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SHARIA AUDITING IN ZAKAT INSTITUTIONS: CHALLENGES AND PROSPECTS IN INDONESIA

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ABSTRACT - Ensuring Sharia compliance within religious institutions, particularly zakat institutions, is imperative to safeguarding their credibility, maintaining public trust, and mitigating significant legal and reputational risks. While prior research has extensively explored Islamic banking regulations, limited scholarly attention has been given to the governance and auditing frameworks of zakat institutions. This study explores how zakat authorities regulate and operate to enforce adherence to Islamic principles, addressing a key gap in research, which has mostly focused on Islamic banking. Using a qualitative approach, the study is based on interviews with 35 key stakeholders, including representatives from Indonesia's Ministry of Religious Affairs (MoRA), Sharia auditors, and practitioners from both state-regulated (BAZNAS) and non-state (LAZ) zakat institutions. The findings highlight the evolving nature of Sharia auditing, which involves both internal Sharia supervisors and external auditors from the MoRA. However, challenges persist, particularly in clearly separating financial audits from Sharia audits, which affects their effectiveness. The findings indicate that Sharia auditing remains in a nascent phase, with its current implementation largely serving administrative formalities rather than fostering substantive enhancements in compliance. This study advocates for urgent scholarly and practical efforts to refine Sharia auditing frameworks, ensuring they transcend procedural checklists and actively strengthen institutional adherence to Islamic ethical and legal standards.
Keywords: Sharia audit, zakat institutions, Sharia compliance, Islamic governance, regulatory frameworks

ABSTRAK - Audit Syariah dalam Lembaga Zakat: Tantangan dan Prospek di Indonesia. *Kepatuhan terhadap prinsip syariah dalam institusi keagamaan, khususnya organisasi zakat, sangat penting untuk menjaga kredibilitas, kepercayaan publik, serta menghindari risiko hukum dan reputasi yang signifikan. Meskipun penelitian sebelumnya telah banyak menyoroti regulasi perbankan Islam, kajian mengenai tata kelola dan audit syariah dalam lembaga zakat masih sangat terbatas. Penelitian ini bertujuan untuk menganalisis mekanisme regulasi dan operasional yang diterapkan oleh otoritas zakat dalam menegakkan kepatuhan terhadap prinsip-prinsip syariah, sekaligus mengisi kesenjangan dalam literatur terkait audit syariah di luar sektor perbankan. Dengan pendekatan kualitatif, data penelitian ini berasal dari wawancara dengan 35 pemangku kepentingan kunci, termasuk perwakilan dari Kementerian Agama Indonesia, auditor syariah, serta praktisi dari lembaga zakat negara (BAZNAS) dan non-negara (LAZ). Hasil penelitian menunjukkan bahwa praktik audit syariah terus berkembang, dengan mekanisme pengawasan ganda yang mengombinasikan pengawasan internal oleh dewan pengawas syariah dan audit eksternal oleh Kementerian. Namun, masih terdapat ambiguitas dalam membedakan audit keuangan dan audit syariah, yang menghambat efektivitas implementasinya. Penelitian ini menemukan bahwa audit syariah masih berada dalam tahap awal, sering kali hanya menjadi formalitas administratif tanpa memberikan peningkatan yang substansial dalam kepatuhan terhadap prinsip syariah. Studi ini menekankan perlunya pengembangan kerangka audit syariah yang lebih komprehensif, baik dari perspektif akademik maupun praktis. Untuk memperkuat kepatuhan institusional terhadap standar etika dan hukum Islam, audit syariah harus berkembang dari sekadar kepatuhan berbasis daftar periksa menjadi instrumen tata kelola yang lebih substansial, guna meningkatkan integritas regulasi dalam lembaga zakat.*
Kata Kunci: *Audit Syariah, lembaga zakat, kepatuhan Syariah, tata kelola syariah, kerangka regulasi*

INTRODUCTION

Zakat, derived from the Arabic root meaning purification, is a fundamental pillar of Islam that mandates wealth redistribution as an act of social responsibility (Hassan & Choudhury, 2019). The Qur'an explicitly underscores its significance: *"Take, [O Muhammad], from their wealth a charity by which you purify them and cause them increase, and invoke [Allah's blessings] upon them. Indeed, your invocations are reassurance for them. And Allah is Hearing and Knowing."* (al-Qur'an 9:103). Beyond spiritual purification, zakat serves as a crucial mechanism for economic equity and social welfare (Ahmed & Ghiasul Haq, 2021).

In Indonesia, zakat institutions fulfill a dual function: facilitating the fulfillment of Muslims' religious obligations while simultaneously managing social welfare programs for the needy (Alam et al., 2022). Given their pivotal role, these institutions are expected to uphold transparency, legitimacy, and accountability**,** particularly in ensuring compliance with Sharia principles. Non-compliance with Islamic ethical and legal standards can result in legal ramifications, reputational damage, and a decline in public trust, posing risks similar to those faced by Islamic financial institutions (Rahman, 2020). Consequently, Sharia audits have emerged as a regulatory mechanism to safeguard adherence to Islamic governance principles and mitigate institutional risks (Khatib et al., 2022).

Despite the increasing institutionalization of zakat management, Sharia auditing within zakat institutions remains underexplored compared to its development in Islamic banking and finance. Regulatory frameworks in Indonesia mandate Sharia audits for zakat institutions through Law No. 23/2011 and Government Regulation No. 14/2014, with oversight delegated to the Indonesian Ministry of Religious Affairs (MoRA). Ministerial decrees, such as Decree No. 606/2020, provide technical guidelines for these audits, covering areas such as financial transparency, compliance with Islamic jurisprudence, and ethical governance. However, critical gaps persist in both conceptual and operational dimensions of Sharia auditing in zakat institutions.

While Islamic Financial Institutions (IFIs) have been widely studied in terms of Sharia auditing, governance, and compliance (Khatib et al., 2022), research on how Sharia audits are implemented and the challenges faced by zakat institutions is still very limited. Most existing studies focus on the role of Sharia

Supervisory Boards (SSBs) in IFIs, leaving a gap in understanding how zakat institutions ensure Sharia compliance, especially when conflicts arise between their internal Sharia supervisory bodies and external auditors from state authorities (Hasan, 2021; Afifah et al., 2021). Furthermore, the concept of Sharia auditing as outlined in the Indonesian Zakat Law No. 23/2011 remains underdeveloped, raising concerns about its philosophical basis and practical effectiveness.

