

The Need of Independent *Shariah* Members in Islamic Cooperative Banks: An Empirical Study of Professional Accountants in Malaysia

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Abstract

The importance of shariah members in Islamic financial institutions, in some of its aspects, is to audit and check the financial system in accordance to Islam. Thus, independence status of auditor is complement to the shariah members to function effectively. To be independence shariah auditor, there is need to have separation of duties between shariah auditors and Shariah Committee to perform their duties. The purpose of this study is to assess the importance of the independent of the shariah members in Islamic Cooperative Banks in Malaysia. The methodology adopted in this study is limited to questionnaires distributed to 50 professional accountants in Malaysia. Data were analyzed using descriptive analysis. The results proved that fifty two percent of shariah auditors had total independence and played important role in ensuring shariah compliant of products and activities and their practices have been well accepted by stakeholders of Islamic Cooperative Banks. Moreover, sixty seven percent shariah auditors have been given a free reign to perform their functions and were free from intervention by the Shariah Committee during the audit process. However, shariah auditors have less team members to perform their audit services. Furthermore, most shariah auditors agree that there is a lack of expertise or human talent to perform these sorts of audit services currently in Malaysia. Finally, this study has shown that most auditors agree that there is a need to enhance their knowledge and expertise in shariah auditing in order to improve and master shariah accounting and auditing processes.

Key Words: *Shariah Members, Independence, Cooperative Banks, Shariah Committee, Auditors' Competencies, Islam.*

Introduction

Shariah members' role in Islamic finance remains as a social function and aimed for the benefit of the *ummah* (nation) to achieve *maqasid as shariah* (Dusuki & Bouheraoua, 2011). The *shariah* members must be independence enough in performing their duties as the members of *Shariah* Committee in Islamic Cooperative Banks (ICBs). The objectives of the committee are to guide Islamic financial institutions in the setting of policies and regulations according to *shariah*. However, in order to perform their roles, they depend on the work of *shariah* auditors. It is because *shariah* auditors are the main parties to ensure implementation of *shariah* precepts and requirements (Sultan, 2007) in ICBs. Their role is also to act as catalyst for better growth of ICBs. Hence, *shariah* auditors role remain independent to stakeholders of ICBs in order to function effectively. It is a common practice for the *shariah* auditor responsibility to report the status of *shariah* compliant to *Shariah* Committee and also stakeholder of ICBs (Karim, 1990). In theory, *shariah* audit practices should enhance shareholders' value and confidence of stakeholders of ICBs and if

stakeholders are suspicious of non-compliance activities and operations toward *shariah*, it will seriously demine and affect the credibility of ICBs (Rusni & Aishath, 2011). Adequate systems and controls are required to ensure compliance with the *shariah* such as the rulings and fatwa of *Shariah* Committee are implemented as stated by Bank Negara Malaysia (BNM) (BNM, 2010).

Shariah audit is crucial and its role remains a vital complement to the current governance mechanism of Islamic financial services industry (Rahman, 2008). In order to ensure the efficiency and effectiveness of ICBs, external *shariah* auditors play an important part. External *shariah* audit is legally responsible to audit the financial statements, the financial and operational systems, the financial processes, the accounting policies etc (Karim, 1990). Hence, there is a need for external *shariah* audit to ensure reasonable assurance of the *shariah* compliance for Islamic financial activities and operations. Within the context of Malaysia, ICBs have mandatory requirement to appoint external party to conduct *shariah* audit. Thus, appointed external auditor who audit ICBs is not similar to audit on conventional financial institution. They need to have a good knowledge and expertise of *shariah*. If not, they won't be able to give a true and fair opinion on aspect *shariah* compliance. If true opinions do not prevail, it would not be acceptable as the role of *shariah* auditors would be deemed as not independent.

