



An-Najah National University
Faculty of Graduate Studies

**DETERMINANTS OF THE EFFECTIVENESS
OF INTERNAL SHARIA AUDIT: A CASE
STUDY OF PALESTINIAN ISLAMIC BANKS**

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Dedication

To my father, who instilled within me the spirit of perseverance, and to my mother, whose faith in the power of prayer has been a source of endless strength.

To my brothers and sisters, the guardians of security and the warmth of family bonds.

To my beloved wife, my companion in life and the heartbeat of my soul, and to my precious daughter, the smile of my days and the light of my life.

To my colleagues and friends, whose encouragement and companionship illuminated the journey of knowledge and work.

To the martyrs of our beloved homeland, who with their pure sacrifice carved the path of pride and dignity.

And to the seekers of knowledge, in every time and place, the torches of wisdom and the hope of tomorrow.

To all of you, I dedicate this thesis, for in every word lies a reflection of your love and our shared aspirations.

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My heartfelt thanks and appreciation are also extended to my institution, the Arab Islamic Bank, for its continuous support and encouragement, which enabled me to move forward and achieve the progress I have reached today.

Declaration

I, the undersigned, declare that I submitted the thesis entitled:

DETERMINANTS OF THE EFFECTIVENESS OF INTERNAL SHARIA AUDIT: A CASE STUDY OF PALESTINIAN ISLAMIC BANKS

I declare that the work provided in this thesis, unless otherwise referenced, is the researcher's own work, and has not been submitted elsewhere for any other degree or qualification.

Student's Name: **Thabet Mohammad Mar'i**

Signature:



Date: **05/10/2025**

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Abstract

By providing Sharia-compliant financial alternatives that meet the needs of customers seeking to avoid interest-based and prohibited transactions, Islamic banking institutions have become an integral part of the global financial system the same applies in Palestine where effectiveness of internal sharia audit plays pivotal role assurance the compliance with sharia principles and enhance Islamic banks governance, The aim of this study is to examine effectiveness determinants in sharia internal auditing in Palestinian Islamic banks and if there is any challenges or obstacles that could be facing it by focusing on three determinants: independence, competence, and performance.

A mixed methodology was used in this study by combining quantitative and qualitative methods to ensure the depth and comprehensive of its conclusions, our methodology was divided into two phases: a quantitative survey of sharia supervisory boards and sharia audit departments employees, and indepth qualitative interview with several experts involved in one way or another sharia audit process in Palestinian Islamic banks

Results reveal that independence emerged as the most significant factor influencing effectiveness, as for competence the results indicated that effectiveness requires the auditor to be knowledgeable in

both financial and sharia aspects, not just one. As for performance, effectiveness requires adopting systematic documented and technically supported methods and reducing dependency on manual methods. The results also showed that the three factors the study focused on are insufficient without a clear governance framework and Serious support from senior management.

In light of these results, the study recommends enhancing independence mechanisms by imposing functional immunity on the Sharia auditor, strengthening the performance and competence

of auditors through continuous professional development, integrating technology into Sharia auditing, and expanding the scope of future research in Sharia auditing subjects.

Keywords: Internal Sharia Audit, Effectiveness, Independence, competence, performance.

Chapter One

Introduction

Effectiveness of internal Sharia auditing is a broad concept, its extends to assessing the efficiency and effectiveness of internal systems and procedures, identifying strengths and weaknesses and providing recommendations for continuous improvement. This does not mean to merely verifying the compliance of banking operations with Sharia. This multidimensional role requires a set of factors and determinants to ensure the required effectiveness, including auditor independence, professional competence and compliance with Sharia, performance, as well as institutional support and a suitable regulatory environment (Al-Kassar, 2020).

In Palestinian banking sector, Islamic banks has a prominent position in the banking sector, with three Islamic banks operating: the Arab Islamic Bank (AIB), Palestine Islamic Bank (PIB), and Safa Bank (SAF). According to the 2024 Comparative Performance Report of Banks Operating in Palestine, issued by the Association of Banks in Palestine, Islamic banks' market share reached 16% in terms of assets and customer deposits. Direct credit facilities constituted 21% of the total assets of the Palestinian banking system, making them a major player in national financial activity and requiring the strengthening of their internal Sharia oversight systems (Association of Banks in Palestine, 2024).

The importance of strict regulation of Sharia supervision was recognized by the Palestine Monetary Authority (PMA). It issued Instruction No. 10/2017 regarding "Requirements for Governance and Internal Sharia Audit in Islamic Banks." The Instructions obligated Islamic banks to establish independent internal Sharia oversight units, establish a clear regulatory framework for their duties, and create a professional and structural balance between the Sharia Supervisory Board and internal Sharia auditors (AAOIFI, 2015) . The Instructions also called for adherence to the standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in areas related to work manuals, audit scope, and Sharia review reports.

Despite this regulatory framework, practical experience indicates that several factors and influences affect the effectiveness of internal Sharia auditing in Palestinian Islamic banks. This raises questions about the determinants of this effectiveness, how it is evaluated, and

its relationship to the level of independence and competence of auditors and the internal work environment. Given the scarcity of Palestinian applied studies that have addressed the topic in depth and despite its vital role in regulating Sharia compliance and strengthening governance in Islamic banks, These questions are all the more important .

1.1 Theoretical Background

1.1.1 Definition of Sharia Audit

Since the internal Sharia audit field is still evolving, many concepts and important issues remain unaddressed. Among Islamic banking experts there is no universally recognized definition of Sharia audit, even in its simplest form. Over the years, researchers and experts in Islamic banking have proposed various definitions. For instance, Al-Fuzaie (2009) defined Sharia audit as the process of verifying the compliance of Islamic financial institutions with the principles of Islamic Sharia in their transactions and activities. Similarly described it Al-Qudah (2009) as a process aimed at safeguarding and assessing the organization's operations to prevent deviation. This process serves as the basis for the Sharia Supervisory Board's assessment, articulated in reports on the institution's adherence to Islamic Sharia principles. It is considered a form of administrative control, where management acts in accordance with agency theory, representing shareholders who seek operations compliant with Sharia (Qantaqji, 2010), (Mahzan , 2011) further defined it as an auditor's certification of adherence to Islamic laws. However, these concise definitions fail to fully capture the complexity of internal Sharia audit.

Different previous studies have offered definitions that, from the researcher's perspective, are broader and more comprehensive. Bouzid (2013) defined Sharia auditing as a process in which an organization's activities, operations, and practices are examined and analyzed by an independent unit to ensure their compliance with the provisions of Islamic Sharia. This process require the use of professional tools and methodologies to know errors or confirm the accuracy of performance, followed by the submission of reports to relevant parties with recommendations for necessary modifications and performance improvements.(Al-Omrani , 2015) also provided a more accurate definition, he describes Sharia audit as an independent and objective activity within the organization that monitors operations, strengthen the organization's commitment to the rulings of the Sharia Supervisory Board and provide recommendations to increase the bank compliance level

to the highest possible standard, and reviews policies, procedures, and plans prepared to fulfill Sharia-compliant operations..

On the other hand, Hamad (2015) described Sharia auditing as an examination managed to evaluate the range to which an organization adheres to the principles and provisions of Islamic Sharia in all its operations, including contracts, agreements, policies, products, transactions, corporate documents, financial statements, and more. This examination is executed by internal sharia audit department in the bank.

Attia (2016) defined it as a logical and independent activity focused on providing sharia guarantee and advisory services, aimed to upgrade the bank value by verifying compliance with all controls and fatwas spread out by the Sharia Supervisory Board.

Although these definitions are quite good, they do not adequately address all sides of sharia auditing process, neither they provide a detailed description. However we observe that many researchers have offered more detailed definitions. For example, (Khalid , Haron, & Masron, 2018) described Sharia auditing as a proactive advisory activity inside the organization aimed to check and promote the achievement of its goals by ensuring compliance with all the directives of the Sharia Supervisory Board. It also includes reviewing policies and plans and proposing recommendations to improve compliance levels (Masruki , Hanefah, & Dhar, 2020) defined Sharia audit as an independent periodic evaluation designed to enhance compliance and ensure the effectiveness of the Sharia governance system. An effective Sharia audit minimizes the risk of non-compliance and promotes best Sharia practices in Islamic banking. Lastly, (Mashal , 2021) characterized Sharia audit as an evaluative activity that examines and assesses the efficiency and effectiveness of the Sharia oversight system to ensure that the institution's management is fulfilling its responsibility to implement Sharia principles, as prescribed by the Sharia Supervisory Board.

After reviewing the various definitions proposed in the literature above, it appears that the definition by (Masruki , Hanefah, & Dhar, 2020) is the most consistent with the objectives and scope of this study. Their definition defines Sharia audit as "an independent and periodic assessment aimed at ensuring the effectiveness of the Sharia governance system and promoting compliance." This definition catch the evaluative and functional nature of the internal Sharia audit, assuring that its role is not limited to confirm

compliance, but also to its contribution to reduce the risk of non-compliance and improve Institutions practices. The focus on independence and periodic assessment agree with the key variables considered in this research, particularly auditor independence and his effectiveness. also, this definition merges the audit process into the wide Sharia governance framework, which is highly relevant in the Palestinian context where governance structures are still developing. Therefore, this comprehensive and functional definition provides a robust conceptual foundation for assessing the determinants of Sharia audit effectiveness in Islamic banks.