This study seeks to bridge this critical gap by investigating the challenges and practical implications of implementing Sharia audits in Indonesian zakat institutions. Specifically, it explores the dynamics between internal Sharia governance mechanisms and state-mandated auditing processes, addressing potential conflicts in jurisprudential interpretations and regulatory compliance. The research introduces an evidence-based approach to assess the effectiveness of existing Sharia audit frameworks and offers recommendations for enhancing regulatory clarity, institutional integrity, and public trust in zakat governance. To address these concerns, this study is guided by the following research question: What are the key challenges in implementing Sharia audits within Indonesian zakat institutions, and how do these challenges impact compliance, governance, and institutional effectiveness?

This research contributes to both academic scholarship and policy development in several ways. It expands the discourse on Sharia auditing beyond Islamic financial institutions, providing a comprehensive framework for examining zakat institutions. It also evaluates the effectiveness of existing Sharia audit regulations and identifies gaps that may hinder enforcement. Additionally, it offers practical recommendations to improve Sharia auditing processes, ensuring that zakat institutions move beyond formal compliance towards substantive adherence to Islamic ethical and governance principles.

The subsequent sections provide an in-depth analysis of Sharia auditing in zakat institutions. The literature review synthesizes existing research on Sharia compliance, governance structures, and audit mechanisms in Islamic institutions, emphasizing the role of Sharia Supervisory Boards and fatwas. The methodology details the research design, data collection, and analytical techniques employed to examine the implementation of Sharia audits in Indonesia's zakat sector. The findings and discussion present empirical insights into current auditing practices, key challenges, and stakeholder perspectives. Finally, the conclusion outlines major contributions, policy recommendations, and future research directions aimed at strengthening the Sharia audit ecosystem in zakat institutions.

LITERATURE REVIEW

Sharia Audit

Concept and Evolution of Sharia Audit

The concept of Sharia audit serves as a fundamental mechanism for ensuring legitimacy, transparency, and accountability in organizations that operate in accordance with Islamic principles, including Islamic Financial Institutions (IFIs) and zakat institutions. As compliance with Sharia law is central to these organizations, Sharia auditing has become an integral governance tool to assess adherence to Islamic ethical, legal, and financial standards (Hassan & Choudhury, 2019).

Historically, the formalization of Sharia auditing practices emerged earlier in Islamic banking and finance due to the rapid global expansion of Islamic finance in the 1970s (Khatib et al., 2022). The increasing complexity of Islamic financial products and the necessity to ensure Sharia compliance led to the establishment of comprehensive Sharia governance frameworks and specialized auditing mechanisms within IFIs (Rahman, 2020). In contrast, zakat institutions—despite their longstanding presence in Islamic history—have traditionally operated under less formalized regulatory frameworks and lacked structured governance models comparable to those in IFIs (Alam et al., 2022). Consequently, the development of systematic Sharia auditing practices in zakat institutions has been comparatively slower and less rigorous, largely due to lower regulatory pressure and a historical reliance on informal oversight mechanisms.

Sharia Audit Regulations in Indonesia

In Indonesia, Sharia governance regulations have undergone significant developments, particularly in the Islamic banking sector. The Indonesia Financial Services Authority (OJK) has introduced new regulations that, while not explicitly addressing Sharia auditing, reinforce the role of Sharia Supervisory Boards (SSBs) by elevating them to a status equivalent to that of the board of directors and commissioners (OJK, 2024). This regulatory advancement highlights a growing institutional commitment to enhancing Sharia governance structures in Islamic financial institutions.

In contrast, Sharia audits in zakat institutions are regulated under the Decree of the Minister of Religious Affairs No. 606/2020, which provides technical guidelines for conducting Sharia audits. At a broader regulatory level, Government Regulation No. 14/2014 and Law No. 23/2011 on the Management of Zakat establish the legal framework for Sharia audits in Indonesia’s zakat institutions. These regulations mandate that zakat institutions undergo regular Sharia audits to ensure compliance with Islamic legal and ethical standards, although their implementation remains inconsistent and underdeveloped (Amelia et al., 2023).

The Role of AAOIFI and International Standards in Sharia Auditing

Research on Sharia audits has been predominantly concentrated on Islamic Financial Institutions (IFIs), a focus driven in part by the role of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) (Khatib et al., 2022). Established in Bahrain in 1991, AAOIFI has played a critical role in developing international Sharia governance standards, including accounting, auditing, ethics, and financial reporting standards for global Islamic finance (AAOIFI, n.d.).

In 2021, AAOIFI introduced Auditing Standard No. 6, which provides comprehensive guidance for professionals conducting external Sharia audits of IFIs. This standard aims to ensure that Sharia audits align with international best practices, thereby promoting greater consistency, transparency, and compliance in Islamic financial operations. Additionally, external Sharia audits play a crucial role in minimizing the risk of non-compliance and enhancing investor confidence in IFIs by ensuring independent oversight of financial and operational activities (AAOIFI, 2023).

However, despite the increasing recognition of external Sharia audits, many Islamic financial institutions continue to rely primarily on internal audits, which are often not publicly disclosed. This lack of transparency raises concerns about conflicts of interest, as internal auditors are directly affiliated with the institution they are auditing. As a result, internal audits alone have not significantly contributed to enhancing the credibility and accountability of Sharia compliance in IFIs (AAOIFI, 2023).

Challenges in the Implementation of Sharia Audits

The implementation of external Sharia audits is expected to have a substantial positive impact on Islamic financial governance. Increased access to information on Sharia compliance can enhance consistency across the sector and promote a culture of proactive corrective action in cases of non-compliance (S&P Global, 2022).

However, several challenges persist. The limited availability of qualified Sharia auditors is a significant issue. The Financial Services Authority (OJK) reported that, as of March 2017, only 45 out of 192 accounting firms in Indonesia were involved in auditing Islamic financial institutions (Mubtadi & Adinugraha, 2022). This scarcity is largely due to a lack of formal education and training in Sharia auditing among accounting graduates (Mubtadi & Adinugraha, 2022).

Additionally, there is a perception that conventional and Sharia auditing are identical. Studies indicate that many auditors perceive Sharia audits and conventional audits as functionally similar, despite their fundamental differences in scope and objectives (As-Salafiyah & Rusydiana, 2020). Sharia audits assess not only financial statements but also organizational structures, management practices, and adherence to Islamic ethical principles, whereas conventional audits primarily focus on financial and performance metrics (Mubtadi & Adinugraha, 2022).

