

**The Undergraduates' Perspective on Shariah Audit in
Islamic Banks: An Insight to the Future Shariah Auditor
Labour Market in Malaysia**

¹Nor Aishah Mohd Ali & ²Zurina Shafii

¹Faculty of Accountancy,
Universiti Teknologi Mara (Melaka),
Kampus Bandaraya Melaka, Melaka

²Islamic Finance and Wealth Management Institute,
Universiti Sains Islam Malaysia,
Bandar Baru Nilai, Negeri Sembilan

e-mail: ¹aishah72@melaka.uitm.edu.my, ²zurina.shafii@usim.edu.my

Abstract Despite the importance of shariah audit, there is little understanding on how to implement an effective and efficient shariah audit from the human capital perspective, particularly in terms of shariah audit education. This study purports to explore the perception of the undergraduates on shariah audit in the Islamic Banks in Malaysia using questionnaire survey in Malaysia. Findings of the paper suggest that there is significant difference between students who are exposed to shariah audit course and those who are not. The study is expected to contribute to the body of knowledge as there is a dearth of Islamic literature on shariah audit education.

Keywords Islamic banking; shariah audit; shariah.

1 Introduction

The increase in the awareness for Islamic financial products encourages the need to have a robust Islamic financial institution (IFI) in order to support the rise for Islamic banks in Malaysia. The Ernst & Young World Islamic Competitiveness Report 2013-2014 has also estimated that Malaysia's international Islamic banking assets are anticipated to rise to more than US\$390 billion (RM1.27 trillion) by 2018 from US\$125 billion (RM410 billion) in 2012 (Bernama, 2014). In addition, according to an industry publication, the Global Islamic Financial Review, over the past 30 years, the Islamic financial sector

has grown from practically nothing to over RM1.6 trillion in assets. The financial crisis has also boosted the growth in Islamic financial industry where the industry assets have grown 19% and 21% respectively in 2011 and 2012, in contrary to the less than 10% increase in non-Islamic banks all over the world (Popper, 2013). This indicates that the Islamic financial industry has been accepted by financial service users all over the world not excluding Malaysia, thus providing a huge potential for the Islamic financial providers to prosper.

The function of audit from the Islamic view is much more important and mandatory as it manifests the accountability of the auditors not only to the stakeholders, but ultimately to the Creator, Allah s.w.t as the Muslims believe that one's action and thoughts are always being watched by Allah (the concept of *Muraqabah*). It is the fundamental of Islam with the edict that “.....surely Allah will take account of all things” (al-Quran, al-Nisa' : 86). In considering the rapid growth of the Islamic market, it is crucial for the Islamic financial industry to have an adequate 'check and balance' mechanism in the form of shariah auditing tailored according to the objectives and missions of its establishment, the '*maqasid al-shariah*' (Yaacob & Donglah, 2012) which literally means the objectives of Islamic law. The key objective of shariah is the recognition of benefit to the people (maslahah of the ummah), relating to their affairs both in this world and the hereafter (Laldin, 2006) as oppose to merely maximizing profit as in the goals of conventional banking institutions. Shariah compliant in IBs refers to the activities and operations of IBs to be free from any elements of sinful activities, shariah of risk, exploitation as well as having real economic purpose to finance socially productive sectors in the economy (Mohamed Sultan, 2007).

In Islamic accountability history, the function of audit has been performed by the establishment of *Hisbah* institution and the appointment of *Muhtasib* (comparable to the role of auditor) to monitor, control and prevent any misconduct or exploitation to the consumers in the marketplace back in the time of Prophet Muhammad (pbuh) and the caliphs era. The *Muhtasib* is employed by the ruler to execute *Hisbah* on behalf of the state. The function of *Muhtasib* is to promote right and thwart wrongful doings as mentioned in the al-Quran, al-Nisa':104 that “ Let there be 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 one, to attain felicity” (Kasim, 2012).

In the context of this study, *Shariah* auditing can be defined as a systematic process of obtaining sufficient and relevant evidence to form an opinion as to whether the subject matter i.e. the personnel, process, financial as well as non-financial performance is consistent with the *Shariah* rules and principles which is widely accepted by the Islamic community and to report to the stakeholders (Mohamed Sultan, 2007). On the other hand, the Shariah Governance Framework (SGF) introduced by BNM in 2010 defined shariah audit in para 7.7 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, 2011, p. 23). Despite the importance of Shariah auditing (SA), there has been however, little understanding on how to implement an effective and efficient SA from the human capital perspective. Hence, this study determines to elaborate the necessity for a study on human capital development from the educational perspective to cater to the needs for shariah auditor in the IBs in Malaysia.

