al-Fard) as an important element for transforming the individual (internal Shariah auditor) into a useful member of the society (as an effectiveness) who would also refrain from causing harm to others. He says the Shariah and all its institutions are meant for educating human beings. These institutions include the prescribed acts of worship (Ibadat) such as prayers (Salah), Zakat, fasting (saum) and pilgrimage (Haj) as a part of the Islamic educational program. Therefore, Islam primarily focuses on the individual as an important building block of the society. Proper education for Shariah auditor (knowledge, educational qualification, skill, experience, and training) will bring an effectiveness internal Shariah auditor to an IFIs.

The Competence of internal Shariah auditors includes adequate knowledge in Shariah and Islamic financial contracts. The Competence criteria also include the ability to perform appropriate Shariah audit tests and assess the operations of the Shariah governance framework apart from the proficiency to apply internal auditing standards and accounting principles (International Shariah Research Academy (ISRA), 2011). The independence criteria include the impartial attitude of internal Shariah auditors to be free from conflict of interest, unrestricted access to assess specific operations in IFIs and freedom from interference to establish the scope of Shariah auditor (IIA, 2011).

Abu Zaharah sees justice as a noble objective in Islam, as he says justice should be defined in relation or according to the context of its application. According to (Al-Attas, 1978) the term justice literally means putting things in their right places. For instance, in Islam it is the right of the poor people to receive Zakat, which on the other

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hand is the obligation of the rich to pay them accordingly. Like the work performance of internal Shariah auditor (Zakat computation, compliance of products and services, and verify Halal and Haram investments, engagement planning, performing planning and communicating results of engagement) are the main scope and work performance of the internal Shariah auditor in IFIs that can be verified based on the Islamic rules and principles.

Hence, one person's right is another's obligation. Based on the above discussion, the effectiveness of internal Shariah auditor as seen from the context of Abu Zaharah's theory are multidimensional, they address both the material and spiritual needs of man. Internal Shariah auditors must ensure fair dealings in all its business activities, which include its product, pricing and contract terms and conditions. In addition, to that the internal Shariah auditors must ensure that all Islamic activities are free negative elements that may create injustices, such as Riba, gambling fraud and corruption (Mustafa, 2011). Following this theory is an Islamic agency theory supporting the relationship between internal Shariah auditor characteristic (independence; Competence and size of internal Shariah audit) and internal Shariah auditor effectiveness.

The main objective of Maqasid al-Shariah is the recognition of the benefits that accrue to the people (the interest of the nation), in relation to their affairs in both this world and the hereafter (Laldin, 2006) as it opposes the mere profit maximization that is the goals of traditional banking institutions.

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3.4.2 Islamic Agency theory

An agency theory defines a contract under which one or more persons (principal) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent (Jensen & Meckling, 1976). The principal is the owner or managers of the organization who delegate and transfer responsibilities or capital to the agent. The agent is the managers/employees of an organization who manage the firm's business transactions for the owner/principal. (Jensen & Meckling, 1976) Proponents of the agency theory define the agency relationship as a contractual relationship between the shareholder as the principal and the managers as the agent who are given some authorities to perform services on behalf of the principal. Agency problem is more intense in the case of Islamic banks as while investors in conventional banks have a level of certainty in their returns, in Islamic banks the profit as well as possible incurred loss and consequently the risk is shared between the banks and its investors (Siddiqui, 2001).

A person can assign his business to an agent, for the latter to perform and act on his behalf. However, the agency contract is subject to regulations where the essential elements of the agency contract as the same as the general Islamic contract, except the nature and scope of the authority are subject to certain conditions. As a principal (muwakeel), he is obligated to give his authority to an appointed agent. As insane and minor principal cannot be part of any agency contract. However, a minor person can appoint an agent for the performance that can benefit the minor but not so for transactions that entail for the minor (Shamsuddin & Ismail, 2013).

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On the other hand, an agent can perform his actions, but he is restricted to the general rule laid down by the principal. Hanafi, Hambali and Shafi'I Sectarians further explained that an agent does not have an authority to dispose the principal's assets (subject matter) and a minor is not eligible to act as an agent to others. The position for the agency contract's subject matter is the act for the performance of which the agent is appointed. The agent should be informed about the limitations of his performance. In the case of his disposition, it must be lawful and permissible by the principal, and it is also required that the action is witnessed. The agent duties include: (a) exercising care and skills, (b) not permitting the appointment of another person to do his job, (c) not misusing confidential information for his own benefit (Mansuri, 2006).

Thus, according to (Safieddine, 2009), the issue in Islamic banks is not limited to the separation of ownership and control, but extends to the separation of cash flow and control which makes the agency problem in Islamic banks more complicated than conventional Banks (Safieddine, 2009). From the very beginning Islam emphasizes on the importance of relationship, any relationship given in this world, especially for Muslim people should begin with the relationship with Allah s.w.t. As mentioned in the Quran "Behold a host of gathered against you, so beware of them- whereupon this only increases their faith, so that they answered, God is enough for us; and how excellent a guardian is He". Relying on faith through building a concrete relationship with Allah s.w.t, this would also determine a good relationship with other humans and other living things in this world. In the Islamic economics, the relationship with others may exist between e.g., the capital provider (rabbul mal) and entrepreneur (mudarib), among capital providers or partners, buyers and seller, agent (wakeel) and principal (muwakkel), contractor (wakif) and beneficiaries (muawikif), pledge (marhun) and

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asset owner (murtahin). Generally, this relationship creates a principal-agent relationship, several researchers have explore the Islamic economics as a field in relation to the principal-agent relationship (Ghafar & Tohirin, 2010; Pratomo & Ismail, 2006; Sarker, 1999; Umer & Habib, 2002).

Since our lives must be guided by Tawhid, hence, this study can use Tawhid epistemology as the guiding principles in the agency theory. Unity, Khalifah, (vicegerent), Ihsan is the principled basis of the agency theory in Islam. The agency problems can be reduced through the concept of unity which means cooperation and participation in the organization which does not exist in the conventional agency theory (Shamsuddin & Ismail, 2013). Our social life or business activities cannot be done without instilling the concept of unity. Thus, the internal Shariah auditors in Islamic-oriented agency relationship must apply Islamic Shariah rules and principles that issues by AAOIFI as well as Fatwas and guidelines issues by SSB.

Khalifah (vicegerent) and Ihsan reflect well the Islamic agency theory relationship. As information asymmetry becomes one agency problem, where the principal (muwakeel) does not have the ability to access the entire agent's (wakil) information, so that, no such information asymmetry is assumed when both parties are engaged in a relationship with Allah. An agent (wakil) knows that they have an obligation to provide for the best interest of the principals (muwakkel). Both parties believed that Allah has the perfect knowledge and each of their actions will be accountable in the hereafter, therefore, each of their actions and decisions has to realign with the clearly codified agency contract (Shamsuddin & Ismail, 2013).

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According to (Shamsuddin & Ismail, 2013) the conventional agency theory dominates self-interest and individualism. It tries which try to maximize its own utilities and consequently creates agency problems that cannot be resolved. This is the main point of contrast between the conventional and Islamic agency theory contract with special concept of Tawhid, Unity, and social features of Ikhlas (sincerity). Other features are Itqan (knowledge), Amanah (truthfulness), Syura (mutual consultation), justice and implementing activities in accordance with Islamic teachings based on epistemological source of Islam, Quran, and Hadith. Therefore, it can be stated that, the Islamic agency theory uses the Quran and Hadith to determine the features and framework of the economic relationship practices in the IFIs. The successful practices of the Islamic agency theory should contribute to the development of the Islamic economic system. As (Haneef ,2005) reported that Islamic economics, "is an approach to and (process of) interpreting and solving the man's economic problems based on values, norms, laws and institutions found in and derived from, all sources of knowledge (in Islam)".

The Islamic agency theory teaches us partnership members to practice respect, gratitude, patience, tolerance and to believe not only in the economic reward/outcome as in the conventional agency theory but also in spiritual rewards (blessings from Allah). The practice of lying, shirking, conceit, and jealousy must be avoided by each party. This acquires continuous Islamic teachings and training of the partnership member for them to be educated with spiritual knowledge. Islam recognizes the knowledge process of everyone, seeking knowledge is a continuous process in Islam. Furthermore, the spreading of knowledge has been encouraged by the Prophet

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Mohammed (p.b.u.h). “Allah illuminates a man who hears hadith from me preserves it carefully and passes it on to other”

Therefore, it is crucial to implement the Islamic training which emphasizes on the importance of knowledge, individual development and ethical –oriented practices in the organization. Such it can be stated that the Islamic agency theory uses the Quran and Hadith to determine the features and framework of the economic relationship practices in IFIs, the development of the Islamic economic system will be successful when Islamic agency theory practices.

Islamic governance in the shape of the SSB is a vital internal mechanism to ensure compliance with Islamic law, which is rooted in the principles and rules of Islamic shariah. In theory, agency theory suggests that an effective Shariah Supervisory Board can ease agency conflict and information asymmetry between insiders (management) and shareholders by providing fruitful and independent oversight regarding Sharia-compliant products and processes (Safieddine, 2009). The agency theory clarified that the basis of the agency relationship is a contract between the agent and the director in the implementation of operations and activities by authorizing the agent and granting him the necessary authority for that implementation.

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3.4.3 Islamic Accountability theory

There are several definitions of accounting from an Islamic perspective:

The first definition: Accounting is the Islamic knowledge emanating from Islamic jurisprudence in the various accounting aspects, whether it is the aspect of accounting theory and its general academic framework, or the aspect of zakat accounting with its material, spiritual and human aspects derived from our true Islamic religion as an alternative to tax accounting, which is done only in the material and accounting aspects only.

The second definition: The concept of accounting in Islam deviates into two main aspects:

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Self-accountability: It is intended for every person to hold himself accountable for the results of his actions of worship or transactions. O believers! Be mindful of Allah and let every soul look at what ˹deeds˺ it has sent forth for tomorrow. And fear Allah, ˹for˺ certainly Allah is All-Aware of what you do. (Surah Al-Hashr - verse 18) development and high-performance efficiency.

Physical Accounting: It means accounting for the results of material operations, whether cash or in-kind, by writing and measuring things for the purpose of benefiting from them in various fields, including determining the fund's zakat fund. Accounting from an Islamic perspective is a set of concepts, principles and rules that are consistent with Islamic texts (Quranic verses and hadiths of the Prophet) from which the Islamic

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accounting system is formed to handle financial transactions (Kamaruddin & Auzair, 2020).

In Islam, according to (Al-Faruqi, 1992), "accountability arises from Amanah or primordial trust (i.e. free will, freedom to choose, knowledge and reason) which were given to man only." (Hameed, 2001) defines Islamic accountability as that of a dual nature because the primary accountability is towards God where man is a Khalifah (trustee), entrusted with resources. In Islam, accountability is of two types; accountability to Allah and accountability to the community since Allah is the owner of everything, mankind is accountable for using the resources in the right way (Maali et al., 2006). Based on this concept, mankind must follow the Shariah in all aspects of their life (Baydoun & Willett, 2000). This position of right to use of resources is the base of accountability for both individuals and organizations.

Islamic accountability is important aspect of corporate governance. Prophet (p.b.u.h) was reported in one Hadith as saying

> "Each one of you is a guardian, and each guardian is accountable to everything under his care.

Applying His words in today's context, those involved in business transactions are responsible for their actions. The secondary accountability involves a contractual relationship, and it could be between an owner (investor) with a manager or employees and management. In the Islamic economy and political system, Shariah is the essential guiding force as it encompasses all aspects of human life. All of us will be ultimately

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accountable to Allah and all our deeds will be answerable to Allah, as stated in the Holy Quran, 2:284.

> To Allah belongs whatever is in the Heavens and whatever is in the Earth. Whether you show what is within yourselves or conceal it, Allah will bring you to account for it.

According to (Chapra et al., 2008) Muslim should be highly motivated and would not rationally sacrificed his value in the long term to achieve a short term value in this temporal world. All Muslims are accountable for their individual and collective actions in this world (Al-Safi & Badawi, 1992). (Al-Safi & Badawi, 1992) quoted the following verses from the Quran to reflect the accountability as an individual within one's capacity: Al Baqarah (2:233 and 286), Al Nisa (4:84), Al An'am (6:52), and Al Talaq (65:7). Thus, Islamic accountability taken individually is based within the limits of one's capability (Al-Safi & Badawi, 1992). An individual is accountable for his own deeds. Essentially, the Islamic accountability is applicable to every facet of life.

Therefore, in the conceptualizing effectiveness of internal Shariah auditor, which is a part of corporate Shariah governance in Islamic banks, the internal Shariah auditor is accountable to Allah s.w.t and his creates - both Muslim and non-Muslims, the society, and the environment, specifically SSB.

The aim of Islamic accountability is twofold, namely, that to creator - Allah s.w.t, and that towards the created - mankind, and its social and environmental aspects. Islamic accountability is closely interrelated with the application of Tawheed (Oneness of God) (Alam & Ziaul, 2006; Omer, 2010; Sulayman, 1998). Epistemologically,

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Islamic accountability is derived directly from an extended of Tawheed. The Tawheed drives mankind to excel/Falah because it is a formation of ethics of both intention and action.

(Lloyd et al., 2007) stated that responsibility refers to the technique made with the aid of a character or business enterprise to reply to and stabilize the desires of stakeholders in its choice-making processes and activities. In line with this idea of accountability (Osman, 2012) while he stated that accountability is units of responsibilities which can be the duty to make a motion and the obligation to give an account for the action.

The difference between accountability and Islamic responsibility is the connection among two parties in Islam need to accord to the shariah (Islamic legal guidelines). By along with Islamic law as part of Islamic duty, responsibility takes on a pervasive religious and turns to have higher moral concerns than everyday corporations (Zainuldin et al., 2018).

(Lewis, 2005) the emphasis that accountability was the duty of groups to offer an account to the Islamic network at massive, which has the right to recognize the results of the operations of corporations on their well-being (Lewis, 2005). This presumes to steer the manner of engaging in a commercial enterprise in an Islam society and Islamic firms are consequently predicted to report on their success of the sort of obligation (Aribi & Gao, 2012).

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From the perspective of the Islamic accountability theory, and as we mentioned above, the theory relies on the principle of trust and primitive trust, and that man is God's successor on earth, and that he is accountable for everything entrusted to him and would questioned about. So the Sharia Supervisory Board SSB in Islamic financial institutions is very important because it reflects accountability not only to the users of the financial statements but more importantly, to the Creator, Allah S.WT (Kasim & Sanusi, 2013). The same applies to top management and the trust that was given to them by the stakeholders in preserving people's money and supporting everything that leads to its prosperity and growth through the support of the Shariah Supervision Board and the internal Shariah auditor in a way that guarantees compliance with Shariah laws and achieving Shariah profit.

In summary, Islamic accountability, taken individually, is based within the limits of one's capability (Al Shafi, 1992) for an individual is accountable for his deeds. Essentially, the Islamic accountability is applicable to every facet of life. Therefore, in addressing the issue of internal Shariah auditor effectiveness, which is the apex of the IFI, through Islamic accountability simply means that the internal Shariah auditor is accountable to Allah AWT. As a theory, Islamic accountability has several concepts. This research extends the original concepts of the theory of the topic under study. In addition, other related concepts under study that were not categorized under any essential elements of Islamic worldview before are assigned appropriate essential elements of Islamic worldview (of Nature and Falah). Table 3.5 shows the essential elements of Islamic worldview underlined the theory, original concepts and extended concepts as conceptualized in this study.

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Table 3.6

Islamic accountability theory extended to Shariah auditing

Theory	Concepts	Original	Extended
Islamic Accountability (Based on the essential elements of worldview – Creator (Allah) and created [human, religion, nature, and objective]).	Creator: Primary Accountor	Allah	Allah
	Created: Primary Accountor	Accountants	Internal Shariah Auditors
	Created: Secondary Accountor	Stakeholders	SSB
	Created: Nature	Islamic Accounting field	Islamic auditing field: internal Shariah audit characteristics
	Created: Objective	Falah/Success: Social welfare	Falah/Success: effectiveness

Source: Haron et al (2015)

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3.5 Research hypotheses development

This section can be discussing the research hypothesis to address the problem statement research and to answer the research questions. The hypothesis is a statement about a concept that may be judged true or false if it refers to observable phenomena (Cooper, 2001). The next section underlines the linkages in the proposed model Figure 1.3. It should be noted that the hypotheses are logically deduced based on the literature review and theories. However, they should be viewed as more descriptive and quantitative in nature. To develop the hypotheses, the study will adapt Maqasid al-Shariah theory ,Islamic agency theory, and Islamic accountability theory to understand the ways in

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which board of directors, the CEO and SSB can relate internal Shariah audit to work effectively.

As previously mentioned, the goal of the Shariah is mercy, and since the theory of the purposes of the Shariah is originally aimed at its specific goals, which are to educate the individual, establish justice, and equality. To achieve the goal of the Maqasid al-Shariah theory, we must fulfill the conditions and duties through which we achieve the desired goal. Training, knowledge, academic qualifications, and skills are the primary foundations for the effectiveness of the internal Shariah auditor in IFIs. Educating the individual (disciplining the individual) as an important element in transforming an individual (internal Shariah auditor) into a useful member of society (as an actor) also refrains from causing harm to others. Like performing the work of an internal Shariah auditor (calculating zakat, compliance with products and services, verifying halal and haram investments) is the main scope and performance of the internal Shariah auditor's work in IFIs that can be verified based on rules and principles.

Moving on to the Islamic agency theory, according to which one or more (principal) persons may engage another person (the agent) to perform some services on their behalf, which includes delegating some decision-making authority to the agent. The principal is the moderator variable (Management support) & the agent is SSB & internal shariah auditor. The principal (Management support) delegates and transfers responsibilities or capital to the agent (SSB & IS auditor) who manage the firm’s business transactions for the principal.

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Accountability in Islam is of two types; Accountability to God and accountability to society because God is the owner of everything, and humanity is responsible for using resources in the right way. in our study starting with the Management support (MV), the member of the Shariah Supervisory Board (IV) and the internal Shariah auditor (DV), they are trustworthy of the interests and benefits of the people, and they are trustworthy, and at the same time, they are responsible before God in preserving the interests of the people and the trust they have given them. You are a shepherd, and you are all responsible for his flock. All three theories are applicable to this study, each according to its priorities.

3.5.1 Impact of SSB Independence on Internal Shariah auditor effectiveness

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SSB is one of the maximum crucial Shariah governance mechanisms of an IFI to assure compliance with Shariah (Haji Besar et al., 2009). It is a commonplace practice for the inner Shariah auditor to rely heavily on or follow the advice of SSB, (Yaacob, 2012). Therefore, Shariah supervision is the process of making sure operations, transactions, financial services, or products follow Shariah guidelines and laws, both by using conforming to or with the aid of no longer violating a recognized Islamic felony norm (DeLorenzo, 2010).

Management support will conceptualize as the moderator affecting the relationships. According to (Karim, 1990), raises two questions first; is it necessary that both the SSB and the internal shariah auditor be perceived to be independent to ensure the credibility of financial statements? Second, if only one group perceived to be

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independent, is sufficient to make the reports appear credible? Thus, it seems that SSB independence and internal Shariah auditor effectiveness are equally important. This section has thoroughly examined previous studies on the SSB and internal Shariah auditor effectiveness. It can be concluded that these studies are rather limited in terms of independence, competence, and size of the Shariah Supervisory Board. Unsolved issues related to Shariah auditing in terms of independence, competence of the internal Shariah auditor and work performance of internal Shariah audit work, the IFIs and financial industry will be distorted. Hence, there is a gap in literature review that evaluates and provides an in-depth understanding of the Shariah audit function of internal Shariah auditor effectiveness in pace with the rapid development of the Islamic banking industry and with increasing demand of the investors and customers for this service.

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The independence of Shariah auditors or the Shariah board is one of the most important issues in the Shariah Committee. Independence is a fundamental concept in auditing, both traditional and Islamic. But members of the Shariah Supervisory Board, who are involved in audit as is then practiced by some IFI, are paid by the same institution whose audit they conduct. In other words, they also audit their own work which raises the issue of independence as well as conflict of interest (Lahsasna et al., 2011). As is known and evident, the Shariah Supervisory Board oversees subsequent Shariah governance processes, such as Shariah review. However, it is tangible and noticeable that Shariah scholars rely heavily on the internal audit department in IFIs. This practice indicates that the ex-post processes of Shariah compliance are greatly determined by the internal audit function of IFIs and not the Shariah board itself (Muneeza & Hassan, 2014).

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Shariah members should ideally be knowledgeable in both Islamic law and banking and accounting fields. This is due to the important responsibility and tasks play by the shariah members. As stipulated in SGF 2010, all Islamic financial institutions are required to provide a Shariah officer in their institutions. Moreover, (Hamid, 2008) raised the issue of the Competence of a member of SSB when it comes to performing a Shariah audit. He argues that Although the member of SSB is well qualified to issue a Shariah fatwa regarding the transactions, products, and services, at the same time, he cannot stand as qualified auditors because they do not have the necessary qualifications and training.

An increase in efficiency and effectiveness, of the internal Shariah auditors are needed to ensure compliance with Shariah rules and principles. Internal Shariah auditors are usually housed in an independent internal audit department, and their main task is to examine and evaluate the extent of the Bank's compliance with the Islamic Shariah rules and principles, Fatwas, guidelines, and instructions issued by the IFI's SSB the primary objective of the Internal Shariah auditor (is to ensure that the management of an IFI discharges their responsibilities in relation to the implementation of the Shariah rules and principles as determined by the IFI's SSB (AAOIFI, 2017).

The assumption of Islamic accountability is the Amanah or primordial trust such as reporting the levels within organization that allow the internal shariah audit department to perform its responsibilities free from interference; avoiding conflict of interests; having direct contact with the board and senior management; having unrestricted access to records, employees, and department. It added that, organizational independence is more crucial to the effectiveness of the internal auditors, as it protects

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the auditor from pressure or threat, and increases the objectivity of the auditing work (Cohen & Sayag, 2010; Vinten & Van Peursem, 2005).

The SSB members have the right to appoint Shariah internal auditors to monitor the day-to-day transactions and report directly to them (Al-Mahmoud 2007; Hamza, 2013). Confidentiality of information is another measure of the independence of the authority, especially if the members of the authority work in more than one financial institution. Here, the information and documents of the financial institution must be kept confidential. Therefore, (Hamza, 2013) says, the members of the commission may find themselves stronger than the managers and the board of directors when possessing such kind of information and a kind of conflict of interest can occur here, so if the confidentiality is breached, the IBs must take appropriate corrective measures to protect their private interests.

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According to (Abdul Rahman, 2008), the Islamic audit should be performed not only by a competent person but also by an independent person. Though absolute independence is difficult to achieve, Shariah auditors must struggle to preserve a high level of independence to sustain the confidence of internal as well as external users on their financial reports. In the case of ISA, they theoretically report to top management directly, thus keeping the ISA independent of the operating unit that they audit (Yasoa et al., 2018).

Therefore, a key characteristic of an effective internal Shariah auditor is the SSB independence with which it operates. The strength of an internal Shariah auditor effectiveness must be assessed with respect to the level of independence. It enjoys

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senior management and operating responsibilities. Internal Shariah auditors should be sufficiently independent of those they are required to audit. However, they can both conduct their work without interference. As such, it is hypothesized that the emphasis on the independence of the SSB will positively affect the internal Shariah auditor effectiveness. As such, based on the above discussion and the conceptual framework shown in Figure 1.3, the following hypotheses are formulated:

H1: Independence of SSB positively impact on internal Shariah auditor effectiveness in UAE IFIs.

3.5.2 Impact of SSB competence on Internal Shariah auditor effectiveness

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Competence of internal Shariah auditor in terms of (knowledge, educational qualification, skill, experience and trainings) seems to be initial bases for internal Shariah auditor effectiveness in Islamic banks to achieve the objective of Maqasid al-Shariah, similar to Abu Zaharah regards educating individual (Tahdhib al-Fard) as an important element for transforming the individual (internal Shariah auditor) into a useful member of the society (as an effectiveness) who would also refrain from causing harm to others. He says the Shariah and all its institutions are meant for educating human beings.

Shafii et al.,)2013) argued that Shariah auditor should have the knowledge and experience to audit IFIs. Shariah qualification is recommended to all internal Shariah auditors; according to AAOIFI (2010) standards No. 3 Para 12 stated that, the internal

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Shariah auditors shall possess the disciplines, knowledge, and skill essential to the performance of internal Shariah audits. Proficiency in Islamic Shariah rules and principles in general, and Fiqh al-Muamalat, is required in performing internal Shariah audits. Thus, the internal auditors who are attached to the IFI must not only have the auditing skills, but also would need an additional qualification which is Shariah knowledge specifically in Fiqh Muamalat.

Ratna & Hameed)2009) emphasize the importance of Shariah auditors to establish and standardized the qualifications and competence requirement of a Shariah auditor. Shariah auditors should be having a certificate in Shariah auditor as well as accounting and auditing techniques. Many previous academic studies have focused on the need for personnel to be appropriately qualified if a high level of internal auditor effectiveness is to be achieved (Schyf, 2000; Brierley et al., 2001; Gwilliam & El-Nafabi, 2002; Brierley et al., 2003; Mihret & Yismaw, 2007; Mulugeta, 2008).

SSB members with advanced academic qualifications could improve their ability to operationalize Islamic principles into banking practices (Safiullah & Shamsuddin, 2017). The scarcity of professionals with common Shariah knowledge and financial skills affects the internal Shariah review process, as well as the lack of experience and the limited number of qualified practitioners, which made some financial institutions use the name of a Shariah scholar working in many Shariah bodies and this leads to a reduction in the level of confidence in the eyes of the client in the Islamic financial system, despite That the same Shariah scholars provide greater competence and extensive experience in Shariah governance (Grassa, 2013).

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One of the tools or lines of defense as stipulated by Shariah Governance Framework 2011 is the existence of the internal Shariah auditor (Bank Negara Malaysia, 2011). This demands Islamic banks to capitalize on internal auditing and progress the effectiveness of internal Shariah auditors that eventually assist in achieving the organization's goals (Abdul Wahab & Abdul Rahman, 2011). (Khalid et al., 2017) referenced That there is a critical need for appropriate training and courses on Shariah concepts because most bankers are from a traditional background. Hence, competence in legitimate concepts appears to be very important in ensuring effectiveness ISA.

Nomran & Haron)2020) recommended It is imperative to improve the number and competence of SSB members, that the optimum number of SSB members be 5 persons, as well as improving efficiency related to accounting and financing to implement more qualified supervision. Mardian)2019) says that the independence, competencies, and shariah audit are become three main points to evaluate the degree of shariah compliance in IFIs.

Ulfi et al.,)2020) concludes in their study that keeping the independence of SSB members, improving higher skills and competencies of SSB members, increasing the size of SSB, as well as the need of the shariah auditor would affect to better performance of Islamic banking. And the study was proving if the characteristics of SSB members affected the financial performance, results were found that SSB members with political connections turned to be the most influential factor in the financial performance.

Referring to a study by (Mollah & Zaman, 2015) demonstrating the positive impacts of SSB toward shariah bank performance, there are certain characteristics of

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SSB required to fulfill to optimally function their supervision. A member of SSB must possess adequate knowledge and competence to determine if a bank applies shariah compliance principles. It is represented by the education level (Farook et al., 2011), educational background, reputation, and experience in supervising (Zaman, 2015).

Many studies indicated and argued that increasing the size of SSB, improve the skills and Competence of SSB members, keeping the independency of SSB members as well as a need of Shariah Auditor. Previous researchers had found that the independence and competence of SSB have an influence on the effectiveness of internal shariah auditors (Al-Twaijry, Brierley, & Gwilliam, 2003; Alzeban, 2014; Getie Mihret & Wondim Yismaw, 2007). Several researchers confirmed that the presence of knowledgeable shariah board contributors improves the organization's performance (Cheng et al.,2010; Darmadi, 2013). On the alternative hand, (Berger et al., 2014) argue that an SSB with qualified individuals is much more likely to display and manage shariah audits.

On the other hand, (Bakar, 2002; Bokhari, 2002) showed that SSB, individuals who aren't rather knowledgeable in finance or accounting may additionally discover it tough to layout and carry out innovative sports due to their loss of business expertise. Moreover, numerous researchers showed a nice courting among the presence of SSB members who integrate spiritual and financial abilities and the performance of the IFIs (Matoussi & Grassa, 2012; Hakimi et al., 2018)

H2: Competence of SSB positively impact on internal Shariah auditor effectiveness in UAE IFIs.

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3.5.3 Impact of SSB size on Internal Shariah auditor effectiveness

The role of the SSB is very important in every international financial institution, and the large size of the SSB will provide a comparison of opinions in the event of any disputes or discussions among the members of the SSB. Decisions from more than one opinion can be more objective than a one-person decision. So, the result is not subjective to one person's opinion. the average number of members per SSB in UAE Islamic banks is almost 3.6, which are in alignment with the AAOIFC governance standards (Hamza, 2013).

Hendra)2017) show in his study`s result that there is a positive correlation between the size of Shariah Supervisory Board and the quality of earning in Islamic bank. The large size of SSB members improve the quality of earning in Islamic banks.

The study by (Rini, 2014) found that the size of SSB members affected the quality of financial statements. As the Shariah officers serve as the secretariat to the Shariah board, the role and functions of the Shariah board would function more smoothly if assisted by a sizable Shariah department. Hence, the more Shariah officers that are recruited by the bank, the more intensive the Shariah governance mechanism of the respective bank is expected to be. However, it is argued that the need for a higher number of Shariah officers is dependent on how extensive the Islamic banking and finance operation is. Therefore, banks that provide a variety of Islamic banking products and services and that have a wide operation that spans the domestic as well as the international market are expected to require a higher number of Shariah auditors in their Shariah department. This requirement could be explained by the need to assist the

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Shariah board in its Shariah advisory and Shariah audit function. As the secretariat to the Shariah board, the Shariah auditor could act as an intermediary in communicating the Shariah decisions issued by the Shariah board to other relevant parties within the bank, for example to the management or board of directors. Other ways in which Shariah officers could help the Shariah board are by conducting or joining in with the research activities of the Shariah board and by preparing the necessary documentation for new Islamic banking products or services developed by the bank. Similarly, Shariah officers are expected to assist the Shariah board in ensuring that the Shariah decisions made by the latter are being implemented by the management of the bank.

In addition, if there are any issues stemming from the bank's network operation, the Shariah auditors would bring this matter to the attention of the Shariah board for deliberation by them. On the other hand, if the Islamic banking products and services that are offered and the operation of the bank are relatively limited, there is no need for a higher number of Shariah officers and therefore, the number of officers should not be the basis for the evaluation of the bank's Shariah governance mechanism. In addition, (Hassan, 2012) in his study emphasized the size of Shariah department seems to be influenced by the type of its operation and size with full-fledged Islamic banks and large banks appearing to have more Shariah auditors in the Shariah department.