Shariah Committee as one of the main component of ICBs *shariah* governance framework focused on the product approvals, the *shariah* opinions and the *shariah* policies (BNM, 2010). Hence, *shariah* audit supports the function of *Shariah* Committee ICBs in various manners, especially by providing independent assurance to ICB's diverse stakeholders on matters relating to ICB's banking operations which include products and services (Ibrahim, 2008). However, *shariah* auditors get help by *Shariah* Committee in conducting *shariah* audit (Haniffa, 2010). *Shariah* Committee should not give an advice to *shariah* auditors to avoid conflict of interest which has been evidenced over shock corporate scandals in America (Moore, Tetlock, Tanlu, & Bazerman, 2006).

Professional accountants should avoid themselves from conflict of interest in order to maintained independent opinions on ICBs performance. Conflict of interest is defined as offenses (*haram*) by *shariah* where creates doubts in others. The prophet Mohammed said "leave that which makes you doubt for what does not make you doubt" (narrated by Tirmidhi (2442), Ahmad (1630) and Ibn Hibbaan (722)). Therefore, individual who avoid himself from conflicts of interest will expedite positive side on him toward better integrity. The prophet Mohammed also said "who keeps himself away from doubts, will highly exalt his religion and his integrity; and whoever commits doubtful things, commits offenses (*haram*)" (narrated by Boukhari; Muslim; Al-Tarmidhi; and Al Nessai). Thus, Islam asserts that conflicts of interest are not desirable whether in personal life or in business arena. Therefore, and based on above, this study is trying to emphasize on the importance of the independent of the *shariah* members in Islamic Cooperative Banks in Malaysia.

Islamic Cooperative Banks in Malaysia

Cooperative banks are one of the non-bank financial intermediaries in Malaysian banking system (Malaysian Industrial Development Authority, 2008). Cooperatives banks are complementing banks in mobilizing savings and meeting the financial needs of the Malaysian economy (BNM, 2010). They are owned by their depositors and they may engage in a wide range of banking activities but are typically focused on retail lending (Taylor, 2013). Cooperative banks are not entirely free of problems but they have had a much lower rate of failure than commercial banks and they are not systemically risky (Taylor, 2013).

However ICBs, using mechanisms embedded in Islamic financial products have strength on financial resilience due to its greater risk sharing among cooperative bank stakeholders (Al-Muharrami & Hardy, 2013). There are three ICBs in Malaysia: Bank Kerjasama Rakyat Malaysia Bhd (Bank Rakyat), Bank Persatuan Malaysia Bhd (Bank Persatuan) and Islamic Cooperative Bank of Malaysia (ICBM) (Bernama, 2010). These ICBs were placed directly under the supervision of Central Bank of Malaysia and

Cooperative Commission of Malaysia (CCM). These ICBs offer total Islamic banking products in Malaysia. Majority of these ICBs shareholders are Muslims as they keen interest towards Islamic products (The Economist, 2014).

Bank Rakyat is the first ICBs to become a *shariah* cooperative bank and operates as an Islamic cooperative bank on the 8th May 1993 and became a full-fledged Islamic cooperative bank in 2002 (Othman, Kari & Hamdan, 2013). Hence, after 21 years of its establishment, Bank Rakyat was named the “Best Islamic Bank 2014” at the Global Islamic Finance Award (Bernama, 2014). The second ICBs, Bank Persatuan was originally established and officially registered as a cooperative company on 7 June 1950, under the Cooperative Company Ordinance (1948) which is currently known as the Cooperative Act (1993). On 27th November 2010, CCM approved Islamic Cooperative Bank of Malaysia (ICBM) as a third ICBs in Malaysia to start banking operations. ICBM is owned by National Cooperative Organization of Malaysia. Its acronym in Malay is known as ANGKASA which is an organization recognized by the Malaysian government as the national apex body of cooperative organizations which provides educational and support services (ANGKASA, 2014).

Literature Review

Independent *Shariah* Members

The independence of *shariah* members is perceived based on the way they are paid (Malkawi, 2014). Potential conflict of interest will arise as *shariah* members receive remuneration from ICBs. This will influence on their credibility in moral beliefs and religious values on guiding ICBs *shariah* matters (Malkawi, 2014). Moreover, *shariah* members will influence *shariah* auditor in performing their duties. The importance of *shariah* supervision in ICBs is vital as part of corporate governance (Hasan, 2011). The examination of products and transactions by *Shariah* Committee functions like a system of checks and balances. Thus, the intervention of *shariah* members on *shariah* audit function will eliminate the public trust and confidence.