Furthermore, regulatory and institutional gaps in zakat institutions pose another challenge. Research has identified four major issues in the implementation of Sharia audits in zakat institutions: an inadequate Sharia audit framework, a limited scope of Sharia audits, insufficient qualifications of Sharia auditors, and concerns about auditor independence (Mubtadi & Adinugraha, 2022). In practice, the lack of clear audit guidelines has resulted in inconsistent application of Sharia auditing across zakat institutions (Amelia et al., 2023).

Sharia Audits in Zakat Institutions

Between 2020 and 2022, Indonesia’s Ministry of Religious Affairs conducted 29 Sharia audits on zakat institutions nationwide (Amelia et al., 2023). These audits identified three critical areas of non-compliance. Firstly, governance issues were prevalent, including the absence of standardized organizational structures and operational procedures, lack of salary regulations for amil (zakat administrators), and missing strategic and annual planning mechanisms.

Secondly, fund collection weaknesses were noted, such as muzakki (zakat payers) often not receiving official receipts or reports, zakat funds being frequently deposited into conventional bank accounts, raising Sharia compliance concerns, and inadequate separation of zakat, infaq, and sadaqah funds. Lastly, deficiencies in fund distribution were highlighted, including the lack of prioritization frameworks for identifying *mustahiq* (beneficiaries), absence of proper documentation verifying fund disbursement, and no established standard operating procedures for fund allocation.

Sharia Supervisory Boards

The Sharia Supervisory Board (SSB) is a critical governance mechanism for ensuring Sharia compliance in both Islamic finance and zakat institutions. While the regulatory framework for IFIs is relatively mature, the governance mechanisms for SSBs in zakat institutions remain underdeveloped. Addressing SSB independence, competency, and governance effectiveness is essential for strengthening the accountability, transparency, and credibility of Islamic institutions.

Regulatory Framework for SSBs in Zakat Institutions and IFIs

Article 18, Paragraph 2(d) of Law No. 23/2011 on Zakat Management stipulates that non-state zakat institutions must establish Sharia Supervisory Boards (SSBs). This requirement underscores the parallels between Islamic Financial Institutions (IFIs) and zakat institutions in Indonesia, as both rely on SSBs to ensure adherence to Sharia principles in their operations. However, the existing regulatory landscape and scholarly discourse on SSBs primarily focus on IFIs, leading to a disproportionate emphasis on Islamic banking governance rather than zakat institutions.

Within IFIs, SSBs function as independent governance bodies, equivalent in status to boards of commissioners, with a mandate to advise and oversee the board of directors (BOD) (Law No. 21 of 2018). To maintain independence, SSB members cannot be employees of the institutions they supervise. Instead, they are appointed by the General Meeting of Shareholders (GMS), which also determines their remuneration. The structured working mechanisms of SSBs align closely with those of conventional corporate supervisory bodies, ensuring that their oversight is systematic and legally grounded.

Roles and Responsibilities of Sharia Supervisory Boards (SSBs)

The primary responsibilities of Sharia Supervisory Boards (SSBs) extend beyond financial oversight to encompass a comprehensive governance role. Specifically, SSBs are tasked with monitoring compliance with Sharia principles in banking products, services, and transactions. They advise and guide management on integrating Islamic principles into daily operations to prevent religious conflicts in business dealings (Hudayati et al., 2023). Additionally, SSBs provide religious, moral, and ethical supervision over managerial conduct (Hudayati et al., 2023). They issue fatwas (religious rulings) to support the development of Islamic financial products and conduct Sharia audits to ensure operational alignment with Islamic legal frameworks. Furthermore, SSBs oversee the calculation and distribution of zakat funds and the management of non-compliant income. They also guide institutions in their broader social responsibilities, reinforcing the ethical foundations of Islamic banking and finance.

As a fundamental aspect of Sharia governance, SSB members are typically experts in *Fiqh Muamalat* (Islamic commercial jurisprudence) (Hudayati et al., 2023). Their expertise is acquired through formal education and practical experience, often including affiliation with international Sharia standard-setting bodies such as AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) (Wijayanti & Setiawan, 2023; Kasim et al., 2013). Scholars affiliated with AAOIFI are recognized for their deep understanding of Islamic principles and their high credibility within the global Islamic finance industry (Wijayanti & Setiawan, 2023).

In line with Bank Indonesia Regulation No. 11/3/PBI/2009 on Islamic Commercial Banks, SSB members must possess competence in fiqh muamalat, as well as general banking and financial knowledge (Mubtadi & Adinugraha, 2022; Nugraheni, 2018). However, there is currently no equivalent regulatory framework for SSBs in non-state zakat institutions, raising concerns about inconsistencies in governance and oversight quality.

The Impact of SSB Size and Composition on Islamic Financial Institutions

Unlike conventional financial institutions, where corporate governance roles are clearly defined, the scope and responsibilities of Sharia Supervisory Boards (SSBs) remain an area of active debate. Previous studies have focused on competency, governance impact, and financial disclosure, particularly within Islamic banks.

Empirical evidence suggests that larger Sharia Supervisory Boards (SSBs) tend to have a greater influence on institutional governance. Studies indicate that an expanded SSB membership enhances the board's capacity to interpret complex financial products and provide more robust oversight (Hudayati et al., 2023; Hanafi et al., 2021). Larger SSBs also strengthen financial and social disclosures, reducing uncertainty and information asymmetry, improve corporate transparency and sustainability reporting, and facilitate more comprehensive reviews of financial statements and social responsibility initiatives (Wijayanti & Setiawan, 2023).

Cross-membership, where SSB members hold positions on multiple boards across different institutions, can enhance governance effectiveness through knowledge transfer and decision-making improvements (Wijayanti & Setiawan, 2023; Maulana, 2014). Members bring insights from best practices in other organizations, particularly in disclosure and governance, and exposure to multiple institutions enhances their ability to address Islamic banking challenges, including customer complaints and ethical dilemmas. Several studies confirm that cross-membership positively correlates with the quality of social disclosures, reinforcing the role of SSBs in ensuring corporate accountability (Wijayanti & Setiawan, 2023).

SSBs and Sharia Non-Compliance Risk in Islamic Banks

Sharia non-compliance risk is a critical operational challenge in Islamic finance. Among Islamic banks, it is second only to credit risk in terms of significance (Elamer et al., 2020). According to the Islamic Financial Services Board (IFSB), operational risks in Islamic banks stem from internal process failures, personnel errors, system weaknesses, or external regulatory changes, including legal and Sharia non-compliance risks (Elamer et al., 2020).