The size of the SSB in terms of the number of its members should exceed five people, and most of them should have a strong knowledge of Shariah with appropriate qualifications. Meanwhile, (Ahmed & Sarea, 2019) argued that the size's mean of internal Shariah audit department is 4 staff. This is due to the small scale of the IFIs"

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operation. Additionally, 3 SSB members were also serving other IFIs due to the inadequacy of such competent professionals in the nation.

H3: Size of SSB positively impact on internal Shariah auditor effectiveness in UAE IFIs**.**

3.5.4 Moderating effects of Management support on SSB characteristics and internal Shariah auditor effectiveness

SSBs and BODs play a fundamental role in facilitating financial success and reducing potential risks to which IFIs are constantly exposed (Amanullah, 2015; Hafizah et al., 2016). The relationship between SSBs and BODs in the IFIs becomes critical to explore in terms of how SSBs influence top banking management and the BODs to improve service delivery to stakeholders. There are still limited studies to establish how SSBs influence the performance of top IFIs management including the BODs decision-making activities (Hafizah et al., 2016; Norazlina & Rahim, 2015; Sani & Ram Al Jaffri, 2016; Suhaily et al., 2016).

Yeh & Hsieh)2017) noted that SSBs are mainly responsible for ex-ante approval of financial services and products while monitoring ex-post the activities and operations of IFIs on behalf of stakeholders in efforts to enforce Shariah. Even so, limited studies on the topic have explored the relationship between SSBs and BODs, with existing studies examining how BODs implement decisions made by SSBs. In the process, SSBs have only been researched in the light of being an additional layer of CG in the IFIs meant to complement the oversight roles of the BODs (Noor et al., 2015).

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Zaemah & Norhafiza)2016) also examined the role of SSBs and BODs in IFIs and concluded that SSBs ensure that financial contracts align with Shariah. The researchers noted that there exists limited knowledge of the advisory relationship between SSBs and BODs.

Past literature publications on SSBs largely focused on studying the Shariah governance framework (Al Elsheikh & Tanega, 2011; Al-Shamrani, 2014; Farag et al., 2018), the impact of Shariah governance on IFIs (Gözübüyük et al., 2018) and effectiveness of Shariah supervision model (Grassa & Matoussi, 2014). However, there is little information as to how the structure of SSBs and the resources availed by its Shariah advisors contribute to the effectiveness of BODs and IFIs in meeting stakeholder outcomes. Thus, the rationale of this study was to fill the knowledge gap in the literature in terms of assessing the potential relationship between SSBs and BODs and explore how BODs are influenced by SSBs in dispensing their financial obligations in the IFIs.

The focus of the part of this study is limited to IFIs in UAE with specific research scope limited to assessing the relationship between the BODs and the SSBs in Islamic banks. Over the years, has been growing research focus on SSBs within IFIs across various countries such as Egypt (Zuhaida, 1990), Malaysia (Bazeley, 2009), Egypt, Kuwait (Pathan & Faff, 2013), and the UAE (Ayub, 2007).

According to (Rahman & Bukair, 2013) the literature findings reveal that the factors which affect BODs also affects and influences SSB operations within the IFIs. (Bhatti & Bhatti, 2010) also revealed that when compared to IFIs, the structure of the

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CG and conventional board seems to be alike in their operations and objectives. Thus, the CG theories such as the RDT, STD, and AGT discussed in section 2.9 can be used and extended to explain the expected roles between SSBs and BODs within the IFIs (Azmat et al., 2015). The subsequent sections provide details which help theorize the association between SSBs and BODs in the light of the theoretical lenses.

The organization relies on achieving its set objectives on a very important factor, which is management support for the internal audit unit. To ensure an effective internal audit, management must fulfill its obligations and support it. This support comes through emphasizing the independence and objectivity of internal auditing in identifying many areas, including the implementation of the recommendations of the internal audit unit and the improvement and development of quality performance.

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Internal audit is effective insofar as it is supported by management. (Abdulaziz & Nedal, 2013) indicated in their study that the suffering of internal auditing is due to the lack of support from senior management. This is what was confirmed by (Gray & Manson, 2000) the fact that if critical reports are issued by the internal audit and the administration does not take any action for political reasons, for example, then this leads to undermining the internal audit function and reducing its effectiveness.

Based on the (Mihret & Yismaw, 2007) failure of management to make and reach internal audit recommendations, this has far-reaching consequences for the auditors' attitude towards improving the quality and effectiveness of the audit, as well as their professional commitment to developing and improving their level as internal auditors. This is all in line with (Van Gansberghe, 2005) his assertion that

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implementation of the audit recommendation is closely related to the performance and effectiveness of internal audit. (Mihret & Yismaw, 2007) added that if management does not commit to implementing the audit recommendations, this will not serve a great purpose.

Also, if management determines the scope of internal audit work, it does not allow internal auditors to be independent. As it is known that it is the duty of the departments in all organizations to define and form the organizational equipment for the internal audit profession, and (Sifile & Innocent, 2014) stressed that the internal audit unit can improve its performance once it gets adequate support from the management. In providing services in any organization, management support is pivotal to the effectiveness of the internal audit department (Samuel, et. al. 2016). According to the (Seif & Hussein, 2012) there is a positive relationship between support for management and the effectiveness of internal auditing in the private sector. Management support services are prerequisite for effective and quality internal auditor (A et al., 2017).

Term of management support refers to the management supportive attitude in terms of committing resources, participating in auditing plans and acting as a role model in the workplace (Alazzabi et al., 2020). based on (Saputra et al., 2020) research study that management support indirectly has a significant effect on the effectiveness of internal audit, through competence and indirectly significantly affects the effectiveness of internal auditor through independence.

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It can be concluded that administrative support plays an important role and significantly affects the effectiveness of internal auditing, and this was confirmed in the summary of their research (Mihret & Yismaw ,2007), (Cohen & Sayag, 2010), (Alzeban & Gwilliam, 2014), (Baharud-din et al., 2014), and (Drogaras et al., 2015), that administrative support positively affects the effectiveness and performance of internal audit.

H4: the role of management support moderates the impact of SSB characteristics (independence; competence and size) on internal Shariah auditor effectiveness in UAE IFIs.

3.6 Summary

This chapter has reviewed the literature on the SSB and internal Shariah auditor effectiveness, together with the relationships among them empirically and conceptually. However, internal Shariah auditors are expected to carry out their function efficiency and effectively. All these can be perceived by the shareholders, investors and customers would determine the credibility of IFIs and internal Shariah auditors itself. Based on the reviewed literature, some conclusions are drawn, mainly: Conceptually, characteristics of Shariah Supervisory Board (independence; competence and size of SSB) have positive relationships with internal Shariah auditor effectiveness. Empirically, SSB normally dictates Shariah auditing in the IFIs.

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The literature reveals that the management support has never been studied as a moderator in the relationship between the Shariah Supervisory Board characteristic and internal Shariah auditor effectiveness. The study looks at the relationship between Shariah Supervisory Board characteristic on internal Shariah auditor effectiveness. Currently, this study also looks at the impact of Management support on SSB characteristic and internal Shariah auditor effectiveness relationships. The development of research model is based on several theoretical approaches mainly Maqasid al-Shariah theory, Islamic agency theory, and Islamic accountability theory. These theories are needed in the examination of the relationships between SSB characteristic (independence; competence and size) and internal Shariah auditor effectiveness. The chapter has described the conceptualization of the theoretical framework and the hypotheses development. The hypotheses developed based on empirical evidence from previous studies and Islamic agency theory. As general, the study will access the relationship between the Shariah Supervisory Board characteristic toward the effectiveness of internal Shariah auditor among the IFIs in UAE. This study also intended to find the moderating effect on the relationship between the Shariah Supervisory Board characteristic and the internal Shariah auditor effectiveness.

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CHAPTER 4

RESEARCH METHODOLOGY

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4.1 Introduction

This chapter briefly explains the method that would used to conduct this study. It primarily contains several sections that include Research design, population, and study sample. Questionnaire construction and operational definition of each variable would discuss in this study: questionnaire design, data collection, pre-testing, and parameter measurement, as well as data analysis using the Structured Equation Method (SEM) via AMOS, and descriptive statistics.

The research methodology is an essential part of the research process and is responsible for providing a guideline to the researcher so that the entire research will be carried out in an adequate manner (Sapsford & Jupp, 2006). It helps in formulating the objectives and collection of data or facts in a systematic manner. The collected data

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is analyzed by using appropriate data analysis tools and interpreted so that the relevant responses for the research questions proposed would gain by the researcher. In the current chapter, the various research approaches and research processes would used so that interpretations from the collected data will be drawn in an adequate manner. In respect to this, to carry out the research process in an effective manner, the researcher used research paradigm, research approach, research design, sampling design, data collection analysis, and interpretation techniques to make effective evaluations and reach to final judgments in the right way (Pinsonneault & Kraemer, 1993). In addition to this, the section also includes strategies that were undertaken by the researcher for collaborating the findings and ethical considerations so that the research could be carried out in an adequate manner.

Descriptive quantitative research is more formulaic and refers to hypotheses and variables thus reducing the possibility of researcher bias, as compared to qualitative research (Leedy & Ormrod, 2010). Quantitative research is a popular research method in the social sciences and involves testing one or more hypotheses. Some researchers consider this type of research as the only real research (Willis, 2007). Quantitative research is appropriate because it follows a non-linear path in a natural setting (Neuman, 2011). Data presented in the form of numbers allow for precise measurement. Quantitative research is traditionally based on a prespecified method whereas qualitative research is recursive, and results can be unclear (Willis, 2007).

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4.2 Research Design

The research will be designed in a systematic way consisting of data collection, analysis of findings, and properly supported conclusion drawing (Pallant, 2010). This is an association study that aims to establish a relationship between the predictor and the intermediate and standard variables. The study is also cross-sectional in nature as the data would collected simultaneously via postal questionnaire. This method would chosen because it can reach the largest possible number of participants in the IFIs in the UAE.

Research is an organized investigation that aims to increase the sum of knowledge (Fellow & Liu, 2015). This research utilizes a quantitative approach because it enables the researchers to conduct empirical procedures to test the hypotheses or the underlying relationship among the variables (Golafshani, 2003). The research is intended to successfully elicit arguments on how the relationship between SSB characteristics and ISAE with management support role within IFIs in UAE. The search strategy assists the researcher in investigating research issues. According to (Saunders et al., 2009), a search strategy is a general scheme that helps to answer research questions in a systematic and useful way for using specific methods of data collection to support the arguments.

This methodology is essential in the sense that it provides the basis that will guide the entire research. Therefore, it is imperative to ensure that it covers all necessary aspects. For example, the study chooses to work with a systematic approach that will facilitate understanding of SSBs and ISAE at a level not yet significantly explored by

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current research. To do so, the study must be based on the current theory, while at the same time looking for synthesizing a new theory, or developing an existing one, to ensure that it has a tangible impact on practice and literature (Robson, 2011).

The process of this research begins by reviewing studies related to SSB characteristics, ISA effectiveness, and management support, then identifying the research problem, as well as research questions and objectives. The model for this research was developed through various methodological stages to study the relationship between SSB and ISAE. Data would collect using a structured questionnaire designed based on the information obtained from the literature. Then, an analysis of the collected data would perform later to find answers to the research questions and hypothesis testing. SPSS and AMOS are utilized for analyzing the data and developing the model. The SPSS is used for conducting several data analyses and exploratory factor analysis (EFA), while AMOS is used for confirmatory factor analysis (CFA) and developing the structural equation model (SEM). After that, the results are discussed, concluded followed by presenting the recommendation for future research.

4.3 Population, Sampling and Sampling technique

Populace Testing Strategies. Populace testing is the method involved with taking a subset of subjects that is illustrative of the whole populace. The example should have adequate size to warrant factual examination. In this section, the author will go into details about the following subjects: population, sampling, and sampling technique in this study as follows:

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4.3.1 Population and sampling

According to (Sekaran & Bougie, 2016), "population refers to the entire group of people, events or things of interest that the researcher wishes to investigate". The population of this study is all the IFIs listed in CBUAE. There are 78 IFIs registered under the CBUAE as of December 31, 2020, categorizes as follows:

1. 58 banks (38 foreign, 20 nationals)

   20 National Finance companies

Table 4.1

Islamic Financial Institutions in the UAE

S.No.	Name of IFI	Type
1	HSBC Bank Middle East Limited	Foreign Bank
2	Standard Chartered Bank	Foreign Bank
3	CitiBank N.A.	Foreign Bank
4	Habib Bank Ltd.	Foreign Bank
5	United Bank Ltd.	Foreign Bank
6	Bank Saderat Iran	Foreign Bank
7	Al Ahli Bank of Kuwait	Foreign Bank
8	Bank Melli Iran	Foreign Bank
9	Arab African International Bank	Foreign Bank
10	Banque Misr	Foreign Bank
11	Arab Bank PLC	Foreign Bank
12	BNP Paribas	Foreign Bank
13	Al Khaliji (France) S. A.	Foreign Bank
14	Natwest Markets Plc	Foreign Bank
15	Rafidain Bank	Foreign Bank
16	Bank of Baroda	Foreign Bank
17	Janata Bank Limited	Foreign Bank
18	Habib Bank A.G Zurich	Foreign Bank
19	Banque Banorient France	Foreign Bank
20	Credit Agricole- Corporate and Investment Bank	Foreign Bank
21	El Nilein Bank	Foreign Bank
22	National Bank of Oman S.A.O.G.	Foreign Bank

(continue)

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Table 4.1 *(continue)*

S.No.	Name of IFI	Type
23	National Bank of Bahrain	Foreign Bank
24	Doha Bank	Foreign Bank
25	Samba Financial Group	Foreign Bank
26	National Bank of Kuwait	Foreign Bank
27	Industrial & Commercial Bank of China	Foreign Bank
28	Deutsche Bank AG	Foreign Bank
29	KEB Hana Bank	Foreign Bank
30	Barclays Bank PLC	Foreign Bank
31	Bank of China Limited	Foreign Bank
32	Gulf International Bank	Foreign Bank
33	MCB Bank Limited	Foreign Bank
34	Intesa Sanpaolo S.P. A	Foreign Bank
35	Agricultural Bank of China Ltd.	Foreign Bank
36	Bank Al Falah Limited	Foreign Bank
37	BOK International Bank	Foreign Bank
38	AMEX (Middle East) B.S.C.	Foreign Finance Company
39	Emirates NBD Bank P.J.S.C	National Bank
40	Mashreq Bank P.S.C.	National Bank
41	First Abu Dhabi Bank P.J.S.C	National Bank
42	Commercial Bank of Dubai P.J.S.C	National Bank
43	Bank of Sharjah P.J.S.C	National Bank
44	Dubai Islamic Bank P.J.S.C	National Bank
45	Sharjah Islamic Bank P.J.S.C.	National Bank
46	United Arab Bank P.J.S.C	National Bank
47	InvestBank PLC	National Bank
48	Arab Bank for Inv.& Foreign Trade	National Bank
49	Emirates Islamic Bank P.J.S.C.	National Bank
50	National Bank of R.A.K P.J.S.C	National Bank
51	Emirates Investment Bank (PJSC)	National Bank
52	National Bank of U.A.Q PSC	National Bank
53	National Bank of Fujairah PSC	National Bank
54	Abu Dhabi Commercial Bank P.J.S.C	National Bank
55	Commercial Bank International PLC	National Bank
56	Abu Dhabi Islamic Bank P.J.S.C	National Bank
57	Dubai Bank	National Bank
58	Al Hilal Bank P.J.S.C	National Bank
59	Ajman Bank P.J.S.C	National Bank
60	Al Maryah Community Bank L.L.C.	National Bank
61	Gulf Finance Corporation PJSC	National Finance Company
62	Amlak Finance PJSC	National Finance Company
63	Tamweel PJSC	National Finance Company
64	Samaa Finance PSC	National Finance Company

(continue)

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Table 4.1 *(continue)*

S.No.	Name of IFI	Type
65	Majid Al Futtaim Finance LLC	National Finance Company
66	Finance House PJSC	National Finance Company
67	Aafaq Islamic Finance PJSC	National Finance Company
68	Fisrt Abu Dhabi islamic finance PPC	National Finance Company
69	Mawarid Finance PPC	National Finance Company
70	Reem Finance PJSC	National Finance Company
71	Abu Dhabi Finance PPC	National Finance Company
72	Al Futtaim Finance Co. PPC	National Finance Company
73	Deem Finance LLC	National Finance Company
74	Emirates Money Consumer Finance LLC	National Finance Company
75	Finance House PPC	National Finance Company
76	Siraj Finance Company PPC	National Finance Company
77	BMW Albatha Finance PPC	National Finance Company
78	Al Ain Finance Co. PJSC	National Finance Company

Sources: CBUAE December 2020

Table 4.1 showing all IFIs listed in central bank of United Arab Emirates on the end of year 2020 and the types of categories in IFIs namely (Islamic bank, Islamic window, finance company, insurance company, investment company).

From the above numbers, the author focused on the Islamic banks, Islamic investment, and Islamic windows. A census sampling technique would used in this study and data would collect from each member of the population, to select respondents who consider the small sampling frame. The study will indicate that every IFIs has an internal Shariah audit department.

Sampling is the process of gaining information about a total population by investigating a part of it. Methods of sampling are generally characterized into non-probability and probability methods (Haque, 2010). This approach is an investigation of a recognized issue by examining the relationships between the variables of the study,

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as well as measuring and analyzing them through multiple statistical values and methods (Kumar et al., 2013).

4.3.2 Sampling Techniques

There are two methods of sampling. The first method is the probability method and the second is the non-probability method. According to (Sekaran & Bougie, 2016) probability sampling designs are used when the representativeness of the sample is of importance in the interests of wider generalizability, and the samples are chosen randomly. In contrast, non-probability sampling is based on the selection by non-random means. This can be helpful for specific studies, for example, for quick surveys or where access to the entire population is difficult (Walliman, 2017). In addition, five main techniques of probability sampling can be used to determine the sampling method, namely simple random, systematic, stratified random, cluster, and multistage. In contrast, the non-probability sampling has five sampling methods consisting of quota sampling, purposive sampling, snowball sampling, self-selection sampling, and convenience sampling (Saunders et al., 2009).

Moreover, a probability sample provides the opportunity to know the probability or probability of the population, whereas the nonprobability sampling sometimes only illustrates the population. It is difficult to understand no probabilistic sampling (Schreuder et al., 2001). There are many options when selecting a sampling procedure. They include simple random sampling, stratified sampling, cluster sampling, and systematic sampling. This step is interlinked inextricably with the

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identification of the sampling frame because the choice of sampling method depends on what the researcher can develop in this aspect (Catania et al., 2015). According to (Fraenkel & Wallen, 2017) simple random techniques are regarded as the most common techniques in the sampling process in which each member of the population has an equal and independent chance of being selected.

Experimental designs and surveys are useful and powerful in finding answers to research questions through data collection and subsequent analyses, but they can do more harm than good if the population is not correctly targeted. That is, if data are not collected from the people, events, or objects that can provide the correct answers to solve the problem, the research would in vain. The process of selecting the right individuals, objects, or events as representatives for the entire population is known as sampling (Sekaran & Bougie, 2016)

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Finally, this research seeks to study the impact of SSB on internal Shariah auditor effectiveness among IFIs in UAE. The core business of these IFIs is financial processes, Management, and follow-up of this money so they depend mainly on the management support, Chief executive officer, SSB, Audit and governance committee, Accountants, and internal Shariah auditors. Therefore, this research utilizes a simple random sampling technique to select respondents IFIs in UAE. This technique is a probability sampling type (Barreiro & Albandoz, 2001). The selection of this technique is attributed to the fact that these IFIs share some characteristics such as the government, private and foreign banks, they have similar financial abilities. Therefore, this justified the use of the simple random sampling technique. Moreover, this sampling technique is less time and less expensive as compared with other sampling methods

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(Meng, 2013). Additionally, this research is seeking to generalize the findings and the selection of probability; sampling supports the generalization of research findings.

4.3.3 Sampling Size

According to (Saunders et al., 2009) the sample of a study is made up of all possible units in which data can be collected and the results can be generalized. Sampling is the process of selecting a segment from the target population in such a way that it accurately and fairly represents the entire population (Sekaran & Bougie, 2016). Identifying the exact sample size is often considered a complex task. If the size of the sample is smaller than the predicted size, there is a chance of failure convergence, lower parameter accuracy, and inappropriate solution would occur (Hair et al., 2018). Sampling involves a process of deciding on the participants to ascertain the purpose of a study since the whole population that the subset belongs to is exemplified (Bartlett et al., 2001). Furthermore, a large sample size than what is necessary can cost money and time to get the respondent's responses (Bell & Bryman, 2007; Hair et al., 2018). Therefore, it is crucial to recognize and generalize a proper sample size to all the target populations with consistent outcomes.

The sufficiency of the sample size should be achieved based on the data analysis conducted in the current study. Many researchers have recommended several suggestions on the minimum sample size required for SEM. (Williams & Holahan, 1994) opined that a minimum sample size of 100 is most suitable for an SEM analysis. Also (Hair et al., 1998) indicated that sample sizes must exceed 100 for factor analysis.

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(Bartlett II et al., 2001), assured that factor analysis must not be conducted with samples of less than 100. Conversely, (Kelloway, 1998) and (Marsh et al., 1988) confirmed that a sample size of 200 may be needed to get valid goodness-of-fit measures. To implement the SEM analysis, it is suggested that an optimal sample is between 100 and 200 for it to be deemed satisfactory and sufficient (Hair et al., 2018) as proposed by (Forza & Filippini, 1998).

Roscoe (1975) as cited in (Sekaran & Bougie, 2016), argued that a sample size greater than 30 and less than 500 is considered suitable for conducting the research. The author also stated that in the multivariate analysis, the sample size should be several times, and preferably ten times larger than the number of variables in the study. The minimum acceptable sample size of the questionnaire is no less than five times the constructs items, which would analyze. If we apply this rule for this research, 47 questions are recognized in the questionnaire. Therefore, minimum number of sample size is: 5 * 47 = 235 respondents. This sample size agrees with the above-mentioned literature and is used for Assessment of measurement and Structural model.

For this study, the sample size comprises Internal Shariah auditors, Shariah Supervisory Board, Audit and governance committee, accountants, and Chief executive officers. According to UAE central bank since the target respondents' number is varied based on the number of branches of the bank. Therefore, at least five respondents should be selected from IFIs of the CBUAE. Since the number of IFIs is 78, and the expected average at least of respondents is five, then the total number of expected respondents is 390 (78 IFIs × 5 respondents), which is in line with the accepted sample size.

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Therefore, I sent and distributed the questionnaires to all Internal Shariah auditors, Shariah Supervisory Board, Audit and governance committee, accountants, and Chief executive officers in all 78 IFIs to obtain the required sample size.

The unit of analysis is defined as the degree of exploration the study focuses on and the kind of analysis including individuals, groups, and dyads (Thompson & Walker, 1982). The main unit of analysis investigated in this study was the (Internal Shariah auditors, Shariah Supervisory Board, Audit and governance committee, accountants, and Chief executive officers) of IFIs in UAE (J. Adams et al., 2007).

Among the reasons for choosing the Chief executive officer that is responsible for making decisions. In addition, that manager play a key role in the prevalence of SSB as well as a role in directing and evaluating employee's performance (Bussin & Ncube, 2017). Also selected as the unit of analysis as they have the essential information regarding the internal Shariah auditor effectiveness within their IFIs. Besides that, level, managers play a critical role to ensure a successful financial performance improvement process if they are allowed to effectively utilize their years of experience to improve the performance improvement by avoiding risks and making decisions correctly (Guo, 2008).

Furthermore, internal Shariah auditors and accountants were selected for three reasons. The first is due to the impact of SSB on internal Shariah auditor effectiveness, where the internal audits work is based totally on the accounting statements and reports, so accountants can understand and estimate the impact of SSB on internal Shariah auditor’s effectiveness. The second reason is that these respondents are more capable

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to express opinions about research than others. The third reason is to avoid bias when selecting only internal Shariah auditors to evaluate their work. Hence, they are more appropriate to the variables of this study than ordinary workers.

4.4 Data Collection

Data was collected from the respondents in all IFIs in UAE through questionnaires distributed by the researcher. Fowler (2009) recommends that these approaches are relatively inexpensive, require minimal staff and facilities, and give participants the time to provide thoughtful answers. Initially, the questionnaire sent to the respondent's heads of internal Shariah auditor with addresses in IFIs in the UAE.

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Data collection is the most essential part of the research conduction process which is used to collect the evidence and proofs with respect to the research study (Sapsford & Jupp, 2006). It enables the researcher to collect various facts and figures relevant to the proposed research topic by using primary and secondary data collection methods. To make focus on the primary data collection method; it is the process through which data is collected for the very first time. It uses various procedures to gather information from various sources like interviews, observations, schedules, questionnaires, etc. Furthermore, to collect the facts and figures in quantitative methodologies, closed-ended questionnaires are used whereas for the collection of qualitative data open-ended questionnaires are used. However, to collect both quantitative and qualitative data interviews, closed-ended questionnaires and classroom observations are used (Pinsonneault & Kraemer, 1993). The survey method can also be

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used to collect primary information and produces the best results when used with questionnaires. It is regarded as the most essential tool to collect primary data from the respondents in the case of quantitative research.

To analyze the secondary method of data collection, it is the process through which facts are collected from the various pre-determined data or the work that has already been before. In the secondary data method, references are taken from the previous work done by scholars, researchers, intellectuals, etc. In addition to this, the secondary facts can also be collected from various journals, news articles, newspapers, magazines, etc. These sources are generally less expensive in nature and could be collected in a short span of time (Peffers et al., 2007). In the present times, the researchers are also taking the help of digital medium and internet to get more information about the research study by surveying the web pages like Google, etc. The secondary form of data is easily available in the written, visual, or electronic form which could be structured as per the need of the study.

In the current study, the researcher had been taken the primary data collection method into consideration. It is quantitative in nature and best suited for the research study. For the effective collection of data and information quantitative questionnaire consisting of close-ended questions had been used by the researcher. The quantitative questionnaire had been designed according to the proposed objectives so that relevant information about the current research topic could be collected in an effective way. The implementation of 5- point Likert's scale enabled the assessment of collected data in an easy manner with the help of pragmatic tools and subsequently pilot-tested to check its validity and efficiency.

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An English version as well as an Arabic version is created using the Google online questionnaire application. The contact information of the respondents is obtained from the website of the companies. A cover letter explains the purpose of this study and is sent to the public relations department for the assistance of reaching the executive. A supporting letter from the university is attached and details of the researcher are given for any inquiry. The questionnaire is distributed three times. The first time is distributed on 50 respondents for the pilot study purpose, and the valid responses are 40. The second time, the questionnaire is distributed on 120 respondents to conduct the EFA, and the valid responses are 100.

For developing the measurement and structural equation model, questionnaires are mailed out to the respondents through the email of each IFI after getting the approval of each IFI Director to avoid the shortage in the questionnaires due to various reasons (missing, ignored, incomplete). They asked to send the responses to my email within 3-4 weeks. The period for the questionnaire distribution and collection took around six months. This study attempts to collect at least 340 questionnaires to meet the rule of thumb of using SEM. However, the valid responses were 365 out of 400 distributed questionnaires. Researchers faced some limitations due to the weak cooperation of some companies to facilitate researchers' tasks. This led to a long delay in getting the approval of companies' managers to execute surveys and obtain responses due to the preoccupation of staff in their work.

The author summarized all stages of data collection in the flowchart beginning with the literature review and ending with the data analysis

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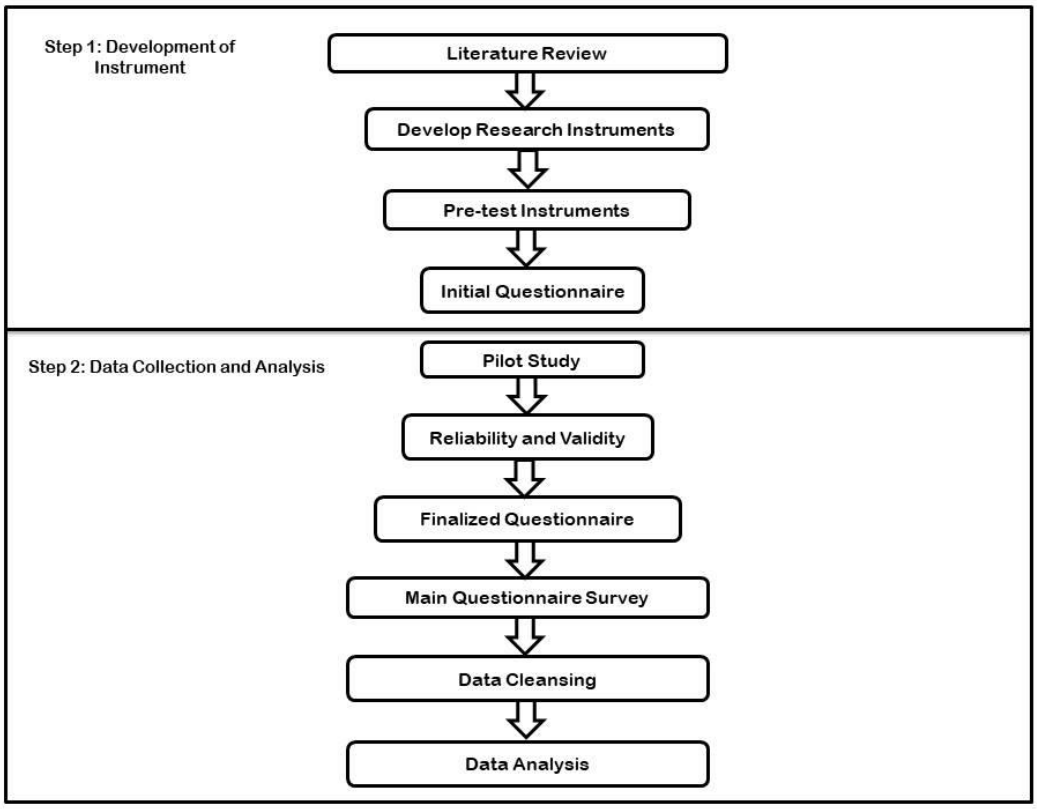


Figure 4.1. Research Procedures. Source: Adapted from (Boon, 2013)

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4.5 Research Instrument

A questionnaire used to obtain the information needed for measuring the variables in the study and collection data. every section of the research instrument is structured to head one of the aims of this study. The research instrument specifically concentrates on the research items based on the variables presented in the research framework. all respondents have availability for all the research items after a brief introduction explaining the importance of this study in IFIs in UAE.