Independence status of auditor is the heart of the auditing profession (Mednick, 1990). Auditors are considered to have little value without independence (Johnstone, Sutton & Warfield, 2001). Independence is one of the important elements in maintaining audit quality which effect the overall quality and credibility of financial reporting. If the lack of independence in fact exists, it will further undermine confidence (Mansouri, Pirayesh & Salehi, 2009). The auditing profession is much depends on public trust, “a perception problem is real problem” (Sutton, 1997). *Shariah* auditor is also need to enhance the independence status similar functions to the other institutions conventional financial audit. The conventional financial audit is inadequate to fulfill the needs of the stakeholders of ICBs on *shariah* audit (Haniffa, 2010). This evidenced by the International Standards on Auditing (ISAs) which did not take into accounts the *shariah* aspects but only sets the international standards for auditing, quality control, review and other assurance and related services that serves mostly the shareholders interest. The ultimate purpose of independent *shariah* audit is for *maslahah ummah* (public interest) (Kasim, Ibrahim, & Sulaiman, 2009) rather than profit-oriented.

Independence *shariah* auditor is essential to the process of providing an objective, unbiased review of management's representations in an ICBs financial statements. Hence, the credibility of independence *shariah* auditor's role is vital to enhance public confidence (Mansouri et al., 2009) and reputation for objectivity and independence of auditing profession.

Auditor Competencies on *Shariah* and Accounting

Competency is the ability or a set of defined behaviors which guide in structured way to ease the process of identification, evaluation and development of the behaviors in individual to perform a job properly (The

IIA Global Internal Audit Competency Framework, 2014). To be competent, a person would need to have been trained. Individual competency would develop through experience and as individual progress to learn and adapt. In the field of auditing, the competency requires the auditor to have knowledge of the philosophy and practice of auditing, the degree of training, experience and skill common to the average independent auditor (Mautz & Sharaf, 1986). The auditing profession requires every auditor to be competence in auditing and accountancy, including adequate training and experience in all facets of an auditor's work. The profession has also placed increasing emphasize on auditing and accounting professional education programs for auditors to ensure that they keep abreast of the latest ideas and techniques in auditing and accounting (Gul, Hai, Teoh, Andrew & Schelluch, 1994). They futher argued that the audit should be performed and the report prepared with due professional care by persons who have adequate training, experience and competence in auditing.

Whilst, *shariah* competency is crucial need to the external auditor who involved in the Islamic banking sector (Uddin, Ullah & Hossain, 2013). Training in this area is most concern by the stakeholder of ICBs to enhance the growth of this industry. Until today, both *shariah* and accounting knowledge is still lacking in the profession *shariah* auditor. Since 1970s, the issue of auditors who have accounting knowledge tend not to have *shariah* knowledge and vice versa (Uddin et al., 2013).

In order to understand and audit the ICBs, a *shariah* auditor must have a good knowledge in accounting and also in *shariah*. Therefore, there is a need to investment for the education in *shariah*, accounting and auditing for *shariah* auditor to enhance the knowledge and expertise with the *shariah* audit (Rahman, 2011; Sulaiman, 2011). This is because, according to Yaacob and Donglah (2012), majority of the postgraduate students are unaware of the term *shariah* audit and further affirmed by Ali & Shafii (2014) that they also even do not know how to differentiate between *shariah* audit and conventional audit.

The majority of them are in the age of 20 to 30 years old who will be involve in the industry in the future. Thus, the gap among auditor competence to the field of *shariah* and accounting/auditing have been studied is still unsolved (Kasim, 2013; Yaccob, 2012). In fact, both of these competencies (*shariah* competence and conventional accounting competence) should be required in the implementation of the audit process which are not just Islamic audit of the financial statements. However, the lower level of understanding over *shariah* audit, the students are willing to learn more about *shariah* audit as part of their course subject and areas related to Islamic finance (Ali & Shafii, 2014). Ideally, *shariah* audit should be conducted by a professional possessing both auditing and *shariah* qualification besides being adequately trained in banking operations and financial products.