To mitigate these risks, Sharia Supervisory Boards (SSBs) play a crucial role in corporate governance by ensuring greater disclosure of operational risks, enhanced managerial accountability in complying with Islamic legal frameworks, and stronger corporate governance mechanisms to reduce agency conflicts. However, research has also raised concerns regarding the independence and effectiveness of SSBs in providing unbiased religious assurance.

Challenges: Fatwa Shopping and SSB Independence

Despite their intended role as independent Sharia governance bodies, SSBs in Islamic banks are sometimes subjected to institutional pressure, leading to concerns over fatwa shopping (Haridan et al., 2018). Fatwa shopping occurs when institutions deliberately seek favorable religious rulings from scholars willing to approve questionable financial products (Alfitri, 2022). This phenomenon has led some scholars to describe the competition for lenient religious interpretations as "fatwa wars", exacerbated by the growing complexity of Islamic finance (Warde, 2010).

To address these concerns, Haridan et al. (2018) propose a clear separation of roles within Islamic governance structures. They suggest that Sharia compliance verification should be outsourced to external auditors specializing in religious auditing. Meanwhile, Sharia Supervisory Boards (SSBs) should primarily serve as advisory bodies, rather than being directly responsible for compliance enforcement.

SSBs in Zakat Institutions

Despite the extensive literature on Sharia Supervisory Boards (SSBs) in Islamic finance, research on their role in zakat institutions remains limited. Notably, Megawati (2020) identifies several governance weaknesses in non-state zakat institutions, including inadequate monitoring mechanisms, a lack of formal qualifications for Sharia supervisors, and the absence of structured accreditation systems.

As a result, many SSB members in zakat institutions struggle to stay updated with regulatory and ethical developments, impairing their ability to provide effective guidance. However, Megawati's (2020) findings are based on a localized case study and may not be generalizable to all non-state zakat institutions, particularly those in Java, where access to national regulatory frameworks and academic expertise is greater.

***Fatwa* and the National Sharia Board-Indonesian Ulema Council**

A *fatwa* is an Islamic legal opinion issued by scholars in response to specific questions or circumstances, often arising due to social transformations, technological advancements, or changes in economic practices (Mubarok, 2004). By nature, fatwas are context-dependent, situational, and temporally constrained, reflecting the historical, cultural, and legal framework in which they are formulated (Mubarok, 2004). Unlike binding legal rulings (qada) issued by judicial authorities, fatwas serve as non-binding yet authoritative religious guidance, which individuals and institutions may choose to adopt or disregard based on personal conviction or institutional policy.

The Indonesian Ulema Council as the Central Fatwa Authority

In Indonesia, the Indonesian Ulema Council *(Majelis Ulama Indonesia - MUI)* is the official non-governmental religious authority responsible for issuing fatwas and religious guidance for the country's Muslim community. Established on July 26, 1975, in Jakarta, MUI is composed of Islamic scholars (*ulama*), legal experts, and Islamic economic practitioners, and it plays a pivotal role in advising the government, safeguarding religious practices, and providing legal opinions on Islamic matters.

MUI's key responsibilities include issuing fatwas on matters related to Islamic law, including doctrinal issues and religious observances, and providing halal certification to ensure compliance of food, beverages, cosmetics, and pharmaceuticals with Islamic dietary laws. Additionally, MUI determines the authenticity of Islamic sects, addressing theological disputes and sectarian deviations, and provides religious guidance on socio-economic issues, including Islamic finance and ethical business practices. Although MUI operates as an independent religious body, its fatwas often influence government policies and financial regulations, particularly in the domains of Islamic banking, zakat management, and halal certification.

The National Sharia Board and Its Role in Islamic Finance

Recognizing the growing complexity of Islamic economic and financial transactions, MUI established the National Sharia Board (Dewan Syariah Nasional - DSN-MUI) to oversee the implementation of Sharia principles in economic and financial activities. The DSN-MUI serves as the highest Islamic legal authority in the regulation of Islamic financial institutions (IFIs) and is responsible for supervising the application of Sharia principles in financial activities, issuing fatwas on various types of Islamic financial products and services, developing regulatory frameworks for Sharia-compliant financial operations, and providing guidelines for the governance and compliance of Islamic financial institutions.

Authority and Responsibilities of DSN-MUI

The DSN-MUI holds regulatory and advisory authority over Sharia-compliant financial institutions, including Islamic banks, takaful (Islamic insurance) providers, and zakat institutions. Its specific powers include issuing binding fatwas for Sharia Supervisory Boards (SSBs) within each Islamic financial institution, serving as the basis for compliance and legal enforcement. It also provides a legal foundation for regulations and policies issued by relevant government authorities, including the Financial Services Authority (Otoritas Jasa Keuangan - OJK) and Bank Indonesia. Additionally, the DSN-MUI grants and revokes recommendations for individuals to serve as members of SSBs in Islamic financial institutions (IFIs). It consults with domestic and international experts on matters related to Islamic finance, including engagement with monetary authorities. The DSN-MUI issues formal warnings to Islamic financial institutions in cases of Sharia non-compliance and recommends corrective actions to regulatory authorities if violations persist.

The DSN-MUI functions as a national consortium, comprising members from SSBs across various IFIs, as well as Islamic legal scholars and economic practitioners. All members are appointed by MUI for a five-year term, ensuring continuity and adherence to Islamic governance principles (Mubarok, 2004).

Funding and Financial Accountability of DSN-MUI

In executing its mandate, DSN-MUI receives operational funding from multiple sources, including government assistance, particularly from the Ministry of Finance and Bank Indonesia (the Central Bank), donations from the public and Islamic financial institutions, and monthly contributions from IFIs based on their scale of operations. To maintain transparency and accountability, DSN-MUI is required to report its financial activities to MUI, ensuring that all funds and donations are appropriately allocated to support the Sharia compliance framework in Indonesia's financial sector.

METHODOLOGY

Research Design

This study employs a qualitative research design, utilizing semi-structured interviews as the primary method of data collection. Qualitative research is well-suited for exploring complex social phenomena and understanding the lived experiences, perspectives, and institutional dynamics of individuals involved in zakat governance and Sharia auditing (Flick, 2018; Ibrahim, 2023). Interviews are widely recognized as one of the most effective tools for collecting rich, in-depth data, as they allow researchers to engage directly with participants and uncover contextualized insights that might not emerge through quantitative methods (Qu & Dumay, 2011; Galletta, 2013).