1.1 Shariah audit requirement in Malaysia

The importance of shariah governance by imparting them as part of enhancing corporate governance in the Malaysian business has been outlined specifically in the Shariah Governance Framework (SGF) as issued by the BNM and became effective as at 1 January 2011. The guideline has specifically ruled that Islamic banks in Malaysia need to appoint and elect a committee consisting of competent person on *Shariah* affair which is responsible to liaise with other Board of Directors to ensure the banks are operating under *shariah* compliant guidelines. However, Malaysia is still facing a lack of competent shariah officers who are both skilled in shariah as well as auditing (Kasim, Mohamad Ibrahim & Sulaiman, 2009; PwC, 2011).

Before SGF was introduced in 2011 by the BNM, the shariah governance of the IFIs is bestowed upon the shariah committee to oversee any shariah compliant matters. They may also have to perform both shariah review as well as shariah audit. At that time, there were no specific guidelines on shariah governance in IFIs. However, post 2011, the introduction of SGF saw major changes to

shariah matters in IFIs. Recent ruling by BNM (2011) through its Shariah Governance Framework (SGF) has shed some light to effective *Shariah* governance implemented in the IFIs in Malaysia. With the rulings, every IFI needs to set their own Shariah Committee and specific guidelines on the characteristics of the shariah committee have also been outlined as depicted in Figure 1. Hence, the implementation of shariah auditing needs to be addressed even at the educational level where the human capital in terms of the practitioners to the shariah auditor itself must firstly be resolved. Most of the undergraduates in Malaysia are either trained in auditing from the product of accounting courses offered by the public universities or shariah graduates who are the product of the Islamic Studies courses. To date, to the researcher's knowledge, no local university or professional body in Malaysia offers any professional certification for shariah auditors. Hence, there is a question on the readiness and capability of our current education system to prepare human capital towards the implementation of shariah auditing in the IBs in Malaysia.

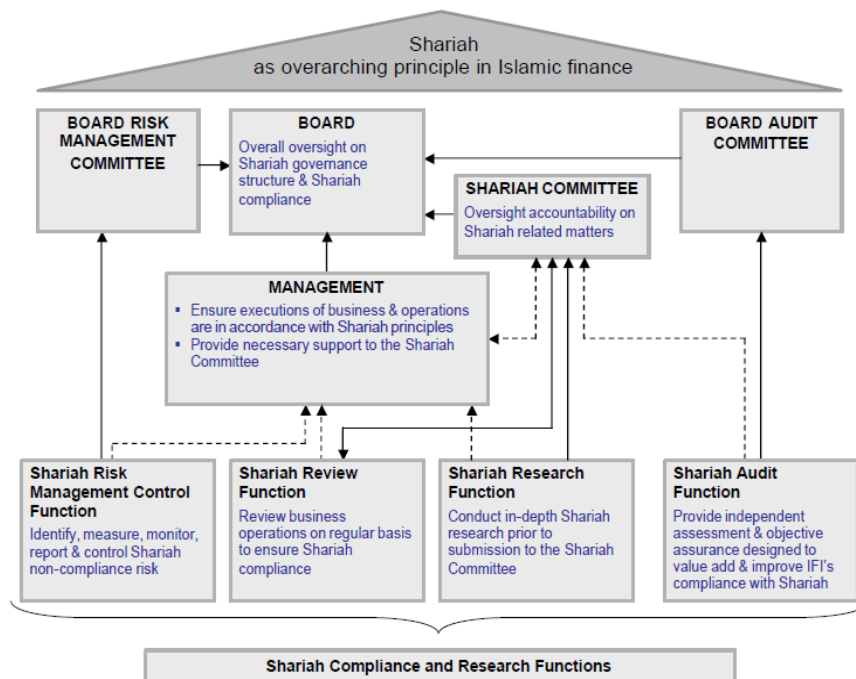


Figure 1: Shariah Governance Framework for Islamic Financial Institutions (BNM 2011, p.8)

2 Literature Review

The need for SA in Malaysia was first investigated by Kasim et al. (2009). The study covered 22 respondents consisting of external auditor, Shariah supervisory board members and staff of shariah compliance from nine (9) IFIs and six (6) Islamic branches of conventional banks in Malaysia using interviews and questionnaires. The studies revealed that most IFIs would prefer to have *shariah* review as opposed to comprehensive SA as performing SA by an external auditor is not required by law, the lack of expertise, as well as increasing the cost of the banks' operation. The following paragraphs will discuss SA from the aspect of human capital, accounting education and study on the students' perception.