Therefore, to be competitive as *shariah* auditors, they must possess *shariah* and accounting knowledge and if they do not have the necessary qualifications, their experiences in the Islamic banking could be considered (Shafii, Salleh, Hanefah & Jusoff, 2013). In other way, the certification of *shariah* auditor will promote professionalism and improve the conduct of *Shariah* audit in the industry as suggested by Shafii, Salleh, Zakaria, Hanefah, Ali, and Yunanda (2014). *Shariah* audit certification should at least cover the scope of *shariah* audit outlined by Bank Negara Malaysia, financial statements and internal control systems of an Islamic bank. The contents of certification may also include the area of business policies, process and procedures, zakat calculation and payment, contracts and agreements, and assessment of financial resources.

Shariah audit has indeed highlighted prevalent problems facing the Islamic finance industry which include the small and limited pool of available skilled human capital (Kasim, Ibrahim & Sulaiman, 2009) in terms of knowledge and qualification (Rammal & Parker, 2010). *Shariah* auditor shall carried out an audit on ICBs to make the institutions accountable to God, shareholders, stakeholders and to the society. The knowledge and expertise of the actors involve with the *shariah* audit are crucial to enhance and being well educated in *shariah*, accounting and auditing (Rahman, 2011; Sulaiman, 2011).

Auditor Reliance on *Shariah* Advisor or *Shariah* Committee

Shariah governance for Islamic Financial Institutions (IFIs) in Malaysia is governed by the *Shariah* Governance Framework (SGF) for the Islamic Financial Institutions 2010 (BNM, 2010) that was developed and introduced by Central Bank of Malaysia. SGF states that *Shariah* Committee as an internal *shariah* advisory body formed in each respective IFI is important to ensure the overall Islamic financial practices of such institution operates in accordance with the *shariah* principles. The *Shariah* Committee is established as a statutory requirement to all banks and takaful operators which offer Islamic banking and takaful products pursuant to section 3-5/b of the Islamic Banking Act 1983 for Islamic banks, section 124/7 of the Banking and Financial Institution Act 1989 for Islamic Banking Scheme Banks, section 8-3/a Takaful Act 1984 for Takaful operators and section 16/B of the Central Bank of Malaysia (Amendment) Act 2003 for Central Bank of Malaysia. The main objective of the establishment of the *Shariah* Committee is to advise Islamic financial institutions on any *shariah* matter and also to ensure compliance with the *shariah* tenets and requirements in their operations.

The *Shariah* Governance Framework (SGF) provides a comprehensive guidance to the *Shariah* Committee in discharging its duties and responsibilities in matters relating to *shariah*. *Shariah* Committee shall at all times to exercise its duties and responsibilities with independence manner. *Shariah* Committee requires the findings of *shariah* audit and *shariah* review to ensure that the ICB has been carrying on *shariah* compliant activities, and they accountable to the board of directors of ICB. According to Shafii, Salleh and Shahwan (2010), the duties and responsibilities of the *shariah* advisors are to ensure that all ICBs’ products and services, policies and contracts strictly adhere to the *shariah*. However, the external *shariah* auditors who heavily rely on the *shariah* reviews done by the internal auditors with the advice of *shariah* advisors of the ICBs on *shariah* compliant test by who are not competent in *shariah* are questionable (Yaacob, 2012). Furthermore, conflict of interest may arise as *shariah* advisors are limited in the industry and they may be serving multiple ICBs or IFIs in contravention of government banking regulations (Rammal & Parker, 2010).

Karim (1990) asserted that *Shariah* Committee needs to function as what the external auditors in conventional corporations. The function of *Shariah* Committee is to advise the chief executive officer or the board of directors on the *shariah* matters. Therefore, the Islamicity of the ICBs would never be compromised as all stakeholders and shareholders have the rights and interests on governance mode and mechanisms shield (Iqbal & Mirakhor, 2011).