1.1.2 Internal Sharia Audit Effectiveness

Internal Sharia audit meets the expectations of the Board of Directors and the Audit Committee by focusing on the needs of the main stakeholders (Feizi , 2012). This can only be achieved through an action plan that represents the steps the Sharia auditor will follow to verify the Islamic financial institution's compliance with Sharia standards. The Islamic financial institution must have clear roles and objectives set by senior management and the Audit Committee so that the internal Sharia auditor can achieve them.

Dittenhofer (2001) defined effectiveness as the achievement of accomplishments and objectives using the criteria set for these accomplishments. (Badara & Saidin, 2013) provided a definition of effectiveness stating that it is the degree to which the specified objectives are achieved. For Islamic banks, (AAOIFI, 2015) provided a definition of effectiveness stating that it is the performance of internal Sharia auditing work such as planning, implementation, and documentation of Sharia audit results and recommendations, and the process of monitoring and evaluating the extent of Sharia compliance with the Sharia standards issued by the Audit and Accounting Organization for Islamic Financial Institutions and the fatwas, guidelines, and instructions issued by the Sharia Supervisory Board of the Islamic financial institution.

It can be said that the internal audit process in general is effective if the audit outputs are consistent with the objectives and roles determined by the audit committee and the board of directors (Albrecht , Schueler, & Stocks, 1988) Likewise, the effectiveness of internal Sharia auditors is best defined by their ability to achieve the specific objectives of banks (Azam & Sarea, 2021)

Many studies have addressed the effectiveness of internal Sharia auditing, including (Al-Twaijry , Brierley, & Gwilliam, 2003), which concluded that auditing experience, relevant educational attainment, and specialized professional certification would raise the efficiency and effectiveness of the internal Sharia auditor. (Ahmad & Jusoff, 2009) found that there are many elements that affect the effectiveness of internal Sharia auditors. These factors include insufficient support and training, insufficient staff, and the manager's negative response to the solutions proposed by the auditors. (Faza', 2024) studied the determinants of the effectiveness of Sharia auditing in Palestine, relying on factors proposed by researchers, namely independence, professional competence, organizational structure, and legislative framework, but without addressing the governance standards issued in 2015 by the Accounting and Auditing Organization for Islamic Financial Institutions.

Beckmerhagen, Karapetrovic, & Willborn (2004) indicate that in order to accurately measure audit effectiveness, the evaluation process should not only focus on the audit results against the planned objectives, but also on the audit process (planning, implementation, and follow-up) and available resources (auditor independence and competence). Suwaisi (2017) and Mashal (2021) also indicated that in order to accurately evaluate the effectiveness of the internal Sharia audit function in accordance with the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) Standards on Accounting, Auditing, and Controls for Islamic Financial Institutions No. (3) "Internal Sharia Control" of 2015, the following factors must be evaluated:

1. Internal Sharia Audit Independence.
2. Competency of the Internal Sharia Auditor.
3. Internal Sharia Audit Performance.

Internal Sharia Audit Independence

Independence, in the context of audit, refers to auditors' ability to operate without any bias, conflicts of interest, or external pressures that could impair their capacity to deliver objective and impartial assessments of an organization's transactions. (Njagi, 2023) . Within the framework of Islamic financial institutions, the internal Sharia audit function is carried out by the internal audit department, provided that they are qualified for this task and enjoy independence, or through the existence of an independent internal Sharia audit unit with powers similar to those of the institution's internal audit department (Al-

Shaer , 2015). Thus, When auditors lack independence, the likelihood of errors, omissions, or even fraudulent activities increases significantly (Taha, 2023).

Abdulrahman & Al-Twaijry (2003) emphasize that two critical elements of an independent and effective internal auditor are unrestricted access to documents and unlimited auditing authority. Similarly, Yismaw (2007) highlight that meaningful auditing requires auditors to have full access to transactions, documents, and assets, along with cooperation from the entities being audited. Consequently, internal Sharia auditors must maintain sufficient independence from the audited entities to perform their duties objectively and without interference. This underscores the notion that independence is fundamental to conducting a successful and impactful internal Sharia audit.

Sharia auditors must have an appropriate amount of independence to ensure the confidence of all those involved in and using their reports. Sharia auditing must be carried out by an independent department/administration, depending on the size of the bank, with a technical structural affiliation to the Sharia Supervisory Board, as stipulated in the Palestinian Monetary Authority Instructions No. (10) of 2017 (PMA, 2017) regarding the Guide to Rules and Best Practices for Banking Governance in Palestine. The bank must grant the internal Sharia audit department the necessary and unrestricted powers to access all information and administrative levels necessary to carry out its duties to ensure the bank's compliance with Sharia principles, which demonstrates the breadth of work of internal Sharia auditors.

The independence of the internal Sharia auditor is a crucial factor in effectively fulfilling their professional responsibilities. Despite being appointed by management; the internal Sharia auditor must carefully balance this relationship while evaluating the actions of the same management. However, potential conflicts of interest can compromise their independence during the auditing process. Such conflicts may weaken the effectiveness of the internal Sharia audit, as undue influence from management can hinder the objectivity of the audit findings (Agarwal, 2014)

Independence can be achieved through the organizational status of internal auditors and their ability to remain impartial (Athar , 2007) For a Sharia auditor to maintain independence, they must remain free from bias toward the client being audited and present an appearance of impartiality to those relying on the audit results (Rahman , 2008).

Competency of the Internal Sharia Auditor

Competence generally refers to the ability to achieve desired results in the best possible way (Nor Aishah, 2020). This concept applies to individuals as well as to the ability of organizations to work toward specific goals. As is well known, competency is a fundamental concept for ensuring effective job performance. Each specific job requirement requires specific knowledge, skills, and other competencies, which must be identified to determine the level of competency required to perform the job effectively, particularly sensitive and oversight functions in Islamic financial institutions. This naturally applies to the internal audit function, where internal auditors must possess the necessary knowledge, skills, and competencies to perform their individual responsibilities. collectively, internal audit activity must possess the necessary skills, knowledge, and competencies to perform its responsibilities (IIA, 2016)

In the same way, in Sharia audit function, Sharia auditor must have an appropriate academic background, demonstrate professional competency and be adequately trained in internal Sharia auditing tasks.. The head of internal Sharia audit must establish appropriate standards to meet these requirements (AAOIFI, 2015). Given the demands placed on Sharia auditors, internal auditors must acquire specific Sharia auditing competencies to ensure effective performance that meets the expectations of stakeholders in Islamic financial institutions.

Mulyany (2009) highlighted the importance of Sharia auditors obtaining a well-established and standardized qualification in addition to a certificate of competency. Furthermore, auditors must also possess certifications in both Sharia auditing and accounting and auditing fields.

Sharia internal auditor competencies include proficiency in accounting principles and internal auditing standards (Abdul Rahman, 2011). Most importantly, Sharia internal auditors must have sufficient knowledge of Sharia and Islamic financial contracts and the ability to develop appropriate Sharia audit tests (Malaysia , 2010). They must also have an understanding of Islamic financial institutions' operations and Sharia compliance functions to implement an effective internal Sharia audit function (Ab Ghani & Abdul Rahman, 2015).

Zurina (2015) recommended that Sharia auditors must have knowledge and experience in auditing Islamic financial institutions. It is recommended that each Sharia auditor obtain a Sharia certification.

In the case of Palestinian Islamic banks, internal Sharia audit staff must have the following minimum qualifications and experience (PMA, 2017):

1. An academic qualification of at least a bachelor's degree in a relevant discipline.
2. A professional certificate in the field of Sharia audit.
3. Appropriate practical experience and training in the field of Sharia audit.

Internal Sharia Audit Performance

The internal Sharia audit function plays a critical role in mitigating risks within Islamic financial institutions. This can be achieved by employing structured methodical procedures, Sharia audits contribute significantly to arrange institutional practices with the strategic objectives of Islamic banks, particularly in ensuring compliance with Sharia laws. This provides confidence, reassurance, and complete conviction to shareholders and customers that the Islamic bank's transactions comply with the provisions and principles of Sharia in its various financial transactions and other activities. Making sure that Sharia compliance in all Islamic financial activities through Sharia audit is essential to enhance the integrity of Islamic banks. Sharia auditors are responsible for the way Islamic financial institutions manage their operations and the effectiveness of internal sharia audit. They serve as the third line of defense, ensuring that all operations and activities adhere to Sharia principles (Khatib, Hamzeh, Bazhai, & Kabara, 2022).

In addition to the above, Sharia auditors must assess the effectiveness and efficiency of internal control mechanisms to prevent any potential Sharia violations. They are also responsible for examining the contracts entered into by the Islamic financial institution, the product structures it offers, the preparation of transaction reports, the preparation of financial statements, reports, marketing brochures, and any other documents of various types relevant to the operations of Islamic financial institutions (Yasoa, 2020), (Othman, 2015). Internal Sharia auditors are expected to perform their duties in accordance with auditing standards. They must plan and execute their assignments optimally, and communicate their findings to the relevant authorities. (Fayhaa , 2022)

The efficiency of the Sharia audit process is enhanced by the use of information technology and specialized computer programs during the auditor's work, as it facilitates his work, reduces the time and effort expended by him, and provides speed in completion, in addition to another advantage added to the use of information technology, which is the reduction of human intervention, which reduces errors and thus higher efficiency of the Sharia audit process.

