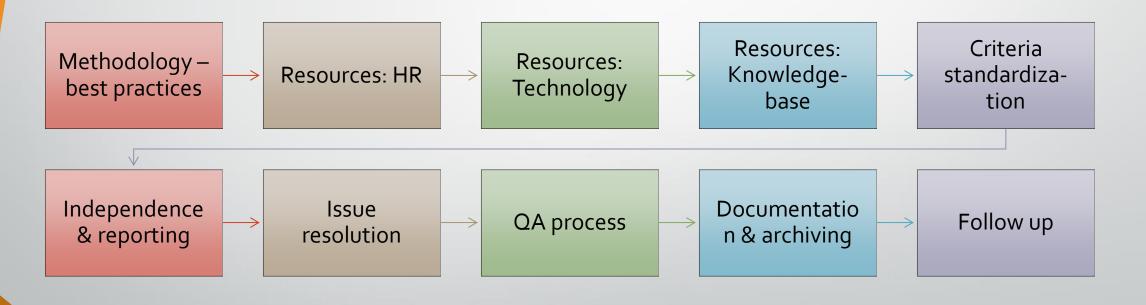# Quality Assurance in Internal Shari'ah Audit

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Key elements for QA in ISA

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Methodology –      →    Resources: HR    →    Resources:       →    Resources:       →    Criteria
best practices                                 Technology            Knowledge-            standardiza-
                                                                     base                 tion
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Independence      →    Issue            →    QA process       →    Documentatio     →    Follow up
& reporting            resolution                                  n & archiving
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Methodology – best practices

- 1. Methodology – best practices
- 2. Resources: HR
- 3. Resources: Technology
- 4. Resources: Knowledgebase
- 5. Criteria standardization
- 6. Independence & reporting
- 7. Issue resolution
- 8. QA process
- 9. Documentation & archiving
- 10. Follow up

- First and the foremost requirement for QA in ISA is standardized practices in line with global best practices.

- AAOIFI Internal Shari'ah Audit standard, read with IIA standards provides the best solution for the same.

Resources: HR

1. Methodology – best practices

2. Resources: HR

3. Resources: Technology

4. Resources: Knowledgebase

5. Criteria standardization

6. Independence & reporting

7. Issue resolution

8. QA process

9. Documentation & archiving

10. Follow up

- ISA is performed by humans

- The quality of HR is fundamental to the quality of ISA

- HR needs a mix – audit + Shari'ah (subject-matter expertise)

- Fit and proper test for the HISA is a must

- AAOIFI CIPA and CSAA address most of the HR needs

Resources: Technology

1. Methodology – best practices

2. Resources: HR

3. Resources: Technology

4. Resources: Knowledgebase

5. Criteria standardization

6. Independence & reporting

7. Issue resolution

8. QA process

9. Documentation & archiving

10. Follow up

- Today's financial sector is technology based

- Lot of data available for audit is created by technology

- SA needs technology for:

    - Improving its own processes (SA software)

    - Ability to perform technology based audit (Computer based audit / computer assisted audit techniques) – at a minimum the general IT assessment

Resources: Knowledgebase

1. Methodology – best practices
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10. Follow up

- Subject-matter and criteria for SA is too much detailed

- Having experts in the same is not easy

- Knowledgebase is a must, including:

  - Checklists and assessment criteria

  - Risks

  - Controls

  - Control tests

  - Tests of details / substantive tests

Criteria standardization

1. Methodology – best practices

2. Resources: HR

3. Resources: Technology

4. Resources: Knowledgebase

5. Criteria standardization

6. Independence & reporting

7. Issue resolution

8. QA process

9. Documentation & archiving

10. Follow up

- Quality SA needs a quality based criteria

- AAOIFI suggested criteria

  - AAOIFI SS

  - Regulatory Shari'ah requirements

  - CSB requirements

  - AAOIFI FAS (or other) accounting requirements related to Shari'ah

  - IFI's SSB requirements

- Harmony of criteria – important and difficulties

Independence & reporting

1. Methodology – best practices
2. Resources: HR
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6. Independence & reporting
7. Issue resolution
8. QA process
9. Documentation & archiving
10. Follow up

- Quality requires independence
- Independence cannot be ensured unless there is:
  - Objectivity (mind), and
  - Organizational status (independence from management)
- Reporting line and reporting process is an integral part of independence
- ISA shall report to:
  - Audit committee (those charged with governance) primarily, and
  - SSB – dotted line reporting and routine coordination

1. Methodology – best practices

2. Resources: HR

3. Resources: Technology

4. Resources: Knowledgebase

5. Criteria standardization

6. Independence & reporting

7. Issue resolution

8. QA process

9. Documentation & archiving

10. Follow up

- Quality cannot be ensured unless there is a good issue resolution mechanism

- Audit committee and SSB to play their roles

- Audit is half the process, issue resolution completes it

QA process

1. Methodology – best practices
2. Resources: HR
3. Resources: Technology
4. Resources: Knowledgebase
5. Criteria standardization
6. Independence & reporting
7. Issue resolution
8. QA process
9. Documentation & archiving
10. Follow up

- There must be a QA process internally (within ISA function)
- QA mechanism shall be built in the processes
- IIA QAIP shall be followed
- For external SA ISQC 1 shall be followed

Documentation and archiving

1. Methodology – best practices

2. Resources: HR

3. Resources: Technology

4. Resources: Knowledgebase

5. Criteria standardization

6. Independence & reporting

7. Issue resolution

8. QA process

9. Documentation & archiving

10. Follow up

- Audit QA can never be ensured unless documentation and archiving mechanism is in place

- Documentation shall be of utmost quality, fully supporting

  - Work done

  - Conclusions reached

  - Evidence to support conclusions and resolutions

  - Evidence of QA process (including reviews)

- Archiving best practices shall be followed, including no changes after archiving

- Archives shall be maintained for a reasonable period of time

Follow up

1. Methodology – best practices

2. Resources: HR

3. Resources: Technology

4. Resources: Knowledgebase

5. Criteria standardization

6. Independence & reporting

7. Issue resolution

8. QA process

9. Documentation & archiving

10. Follow up

- Audit points need follow up for:
  - Resolution and improvement in IFI practices, and
  - Risk assessment and identification of issues for the subsequent audits
- Follow up shall be based on a standardized practices, including assignment of responsibilities and accountability