Theoretical Framework and Methodology

Based on the above literature, the framework for this study is as follows:

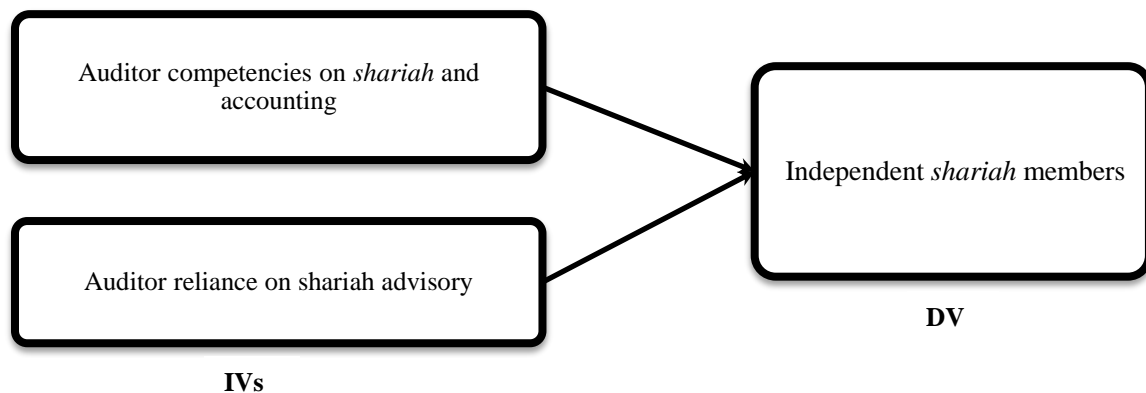


Figure 1 Framework of the Study

The methodology adopted in this study is limited to survey that done on professional accountants of ICBs. The population of this study is estimated of 100 auditors from audit firms in Malaysia who perform financial audit of ICBs. The sample of this study is 50 of whom 40 professional accountants were responded with a response rate of 80%. The questionnaire consists of 23 questions, 15 of which are related to independent *shariah* auditor, 4 related to auditor competencies on *shariah* and accounting and 4 of which are about auditor reliance on *shariah* advisor. It is designed by using the 5-degrees Likert spectrum. Table 1 shows the number of respondents which subsequently explains their demographics. To measure the reliability of the questionnaires, the overall reliability coefficients of the questionnaire resulted is acceptable, as the Cronbach's alpha value is 0.751.

This study used random sampling to select professional accountants in Malaysia. The questionnaires were distributed personally by the first author to 40 professional accountants in Malaysia. The majority of participants is above 21 years old (90%) and married (62.5%). The majority of them have qualification of bachelor degree (62.5%) and have working experience of more than 5 years (55%). In terms of gender, (60%) of them are male and complement by female (40%).

Table 1 Descriptive Results of Respondents (N=40)

Demographics	Ranges	Frequency	Percentages (%)
Gender	Male	24	60.0
	Female	16	40.0
Marital Status	Married	25	62.5
	Single	15	37.5
Age	Above 21years	36	90.0
	Below 20 years	4	10.0
Education	Bachelor degree	25	62.5
	Diploma	14	35.0
	Certificate	1	2.5
Experiences	5 years and above	22	55.0
	1-5 years	16	40.0
	Below 1 years	2	5.0

Based on Table 2, it shows that 19 statements out of 23 got a high level of importance according to their mean, which indicates that almost all statements are considered as “highly important”. These indicated that *shariah* auditors had fully independent in performing their duties in ICBs. However, they were not having enough team members due to ICBs also rely on external *shariah* auditor review on *shariah* compliant of Islamic financial institutions activities.