According to the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI, 2015) guidelines outlined in GSIFI No. 3, the internal Sharia audit department is required to thoroughly plan all its audit engagements. Planning documentation should include, but is not limited to:

1. gathering basic information about the activities to be audited, such as branch and location details, product/service information, and departments.
2. defining the audit objectives and scope.
3. reviewing previous internal and external audit findings, Sharia Supervisory Board fatwas, directives, guidelines, and relevant correspondence, including input from regulators and supervisory boards.
4. identifying the resources required to conduct the audit.
5. communicating with relevant IFI staff involved in the audit.
6. conducting an assessment of the understanding of risks, activities, and controls, identifying areas of focus for the auditors, and incorporating feedback from the auditees.
7. preparing a written audit program; (8) determining the method and timeline for communicating the audit findings.
8. obtaining approval of the audit plan from relevant stakeholders, including the IFI's Sharia Supervisory Board.

To reach a reasonable confidence about the results of sharia audit task. Internal Sharia auditor plays a vital and essential role in (collect/examine/explain and documenting) all information, Sharia auditor must collect data related to all details of the audit goals and scope, including file reviews, questions, notes, and discussions with senior management. The information obtained must be valuable, comprehensive, and accurate to ensure well-supported audit conclusions and recommendations.

After completion the audit assignment, auditor must prepare a written report, at least quarterly, which is formally approved by the head of the Sharia Audit Department. This report directed to the Sharia Supervisory Board the board of directors, with copies distributed to management. The report must be informative, objective, well-organized, and timely. It must clearly detail the auditors' assessments and the audit objectives, scope, and findings. Furthermore, the report must propose recommendations for necessary improvements and amendments, highlighting notable achievements where appropriate.

regarding The conclusions and recommendations of the audit report should incorporate the perspectives of auditees. If any disputes arise between management and in-house Sharia auditors concerning Sharia-related interpretations, the SSB must be consulted for the final decision. Auditors must track recommendations made by external auditors, the SSB, and regulatory authorities. Additionally, they are responsible for conducting follow-ups to ensure that appropriate actions are implemented based on the audit findings as a result, the job description for in-house Sharia auditors should explicitly mandate regular and direct communication with both management and the SSB. Furthermore, auditors must have full access to documents, personnel, reports, and other relevant resources. These measures collectively enhance the competency and effectiveness of the auditing process (Azam & Mohd, 2021).

1.2 Previous Studies

With increasing interest in the importance of governance issues in Islamic financial institutions, academic interest has grown in assessing the effectiveness of the internal Sharia audit function and identifying the factors that influence it. Previous studies have varied in on all levels geographical and methodologies context but they share an attempt to build a deeper understanding of the determinants of effectiveness such as the competence and independence of the Sharia auditor and independence. To explain the evolution of scholarly discourse in this domain, the studies are systematically organized in a chronological sequence progressing from the most recent to the earliest contributions.

Faza'a (2024) conducted a recent study entitled "Sharia Audit Compliance in Islamic Financial Institutions in Palestine: A Systematic Literature Review" The primary objectives of this study was to assess the extent to which Islamic financial institutions abide by with sharia standards in their financial and operational activities. Following a systematic literature review methodology, supported by content analysis and descriptive

methods, the study conducted a thorough examination of relevant literature to achieve its objectives.

The study critically analyzed the differences between the roles of internal and external auditors in Islamic financial institutions and banks, with a particular focus on the qualifications of Sharia auditors within these institutions and the scope of internal Sharia auditing. It identified the factors that affect compliance, quality, and effectiveness in Islamic banks and financial institutions operating in Palestine and proposed a theoretical framework for assessing the importance of Sharia audit governance.

Also in separate study, Faza' (2024) also conducted an analytical study titled "Determinants of Effective Sharia Compliance Auditing in Palestine: a Theoretical and Conceptual Analysis". The study aimed review and analyze the available literature on Sharia auditing compliance, focusing on distinguishing between the roles of external auditors and internal auditors, defining the scope of internal Sharia auditing, and assessing the qualifications of Sharia auditors.

By using a descriptive approach with content analysis, the study focused on Palestinian context, positioning it as an important case study within the wider Arab region.

Before that anwarul (2021) conducted a quantitative significant study titled "Determinants of the Effectiveness of Internal Sharia Audit: Evidence from Islamic Banks in Bangladesh." The aim of the study to identify the factors influencing the effectiveness of the Sharia audit system, especially in light of the quick development of Islamic financial institutions in the Asian countries especially Bangladesh.

Data collected from members of Sharia supervisory boards, and audit committees and Sharia auditors at six private Islamic banks in Dhaka, Bangladesh. The study relied on the quantitative approach through primary data collected from random samples, where the response rate reached 65%. The researcher distributed 210 questionnaire forms, of which 136 were valid and adopted as final responses.

The results show that auditor's competency and independence levels and job performance have a significant positive impact on the effectiveness of Sharia compliant internal auditing. These results give us a valuable insights and real guidance for enhancing the effectiveness of Sharia compliant internal audit systems in Islamic financial institutions.

Latifah, Soualhi, & Othman (2021) proceeded expanded study entitled "Assessing the Effectiveness of Internal Sharia Audit Structure and Practices in Islamic Financial Institutions: A Case Study of Islamic Banks in Yemen" aimed to rate and explore the key Sharia governance determinants affecting internal Sharia audit structure and practices in Islamic financial institutions in Yemen.

A qualitative case study approach adopted by the researchers. they used secondary and primary data sources to formulate relevant interview questions and reach the study objectives. Their findings recommended that the factors for assessing the internal Sharia audit structure and practices include the Sharia auditors' charter and the audit plan and the audit manual.

The study also revealed that internal Sharia audit in Yemeni banks normally tend to be subjective and depend extremely on the experience and qualifications of internal Sharia auditors, rather than formal guidelines and regulations. this reservation is a credit to the lack of detailed internal Sharia audit plans and comprehensive audit manuals.

Nor Aishah (2020) Published a prominent study titled " The Competency Model for Sharia Auditors in Islamic Banks " was conducted to identify the core competencies required for Sharia auditors in sector of Islamic banking. The study employed a semi-structured interviews to gather in-depth insights and qualitative methodology to study multiple cases.

A representative from the Central Bank of Malaysia and 30 participants, including Sharia auditors from four different banking institutions and heads of Sharia audit departments participated in data collection. This was followed by focus group discussion to validate the proposed competency model.

The results revealed a variety in approaches to hiring Sharia auditors. Most institutions preferred to use their existing internal auditors rather than recruiting experienced Sharia auditors from other financial institutions or new graduates. The study identified knowledge of Islamic banking, and Islamic Sharia, and Islamic jurisprudence (Fiqh al-Muamalat) as core knowledge areas for Sharia auditors while auditing skills emerged as a core competency necessary for effective performance in Sharia auditing roles.

Khalid (2020) conducted a study titled “Independence and Effectiveness in Internal Sharia Audit with Insights Drawn from Islamic Agency Theory” aiming to examine the foundations of effectiveness in internal Sharia auditing within Islamic financial institutions.

The study began with a reviewing all of the literature, adopting a theoretical approach and developed the theory of Islamic agency based on the general principles of agency theory. by focusing on the concept of independence the researcher used the proposed theoretical framework to characterize the most important factors for the effectiveness of internal Sharia audit.

The results shows that the effectiveness of internal Sharia audit as a technique to maintain Islamic financial institutions' compliance with Sharia is positively related to the degree of independence given to internal Sharia auditors. The research suggested that a detailed Islamic agency theory provides a solid theoretical base to establish a multidimensional conceptual framework focused on independence which can be useful in evaluating the effectiveness of internal Sharia audit.

Khalid (2020) In another study heading " Role of Audit and Governance Committee for Internal Sharia Audit Effectiveness in Islamic Banks " focusing the lights on Islamic banks in Bahrain. The research aimed to see how the Governance and Audit Committee participate upgrading the effectiveness of internal Sharia audit in those institutions.

The research depend on two stages approach of data collection and analysis including interviews and a literature review related to the roles of the audit committee and internal Sharia auditors understanding importance of these stakeholders to the governance of Islamic banks.

The study suggested that the Islamic agency theory develop a suitable theoretical foundation to build a conceptual framework for the effectiveness of internal Sharia audit. It moreover suggested that governance committees and auditors within Islamic banks play a necessary role in upgrading effectiveness of internal Sharia auditors and there performance

A quantitative research made by Sarea (2019) titled (Factors Influencing Internal Sharia Audit Effectiveness: Evidence From Bahrain) The research aimed to explore the

determinants of effective internal Sharia audit within Islamic financial institutions in Bahrain.

employing a questionnaire-based methodology the study grounded its instrument primarily on (AAOIFI) the Accounting and Auditing Organization for Islamic Financial Institutions Governance Standards. The respondents included 52 heads of internal Sharia audit departments from Islamic financial institutions registered with the Central Bank of Bahrain.