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4.5.1 Instrument Construction Procedures

the researcher and the two translators were gathered to clear up errors between the original and the back-translated version. This process is carried out mainly to achieve a certain degree of translation quality (Brislin, 1970). The choice of using a survey questionnaire as a data gathering method is due to its efficiency, economics, and effectiveness in confirming the answers to closely defined alternatives (Sekaran & Bougie, 2016). Meaning that the researcher must know exactly what is required and how to measure the variable of interest. This method of gathering data enables testing of the hypotheses postulated based on the literature and previous studies. It allows for systematic analysis of the data to be collected. The questionnaire consisted of six main sections is designed to gauge, the data pertaining to:

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1. Independence of Shariah Supervisory Board
2. Competence of Shariah Supervisory Board
3. size of Shariah Supervisory Board
4. management support
5. Internal Shariah auditor effectiveness
6. Background of the respondents

This section discussed validity and reliability testing of the variable elements so that their correctness and reliability characteristics was determined. Validity and reliability tests that was conducted on the items of the criteria for the characteristics of the internal Shariah audit, the effectiveness of the internal Shariah auditor and the SSB.

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4.5.2 Source of Constructs Items

This research model consists of three constructs. The first construct is the SSB characteristics followed by management support as moderator, and then ISAE. The source of variables measurement of this research is given in table 4.2.

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Table 4.2

Measurement of Variables

Construct	No. of Items	Items of each construct	Sources
	Independent Variables: Shariah Supervisory Board Characteristics		
SSB Independence	8	1. SSB members are independent of Board of Directors.	AAOIFI (2010),Adapted
		2. All members of SSB are independent of shareholders.	AAOIFI (2010),Adapted
		3. All SSB members are non-executive director.	AAOIFI (2010),Adapted
		4. Members of the SSB have sufficient independence to perform their professional obligations and duties.	AAOIFI (2010),Adapted
		5. The lack of relationships between the member of the SSB and the institution, whether it is a financial or personal relationship.	AAOIFI (2010),Adapted
		6. The SSB provides its reports directly to the shareholders & General assembly.	AAOIFI (2010),Adapted
		7. The SSB does not faces interference from management in the course of their work.	AAOIFI (2010),Adapted
		8. The appointment and replacement of a member of the SSB must be within the authority of the Board of Directors or the General Assembly and with the approval of the Central Bank.	AAOIFI (2010),Adapted
SSB Competence	7	1. Members of the Shariah Supervisory Board hold a scientific qualification in accounting or finance.	AAOIFI (2010), Adapted
		2. Members of the Shariah Supervisory Board hold a scientific qualification in Islamic shariah.	AAOIFI (2010), Adapted
		3. Members of the SSB hold a scientific qualification in Islamic Economic.	AAOIFI (2010), Adapted

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Table 4.2 *(continue)*

Construct	No. of Items	Items of each construct	Sources
		4. Members of the SSB must have experience in jurisprudence of financial transactions.	AAOIFI (2010), Adapted
		5. Efficiency should be the main criterion for selecting a member of the SSB in Islamic financial institutions.	AAOIFI (2010), Adapted
		6. A member of the SSB shall enhance his technical competence through continuous learning.	AAOIFI (2010), Adapted
		7. The SSB review internal Shariah audit plan on a regular basis	AAOIFI (2010),Adapted
SSB size	4	1. Large size of SSB members may decrease the possibility of information asymmetry.	(Mollah & Zaman, 2015)
		2. The size of the organization's Shariah Supervisory Board is adequate to carry out its duties properly.	AAOIFI (2010), Adapted
		3. The size of the Shariah Supervisory Board in the organization is not less than three persons.	AAOIFI (2010), Adapted
		4. The number of the current Shariah Supervisory Board members in the organization is enough to effectively exercise its role.	(Mollah & Zaman, 2015)
Dependent Variable			
ISA Effectiveness	7	1. Internal Shariah auditor should be objective in performing them internal Shariah audit.	
		2. Internal Shariah audit staff have free access to all departments and employees in IFIs.	adapted from:
		3. Internal Shariah auditor should maintain what professionalism in performing the internal Shariah	Al-Twaijry et al. (2014)
		4. Shariah internal audit was conducted in timely manner.	Mihret and Yismaw, 2007
		5. The head of internal Shariah audit has communicated results to the appropriate quarters.	Cohen & Sayag, 2010
		6. Evaluation of the extent of compliance with Islamic Shariah rules	Arena and Azzone, 2009

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Table 4.2 *(continue)*

Construct	No. of Items	Items of each construct	Sources
		and principles and Fatwas issued by IFI's SSB. 7. The opinion of the internal Shariah audit personnel on developing Shariah audit skills through workshops and courses.	
Moderating Variable			
Management support	9	1. Senior management should support internal audit to perform its duties and responsibilities. 2. Senior management should participate in the internal audit plan. 3. Internal audit must provide senior management with sufficient, reliable and relevant reports about the work they perform, and recommendations made. 4. Internal audit department must be large enough to successfully carry out its duties and responsibilities. 5. The management should support training programs and workshops for its employees. 6. There must be an incentive system is in place and provided by the management to its employees. 7. The Management must implement the recommendations of the internal Shariah audit department and meets its needs. 8. The management must see that the internal audit is an internal guarantee and fortress for the organization, so it is to give it attention and support. 9. The internal audit department must obtain the necessary resources and facilities that help to perform audit activities accurately	Adated from: Mollah and Zaman, 2015 Matoussi and Grassa, 2012 Alzeban, 2014

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4.5.3 Questionnaire Construction

The questionnaire includes two sections (refer to Appendix B). The first one is dedicated to demographic factors, which comprise of gender, age, educational achievement, occupation, and working experience. The second section includes the constructs (research variables). This section consists of the following parts:

- ✓ Independent Variables:

The SSB characteristics are the independent variables. Based on the literature, three SSB characteristics (constructs) are selected namely independent, competence, size (refer to section C). Each characteristic includes (8,7,4) items respectively.

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- ✓ Dependent Variable:

The ISAE is the dependent variable, which is a single dimension (construct). This dimension also includes (7) items.

- ✓ Moderating Variable:

Management support is the moderated variable, which is also a single dimension, and it includes (9) items.

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The format of all the research items is a 5-point Likert scale. To examine the respective influences of SSB's properties on ISAE, it is necessary to offer all created components in the research on a measured, consistent scale. The dimension items are rated by the participants on a scale from "strongly disagree" to "strongly agree." Before the item statements are introduced, all the dimensions are established to aid in a better comprehension of this questionnaire.

4.6 Validity and Reliability

This section discussed validity and reliability testing of the variable elements so that their correctness and reliability characteristics was determined. Validity and reliability tests that was conducted on the items of the criteria for the characteristics of the internal Shariah audit, the effectiveness of the internal Shariah auditor and the SSB.

According to (Kerlinger, 1986) the validity and reliability of items asked in the questionnaire can be determined by using factor analysis and reliability tests. The tests are to measure that the variables are the right measuring tools and representing the concept being measured. On the other hand, opinions and views from the experts were also being sought in enhancing the face and content validity of the measuring instruments. The supervisor of the study, lecturers of the Department of Accounting and Finance in Management and Economics faculty in Universiti Pendidikan Sultan Idris (UPSI) and some internal Shariah auditors of IFIs were conducted for this purpose.

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It is no doubt that the quality of data from a survey is no better than the worst aspect of the methodology (Fowler, 2009). Therefore, it is suggested to look at all angles of errors, not just a single source, when making survey decisions. (Oppenheim, 1992) strongly emphasizes the importance of pre-testing a questionnaire. To minimize the problem of the respondents misunderstanding the questions and would not try to ask for further explanation, the wording of the questions must be chosen carefully and pre-tested before sending out the questionnaires.

4.6.1 Validity Test

Validity is a term used to describe how well an instrument describes the notion it is intended to measure (Roberts et al., 2006). Validity can be both qualitative and quantitative, claims (Creswell, 2014). According to the author, quantitative validity refers to "whether one can draw meaningful and useful inferences from scores on a certain instrument," while qualitative validity refers to "the researcher verifies for the veracity of the findings by utilizing certain processes."

Performing a thorough literature review on the idea that researchers are trying to test is the first of two methods, according to (Muijs, 2004) that can help the researcher attain content validity. Secondly, you should check with the professionals to see if the instrument's data is reliable. 14 professionals in the fields of accounting and auditing are surveyed as part of this study to get their opinions on the questionnaire's validity. Based on their comments, the final questionnaire is revised and modified to eliminate

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any ambiguities. The specialists all have between 15 and 25 years of professional or academic experience in their respective fields.

The experts panel suggested that many modifications, including changing a few items of the dimension and style in addition to modifying some of the personal information. They also gave some comments about English grammar, and double terms in one question. Table 3.3 shows detailed information about the experts.

4.6.1.1 Expert Judgments

To get their opinions on the validity and reliability of the questionnaire, 14 experts, including academicians and people with 15 to 25 years of experience in accounting and shariah auditing firms, were sent questionnaires. The experts' panel recommended a few changes, including altering some of the personal information as well as a few objects' dimensions and styles. Additionally, they commented on the use of double terms in one question and on English grammar. Table 4.3 provides comprehensive biographical data about the experts as well as a summary of their remarks.

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Table 4.3

Experts Information

#. Name	Profession	Address
1. Prof. Mohammad M. Alolama	Academic in Emirates University SSB in more than IFI in UAE	sultan.alolama@uaeu.ac.ae
2. Dr. Salim a. Al-ali	Academic in Emirates University SSB in more than IFI in UAE	s.alali@uaeu.ac.ae
3. Dr. Ali h. Aljenaidi	Academic in Emirates University SSB in more than IFI in UAE	alijunaidi@uaeu.ac.ae
4. Dr. Abdalla s. Alteneiji	Academic in Emirates University SSB in more than IFI in UAE	ataha@uaeu.ac.ae
5. Dr. Ibrahim almansori	Sharjah Islamic center for economy and finance studies SSB in more than IFI in UAE	ialmansoori@sharjah.ac.ae
6. Dr Adnan Aziz	SVP - head of shariah at Noor bank Academic in Ajman University	m.aziz@ajman.ac.ae
7. Dr. Ibrahim elsiddig ahmed	Academic in Ajman University Associate professor, head of accounting department	i.alsiddiqe@ajman.ac.ae
8. Mr. Abdulqadir kaisr	Sharjah Islamic Bank – SSB Department of shariah & Islamic studies	abdulqadir.kasir2@sib.ae
9. Dr. Mohanad al dakash	Phd in islamic banking and finance, iium. Manager shariah audit, abu dhabi islamic bank.	mohanadaldakash@hotmail.com
10. Dr. Omar ikbal Tawfik	Academic in Dhofar University – Oman	otawfik@du.edu.om
11. Prof. Noor afza binti amran	Uum experts - uum college of business	Afza@uum.edu.my
12. Noorhayati mansor, DBA	Teacher, School: accounting, UNISZA	nhayatimansor@fpp.unisza.edu.my
13. Dr. Sulaiman bin tahajuddin	Accounting, UMS – Malaysia	sulaiman@ums.edu.my
14. Dr. Rihab grassa	Faculty at higher colleges of technology Expert in the IFIs	ihab_grassa@hotmail.fr

4.6.2 Reliability Test

The amount of variation in a measured score that is attributable to variation in the genuine score rather than some sort of error is known as reliability (Roberts et al., 2006).

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In other words, the internal consistency of research tools defines reliability (Cronbach, 2004; Roberts et al., 2006). According to (Muijs, 2004) dependability is a good indicator of a research instrument's quality. He believes that reliability highlights how free of measurement error test results are. According to Field's definition of reliability in 2009, instrument stability is the ability of an instrument to provide the same result under the same circumstances. The reliability of systems is frequently assessed using the Cronbach Alpha coefficient (Zhang & Yuan, 2016).

4.6.2.1 Pilot Study

After the research validation by experts, a pilot study is conducted to test the reliability of the research questionnaire and its advantage in collecting data to achieve its target. The pilot study focuses to clarify whether there is a confusing in the questions that causes a problem to the participants. The pilot study results are assumed to help verifying the research questionnaire and develop it in its final situation; it would not add new or significant things to the research. Pilot test is executed to assure the clearness of the questionnaire to respondents.

Pre-testing of the instrument to be used in any survey to people who are like the potential respondents (Dinnes et al., 2003). On the other hand, the pilot test will not be conducted due to the small sample size, as those who participated in the pilot test cannot be respondents of the study. Thus, a pre-test on the research instrument of this survey were sent to 14 experts containing academicians, as well as professionals working in shariah audit firms with a service span of 15-20 years to confirm their views on the

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validity and reliability of the questionnaire. The experts panel suggested that many modifications, including changing a few items of the dimension and style in addition to modifying some of the personal information. They also gave some comments about English grammar, and double terms in one question. Table 3.3 shows detailed information about the experts.

During the pre-testing, the English version questionnaire was also sent to a professional editor who checked for phrasing, sentence flow, and the overall use of language. Based on the feedback from the editor, the questionnaire was subsequently revised and refined. The final draft of the questionnaire has been sent to respondents in the IFIs. This was vital to ensure that the questions were understood and relevant to the IFIs. The kinds of information required were:

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- Are all the wordings understood?
- Are all the questions interpreted similarly by every respondent?
- Do all the questions have an answer that can be marked by every respondent?
- Is each respondent likely to read and answer each question?
- The duration of time required answering all the questions in the questionnaire?

The comments and feedback were complied with and constructively criticized before any amendments were made. The followings are the list of comments and feedback and the action taken to improve the quality of the questionnaire.

- Some questions were redundant and lengthy. Therefore, the structure of some questions was improved, and long-winded questions were made shorter.

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- For some questions, the wording was vague, fragmented, or unclear for a proper understanding of respondents. Thus, changes were made according to the suggestions.
- Almost all the subjects were satisfied with the sequencing of the questions, thus no changes were made.

Hence, all the suggestions were considered, and changes were made to the questionnaire, which eventually has been used in the actual research. In general, the respondents took 10 to 15 minutes to complete the questionnaire.

4.7 Procedure of Study

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The pilot test checks and confirms the survey instrument suitability to predict the desired results using the data analysis techniques. According to (Isaac & Michael, 1995), 10-30 samples are enough for the pilot study. (Belle, 2002) stated that at least 12 samples are sufficient for the pilot study, which is confirmed by (Julious, 2005). (Hertzog, 2008) suggested that 10-15 are sometime suitable for pilot study and 20-25 samples are considered reasonable sizes. According to (Sorzano et al., 2017) typical size ranges from five to 20. Based on the abovementioned, the questionnaire is distributed to 50 participants who have an experience in the same research field to assess the reliability and validity of the research variables. This number of participants are selected to obtain reasonable valid questionnaires and avoid missing or incomplete ones.

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The questionnaire was distributed among 50 participants from the IFIs to avoid the problem of missing or incomplete questionnaires. The valid questionnaires were 40. The reliability of the questionnaire is measured by calculating Cronbach Alpha coefficient which its values ranged between 0 (the lowest internal consistency) and 1 (the highest internal consistency). The Cronbach Alpha is reliable if the value of Cronbach Alpha coefficient equals or exceeds 70% (Cronbach, 2004; Wadkar et al., 2016; Trizano-Hermosilla & Alvarado, 2016; Zhang & Yuan, 2016). The collected data from the pilot study needs to be prepared and coded for analysis. The collected data from the pilot study is checked to address missing or invalid data in the questionnaire.

Table 4.4

Coding of Constructs Items

Construct	**Item No.**	**Statement**	**Code**
Internal Shariah Auditor Effectiveness	1	Internal Shariah auditor should be objective in performing their internal Shariah audit	ISAE1
	2	Internal Shariah audit staff have free access to all departments and employees in IFIs	ISAE2
	3	The internal Shariah auditor must maintain professional performance during the internal Shariah audit work	ISAE3
	4	Shariah internal audit was conducted in timely manner.	ISAE4
	5	The head of internal Shariah audit has communicated results to the appropriate quarters.	ISAE5
	6	Evaluation of the extent of compliance with Islamic Shariah rules and principles and Fatwas issued by IFI's SSB	ISAE6
	7	The role of the internal shariah auditor in the event of a shariah violation in the transactions in IFIs	ISAE7
	8	The opinion of the internal Shariah audit personnel on developing Shariah audit skills through workshops and courses	ISAE8

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Table 4.4 *(continue)*

Construct	Item No.	Statement	Code
Independence Shariah Supervisory Board	1	SSB members are independent of Board of Directors.	ISSB1
	2	All members of SSB are independent of shareholders.	ISSB2
	3	All SSB members are non-executive director.	ISSB3
	4	Members of the SSB have sufficient independence to perform their professional obligations and duties.	ISSB4
	5	The lack of relationships between the member of the Shariah Supervisory Board and the institution, whether it is a financial or personal relationship	ISSB5
	6	The Shariah Supervisory Board provides its reports directly to the general assembly.	ISSB6
	7	The SSB don`t faces interference from management in the course of their work.	ISSB7
	8	The appointment and replacement of a member of the SSB must be within the authority of the Board of Directors or the General Assembly and with the approval of the Central Bank.	ISSB8
Competence Shariah Supervisory Board	1	Members of the SSB should be hold a scientific qualification in accounting or finance	CSSB1
	2	Members of the SSB should be hold a scientific qualification in Shariah Islamic - specifically in IFIs.	CSSB2
	3	Members of the SSB hold a scientific qualification in Islamic Economic.	CSSB3
	4	Members of the SSB must have experience in jurisprudence of financial transactions.	CSSB4
	5	Efficiency should be the main criterion for selecting a member of the SSB in Islamic financial institutions.	CSSB5
	6	A member of the SSB shall enhance his technical competence through continuous learning.	CSSB6
	7	The SSB review internal Shariah audit plan on a regular basis.	CSSB7
Size Shariah Supervisory Board	1	Large size of SSB members may decrease the possibility of information asymmetry.	SSSB1
	2	The size of the organization's SSB is adequate to carry out its duties properly	SSSB2
	3	The size of the SSB in the organization is not less than three persons.	SSSB3
	4	The number of the current Shariah Supervisory Board members in the organization is enough to effectively exercise its role.	SSSB4

(continue)

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Table 4.4 *(continue)*

Construct	Item No.	Statement	Code
Management Support	1	Senior management should support internal audit to perform its duties and responsibilities.	MS1
	2	Senior management should participate in the internal audit plan.	MS2
	3	Internal audit must provide senior management with sufficient, reliable, and relevant reports about the work they perform, and recommendations made.	MS3
	4	Internal audit department must be large enough to successfully carry out its duties and responsibilities.	MS4
	5	The management should support training programs and workshops for its employees	MS5
	6	There must be an incentive system is in place and provided by the management to its employees	MS6
	7	The Management must implement the recommendations of the internal Shariah audit department and meets its needs	MS7
	8	The management must see that the internal audit is an internal guarantee and fortress for the organization, so it is to give it attention and support	MS8
	9	The internal audit department must obtain the necessary resources and facilities that help to perform audit activities accurately	MS9

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A coding process is conducted to facilitate analysis. Each item is given a code that refers to its construct and is different from other items. The codes of all items are introduced in table 4.4. Numerical coding is shared by all statistical software and, among other things, facilitates data conversion and measurement comparisons.

The results of the pilot study reliability are shown in the following table 4.5.

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Table 4.5

Reliability Tests Results

Construct	Valid	No. of item	Cronbach's Alpha
ISAE	40	7	0.929
ISSB	40	8	0.885
CSSB	40	7	0.949
SSSB	40	4	0.758
MS	40	9	0.929

As shown in table 4.5, Cronbach Alpha values of all items range between 0.801 and 0.844. This indicates that all items have high internal consistency, are reliable, and valid to be utilized in the final survey questionnaire.

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4.8 Operational Definition and Measurement of the Variables

This section discusses the sources of parameter measurements in this study. The measurements have been made through written questions that has been sent to the respondents, heads, and employees of the internal Shariah auditor. The questionnaire used a set of questions based on the Accounting and Auditing Organization for Islamic Financial Institutions Standards (2017). In general, a 5-point Likert scale of consent-disagreement was used during the survey.

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4.8.1 Independent Variables – Shariah Supervisory Board Characteristic Independent of Shariah Supervisory Board

According to (Musleh, 2019) The main function of the SSB is to undertake independent audits and monitor (ex-post) the bank's operations and attest (ex-ante) that they are free from any actions that are prohibited by the Shariah. To ensure independence from management's board as managers do not have the power to appoint or dismiss them (AAOIFI, 2018).

Based on the AAOIFI Governance Standard No. 1, The Shariah Supervisory Board is not only independent of boards of directors but can also attend their meetings to discuss the religious aspects of their decisions (AAOIFI, 2018). AAOIFI governance standard (No. 5, 2008, Para 2) defines the SSB independence as "An attitude of mind which does not allow the viewpoints and conclusions of its possessor to become reliant on or subordinate to influences and pressures of conflicting interests. It is achieved through organizational status and objectivity"

El-Khelaifi (2005) defines the independence of the SSB as "The authority that enables the SSB to conduct its tasks with objectivity and complete freedom". This definition emphasizes SSB independence in achieving its role and conducting its tasks with no pressure from other governance organs (Garas & Pierce, 2010). Several exploratory research studies (Hamza, 2013; Grais & Pellegrini, 2006; Sulaiman & Joriah, 2012) emphasized the importance of the independence of SSB members, which could be ensured if SB members were recruited and rewarded by a higher authority, such as the central bank and not the Islamic bank. However, Malaysia, Sudan and Pakistan are the only three countries that take advantage of this benefit, while for other

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countries, SSB members' appointment and remuneration are guaranteed by the Head of the International Bureau after approval by the General Assembly (Baklouti, 2020).

According to (Garas & Pierce, 2010) SSB independence was measured by discriminant analysis. The questions used for discriminating the SSBs between dependent and independent boards were classified into three groups: questions with scaling answers, dichotomous questions, and multiple-choice questions. Additionally (Garas & Pierce, 2010) argued that The relationship between the SSB and the other governance organs characterizes the SSB independence. When the SSB members become mentally and emotionally independent from other governance organs, they will be able to express their unbiased opinion. This independent status is hard to be measured due to the lack of standardization (Al Qari, 2002; El-Khelaifi, 2005); nevertheless, having advanced knowledge in Shariah and experience in IFIs transactions enable the SSB members to achieve this status (Al Baali, 2002). Furthermore, when the SSB members have no influential relation with other governance organs such as BOD and executive management, they become independent with no effort (Al Enazi, 2004; Al Haiti, 2009; Al Sabban, 2003). Accordingly, the following hypothesis can be inferred.

Competence of Shariah Supervisory Board

For this study, data on SSB obtained from questionnaires and primary data. The SSB measured by the items in section C which consists of questions related to financial knowledge, items such as independence, qualifications, experience, and the size of members of SSB. The qualifications of SSB; the SSB member will accept new action

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and embrace uncertainty if he is better with educational qualifications. The relates to the expertise of SSB members in Islamic commercial jurisprudence and have the necessary expertise in the field of IFIs (AAOIFI, 2010; Al-Mahmoud, 2007; Al-Qattan & Sattar, 2007). In addition, the size of board members, the common number of SSB members in an IFI is three members, which is in the line with the AAOIFI standards. The board's size of SSB members is likely to affect its ability to control and review all the transactions of the IFIs to ensure their operations are following Shariah rules and principles (Azhar & Bukair, 2013).

The SSB scale contains 7 items developed based on AAOIFI standards (2017). The SSB independence, measures details regarding the independence of profiles of SSB, the qualifications and expertise of SSB, is done by determining their experience and qualifications in financial, economic, and accounting knowledge could encourage the IFIs to provide more information independence of the internal Shariah auditor. The size of board members of SSB, measures the size of board members of SSB in an IFIs, a greater number of members in an SSB would provide more effective and consistent with the rules and principles of Shariah (Azhar & Bukair, 2013).

The experience of Shariah advisors is measured by the number of Shariah advisors having work experience in Shariah and banking-related fields divided by the total number of Shariah advisors in SSB of each bank in each year (Amanullah, 2015). The education level of SSB members is measured by a binary variable of 1 for those who have a postgraduate (Master/Ph.D.) and 0, otherwise (Rammal, 2010). Board independence is measured by the number of independent directors divided by the total number of directors on the bank board (Pathan, 2009).

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Size of Shariah Supervisory Board

A large-sized SSB may contain specialists in Islamic law from different schools of jurisprudence (Fiqh), thus bringing the bank more knowledge and experience (Nomran et al., 2018). The diversity of knowledge that results from the largest SSB will enrich the discussions that take place within it, thus enhancing the bank's credibility towards its shareholders and the confidence of its customers (Hamza, 2013; Hassan, 2010). This result was confirmed by (Mollah & Zaman, 2015; Hakimi et al., 2018; Nomran et al., 2018).

As for (Safiullah & Shamsuddin, 2018) they found that the size of the SSB minimizes the risk of bankruptcy of IFIs, indicating that a large size SSB better helps control excessive risk by managers / shareholders who are interested in maximizing profitability and tends to tolerate. Big risks. Therefore, we expect a positive correlation between the size of the SSB and the performance of the introducing mediators., on the other hand, having qualified SSB members with dual skills in finance and Shariah can strengthen the clients' confidence in the IFIs.

Moreover, many researchers have shown a positive correlation between having SSB members combining financial skills and religious with the financial performance of IFIs (Matoussi & Grassa, 2012; Hakimi et al., 2018). And all these findings confirm the RD Theory about the relationship between the size of SSB and the IFIs effectiveness. (Norman, 2020) supported the difference in the number of SSB members that affects performance, indicating that the optimum number of SSB members

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increased performance by up to 5 people, yet it may be at least 3 people and not more than 6 people (Nomran & Haron, 2020).

4.8.2 Dependent Variable - Internal Shariah Auditor Effectiveness

The International Institute of Internal Auditors (IIA), 2011) defined effectiveness and efficiency as "the degree (including quality) to which established objectives are achieved". (Laili et al., 2019) emphasis to achieve internal auditor objectives, IIA has established the standard internal audit guideline called the International Professional Practices Framework (IPPF) as the statutory requirements for internal auditors in organizations to conduct effective internal audits (The International Institute of Internal Auditors (IIA, 2011).

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The measurement criteria cover the internal audit processes, internal auditors' capabilities, management of the organization, and supervision by the audit committee. Finally, the institution can then examine the extent of the effective internal audit function, monitor the result of internal audit review, and align the internal audit activities with the aim to achieve reasonable assurance on the internal control system (The Institute of Internal Auditors, 2010).

Previous empirical studies on internal auditing show the significance of conducting effective internal audits. Academic scholars argued on the factors contributing to the effectiveness of internal audit such as internal auditor Competence

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(Albrecht et al., 1998; Alzeban & Gwilliam, 2014; Lenz & Hahn, 2015; Soh & Matrinov-Bennie, 2011).

Internal Shariah auditor needs to demonstrate its own effectiveness by using a performance measurement system that ties to the expectations of its key stakeholders. Internal Shariah auditor effectiveness should be the value-added or results of internal Shariah auditor work. The most employed measures of effectiveness consist of completion of the planned audit and timely completion of the work plan as well as measures of acceptance and adoption of internal audit function recommendations (Soh & Martinov-Bennie, 2011).

The researcher measured the internal Shariah auditors' ability to identify non-Shariah compliance activity with the office procedures and policies, and the contributions added by internal Shariah auditor to IFIs in UAE. Therefore, this research defined internal Shariah auditor effectiveness as an effectiveness requirement which will include knowledge, professional care, skills, training, and audit experience to ensure an effective internal Shariah audit in IFIs (Khalid et al., 2018). The internal auditor is effective if it meets the intended outcome, it is supposed to bring about an organization (Mihret & Yismaw, 2007). This research used primary data to measure internal Shariah auditor effectiveness in IFIs in UAE.

Using 15 quotes adapted from (Alzeban & Gwilliam, 2014; Salehi, 2016), the effectiveness of internal auditors is visualized and measured as the capability to plan, enhancement of the entity's productivity, assessment of internal control systems, evaluation of the compatibility of results with placed objectives and goals, assessment,

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and enhancement of risk management, internal auditors current and future recommendations. Furthermore, the independent variables which include complexity, support of top management, the size of Internal Auditing department, and independence has been measured by using multi-items split as follows: support of top management for internal auditors will be measured using six items adapted from (Salehi, 2016).

4.8.3 Moderator Variable – Management Support

A moderator variable, commonly denoted as just M, is a third variable that affects the strength of the relationship between a dependent and independent variable in correlation, a moderator is a third variable that affects the correlation of two variables. In our study, the management support is the moderator variable.

Internal auditors have a close relationship with organization's management in their day-to-day activities. They need good support and perception from their management to be more effective and to achieve the auditor objectives. Management support is expressed in terms of supporting the auditing process by fulfilling the necessary resources, finance, transport if required, providing training, introducing auditors with new technology and procedures, budgeting funds for certification and other facilities that facilitate the internal auditing works.

Management support has a far-reaching consequence on Internal Auditing effectiveness in organizations. For example, (Mihret & Yismaw, 2007) in their case study of Internal Auditing effectiveness on public sector shows that the component of

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management support consists of the response to audit finding and the commitment to strength internal auditor which has significance influence on Internal Auditing effectiveness.

Given the fact that internal auditor activities are performed in dynamic management process and more supportive environment, internal auditor expects senior management to take the first steps to support the Internal Auditing process. Because (Sarens & Beelde, 2006) argue that the overall acceptance and appreciation of Internal Auditing within the company is strongly dependent upon the support they receive from senior management. Internal auditor actively seeks management support with resources, commitment to promote and communicate their added value.

The management support is almost crucial to the operation and internal audit; because all other determinants of Internal Auditing effectiveness derive from the support of top management, given that hiring proficient Internal Auditing staff, developing career channels for Internal Auditing staff, and providing organizational independence for Internal Auditing work are the results of decisions made by top management (Cohen & Sayag, 2010). This means it is the interest of management to maintain a strong internal audit department (Adams, 1994; Mihret & Yismaw, 2007).

In addition, implementation of audit recommendations is highly relevant to Internal Auditing effectiveness (Sarens & Beelde, 2006; Van Gansberghe, 2005) which is the component of management support (Mihret & Yismaw, 2007). The management of an organization is viewed as the customer receiving Internal Auditing services. As a

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result, management's commitment to use audit recommendations and its support in strengthening internal audit is vital to Internal Auditing effectiveness.

Therefore, audit finding, and recommendations would not serve much purposely unless management is committed to implement them. Furthermore, (Belay, 2007) find that to curb corruption and inefficiency in the public sector of Ethiopia, it is mandatory to have effective internal audit function (IAF) that in turn needs appropriate governance structure, mobilizing enough and appropriate resource and competent personnel.

Mihret & Yismaw (2007) studied Internal Auditing effectiveness in public sector higher educational institutions in Ethiopia. The study attempted to introduce a new perspective for evaluation of Internal Auditing effectiveness by using a model which consisted of four potential factors which may impact on Internal Auditing effectiveness, namely, Internal Auditing quality, management support, organization setting and auditee attributes. The results indicate that Internal Auditing is ineffective in terms of proficiency, planning, recommendations, and limitations to the scope of work. (Mihret & Yismaw, 2007; Mihret & Woldeyohannis, 2008) also contend that the level of management support to Internal Auditing is considered a determinant of Internal Auditing effectiveness. In addition, (Albercht et al., 1988) believe that the visible support of top management to the internal auditor may be the single most important factor that enhances Internal Auditing effectiveness. According to (Mihret, 2009), management support to internal auditor is one of the factors that bode well for a good Internal Auditing department profile. Undoubtedly, management support plays an important role in enhancing Internal Auditing effectiveness.

