

HARMONISATION OF INTERNATIONAL AUDIT STANDARDS & SHARIAH REQUIREMENTS

INTERNATIONAL SHARIAH AUDIT CONFERENCE 2011
THE ASSOCIATION OF ISLAMIC BANKING INSTITUTIONS MALAYSIA
MAY 9 TO MAY 10, 2011

HAFNI MOHD SAID

**ELEMENTS TO
CONSIDER
WHEN
HARMONISING**

EXPERTISE?

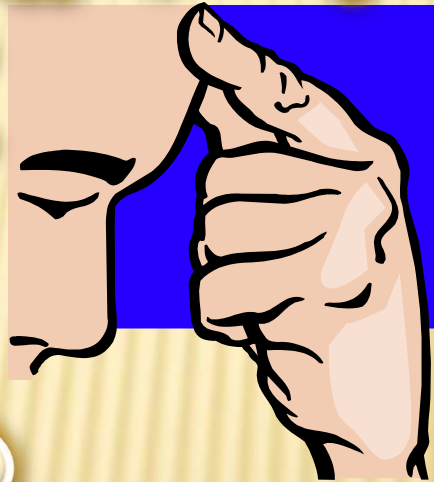
**SOURCES OF
REFERENCE?**

**HOW TO DO
SHARIAH
AUDIT?**

**INDUSTRY
PRACTICE?**

**WHAT TO
HARMONISE?**

**ACCEPTABLE
LEVEL?**



CONFORMANCE TO INTERNAL AUDIT STANDARDS

Internal audit activity **conforms to the Internal Audit Standards only if** the results of the quality assurance and improvement programs support the Statement, i.e. internal auditors must exercise **due professional care** by considering:

- The extent of work needed to achieve engagement objectives;
- Relative complexity, materiality, or significance of matters to which assurance procedures are applied;
- Adequacy and effectiveness of governance, risk management, and control processes;
- Probability of significant errors, fraud, or non-compliance; and
- Cost of assurance in relation to potential benefits.

CONFORMANCE TO INTERNAL AUDIT STANDARDS

Due professional care would involve the consideration on :-

- The needs and expectations of clients, including the nature, timing, and communication of engagement results;
- Relative complexity and extent of work needed to achieve engagement's objectives; and
- Cost of consulting engagement in relation to potential benefits.

REQUIREMENTS OF AUDIT STANDARDS

Audit Standards require the internal auditors to:-

- Evaluate **adequacy & effectiveness of controls** in responding to associated risks within the organisation's governance, operating systems, business proposals, & management information system;
- Provide **assurance services** via independent assessment on governance, risk management, & control processes for the organisations, and to present conclusion whether the Management has planned and designed in a manner that provides reasonable assurance that organisation's risks are being managed effectively and organisation's goals and objectives will be achieved efficiently and economically;

REQUIREMENTS OF AUDIT STANDARDS

Audit Standards require the internal auditors to:-

- Ensure policies, procedures, and activities that are part of a control framework, are designed to **ensure risks are contained within the risk tolerances** established by the risk management process. Any action taken by the Management or the Board, regarding the importance of controls within the organisation, needs to be assessed; and
- Include evaluation and **contributing to the improvement** of governance, risk management, & control processes via a systematic and disciplined risk-based audit approach.