2.1 Human capital development

One aspect that need not be neglected in implementing SA is the need to have competent human capital in relation to audit skills and shariah literacy. Human capital needs is described by Laldin (2011) as the need to ensure the availability of human capital in the form of human talent management to generate ample pool of competent officers and Shariah experts are crucial to spearhead innovation of Islamic financial products and services. Cheng, Liu and Chien (2009) in their longitudinal study with over 4865 observations spanning over 15 years from 1989 to 2004 on human capital and audit quality, revealed that higher investment in human capital corresponded to higher level of auditor quality. On the other hand, in a local study by Abdullah and Zakaria (2006) in two local universities, namely University of Malaya and International Islamic University of Malaysia, over 200 third year Accounting students showed that students ranked opportunity and career advancement as the main requirement in their desired public accounting firms. The result of this study may assist public accounting firms in developing policies that could attract quality recruits to join the audit firms. On the other hand, the public university administration may also use this information to provide their graduates with value added knowledge such as knowledge in SA as required by their potential employer in the banking industry, be it fully fledged IBs or conventional banks with Islamic banking subsidiaries.

Shafii, Salleh, Mohd Hanefah and Jusoff (2013) stressed that successful audit depends on the strength of human resources such as having credible expertise to set the work plan and review the result.

There is also a strong need for proper training on *Shariah* concepts since most of the bank officers are trained from conventional background, thus they do not understand how to apply such concepts, thus providing the wrong explanation on the banking products to their customers (Abdul Rahman, 2006). There is therefore, a challenge for scholars and academicians to ensure the current as well as future accounting graduates are exposed to *Shariah* knowledge before they embark the job market. The argument is also supported by a survey on 15 banking institutions performed by Price Waterhouse Cooper (PwC) (2011) which revealed that there is a need to expand the talent pool with SA knowledge and competencies. To do so, educators need to be trained specifically in *Shariah* Auditing and to be well verse in the shariah issue. Hence, previous empirical findings emphasized the need to integrate SA as part of courses offered to the accounting students.

2.2 Accounting education

A study by the Big Eight accounting firms in the United States determines that higher learning institutions need to periodically change or revise their accounting curriculum to cater to the needs of their clients, which in this case may refer to the future employers once their students graduate (Palmer, Ziegenfuss & Pinsker, 2004). This study is supported by Paisey and Paisey (2010) who encouraged accounting educators and education policy makers to explore the potential of incorporating ideas from other professional education system. This study is further supported by Abdul Rahman (2008) as well as PwC (2011) studies which also emphasized the necessity for SA education to be enhanced and disseminated among the accounting students. Another study on whether student would choose auditing as a line of their field of study and future career was performed over 276 undergraduates in two (2) universities in US (Yavas & Arsan, 1996). The study revealed that students with accounting or auditing background were very likely to favor auditing as their career choice. The findings indicated the auditing stand among the students besides providing insights to the academicians on how to inculcate interest among the students at an early stage of their studies in the university (Yavas & Arsan, 1996). A much recent study conducted in Australia involving 131 second year students majoring in Bachelor of Commerce at the University of Victoria, however, provides an opposite findings where exposure to accounting at university did not develop positive attitudes on accounting as a discipline but rather emphasizing on rule-

memorization as well as lack of participation with conceptual skills or judgment (McDowall & Jackling, 2010).

Currently, only few Malaysian public universities offer Islamic accounting as their course subject as part of fulfilling their degree requirement such as International Islamic University of Malaysia (IIUM) and Universiti Sains Islam Malaysia (USIM). The accounting degree syllabus offered by the local universities need to expand their scope by imparting the Islamic accounting course specifically the SA studies as an elective course in order to equip the students with the skill and knowledge required by their potential future employer. A study by Amin, Abdul Rahman and Ramayah (2009) using self-administered questionnaires with over 135 respondents consisting of Universiti Malaysia Sabah (UMS) students revealed that attitude, subjective norm and amount of information on Islamic accounting were found to affect the intention of students to enroll in Islamic course. Their study which used the Reasoned Action popularized by Ajzen and Fishbein in 1975 postulates that there is a strong relationship between beliefs, attitudes, intention and behavior (Amin et al., 2009). Hence, it is believed if the right information is disseminated to the Muslim and non-Muslim students alike, a better understanding over shariah audit as part of shariah compliance can be achieved for them. This is particularly crucial as the new generation of students will occupy the various Shariah related positions in any Islamic financial institution once they graduate. Having an additional knowledge in shariah can also be a value-added to these graduates as they may compete healthily in the job market besides producing multi-skilled workers in IBs industry.