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4.9 Data Analysis Procedure

In this research, the collected data by the questionnaire is analyzed using the software package SPSS and AMOS. The SPSS is a comprehensive system for analyzing data. It uses statistics of the data to generate tables, charts, descriptive statistics, and statistical analyses. SPSS can handle large data and perform all the analyses. SPSS is commonly used in social sciences and in the business world. Several analyses are used such as demographic characteristics, descriptive statistics including mean and standard deviation, normality test, and EFA. Several tests are utilized to test the collected data such as the reliability tests (Cronbach Alpha), the regression test, and the correlation test. The SPSS is used to conduct the exploratory factor analysis (EFA). AMOS is a family of statistical methods designed to test a conceptual or theoretical model. It includes two models: inner and outer. The outer model is called the measurement model or confirmatory factor analysis (CFA). The inner model is called the structural equation model. The CFA is a statistical technique that allows explaining the relationship among the observed variables and their underlying latent constructs. SEM is used to test the hypotheses of this research.

4.9.1 Descriptive and Inferential Analysis

Descriptive analysis has been used to summarize and present data to give a clear representation of the data for the purpose of deciding through inferential statistics. It will report the characteristics of the data, such as mean, frequency, standard deviation, percentage, and range (Sekaran & Bougie, 2016). In this study, descriptive statistics has

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been used to describe the characteristics of survey effectiveness of internal Shariah auditors in IFIs and all variables (independents, moderator, and dependent) understudy. The descriptive statistics include several statistics as follow:

i. Demographics characteristics: they are characteristics of survey respondents such as gender, age, education, profession, occupation, race, and more that are used. In surveys, it is necessary to assess who to survey and how to divide all the response data into meaningful respondents' groups.
ii. The mean: it is the average response of the sample members identified on each questionnaire item.
iii. The standard deviation: it is a measure to determine the amount of dispersion in the responses of the respondents for each item on the mean.

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These are several tests that are used to check data reliability, normality, and adequacy for different analysis to achieve the research objective.

4.9.1.1 Internal Consistency Test

Internal consistency is the extent to which a group of items measure the same construct. It is based on the correlations among various items on the same test. It measures the ability of several items to produce similar results when used to measure the same construct (Kuzmanić et al., 2017). Cronbach's Alpha is widely used to measure the internal consistency.

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4.9.1.2 Inter–Item Correlation

It is a measure of the reliability for multi-item scales as well as a tool to improve such scales. It is the correlation between an individual item and the total score without that item (Aller et al., 2013). Kaiser-Meyer-Olkin (KMO) and Bartlett's Sphericity test is used to test the Inter–item correlation.

4.9.1.3 Normality Test

This test aims to determine the normal distribution of questionnaire data because data normality may invalidate the results. There are many tests for assessing normality such as skewness, kurtosis, (Kolmogorov-Smirnov (K-S), corrected K-S test, ShapiroWilktest, Anderson-Darling, and more (Ghasemi & Zahediasl, 2012).

4.9.1.4 Reflective Measurement Models

Reflective indicators refer to the notion that these “indicators reflect, effect or cause the latent variables and are assumed to be the representation of the construct” (Gefen et al., 2000; Hair et al., 2011; Urbach & Ahlemann, 2010). According to Podsakoff et al., 2003 as cited by (Hair et al., 2014) when the items mutually interchangeable the decision of construct will be reflective. This means any single item can generally be left out without changing the meaning of the construct if the construct has sufficient reliability. Reflective indicators are “assumed to be non-dimensionally correlated as

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they measure the same underlying concept" (Gefen et al., 2000), hence whenever the latent variable changes, all the reflective indicators of the latent variable will change accordingly (Urbach & Ahlemann, 2010). For example, personality and attitude constructs could be underlying factors that reflect the latent variable (Diamantopoulos & Siguaw, 2006). A latent variable with a reflective variable is represented in SEM models by drawing an arrow from each indicator leading away from the variable.

In this research, all constructs were modeled as reflective measurement models. The constructs are independence, competence; size, management support, and internal Shariah auditor effectiveness were designed to reflect the construct. Furthermore, most of the constructs are adapted from previous studies that have undergone a rigorous scale development process, which emphasized the inter-correlations between items, common variance, unidimensionality and internal consistency whereby all these are seen as the characteristics for reflective model measurement (Diamantopoulos & Siguaw, 2006).

4.9.1.5 AMOS

There are two general approaches currently to SEM that covariance-based structural equation (CB-SEM) which can be explained by software such as AMOS and LISREL. The second approach to SEM is variance-based SEM (AMOS-SEM) and can be implemented in software such as AMOS Graph. The researcher applied AMOS-SEM which is a causal modeling approach that aimed at maximizing the explained variance of the dependent latent constructs (Hair et al., 2011). AMOS-SEM focuses on

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maximized the variance (prediction) odd the dependent variable explained by the independent variables (Haenlein & Kaplan, 2004).

SPSS and AMOS are utilized for analyzing the data and developing the model. The SPSS is used for conducting several data analyses and exploratory factor analysis (EFA), while AMOS is used for confirmatory factor analysis (CFA) and developing the structural equation model (SEM). After that, the results are discussed, concluded followed by presenting the recommendation for future research.

4.9.1.6 Assessment of the Measurement Model

When assessing the measurement model, the focus is to determine the reliability and validity of the measurement items. There are four criteria that should be assessed to ascertain the reliability and validity of the measurement items; 1) composite reliability, 2) indicator reliability, 3) average variance extracted (AVE) and 4) Fornell-Larcher criterion and/or cross-loading. In the AMOS, the reliability of the measurement items is assessed through composite reliability and can be interpreted just as Cronbach's alpha (Henseler et al., 2009). Composite reliability with values of 0.6 to 0.7 for exploratory studies and values ranging from 0.7 to 0.9 in more advanced research are regarded as satisfactory (Nunnally & Bernstein, 1994).

Similarly, there is a need for indicator reliability to be assessed (indicator reliability), whereby the absolute standardized loading of each indicator should be higher than 0.7 (Hair et al., 2011). Researchers such as (Hair et al., 2011) and (Henseler

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et al., 2009) recommend that indicators with values below 0.6 indicate a lack of reliability and therefore should be removed; however, a substantial increase of composite reliability could be attributed to an indicator. Furthermore, when assessing validity subtypes are examined in AMOS convergent validity and discriminant validity (Hair et al., 2010; Henseler et al., 2009). Convergent validity can be defined as "the degree to which multiple items measuring the same constructs share a high proportion of common variance" (Hair et al., 2010). AMOS, the average variance extracted (AVE) has used to assess convergent validity. An AVE value of at least 0.5 or higher indicates sufficient convergent validity.

The second subtype assessment of validity in AMOS, which is discriminant validity, is conducted to examine whether two conceptually different concepts exhibit sufficient difference (Henseler et al., 2009). Two measures are put forward to assess discriminant validity, namely the Fornell-Larcher criterion and cross-loadings (Henseler et al., 2009). In the Fornell-Larcher criterion, if the square root AVE of each latent variable is greater than the latent variable's higher square, correlation with other latent variables in the model, it then adduces evidence of sufficient discriminant validity (Hair et al., 2011). As for the second criterion based on cross-loading, the loading of each indicator must be greater compared to the rest of its cross loading to ascertain discriminant validity.

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4.9.1.7 Assessment of the Structural Model

As hypothesized in the research model, the relationships between latent variables can be ascertained by examining four criteria 1) R2 of the endogenous latent variable 2) estimates of path coefficients, 3) effect size f2 and 4) prediction relevance (Q2). The essential evaluation criteria for structural models are the coefficient of determination (R2) (Hair et al., 2011; Henseler et al., 2009). As the goal of AMOS-SEM is to explain the endogenous latent variance, hence, the key target is to achieve a higher R2. (Chin , 1998) described R2 values of 0.67, 0.33, and 0.19 as substantial, moderate, or weak, respectively.

The individual path coefficients in the AMOS structural model can also be interpreted as standardized beta coefficients of ordinary least square regression (Gotz et al., 2010). The bootstrapping procedure is used to access each path coefficient's significance, where the significant paths showing the hypothesized direction empirically support the proposed causal relationship and vice-versa (Hair et al., 2011). The next assessment criterion is to assess the effect of a predictor latent at the structural level. This can be measured through the effect size (f2) and the f2 can be calculated as an increase in R2 relative to the proportion of variance of the endogenous latent variable that remains unexplained (Henseler, 2009). As a rule of thumb, (Cohen, 1988) describes 0.02, 0.15 and 0.35 as weak, moderate, and strong, respectively.

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4.9.1.8 Regression Test

Regression is a method by which the value of one variable can be estimated by the other variable. It helps to determine the shape of the relationship between two variables mathematically and graphically as well as clarify the relationship direction between them. Regression analysis is a robust method used to understand the relation between independent and dependent variables (Pituch & Stevens, 2015).

4.9.1.9 Testing Moderating

The moderator can be defined as "a variable that affects the direction or strength of the relationship between an exogenous and endogenous variable" (Baron & Kenny, 1986). The moderating effects or interaction effects occur when a moderator influences the strength of the direct effect between the exogenous and endogenous variables, where they are tested in the structural model (Henseler & Fassott, 2010). Hence, there are two approaches that can be utilized to examine the interaction effects, i.e., product terms and group comparison. The first approach is suited for the continuous variables, such as Likert scale (Chin et al., 2003). In this approach, each item in the endogenous variable is multiplied with each item in the moderating variable to create an interaction term (Wilson, 2010). In the context of this study, the first approach is utilized as the endogenous management support is continuous variables.

Thus, for the second approach, if it is found that either the endogenous or moderator variable is not continuous, then the group comparison will be used (Henseler

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& Fassott, 2010). The model with direct effect is not estimated conjointly for each group and the interaction effect is tested by separating the model moderating effect, which is observable when the differences in the model parameters are examined (Henseler & Fassott, 2010).

4.10 Summary

This chapter discussed the research methodology employed in this study with regards to the research sample, variable measurement, and data analyzing tool. All variable measurements were adopted from the past studies. Justifications were also made to the rationale of using the data analyzing tool in this study. In addition, data analysis discussed in term of the procedures employ to understand the nature of the data. Moreover, it outlined the processes employed in qualified data analysis. The results of the study have been presented in the following chapter.

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CHAPTER 5

RESEARCH FINDINGS

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5.1 Introduction

This chapter presents the results and the analysis of the actual survey questionnaire that has been conducted to achieve the research objectives. The questionnaire is emailed to all IFIs in UAE to evaluate the conceptual model and develop the structural equation model. The collected data by the valid questionnaires are abstracted, collected, and tabulated using the statistical package for social sciences (SPSS) and then analyzed through a set of statistical methods that fit the nature of data and research variables. AMOS is used to develop the confirmatory factor analysis (CFA), the structural equation model (SEM), and test the hypotheses.

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5.2 Exploratory Factor Analysis

Exploratory Factorial Analysis (EFA) is used to verify that the expressions used to measure a concept is only used for that concept and is not utilized for any other ones. This analysis is characterized by its ability to provide a set of measures that determine the applicability of the data to the detected model and excludes any other alternative models that can interpret the relationship between the terms of the scale based on the response of the respondents in the study. EFA minimizes variables into a smaller set by exploring the main variables to create a model (Taherdoost et al., 2014). EFA tries to define the smallest number of constructs that can elucidate the relations among several measured variables (Watkins, 2018). In EFA, the common method of extraction and the Rotation Method are very important (Yong & Pearce, 2013). Factor loading is used to evaluate items, which should be 0.6 and above (Awang, 2014). Any item that has the factor loading below 0.6 should be deleted with developing the measurement model. Factor loading is used as criteria to measure the fit goodness of the measurement model (Yong & Pearce, 2013).

The EFA is conducted on 35 items of five constructs of the questionnaire, which is then distributed to 120 respondents in IFIs, and the valid responses are 100. The minimum number of responses necessary for the EFA is 100 responses (Hair et al., 1998; Suhr, 2006). The EFA aims to explore the main constructs items to create a model and validate that all of them can measure the suggested constructs. Before conducting the factor analysis, many tests are conducted. Firstly, the demographic characteristics and descriptive statistics of the collected data are introduced. Then, several statistical

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tests are conducted such as reliability test, consistency, and suitability test of data for factor analysis.

5.2.1 Demographic Characteristics of EFA

The first stage of data analysis is to examine the demographic characteristics of the respondents. The number of survey questionnaires that distributed is 120 questionnaires. A total of 105 questionnaires are collected. The valid responses that are used in the analysis process are 100. The first section of the questionnaire includes information on educational achievements, occupation, and working experience. The demographic characteristics of the respondents are introduced in the following table 5.1.

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Table 5.1

Profile of Respondents EFA

Information	**Category**	**Total**	
		Frequency (n=100)	**Percent (%)**
Gender	Male	92	92
	Female	8	8
Educational Achievement	Bachelor	30	30
	Master	40	40
	Ph. D	30	30
Occupation	CEO	10	10
	ISA	40	40
	SSB	20	20
	AGC	10	10
	AC	20	20

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Table 5.1 *(continue)*

Information	**Category**	**Total**	
		Frequency (n=100)	**Percent (%)**
Experience	Less than 5 Years	10	10
	Between 6-01 Years	20	20
	Between 11-15 Years	30	30
	Between 16-20 Years	20	20
	Over 20 Years	20	20
IFIs Type	Islamic bank	38	38
	Finance company	25	25
	Islamic Window	32	32
	Insurance Firm	5	5

Table 5.1 shows the demographic characteristics of Exploratory Factor Analysis. As before explained, EFA tries to know the tiny number of constructs that can clarify the relations among several measured variables as follows:

Gender: showing that 8% from the respondents represents as a female and 92% represents as a male, and the number of females is much less than the number of males, depending on the nature of work. Educational Achievement: the large percentage of respondents (40%) is for those holding master's degree, followed by the percentage of respondents (30%) for those who have bachlore and Ph.D. degrees. Occupation: table 4.1 demonstrates that the ISA is the largest category participated in this survey 40%, followed by SSB, and AC represent the (20%), then CEO, and AGC each one is 10%. Experience: It can be seen from Table 4.1 that most respondents (20%) have an experience between 6 and over 20 years, followed by respondents (30%) who have an experience between 11-15 years. Fewer respondents are those have an experience (10%) less than 5 years. IFIs Type: table also explained that largest percentage distributed by Islamic bank (38%) and Islamic window (32%) from the IFIs types. Followed by 25% to Finance company and 5% to Insurance firm.

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5.2.2 Descriptive Statistics of EFA

Five-dimensional Likert scale is used to ensure that constructs items are presented in a measurable uniform scale that can be compared to determine relative impact associated with SSB`s characteristics on ISAE. Several statistical indicators were used to describe the items' characteristics of the study sample such as mean, and standard deviation. The results are introduced in table 5.2.

Table 5.2

Descriptive Statistics of EFA

Construct	Mean	Standard Deviation
ISAE1	4.02	1.239
ISAE2	4.25	1.048
ISAE3	4.00	1.295
ISAE4	4.08	1.212
ISAE5	4.23	1.238
ISAE6	3.98	1.371
ISAE7	3.99	1.267
ISSB1	3.92	1.253
ISSB2	4.23	1.109
ISSB3	4.15	1.123
ISSB4	4.22	1.106
ISSB5	3.79	1.313
ISSB6	3.94	1.324
ISSB7	3.94	1.391
ISSB8	3.98	1.470
CSSB1	3.94	1.221
CSSB2	4.06	1.413
CSSB3	4.11	1.188
CSSB4	4.13	1.134
CSSB5	4.36	1.087
CSSB6	4.11	1.230
CSSB7	4.02	1.189
SSSB1	3.74	1.194
SSSB2	3.90	1.291
SSSB3	4.20	1.163
SSSB4	4.11	1.091
MS1	4.41	0.900

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Table 5.2 *(continue)*

Construct	Mean	Standard Deviation
MS2	4.04	1.171
MS3	4.10	1.251
MS4	4.09	1.415
MS5	4.00	1.371
MS6	3.84	1.346
MS7	4.15	1.242
MS8	4.16	1.269
MS9	4.43	0.946

Table 5.2 shows that all constructs' values reveal that all responses tend to agree on the roles of all constructs. The most range of means from 3.74 to 4.43 shows a high-level agreement (Wicaksono, 2016; Akkakoson, 2016). The standard deviation for all items ranges from 0.9 to 1.4, which indicates that the data are consistent, convergent, and confirm the relationship of the mean to the rest of the data.

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5.2.3 Reliability Test of EFA

The reliability test aims to ensure the consistency and stability of the questionnaire. Cronbach Alpha is used to test the internal consistency. On the other hand, the inter–item correlation, Kaiser-Meyer-Olkin (KMO) and Bartlett's test of sphericity is used for each construct to check the adequacy of the data for further analysis such as factor analysis.

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5.2.3.1 Internal Consistency Test

Cronbach Alpha is commonly used when multiple Likert scale statements are used to determine if the scale is reliable or not. High value of Cronbach Alpha coefficient means high reliability of the data in reflecting the results of the sample on the study population. The Cronbach Alpha is reliable if its value equals or exceeds 70% (Cronbach, 2004; Wadkar et al., 2016; Trizano-Hermosilla & Alvarado, 2016; Zhang & Yuan, 2016). The Cronbach Alpha values of all constructs are introduced in table 5.3.

Table 5.3

EFA Reliability Test Results

No	Construct	Items Number	Alpha Value
1	Independence SSB	7	0.889
2	Competence SSB	8	0.867
3	Size SSB	4	0.811
4	ISA Effectiveness	7	0.881
5	Management Support	9	0.908

Table 5.3 indicates that all constructs achieve high Cronbach Alpha values greater than 0.7 which indicates a high degree of internal consistency of all constructs.

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5.2.3.2 Inter–Item Correlation

Kaiser-Meyer-Olkin (KMO) and Bartlett's Sphericity Test is used to test the Inter–item correlation. It is used to test the appropriateness of each construct for factor analysis. The minimum acceptable value of KMO is 0.5, values 0.5-0.7 are medium, values 0.7-0.8 are good, values 0.8-0.9 are great and values above 0.9 are excellent (Field, 2009). The acceptable significance value of Bartlett's test is less than 0.05 (Kaya & Bilen, 2017). The results of this test are introduced in table 5.4.

Table 5.4

EFA KMO and Bartlett's Test Results

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.846
Bartlett's Test of Sphericity	Approx. Chi-Square	3755
	Df	595
	Sig.	.000

Legend, df= degree of freedom, Sig.= significance

KMO and Bartlett's test results in table 5.4 are within the acceptable limits, where KMO is more than 0.5 and Bartlett's Test is less than 0.05. This indicates that the data is satisfactory for EFA, which precedes the development of the measurement model.

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5.2.4 EFA Test and Results

To identify the number of extracted items, eigenvalues criterion is used, which is one of the widely used methods to judge when extracting enough factors (DeVellis, 2012). The eigenvalues are the constructs items variances, while the % of variance represents the percentage of total variance accounted by each factor. There is a high probability of existing variance if a single factor attains more than 50% of variance (Wu & Naidoo, 2016). The factors that have eigenvalues greater than 1 are regarded as significant (Black et al., 2006). The total variance that shows the eigenvalues of the extracted items are introduced in table 5.5

Table 5.5

Total Variance Explained

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	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings[a]
Item	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	18.509	52.884	52.884	18.163	51.894	51.894	12.870
2	2.656	7.590	60.474	2.234	6.382	58.276	11.856
3	1.592	4.549	65.023	1.366	3.904	62.180	15.694
4	1.372	3.921	68.943	.905	2.586	64.766	10.075
5	1.165	3.330	72.273	.917	2.619	67.385	10.160
6	1.079	3.084	75.357	.850	2.429	69.814	3.951
7	.898	2.565	77.922				
8	.827	2.363	80.285				
9	.772	2.206	82.491				
10	.663	1.894	84.385				
11	.604	1.725	86.110				
12	.534	1.527	87.637				
13	.475	1.357	88.994				
14	.434	1.240	90.234				
15	.395	1.130	91.363				

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Table 5.5 *(continue)*

	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings[a]
Item	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
16	.368	1.052	92.416				
17	.329	.939	93.354				
18	.293	.838	94.192				
19	.264	.754	94.946				
20	.255	.727	95.674				
21	.224	.640	96.313				
22	.180	.514	96.827				
23	.178	.508	97.335				
24	.158	.451	97.787				
25	.135	.385	98.172				
26	.112	.321	98.492				
27	.109	.312	98.804				
28	.088	.251	99.055				
29	.076	.217	99.273				
30	.069	.196	99.469				
31	.051	.146	99.614				
32	.047	.135	99.749				
33	.041	.118	99.867				
34	.029	.083	99.950				
35	.018	.050	100.000				

Extraction Method: Maximum Likelihood.

Table 5.5 introduces the total variance results. The first few items explain relatively large variance amounts especially item 1, while the other items explain only little amounts of variance. The extracted first item attains 25.848 % of overall variance, which is approximately 50%. This indicates that variance does not influence the results.

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5.3 Confirmatory Factor Analysis

Confirmatory Factor Analysis (CFA) is commonly used as a first step to evaluate the proposed hypothesized model followed by developing the structural equation model. For verifying the structural integrity of the research instrument, the empirical analysis is performed using the AMOS program. It is one of the methods used to model the structural equation, which aims to know the strength of the models developed for a particular research case (model fit). The CFA is conducted on five constructs with 52 items with sample size of 365 (valid responses).

5.3.1 Demographic Characteristics

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The distributed questionnaires are 400. A total of 370 questionnaires were collected. The valid responses that used in the analysis process are 365. Therefore, the response rate is 91% (395/400). The first section of the questionnaire includes information on educational achievement, occupation, and working experience. Most of the questions in the demographic are answered from the respondents and some items are missing or not applicable same as the profession certificate.

After we have reviewed the demographic section in general, we analyzed each component separately and according to the results we obtained from SPSS:

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Table 5.6

Profile of Respondents CFA

Information	Category	Total	
		Frequency (n=365)	Percent (%)
Gender	Male	335	91
	Female	30	9
Current position	CEO	50	13.7
	ISA	155	42.4
	SSB	50	13.7
	AC	60	16.4
	AGC	21	05.4
Age Group	below 30	60	16.4
	Between 30 and 40	195	53.4
	More than 40	110	30.2
Education Level	Bachelor's Degree	121	33.1
	Master's Degree	154	42.1
	Ph.D. or higher	90	24.8
Profession Certificate	Not applicable	40	11
	CPA	30	8.5
	CSA	30	8.5
	CSAA	150	41
	ACCA	10	2
	CIPA	60	16
	CIA	45	13
Experience Years	Less than 5 Years	95	26
	5-10 Years	60	16.4
	11-15 Years	100	27.4
	16-20 Years	40	11
	Over 20 Years	70	19.2
Type of IFIs	Islamic bank	165	45.2
	Finance company	80	21.9
	Islamic window	80	21.9
	Investment business firm	20	5.5
	Insurance firm	20	5.5
Shariah Auditor carry out in IFIs			
	Shariah Supervisory Board	78	21.4
	Professionals Shariah Audit	195	53.4
	Regular external auditor	13	3.6
	Internal auditors under the guidance of SSB	79	21.6
Report Functionally	Governance Committee	62	0. .4
	Chief Executive Officer	35	9.6
	Audit Committee	85	23.3
	Shariah Supervisory Board	180	49.3

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Table 5.6 *(continue)*

Information	Category	Total	
		Frequency (n=365)	Percent (%)
Shariah audit staffs in IFIs			
	Not applicable	30	8
	Less than 3	25	7
	Between 3-5	170	47
	Between 6-10	100	27
	Between 11-14	25	7
	More than 15	15	4
ISA plan Existence	Yes	345	94.5
	No	20	5.5
ISA plan Written	Yes	352	96.4
	No	13	3.6
SSB approve ISA charter			
	Yes	358	98.1
	No	7	1.9

Table 5.6 illustrates the profile of the respondents as per them category:

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Gender: the percentage of gender who participate the questionnaire. And by the nature of Shariah accounting work, specifically in the Middle East, the percentage of males is higher the percentage of females, and this is shown in the above table, where the percentage of males reached (91 %, while the percentage of females reached (9 %).

Current position: the large percentage of the respondents (42.4 %) is for those occupation ISA, followed by percentage of respondent's occupation AC (16.4 %), Then gradually comes the professions AGC, CEO, and SSB (13.7 %).

Age Group: the age group of the respondents, below than 30 years old is a percentage of (16.4 %), while the percentage of each category (between 30 – 40 & more than 40) is 53.4 % & 30.2 % respectively.

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Education Level: the large percentage of respondents (42.1 %) & (33.1 %) are for those holding master and bachelor's degree, followed by percentage of respondents holding Ph.D. (24.8 %). And by the nature of the work of Islamic financial institutions and what it requires of experience and academic achievement, no response was recorded for those who hold secondary school certificates.

Profession Certificate: the 11 % from the respondents do not have any certificate in Shariah, audit, and accounting. While the rest of the respondents have the following certificates CPA, CSA, CSAA, ACCA, CIPA, CIA, distributed in a successive percentage (8.5 %,8.5 %, 41 %, 2 %, 16 %, 13 %). The larger percentage of the certificate obtained is CSAA 41 % (Cerfified Shariah Auditor & Advisor).

Experience Years: It can be seen from table 4.1 that 27.4 % of respondents have experience between 11-15 years, followed by respondents (26 %) who have experience between less than 5 years. other respondents are those have experience between 5-10 years, between 16-20 years, and over than 20 years distributed sequentially 16.4 %, 11 %, and 19.2 %.

Type of IFIs: Since the study is devoted to Islamic financial institutions in the United Arab Emirates, one of the questions of the questionnaire was about the type of Islamic institution in which the respondent works, and the result was as follows: The largest percentage was for Islamic banks 45.2 %, and then followed them Islamic window and Finance company 21.9 %, then it came sequentially the Insurance and Investment business firm 5.5 %.

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Shariah Auditor carry out in IFIs: By asking the respondents in the questionnaire about who performs Shariah auditing in the Islamic financial institution in which they work, the answer was as follows: SSB (21.4 %), and the largest percentage belonged professional shariah auditor (53.4%), (21.6 %) for Internal auditors under the guidance of Shariah Supervisory Board, and the lowest percentage was for the Regular (Conventional) external auditor (3.6 %).

Report Functionally: Table 4.1 demonstrates to whom does the Head of internal Shariah audit department report functionally on the organization chart of the respondents. The largest percentage is for the SSB comes with (49.3%), followed by Audit committee (23.3 %) then GC (17.8 %), and CEO (9.6 %).

Shariah audit staffs in IFIs: Table 4.1 illustrates how many shariah audit staffs in IFIs in UAE. The largest percentage (47 %) comes for the category of between 3-5, then came a percentage of (27 %) to slice of between 6-10, and the two categories less than 3 & between 11-14 were equal in percentage (7 %), and finally the percentage (8%) for not applicable. And by obtaining some answers to the questionnaires as a hard copy, it was found through the question on the number of members of the Shariah auditors in the IFIs that not applicable because the respondent thinking that disclosing this number is considered confidential and should not be disclosed.

ISA plan Existence: As part of the demographic questions, respondents were asked, Does the internal Shariah audit department have an internal Shariah audit plan. The answered comes that 94.5% yes and 5.5% only no.

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ISA plan Written: Also, another question I asked the respondents regarding the internal Shariah audit plan in writing in your institution. The 96.4 % from them answered Yes and 3.6 % only said No.

SSB approve ISA charter: The last question in the demographic, has the SSB approve the internal Shariah audit charter. Also, 98.1 % from the respondents answered Yes & only 1.9 % said No.

5.3.2 Descriptive Statistics of CFA

Mean, standard deviation, and recursive distribution statistical indicators are used to describe the characteristics of the items of the study sample. The respondents' variables characteristics are introduced in the following Tables.

1. Independent of Shariah Supervisory Board

Table 5.7

Recursive Distribution of Independent of Shariah Supervisory Board

Item	Strongly disagree		Disagree		Neutral		Agree		Strongly Agree		TOTAL	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
ISSB1	15	4.1	64	17.5	35	9.3	96	26.3	155	42.5	365	100
ISSB2	19	5.2	31	8.5	52	14.2	81	22.2	182	49.9	365	100
ISSB3	7	1.9	42	11.5	55	15.1	99	27.1	162	44.4	365	100

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Table 5.7 *(continue)*

Item	Strongly disagree		Disagree		Neutral		Agree		Strongly Agree		TOTAL	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
ISSB4	13	3.6	26	7.1	57	15.6	73	20	196	53.7	365	100
ISSB5	14	3.8	66	18.1	45	12.3	102	27.9	138	37.8	365	100
ISSB6	12	3.3	33	9.0	73	20.0	89	24.4	158	43.3	365	100
ISSB7	15	4.1	61	16.7	48	13.2	79	21.6	162	44.4	365	100
ISSB8	20	5.5	30	8.2	69	18.9	68	18.6	178	48.8	365	100

ISSB: Independent of Shariah Supervisory Board

It can be seen from table 5.7 that the agree & strongly agree terms for all items gains the highest percentage, followed by neutral term, and disagree. On the other hand, strongly disagree, and strongly agree terms have fewer percentages. This indicates that there may be some ambiguity related to some construct items reflected by the large percentages of neutral. Moreover, lesser percentages of strongly disagree and agree may reveal low level of understanding of some items.

Table 5.8

Mean and Standard Deviation of Independent of Shariah Supervisory Board

	ISSB 1	ISSB 2	ISSB 3	ISSB 4	ISSB 5	ISSB 6	ISSB 7	ISSB 8
Valid	365	365	365	365	365	365	365	365
Missing	0	0	0	0	0	0	0	0
Mean	3.85	4.03	4.01	4.13	3.78	3.95	3.85	3.97
Std. Deviation	1.255	1.205	1.109	1.134	1.235	1.137	1.264	1.225

Table 5.8 shows that the mean score for all items ranges from 3..4 to 4.05. The standard deviation of all items ranges from 1.109 to 1.264 which indicates that the data

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are convergent, consistent, and confirm the relationship of the mean to the rest of the data.