Data Collection

Semi-Structured Interviews

A semi-structured interview approach was adopted to strike a balance between structured and open-ended inquiry. This method allowed the researcher to ask predetermined core questions while also permitting spontaneous probing to explore emergent themes and participant-driven insights (Flick, 2018). The flexibility of semi-structured interviews enables deeper exploration of personal and institutional experiences, facilitates the discovery of new themes, and allows participants to introduce unique interpretations relevant to the study's focus on Sharia auditing in zakat institutions (Galletta, 2013).

Sampling Strategy

Participants were selected using purposive sampling, a technique that ensures the inclusion of individuals with direct expertise and experience relevant to the study's objectives (Creswell & Poth, 2016). The target participants included:

1. Practitioners from state-regulated zakat institutions (Badan Amil Zakat Nasional – BAZNAS).
2. Representatives from non-state zakat institutions (Lembaga Amil Zakat – LAZ).
3. Sharia auditors and regulatory officials from the Ministry of Religious Affairs (Kementerian Agama).

To supplement purposive sampling, a snowball sampling strategy was also employed. Some initial participants referred the researcher to additional qualified experts who met the study's inclusion criteria, thereby expanding the breadth of perspectives included in the research. The recruitment process involved multiple strategies, including direct outreach via email, with more than 70 emails sent to relevant institutions and individuals. Professional networking at academic and industry events, such as Sharia auditing and zakat governance workshops, facilitated direct engagement with potential participants. Additionally, referrals through snowball sampling enabled the researcher to access key informants with specialized knowledge of zakat institutions and Sharia governance.

Participant Profile

A total of 35 participants consented to participate in the study. These individuals comprised a diverse range of stakeholders, including senior officials, Sharia auditors, and practitioners from both state and non-state zakat institutions. However, one limitation of the study was geographical representation. While Indonesia comprises 34 provinces, the participants represented fewer than seven provinces, potentially limiting the generalizability of the findings to a nationwide context.

Interview Procedures

All interviews were conducted virtually via Zoom, allowing for greater accessibility and flexibility while maintaining high-quality audio-visual interaction (Archibald et al., 2019). Before each interview, informed consent was obtained from all participants, and they were assured of confidentiality and anonymity, ensuring that their responses would be used exclusively for academic purposes. The interviews were conducted in Bahasa Indonesia, the participants' primary language, to enhance expressiveness and cultural relevance in their responses. Each interview lasted between 45 to 90 minutes, providing ample time for in-depth discussions. The interviews were audio-recorded with participant consent and subsequently transcribed verbatim for analysis.

Data Analysis

The data were analyzed using thematic analysis, a qualitative method that allows researchers to identify, interpret, and report patterns (themes) within textual data (Braun & Clarke, 2006). Thematic analysis is particularly well-suited for exploratory research, as it enables the extraction of underlying meanings and relationships within large qualitative datasets (Fugard & Potts, 2019). The analysis followed an iterative and systematic process, consisting of the following stages:

1. Data Familiarization – Transcripts were read multiple times to gain an overall understanding of participants' narratives.
2. Initial Coding – Key concepts and phrases were coded to capture significant patterns related to Sharia governance, zakat management, and auditing challenges.
3. Theme Identification – Codes were grouped into broader thematic categories, aligning with the research objectives.
4. Theme Refinement – Themes were continually refined through cross-referencing with interview data to ensure coherence and consistency.
5. Interpretation & Synthesis – The final themes were analyzed in relation to existing literature, enabling a comparative discussion between empirical findings and theoretical frameworks.

Ethical Considerations

The study adhered to ethical research standards to ensure participant protection and research integrity. Ethical considerations included informed consent, where participants were briefed on the purpose of the research, data usage, and confidentiality measures. Anonymity and confidentiality were maintained by anonymizing all participant names and institutional affiliations to protect sensitive information. Voluntary participation was emphasized, with participants being informed of their right to withdraw from the study at any stage without consequences. Additionally, data security was ensured by storing all interview recordings and transcripts on a secure, password-protected database to prevent unauthorized access.

RESULTS AND DISCUSSION

Results

Who Are the Sharia Auditors in Zakat Institutions?

1. Regulatory Ambiguity and the Role of the Ministry of Religious Affairs (MoRA)

The Ministry of Religious Affairs (MoRA) plays a central role in zakat governance, although its regulatory authority over Sharia auditing is not explicitly defined in the Zakat Law No. 23/2011. Instead, MoRA's responsibilities are primarily focused on establishing and overseeing state zakat institutions (BAZNAS) at national, provincial, and municipal levels.

Additionally, MoRA grants operational licenses to non-state zakat institutions (LAZ), which must be renewed every five years.

Despite these functions, MoRA's oversight of Sharia compliance is inferred rather than explicitly mandated in the legal framework. One participant emphasized the need for clearer regulatory provisions:

> "The regulatory role of the Ministry of Religious Affairs can be implicitly inferred from its existing functions—licensing, sanctioning, and supervising Sharia compliance. These are typical functions of a regulatory body. However, this role should be explicitly stated in the Zakat Law." (G/E6)

2. Administrative Structure of MoRA in Zakat Supervision

MoRA operates at four administrative levels:

a. Central Level – Policy formulation and national oversight.
b. Provincial Level – Licensing and supervision at the provincial level.
c. City/Municipal Level – Oversight of zakat institutions within local jurisdictions.
d. Sub-District Level – Not directly involved in zakat governance.

The licensing process for non-state zakat institutions follows a hierarchical structure, requiring municipal-level institutions to apply through Provincial MoRA offices. However, non-state zakat institutions are unevenly distributed across Indonesia, resulting in inconsistencies in MoRA's supervisory roles at different administrative levels.

> "Non-state zakat institutions at the City/Municipal level must apply to the Provincial MoRA. This leads to a lack of defined roles and responsibilities for some MoRA offices." (G/E6)

3. The Emergence of Sharia Auditors in Zakat Institutions

The implementation of Sharia audits raised several key concerns, particularly regarding who is qualified to conduct such audits within MoRA. Early discussions centered around whether this role should fall under the Directorate General of Islamic Guidance (BIMAS Islam) or the Inspectorate General.