An equally interesting discussion on professionalizing the role of shariah auditor in Malaysia and making Malaysia as the hub for shariah audit's professional certification was posed by Najeeb and Mohamed Ibrahim (2013). In their conceptual paper, they discuss on how Malaysia can become the main player in producing professional shariah auditors by establishing accounting and auditing bodies such as the Association of Chartered Shariah Accountants and Auditors (ACSAA) which can generate economic benefits which have long been dominated by the Western countries, for instance, through the establishment of ACCA and CIMA. The only certification of shariah advisor and auditor was noted to have been initiated by AAOIFI known as 'Certified Shariah Advisor and Auditor' (CSAA). CSAA program is structured such that candidates under the programme are equipped with requisite technical understanding and professional

skills on shariah compliance review processes for the international IB and finance industry. The program also covers technical subjects that are essential to shariah compliance and review processes and procedures such as AAOIFI's shariah standards on Islamic products and practices, AAOIFI governance standards on shariah compliance and review processes, Islamic banking and finance supervision as well as the application of shariah and Fiqh (Islamic jurisprudence) to Islamic banking and finance practices (AAOIFI 2013).

2.3 Students perception

Few studies have been performed to determine the students' perception on certain aspects of their studies. A study to determine the students' perception of their learning environment and academic outcome was performed by Lizzio, Wilson and Simons (2002) in Australia involving 2130 usable responses out of 5000 students randomly selected representing approximately equal number of students from both genders across 14 faculties (including business and commerce) and all years of study. The study was conducted using survey where questionnaires were mailed to the individual student three (3) months before the academic year ended. However, out of 2130 usable responses, only 646 were final university samples comprising students from the disciplines of commerce, humanities and science as those were the only faculties with a sample size large enough to produce valid and reliable results using the path analysis which only considered a sample of more than 150 for inclusion in the analysis. The cross-disciplinary sample of undergraduate students which were analyzed using high order path and regression analysis, confirmed that students' perception influenced both the 'hard' (academic achievement) and 'soft' (satisfaction, key skills development) learning outcomes, both directly and intervened through their approaches to study. The study found that students' perception of their current learning environment acts as a stronger predictor of learning outcomes at university as opposed to their prior accomplishment at school.

The only studies noted specifically addressing the issue of shariah audit amongst the students were conducted by academicians in Brunei. The first exploratory study on shariah audit for instance, was conducted in Brunei to determine the awareness and understanding of the students on the term and concept of shariah audit (Yaacob & Donglah, 2012; Yaacob, Shafeek & Nahar, 2013). The study revealed that there was a low level of awareness and

understanding of the term and concept of shariah audit among the students as those students had never been exposed to any shariah audit concept throughout their course syllabus (Yaacob & Donglah, 2012).

As there is little knowledge on how university students in Malaysia perceive the concept of shariah auditing in the IB in Malaysia, this exploratory study aims to determine the needs for new skills and knowledge in relation to Islamic accounting among the university students in Malaysia. In addition, this study also purports to confirm whether there is any significant difference in terms of perception over the concept of shariah audit between the students from the two (2) universities. Thus, the following hypothesis entails,

H₁ : There is significance difference between students who have learnt shariah auditing in terms of perception and level of awareness in shariah audit on the implementation of shariah audit in Islamic banks in Malaysia.

3 Methodology

This exploratory study used the quantitative approach which is believed to be the best method to address and justify the research problem posed due to time limitation. A set of questionnaires using both languages i.e. English and Bahasa Melayu based on previous studies (Yaacob & Donglah, 2012; Kasim et al., 2009; PwC, 2011) was developed and deemed appropriate for the purpose of this study. There were three steps in conducting this study. Firstly, a questionnaire was designed to obtain information on the undergraduate final year students' perspective, awareness and understanding on the term and concept of shariah audit in Malaysia. Secondly, the questionnaire was hand administered to the selected students from two local universities, namely University A (Uni A) and University B (Uni B) for the purpose of this study i.e.:

- (i) Those final year students who learnt shariah auditing as part of their course syllabus. These students were selected because they had to undertake Al-Tadqiq Al-Shari'e (Arabic word for shariah audit) as a subject as part of their course syllabus requirement. In the previous semester, they were also taught Fiqh-Muamalat as part of their course requirement.

- (ii) Those final year students who learnt only conventional auditing course offered by a local university. These students were chosen because the researcher believed they had the understanding over audit matters since they had taken the audit course as a subject two times throughout their studies i.e. during their final semester at the Diploma level and were undertaking an advance audit paper in their final semester of their degree program. Another valid reason is because the students had undergone their industrial training in the previous semester; hence, had a better idea of the working environment that they would expect to encounter once they graduated.