2. Competence of Shariah Supervisory Board

Table 5.9

Recursive Distribution of Competence of Shariah Supervisory Board

Item	Strongly disagree		Disagree		Neutral		Agree		Strongly Agree		TOTAL	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
CSSB1	28	7.7	28	7.7	60	16.4	99	27.1	150	41.1	365	100
CSSB2	20	5.5	28	7.7	53	14.5	65	17.8	199	54.5	365	100
CSSB3	13	3.6	61	16.7	29	7.9	78	21.4	184	50.4	365	100
CSSB4	17	4.7	22	6.0	46	12.6	93	25.5	187	51.2	365	100
CSSB5	6	1.6	30	8.2	53	14.5	71	19.5	205	56.2	365	100
CSSB6	11	3	30	8.2	52	14.2	96	26.3	176	48.2	365	100
CSSB7	13	3.6	53	14.5	33	9.0	106	29.0	160	43.8	365	100

CSSB: Competence of Shariah Supervisory Board

Table 5.9 also indicates that the strongly agree and agree term for all items gains the highest percentage 41.1% to 56.2%, followed by neutral term 7.9% to 16.4%, and disagree and strongly disagree 3% to 16.7%.

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Table 5.10

Mean and Standard Deviation of Competence of Shariah Supervisory Board

	CSSB 1	CSSB 2	CSSB 3	CSSB 4	CSSB 5	CSSB 6	CSSB 7
Valid	365	365	365	365	365	365	365
Missing	0	0	0	0	0	0	0
Mean	3.86	4.08	3.98	4.13	4.20	4.08	3.95
Std. Deviation	1.248	1.220	1.256	1.134	1.070	1.105	1.197

Table 5.10 shows that the mean score for all items ranges from 3.86 to 4.20. The standard deviation of all items ranges from 1.105 to 1.248 which indicates that the data are convergent, consistent, and confirm the relationship of the mean to the rest of the data.

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3. Size of Shariah Supervisory Board

Table 5.11

Recursive Distribution of Size of Shariah Supervisory Board

Item	Strongly disagree		Disagree		Neutral		Agree		Strongly Agree		TOTAL	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
SSSB 1	16	4.4	55	15.1	77	21.1	110	30.1	107	29.3	365	100
SSSB 2	15	4.1	59	16.2	35	9.6	97	26.6	159	43.6	365	100
SSSB 3	18	4.9	38	10.4	50	13.7	71	19.5	188	51.5	365	100
SSSB 4	6	1.6	26	7.1	77	21.1	100	27.4	156	42.7	365	100

SSSB: Size of Shariah Supervisory Board

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Table 5.11 reveals that all items of agree term gain the highest percentages. The most items of strongly agree and agree gain high percentage comparing to the items of disagree term. These results indicate a positive trend of several items of this construct.

Table 5.12

Mean and Standard Deviation of Size of Shariah Supervisory Board

	SSSB 1	SSSB 2	SSSB 3	SSSB 4
Valid	365	365	365	365
Missing	0	0	0	0
Mean	3.65	3.89	4.02	4.02
Std. Deviation	1.176	1.241	1.231	1.036

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On the other hand, Table 5.12 reveals that the mean score for all items ranges from 3.65 to 4.02. The standard deviation of all items ranges from 1.036 to 1.241, which confirms that the data are convergent, consistent, and confirm the relationship of the mean to the rest of the data.

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4. Internal Shariah Auditor Effectiveness

Table 5.13

Recursive Distribution of Internal Shariah Auditor Effectiveness

Item	Strongly disagree		Disagree		Neutral		Agree		Strongly Agree		TOTAL	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
ISAE 1	16	4.4	33	9.0	57	15.6	87	23.8	172	47.1	365	100
ISAE 2	9	2.5	31	8.5	56	15.3	89	24.4	180	49.3	365	100
ISAE 3	6	1.6	49	13.4	59	16.2	62	17.0	189	51.8	365	100
ISAE 4	15	4.1	50	13.7	21	5.8	101	27.7	178	48.8	365	100
ISAE 5	24	6.6	22	6.0	47	12.9	55	15.1	217	59.5	365	100
ISAE 6	17	4.7	25	6.8	56	15.3	99	27.1	168	46.0	365	100
ISAE 7	12	3.3	27	7.4	67	18.4	97	26.6	162	44.4	365	100

ISAE: Internal Shariah Auditor Effectiveness

It can be shown from table 5.13 that the strongly agree and agree terms for all items has the highest percentages for all items, followed by the neutral and disagree. Also, the responses reflect some ambiguity or moderated level of understanding of some items of the construct.

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Table 5.14

Mean and Standard Deviation of Internal Shariah Auditor Effectiveness

	ISAE 1	ISAE 2	ISAE 3	ISAE 4	ISAE 5	ISAE 6	ISAE 7
Valid	365	365	365	365	365	365	365
Missing	0	0	0	0	0	0	0
Mean	4.00	4.10	4.04	4.03	4.15	4.03	4.01
Std. Deviation	1.178	1.097	1.169	1.211	1.240	1.144	1.106

Table 5.14 shows that the mean score for all items ranges from 4.00 to 4.10. The standard deviation of all items ranges from 1.097 to 1.240, which refers to the data convergence, consistency, and confirms the relationship of the mean to the rest of the data.

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5. Management Support

Table 5.15

Recursive Distribution of management support

Item	Strongly disagree		Disagree		Neutral		Agree		Strongly Agree		TOTAL	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
MS 1	6	1.6	34	9.3	51	14.0	72	19.7	202	55.3	365	100
MS 2	24	6.6	29	7.9	69	18.9	85	23.3	158	43.3	365	100
MS 3	15	4.1	50	13.7	25	6.8	77	21.1	198	54.2	365	100
MS 4	15	4.1	31	8.5	62	17.0	55	15.1	202	55.3	365	100
MS 5	15	4.1	23	6.3	68	18.6	67	18.4	198	52.6	365	100
MS 6	16	4.4	30	8.2	78	21.4	83	22.7	158	43.3	365	100
MS 7	22	6.0	55	15.1	38	10.4	55	15.1	195	53.4	365	100

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Table 5.15 *(continue)*

Item	Strongly disagree		Disagree		Neutral		Agree		Strongly Agree		TOTAL	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
MS 8	22	6.0	27	7.4	55	15.1	59	16.2	202	55.3	365	100
MS 9	11	3.0	26	7.1	57	15.6	62	17.0	209	57.3	365	100

Table 5.15 reveals that the most items of the term strongly agree and agree gain highest percentages, followed by the items of neutral term, and disagree. Neutral term gains high percentages for some items, which also indicate positive trends against this construct.

Table 5.16

Mean and Standard Deviation of Management Support

	MS 1	MS 2	MS 3	MS 4	MS 5	MS 6	MS 7	MS 8	MS 9
Valid	396	396	396	396	396	396	396	396	396
Missing	0	0	0	0	0	0	0	0	0
Mean	4.18	3.89	4.08	4.09	4.09	3.92	3.95	4.07	4.18
Std. Deviation	1.089	1.234	1.236	1.195	1.153	1.169	1.336	1.241	1.120

Table 5.16 indicates that the mean score for all items ranges from 3.89 to 4.18. The standard deviation of all items ranges from 1.089 to 1.241, which indicates that the data are convergent, consistent, and confirm the relationship of the mean to the rest of the data.

The averages of mean and standard deviation of all constructs are introduced in table 5.17 with the minimum and maximum levels of them.

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Table 5.17

Mean and Standard Deviation of all Constructs

	N			Mean	Std. Deviation
ISAE	365			4.05	1.16
ISSB	365			3.95	1.20
CSSB	365			4.05	1.17
SSSB	365			3.89	1.17
MS	365			4.05	1.19
Valid N (listwise)	365				

In general, the items of all terms indicate high percentages of agree, strongly agree, and neutral, which indicates positive trends against most items of all constructs. The means of all construct's items range between 3.89 and 4.05, which indicate that most constructs' means show Agree & Strongly agree. Neutral means more than disagreement but less than agreement. Respondents who are not willing to answer a certain question they select neutral, moreover, they use neutral too if they partly agree or partly disagree with any item, which divert the results. Some respondents might be neutral because they do not know or not sure to choose the more accurate answer.

Therefore, neutral means true to some extent. According to (Wicaksono, 2016; Akkakoson, 2016) the range of means from 1.81 to 2.6 shows low level towards agreement, from 2.61 to 3.4 show medium or normal level of agreement, from 3.4 to 4.3 show high level of agreement and from 4.4 to 5 show the highest level of agreement. Accordingly, the mean scores for all varialbes ISSB, CSSB, SSSB, ISAE, and MS show highest level of agreement toward the ability of items for measuring those dimensions. This indicates that the data are convergent, consistent, and confirm the relationship of

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the mean to the rest of the data. This can lead to obtain reliable results of the questionnaire content analysis.

5.3.3 Missing Data and Outliers

The data must be completed without missing data and must have no outliers. Missing values and outliers are regularly faced during the data collection stage in several studies. Missing values represent a significant challenge because standard analysis ignores these values. When the missing values cases are less than 5% of all cases and if a missing value does not depend on other values, then the listwise deletion method are quite safe (IBM, 2013). Missing values results from incomplete information, lost responses, and lack of participants' responses. Missing data may complicate the calculated statistics and may lessen their precision because the information is not complete. Missing value analysis can handle many issues caused by incomplete data (Kwak & Kim, 2017).

Outliers are the larger values that irregularly lie outside the normal data values distribution. Outliers arise from different errors such as responses and data entry errors. The outliers can cause bias in values of mean, leading to incorrect assessed values. The outliers must be modified or replaced by substituted values (Kwak & Kim, 2017). The outlier analysis is most important step in the data screening as it can lead to different conclusions. The outliers are the values which are uniquely different from the other observations (Joseph Hair, Hult, et al., 2014). In our study the and the smallest value is -5.2 and the largest value is -1.5.

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5.3.4 Normality Test

This research used skewness, kurtosis testing to assess data normality. When skewness and kurtosis values are in the range between -2 and 2, the data distribution is rationally close to normal (Picazo-Vela, 2009). The normality distribution results of all items of research constructs are shown in table 5.18.

Table 5.18

Normality Distribution Testing

	N	Skewness		Kurtosis	
		Statistic	Std. Error	Statistic	Std. Error
ISAE1	365	-.989	.128	-.037	.255
ISAE2	365	-1.033	.128	.117	.255
ISAE3	365	-.832	.128	-.651	.255
ISAE4	365	-1.090	.128	-.032	.255
ISAE5	365	-1.308	.128	.540	.255
ISAE6	365	-1.088	.128	.346	.255
ISAE7	365	-.947	.128	.074	.255
ISSB1	365	-.763	.128	-.729	.255
ISSB2	365	-1.071	.128	.084	.255
ISSB3	365	-.861	.128	-.323	.255
ISSB4	365	-1.148	.128	.345	.255
ISSB5	365	-.645	.128	-.841	.255
ISSB6	365	-.823	.128	-.274	.255
ISSB7	365	-.718	.128	-.810	.255
ISSB8	365	-.933	.128	-.215	.255
CSSB1	365	-.932	.128	-.146	.255
CSSB2	365	-1.144	.128	.187	.255
CSSB3	365	-.915	.128	-.555	.255
CSSB4	365	-1.272	.128	.783	.255
CSSB5	365	-1.141	.128	.234	.255
CSSB6	365	-1.078	.128	.271	.255

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Table 5.18 *(continue)*

	N	Skewness		Kurtosis	
		Statistic	Std. Error	Statistic	Std. Error
CSSB7	365	-.921	.128	-.335	.255
SSSB1	365	-.505	.128	-.734	.255
SSSB2	365	-.827	.128	-.590	.255
SSSB3	365	-1.019	.128	-.154	.255
SSSB4	365	-.794	.128	-.201	.255
MS1	365	-1.104	.128	.092	.255
MS2	365	-.887	.128	-.230	.255
MS3	365	-1.113	.128	-.089	.255
MS4	365	-1.059	.128	-.033	.255
MS5	365	-1.075	.128	.190	.255
MS6	365	-.824	.128	-.266	.255
MS7	365	-.898	.128	-.640	.255
MS8	365	-1.137	.128	.133	.255
MS9	365	-1.193	.128	.392	.255

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The results of the skewness and kurtosis statistical analysis in table 5.18, show the acceptable limits which indicate that the data of the study sample is not significantly different from normal distribution. This leads to accept the assumption that the data for the study constructs are drawn from a population whose data follow normal distribution.

5.3.5 Reliability Test

The purpose of the reliability test is to ensure the questionnaire consistency and stability. The test–retest is conducted is used to achieve stability. Cronbach Alpha is used to test the internal consistency. On the other hand, the inter–item correlation, Kaiser-Meyer-Olkin (KMO) and Bartlett's test of sphericity is used to test the suitability of each construct for factor analysis.

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5.3.5.1 Internal Consistency Test

Cronbach's alpha is used to measure the internal consistency of a group of items by measuring the items homogeneity. Cronbach Alpha should score high value to ensure high reliability of the data. The Cronbach Alpha values of all constructs are introduced in table 5.19.

Table 5.19

Reliability Test of All Constructs

No	Construct	Number of Items	Alpha Value
1	Independence SSB (ISSB)	8	0.880
2	Competence SSB (CSSB)	7	0.914
3	Size SSB (SSSB)	4	0.794
4	ISA Effectiveness (ISAE)	7	0.897
5	Management Support (MS)	9	0.917

*ISSB can reach more than this figure if you delete one item.

It can be seen from table 5.19; all constructs achieve high Cronbach Alpha values greater than 0.7. These values mean that there is a high degree of internal stability of all constructs. The high values mean that we can rely on these constructs in achieving the objectives of the study and in analysis of the results.

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5.3.5.2 Inter–Item Correlation

Kaiser-Meyer-Olkin (KMO) and Bartlett's Sphericity test is used to test the Inter–item correlation. This test is used to assess the appropriateness of each construct for factor analysis. The item-rest correlation should be at least 0.2. Low item-test correlation means that the content of the item needs to be revised or the item should be removed from the test (Aller et al., 2013). The KMO and Bartlett test is introduced in table 5.20.

Table 5.20

KMO and Bartlett's Test of CFA

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.961
Bartlett's Test of Sphericity	Approx. Chi-Square	11486.53
	df	595
	Sig.	.000

Table 5.20 indicates that KMO and Bartlett's results are within the acceptable limits, where KMO is more than 0.5 and Bartlett's Test is less than 0.05. This reveals that the data is adequate for further analysis.

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5.3.6 Measurement Model Evaluation

After all the tests that confirm the reliability of the data and its readiness for further analysis, the CFA for the model is conducted using AMOS. The developed measurement model is introduced in Figure

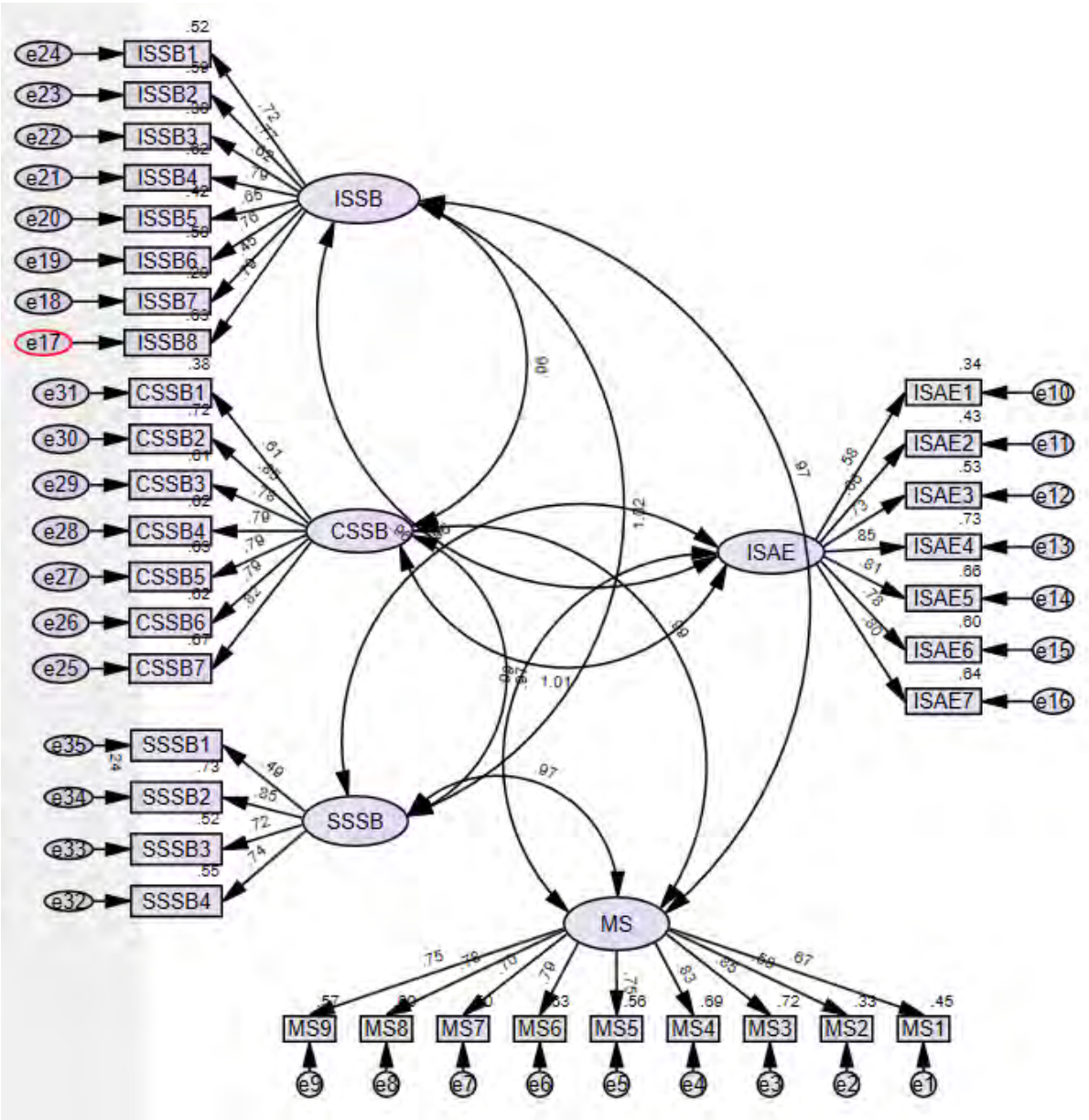


Figure 5.1. Measurement Model for All Items

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Fit Indices
P-value= 0.00
RMSEA =0.097
CFI=0.0854
TLI=0.820
ChSq =2268.334
Df= 514

5.3.6.1 Model Fit

Determining model fit is based on fit indices of the SEM. There are several fit indices that are widely used by researchers, which include absolute fit indices and incremental fit indices. The former indices (Chi-Squared, RMSEA, GFI, AGFI) determine how well a model fits the sample data and explains which proposed model has the fit. On the other hand, the next fit indices (TLI, CFI, IFI), does not rely in their calculations on comparison with a standard model. According to (Hair et al., 2010), multiple fit indices must be utilized to evaluate a model's goodness-of-fit including the x2 value and the associated df, one absolute fit index (i.e., GFI, RMSEA, or SRMR), one incremental fit index (i.e., CFI or TU), one goodness-of-fit index (GFI, CFI, TU, etc.), and one badness-of-fit index (RMSEA, SRMR, etc.).

Therefore, this research utilized Incremental fit indices (IFI), comparative fit index (CFI), normed chi-squared test (X2 /df), root mean square error (RMSEA), Tucker-Lewis Index (TLI), goodness-of-fit statistic (GFI), and adjusted goodness-of-fit statistic (AGFI). Acceptable value for good fit of normed chi-square ($\chi 2/df$) is less or equals 5. TLI value is ≥ 0.90. For RMSEA, the acceptable value ranges between 0.05 and 0.10. GFI and AGFI, the acceptable value ranges between 0.9 and 1. The acceptable

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value of CFI is ≥ 0.90 and of IFI ≥ 0.9 (Hair et al., 2006; Hooper et al., 2008; Hair et al., 2010). The statistics for Goodness of Fit Indices are shown in table 5.21.

Table 5.21

Statistics for Goodness of Fit Indices of Measurement Model

Fit index	Modified Model	Recommended values	Source
$\chi 2$ /df	4.41	≤ 5.00	(Hooper et al., 2008)
GFI	0.715	≥ 0.90	(Hooper et al., 2008)
AGFI	0.651	≥ 0.90	(Hooper et al., 2008)
CFI	0.845	≥ 0.90	(Hooper et al., 2008)
IFI	0.846	≥ 0.90	(Hooper et al., 2008)
TLI	0.820	≥ 0.90	(Hair et al., 2006)
RMSEA	0.097	≤ 0.10	(Hooper et al., 2008); (Hair et al., 2010)

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As shown from table 5.21, some of the fitness indices did not meet the acceptable values such as the GFI and AGFI in the initial full model. Therefore, the factor loadings of all items are checked to delete all items with low factor loadings. According to Awang (2014), factor loading should be 0.5 and above. Two items as shown in table 4.22 are found with factor loading less than 0.5.

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Table 5.22

Deleted Items

No.	Item	Statement
1	ISSB7	The SSB faces interference from management during their work.
2	SSSB1	Large size of SSB members may decrease the possibility of information asymmetry.

The items in table 2.52 are valuable to organization but they achieved low factor loadings, therefore, they are deleted. Regarding item ISSB7, the deletion may be attributed to lack of the employees' knowledge on the independent of SSB. Regarding SSSB1, they may be deleted since the employees have less knowledge about all the size of IFIs. Moreover, less experience respondents may not emphasis on relevant information and overlook unrelated information. Because of deletion, the items, the model should be re-run after deleting those items. The final standard loadings after deleting of irregular items are introduced in table 2.23.

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Table 5.23

Final Standard Loadings

Items	Standard Loadings	items	S.Loadings
ISSB1	0.71	ISAE1	0.58
ISSB2	0.78	ISAE2	0.67
ISSB3	0.63	ISAE3	0.72
ISSB4	0.80	ISAE4	0.85
ISSB5	0.64	ISAE5	0.82
ISSB6	0.78	ISAE6	0.78
ISSB8	0.79	ISAE7	0.80
CSSB1	0.61	MS1	0.67
CSSB2	0.84	MS2	0.58
CSSB3	0.77	MS3	0.84
CSSB4	0.79	MS4	0.83
CSSB5	0.81	MS5	0.74
CSSB6	0.78	MS6	0.78
CSSB7	0.82	MS7	0.70

(continue)

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Table 5.23 *(continue)*

Items	Standard Loadings	items	S.Loadings
SSSB2	0.84	MS8	0.78
SSSB3	0.71	MS9	0.78
SSSB4	0.74		

The remaining items are 33 items distributed on the five constructs. The final measurement model is introduced in Figure 5.2

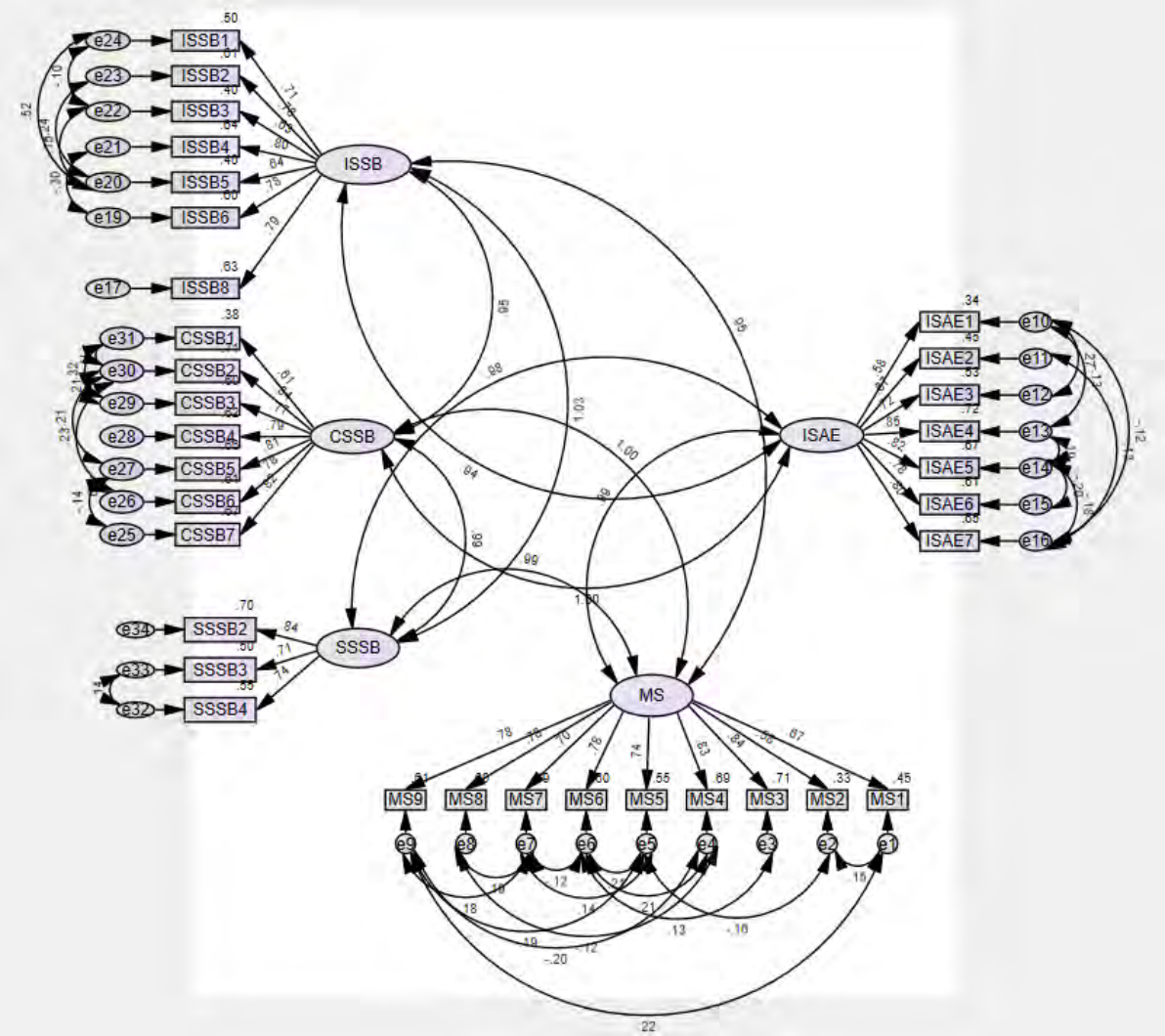


Figure 5.2. Final Measurement Model

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Fit Indices
P-value= 0.00
RMSEA =0.097
CFI=0.0857
TLI=0.833
ChSq =2008.652
Df= 452

The final measurement should be measured for validity to develop the structural model. Construct validity is usually used for validity measurement.

5.3.6.2 Model Validity

The final measurement should be measured for validity to develop the structural model. Construct validity is usually used for validity measurement. To measure the model validity, this study uses the construct validity that includes convergent validity and discriminant validity.

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5.3.6.2.1 Construct Validity

The construct validity refers to how well a test or tool can measure the construct that it was designed to measure (Voorhees et al., 2016). CFA can be used to evaluate a model reliability and validity. Confirmatory factor analysis (CFA) is required to confirm the underlying relationships among the latent variables, which cannot be observed directly (Byrne, 2013). CFA is used on the model of five constructs (33) items generated by EFA. The construct validity includes convergent validity and discriminant validity.

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5.3.6.2.2 Convergent Validity

The convergent validity is the correlations between same constructs measures that obtained with diverse measurement methods (Raykov, 2011). Convergent validity tests that construct that are expected to be related are really related. Several methods can be 222 used to measure the convergent validity such as Cronbach Alpha, composite reliability (CR) and average variance extracted (AVE) (Hair et al., 2011). In this research, AVE and CR are used to measure the convergent validity. AVE is the average amount of variance in observed variables that a latent construct can explain (Farrell, 2010). AVE should be equal to 0.50 and above (Hair et al., 2011). If the average variance extracted is less than 0.50, then the variance due to measurement error is greater than the variance due to the construct. In this case, the convergent validity of the construct is questionable. CR should exceed 0.7 (Hair et al., 2011). Table 5.24 shows average variance extracted (AVE) and composite reliability (CR).

Table 5.24

Convergent Validity Results

Constructs	(CR)	(AVE)
Indepedence SSB	0.891	0.559
Competence SSB	0.915	0.607
Size SSB	0.806	0.582
ISA Effecetiveness	0.900	0.567
Management Support	0.918	0.559

Table 5.24 shows that all constructs have values of AVE ≥ 5 and composite reliability of all constructs are also higher than 0.70, which fit the acceptable values and

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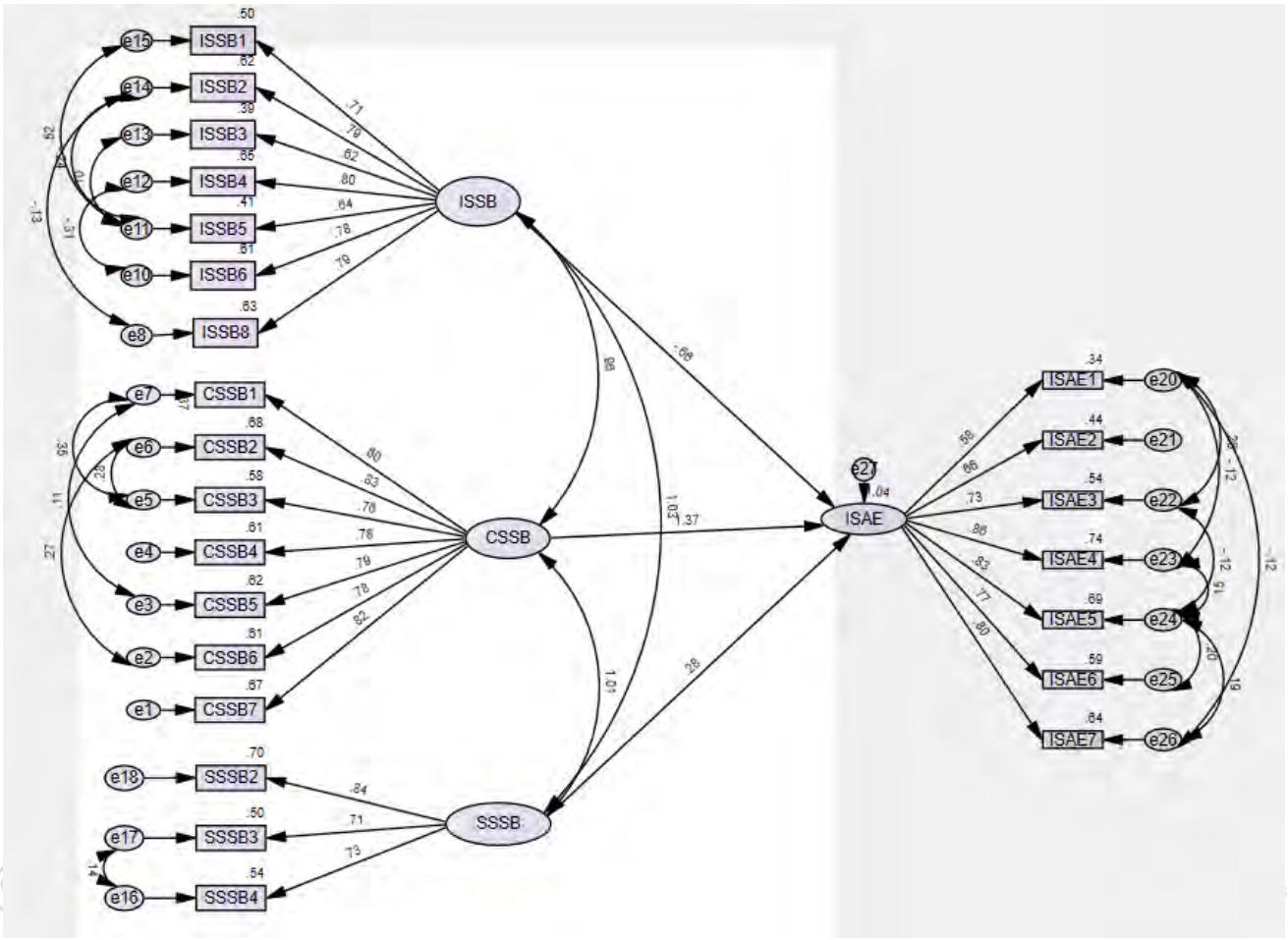
prove that the convergent validity is achieved through the correlations between the items of each construct.