MoRA's Directorate of Zakat and Waqf Empowerment, responsible for zakat-related affairs, was initially considered for the role. However, this directorate lacked the technical expertise and formal auditing certification required to conduct Sharia audits. Consequently, the responsibility was delegated to the Inspectorate General, which had previously handled only financial audits of ministry work units. One participant highlighted the internal debate regarding MoRA's authority in this area:

> "From the outset, there has been debate over whether MoRA possesses the authority implied by the term 'Sharia auditors.' The Inspector General has contested this, asserting that auditors are authorized to conduct such audits, as the Inspector General is legally mandated to act as the auditor for the Ministry of Religious Affairs." (G/E3)

The organizational structure of the Ministry of Religious Affairs (MoRA) has further complicated the implementation of Sharia audits. The Directorate of Zakat and Waqf Empowerment is divided into four sub-directorates. Two of these sub-directorates manage both zakat and waqf affairs: the Institutional and Information Sub-Directorate, and the Education, Innovation, and Cooperation Sub-Directorate.

The remaining two sub-directorates are separately responsible for specific areas. The Waqf Affairs Sub-Directorate focuses solely on waqf matters, while the Zakat Affairs Sub-Directorate, now renamed as the Accreditation and Institutional Audit Sub-Directorate, is dedicated to zakat-related audits and accreditation. This division of responsibilities has added layers of complexity to the Sharia audit process within the organization.

Despite these structural modifications, the Directorate of Zakat Empowerment was deemed ineligible to conduct audits due to the requirement for formal auditing qualifications. As a result, the Inspectorate General was formally designated to oversee Sharia auditing of zakat institutions.

> "The Directorate of Zakat Empowerment within MoRA, which has been managing zakat affairs, is ineligible to conduct an audit due to the requirement of a certificate demonstrating auditing skills and knowledge." (G/E3)

Given the newly assigned role of Sharia auditing, the Inspectorate General's auditors required additional training to ensure competency in auditing zakat institutions. In response, MoRA launched a specialized training program on

Zakat Accounting Standard PSAK 109, focusing on zakat financial management principles, sharia governance frameworks, and audit methodologies specific to zakat institutions. A total of 30 newly recruited Sharia auditors participated in this program to build their technical capacity in auditing zakat institutions. One auditor explained the scope of their evolving responsibilities:

> "In addition to our roles as auditors within the Government Internal Supervisory Apparatus, whether in financial or performance auditing, we also receive specialized training in zakat accounting. This expertise allows us to assume additional responsibilities, including conducting Sharia audits. However, our official duties as auditors remain unchanged." (G/E8)

Challenges in the Implementation of Sharia Auditing in Zakat Institutions

1. Conceptual Ambiguities and Lack of Standardization

Although Zakat Law No. 23 of 2011 mandates the implementation of Sharia audits, the concept and scope of Sharia auditing remain poorly defined. As a result, its implementation is still in its early stages, leading to ongoing debates and varied interpretations among zakat practitioners and auditors. One of the primary concerns is the lack of a clear distinction between Sharia audits and conventional financial audits, as many practitioners perceive them to be fundamentally similar.

> "There is ongoing debate as to whether these audits are, in fact, Sharia audits or performance audits." (G/E11)

Sharia auditors, however, emphasize that Sharia audits go beyond conventional financial audits, as they assess the management of zakat, infaq, and other religious funds to ensure compliance with Islamic principles and governance standards.

> "We (Sharia auditors) audit the management of zakat, infaq, and other social and religious funds. Our scope is broader—unlike accounting firms, which are limited to financial reports. Instead, we complement financial audits, ensuring there is no overlap." (G/E8)

Despite this differentiation, auditors recognize that certain fundamental auditing principles remain consistent across various types of audits.

> "Auditors, regardless of their field, follow a similar process that includes defining the scope of the audit, adhering to audit guidelines, and applying established audit standards. The methods are generally consistent across different types of audits. However, the key difference with Sharia audits is that they are mandatory." (G/E8)

2. Regulatory Challenges and Auditor Expertise

The Minister of Religious Affairs Decree No. 733/2018 outlines technical guidelines for conducting Sharia audits. These guidelines include ensuring that zakat recipients fall within one of the eight specified asnaf (eligible beneficiary) categories. Additionally, the decree mandates verifying that zakat funds are distributed within the same fiscal year to prevent mismanagement.

However, the relative inexperience of Sharia auditors has raised concerns among zakat practitioners. Several practitioners feel that auditors interpret regulations too rigidly, often equating minor discrepancies with non-compliance.

> "The Inspectorate General (Sharia auditor) is too rigid in their interpretation. If one aspect does not align, they perceive the entire organization as failing to adhere to zakat accounting standards." (ZI3)

Another challenge is ensuring that Sharia auditors do not limit their assessments to financial reports alone, but instead focus on the broader aspects of zakat management and compliance.

> "Thus, we audit zakat management reports and performance reports. For financial statements, we merely verify whether they have been audited by an accounting firm. Although we do not audit financial statements ourselves, we ensure that these reports are requested and reviewed as part of our audit process." (G/E8)

3. Interpretational Challenges in Sharia Compliance

While Sharia auditors confirm that most zakat institutions adhere to Islamic principles, specific operational inconsistencies require adjustments to align fully with Sharia guidelines. One key issue relates to the broad interpretation of the fisabilillah (in the cause of Allah) category, which is sometimes misapplied in practice.

> "For instance, in the category of asnaf fisabilillah, some zakat institutions interpret the concept too broadly. Activities such as religious study groups or even administrative meetings, including mosque management meetings, are sometimes funded by zakat under this category. This broad interpretation leads to varied and inconsistent practices." (G/E8)

Another challenge concerns the allocation of funds for amil (zakat administrators). In some cases, zakat institutions exceed the 12.5% cap on administrative expenses, diverting additional funds from infaq (charitable donations) to cover operational costs.

> "There are cases where expenditures surpass the prescribed limit, reaching more than 12.5%—sometimes even exceeding 20% of infaq funds. While the overarching principles seem to be followed, specific practices often fall short of full Sharia compliance." (G/E8)

4. Future Impact of Sharia Audits on Zakat Institutions

Since Sharia auditing in zakat institutions is still relatively recent, its long-term impact remains uncertain. However, there is optimism among auditors and zakat practitioners that Sharia audits will lead to improved zakat collection and distribution mechanisms, enhanced transparency and accountability in zakat management, and better compliance with Islamic governance principles.

> "We remain hopeful that Sharia audits will serve as a form of quality assurance for zakat institutions. We expect that our involvement in Sharia audits will not only increase zakat collection but also enhance its distribution, improve management practices, and optimize zakat administration. While I cannot yet determine whether the audit results will impact the increase in zakat amounts, our hope is that it will achieve these outcomes." (G/E8)

Sharia Supervisory Boards: Requirements for Non-State Zakat Institutions

1. The Role and Structure of Sharia Supervisory Boards

The Sharia Supervisory Board (SSB) is a key governance mechanism in non-state zakat institutions (LAZ), ensuring Sharia compliance in zakat management and operations. Unlike state zakat institutions (BAZNAS), which are directly overseen by the Ministry of Religious Affairs (MoRA), non-state zakat institutions are legally required to establish an SSB to provide internal oversight and religious guidance.