Thirdly, the questionnaires would be analyzed to find the perception and general view of the subject matter from the undergraduate's perspective.

The questionnaire is divided into four (4) sections. The first section purported to obtain the demographic information of the respondents. In the second section (section B), nine (9) questions are posed on the level of awareness and knowledge of shariah audit of the respondents. In this section, the questions posed are close-ended in nature. A few questions also provide more than one choice of answer to the respondents. In the third section (Section C), the respondents are asked on their perception regarding shariah audit practice in Malaysia in the form of Likert scales of five; ranging from (1) strongly disagree to (5) strongly agree. The last section (section D) is optional where the respondents are asked to indicate the type of special skills and knowledge that they would want their university to offer on the condition that they are interested to work in an Islamic financial institution.

Subsequently, 380 questionnaires were hand administered to the respondents. This study used both purposive as well as convenience sampling where the questionnaires were distributed by hand and based on voluntary participation to a group of students within the researcher's working area. All respondents were briefed beforehand that the study was strictly for academic purposes and they were to voluntarily answer the questionnaire. In total, only 351 questionnaires out of 380 questionnaires distributed would be considered valid, resulting in a 90.25% success rate which is considered very high and valid for a simple statistical analysis. Out of 351 questionnaires collected, 164 were collected from Bachelor of Accounting students from University A and 187 questionnaires

collected from students from University B. The valid responses were tabulated and analyzed using the Statistical Package for Social Science (SPSS) version 21. The study will discuss mainly the descriptive statistic and independent t-test sample of responses to each of the variables under study.

4 Result and Discussion

The reliability analysis performed test the reliability coefficient of the data using the Cronbach alpha, based on the average correlation of the sample items within a test if the items are standardized (Coakes & Ong, 2013). The Cronbach alpha coefficient for the actual data is 0.71 on 16 items of the Likert scale which is acceptable for further analysis as suggested by Nunally as cited in Pallant (2011).

4.1 Demographic data

Out of 351 samples, 265 were females, representing 75.5% of the samples and 86 samples were male respondents (24.5%). As for the race, only two samples came from 'others' race specifically the Sabahan bumiputera whilst the rest of the samples i.e. 349 or 99.4% made up of Malay respondents. In terms of age distribution, majority of the respondents i.e. 345 (98.3%) lies between the age of 20-25 years old, followed by 5 respondent (1.4%) of 26-30 years old and only one (1) respondent which represents 0.3% of the sample, aged above 30 years old. These results are not much dissimilar from the study by Yaacob and Donglah (2012) as females are still dominating the public universities in the Asian region.

4.2 Level of awareness and knowledge of shariah audit

Result shows that only 84 (23.9%) of Uni A respondents knew the term 'shariah audit' as opposed to all respondents from Uni B who were aware or had heard of the term. This result was logically and naturally expected since the students in Uni A had not been exposed to shariah audit. Subsequently, it is logical to see almost the same result for the respondents' understanding on the difference between shariah audit and the conventional audit besides the fact that the respondents from Uni A were exposed to the conventional audit but had not been exposed to the shariah audit as part of their syllabus. This finding is consistent with the study by Yaacob and Donglah (2012) on the postgraduates in Brunei as majority of them (78%)

were not able to differentiate the conventional from the shariah audit as well as the study by Yaacob et al. (2013). As shown in Table 1 below, almost a quarter of the respondents which were mainly from the Uni A students i.e. 80 (22.3%) had never heard of the term shariah audit from any type of medium whilst 113 (32.2%) acknowledged that they had heard the term through the internet, followed by 84 (23.9%) by words of mouth or friends, radio by 13 (3.7%) and TV by 39 (11.1%). 'Others' category which carries 176 or 50.1% respondents refers mainly to the lecture which was delivered to the Uni B students. Perhaps this is a signal that the internet is a popular mode to communicate on social issues to the public particularly the young generation.

Table 1: Sources for Information on Shariah Audit*

	Frequency	Percent
None (from table 2)	80	22.8
TV	39	11.1
Radio	13	3.7
Internet	113	32.2
Words of mouth	84	23.9
Others	176	50.1

*multiple answers

A majority of the respondents, 312 (88.9%) is of the opinion that shariah audit should be performed for all activities in the Islamic financial institutions, whilst 39 (11.1%) agreed it should be performed by sampling methods i.e. depending on the auditor's judgment. These results are not much dissimilar from the study by Yaacob and Donglah (2012).