5.3.7 Structural Equation Model Evaluation

The structural equation model is developed firstly without the moderator to show the direct effect of SSB characteristics on the ISAE and tested for goodness of fit indices. Then, the model is developed considering the moderating effect.

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Computation of degrees of freedom (Default model)

Number of distinct sample moments:	324
Number of distinct parameters to be estimated:	93
Degrees of freedom (324 - 93):	231

Result (Default model)

Minimum was achieved
Chi-square = 1101.553
Degrees of freedom = 231
Probability level = .000

Figure 5.3. Structural Equation Model without Moderator

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The structural equation model (SEM) without moderator is tested to determining the model fit using the same indices used in case of the measurement model. The goodness of fit of the SEM is introduced in table 5.25.

Table 5.25

Goodness of Fit of Structural Equation Model

Fit index	Modified Model	Recommended values	Source
$\chi 2$ /df	4.76	≤ 5.00	(Hooper et al., 2008)
GFI	0.815	≥ 0.90	(Hooper et al., 2008)
AGFI	0.810	≥ 0.90	(Hooper et al., 2008)
CFI	0.884	≥ 0.90	(Hooper et al., 2008)
IFI	0.885	≥ 0.90	(Hooper et al., 2008)
TLI	0.860	≥ 0.90	(Hair et al., 2006)
RMSEA	0.10	≤ 0.10	(Hooper et al., 2008); (Hair et al., 2010)

As shown in table 5.25, all the obtained indices values of all constructs are being within the almost acceptable values. This indicates that the model fits closely the data and ensures the structural model adequacy.

The structural equation model with moderator is introduced in Figure 5.4. The model is used to show the effect of the Management Support on the relation between characteristics of SSB (Independence, Competence, and Size) and ISAE. Each indicator of an SSB construct is multiplied by each indicator of the moderating variable leading to produce indicators for a latent interaction term. The statistical significance of the moderating effect is tested by a bootstrapping procedure. Therefore, the MS indicators are multiplied with the SSB (ISSB, CSSB, and SSSB) and ISAE indicators to create new interaction term called MS *(SSB) including INAC-MS-ISSB, INAC-MS-CSSB,

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INAC-MS-SSSB. The new paths are tested to determine the significance of the interaction effect.

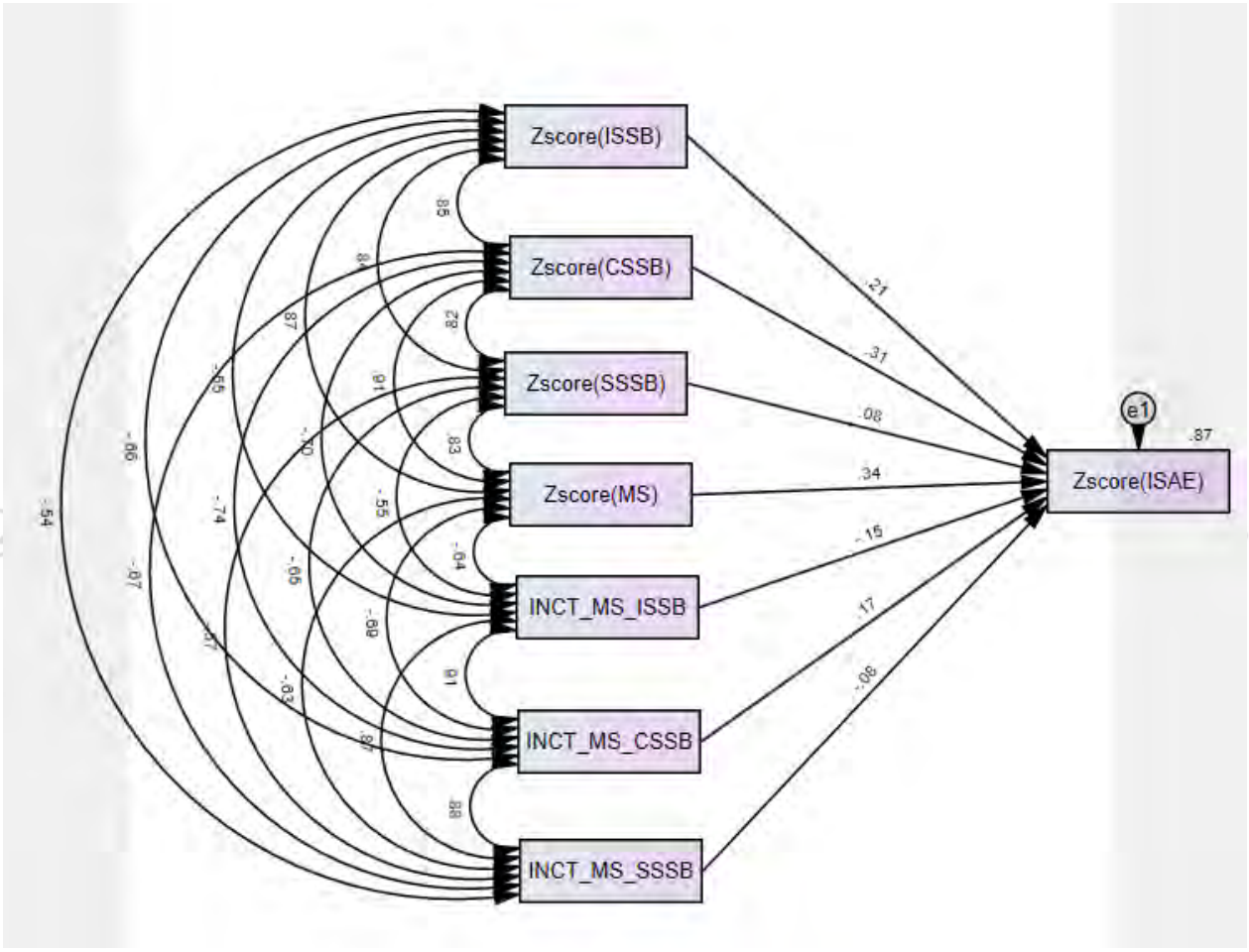


Figure 5.4. Structural Equation Model with Moderator

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5.4 Hypotheses Testing

Hypothesis testing is a method to test if a hypothesis is probable to be true. The hypothesized relations between constructs were put in null hypotheses, which is presumed true. The regression analysis is used to test the direct hypotheses effect. It determines the relationship between two variables mathematically and graphically as well as clarifies the relationship direction between two variables. The regression weights of direct hypotheses are shown in table 5.26

Table 5.26

Regression Weights of Direct Hypotheses

Hypothesis	Relation	Estimate	St. Error	C.R.	P
H1	ISAE <--- ISSSB	-0.463	0.200	-2.311	0.021
H2	ISAE<--- CSSB	0.061	0.213	4.510	***
H3	ISAE <--- SSSB	0.249	0.221	1.124	0.261

Table 5.26 indicates all estimates for independent variables are positive and their p-values, which are less than 0.05 shows that these relationships are significant except H3 shows the p-value is more than 0.05 and not significant and there is no relationship between SSSB and ISAE. It means that the two constructs of SSB (ISSB & CSSB) have significant positive effects on the ISAE. This confirms the validity of the first three direct hypotheses between the construct's independence, competence and the ISAE that tested by the correlation analysis. Two from three direct hypotheses are supported. They reflect the effect of SSB's characteristics on ISAE since these constructs represent the main SSB characteristics.

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5.4.1 Regression Weights of Direct Hypothesis

5.4.1.1 Relation between Independence of Shariah Supervisory Board and Internal Shariah Auditor Effectiveness

This relation is tested by hypothesis H1, which hypothesizes that there is significant effect of Independence (ISSB) on ISAE. As shown in Table 4.35, the path coefficient of ISAE on ISSB is -0.477, which indicates that the increase in ISSB by one unit leads to an increase in ISSB by -0.477. This estimate has a standard error (SE) of 0.200, and critical ratio (CR) -2.311. The probability (P) of getting this ratio is 0.021, which is less than 0.05. This means that the regression weight for ISSB in predicting the ISAE is significant at level 0.02. This confirms the significant positive effect of Independence SSB particularly on ISAE. Thus, the proposed hypothesis is supported. The SSB creates more controlled environment in delivering the auditing process. Its Independence with other SSB characteristics helps in ISA effectiveness and delivering all the necessary information to enable IFIs to perform their business activities correctly.

5.4.1.2 Relation between Competence of Shariah Supervisory Board and Internal Shariah Auditor Effectiveness

This relation is tested by hypothesis H2, which hypothesizes that there is significant effect of Competence (CSSB) on ISAE. As shown in Table 4.35, the path coefficient of CSSB on ISAE is 0.960, which indicates that the increase in CSSB by one unit leads to an increase in IAE by 0.960. This estimate has a standard error (SE) of 0.213, and critical ratio (CR) above zero 4.510. The probability (P) of getting this ratio is ***, which is significant. This means that the regression weight for CSSB in predicting the

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ISAE is significant at level ***. This means that the Competence has a significant positive effect on ISAE. Thus, the proposed hypothesis is supported.

5.4.1.3 Relation between Size of Shariah Supervisory Board and Internal Shariah Auditor Effectiveness

This relationship is tested by hypothesis H3, which hypothesizes that there is non-significant effect of Size (SSSB) on ISAE. As shown in Table 4.35, the path coefficient of SSSB on ISAE is 0.249, estimate has a standard error (SE) of 0.221, and critical ratio (CR) above zero 1.124. The probability (P) of getting this ratio is .0261, which is more than 0.05 which meaning is non-significant. This means that the Size of SSB has non-significant effect on ISAE. Thus, the proposed hypothesis is not supported.

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5.4.2 Regression Weights of Moderating Effect Hypotheses

For testing the moderation effect, interaction terms were generated using the imputation function in AMOS and them the data was imported from SPSS and run. The regression analysis is used to test the moderating hypotheses. The regression weights with the management support (moderator) are shown in table 5.27.

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Table 5.27

Regression Weights with Moderator

Hypothesis	Relation	Estimate	St. Error	C.R.	P
H4	ISAE <--- INAC_MS_ISSB	-0.021	0.007	-2.976	0.003
H5	ISAE <--- INAC_MS_CSSB	0.020	0.007	2.904	0.004
H6	ISAE <--- INAC_MS_SSSB	-0.017	0.009	-1.763	0.078

The discussion of each relation to define whether the related hypotheses is supported or not supported is introduced in the following sections.

5.4.2.1 Relation between Independence of Shariah Supervisory Board and Internal Shariah Auditor Effectiveness with Management support as Moderator.

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This relation is tested by hypothesis H4, which hypothesizes that management support can moderate the effect of independence of SSB on the ISAE. As shown in table 5.28, the path coefficient of INAC_MS_ ISSB on ISAE is -0.021, which indicates that the increase in the interaction of MS_ ISSB by one unit leads to an increase in ISAE by -0.021. This estimate has a small standard error (SE) of 0.007, and critical ratio (CR) below zero - 2.976. The probability (P) of getting this ratio is 0.003 (significant at level 1%), which is less than 0.05 indicating that the regression weight for the interaction of MS_ISSB in predicting the ISAE is significant. This means that the management support can moderate the effect of ISSB on the ISAE. Thus, the proposed hypothesis is supported.

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5.4.2.2 Relation between Competence of Shariah Supervisory Board and Internal Shariah Auditor Effectiveness with Management support as Moderator.

This relation is tested by hypothesis H5, which hypothesizes that management support can moderate the effect of competence of SSB on the ISAE. As shown in table 4.28, the path coefficient of INAC_MS_CSSB on ISAE is 0.020, which indicates that the increase in the interaction of MS_CSSB by one unit leads to an increase in ISAE by -0.020. This estimate has a small standard error (SE) of 0.007, and critical ratio (CR) above zero 2.904. The probability (P) of getting this ratio is 0.004 (significant at level 1%), which is less than 0.05 indicating that the regression weight for the interaction of MS_CSSB in predicting the ISAE is significant. This means that the management support can moderate the effect of CSSB on the ISAE. Thus, the proposed hypothesis is supported.

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5.4.2.3 Relation between Size of Shariah Supervisory Board and Internal Shariah Auditor Effectiveness with Management support as Moderator.

This relation is tested by hypothesis H6, which hypothesizes that management support can moderate the effect of Size of SSB on the ISAE. As shown in table 4.28, the path coefficient of INAC_MS_SSSB on ISAE is -0.017. This estimate has a small standard error (SE) of 0.009, and critical ratio (CR) less zero -1.763. The probability (P) of getting this ratio is 0.078, which is more than 0.05 indicating that the regression weight for the interaction of MS_SSSB in predicting the ISAE is non-significant. This means that the management support can`t moderate the effect of SSSB on the ISAE. Thus, the proposed hypothesis is not supported.

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The summary of all hypotheses including the direct hypotheses and the moderating hypotheses is introduced in table 5.28.

Table 5.28

Summary of Research Hypotheses

No.	Hypothesis	Result
1	H1: Independence of SSB positively impact on ISAE in UAE IFIs.	Supported
2	H2: Competence of SSB positively impact on ISAE in UAE IFIs.	Supported
3	H3: Size of SSB positively impact on ISAE in UAE IFIs.	Not Supported
4	H4: MS moderates the impact of SSB independence on ISAE in UAE IFIs.	Supported
5	H6: MS moderates the impact of SSB competence on ISAE in UAE IFIs.	Supported
6	H6: MS moderates the impact of SSB size on ISAE in UAE IFIs.	Not Supported

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5.5 Summary

This chapter introduces the research findings. It demonstrates the analyses of the data that are collected by the survey questionnaire. Several tests and analyses are conducted to test the data normality and reliability for further analysis such as confirmatory factor analysis and structural equation modeling. The development of the measurement and structure models are demonstrated. Both measurement and structural equation models are validated using various measures of goodness of fit. The regression analysis is used to test the direct hypotheses effect and the moderating effect of management support. Finally, a summary of all hypotheses is provided.

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CHAPTER 6

DISCUSSION, RECOMMENDATION AND CONCLUSION

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6.1 Introduction

This research aims to investigate the effect of SSB's characteristics on ISAE with considering the moderating effect of management support in IFIs in UAE. The previous chapters sought to achieve the research objectives, while this chapter discusses the research findings. This chapter demonstrates the research objectives fulfillment, a summary of research findings, discussion of findings, conclusions, and the research limitations. Based on the data analysis and the findings, some recommendations and directions are proposed that could help the future research. Finally, the research implications are introduced.

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6.2 Major Findings of the Research

The major findings of the study are related to the fulfillment of the research objectives and the final hypothesized conceptual model. The findings are demonstrated, then, a summary of the research findings is introduced.

This research proposes a conceptual model for the effect of SSB's characteristics on ISAE with exploring the moderating effect of management support on the relation between SSB's characteristics and ISAE. Four main objectives are developed to construct this model, evaluate its relation, and finally develop the structural equation model.

The research reviewed the literature to define the main characteristics that reflect the SSB. Previous researchers used different characteristics based on their field of study. Therefore, no general or standard characteristics are defined to evaluate the SSBs characteristics. To generalize all research finding, this research chooses the most frequently used characteristics in previous research. This process led to selection of three characteristics namely Independence, Competence, and Size. These characteristics are used to measure the effect of SSB's characteristics on ISAE among IFIs in UAE.

Based on the identified characteristics a conceptual model is developed to examine the relation between the SSB characteristics and the ISAE with management support as a moderator in IFIs. The conceptual model helps to develop hypotheses and validate the relationships between the research variables. The research conceptual

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model is influenced by the Maqasid Al-Shariah, Islamic agency, and Islamic accountability theories as they provide the theoretical foundation for the research. The conceptual model includes three independent constructs representing the main characteristics of the SSB identified by the first objective. The model also includes ISAE as dependent variable and the management support as a moderator. six hypotheses are developed to explain the relations among the research variables, which divided into categories. The first category includes three hypotheses related to the direct effect of SSB characteristic as introduced below. The second category includes the hypotheses related to the indirect effect of management support on relation between SSB characteristics and ISAE.

1. Direct hypotheses to explain the effect of SSB characteristic on ISAE.

- ✓ H1: Independence of SSB positively impact on internal Shariah auditor effectiveness in UAE IFIs.
- ✓ H2: Competence of SSB positively impact on internal Shariah auditor effectiveness in UAE IFIs.
- ✓ H3: Size of SSB positively impact on internal Shariah auditor effectiveness in UAE IFIs.

2. Indirect hypotheses to explain the moderating effect of management support on the relation between SSB characteristics and ISAE.

- ✓ H4: Management support moderates the impact of SSB independence on internal Shariah auditor effectiveness in UAE IFIs.

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- ✓ H5: Management support moderates the impact of SSB competence on internal Shariah auditor effectiveness in UAE IFIs.
- ✓ H6: Management support moderates the impact of SSB size on internal Shariah auditor effectiveness in UAE IFIs.

The hypothesized conceptual model is tested and evaluated to come out with the SEM model. A survey questionnaire is utilized to collect the research data. The questionnaire includes five constructs with 35 items. Before model testing and evaluation process, the data collected by the questionnaire are tested for validity using expert judgments, and for reliability using a pilot study with 40 respondents. Moreover, the items of all constructs are evaluated to define the main items to create the model using the exploratory factor analysis (EFA) on 100 respondents. The EFA is conducted by using the SPSS. The EFA results indicates that all items of all constructs are measuring the proposed constructs.

Confirmatory factor analysis (CFA) is conducted on 365 respondents to develop the measurement model after several analyses and tests to assess the data normality and reliability. Among these analyses are demographic analysis, descriptive statistics, data normal distribution, and internal consistency. AMOS is used to develop the measurement model which is evaluated by several fit indices. Some of the fitness indices did not meet the acceptable values, therefore, two items with low factor loadings are deleted, and then the final measurement model is developed and evaluated by the same indices.

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The measurement model is measured for validity including convergent validity and discriminant validity. The results of measurement model validity indicate that the SSB characteristics achieved good results. The results of measurement model validity indicate that the management support construct achieves high convergent validity based on two measures outcomes including composite reliability (CR) and average variance extracted (AVE) (refer to table 5.24).

The structural equation model (refer Figure 5.3) is developed primarily using AMOS without the moderator to demonstrate the direct effect of SSB`s characteristics constructs on the ISAE. The values of goodness of fit are within the acceptable limits (refer to table 5.25). After that, the structural equation model with moderator is developed to measure the management support effect on the relation between SSB's characteristics and ISAE (refer Figure 5.4). Regression weights (refer table 5.26) test is used for testing the direct hypotheses between the SSB's characteristics and the ISAE and the moderating hypotheses (refer table 5.27). Two from three direct hypotheses are supported, also two moderating hypotheses are supported (refer table 5.28).

6.2.1 Objective 1: To Analyze the impact of SSB independence on internal Shariah auditor effectiveness in IFIs in UAE.

The first objective of this research work was to examine the impact of SSB independence on the internal Shariah auditor effectiveness in IFIs in UAE. According to the Islamic accountability theory, SSB independence should have a positive relationship with ISAE. The SSB should be independent to protect the interest of the Muslim Ummah. Moreover, the SSB of an IFI must be given sufficiently high status in

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IFIs structure to enable it to have a better communication with management and ensure the independence SSB from the others. However, results show that independence of SSB have positively associate to the internal Shariah auditor effectiveness. This result consist with (Karim, 1990) which states that credibility of the financial information produced by an IFI depends on the independence of the SSB. Also, According to (Karim, 1990), raises two questions first; is it necessary that both the SSB and the external auditor be perceived to be independent to ensure the credibility of financial statements? Second, if only one group perceived to be independent, is sufficient to make the reports appear credible? Thus, it seems that SSB independence and internal Shariah audit effectiveness are equally important. Thus, H1 is supported.

In summary, Islamic accountability, taken individually, is based within the limits of one's capability (Al Shafi, 1992) for an individual is accountable for his deeds. Essentially, the Islamic accountability is applicable to every facet of life. Therefore, in addressing the issue of internal Shariah auditor effectiveness, which is the apex of the IFI, through Islamic accountability simply means that the internal Shariah auditor is accountable to Allah AWT. Therefore, this theoretical basis for this point is based on the Islamic accountability theory, which is based on the relationship of man to God and the relationship of man to mankind. i.e., in other words, the freedom and independence enjoyed by a member of the Shariah Supervisory Board, the effort, performance, and effectiveness of the internal Shariah auditor.

In Islam, according to (Al-Farouqi, 1992) "Accountability arises from the honesty or primitive trust (i.e., free will, freedom of choice, knowledge, and reason) that is given to man only." From this general concept of the theory, we can say that the

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will, freedom, and independence of a member of the Shariah Supervisory Board, which he obtained from the senior management and from the decision-makers in the institution, is responsible first before God and secondly before the higher management.

6.2.2 Objective 2: To Analyze the impact of SSB competence on internal Shariah auditor effectiveness in IFIs in UAE.

According to Maqasid Al-Shariah theory, this study predicts a positive relationship between competence of SSB on the internal Shariah auditor effectiveness. The results from the direct relationship between competence of SSB and effectiveness of the ISA is in line with expectation. Competence of SSB positively affects the ISA effectiveness. H2 is supported that is, the higher the competence of the SSB, the higher the effectiveness of internal Shariah auditor, was supported. The higher the level of education and more training given to employees the higher the internal Shariah audit Competence and therefore, they can be more effective in IFI. This result is consistent with the findings of (Alzeban & David, 2014) who measured competence of internal audit by educational qualification, professional qualifications, work experience in the field of internal auditing and continuous development (average annual training hours).

Their study suggested that higher internal auditor effectiveness is associated with greater competence of the SSB. This result is also in agreement with studies by (Ahmad et al., 2009; Mihret & Yismaw, 2007; Alzeban & Gwilliam, 2014) stated that internal audit requires experience, knowledge, training, and skills on a large range of system and operations. The member of the SSB must be a Shariah scholar and a financial expert at the same time, as this combination of expertise is in high demand

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and many of SSBs are sit in more than one financial institution at the same time (Haniffa & Cooke, 2002; Nathan, 2010).

The good educational level of the board member makes him able to handle any new procedures in a good way (Hambrick & Mason, 1984). Qualification of members is a critical factor in determining the quality of a board (Kakabadse et al., 2010). The good educational level of the board member makes him able to handle any new procedures in a good way (Hambrick & Mason, 1984). Qualification of members is a critical factor in determining the quality of a board (Kakabadse et al., 2010). These results with the overall contribution of SSB competence and its positive relationship with ISAE leads to highly support of hypothesis (H2).

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6.2.3 Objective 3: To Analyze the impact of SSB size on internal Shariah auditor effectiveness in IFIs.

The third objective of this research work was to examine the impact of SSB size on the internal Shariah auditor effectiveness in IFIs in UAE. According to the Islamic agency theory, SSB size should have a positive relationship with ISA effectiveness. However, results show that size of SSB does not positively associate to the internal Shariah auditor effectiveness. This result inconstant with (Matoossi & Grassa ,2014; Mollah & Zaman, 2015; Nomran et al., 2018) who found that SSB size has a significant influence on IBs achievement. Also, Some research has highlighted that a small SSB better enhances IFIs' compared to large SSBs (Almutairi & Quttainah, 2017; Farag et al., 2018; Mukhibad & Anisykurlillah, 2020; Nomran et al., 2018; Rahayu et al., 2019).

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Since this is the first study that linked the relationship between the size of SSB and the effectiveness of ISA , samples were taken from different types of Islamic financial institutions (bank, window, insurance companies, financing companies and investment companies), so it is necessary in the future to take the sample from all An Islamic financial institution separately, to determine whether the size of the Shariah supervisory board in this Islamic financial institution has a positive relationship with the efficiency of the internal Shariah auditor in this institution. Why? Because, for example, some large Islamic banks, the size of the members of the Shariah Supervisory Board may reach two or three times more than their number in insurance companies, so the answers of the respondents differ in the size of the financial institution. Thus, H3 is not supported.

6.2.4 Objective 4: Moderating Effect of Role of Management support on the Relationship between characteristics of SSB on Effectiveness of ISA in IFIs in UAE.

The fourth objective of this research work was to examine whether MS moderates the relationship between SSB characteristics (independence, competence, and size) and ISA effectiveness in IFIs in UAE, and we will go over each one in detail:

According to the Islamic agency theory, the SSB as an oversight mechanism is required to supervise, direct, and review the activities of IFIs to ensure they are in Shariah compliance with the Islamic Shariah rules and principles (AAOIFI, 2010). The SSB must be specialized in Fiqh almua'malat and should have expertise in IFIs transactions. A qualified SSB would review internal Shariah audit activities and assure their concerns on the Shariah rules and principles.

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Hence, the objectives of the internal Shariah audit function and MS are closely related. An efficient MS can be helpful internal Shariah auditor in performing his tasks. Thus, it is very important to maintain a good working relationship between the internal Shariah audit department and MS in IFIs. Moreover, this study hypothesized that the MS would moderate the relationship between SSB characteristics and ISA effectiveness. Consequently, the hypotheses predicted that MS moderates the relationships between characteristics (independence, competence, and size) and effectiveness of the internal Shariah auditor. It was found that the MS does positively moderate the relationship between SSB independence and ISA effectiveness. It was also found that SSB does moderate the relationship between SSB competence and ISA effectiveness. Finally, It was found that the MS does not positively moderate the relationship between SSB size and ISA effectiveness This is consistent with the results of (Hashim et al., 2015) who found that the size of SSB of IFIs in GCC countries does not have a great influence towards sustainability practices as compared to the size of SSB with non-GCC countries. However, they found that the size of SSB did not have a positive significant value in IFIs in GCC countries. Therefore, the size of SSB did not impact on or affect IFIs in GCC countries. Below table 5.1 showing the summary of the research findings.

6.3 Research Discussion

This section introduces the discussion of the significant issues during the development of research procedure and design.

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6.3.1 UAE central bank

The study examines the impact of the SSB's characteristics on the ISAE among IFIs listed on central bank in UAE because these institutions depend on financial information in their work. he Central Bank of the UAE (CBUAE) promotes financial and monetary stability, efficiency and resilience in the financial system, and the protection of consumers through effective supervision that supports economic growth for the benefit of the UAE and its people.

6.3.2 Selection of Demographic Characteristics

When conducting surveys, there is a necessity to assess who to survey and how to divide the data of all responses into expressive respondents' groups. Demographic information offers data on the survey respondents and is essential for determining if the study participants are good representative of the study population for generalization of intents. Investigate these characteristics are the first step of data analysis. Each characteristic is analyzed by determining percent and valid percent to calculate its contribution to the research findings.

The demographic characteristics of the respondents include education level, occupation, and experience. The respondents are scientifically qualified, considering that everyone has at least bachelor's degrees, and most of the respondents have professional academic certificates and experience in the field of Islamic finance, economics, and jurisprudence. This indicates the keenness of Islamic financial

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institutions in the UAE and the Central Bank in general not to appoint those who do not have a scientific qualification to preserve people's money and to fulfill the responsibility entrusted to decision makers and delegates by money owners and all this Combined and verified in the three theories mainly Maqasid al-Shariah theory, Islamic agency theory, and Islamic accountability.

6.3.3 Exploratory Factor Analysis (EFA) Outcome

Several statistical tests are conducted such as descriptive statistics, reliability test, consistency, and suitability test of data for factor analysis. All these tests confirm the validity of the data for factor analysis. SPSS statistical package is used for conducting the EFA using 100 samples. The results of the EFA verify that all items of all constructs are measuring the proposed constructs. Moreover, this analysis confirms the applicability of the data to the proposed conceptual model that interprets the relationships among the constructs based on the response of the respondents in the research. Therefore, all constructs and their related items are used for developing the confirmatory factor analysis. This can be attributed to the fact that all items are selected from the literature (refer to Table 3.14), which means that all items are measured and evaluated by previous studies.

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6.3.4 Confirmatory Factor Analysis (CFA) Outcome

Confirmatory factor analysis is used to evaluate the proposed hypothesized model, and then developing the structural equation model. The entire statistical tests of the data for CFA confirm the reliability and normality of data. AMOS is used for conducting the CFA using 365 samples. The measurement model is developed, and the results indicate that the model fits closely the data and ensure the structural model adequacy. The validity of the final measurement model is measured using construct validity; consequently, the structural model (SEM) is developed on two stages. The first stage includes developing the SEM without the moderator to demonstrate the direct effect of the SSB characteristics on the ISAE (direct hypotheses). The second stage includes developing the SEM considering the moderating effect of management support (moderating hypotheses). The goodness of fit of the SEM model indicates that the model fits closely the data and ensures the structural model adequacy. The results include significant effects of all direct hypotheses, and the positive effect of two moderating hypotheses related to the moderating management support effect on relations between SSB independence, competence and ISAE.

6.4 Research Implications

The internal Shariah auditor effectiveness and SSB characteristic are very important to IFIs in UAE. The study attempts to provide various implications for practitioners and academicians. This implication serves as contributing to the body of knowledge

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and as a recommendation to IFIs. However, the implications are classified into theoretical implications and practical implications:

6.4.1 Theoretical Implications

This study has contributed to Maqasid al-Shariah theory in conceptualizing the effectiveness of internal Shariah auditor on the relationship with characteristics of the shariah supervisory board (independence, competence, and size). In addition, the study adapted questionnaire from the instrument by AAOIFI (201.) and previous studies on literature reviews. As mentioned earlier, there is limited previous research which addresses the issue of internal Shariah audit effectiveness (as a group) and here in this study we are highlighted the issue of internal shariah auditor (as an individual). This lack of research is particularly critical in developing countries with emerging and transitional economies.

One of the implications for practice is that the results are beneficial to IFIs, regulators, and policymakers in the area of SSB and ISAE. The research provides new insights to regulators and policymakers in terms of the needed aspects to formulate suitable policy to ensure IFIs make use of Islamic rules in a comprehensive manner instead of letting each of the IFIs work in isolation. That is to mean that there is a need for the banking regulators to ensure that SSB, ISAE, and the management support work in a collective manner to promote robust risk monitoring in IFIs.