Table 2 Descriptive Statistics for Statements

No.	Item	Mean	Standard Deviation	Level of Importance
A1	The integrity of the <i>shariah</i> auditor needs to be perceived as independent enough by those stakeholders of Islamic finance.	4.40	0.744	High
A2	The <i>shariah</i> audit team has adequate independent to perform <i>shariah</i> audits.	4.37	0.740	High
A3	We have sufficient number of staff to perform <i>shariah</i> audit effectively.	3.30	0.992	Medium
A4	<i>Shariah</i> auditors express an opinion on the true and fair view of the financial statement only.	3.53	0.933	Medium
A5	The <i>shariah</i> auditor(s) demonstrated professionalism and an objective approach.	4.32	0.888	High

No.	Item	Mean	Standard Deviation	Level of Importance
A6	There was no undue disruption to my workplace during the audit and our work environment was respected, eg. safeguarding of documents and access to facilities.	4.00	0.751	High
A7	I was given the opportunity to provide input on the findings and conclusions, and on the recommendations made to address them.	4.00	0.784	High
A8	The public's trust and confidence in Islamic financial institutions and markets serves as a primary determinant of the system's soundness and stability.	4.47	0.847	High
A9	My staff and I were given the opportunity to provide input, including any concerns and our perspectives, to the planning process.	4.28	0.506	High
A10	<i>Shariah</i> auditors should have their own professional body (association) the same as professional accountants do.	4.50	0.679	High
A11	<i>Shariah</i> auditors should not be bias.	4.78	0.530	High
A12	<i>Shariah</i> auditors should receive wages from its firm rather than Islamic financial institutions.	3.93	1.071	High
A13	<i>Shariah</i> auditors affect the performance of Islamic financial institutions.	4.35	0.770	High
A14	<i>Shariah</i> auditors shouldn't have family relationships with anyone in the Islamic financial institutions which they audit.	3.93	1.228	High
A15	<i>Shariah</i> auditor shouldn't have any conflict of interest with anyone in the Islamic financial institutions which they audit.	4.08	1.095	High
B1	<i>Shariah</i> auditing is lack of expertise and human talent to perform <i>Shariah</i> audit	4.05	0.677	High
B2	Our <i>Shariah</i> auditors are adequately trained in banking operations and financing products.	3.48	0.847	High
B3	The knowledge and expertise of the <i>Shariah</i> audit is crucial to enhance and being well educated in <i>Shariah</i> , accounting and auditing.	4.40	0.591	High
B4	The <i>Shariah</i> auditor(s) demonstrated a good knowledge of the subject matter.	3.95	0.749	High
C1	It is a common practice for the external <i>Shariah</i> auditors to rely heavily on or follow the advice of <i>Shariah</i> advisors or the <i>Shariah</i> Supervisory Board.	3.32	0.971	Medium
C2	Islamic financial institutions rely on internal <i>Shariah</i> review alone.	3.38	0.979	Medium
C3	External <i>Shariah</i> auditors check on <i>Shariah</i> compliant of Islamic financial institutions activities.	4.10	0.744	High
C4	<i>Shariah</i> Supervisory Board have no involvement in the <i>shariah</i> audit process.	3.58	1.059	High

Whilst based on correlation coefficients of the computed mean of those variables and regression analysis, the results show that between 2 factors: auditor competencies on *shariah* and accounting, and reliance on ICBs *shariah* advisor are positive and significant relationship with independent *shariah* members. In addition, it showed that R (0.336) is the correlation of the independent variable with dependence variable.

11.3% of the variance in independent has been significantly explained by auditor competencies and auditor reliance on *shariah* advisor. Whilst ANOVA shows that F value of 2.349 is significant at the 0.11 level.

Discussion and Analysis

From the feedback obtained from the questionnaire, this research paper aims to provide an analysis with regards to the problem statement mentioned above. From Table 1, it indicates that most of the respondents were men (60%) while the average or mean age group of auditors were between 21-40 years. This clearly indicates that the male genders predominantly were active in *shariah* auditing but there is a very good indication that young professionals are active in *shariah* auditing. With regards to qualifications, there are highly qualified auditors as 62.5% of respondents have either Degree or Masters Degree and supported by 35% diploma holders to perform *shariah* auditing. In term of years active in performing audit, it clearly indicates that most of them (80%) have on average 1-10 years experience in this field.

The results of this study confirmed most of the auditors integrity (52.5%) have been perceived independent enough by ICBs stakeholder to perform their duties with professionalism and objective approach. This has been affirmed by most of these auditors (65%) that they are not disrupted at their workplace and working environment. Furthermore, most of them (67.5%) are feeling free of mind to give opinion based on the findings and conclusions, and on the recommendations they achieved and even during it at audit planning stages.