The findings reveal a positive and statistically significant relationship between the performance and competence of internal Sharia auditors and the effectiveness of internal Sharia audit application although there was a positive relation between the independence and role of the Sharia Supervisory Board and audit effectiveness their contribution was statistically insignificant. The studied variables combined contributed 63.2% of the variance in the effectiveness of internal Sharia audit in the institutions studied.

Kasim (2019) make a study titled “Talent Management for Sharia Auditors: A Case Study from Practitioners,” which discussed competency standards as a key component of talent management for Sharia auditors inside Islamic financial institutions in Malaysia.

The study adopted a qualitative research design relying on interviews with 30 specialists including Sharia auditors and heads of Sharia audit departments from various Islamic financial institutions as well as the head of the Islamic banking department at the Central Bank of Malaysia. A focus group discussion was subsequently held to validate the findings.

The results show varying practices regarding talent management particularly regarding competency requirements for Sharia auditors. However, participants generally agreed that a combination of knowledge and specific skills and personal qualities, along with years of experience in the field, constitutes a prerequisite for becoming competent Sharia auditors.

Azam & Tajul (2018) \conducted a theoretical study titled “Competency and Effectiveness of Internal Sharia Audit in Islamic Financial Institutions” The study aimed to conceptualize the relationship between the competency of internal Sharia auditors and their effectiveness within Islamic financial institutions.

Drawing upon the Maqasid al-Sharia theory the researchers explored the linkages between auditor's competency and the effectiveness of internal Sharia audits, mixing the roles and responsibilities of internal Sharia auditors in these institutions.

The study indicated that knowledge, skills, and training (competence) influence the effectiveness of the internal Sharia audit process. This research contributes to providing an Islamic framework that establishes a relationship between competence and the effectiveness of Sharia auditing by expanding the scope of the available literature on the effectiveness of internal Sharia auditing.

1.2.1 Commentary on Previous Studies

A review of previous studies on the research topic (the effectiveness of internal Sharia audit) reveals a significant growth in academic interest. This is evidenced by the diversity of methodologies employed and the range of topics covered across the geographic locations of these studies. Despite this, many major gaps remain, justifying this study especially concerning Palestinian Islamic banks.

The research's has improved over time, moving from theoretical and conceptual studies in 2018 to more applied and specialized studies in recent years. This transformation reflects a shift from abstract theoretical frameworks to a focus on understanding workable applications and the factors influencing audit effectiveness, thus digging the research's and enhancing the reliability of its findings

We also notice that most of these studies have been in South and East Asia and the Gulf States region with few studies addressing the rest of the Arab countries. This provides an opportunity for our current study to address this geographical gap.

Methodologically, these studies employed few quantitative analyses while theoretical approaches were widely used. This highlights the necessity of developing research designs that integrate quantitative and qualitative research, such as the methodology used in our current study.

Previous studies have addressed different aspects of Sharia auditing, focusing on different themes but have yet to present a comprehensive model that integrates all relevant dimensions. This gap is the impetus for developing a comprehensive and integrated framework which is what this study aims to do.

Based on the above, our current study seeks to fill the gaps by proposing a model to measure the effectiveness of internal Sharia audit that can be applied to Islamic banks operating in Palestine and similar environments to the Palestinian banking environment, in addition to provide theoretical and methodological contributions that are practical in nature to improve the current research and wharf the way for deeper and more specific in the future.

1.3 Study problem

Despite the steady and promising expansion of the Islamic banking sector in Palestine, and the efforts made by the Palestine Monetary Authority to develop regulatory and supervisory frameworks there are fundamental and complex challenges facing the effectiveness of internal Sharia auditing in these institutions. These challenges are not limited to technical or procedural aspects, but extend to include complex and intertwined structural, organizational, and human aspects.

Hence, the problem of the current study is an attempt to explore the main determinants affecting the effectiveness of internal Sharia auditing. This study is conducted through a field study of Islamic banks operating in Palestine, based on the opinions of employees in Sharia supervisory boards and Sharia supervisory units, academic experts and those related to the subject of the study from supervisory authorities and analysis of data extracted from the actual work environment.

The lack of clarity on these determinants creates uncertainty among Islamic bank management regarding investment priorities in developing Sharia audit systems. Without a clear understanding of the factors that most impact effectiveness, these banks may direct their limited resources toward less important areas, while neglecting the critical factors that have a greater impact on performance.

This ambiguity also affects the ability of regulatory bodies, particularly the Palestine Monetary Authority, to formulate effective policies and regulations to develop the Sharia audit sector. Without clear empirical evidence on the most important determinants, regulators may focus on less impactful aspects or impose requirements that are inconsistent with the practical reality of banks.

1.4 Study Questions

Based on the research problem presented, the following main research question emerged: " What are the most important determinants affecting the effectiveness of the Sharia audit process in Palestinian Islamic banks? " The following sub-questions stemmed from this main question:

- 1- Is the functional independence of the internal Sharia auditor a factor affecting the effectiveness of the Sharia audit process?
- 2- Is competence (academic/professional) a factor affecting the effectiveness of the Sharia audit process?
- 3- Is the performance of the Sharia auditor a factor affecting the effectiveness of the Sharia audit?
- 4- Is it sufficient to study only (independence/competence/performance) to determine whether or not the Sharia audit is effective?
- 5- Are there obstacles preventing the effectiveness of Sharia auditing in Palestinian Islamic banks?
- 6- Can the effectiveness of the Sharia audit process in Palestinian Islamic banks be increased?

1.5 The Importance of Study

The importance of this study lies in its provision of a scientific analytical framework for understanding the factors that strengthen or weaken the impact of the Sharia audit function, whether related to the auditor himself, the bank's internal regulations, the Sharia Supervisory Board, or the general regulatory context. The study also contributes to providing applicable recommendations that will develop Sharia audit practices in the Palestinian environment and enable its units to perform their roles more professionally and effectively.

Perhaps the most notable feature of this study is that it comes amidst the actual expansion of Islamic banks in the Palestinian market, and at a time when the Palestine Monetary Authority is seeking to strengthen oversight and auditing of Islamic banks to keep pace with international standards and achieve a balance between Sharia requirements and institutional development.

On both theoretical and practical levels importance of this study proceed from its worthy and useful contributions on many ways. First: it seeks to provide practical and applicable recommendations for Palestinian Islamic banks to improve the effectiveness of their internal Sharia audit systems. To increase the likelihood of success and effectiveness of these recommendations when implemented, they must be based on empirical evidence derived from the practical realities of banks.

The study's findings can help prioritize investment in developing Sharia audit systems in Islamic banks by focusing on the most important factors affecting effectiveness. This approach can contribute to improving the efficiency of limited resources in this area and maximizing returns on investment in it.

The study's findings can also contribute to improving and developing the supervisory and regulatory frameworks for Sharia auditing, especially if the results are adopted by the Palestine Monetary Authority, as the subject of Sharia auditing is of great importance in light of the effort to enhance the role of the Islamic banking sector in Palestinian economic development and the need for the strength and soundness of this sector.

Finally, in light of the shortage of specialized personnel in training and qualification in the field of Sharia auditing at the local level, this study can contribute to the development of qualification and training programs for auditors by identifying the most important issues to achieve effectiveness in Sharia auditing.

1.6 Study Objectives

This study aims to explore and analyze the determinants of the effectiveness of internal Sharia auditing in Palestinian Islamic banks, through the following detailed objectives:

1. To study the impact of internal Sharia audit independence on audit effectiveness.
2. Study the relationship between the effectiveness of the Sharia audit process and the competence of the internal Sharia auditor
3. Evaluate how the performance of internal Sharia audit teams affects the effectiveness of Sharia audit focusing on the stages of the audit process (before-during-and after).
4. Determine if there is other factors than independence, competence, and performance can affect the effectiveness of Sharia audit.

5. Analyze the administrative and organizational factors within Palestinian Islamic banks that affect the ability of the internal Sharia audit function to perform its role effectively both positively and negatively
6. Prepare practical recommendations obtained from the findings aimed at increasing the effectiveness of internal Sharia audit practices and encouraging institutional compliance with the principles of Islamic Sharia in the Palestinian banking sector.

1.7 Study scope

This study is dependent on a number of limitations that should be taken into consideration when explaining and generalizing its results. These limitations include the following:

- 1- Spatial scope: This study is limited to Islamic banks operating in Palestine: Arab Islamic Bank, Palestine Islamic Bank, and Al-Safa Bank. This means that the results reflect the reality of internal Sharia audit in those banks only and don't extend to Islamic banks outside Palestine.
- 2- Time scope: The study was conducted through the first half of 2025. Therefore, the results reflect the common practices and trends during that period and may change as management or regulatory structures develop in the future.

Chapter Two

Method and procedures

This section contains a comprehensive description of the population under study along with a detailed explanation of chosen sample and the procedures the researcher employed to choose. It also expresses the instruments used by researcher, the steps taken in their preparation and the efforts made by the researcher to prove their validity and reliability. also this section provides a detailed description of the research methodology, including the statistical and non-statistical methods and processes used in information analysis and how the results were extracted.