Table 2 presents multiple answers on the ideal period to perform the shariah audit in the opinion of the respondents. More than half of the respondents, 187 (53.3%) agreed that shariah audit needed to be performed throughout the year whilst 161 (45.9%) and 167 (47.6%) respondents respectively believed that they should be performed at the end of the year or only when a new financial product is introduced. The findings are consistent with the study by Hisham and Nor Khadijah (2012).

Table 2 : Period to Perform Shariah Audit*

	Uni A		Uni B		TOTAL	
	Freq	%	Freq	%	Freq	%
All year	94	26.8	93	26.5	187	53.3
End of the year	69	19.7	92	26.2	161	45.9
New financial product	62	17.7	105	29.9	167	47.6

*multiple answers

Table 3 shows the multiple answers for the involvement of shariah scholar in shariah audit. 76.1% (267) respondents are of the opinion that the shariah scholar should be involved actively during the audit planning, perhaps in giving direction, strategy and guidance on how to execute the audit. The next best stage chosen is during the review of audit report such as getting feedback from the management with 230 or 63.2% respondents. This is followed by 174 (49.6%) respondents who felt that shariah scholars should assist the audit fieldwork exercise. Less than half respondents, 168 (47.8%) thought the shariah scholar should assist the shariah auditor in preparing the audit report whilst 14 (4%) respondents believe that no involvement of shariah scholar throughout the implementation of shariah audit process is necessary. Again, these results supported the study by Yaacob and Donglah (2012).

Table 3 : Involvement of Shariah Scholar*

	Uni A		Uni B		TOTAL	
	Freq	%	Freq	%	Freq	%
Audit planning	125	35.6	142	40.5	267	76.1
Audit report	111	31.6	57	16.2	168	47.8
Review report	91	25.9	131	37.3	230	63.2
Facilitate audit	82	23.4	92	26.2	174	49.6
Not involve at all	9	2.6	5	1.4	14	4

*multiple answers

As for the scope of the shariah audit, the most selected area by the respondents was the finance area with 299 (85.2%) which is expected since the accounting students were very much exposed to the accounting and finance area, thus placed higher emphasis onto such area. The second most selected scope was policies with 284 (80.9%) respondents agreeing it to be imparted in shariah audit. This is followed by contracts and agreement with process and procedures with 269 (76.6%), contracts and agreement with 268 (76.4%), zakat with 247 (70.4%) and reports and circulars with 197 (56.1%); strengthening the fact that all these four areas are related to the operation of the Islamic financial institution if they are to be applied rigorously. The scope least expected to be covered by the shariah audit is the IT environment with only 105 or 29.3% respondents perhaps due to the fact that most respondents believed that IT is not directly related to the implementation of shariah audit. These results are slightly different from the study by Yaacob and Donglah (2012) as the postgraduates in Brunei chose Zakat as the most selected audit shariah scope.

In terms of the qualification of the shariah auditor, more than half of the respondents, 225 (64.1%) agreed that shariah auditors should possess qualification in both accounting and shariah. The respondents' second choice was a qualified person who has at least a shariah certificate besides possessing an accounting professional degree i.e. by 150 (42.7%). Another remarkable finding also reveals that these students indirectly admitted that having an accounting degree alone is not enough to qualify them in performing the shariah audit as only 37 (10.5%) respondents agreed that shariah auditor should have only accounting qualification. Again, these results is consistent with the findings by Yaacob and Donglah (2012).

A majority of the respondents i.e. 235 (67%) also agreed that shariah audit should be performed by a qualified shariah auditor. This is followed by Shariah Supervisory Board (SSB) and external auditor by 111 (31.6%) and 73 (23.6%) respondents respectively. The least chosen answer is the internal auditor with only 60 (17.1%) which is understandable due to its independence issue. These results are not much different from the study by Yaacob and Donglah (2012). Ironically, in Malaysia, the internal auditors are still the ones who perform the shariah audit in the IBs.

4.3 Analysis on skills and knowledge required by students

Section D of the questionnaire posed multiple choice answers to the type of skills and knowledge that the respondents would want the university to offer if they were interested to work in the IFIs. The highest skills and knowledge needed by the respondents are those related to Islamic finance with 245 (69.8%), followed by shariah issue with 182 (51.9%), Islamic Economics by 166 (48.4%) and lastly by interpersonal and communication skill i.e. by 87 (24.8%) respondents respectively. This finding indicates that majority of the undergraduate students think they need to be equipped with Islamic finance knowledge in order to have better understanding on matters dealt in IFIs besides being competitive with other undergraduates from other local universities such as International Islamic University of Malaysia (IIUM) which impart more Islamic accounting subjects as part of their course curriculum. The findings also suggest that what is important between the two groups are not much different, implying that students who have never learnt shariah audit as a subject are aware about the possible areas of interest in the Islamic banking area. The findings for the two highest choices support the findings by Yaacob and Donglah (2012) and Yaacob et al. (2013).