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Second, the UAE IFIs need to ensure that they have in place mechanisms to strengthen the SSB credentials, specifically, by warranting, there is relevant expertise in Shariah and IFIs-related fields. The approach will be more effective than having Shariah scholars whose only role is to influence the decision-making process in SSBs. In the process, IFIs that have SSB and comprehensive exposure to the Shariah regulations could make significant contributions to IFIs since they can handle practical challenges related to Islamic legal operations.

Third, the findings stress the need to adopt and implement the existing legal provisions for SBS across the UAE IFIs. In this case, IFIs may aspire to put in place suitable measures that promote Shariah functions such as enhancing their internal shariah auditor. In addition, IFIs need to train their members on the role of SSB within the IFIs and their respective roles. Such training through a regular framework will create awareness across financial institutions on the need to integrate SSBs into company compliance governance.

Fourth, the study also provides a reliable reference to the management on the need to configure their shariah governance processes in IFIs. There is a need among IFIs that have not fully integrated SSBs to be aware and recognize the importance of SSB and the experience they add to the IFIs in terms of supervising products. Also, the findings bring new insights into finance and banking-related issues to the oversight role and internal auditing reporting in IFIs. From this point of view, the implications of this study for UAE IFIs are that they give information on the important elements which banks need to take into consideration to attract Muslim investors and customers.

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Finally, the findings drawn from this research would serve to enhance customer confidence in IFIs across UAE as it gives empirical evidence regarding the extent to which SSBs play a central role in promoting the performance of IFIs in the UAE. Also, having SSB in the organization is central to providing evidence as to the main pillar, which ensures compliance with Shariah and Islamic laws. Generally, the results can be used to enhance awareness among IFIs shareholders, marketers, and top management on the significance of SSB in promoting the performance of UAE IFIs. Specifically, the results show that the integration of Islamic agency theory & Islamic accountability theory which emphasizes monitoring and control reveals how the management work to ensure that principal focus on delivering the interests of shareholders and those of the wider public.

Presently, internal Shariah audit practices remain unstructured. This research provides an urgent call from IFIs to have a structured framework for internal Shariah auditors. By having adequate guidelines to perform the internal Shariah auditor, a more organized internal Shariah audit program can be performed, and a more standardized internal Shariah audit report can be presented to the shareholders of the IFIs to enhance their confidence. Rahman (2008) has reported that a Shariah audit is needed to enhance the confidence among shareholders that activities and operations in IFIs comply with Shariah principles.

Furthermore, the good internal Shariah auditor effectiveness in IFIs in terms of establishing the competence of SSB could contribute to the Islamic accountability theory that Islamic banking practitioners have understood their accountability to Allah S.W.T. to ensure appropriate understanding of the distinguishing features and

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operations of IFIs when compared to conventional banking. On the other hand, the internal Shariah auditor is accountable to the shareholders and to Allah S.W.T to assess an IFI based on the accomplishment of its objective. Therefore, the internal Shariah auditor would more effective when it gets support from SSB and sources from the management of IFIs. Finally, the results of this study could be useful for further research in internal Shariah auditor in the IFIs.

6.4.2 Practical Implications

From the research perspective, this is the first study that examines the relationships between characteristics of SSB and the effectiveness of internal Shariah auditors in IFIs in the UAE. Further, the study found strong support from independence and competence in engagement planning, performing the engagement, and communicating results of the SSB characteristics on the effectiveness of the internal Shariah auditor. The formation of SSB characteristics tends to increase the level of internal Shariah auditors and result in high effectiveness.

This study has also introduced possible avenues regarding the SSB Shariah governance function, where the internal Shariah audit could be carried out, including the auditing of the Shariah decisions of the SSB. In addition, the regulator, in this case, AAOIFI, should consider enhancing the independence of SSB members by giving more delegation to the SSB members. The number of SSB members to be appointed must not be less than five (5) and depend on the size of the IFIs, the majority of whom must possess strong knowledge in Shariah and backed by appropriate qualifications in that

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area. This appointment mechanism would ensure that the SSB is made accountable and has a reporting line to the shareholders. In addition, the trend of the present SSB membership seems to indicate that IFIs recruit SSB members based on their experience in the operation of Islamic banking, but not on their Shariah expertise in Islamic finance.

At present, there are variations of Shariah's audit practices in the IFIs. For example, some have an internal Shariah audit unit, some outsource their internal Shariah audit to external Shariah auditors and others conduct Shariah review. Thus, from the examinations of the financial and non-financial statements of leading IFIs in UAE, it was found that most of the IFIs in UAE conducted Shariah reviews rather than Shariah audits. Shariah's review of IFIs in the UAE is conducted by the SSB of the IFIs. However, in terms of auditing, only a minimal percentage of IFI's SSB in IFIs in UAE indicated that the functions had been delegated to the internal Shariah compliance unit (Shafii et al., 2015).

The IFIs in UAE acknowledge the importance of a Shariah audit, the AAOIFI has provided standards for SSB, Shariah review and internal Shariah review under the Governance Standards (AAOIFI, 2010). GSIFI No.2 provides the definition of Shariah review as "an examination of the extent of an IFI's compliance, in all its activities, with Shariah. This examination includes contracts, agreements, policies, transactions, memorandum and articles of association, financial statements, reports (especially internal audits and central bank inspections), circulars, etc. This could be seen as the most reflective description to define a Shariah audit.

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The UAE actively promotes itself as an international hub for Islamic finance. To achieve this goal, the CBUAE, through its comprehensive regulatory framework, opens its gate to local and international IFIs to operate within the country, UAE is also the host to many international banks, finance, investment, and insurance companies. A long history of banking is particularly in the Islamic banking industry in the UAE.

However, the shortage of training institutions in the UAE dedicated to Islamic financing has been identified as the main reason for the limited pool of qualified SSB. This issue can be solved by encouraging the CBUAE and AAOIFI to invest in education and professional infrastructure. This step would ensure that UAE follows Malaysia and established higher education institutions offering Islamic finance courses. This would facilitate SSB to operate within the IFIs in UAE and worldwide. However, the solutions are meant to enhance and strengthen the position of SSB as the lawful doorkeepers of the Shariah in IFIs by establishing a clear set of guidelines by which they regulate themselves and their peers. Obviously, AAOIFI standards have a significant influence on the IFIs, and they would be best placed to establish such standards (Farooq et al., 2011).

These findings require IFIs to invest in continuing education and training to maintain the effectiveness of the internal Shariah auditor to enhance the confidence of investors and all stakeholders in society. also, more examination and evaluation of the adequacy and effectiveness of IFIs shall be carried out by internal Shariah auditors to obtain SSB Fatwas, guidelines, and instructions. Writing the internal Shariah audit program, in a timely manner, determining the resources, and communicating with individuals are the things that can increase the work performance of the internal Shariah

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audit. This study also suggested that the policymakers of IFIs need to send internal audit staff to obtain Shariah audit certification which covers the scope of Shariah audit outlined by AAOIFI and which contains business policies, processes, and procedures, Zakat calculation, and payment, contracts, and agreements.

The overall results of this study confirmed that SSB characteristics (independence, and competence) impact on internal Shariah auditor effectiveness in IFIs in UAE. Importantly, UAE is a pioneer is promoting Islamic finance and banking; The first commercial Islamic bank, Dubai Islamic Bank (DIB), was established in 1975. UAE issued the Federal Law no (6) of 1985 regarding Islamic banks, financial institutions, and investment companies which the internal Shariah audit function might be relevant. Furthermore, response bias might exist given that the data were collected from the Head of internal Shariah audit department of IFIs, the policy implication of this study comes from the findings, results on the issues of independence of SSB in IFIs if internal Shariah auditors are to be perceived as independent, then the Shariah auditing should be carried out by internal Shariah audit department.

Therefore, reports issued by internal Shariah auditor should be addressed to the board of directors to mitigate the self-review threat. However, this study found that some of IFIs in UAE conducted Shariah review rather than Shariah audit. Shariah review in IFIs is conducted by the Shariah supervisory board of IFIs whereas auditing functions has been delegated to the internal Shariah compliance unit. In comparison with international benchmarks such as Malaysia, BNM issued Shariah governance framework in 2011 highlights that the function of Shariah audit should be performed by internal auditors, who have acquired adequate qualified Shariah related knowledge

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and training. However, this study suggested that AAOIFI standards as a regulatory body of IFIs in UAE should look out how to design new roles and guidelines to make the internal Shariah auditors more efficient and effective. The practical implications of the study of all the variables are consistent with AAOIFI standard (2010).

6.5 Limitations of the Study

This study is exploratory in nature despite the contribution made about internal Shariah auditor effectiveness. Although, this study has accomplished its objectives, there are some limitations and opportunities for future research to be considered when evaluating the study implications.

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First, sample size of this study is 78 IFIs. Although it is census and representative of population, but bigger sample size could result in more variables being analyzed.

Second, due to lack /limited of literature review available in this field, specifically in internal Shariah auditor effectiveness. The current study only examines the impact of SSB characteristics (independence, competence, and size) on internal Shariah auditor effectiveness as literature in this area is quite limited.

Third, it was realized during this study that, this study remains on the perceptions of different group in an IFI. Only the Internal Shariah auditors, Shariah Supervisory Board, Audit and governance committee, accountants and Chief executive

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officers was selected for this study. However, supervisors from central bank UAE (CBUAE) are another group that could contribute to this issue. Hence, the findings of the data could not be generalized beyond the chosen groups. Also, related to the results generalization, the study was conducted during the COVID-19 pandemic, which affect the procedure, regulation, therefore, the research results generalization is not practical.

Forth, this research is one of the first research that used management support to moderate the effect of SSB characteristics on ISAE. Very few studies have measured management support as one of the research variables, therefore, no research to my knowledge has identified items for measuring management support, which represents a serious limitation. Accordingly, its measuring items were extracted from several previous research. Since the entire literature is difficult to be investigated, the extracted items may not cover all the issues that measure the management support.

Fifth, that SSB characteristics is a multi-dimensional construct, and every research selects characteristics based on his study field, which leads to various results.

6.6 Suggestions for Future Research

To overcome the limitation highlighted in the previous section, recommendation and suggestions for future research are provided accordingly.

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Since the sample size of this study is 78 IFIs in UAE. Future studies can extend the sample to Gulf countries council (GCC) by making comparative study on internal Shariah auditor effectiveness.

Since the present study is quite limited in literature review, this study suggests conducting more research on internal Shariah auditor effectiveness particularly in Islamic banks because the majority of the IFIs are Islamic banks.

Future researchers can consider other factors from SSB characteristics such as cross membership, reputation, change in the composition and remuneration, and experience. The study finds that the size of SSB is not impact on effectiveness of ISA, so, the researcher suggests measuring the impact of size of SSB on effectiveness of ISA in each IFIs separately because the impact of SSB size it depends on the size of the IFIs.

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in this study, the researcher uses the management support as a moderator variable, thus, we suggest using the religiosity as a moderator variable.

Finally, more research is required in the management support aspect as a moderator. Despite the limitations, the current study establishes evidence on SSB characteristics (independence, competence size) and internal Shariah auditor effectiveness with management support as a moderator in the context of the UAE IFIs. Therefore, research model of this study has been supported. It contributes to the existing literature review by providing a value of empirical data relating to AAOIFI standards and stakeholders of IFIs.

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6.7 Recommendations

Therefore, this study recommends that:

1. Encouraging central bank of UAE (CBUAE) and AAOIFI to invest in education and professional infrastructures.
2. It is important for AAOIFI to make it clear that the shariah supervisory board and internal Shariah auditor must be free from inappropriate influence from management.
3. More research should be conducted regarding effectiveness of internal Shariah auditor.
4. AAOIFI to implement the Model for centralization of SSB like Malaysia.
5. Internal Shariah auditor must maintain a high level of independence to keep the confidence of user relying on their report, and direct.
6. Direct contact between SSB and the board of directors will enhance the of ISAE.
7. Management of IFIs to send Internal Shariah audit to get professional qualifications that conducted by AAOIFI.
8. Sufficient evidence to be achieved or obtained when performing engagement planning.
9. Conclusion and recommendations to be discussed with appropriate management.

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6.8 Conclusion

The aim of this research was to investigate the impact of shariah supervisory board characteristics (SSBC) on the Internal Shariah auditor Effectiveness (ISAE), and the role of Management Support as a Moderator in Islamic finance institutions in the United Arab Emirates. three characteristics were selected namely independence, competence, and size. The research used a survey questionnaire to collect the data from the target respondents with a sample size equal to 365 who were selected by a simple random sampling technique. SPSS and AMOS were used to conduct the analysis of EFA and CFA to develop the SEM model and test the research hypotheses. The research utilized three underlying theories. The maqasid al-shariah theory and the Islamic accountability theory were used to provide the foundation to explain the impact of SSB on ISAE, while the Islamic agency theory was used to explain the relation of the moderator (MS) on the relation between the SSB and ISAE. The research results indicated significant positive effects of the SSB characteristics on the ISAE. The MS moderated the effect of SSB independence and competence on the relationship between SSB and ISAE.

According to the research procedure, several conclusions are introduced as follows. Regarding the exploratory factor analysis, the preliminary tests before conducting the EFA indicated the consistency and stability of the questionnaire as well as the adequacy and reliability of data for EFA. The EFA confirmed that the constructs are sufficient and capable to construct the model target of the research. The EFA also indicated that all items of all research constructs are actually measuring the proposed constructs. This may be attributed to the selection of all items from previous research, which endorses their ability in providing good measurement. Generally, the results

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indicated that the data actually fit the research model, which can represent the structural relations among the research variables in a proper way.

Regarding the confirmatory factor analysis, the measurement model evaluation indicated that the model fits closely the data, although the model was re-run after deleting some items with small factor loading less than the normal limit. The SEM model evaluation also indicated that the model fits closely the data and confirms the adequacy of the structural model. The results confirm the strength of the research model to achieve the target objectives

Regarding the hypotheses testing, two direct hypotheses (H1, and H2) were supported, two constructs that represent the main characteristics of SSB have significant impacts on ISAE, which reveals the significance of SSB on ISAE. This means the reliability of these constructs in achieving the objectives of the research and in the analysis of the results. The results of the moderating effect of MS showed that only two of three hypotheses are supported (H4 and H5). The results showed that the interaction of independence and competence is significant. On the other hand, the moderating effect of MS in other relationships is insignificant (H6), which may be attributed to the lack of respondents' management support in the required field as well as misunderstanding some questions and providing different answers.

Based on the preceding findings of the research, it's concluded that SSB characteristics (independence, competence) were found significantly related to internal Shariah auditor effectiveness, and the SSB characteristics (size) was found not significant. In addition to that, the research also found that the moderating management

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support effect on the relationship between SSB characteristics (independence, competence) and internal Shariah auditor effectiveness was supported, and not supported with SSB characteristics (size). However, supports from shareholders and management of IFIs are essential for higher effectiveness of internal Shariah auditor as indicated by this study. Finally, it could be concluded that the research outcome justifies the underpinning theories used.

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Appendix A: Summary of previous Literature of SSB, ISAE, and MS

Summary of previous literature of Shariah Supervisory Board Characteristics

Year	Author & Location	Variables	Methodology	Finding
2020	Afef Khalil Neila Boulila Taktak Tunisia	IV: SSB characteristics DV: financial soundness	Regression analyses are applied to test the impact of the Shariah Board's characteristics on the financial soundness of Islamic banks, using a panel data set of 67 Islamic banks – covering 20 countries during the period 2005–2014.	The model shows that the size of the Shariah Board has a negative and significant impact on the financial soundness of Islamic banks. However, the Shariah scholar with knowledge in finance/accounting, the presence of Mufti, the interlocked Shariah scholar and the foreign Shariah scholar do not have any significant impact on the financial soundness of Islamic banks
2020	Astuti Dola Bastina & Yustrida Bernawati. Indonesia	IV: The effectiveness of the Shariah Supervisory Board (size, dual-position, educational background, and expertise) & the audit committee and the frequency of audit committee meetings. DV: Corporate Social Responsibility Disclosure	research quantitative: Secondary data used in this research was the annual report general sharia-based bank in Indonesia in accordance with sample criteria in this research 2014-2018 year.	characteristic of Syariah supervisory board Syariah banks not to be a determining factor for reporting. board Syariah banks not to be a determining factor for reporting. Corporate social responsibility research conducted research and is also supporting. audit committee size influential positive and significant
2020	Omar Ikbal Tawfik Zaroug Osman Bilal Oman	IV: Qualified human resource Shariah Supervisory Board Internal Auditing External Auditing DV: service quality	both simple and multiple regression models were used	Results showed a correlation and significant effect between the availability of the Shariah auditing requirements and the quality of service of Islamic banks

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Year	Author & Location	Variables	Methodology	Finding
2020	Souhir Neifar Bassem Salhi Anis Jarboui GCC	IV: board effectiveness DV: operational risk transparency & bank performance MV: SSB	data were collected from the annual financial reports of 25 Islamic banks (IBs) in the Gulf Cooperation Council countries over 2008-2017.	main finding of this study is related to the positive moderating effect of SSB quality on the relationship between performance, OR disclosure and BE. This result seems to indicate that at a high level of SSB quality, even when the performance increases the IBs engage in complying with OR disclosure to inform the stakeholders on the real situation of the bank.
2020	Dahlifah Dahlifah Uun Sunarsih Indonesia	IV: Size of the Shariah Supervisory Board, the Shariah board cross-member & the size of company. DV: Shariah Compliance Disclosure	The data used is secondary data obtained from the annual report of Bank Shariah obtained from Bank Indonesia (BI) and the Financial Services Authority (FSA).	shows size of the shariah supervisory board, size of the company can affect on the disclosure of sharia.
2020	Zainal Abidin Sahabb. Bram Hadianto Indonesia	IV: supervisory board`s size, independence of the supervisory board & Audit committee`s size. DV: Company's possibility Control Variable: Profitability	this method gathers secondary data for 55 non-financial companies & this data are collected by the archival method come from the Indonesia Bond Market Directory	this research infers that supervisory board size and independence, audit committee size, and profitability have a positive impact on the company's possibility to get a high bond rating
2019	Elamer, Ahmed A. Ntim, Collins G. Abdou, Hussein A. Pyke, C. MENA countries	IV: Shariah Supervisory Board, governance structures DV: operational risk disclosures	using a sample of 63 Islamic banks from 10 (i.e., Bahrain, Egypt, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, and the UAE) countries in the Middle East and North Africa (MENA) region for the fiscal years 2006 to 2013	we find that the level of operational risk disclosures in the Gulf Cooperation Council countries is, on average, higher than those of other MENA countries. we find that SSB, block ownership, board independence, and a country-level governance quality are statistically

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Year	Author & Location	Variables	Methodology	Finding
				significant and positively associated with ORDs. our findings indicate that the impact of board size is negative and statistically significant.
2019	Nasution, Ananda Lubis, Ade Fatma Fachrudin, Khaira Indonesia	IV: Shariah Compliance, Disclosure of Islamic Corporate Governance DV: financial performance MV: firm size	sample on this study consist of all Islamic banks in Indonesia from the year 2013-2017, for five years sampled with 65 cases	Shariah Compliance with the Islamic Income Ratio indicator had a positive and not significant effect on financial performance while Shariah Compliance with the Profit-Sharing Ratio indicator had a significant positive effect and Shariah Compliance with the Zakat performance ratio indicator had a significant negative effect on the ROA of Islamic Commercial Banks in Indonesia
2019	Nur Athirah Najwa Zulkufly Ramly Razali Haron Malaysia, Indonesia & Brunei	IV: board size DV: Chief Risk Officer (CRO), and risk-taking MV: Shariah Supervisory Boards	The data sources are Orbis Bank focus database, DataStream and annual reports consists of 15 IBs in Malaysia, eight IBs in Indonesia and the sole IB in Brunei	
2019	Amal AlAbbad M. Kabir Hassan Irum Saba 18 countries	IV: characteristics SSB DV: risk-taking behaviors of Islamic banks	The data on governance were collected from 70 Islamic banks' annual reports across 18 countries for the period from 2000 to 2011 to investigate the relationship between SSB's characteristics including size, busyness and foreign board and the Islamic banks' risk activities	The size of SSB and the proportion of busy board in SSB positively and significantly influence Islamic banks' asset return and insolvency risks.

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Year	Author & Location	Variables	Methodology	Finding
5104	Mohd Izzat Amsyar Ruzian Markom Hisham Hanapi Malaysia		This article is based on the descriptive and comparative analysis research which involves library-based method	The Shariah Advisory Council is not only required to create a comprehensive mechanism on how the resolutions are to be issued, but it also must make sure such mechanisms are disclosed to the members of the public
2018	Abdelaziz Hakimi, Houssem Rachdi, Rim Ben Selma Mokni, Houda Hssini, Bahrain	IV: Board of directors DV: ROA and ROE	in the empirical section we have performed two econometric methods. The first one is the panel data analysis regarding random effect regression and the second is the GMM in system, which checked the soundness of the first result.	findings indicate that only board duality, board size, Shariah board size and leverage exert a positive impact on bank performance. However, the effect of the other variables is seemed to be insignificant. ah
2018	Naji Mansour Nomran Razali Haron Rusni Hassan Malaysia	IV: size of SSBs DV: performance of Islamic banks	using a sample of 113 banks over 23 countries for the period 2007-2015 based on the generalized method of moments estimator	the importance of small SSB size in enhancing the performance of IBs as compared to the large board size. The findings confirm that the SSB size of IBs should neither be lesser than three nor greater than six. More specifically, it is found that the optimal SSB size seems to be five.
2018	Zulkufly Ramly Nurusysyifa Datuk Nordin Malaysia	IV: board independence DV: risk committee independence & (IBs) risk-taking MV: Shariah Supervision Boards	This study consists of all the 16 IBs in Malaysia covering the period from 2010 to 2015. The financial and governance data were extracted from the individual banks' annual reports	SBBs that consist of Shariah scholars contribute valuable resources to IBs, which in turn could potentially influence their risky decisions. t SBB members bring to IBs could benefit them in terms of controlling risk-taking activities.

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Year	Author & Location	Variables	Methodology	Finding
2018	Sutan Emir Hidayat Ali Khaled Al Khalifa Bahrain	Variables: Shariah governance, Islamic banks, AAOIFI governance standard	This study is descriptive research by using both quantitative and qualitative research methods & utilizes a survey questionnaire and semi-structured interview. 200 Islamic banks' employees in Bahrain participated in the survey & 2 Shariah scholars in Bahrain interviewed.	Islamic banks in Bahrain are committed towards most aspects of Shariah governance requirements as per the AAOIFI governance standards & this is undoubtedly an excellent example of Shariah governance practice and can be used as a reference for other countries
2018	Yazkhiruni, Y Nurmazilah, M Haslida, A H Malaysia	IV: Shariah governance DV: Islamic banks	This study employs a series of interviews conducted between 2014-2015 with individuals involved in shariah audit from several backgrounds. Diverse participant's background is chosen to ensure that the study gauges the overall practices of shariah auditing from top to bottom level.	the empirical findings of this study further enrich the relevant body of knowledge in internal auditing and Islamic banking and finance research. This study also found that shariah auditing practices have lots of rooms for improvements in various aspects like (i) improving understanding among the internal auditor, (ii) implementation of shariah auditing process and manuals, (iii) fulfilling resources, (iv) shariah committee's role, (v) expertise requirement, and (vi) support from management.
2018	Agus Arwani Malaysia		The method in this paper the author using literature methods of prescriptive tried to explain emerging Issues for Shariah Auditing in Islamic Financial	

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Year	Author & Location	Variables	Methodology	Finding
			Institutions and Compliant Corporate Governance.	
2018	Nurfarahin M. Haridan Ahmad F. S. Hassan Yusuf Karbhari Malaysia	IV: Governance, religious assurance DV: IBs MV: SSBs	14 interviews are senior officials who are highly knowledgeable, have vast experience and who play a dominant role in their respective Islamic banks	SBs are responsible to effectively and independently manage their religious compliance task to fulfill the societal legitimacy expected of Islamic banks stakeholders
2018	Hana Ajili Abdelfettah Bouri GCC & Southeast Asian countries	IV: financial performance DV: disclosure quality MV: SSB quality	This study used a sample of 90 Islamic banks (IBs) during the period 2010-2014 (annual report)	The main finding of this study is related to the negative moderating effect of SB quality on the relationship between performance and disclosure. Accordingly, it can be said that the higher the quality of the SB is, the lesser the performance affects the disclosure
2018	Muhammad Bilal Saeed Syed Kashif countries in Asia	IV: SSB, corporate board, existence of CEO duality and Audit Committee independence DV: efficiency of IBs	Secondary data for the period from 2009 to 2016 is employed, most of the data is extracted from annual reports, websites, and other published reports of individual banks	Using a sample of 30 Islamic listed Asian banks
2018	Rahman, Norlizawati Mohd Abdullah Malaysia	IV: Board of Director, SSBs DV: Zakat Distribution Performance	The study will used secondary data (annual report) sources covering the period of seven years between the years of 2010 to 2016	zakat institution must evaluate the tool to monitor and control the management behavior of zakat institutions to ensure that the interests of zakat payers are met
2018	Peni Nugraheni Indonesian	IV: SSB characteristics. DV: social performance of IBs	This study uses purposive sampling (five years annual reports from 2010-2014) from 12 full fledge Islamic banks and 22 Islamic windows	This study examines the influence of SSB members on the social performance of IBs. This is good indicator that IBs in Indonesia has carry out their social roles and disclose them in annual report & the size and

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Year	Author & Location	Variables	Methodology	Finding
				reputation of SSB members has significant effect on the social performance
2018	Naji Mansour Nomran Razali Haron 23 countries	IV: SSB size DV: IBs performance	using a sample of 113 banks over 23 countries for the period 2007-2015 based on the generalized method of moments estimator.	the importance of small SSB size in enhancing the performance of IBs as compared to the large board size. The findings confirm that the SSB size of IBs should neither be lesser than three nor greater than six. More specifically, it is found that the optimal SSB size seems to be five.
2018	Habib Ahmed Muna Al Mannai GCC Countries	This paper empirically examines the SSB's structure, and Shariah supervision function directly from the SSB members themselves	it gathered information from face-to-face semi-structured interviews with 13 Shariah Scholars,11 who are members of Shariah Supervisory Boards of Islamic financial institutions from across the GCC. The interviews were conducted over a four-month period (December 2015–March 2016)	it appears that the operations of the Shariah supervision of the IFI can impose operational risk in the form of Shariah compliance risk that can affect the performance of the SSB function
2018	Iwan Fakhruddin Mohd Abdullah Jusoh Indonesian	IV: SSBs Characteristics DV: Shariah Compliance	this research uses quantitative type includes 39 annual reports of Islamic banks in year 2013- 2015	the cross membership has a positive influence on the shariah compliance disclosure. While the meeting of SSB and experience of SSB have not positive influence on the shariah compliance disclosure
2017	Sulaiman Abdullah Saif Joriah Muhammed	IV: agency theory stakeholder theory DV: SSBs	The authors followed a critical review discussion; this method takes into consideration presenting	The authors presented important arguments on the difference between ordinary theories to explaining corporate governance and

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Year	Author & Location	Variables	Methodology	Finding
			important theories and comparing those theories with Islamic perspective	Islamic perspective. The paper browsed into whether the Shariah Supervisory Board is a fit with the agency theory by explaining the agency theory and how it differs from the Islamic banking concepts. The paper involved an analytical review on stakeholder theory and presented a critique and the rationale as to why there is ample room for the Shariah Supervisory Board to be considered a fit with the stakeholder theory, as the Shariah Supervisory Board is an independent body influencing the firm.
2017	Iskandar Muda Indonesia	IV: SSBs characteristics DV: Disclosure of Supervisory Board's Report	Wald is used to test partially, and omnibus test is used to test for simultaneous problems. The samples in this research were 12 Shariah Commercial Banks in Indonesia registered in Indonesia Stock Exchange in the period of 2013-2015. The type of data in this research was secondary data obtained from annual report of each company. The	the Shariah Supervisory Board cross-membership coefficient is negative and not significant to the disclosure of the Shariah Supervisory Board's report. the Shariah Supervisory Board members' expertise coefficient is positive and significant. The effect to the disclosure of Shariah Supervisory Board's report based on the result of omnibus test in which the Shariah Supervisory Board cross-membership and Shariah Supervisory Board members' expertise simultaneously have a significant effect to the disclosure of Shariah Supervisory Board's report.