THE CHALLENGE



LEGAL MAXIM

ADEQUACY OF POLICY
ON CONTROLS &
PRODUCT FEATURES

CLAIM & PRACTICE

DOUBT & CERTAINTY

ELIMINATE DETRIMENT

RULES OF RELAXATION

GIVE & TAKE

RULES ON BENEFIT vs LIABILITY

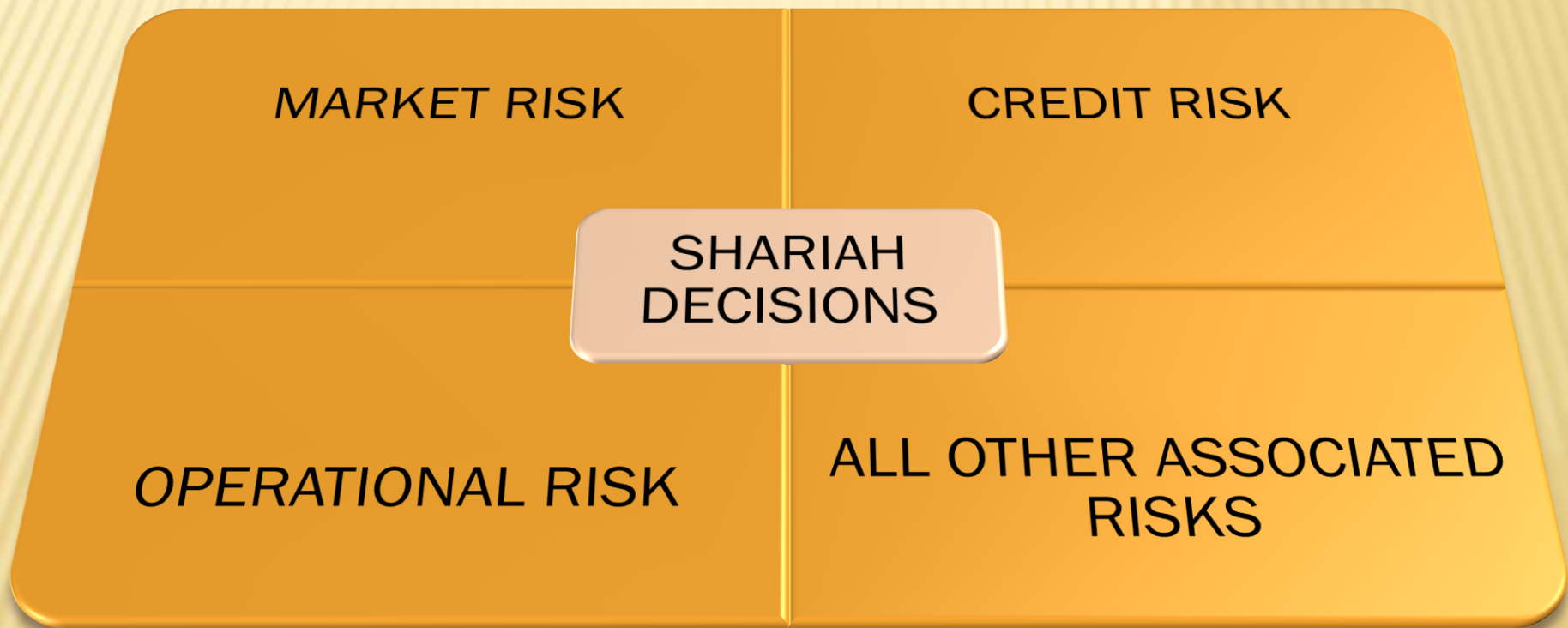
COMPLIANCE



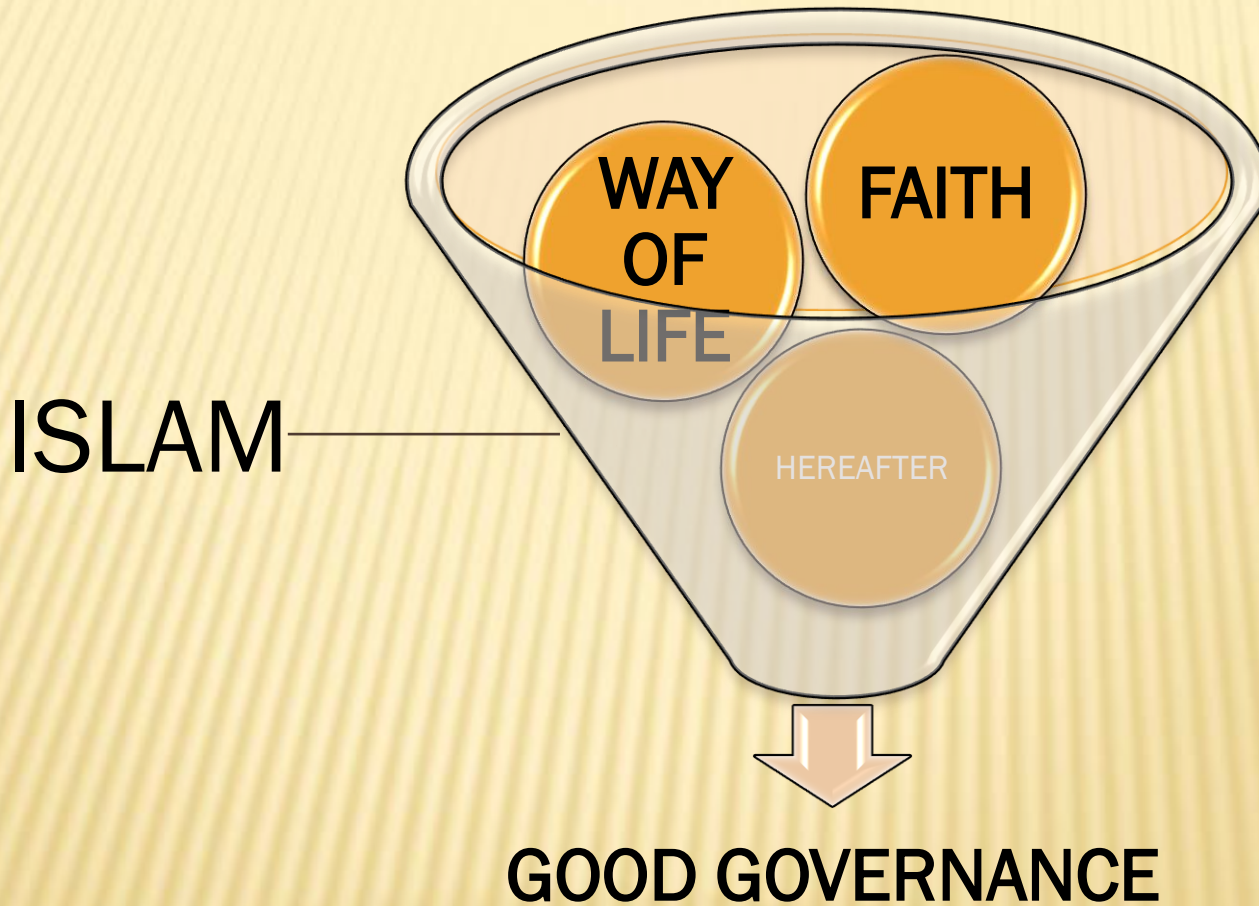
FINANCE



OPERATIONS



GOVERNANCE



OTHERS

- Spiritual and emotional quotients;
- Resources and infrastructure;
- Believes;
- Attitudes and behaviours; and
- Way of life.

SCOPES OF SHARIAH AUDIT

M	C	F	O	G	O
M A X I M	C O M P L I A N C E	F I N A N C E	O P E R A T I O N S	G O V E R N A N C E	O T H E R S



hafni.mohd.said@muamalat.com.my