4.4 Comparing means of two groups using an Independent t-test

The independent sample t-test was conducted to compare the perception scores for **Uni A** and **Uni B** students based on the 16 questions posed in section C of the questionnaire. The instrument asked in section C basically covers areas such as shariah audit framework, scope of shariah audit, qualification for shariah audit, willingness of students to learn more on shariah audit and whether their current course curriculum is sufficient for them to conduct shariah auditing. Results show that there was significant difference in scores for **Uni B** (mean=65.123, STD deviation = 5.77) and **Uni A** (mean=60.945, std deviation = 6.39; $t(349) = 6.43$, $p = 0.00$, two-tailed). The results imply that there is significant difference between the perceptions of students in **Uni B**, who have learnt shariah auditing, on shariah auditing concepts as opposed to the students in **Uni A** who were not exposed to the subject as part of their course syllabus, thus rejecting the null hypothesis and accepting H_1 .

5 Conclusion

The study has taken considerable step to explore the perception of final year accounting undergraduates regarding the implementation of SA in Malaysia. A majority of the undergraduate students who had never been exposed to shariah auditing were unaware of the term shariah audit, hence not knowing the difference between the conventional audit and SA. This is not an encouraging result since there are high probabilities that they may join the workforce in the Islamic financial institution in the future. Despite lower level of understanding over SA, the students are willing to learn more about SA as part of their course subject and areas related to Islamic finance. In addition, the respondents who were exposed to shariah audit also agreed that whilst there was a need to establish SA framework, ideally SA should be conducted by a professional possessing both auditing and shariah qualification besides being adequately trained in banking operations and financial products. On the other hand, issues pertaining to Islamic finance and Shariah were selected as additional skills and knowledge required by the students in order to be more competitive in the Islamic financial institution related job prospect. There is also significant difference between the students exposed to shariah audit as a subject in the course syllabus on their perception over the shariah concept. Understanding of SA concept would certainly boost the students' confidence to be part of the labour market in the IFIs in Malaysia and becoming potential successor to the existing limited pool of shariah auditors' talent.

6 Recommendation

Earlier findings highlighted the need to ensure the requests of the accounting students as stakeholders of Islamic financial institution as well as institution of higher learning are considered seriously. Accounting course curriculum is proposed to impart Islamic accounting course in detail, in particular addressing the issues of shariah compliance for some Islamic financial products. The course if not compulsory, can also be suggested to become an elective paper in universities which do not opt to offer it as part of their course syllabus because it is highly believed students yearn for better understanding of the Shariah related issues. Understanding over shariah auditing inculcate confidence for the students to be part of the future labour market in the IFIs in Malaysia, filling the shortage of

shariah auditing related workforce in the existing IFIs. Thus, universities can play a role as the anchor party with collaboration with Islamic Banking and Financial Institute of Malaysia (IBFIM) to provide training and formal shariah audit courses in order to produce a pool of SA talent as well as catering to the needs for future shariah auditors.

7 Limitation of the Study and Future Research

Due to limited time frame, the study was not able to be performed at a larger scale. Hence it managed to cover only students from two universities i.e. Uni A and Uni B. In addition, the scope of questions posed in the questionnaire has excluded the 'dependent variable' such as possible job prospect from the students' point of view item as part of the variables to be tested. Incorporating such variable may allow further extensive analysis such as regression to be applied.

Due to limitation of time, the researcher was unable to conduct a rigorous survey. An extension to the study so as to include undergraduates from other disciplines such as banking and shariah courses would be interesting as it may provide useful insights especially in addressing the needs of the undergraduates as the stakeholders. Undergraduates from other universities can also become part of the respondents especially for comparison purposes i.e. to investigate whether there are any differences between the courses offered by different universities, thus allowing the top management of the universities to emerge with a more integrated course syllabus. In addition, the questionnaire maybe revised to include factors which may affect the student's awareness and perception towards shariah auditing concepts as well as incorporating a new dependant variable to be tested.

6 References

AAOIFI. (2013). Retrieved from <http://www.aaofii.com>.

Abdullah, M., & Zakaria, Z. (2006). Desired attributes of public accounting firms from accounting students' perceptions: The case of University of Malaya & International Islamic University of Malaysia. *Journal of Financial Reporting and Accounting*, 4(1), 25–37.

