Islamic auditing and conventional banking

Finance, Banks

Auditing is an examination and verification of a company's financial and accounting records and supporting documents by a professional, such as a Certified Public Accountant. According to AlBaraka, Islamic bank is an institution that mobilizes financial resources and invests that money in an attempt to achieve pre-determined islamically - acceptable social and financial objectives. Both mobilization and investment of money should be conducted in accordance with the principles of Islamic Sha'riah whereas according to Ustaz Hj Zaharuddin (2007) stated that conventional bank operates based on debtor-creditor relationships.

For example, it is between depositors (creditor) and bank (debtor); and borrowers (debtor) and the bank (creditor). Conventional bank maximize profit by charging interest to customers. On the other hand, Basu (2006) defines Audit report as "… the document to which auditor convey his opinion about the fairness of the financial statements". The audit report is one of the vital parts of communication used by auditors. The nature of the report must be clear and concise enough to be disclosed and communicated as its represents the auditor's credibility as well as the degree of responsibility being undertake.

Often the role of conventional auditor is to come up with a report examining the credibility of the financial statements and whether the financial statements are prepared in accordance with an applicable and relevant auditing standard. However, when referring to the auditor's report of Islamic Bank or the Sha'riah supervisory report of an Islamic Bank, the scope of auditor's report will be extended. This is because auditors for Islamic banks must also attest the compliance of the bank practice to that