Most auditors (62.5%), further strongly agree that public's trust and confidence in ICBs and markets serves as a primary determinant of the system's soundness and stability because of the trust in the *shariah* auditing system remain strong. Most of the respondents stated that the Islamic pillars embedded within the *shariah* auditing system is the major reason for this high level of confidence as it promotes accountability and transparency throughout the whole auditing system. To correspond with the level of confidence that the general public have on the *shariah* auditing process, 52.5% of auditors are affirmed that they are not express an opinion on the true and fair view of the financial statement only but they are also checking on *shariah* compliant of ICB activities matter.

In order to enhance the need of *shariah* auditor independent, 95% of auditors welcomed the idea that a professional *shariah* auditing body be set-up to create and streamline a common *shariah* auditing process within the Malaysian business context. Hence, to better ensure the *shariah* auditing process remains accountable to all stakeholders, the *shariah* professional affiliation would ensure the integrity and code of conduct of *shariah* auditor to remain independent. For instance, over (77.5%) of them believed that auditors' role is to remain unbiased, avoid committing family relationships in ICBs and conflict of interest. More than half of auditors (52.5%) agreed that their high commitment in maintaining independent role had directly effect on the performance of ICBs operation.

Furthermore, 70% auditors agree that they should receive wages from their firm rather than ICBs to exalt the independence of *shariah* auditor in performing their duties. Therefore, the *shariah* professional affiliation or body would have the capacity to regulate or enhance the *shariah* auditing framework in term of *shariah* auditor code of conduct, integrity and remuneration as to safeguard the institutional pillars of *shariah* auditing to achieve *maqasid as shariah* (objectives of Islamic *Shariah*) for benefit of *masalah ummah* (public/nation's interest).

However, 85% respondents believe that *shariah* auditing is lack of expertise and human talent and sufficient team members to perform *shariah* audit and further half of them (50%) affirmed that they did not have adequately trained in banking operations and financing products. Thus, most of the auditors (95%) are demanding to acquire more knowledge and expertise of the *shariah* audit in order to enhance their function in *shariah* auditing. Therefore, they are ready to be well educated in *shariah*, accounting and auditing.

On the other side, most external auditors (75%) do not rely or follow the advice of *shariah* advisor even though ICBs (75%) still much depend on internal reviews which have been done by their internal reviewers such as internal auditors who may depend on *shariah* advisors. This is because they had maintained their integrity in performing their duties. Most of the external auditors (79.5%) affirmed that their duties also involve in ensuring on *shariah* compliant of ICBs activities and most likely there is no involvement of *shariah* advisory in the auditing process.

Conclusions

This study has proved the need for total independence of *shariah* members through *shariah* auditors to ensure that *shariah* compliant of products and activities within the context of an Islamic Cooperative Banks in Malaysia in order to enhance the public confidence on ICBs. From the questionnaire, feedback provided by most of *shariah* auditors depict that they have been given total independence while doing their duties and their practices are accepted by stakeholders of ICBs. From their response, *shariah* auditors have free reign to perform their functions from intervention by *Shariah* Committee during the audit process.

Evidence obtained from the study equally found that there is also no involvement of *Shariah* Committee even at the audit planning stage. Unfortunately with the aim of sustaining professionalism and effective audit process within the ICBs context, *shariah* auditors have less sufficient team members to perform audit services. Thus, most *shariah* auditors agree that there is a lack of expertise or human talent to perform these sorts of audit services. Finally, this study has shown that most auditors agree that they need more enhanced knowledge and expertise in *shariah* auditing in order to improve and master *shariah* accounting and auditing processes. The *shariah* auditors should be members of an independent professional body to uphold the independent of auditor to reflect the independent of *shariah* members of ICBs. The *shariah* members should have a separation of function from *shariah* auditors. In other words, there should be developed a certain criteria to identify a person to be qualified as *shariah* advisor in Islamic finance. Hence, there is the need to monitor the independence of *shariah* members in Islamic financial institutions by professional body.

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