- Abdul Rahman, A.R. (2008). SA for Islamic financial services: The needs and challenges. *ISRA Islamic Finance Seminar (IIFS)* paper 11 Nov 2008, pp.1-14.
- Abdul Rahman, Z. (19 July 2006). How Islamic banks complying with the shariah requirements. *NST Business Times*.
- Amin, A., Abdul Rahman, A.R., & T.Ramayah. (2009). What makes undergraduate students enroll into an elective course? The case of Islamic accounting. *International Journal of Islamic and Middle Eastern Finance and Management*, 2(4), 289–304. doi:10.1108/17538390911006359.
- Bank Negara Malaysia (BNM). (2011). *Shariah governance framework for Islamic financial institution (SGF)*. Retrieved from <http://www.bnm.gov.my>.
- Bernama. (2014). *Malaysia's international Islamic banking assets to hit US\$390 billion by 2018: E & Y Report*. Retrieved on 6 January 2014 from <http://www.bernama.com>.
- Cheng, Y.-S., Liu, Y.-P., & Chien, C.-Y. (2009). The association between auditor quality and human capital. *Managerial Auditing Journal*, 24(6), 523–541. doi:10.1108/02686900910966512.
- Coakes, S. J., & Ong, C. (2013). *SPSS 21.0 versions for Windows Analysis without Anguish*. Milton, Queensland: John Wiley & Sons Ltd.
- Kasim, N. (2012). Auditing from the Islamic perspective. *Accountants Today*, (January), 28–31.
- Kasim, N., Mohamad Ibrahim, S.H., & Sulaiman, M. (2009). Shariah auditing in Islamic financial institutions: Exploring the gap between the “Desired ” and the “ Actual .” *Global Economy & Finance Journal*, 2(2), 127–137.
- Lizzio, A., Wilson, K., & Simons, R. (2002). University students' perceptions of the learning environment and academic outcomes: Implications for theory and practice. *Studies in Higher Education*, 27(1), 27–52. doi:10.1080/03075070120099359.

- Mohamed Sultan, S.A. (2007). *A mini guide to shari'ah audit for Islamic financial institutions - A Primer*. Kuala Lumpur: CERT Publications.
- McDowall, T., & Jackling, B. (2010). Attitudes towards the accounting profession: An Australian perspective. *Asian Review of Accounting*, 18(1), 30–49. doi:10.1108/13217341011045999.
- Najeeb, S. F., & Mohamed Ibrahim, S.H. (2013). Professionalizing the role of shari'ah auditors: How Malaysia can generate economic benefits. *Pacific-Basin Finance Journal*, 30. doi:10.1016/j.pacfin.2013.10.009.
- Paisey, C., & Paisey, N. J. (2010). Comparative research: An opportunity for accounting researchers to learn from other professions. *Journal of Accounting & Organizational Change*, 6(2), 180–199. doi:10.1108/18325911011048754.
- Pallant, J. (2011). *SPSS survival manual: A step by step guide to data analysis using SPSS*. 4th Ed.. Crows Nest New South Wales Australia: Allen & Unwin.
- Palmer, K. N., Ziegenfuss, D. E., & Pinsker, R. E. (2004). International knowledge, skills, and abilities of auditors/accountants: Evidence from recent competency studies. *Managerial Auditing Journal*, 19(7), 889–896. doi:10.1108/02686900410549411.
- Price Waterhouse Cooper. (2011). Shariah audit: Industry insights. *PWc Report*.
- Shafii, Z., Salleh, S., Mohd Hanefah, H.M., & Jusoff, K. (2013). Human capital development in shariah audit. *Middle East Journal of Scientific Research*, 13, 28–34. doi:10.5829/idosi.mejsr.2013.13.1878.
- Yaacob, H., & Donglah, N.K. (2012). Shari'ah audit in Islamic financial institutions: The postgraduates' perspective. *International Journal of Economics and Finance*, 4(12), 224–239. doi:10.5539/ijef.v4n12p224.

- Yaacob, H., Shafeek, F., & Hairul Nahar, H.S. (2013). Exploring undergraduate students' understanding of shari'ah based audit: Implications for the future of shari'ah auditing labor market in Brunei. *Asian Journal of Finance & Accounting*, 5(2), 84. doi:10.5296/ajfa.v5i2.4039.
- Yavas, U., & Arsan, N. (1996). Image of auditing as a field of study and a career among college students. *Managerial Auditing Journal*, 11(5), 41–44. doi:10.1108/02686909610120523.