2.1 Study Methodology

This study examines the determinants of the effectiveness of internal Sharia audit and explores whether there are any obstacles or challenges that might hold or affect its effectiveness in Islamic banks in the Palestinian market. Our study employs a sequential two-stage interpretive method to make sure the depth of conclusions we will reach by collecting qualitative and quantitative information together.

Our methodology is presented in two stages:

- 1- Stage One: Quantitative Survey.
- 2- Stage Two: In-depth Interviews.

The researcher wrote and conducted the questionnaire and interview questions in Arabic, and then translated the responses into English for analysis and presentation in our research.

2.2 Study Instruments

2.2.1 Phase one: survey

Instruments and info sources: The researcher designed the questionnaire to measure the effectiveness of internal Sharia audit through different three axes: independence, competence, performance in addition to demographic information for the purposes of subsequent statistical analysis.

The questionnaire includes four main sections:

Section One: Demographic Info (Gender, Job Title, Age, Employer).

Section Two: Independence Axis – which includes (7) items measuring the degree of organizational and professional Independence of the Sharia Audit Unit.

Section Three: competence Axis – which includes (13) items measuring the auditor's qualifications, experience, and training.

Section Four: Performance Axis – which includes (17) items related to the audit plan, work manual, and the quality of the reports issued.

2.2.1.1 Validity of the questionnaire

The content validity of the questionnaire was established through a panel of academic experts specialized in Sharia auditing and Islamic finance, who reviewed and evaluated the clarity, relevance, and appropriateness of each item before the final distribution to the study population.

Appendix (1) shows the experts who arbitrated the questionnaire and who made their comments on the comprehensiveness of the topics, clarity of the phrases, and accuracy of the scientific formulation, which were taken into consideration to make the necessary amendments before the final distribution.

2.2.1.2 Study Population

The study population consists of the Sharia audit units and departments and Sharia supervisory boards of Islamic banks in Palestine, which include three banks: PIB, AIB, and SAF. According to data issued by these banks, the number of members on their Sharia supervisory boards reached (9), while the number of employees in their Sharia audit units and departments reached (12).

2.2.1.3 Study Sample

The researcher selected the study sample to represent the entire research community (a focused sample), including all employees working in the Sharia field in Islamic banks operating in Palestine. The sample consisted of 20 respondents. The number mentioned represents enough sample to meet the desired and reliable results. Table (1) below show us the distribution of the study sample according to demographic factors reflecting the representative the study sample distribution.

Table 1*Distribution of the study sample according to demographic factors*

	Variables	count	percentage
Gender	Male	20	%100
	Female	0	%0
Job title	Sharia auditor	9	%45
	Director of the Sharia Supervision and Audit Unit/Department	3	%15
	Member of the Sharia Supervisory Board	6	%30
	Chairman of the Sharia Supervisory Board	2	%10
Age category	Under 25 years old	1	%5
	From 25 to under 35 years old	6	%30
	From 35 to under 45 years old	7	%35
	Over 45 years old	6	%30
Institution	PIB	9	%45
	AIB	7	%35
	SAF	4	%20

Table by author

From the researcher's perspective demographic data presented in Table No. 1 provides status that make the explanation of our study findings stronger. We received 20 complete responses out of 21 divided questionnaires representing answer rate of around 95%. This very high response rate enhances the reliability and credibility of the data acquired and reduces concerns about non-response bias and strengthens the study.

The fact that all respondents were male (100%) reflects the current gender structure within audit and Sharia supervisory board functions in Islamic banks in Palestine. The complete absence of female representation may show either structural restriction in accessing Sharia-related roles or other blocks and could also affect how institutional representation is understood within the internal Sharia audit environment.

with reference to job titles our sample includes accepted range of institutional roles within the Islamic banking sector:

- 1- internal Sharia auditors (45%)
- 2- Sharia supervisory unit managers (15%)
- 3- Sharia supervisory board members (30%)
- 4- chairman of the Sharia supervisory board (10%)

In our view this diversity reflects both operational and strategic perspectives. The participant's responses likely influence how they perceive and prefer the concepts of independence, competence, and performance, highlighting key differences in focus between those directly run audits and those overseeing and monitoring them.

Figure 1

Sample distribution by job title

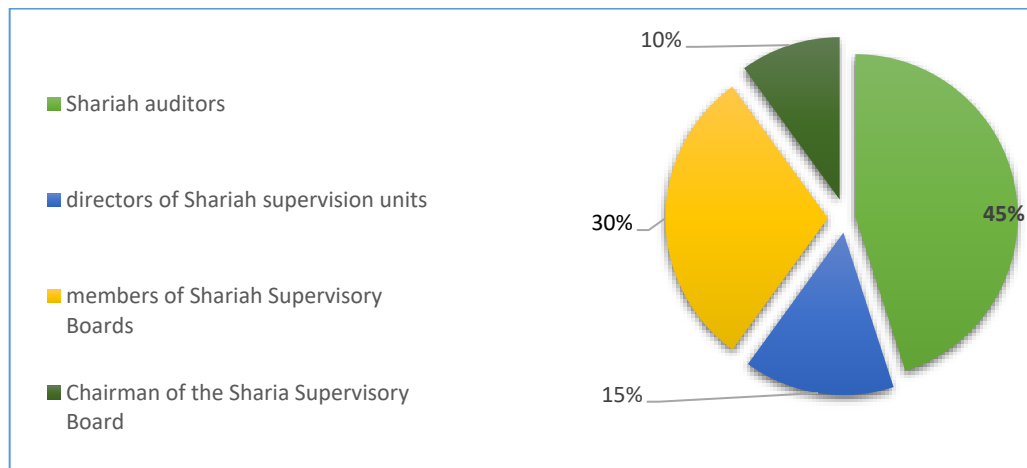


Figure by author

The age distribution in our sample, as shown in Figure (1), indicates that the majority of participants are in the age group from 35 to less than 45 years old represent (35%), and the age group over 45 years old represent (30%), which means that 65% of the participants have long practical experience, which deepens the credibility of their answers as they are professionally mature, especially with regard to the application of governance instructions. As for the age group under 25, their percentage was (5%), and it is possible that the low representation of this group may affect the ability of our study to explore the views of generations adequately, especially in areas such as training priorities for the Sharia auditor during his development in his work and the use of technology in auditing tasks.

Figure 2

Sample distribution by age

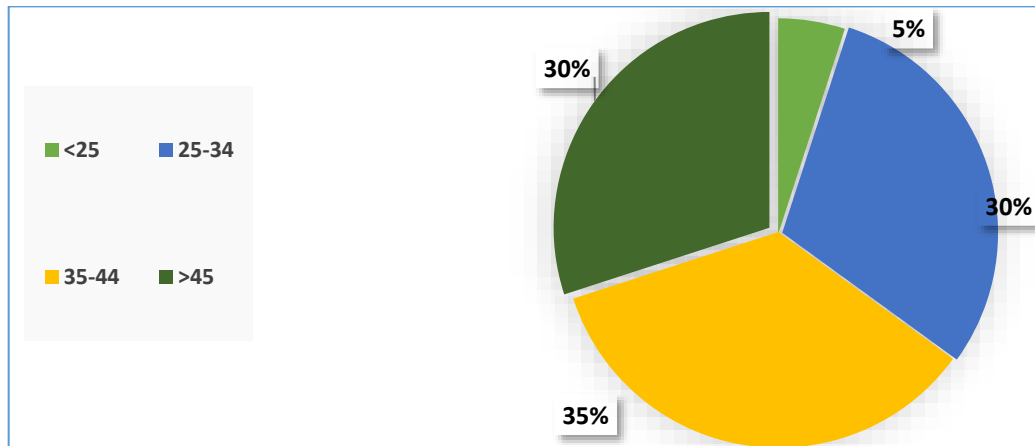


Figure by author

The figure above shows the institutional affiliation of our study sample, where we see that the sample is reasonably distributed among the three Islamic banks in Palestine: PIB (45%), AIB (35%), and SAF (20%). This distribution enhances our ability to generalize the results to the Palestinian context and may support future comparisons between Palestinian Islamic banks themselves or other Islamic banks worldwide.