The responsibilities of Sharia compliance within non-state zakat institutions are divided among two key entities:

a. The Internal Sharia Compliance Bureau – Responsible for the daily supervision of operations, ensuring that zakat programs and products comply with Islamic principles.
b. The Sharia Supervisory Board (SSB) – An elite oversight body that meets periodically (weekly or monthly) to issue Sharia opinions, review institutional policies, and provide religious rulings on zakat management.

One participant clarified the distinction between these entities:

> "Internal audit is in charge of Sharia compliance and program auditing. The Sharia compliance bureau supervises product programs and donor interactions daily. Meanwhile, the Sharia Supervisory Board operates at a higher level, focusing on issuing religious rulings and strategic oversight." (ZI11)

While the Sharia Compliance Bureau functions as an operational entity, the SSB primarily provides religious oversight, ensuring that zakat collection, distribution, and investment align with Islamic jurisprudence.

2. Sharia Opinions vs. Fatwas: A Delicate Distinction

A key area of contention is the terminology used for religious rulings issued by the SSB. While the National Sharia Council (DSN-MUI) is responsible for issuing fatwas in Islamic finance and zakat governance, SSBs issue what are referred to as "Sharia Opinions" to avoid conflicts with MUI's authority. One participant explained this distinction:

> "It is not a Sharia fatwa because we previously used the term fatwa. However, we had to reconsider, as this contradicted MUI's authority. To maintain a cooperative relationship, we now refer to it as a 'Sharia Opinion' from the Sharia Supervisory Board, while fatwas remain under MUI's jurisdiction." (ZI11)

This distinction highlights the complex interplay between non-state zakat institutions, their internal Sharia bodies, and national regulatory frameworks. While SSBs guide zakat institutions on religious compliance, their rulings must remain distinct from MUI-issued fatwas to prevent jurisdictional disputes.

3. Tensions Between Sharia Auditors and Sharia Supervisory Boards

The implementation of Sharia audits by the Ministry of Religious Affairs (MoRA) has created challenges for non-state zakat institutions. These audits sometimes conflict with the religious opinions issued by Sharia Supervisory Boards (SSBs). This tension arises from differences in Islamic interpretation and regulatory enforcement.

Sharia auditors from MoRA assess compliance from a legal and regulatory perspective, ensuring adherence to established guidelines and laws. On the other hand, SSBs within zakat institutions interpret Islamic principles through jurisprudential reasoning and scholarly expertise. This misalignment has led to frustrations among zakat institutions, particularly when audit findings contradict internal Sharia opinions. A participant highlighted this challenge:

> "Sharia auditing by the Ministry of Religious Affairs can be burdensome for non-state zakat institutions. The differences in interpretation between our Sharia Supervisory Board and MoRA's Sharia auditors create conflict. We have Sharia experts with national and international expertise, yet the auditors come with a more rigid compliance framework." (ZI11)

4. Sharia Audits as a Factor in Licensing Renewal

For non-state zakat institutions, the results of a Sharia audit are crucial in securing the renewal of their operational licenses. These licenses must be renewed every five years, and failing a Sharia audit can jeopardize the institution's ability to continue operating legally. This requirement places an additional burden on non-state zakat institutions, as they must ensure full compliance with the Ministry of Religious Affairs' (MoRA) Sharia audit standards, even if these differ from their internal Sharia Supervisory Board (SSB) interpretations. Additionally, they must navigate inconsistencies in regulatory enforcement, particularly when audit findings challenge long-standing zakat management practices.

A participant emphasized the pressure created by this licensing mechanism:

> "For non-state zakat institutions, passing the Sharia audit is not just about compliance—it determines whether we can continue operating. The licensing renewal process makes Sharia audits not only a burden but also a significant institutional challenge." (ZI11)

In contrast, state zakat institutions (BAZNAS) are not subject to the same licensing requirements, further highlighting the disparities in regulatory oversight between state and non-state zakat organizations.

Discussion

The implementation of Sharia audits in zakat institutions has introduced both opportunities and challenges. While state-funded audits enhance independence and reduce financial burdens, gaps in auditor expertise, regulatory conflicts, and the limited role of fatwas continue to hinder effective Sharia governance. This section discusses five key issues regarding the implementation of Sharia auditing in zakat institutions, as summarized in Table 1.

Table 1. Key Discussion Points on Sharia Auditing in Zakat Institutions

No	Key Discussion Points
1	Sharia audit is mandated by regulation but lacks a strong philosophical foundation.
2	State budget funding enhances the independence of Sharia auditors.
3	External Sharia audit fee exemptions reduce operational costs for zakat institutions.
4	Sharia auditors often lack experience and have limited knowledge of zakat practices.
5	Potential conflicts in Sharia interpretations between Sharia Supervisory Boards (SSBs) in non-state zakat institutions and Sharia auditors, particularly between traditional and progressive views.
6	Fatwas have not yet become a primary foundation for Sharia auditors and the SSB within the zakat sector.

Regulatory-Driven Sharia Audits and Their Conceptual Weaknesses

The emergence of Sharia audits in zakat institutions has been primarily regulatory-driven, raising concerns regarding their theoretical foundation and practical application. The absence of extensive academic research to guide Sharia auditing frameworks has resulted in ambiguities regarding its scope and methodology. As a result, Sharia audits have largely converged with financial and performance audits, focusing primarily on administrative aspects and the completeness of Standard Operating Procedures (SOPs) within zakat institutions.

This phenomenon aligns with institutional isomorphism theory, particularly coercive isomorphism (DiMaggio & Powell, 1983), where organizations adopt structures due to external pressures from regulatory bodies rather than internal needs. Unlike Islamic Financial Institutions (IFIs), which developed Sharia auditing frameworks through scholarly discourse and industry best practices, zakat institutions have adopted a compliance-based approach driven by legal mandates rather than intrinsic institutional development.

As a result, the Ministry of Religious Affairs (MoRA), which oversees zakat governance, is unable to conduct Sharia audits directly, as its personnel lack formal auditing certification. Instead, audits have been delegated to the Inspectorate General, whose auditors possess technical auditing skills but limited expertise in zakat jurisprudence.