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Year	Author & Location	Variables	Methodology	Finding
2017	Mustafa Mohd Hanefah Muhammad Iqmal Malaysia	Enhancing Shariah Audit Practices	Shariah Audit Training (SAT) program for IFIs staffs. SAT is a program that covers various aspects on Shariah audit practices starting from Shariah principles, Shariah governance, Shariah audit program, Shariah audit process, Shariah audit fieldwork, Shariah risk management and Shariah audit communications	Good Shariah audit practices will ensure not only Shariah compliance status by an IFI, but also will give a credible assurance for IFIs' stakeholders and society in general
2017	Md Safiullah Abul Shamsuddin 28 countries	IV: Shariah Supervisory Board DV: risk in Islamic banks	Using a sample of banks from 28 countries	we find that Islamic banks have a higher liquidity risk, lower credit risk, lower insolvency risk, but encounter similar operational risk in comparison with conventional banks. Operational and insolvency risks in Islamic banks decline with an increase in SSB size and SSB members' academic qualifications but increase with an increase in reputed Shariah scholars on the SSB. The SSB attributes do not have significant influence on liquidity and credit risks.
2016	Malek Marwan Yousef Mohamad Sabri Haron Rashila Ramli Raghad Azzam Injas Malaysia	IV: SSBs DV: Islamic bank stability		that Malaysia from countries that have been able to reduce and control the phenomenon of conflicting fatwa between Islamic banks, This is due to supreme central authority by Shariah Advisory Council which follows to the central bank of Malaysia. SAC is fully

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Year	Author & Location	Variables	Methodology	Finding
				supervised on the Islamic banks regarding the issuance fatwa and thus limiting the possibility of interventions in commission's decisions by the management. Accordingly, Malaysia is exemplary model, thus, the study recommends further research regarding this success exemplary, particularly to the Middle East
2016	Zurina Shafii Abdullah Ahmed Mohd. Supiah Salleh GCC Countries	IV: shariah governance DV: assurance index	analyzing five years of annual report of five Islamic banks from each of GCC countries. The annual report was retrieved in the Islamic bank's website	the governance and Shariah assurance practices in GCC are found to be inconsistent and non-standardized
2015	Noor Aimi Mohamad Nurauliani Jamlus Siti Norwahida Shukeri Nurul Jaliah Ramino Malaysia, Pakistan & Bahrain	the aim of this paper is to critically analyze how Shariah review and Shariah report are practiced in three different countries namely Malaysia, Pakistan, and Bahrain.	The analysis will be done based on content analysis from the bank's annual report for the year 2010, 2012 and 2014 and the selected banks which will be used in this paper	It needs more development and disclosure to provide a deeper assurance to the stakeholders on the Shariah compliance of the institution. The greater involvement by the regulators should be in place as to cater to the growing number of IFIs in current market and to enable IFIs to remain competitive in Islamic banking industry particularly in providing Shariah compliance information to the users of IFIs financial statement.
2014	Rini Indonesia	IV: audit committee role & SSBs DV: financial reporting quality	This used a survey, and the data collection was done by means of questionnaires. A total of 51 questions covering 15 attributes of	this study is related to the role of audit committee and Shariah Supervisory Board that influence financial reporting quality simultaneously and partially. This finding

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Year	Author & Location	Variables	Methodology	Finding
			audit committee' role. All questionnaires were personally distributed to a group of 245 respondents	proved importance of these organs to bring Islamic banking toward the objective of Islamic accounting attainment.
2013	Azhar Abdul Rahman Abdullah Awadh Bukair GCC	IV: SSBs characteristics DV: corporate social responsibility disclosure CV: bank size, bank performance, & GDP	The sample was drawn from the list of Islamic financial institutions on the website of AIBIM (http://aibim.com) and AAOIFI (http://aaoifi.com)	the findings show an increased disclosure of CSR by Islamic banks. All 53 Islamic banks in the sample disclosed some form of information related to CSR in their 2008 annual reports. This result gives extra evidence of the implications of Shariah principles, accountability, and full disclosure
2012	Mahir Alman GCC countries & north Africa	IV: SSBs characteristics DV: Islamic bank's risk- taking	panel analysis is based on a cross-country sample with Islamic banks based in Middle East and North Africa as well as Southeast Asia over the period from 2000 to 2010	results confirm that increasing SSB size, multiple memberships of top twenty ranked Shariah scholars and annual changes in the composition of SSBs are accommodative to increasing loan portfolio risk-taking of Islamic banks, considering especially longer than one period lagged effects of SSB factors
2010	Hussain G. Rammal Lee D. Parker Pakistan	case study employing an embedded case study design, a few Islamic banks, and windows within the Pakistan Islamic banking industry	Field data has been collected by way of interviews, observation, and document analysis, with due regard being paid to the importance of environment and context	most of the Shariah advisors have been trained at one institution in Karachi and Some banks also make the effort to send their banking staff to train at this institute
2010	Laily Dwi Arsyianti Iran, Malaysia, And Indonesia	Case study	methods and procedures are called by instrument for supervision as: Researching and evaluating the operation of the bank	They must be independence and achieve the good governance as those are the fundamental principles of auditing to maintain their credibility in performing their role. The difference may be due to the

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Year	Author & Location	Variables	Methodology	Finding
			2. Issuing decisions relating to the product and operation which may be periodically, daily, weekly, monthly, annually, etc 3. Withdrawing or cancelling decisions and operations which are not in line with Shariah principles	methodology used by scholars in their interpretation or the difference circumstances they faced when drawing conclusions and interpretation. Hence, it may be difficult to achieve consensus in every issue, not only among scholars but also among Shariah forums.

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Summary of previous literature of ISA effectiveness

Year	Author & Location	Variables	Methodology	Finding
2020	Azam A. hakeem Khalid Bahrain	IV: role of Audit and Governance Committee DV: ISA's effectiveness	the interviews and literature review on AGC and internal Shariah auditor were conducted as these respondents are considered vital to Islamic banks.	This paper posited that in building internal Shariah audit effectiveness' conceptual framework, the Islamic worldview theory may be employed as the theoretical foundation. Based on the theory, it was suggested that the Islamic bank's auditors and governance committees may enhance the internal Shariah auditors' effectiveness.
2020	Nor Aishah Mohd Zurina Shafii Shahida Shahimi Malaysia	IV: Competence DV: Shariah auditors	A qualitative approach using a multiple-case study through the semi-structured interview was used. Data was gathered from a representative of Central Bank of Malaysia, and 30 other respondents consist of the Head of Shariah audit (HSA) and SAR from four types of banking institutions	Results show a mixed practice on the recruitment of SAR. Most banking institutions prefer to use their existing internal auditors as opposed to recruiting fresh graduates or acquire experienced SAR from other financial institutions. The study also found that personal skills such as willingness to learn and teamwork as the complementing characteristics to the knowledge and skill components, as a package required for a competent SAR.
2020	Oktay Turetken Stevens Jethefer Baris Ozkan	IV: Operationalization, and Influencing factors DV: Internal Auditing effectiveness	a systematic literature review (SLR) was performed taking as the basis the studies that empirically evaluated the influence of a set of factors on the Internal Auditing effectiveness and secondary studies that reviewed the existing literature.	

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Year	Author & Location	Variables	Methodology	Finding
2020	Shujaat Saleem and Fadillah Mansor Malaysia	Exploring Compliance of AAOIFI Shariah Standard on Ijarah Financing	This study is qualitative, descriptive as well as exploratory in its nature and uses survey strategy. We made a transcript of (52) pages by conducting (10) open-ended interviews from the members of the Shariah committee and bank managers of the (5) Islamic banks	The study provides evidence of the non-compliance of the AAOIFI four (4) clauses of the Shariah standard No: 9 by Islamic banks in Malaysia
2019	Nor Raihana Asmar Noorhayati Mansor Malaysia	IV: internal auditors' proficiency DV: internal auditors' effectiveness	A questionnaire survey method was carried out and distributed to public sector internal auditors and the empirical data is presented afterwards	In summary, it can be deduced that the initial expectation on the relationship between internal auditors' proficiency and the effectiveness of public sector audit is reached. The findings show that internal auditors' proficiency affects the effectiveness of public sector positively
2019	Nurazalia Zakaria Noraini Mohd Ariffin Nor Hafizah Malaysia	IV: ISA Effectiveness DV: Top management support, Internal Shariah audit process & activities, and Organizational independence and objectivity.		This paper investigates the concept of ISAE as well as arguing for three factors to be possible determinants of ISAE. internal Shariah auditors would be able to perform effective audit based on Shariah-related knowledge and skills to perform Shariah risk-based audit
2019	Azam Abdelhakeem Adel M. Sarea Bahrain	IV: ISA Characteristics DV: ISA Effectiveness MV: SSB	The questionnaire method has been employed. this study had utilized the census sampling method in which the data were collected from everyone.	The study has found that the effective execution of internal Shariah audit is positively linked with the Competence and performance of internal Shariah audit. Meanwhile, the other two variables, i.e., being independent and Shariah Supervisory Board have been discovered to be

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Year	Author & Location	Variables	Methodology	Finding
				positively related with internal Shariah audit effectiveness.
2019	Hendra Poltak Made Sudarma Lilik Purwanti Indonesia	IV: ISA Effectiveness DV: coordination and cooperation of internal auditors with external auditors MV: management support	The type of research used is explanatory research through a quantitative approach. This research aims to examine the factors that can increase the effectiveness of internal audit. Questionnaires were distributed to obtain primary data through direct and online-based distribution.	The conclusion can be concluded that the effectiveness of internal audit is influenced by the coordination and cooperation of internal auditors with external auditors and management support is able to moderate coordination and cooperation of internal auditors with external auditors.
2019	Moses Jachi Lucky Yona Zimbabwe	IV: professional competence & staffing DV: transparency & accountability	Survey data was obtained from management and internal audit personnel from local authorities in Zimbabwe using semi-structured questionnaires and focus group discussions	The study established that internal audit function professional competence dimensions of qualification & experience and training positively influences transparency and accountability in Zimbabwe.
2019	Solomon Kebede Menza Abraham Aga Wondwossen Jerene Ethiopian	IV: Determinants of IAE DV: internal audit effectiveness	both the qualitative and quantitative research approach and at the same time to overcome their limitation, the mixed approach has been used. Primary data gathered through the questionnaires and interviews and secondary data gathered through report.	Female auditors were more likely to improve internal audit effectiveness. The availability of competent employees and institutional structure is significantly predicting effectiveness of internal audit. Every internal auditor is taking actions, activities, and decisions independently as of rules and regulations without interventions from their boss or else has a significant effect on internal audit effectiveness. The availability of resources both human and material resources are also significantly predicting effectiveness of

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Year	Author & Location	Variables	Methodology	Finding
				internal audit. The smooth relationship between internal and external auditors also significantly predicts effectiveness of internal audit.
2019	Nurulhuda Abd Rahman Nor'azam Mastuki Malaysia		qualitative approach with interpretive paradigm and single case study method	
2019	Hamza Mohd Alqudah Noor Afza Amran Haslinda Hassan Jordan	IV: top management support, task complexity, independence, & internal audit department's size DV: Internal Auditing effectiveness	The data was gathered from two sets of surveys. The survey questionnaires were distributed to 287 financial managers and internal auditor managers.	The results of this substantially proved that top management support, internal auditors' independence, and internal audit department size affect the effectiveness of the internal auditors positively, while task complexity affects their effectiveness adversely.
2019	Adedokun, Rotimi Cecilia Aina Oluwakemi NIGERIA	IV: Quality of Internal Audit Competence of Internal Auditing Team Independence of I Audit Management Support DV: I Audit Effectiveness	50 copies of questionnaire were distributed to 50 staff comprising the key management staff, Internal Audit Staff, registry staff, Bursary staff and other relevant staff for the study	all the four examined factors (internal audit quality, professional competence of internal audit team, organizational independence of internal audit unit and management support) proved to be associated with internal audit effectiveness.
2018	Nor Aishah Mohd Zurina Shafii Shahida Shahimi Malaysia	IV: SA Characteristics DV: SA Effectiveness	a qualitative design to gather insights into 'knowledge,' 'skill' and 'other characteristic' or KSOC requirements for SAR. Data was obtained through in-depth interviews. A total of 31 respondents participated in this study inclusive of a representative from the CBM,	The findings reveal that Shariah knowledge is the essential knowledge component, followed by knowledge of Islamic banking operation and knowledge of Fiqh Muamala. that SAR must also have the willingness to learn attitude as a complementing characteristic to the knowledge and skill elements identified above, as a package requirement for a competent Shariah auditor

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Year	Author & Location	Variables	Methodology	Finding
			19 SAR and 11 head of Shariah audit department.	
2018	Stevens Jethefer Netherlands	IV: Internal Auditing Characteristics DV: Internal Auditing Effectiveness	used survey questionnaire as the method to collect data for hypotheses testing. conducted the survey in a large multinational manufacturer that produces medical devices in The Netherlands (which employs more than 115,000 employees and operates in more than 100 countries worldwide	the competence of internal audit department, information, and communication before and during internal audit, and an effective quality management system have significant influence on the internal audit effectiveness. the effective quality management system influences effectiveness as measured using the audit findings and recommendations density, and the time required to complete internal audit document. Thus, the findings signify the importance of effective quality management system as the key factor influencing the internal audit effectiveness both as perceived by the stakeholders and as quantified using objectively measured indicators
2018	Rainer Lenz Gerrit Sarens Kim Klarskov	IV: Internal Auditing Characteristics DV: Internal Auditing Effectiveness		found that Coercive, Normative, and Mimetic are forces influence Internal Auditing effectiveness and partly determine what Internal Auditing effectiveness means in its organizational context
2018	Azam abdelhakeem Adel m. Sarea	IV: ISA Independence DV: ISA Effectiveness in an Islamic Agency Theory	examine the relationship between independence and effectiveness of internal Shariah audit based on Islamic agency theory in IFIs	adding more literature on the subject under study and contributing towards a better understanding on the effectiveness of internal Shariah audit in IFIs which requires different set of human capital.

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Year	Author & Location	Variables	Methodology	Finding
2018	Nor Aishah Mohd Malaysia	This empirical research contributes to the importance of competence practice among Islamic banking personnel besides management policy in the recruitment or training of shariah auditing professionals of IFIs in Malaysia	This study adopted a multiple case-study to gather the data on challenges of shariah auditors of Islamic bank to perform their duty. Interview was conducted with a representative from the IFIs regulator and 30 internal auditors from four types of IFIs directly involved in conducting the shariah audit	In general, the IFIs have a clear understanding on the need to have a shariah audit function within their organization even though no specific guidelines on Competence were provided in the SGF issued by the BNM
2018	Sulaiman Bin Tahaj. Mahmoud Kertali Malaysia	IV: Internal Auditing characteristics (Independence & Objectivity) DV: ISA Effectiveness	quantitative research method was selected to perform this study. A valid 119 responses have been collected.	internal audit independence was positively affecting internal audit effectiveness. However, the effect of internal audit objectivity does not appear in the relationship with internal audit effectiveness
2018	Nurdiono Rindu Rika Gamayuni Indonesia,	IV: Internal Auditing Competence DV: Internal Auditing Quality Accountability	a period of 5 years (2011-2015). The primary data is the number of annual findings	internal auditor (inspectorate) Competence positively and significantly affects internal audit quality. Likewise, internal audit quality positively and significantly affects financial accountability of regency/city of Lampung
2018	Tahir Alam Taimoor Hassan Kausar Abbas Pakistan	IV: Internal Auditing Characteristics DV: Internal Auditing Effectiveness	used Questionnaire and Interviews of the different people involve directly or indirectly in the process of Shariah audit.	study of practitioner's qualification shows that required knowledge about shariah audit is still not established. The study also resulted that most of Shariah auditors working in IFIs have no experience and qualification about Shariah audit and Islamic banking
2018	Latifat Olaitan	IV: Internal audit functions dv: Financial Accountability	Primary data were used for this study and gathered	An internal audit function, particularly the internal control system, has a positive and a

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Year	Author & Location	Variables	Methodology	Finding
	Muhammad Aminu Isa Sadiq Rabiu Abdullahi Nigeria		basically, through the administration of a structured questionnaire to the respondents	relatively moderate relationship with the financial accountability. a positive and relatively moderate relationship with the financial accountability.
2018	Alhassan Musah, Erasmus Dodzi , Fred Kwesi Anokye Ghana	IV: Internal Auditing Characteristics DV: Internal Auditing Effectiveness	The study employed the survey approach.25 state-owned enterprises were sampled for the study. Data was collected from mainly primary source. Primary data was collected by the administration of questionnaires. 150 questionnaires were distributed but only 110 were retrieved representing 73% response rate	study showed that management support for internal audit function is the most significant determinants of internal audit effectiveness. The study also revealed that size of internal audit unit, competence of internal audit staff, independence of internal audit unit as well as good relationship between internal and external auditors were significant determinants of internal audit effectiveness.
2017	Dyah Setyaningrum Cris Kuntad Indonesia	IV: Internal Auditing Characteristics DV: Internal Auditing Effectiveness	This research is quantitative research with questionnaires using auditors in Inspectorate General of the Ministry of Transportation as respondents	The results show that competence, communication, and audit work have positive effect on internal audit effectiveness, while independence has no effect on internal audit effectiveness
2016	Khaled Ali Endaya Mustafa Mohd Hanefah Malaysia	IV: Internal Auditing Characteristics DV: Internal Auditing Effectiveness MV: Senior Management	Standard multiple regression and moderated multiple regression are applied, and the data were collected from 114 members of Libyan Association of Accountants and Auditors by using personally administered questionnaire	The findings reveal that internal auditor's characteristics have a significant impact on internal audit effectiveness, and senior management support has a moderating effect.

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Summary of previous literature of Management support

Year	Author & Location	Variables	Methodology	Finding
2020	Kanta Rio Saputra, Srihadi Winarningsih, Titis Rosowulan, Evita Puspitasari Indonesia	IV: Management support DV: Internal audit effectivnees	quantitative research methods. The data collection technique will be done in the form of using a survey method with a questionnaire.	1) top management support has no significant effect on the effectiveness of internal audit; 2) top management support has a significant effect on competence; 3) top management support has a significant effect on independence 4) top management support indirectly has a significant effect on the effectiveness of internal audit, through competence; 5) top management support indirectly significantly affects the effectiveness of internal audit through independence, 6) competence has a significant effect on the effectiveness of internal audit; 7) independence has a significant effect on the effectiveness of the internal audit
2020	Waled Alazzabi Hasri Mustafa Libya	IV: Risk management, top management support, DV: internal audit activities, fraud mitigation	The data is collected using a survey questionnaire of 16 commercial banks in Libya and analyzed using a structural equation modeling.	The study shows positive and significant relationships between RM and employees' FM and TMS and employees' FM. The study also demonstrates a significant mediating effect on the relationship between RM, TMS and FM
2020	Hendra Poltak Made Sudarma Lilik Purwanti Indonesia	Determinants of the Effectiveness of Internal Audits MV: Management Support	The samples of this research were 31 internal auditors and 31 KKP employees. This research was explanatory research	The results show that the relationship between internal auditors and external auditors, organizational independence, and auditee perceptions positively influences the

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Year	Author & Location	Variables	Methodology	Finding
				effectiveness of internal audits. However, audit professionalism does not have a positive effect towards the effectiveness of internal audits and the management support cannot be a moderating variable.
2018	**Rindu Rika Gamayuni** Indonesia	IV: internal auditor competence, objectivity, management support DV: effectiveness of internal audit	This research uses survey method with description verification approach, and it is conducted on local government at Java Island, Indonesia. Primary data was statistically tested by using SEM partial least square (PLS).	This research has shown that the internal auditor competence and objectivity, and management support have significant influence on the effectiveness of the internal audit function. Moreover, the internal auditor competence and objectivity and the effectiveness of the internal audit function have significant influence on the financial reporting quality.
2017	Jusbair Baheri Sudarmanto Ismail Suardi Wekke Indonesia	IV: Management support DV: Internal audit effectiveness	Questionnaire are used as a tool to measure the variables tested. Total population in this study are 37 respondents	The result of research proves that the management are not significant effect on the internal audit effectiveness.
2017	Suleiman Bello Ayoib Che-Ahmad Nor Zalina Yusof Nigeria	IV: Internal audit quality DV: organization performance MV: Management support	A total of 400 samples of senior internal auditors' level were drawn from 40 Nigerian federal universities. Data was collected via questionnaires and distributed to internal auditors. 400 questionnaires were distributed, 342 were returned, 29 were rejected and 313 were retained.	The results reveal that there are no significant positive relationships between the variables of IAS and IARL with organizational performance. While the result of moderating effect of top management support in the relationship between the independent variables and organizational performance, have shown that IAS have positive and significant relationship with organizational

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Year	Author & Location	Variables	Methodology	Finding
				performance, except IARL. The result shows strong correlation between the dimensions of IAQ and organizational performance and optimum performance in Nigerian federal universities is attainable when internal audit quality dimensions are functional.
2017	Mohammed Alkebsi Khairul Azman Aziz Yemen	IV: IT usage DV: Internal Audit Effectiveness MV: Management support	Questionnaires were sent to internal auditors in Yemeni private companies, with a total of 104 responses obtained.	The study found a significant positive relationship between information technology usage and internal audit effectiveness. Similar result was obtained on the relationship between top management support and internal audit effectiveness. However, the study found that top management support does not moderate the relationship between information technology usage and internal audit effectiveness.
2017	Dawuda A Ataribanam S Joseph AA Ghana	IV: Management Support Services DV: performance of Internal Audit Department	The respondents include Management, External Auditors and Heads of Internal Audit Departments in the three regions of the Northern Ghana. A total sample size of 170 was used.	It was discovered that the Internal Auditors were not satisfied with the support services that management provide. There was strong positive correlation between Management Support Services and the Internal Audit performance. The key support services that influence Internal Audit performance were management commitment to working with Internal Auditors to develop Internal

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Year	Author & Location	Variables	Methodology	Finding
				Auditor Charter and providing adequate logistics.
2017	AL-SHBAIL A. TURKI2 Kuwait	IV: Independence Internal Auditing, Scope Internal Auditing, Management support, Audited cooperation, and Satisfaction of Internal Auditing DV: Internal Audit Effectiveness	Validated by the literature review, the chosen constructs selected are crucial in providing knowledge and clarification of the decision of industrial SMEs on internal auditor effectiveness in Kuwait.	The aim of this research proposal is to look into the impact of the four factors that are linked to Internal Auditing effectiveness moderated by satisfaction of internal auditors within the Kuwaiti industrial SMEs. This study contributes in the body of knowledge by expanding the already available literature on the Internal Auditing effectiveness via the determination of the effectiveness of Internal Auditing at the industrial firms employing the theories and variables that were previously identified and highlighted.
2014	Zulkifli Baharud-din1 Alagan Shokiyah Mohd Serjana Ibrahim Malaysia	IV: Auditors Competence, Independence/Objectivity of Internal Auditing, and Management Support DV: Internal Audit Effectiveness	The questionnaires were distributed randomly to the Internal Auditing Department of ministries located in Putrajaya through the Internal Auditing head of the Department. Out of this number the total of 330 questionnaires were distributed through the Internal Auditing department head to the related ministries which constitute 51.56% of the total population.	the result indicated lack of qualified, skill and experience of the auditors in internal audit department may cause the delay in auditing work.
2013	Abdulaziz Alzeban Nedal Sawan	IV: competence, independence and objectivity of Internal	A qualitative approach was used to gain in-depth understanding of the	It was unanimously confirmed that the lack of qualified staff stands represents one of

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Year	Author & Location	Variables	Methodology	Finding
	KSA	Auditing, management support for Internal Auditing, internal audit activities, and interaction between audited organization's and external auditors DV: Internal Audit Functions	nature and characteristics of the IAF in the Saudi public sector, and consequently, interviews were conducted.	the most important problems facing internal audit in the Saudi public sector. It was unanimously confirmed that the lack of qualified staff stands represents one of the most important problems facing internal audit in the Saudi public sector. interviewees revealed that internal auditors did not possess any such qualification. interviewees commented on the absence of enough experience irrespective of qualifications held. Interviewees explained that it is difficult for internal auditors in the Saudi public sector to achieve independence as they are employees of the organization they audit, and essentially the IAF has no real organizational status. Interviewees reported that internal audit suffers from a lack of support from top management. The interviewees were unanimous that the internal audit activities had not expanded beyond the traditional audit of financial regularity and compliance. A weak relationship was seen to exist between external auditors and audited organizations.

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Year	Author & Location	Variables	Methodology	Finding
2012	Seif Obeid ALshbiel Hussein Ali AL-Zeaud Jordan	IV: Management support DV: Performance of internal auditors	The randomly selected sample (N=142) consisted of internal auditors at shareholding companies. The descriptive analytical methods including theoretical and empirical approaches were followed.	Results demonstrate a positive statistical association between composite dimensions of management support and performance improvement of internal auditors at Jordanian shareholding companies.

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Appendix B: Questionnaire Survey

A questionnaire examining the impact of the characteristics of the SSB on Internal Shariah Auditor Effectiveness, Role of Management Support as A Moderator in IFIs in UAE.

SECTION A: DEMOGRAPHIC PROFILE

1. your current position:

   [ ] Chief Executive Officer (CEO)
   [ ] Shariah Supervision Board (SSB)
   [ ] Internal Shariah Auditor (ISA)
   [ ] Audit and Governance Committee (AGC)
   [ ] Accountants (AC)

2. Gender
   [ ] Male
   [ ] Female

3. What is your age
   [ ] below 30
   [ ] Between 30 and 40
   [ ] above 40

4. What is the highest degree or level of education you have completed?
   [ ] High School
   [ ] Bachelor's Degree
   [ ] Master's Degree
   [ ] Ph.D. or higher

5. What is the profession certificate you obtained? You can select more than one.
   [ ] Certified Public Accountants (CPA)
   [ ] Association of Chartered Certified Accountants (ACCA)
   [ ] Certified Internal Auditor (CIA)
   [ ] Certified Islamic Professional Accountants (CIPA)
   [ ] Certified Shariah Advisor and Auditor (CSAA)
   [ ] Certified Shariah Auditor (CSA)
   [ ] Not applicable

6. How many years have you spent in your current job?
   [ ] less than 5 years
   [ ] 5 – 10 years
   [ ] 00 – 15 years
   [ ] 16 – 20 years
   [ ] 20 years and above

7. What type of Islamic financial institution are you working with?

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[ ] Islamic bank
[ ] Insurance firm
[ ] Investment business firm
[ ] Finance company
[ ] Islamic window

8. Who should carry out "Shariah Audit" in IFIs?
   a. Shariah Supervisory Board (SSB)
   b. "Shariah Auditors" – Professionals trained and certified in "Shariah Audi
   c. Internal auditors under the guidance of Shariah Supervisory Board (SSB)
   d. Regular (Conventional) external auditor

9. To whom does the Head of internal Shariah audit department report functionally on the organization chart? Please tick (√)

   [ ] Audit Committee

   [ ] Governance Committee

   [ ] Shariah Supervisory Board

   [ ] Chief Executive Officer

10. How many Shariah audit staff are there in your internal Shariah audit function?
    [ ] Not applicable
    [ ] Less than 3
    [ ] Between 3-5
    [ ] Between 6-10
    [ ] Between 11-14
    [ ] More than 15

11. Does your internal Shariah audit department have an internal Shariah audit charter?

    [ ] Yes [ ] No

12. Is the internal Shariah audit charter in writing? [ ] Yes [ ] No

13. Has the SSB approve the internal Shariah audit charter? [ ] Yes [ ] No

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SECTION B: Internal Shariah Auditor Effectiveness

This section examines the Effectiveness of Internal Shariah Auditor in your organization. Please indicate the extent of your agreement with the following statements with regards to the effectiveness of internal Shariah auditor in your IFIs, by circling the appropriate scales.

	STATEMENTS	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	Internal Shariah auditor should be objective in performing their internal Shariah audit					
2	Internal Shariah audit staff have free access to all departments and employees in IFIs.					
3	Internal Shariah auditor should maintain what professionalism in performing the internal Shariah					
4	Shariah internal audit was conducted in timely manner.					
5	The head of internal Shariah audit has communicated results to the appropriate quarters					
6	Evaluation of the extent of compliance with Islamic Shariah rules and principles and Fatwas issued by IFI's SSB.					
7	The opinion of the internal Shariah audit personnel on developing Shariah audit skills through workshops and courses.					

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SECTION C: Following is the description of the **Shariah Supervisory Board** in your organization. Please indicate the extent of your agreement with the following statements with regards to the Shariah Supervisory Board in your organization, by circling the appropriate scales.

	STATEMENTS	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Independence of SSB Members	SSB members are independent of Board of Directors.					
	All members of SSB are independent of shareholders.					
	All SSB members are non-executive director.					
	Members of the Shariah Supervisory Board have sufficient independence to perform their professional obligations and duties.					
	The lack of relationships between the member of the Shariah Supervisory Board and the institution, whether it is a financial or personal relationship.					
	The Shariah Supervisory Board provides its reports directly to the shareholders & general assembly.					
	The SSB does not faces interference from management in the course of their work.					
	The appointment and replacement of a member of the SSB must be within the authority of the Board of Directors or the General Assembly and with the approval of the Central Bank.					

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	STATEMENTS	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Competence of SSB Members	Members of the Shariah Supervisory Board hold a scientific qualification in accounting or finance.					
	Members of the Shariah Supervisory Board hold a scientific qualification in Islamic shariah.					
	Members of the SSB hold a scientific qualification in Islamic Economic.					
	Members of the SSB must have experience in jurisprudence of financial transactions.					
	Efficiency should be the main criterion for selecting a member of the SSB in Islamic financial institutions.					
	A member of the SSB shall enhance his technical competence through continuous learning.					
	The SSB review internal Shariah audit plan on a regular basis.					

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	STATEMENTS	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Size of SSB	Large size of SSB members may decrease the possibility of information asymmetry.					
	The size of the organization's Shariah Supervisory Board is adequate to carry out its duties properly.					
	The size of the Shariah Supervisory Board in the organization is not less than three persons.					
	The number of the current Shariah Supervisory Board members in the organization is enough to effectively exercise its role.					

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Section D: Following is the description of the management support in your life. Please indicate the extent of your agreement with the following statements with regards to the management support in your life, by circling the appropriate scales.

STATEMENTS		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1.	Senior management should support internal audit to perform its duties and responsibilities.					
2.	Senior management should participate in the internal audit plan.					
3.	Internal audit must provide senior management with sufficient, reliable, and relevant reports about the work they perform, and recommendations made.					
4.	Internal audit department must be large enough to successfully carry out its duties and responsibilities.					
5.	The management should support training programs and workshops for its employees.					
6.	There must be an incentive system is in place and provided by the management to its employees					
7.	The Management must implement the recommendations of the internal Shariah audit department and meets its needs					
8.	The management must see that the internal audit is an internal guarantee and fortress for the organization, so it is to give it attention and support					
9.	The internal audit department must obtain the necessary resources and facilities that help to perform audit activities accurately.					

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Appendix C: Summary of Research Finding

Research Question	Research Objective	Hypothesis	Test	Findings
What is the impact of SSBs Characteristics (Independence, Competence and Size) on ISA Effectiveness in IFIs in UAE	To Analyze the impact of SSBs Characteristics (Independence, Competence and Size) on ISA Effectiveness in IFIs in UAE	Direct hypotheses H1: Independence of SSB positively impact on internal Shariah auditor effectiveness in UAE IFIs. H2: Competence of SSB positively impact on internal Shariah auditor effectiveness in UAE IFIs. H3: Size of SSB positively impact on internal Shariah auditor effectiveness in UAE IFIs.	1. Based on the literature 2. Descriptive statistics -Reliability Test -Inter–item correlation EFA (sample size is 100) 3. CFA (sample size is 365) -Descriptive statistics -Missing Data and Outliers - Normality Test - Reliability - Inter–Item Correlation 4.Measurement model development and evaluation -Model validity 5. CFA -SEM model without Moderator 6. Hypotheses testing using regression weight	1. Three SSB characteristics are identified: independence competence size. 2. A conceptual model for the research variables are developed. 3. The data fit the model 4. Two from three of the SSB characteristics have significant impact on the ISAE in IFIs in UAE. 5. The data fit the model 6. H1, H2, are supported, and H3 is not supported.
Does MS moderate the impact of SSB characteristics (Independence; competence	To Analyze whether the role of Management support moderates the	H4: Management support moderates the impact of SSB	CFA -SEM model with moderator and evaluation 1. Hypotheses	1. MS moderates some relations between SSB characteristics (independence

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Research Question	Research Objective	Hypothesis	Test	Findings
and size) on internal Shariah auditor effectiveness.	impact of Shariah Supervisory Board characteristics (independence; competence and size) on its Internal Shariah Auditor effectiveness	independence on internal Shariah auditor effectiveness in UAE IFIs. H5: Management support moderates the impact of SSB competence on internal Shariah auditor effectiveness in UAE IFIs. H6: Management support moderates the impact of SSB size on internal Shariah auditor effectiveness in UAE IFIs	testing using regression weight 2. Using the goodness of fit measures and the outcome of hypotheses testing to develop the final structural relation between the research variables	& size) and ISAE H4 and H5 are only supported 2. structural equation model is developed for the relationship between the SSB characteristics and the ISAE with MS as a moderator in IFIs of UAE.

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