Figure 3

Sample distribution by Institution

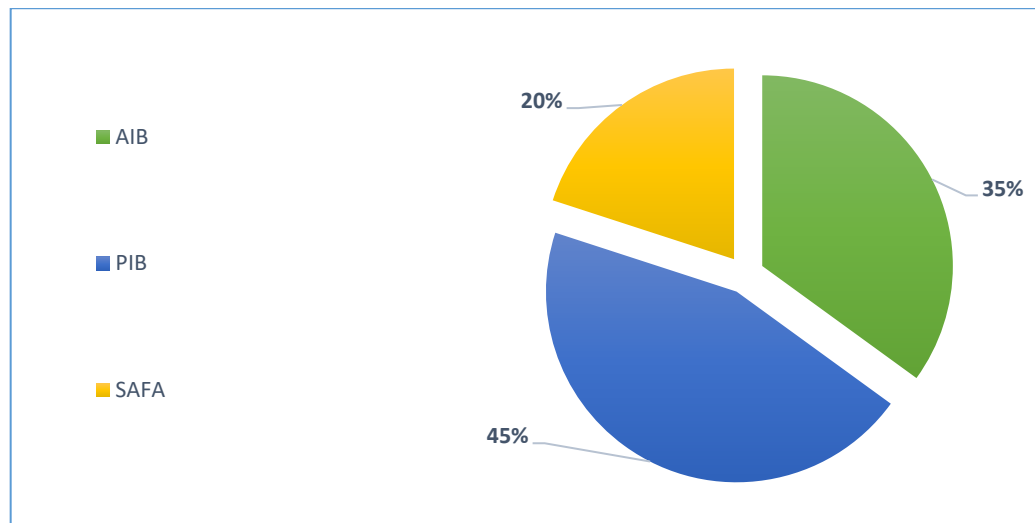


Figure by author

As shown in Table 1, we observed that demographic characteristics along with a high response rate contribute to strengthening the study. We also noted that the different institutional roles and extensive experience levels of the respondents informed

perspectives within the research sample. However, the observed demographic imbalances particularly in gender and age may influence the perspective from which our participants evaluate the key elements of independence, competence, and performance within internal Sharia audit functions in the Palestinian market.

While these demographic factors are not definitive they might create personal viewpoints especially relating to the organizational dynamics of each institution or role expectations and op

2.2.5 Questionnaire Information Analysis Methods

To ensure the validity of the results of our study and the correctness of the measurement tools we used, we take up a set of methodological steps as follows:

- 1- A total review of previous literature was managed to define the research problem and identify the factors linked with the effectiveness of internal Sharia audit (the main research topic).
- 2- A questionnaire was developed and presented to a committee of academic experts in Sharia audit and Islamic finance to verify the contents rightness, the clarity of the phrasing and its worthy to the research objectives.
- 3- The questionnaire was spreaded to a sample of Sharia auditors and Sharia supervisory boards of Palestinian banks.
- 4- Data was collected over a limited timeframe with ensuring voluntary participation.
- 5- Responses were examined and organized for statistical analysis.

These procedures guided the data collection and analysis process to reach the study goals which enabled us to reliable conclusions and formulate sound recommendations

2.2.6 Collection of data and information

data collection process began by hand out the questionnaire electronically via email and various social media platforms including WhatsApp to the study sample.

Responses were followed up direct in July 2025 to explain any inquiry and provide any necessary guidance. Appendix (B) presents the questionnaire used for data collection.

2.2.7 Data Analysis and Interpretation

Data: Quantitative data were first collected through the questionnaire using Google Forms followed by analysis using Microsoft Excel and the Statistical Package for the Social Sciences (SPSS).

According to the study objectives and the nature of its questions, a set of inferential and descriptive statistical methods were used, as follows:

2.1.8 Descriptive Statistical Methods and Their Purposes

Each of the following statistical methods served a specific analytical purpose aligned with the nature of our study:

- Percentages: These are used to make comparisons easier between demographic groups (age, gender, etc.) where the frequencies represent quantity of the total study sample.
- Arithmetic Means: These are used to measure the general way in participants' responses pointing out whether the general trend inside the study sample leans towards agreement, disagreement, or neutrality.
- Standard Deviations: These are used to evaluate the level of agreement or disagreement in the study sample by measuring the degree of dispersion or variance in responses around the mean.

Phase two: In-depth interviews

We selected eight individuals for in-depth interviews, distributed as follows:

- 1- University professors specialized in Islamic finance and banking.
- 2- Employees of the Palestinian Monetary Authority working in the supervision of Islamic banks and inspection teams.
- 3- Employees of the three Palestinian Islamic banks.

The interview process was managed using a protocol that ensured accuracy and effectiveness.

This protocol aimed to categorize the participants' perspectives, regardless of their job positions, within the context of the study and its research questions. It also allowed participants the freedom to express their experiences, providing a flexible framework for exploring a wide range of topics relevant to the research.

The interview protocol was developed based on pre-established research objectives, with the guidance of the supervisor and in consultation with relevant references and it included open-ended questions designed to encourage honest conversation among participants of varying ages, job positions, and from different institutions. This approach encourages a degree of structure and volunteering in the interviews reducing formality to achieve more realistic results. It also allowed the researcher to explore areas of interest as they arose during the conversations and were indicated by the participants.

Each interview session lasted approximately 30-40 minutes per participant. To ensure the anonymity of participants in accordance with ethical research principles and to protect data we also coded participants to maintain confidentiality. An anonymous list of participants is provided in Appendix © and they were assigned the following codes:

Academics: NH.

Palestinian Monetary Authority: PM.

Arab Islamic Bank: AB.

Palestine Islamic Bank: PB.

Safa Bank: SF.

2.3 Ethical Considerations

We adhered ethical standards in this research throughout all stages. All objectives and procedures of the research were clearly explained to all participants before data collection began and all participants were informed of their right to withdraw at any time without any consequences.

To protect the confidentiality and privacy of participants, no personal information was collected. All responses were used for academic purposes and were anonymous, stored securely inaccessible except to the researcher.

To ensure the academic suitability of the questionnaire content and wording, it was reviewed and approved by a panel of academic experts. This ensured that the study complied with the institutional ethical principles governing research conducted on human subjects.

Chapter Three

Results

3.1 Introduction

This chapter represents the most important part of the study, as it presents the findings derived from the data collected through the questionnaire administered to the study sample and in-depth interviews.

To assess participants levels of agreement with the statements a five-point Likert scale questionnaire was developed and ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

The questionnaire contains a (37) items distributed across three main dimensions as follows: Performance dimension: 17 items /competence dimension: 13 items and independence dimension: 7 items.

A detailed presentation of descriptive statistical analysis was presented in this chapter includes response levels, arithmetic means, Percentages, and standard deviations for each dimension and item. the following classification was applied based on mean scores to explain response levels:

Low: 1 to less than 2.5

Moderate: 2.5 to less than 3

High: 3.5 to less than 4.5

Very high 4.5 to less than 5

To provide a comprehensive interpretation that bridges theoretical framework with the findings, the results were displayed in alignment with the sequence of the study's questions and place the foundation for the discussion in the next chapter.

3.2 Results Review

To answer the main research question and its sub-questions, figures, percentages, arithmetic means, and standard deviations were calculated for the various domains, in addition to analyzing personal interviews to ensure the research objectives were met.

The results of the first sub-question, which states, " Is the functional independence of the internal Sharia auditor a factor affecting the effectiveness of the Sharia audit process? ", are presented in Table 2, along with the arithmetic means and standard deviations for the independence axis.

Table 2

Independence axis

Items	Mean	S.D	Percentage
I1: The audit team should have the necessary authority to perform its duties, including unrestricted access to all documents needed to complete the audit.	5.0	.22	99%
I2 : The internal Sharia audit unit should report directly to the Sharia Supervisory Board and be evaluated by it.	4.9	.37	97%
I3 : The Sharia auditor should not be subject to any personal or administrative pressure that may compromise their independence during the audit process.	5.0	.00	100%
I4 : If audit observations are unfavorable to management, the auditor should not be subject to any administrative actions that negatively affect them.	5.0	.00	100%
I5: Professional independence enables the auditor to issue accurate and objective reports.	4.9	.31	98%
I6 : The neutrality and professionalism of audit reports help enhance the trust of the Sharia Supervisory Board.	4.9	.37	97%
I7 : There is a clear relationship between the level of audit independence and the effectiveness of the Sharia audit process.	4.8	.44	95%

Table by author

The statistical data in table 2 indicates a very high positive general trend towards the importance of the independence of Sharia auditing, as the arithmetic means of the items ranged between (4.80) and (5.00), reflecting a high level of awareness and agreement among the study sample regarding the centrality of the professional and administrative independence of the auditor.

The third Item, " The Sharia auditor should not be subject to any personal or administrative pressure that may compromise their independence during the audit process," alongside the fourth Item, " If audit observations are unfavorable to management, the auditor should not be subject to any administrative actions that negatively affect them," were identified as the highest priorities concerning auditor independence. Both items achieved a mean score of 5.00 with a standard deviation of 0.00, signifying unanimous agreement among the respondents. As shown in the table above all respondents agree that protecting the Sharia auditor's independence is a core ethical principle in Islamic banking and an unquestionable foundation of the auditing profession. Simply put an audit cannot be considered impartial if the auditor faces any pressure or disciplinary action.

Despite its high value with an average of 4.8 and the highest standard deviation in the group (0.44), the seventh item, which states "There is a clear relationship between the level of audit independence and the effectiveness of the Sharia audit process" came in last place. While, as indicated by the table above, there is strong agreement on the relationship between both independence and audit effectiveness (95%), the relatively high standard deviation compared to the other items indicates that some respondents believe that "independence" alone may not be the only variable affecting "effectiveness" in the Palestinian case, and that there are other factors that may also affect the quality of the final audit outputs.

From the researcher's perspective, this ranking, which achieved complete consensus among the study sample, centers on preventative independence. Respondents demonstrated that they view independence as an indispensable necessity, not an organizational option that can be disregarded, especially regarding the neutralization of administrative pressures of any kind. This is demonstrated by the lack of variation in the phrases related to auditor protection giving us the impression that the study sample believes sharia audit cannot be effective without independence.