State Budget Funding and Auditor Independence

One of the distinguishing features of Sharia auditing in zakat institutions is its state-funded model, which contrasts sharply with the funding mechanisms in IFIs. While Sharia auditors in IFIs operate on a "by-request" basis, often creating potential conflicts of interest, Sharia auditors in zakat institutions are state-employed and financed through the national budget (APBN).

This funding model enhances the perceived independence of Sharia auditors, as they are not financially dependent on the institutions they audit. As one study noted, external audits funded by independent sources are more likely to provide objective assessments (Amelia et al., 2023). This principle aligns with agency theory, which suggests that auditors who maintain financial independence from their clients are more likely to act in the public interest rather than in favor of the audited entity's management (Meckling & Jensen, 1976).

For zakat institutions, state-funded audits also reduce financial burdens, particularly given their nonprofit status and limited operational resources. Research on nonprofit organizations (NPOs) has shown that smaller organizations often struggle with resource allocation for external audits, making state-funded oversight a critical factor in ensuring compliance without imposing undue costs (Battal & Ibrahim, 2023).

Challenges Posed by Inexperienced Sharia Auditors

A major concern in the implementation of Sharia audits in zakat institutions is the limited experience and expertise of newly appointed auditors. This issue has also been noted in Islamic Financial Institutions (IFIs), where Sharia auditors frequently lack sufficient knowledge of Islamic jurisprudence (fiqh muamalat) and sector-specific practices (Megawati, 2020).

While Sharia auditors in zakat institutions receive training in PSAK 109 (Zakat Accounting Standard), this does not necessarily equip them with the depth of knowledge required to assess zakat distribution mechanisms and Islamic legal compliance. Sharia auditing requires a unique interdisciplinary skill set, combining Islamic law, financial auditing, and governance expertise—a combination that remains scarce in the current workforce.

This aligns with the human capital theory, which emphasizes that specialized training and education are essential for workforce competency and efficiency (Becker, 1964). Without a robust pipeline of qualified Sharia auditors, zakat institutions risk undergoing audits that are narrowly focused on procedural compliance rather than substantive Sharia governance improvements.

Conflicts Between Sharia Auditors and Sharia Supervisory Boards (SSBs)

One of the most pressing challenges is the potential conflict in Sharia interpretations between Sharia auditors (government officials) and Sharia Supervisory Boards (SSBs) in non-state zakat institutions. These conflicts often arise due to differences in traditional and progressive Islamic legal interpretations. For example, one non-state zakat institution operates a cattle farming program for *mustahiq* (beneficiaries), in which recipients continue receiving guidance, supervision, and stipends until they achieve economic self-sufficiency.

While this approach is based on the principles of *maslahah* (public interest) and *darurah* (necessity), Sharia auditors from the Ministry of Religious Affairs questioned the legality of withholding full zakat disbursement, arguing that zakat should be distributed immediately. This conflict reflects the broader divide between traditionalist and modernist Islamic thought. According to Warde (2010), traditionalists adhere strictly to classical fiqh rulings, whereas modernists adopt a more adaptive approach, integrating contemporary socio-economic considerations. While both perspectives claim authenticity, their application in zakat governance remains contested.

The Limited Role of Fatwas in Zakat Institutions

Unlike in Islamic Financial Institutions (IFIs), where fatwas issued by the National Sharia Council (DSN-MUI) serve as key regulatory instruments, fatwas play a limited role in the governance of zakat institutions.

Research indicates that fatwas have significantly shaped the regulatory environment in IFIs, guiding product development, risk management, and compliance standards (Megawati, 2020). However, in the zakat sector, fatwa development has been relatively slow. While DSN-MUI has issued 109 fatwas on Islamic finance, only nine fatwas specifically address zakat governance, with the most recent one issued in 2011 (Megawati, 2020).

This disparity arises from the lack of a dedicated fatwa body for zakat institutions. While IFIs benefit from a structured regulatory framework involving DSN-MUI, zakat institutions rely solely on the Fatwa Commission of MUI, which lacks a specialized focus on zakat governance.

Moreover, unlike in IFIs, where Sharia Supervisory Boards (SSBs) and DSN-MUI operate in parallel, zakat institutions face interpretational discrepancies between their internal SSBs and external Sharia auditors. Saleh et al. (2023) argue that DSN-MUI fatwas lack the status of statutory regulations, meaning they do not have legally binding authority unless adopted into formal regulatory frameworks. This regulatory gap further weakens the role of fatwas in Sharia auditing for zakat institutions.

CONCLUSION

This study examines the implementation of Sharia audits in zakat institutions, highlighting their regulatory significance and operational challenges. Sharia audits aim to ensure compliance with Islamic laws and ethical standards, but their effectiveness is hindered by structural, regulatory, and interpretational challenges. Key findings include ambiguities in scope and methodology due to regulatory-driven implementation, state-employed auditors enhancing independence but facing bureaucratic constraints, and a lack of specialized knowledge among auditors. Diverging interpretations of Islamic law between government auditors and non-state Sharia Supervisory Boards (SSBs) create tensions, and minimal role of fatwas results in inconsistent regulatory interpretations and governance challenges.

This study provides important theoretical and practical insights into the practice of Sharia auditing within zakat institutions. From a policy standpoint, it highlights the need for regulators, particularly the Ministry of Religious Affairs (MoRA), to align Sharia audit regulations with existing zakat governance frameworks and to establish a dedicated fatwa body for zakat institutions to enhance regulatory clarity. On a practical level, it emphasizes the importance of stronger collaboration between zakat institutions and Sharia auditors to address gaps in Sharia interpretations and reduce conflicts between state and non-state governance bodies. Academically, this study contributes to institutional isomorphism theory by illustrating how regulatory pressures influence zakat governance structures and advances agency theory by exploring the effects of state-funded audits on auditor independence and the long-term sustainability of zakat institutions.

Despite its contributions, this study has several limitations. The geographical scope is restricted to a few provinces in Indonesia, which may not fully represent the nationwide implementation of Sharia audits. Additionally, as Sharia audits in zakat institutions are still evolving, the long-term impact on zakat management remains unclear. The study also lacks a detailed comparison with Islamic Financial Institutions (IFIs), where Sharia audit frameworks are more established. Future research should assess the long-term impact of Sharia audits on zakat collection, distribution, and institutional transparency. It should also explore the development of a standardized Sharia auditing framework through comparative analysis with IFIs to identify best practices. Furthermore, investigating how fatwas can be more effectively integrated into zakat governance structures, particularly by exploring the potential role of DSN-MUI in zakat regulation, would be beneficial.

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