What confirm the importance of independence as demonstrated by the statistical analysis in Table 2 is the view expressed during personal interviews by each of PM1, NH1, SF1, and PB2 who considered the protection of the auditors and their administrative independence to be the most important factor affecting the effectiveness of the Sharia audit process.

All experts as the (practitioner, theorist, and supervisor) without exception agree that auditor independence is the key factor for the effectiveness of internal Sharia audit. This fully agreement confirms the statistical results shows zero variance (standard deviation = 0.00) in auditor protection. these results if we could take it together demonstrate that independence is not only a technical condition but an absolute necessity for audit to function to be perfect. All relevant sectors (academic, legislative, and practical) realize that the loss of independence collapses the auditing process ineffective and threatens the integrity of Sharia reports.

The results of the second sub-question which states " Is competence (academic or professional) a factor affecting the effectiveness of the Sharia audit process?" are presented in Table 3, along with standard deviations and arithmetic means for the competence axis.

Table 3*Competency axis*

Items	Mean	S.D	Percentage
I8: Holding a recognized professional certificate and receiving specialized training in Sharia compliance is essential for an auditor to perform efficiently.	4.6	.60	92%
I9: Academic qualifications, such as a relevant university degree and deep knowledge of Sharia standards and AAOIFI auditing standards, as well as PMA instructions, are critical for the auditor.	4.9	.37	97%
I10: Continuous education and training in financial transactions and financing contracts help maintain the auditor's professional competence.	4.9	.37	97%
I11: The auditor must stay updated on the latest developments in Sharia and auditing standards.	4.9	.37	97%
I12: The use of working papers by the audit team, and their review by the head of audit, enhances audit accuracy.	4.5	.69	89%
I13: The auditor should provide clear and effective recommendations to improve Sharia compliance.	4.7	.47	94%
I14: The auditor must prepare audit reports in accordance with the approved plan and timeline, including audit objectives, scope, and key findings.	4.5	.76	89%
I15: The auditor should follow up on the implementation of recommendations and corrective actions.	4.6	.51	91%
I16: The auditor's professional and technical skills influence the accuracy of audit results.	4.8	.41	96%
I17: Enhancing the auditor's professional and academic competence strengthens the effectiveness of the audit process.	4.8	.44	95%
I18: The quality of the audit is directly affected by the competence of the auditors.	4.7	.49	93%
I19: Developing the auditor's skills contributes to achieving Sharia compliance objectives and enhances audit quality.	4.7	.49	93%
I20: The greater the auditor's academic and practical competence, the more effective the audit will be in detecting and correcting violations.	4.7	.47	94%

Table by author

Regarding the competence of the Sharia auditor, Table 3 above shows a agreement on the importance of the auditor possessing a strong knowledge base. In this regard, three statements achieved the highest average scores within the group (4.9), items 9, 10, and 11. This average indicates that continuous learning and in-depth knowledge are essential conditions for the effectiveness of the Sharia audit process.

The indicators from our study sample show that competence is a dynamic- multifaceted process that requires continuous updating to maintain it, and is not a static state.

Furthermore, as shown in the table above, we had the lowest standard deviation of (0.37) representing the lowest value in the group (4.8). This indicates a high degree of homogeneity and agreement among respondents in the Palestinian banking market that continuous academic development and professional training are mandatory investments to ensure quality performance (investment in human capital). This consensus is directly related to the high scores of items (I16 and I17), confirming that competence in both its academic and professional aspects, affects the effectiveness of the audit.

What is noteworthy in Table No. 3 is the item related to the process of documenting the procedures for preparing the Sharia audit report, as indicated by statement No. 14, which acquire the lowest arithmetic level with a value of (4.5), which represented the lowest level of agreement in the group. Although the average is positive, its relatively low value compared to other items in the same group indicates that the respondents believe that these procedural requirements for preparing the audit report are not as important as the auditor's basic knowledge. The standard deviation (0.76) represents the highest degree of dispersion in the competency data, indicating that the study population agrees on the necessity of possessing knowledge (I9), but they differ significantly in applying routine procedures for documenting and reporting it. This is consistent with the high variance in item (I12: working papers), which recorded a standard deviation of 0.69.

Further supporting the findings of the statistical analysis regarding academic and professional competence is the observation made by (PB2, PM1, PB1, and SF1) in their interviews that this enhances the auditor's ability to deal with the complexities of the banking reality, which is one of the most important pillars for effective Sharia auditing.

The results of answering the third sub-question, which states, " Is the performance of the Sharia auditor a factor affecting the effectiveness of the Sharia audit?", and to answer this

question, the arithmetic means and standard deviations for the performance axis were presented in the following tables:

Table 4

Performance axis before starting the audit process

Items	Mean	S.D	Percentage
I21: The audit process should follow a clear annual plan that outlines objectives, scope, and relevant activities.	4.8	.44	95%
I22: Before starting an audit round, data about the activity to be audited should be collected, with a full assessment of related Sharia risks and prioritization accordingly.	4.6	.51	91%
I23: Coordination with both senior management and the Sharia Supervisory Board is required to approve the audit plan before implementation.	4.2	.93	83%
I24: A detailed audit program should be designed, outlining steps and procedures to be followed during the audit.	4.4	.67	87%
I25: Audit data should be collected and documented systematically to ensure ease of access and future review.	4.7	.49	93%
I26: Auditors should be trained in using all relevant software to ensure an effective audit process.	4.6	.68	92%

Table by author

Descriptive statistical analysis of pre-audit items reveals a clear paradox between the high agreement on the methodological necessities of the audit and the difference regarding the organizational and administrative procedures to foster the work plan.

The highest statistical value was represented by the arithmetic mean of item (I21) which states\ "The audit process should follow a clear annual plan that outlines objectives, scope, and relevant activities," reaching a maximum of (4.8). It is clearly evident that the research sample views having an annual audit plan as essential professional factor of the auditor's performance, as indicated by the 95% average. This view is further reinforced by the statements of both (PB1 and NH1 (who consider advance and systematic planning

to be among the foundations upon which the audit process derives its rightness and effectiveness.

We also noticed that the low standard deviation (0.44) points a very high degree of homogeneity in the opinions of our study group. This reflects a united and firmly established understanding among them that the absence of systematic planning based on well-defined and carefully considered objectives and scope will inevitably lead to random and ineffective auditing. We can consider this result an indicator of professional maturity in understanding the mechanisms of auditing that make it meaningful.

From the researcher's point of view, this inconsistency likely reflects procedural ambiguity or interfere in powers between the executive management and the Sharia Supervisory Board (SSB) regarding the final approval of the audit plan which could affect performance. Although there is consensus on the importance of the audit plan, the disagreement over who approves it in its final form and how to coordinate it leads to operational risks, as non-standardized or complex organizational procedures can hinder the smooth start of the audit process on time or cause discrepancies in audit schedules for units or departments.

Table 5

Performance axis during the audit process

Items	Mean	S.D	Percentage
I31: There should be ongoing communication between the audit department and senior management to discuss audit findings and ensure effective implementation of recommendations.	4.7	.49	93%
I32: The Sharia auditor should apply the professional standards issued by AAOIFI.	4.6	.60	92%
I33: The auditor must adhere to the professional code of ethics governing the performance of auditors in Islamic banks.	4.8	.41	96%
I34: The use of electronic audit software by the auditor increases the speed and efficiency of the audit process.	4.5	.51	90%
I35: Using specialized software that helps verify Sharia compliance in transactions improves audit effectiveness.	4.6	.51	91%
I36: Specialized software reduces human error during the audit process.	4.5	.51	90%

Table by author

The data presented in Table 5 above for the field implementation phase of the audit process revealed a clear hierarchy in the priorities of the Sharia auditor. The results showed the superiority of "value compliance" over "technical competence" in the view of the study sample. Item (I33): " The auditor must adhere to the professional code of ethics governing the performance of auditors in Islamic banks " topped the overall ranking of priorities with an arithmetic mean of (4.80). As we can see, this mean represents the highest value in the group, indicating that adherence to the code of conduct is a fundamental principle of the audit process. The standard deviation was 0.41 reflecting the lowest level of dispersal in the data, which suggests a clear consensus among respondents regarding adherence to the code of conduct. This result aligns with the views of PM1 and PM2 who believe that integrity and adherence to the professional code of conduct are essential for ensuring the appropriate performance of a Sharia auditor.

The researcher attributes this consensus among the Research sample to the individual nature of sharia audit, which derives its legitimacy from internal self-regulation before official supervision. Statistically, the approach of standard deviation to zero, coupled with a high mean, indicates that ethical commitment represents a "normative constant" not subject to interpretation or variation among institutions, and it is the fundamental pillar upon which the credibility of the Sharia report is built.

Items relating to the technical aspect, I34, which state "The use of electronic audit software by the auditor increases the speed and efficiency of the audit process" and I36, which state "Specialized software reduces human error during the audit process", received scores below the group arithmetic mean, although they remained within the high positive range with an arithmetic mean of (4.50) and a standard deviation of (0.51), indicating an acceptable homogeneity of opinions.

The fact that technological variables ranked relatively last compared to ethical variables is explained by the fact that auditors view technology as an enabler of efficiency, not an end in itself, which indicates that automation cannot replace professional and legal judgment. Software increases speed and improves performance as mentioned by SF1, but ethical commitment is what ensures effectiveness and legitimacy.

Table 6*Performance axis after the audit process*

Items	Mean	S.D	Percentage
I26: Audit reports should be neutral, accurate, and reliable to serve the bank's stakeholders.	4.7	.47	94%
I27: Audit reports and recommendations should be prepared clearly to facilitate understanding by relevant parties.	4.7	.47	94%
I28: The results of follow-up procedures should be reviewed to ensure continuous improvement of the audit process.	4.7	.47	94%
I29: The Sharia Supervisory Board should be consulted to resolve any disputes related to the interpretation of Sharia issues.	4.8	.44	95%
I30: Follow-up reports should be prepared to show the extent of implementation of corrective actions.	4.6	.50	92%

Table by author

The results at this stage show a very high level of agreement on all aspects of reporting and follow-up, with all arithmetic means falling within a narrow range between (4.60) and (4.80). Item (I29), which states “The Sharia Supervisory Board should be consulted to resolve any disputes related to the interpretation of Sharia issues.”, topped the rankings at this stage, confirming that Sharia compliance is the highest priority in post-audit procedures, as its arithmetic mean of (4.80) represents the highest value in the group and indicates a consensus on the role of the Sharia Supervisory Board as the “supreme judicial authority” in the audit process.

As for the standard deviation of this item, it was (0.44), representing the lowest value for dispersion in the group. This high degree of homogeneity underscores that the Sharia audit process does not end with the issuance of the report. The audit process must remain subject to the Sharia Supervisory Board's control regarding any disagreement that may appear from observations between executive management and the audit department . Therefore, this statement serves as a Sharia-compliant guarantee for all audit findings regardless of their implications.

As for the practical part of follow-up item I30 recorded the lowest mean and highest standard deviation in the group stating that " Follow-up reports should be prepared to show the extent of implementation of corrective actions " This indicates small variation in the application of this procedure among the institutions sampled and Its mean score of 4.60 represents the lowest level of agreement (92%) in the group while the level of agreement remains high, we believe its relatively low level suggests that the procedure itself is considered less systematic and practical than the quality of the report.

The highest value of dispersion in the group was 0.50 as we noticed in the table above. This relative variability may show differences in the application of feedback mechanisms from one institution to another in the Palestinian market and in the follow-up report between them.

Maybe we can explain this dispersion by the possibility that the follow-up process is affected by administrative chains where levels of authority change depending on the size of the bank or its management style or perhaps by procedural confusion regarding who is primarily responsible for obligating executive management to provide the info necessary to demonstrate the implementation of corrective actions. This leads to an implementation gap in the final stage of the audit cycle.

Using an objective approach, we analyze the results of sub-question four, which states: "Is it sufficient to study (independence/competence/performance) alone to determine whether a legal audit is effective or not?"

We subjected the interview transcripts underwent a multi-stage review process as follows:

- 1- Initial open coding to identify recurring ideas.
- 2- Axial coding to group them into broader main and sub-themes.
- 3- Coding and review through repeated reading.
- 4- Extraction, analysis, and classification of the results within four main structural and functional dimensions, as follows:

This research question attempt to find whether the three traditional factors (independence, competence, and performance) set up a complete model for explaining the effectiveness of Sharia audit. Analysis of the respondents answers revealed a total qualitative agreement against this opinion from all respondents (with one exception) confirmed that these factors while central remain "necessary but not enough conditions"

Respondents indicated that true effectiveness is the product of an interaction between the auditor's features (the three factors mentioned) and the supporting institutional environment. The supporting and missing factors in the proposed model were identified and categorized into four strategic dimensions based on the crossways of the expert's responses.

The Institutional Support and Governance Dimension

This dimension was the most common thread between the respondents (AB2, SF1, PB2, PB1, and PM2). These experts believe that an independence and competence auditor cannot operate effectively in a hostile or un-supportive institutional environment.

Senior Management Support: This factor was repeated in most responses. Both SF1 and PB1 linked effectiveness to the support provided to auditors by the board and executive management (senior management support) while AB2 believed it an essential component of Sharia audit governance.

A Clear Governance Framework: AB2 and PB1 Both confirmed the importance and necessity of having clear reporting channels and documented authority in addition to the importance of strong and effective supervision from senior management as support for the auditor.

The Resources and Enablers Dimension

The responses of the experts interviewed recommended that the auditors performance (one of the three factors in the question) is conditionally counting on the availability of resources.

Resources: all of SF1, AB2, PB1, and PB2 confirmed that the availability of budgets, checking tools such as audit forms and support programs (material resources) and appropriate staff (appropriate human resources) is the fuel for the audit process.

Information Infrastructure: PB1 and PM2 both added a critical point regarding information accuracy and transparency and the availability of information technology systems noting that a competent auditor cannot detect errors if the data is hidden or inaccurate. In the end the audit process is evidence-based and there can be no evidence if the data is hidden.

The Systematic Methodology Dimension

All three NH1, PM1, and PM2 announced that performance cannot be reduced to abstract daily tasks but rather views it as a arranged methodology as follows:

systematic planning: NH1 indicated the necessity of a systematically structured audit plan that clearly outlines the auditing and examination tasks the auditor will perform assisting the detection of irregularities should they exist.

Control Standards: PM1 on the other hand added that it is important to have control standards and ethical guidelines governing the auditor's performance a point also noted by PM2.

The Impact and Culture Dimension

Experts also believe that effectiveness is measured by the outcome achieved through auditing not just by the procedure followed in carrying it out.

Compliance Culture: Both AB2 and PM2 indicated the necessity of a Sharia compliance culture within an Islamic bank, as this makes the bank's environment more receptive to procedures such as Sharia audit thus enhancing audit effectiveness.

Follow-up Mechanism: AB2, SF1, PB2, and PM2 all agree that a clear follow-up mechanism for audit findings through a designated follow-up employee and the existence of KPIs increase the effectiveness of the audit. This effectiveness is further extended when the audit team recommendation and the recommendations of the Sharia Supervisory Board are implemented.

As for the fifth sub-question that states: "Are there obstacles hindering the effectiveness of Sharia auditing in Palestinian Islamic banks?", we analyzed its results using a thematic approach. The interview transcripts underwent a multi-stage review process as follows:

- 1- Initial open coding to identify recurring ideas.
- 2- Axial coding to group them into broader main and sub-themes.
- 3- Coding and review through repeated reading.
- 4- Extraction, analysis, and classification of the results within four main structural and functional dimensions, as follows:

Independence Dimension

PM1, NH1, SF1, AB1, and PB1 agreed that the main obstacle to audit effectiveness is the weakness in the independence of the Sharia audit team. This obstacle demonstrates itself in several ways, including:

Conflict of Interest and Executive Management Pressure: Both participants AB1 and SF1 clearly pointed to the existence of a conflict of interest. Executive management, as is well known, aims to maximize profit, while the Sharia auditor does not view the matter from a profit-driven perspective but rather from a perspective of compliance with Sharia principles and standards. Therefore, the presence of pressure from executive management which may take the form of threats of penalties against the auditor if their reports affect profitability, impacts the auditor's impartiality in performing their duties, thus weakening their work.

Prioritizing Profit over Sharia: SF1 linked this pressure to a conflict of interest, where the objective of commercial profit is given priority over Sharia compliance.

External Competitive Factors: PM1 added an important dimension by linking internal pressure (from executive management on the Sharia audit team) to competition between Islamic and conventional banks. This pressure leads executive management to reduce the scope of audits or withhold data, whether documents or transactions, from the auditor to ensure business flexibility. Islamic finance procedures are often more time-consuming than conventional bank loan procedures. prevent data and information from the audit team also prevents them from recognizing errors. as we see this situation reflects the impact of external market factors on the regulatory environment

The Human Capital and Competency Dimension (Qualification Gap)

AB2, SF1, PB2, and PB1 agreed that there is a specific gap in human resources in the Palestinian market and we can see that in:

Dual qualifications absence: SF1 highlighted acritical point regarding the "absence of dual qualifications" meaning a scarcity of auditors who combine Sharia qualifications and knowledge with operational banking skills. This was supported by AB2 and PB2 who pointed to a shortage of both academic and professional experience in this type of competence within the Palestinian market.

Ongoing training and development shortage: AB2 indicated that the problem lies not only in the initial training of auditors but also in the shortage of ongoing training which appears as a scarcity of specialized and relevant professional courses and a shortage of training centers specializing in this type of training that keeps pace with developments in the banking and financial sector.

The Administrative Environment and Scope of Work (Culture and Governance)

The responses revealed short comings in the culture and governance structures of Islamic banking institutions as follows:

Absence of awareness and top management support: NH1 pointed out a lack of belief among executive management in the importance of Sharia audit. This translates practically into ignoring and failing to implement the recommendations presented in the reports as mentioned by both AB2 and SF1. This perpetuates the same problems and weakens the position of Sharia audit.

limited audit scope: NH1 also highlighted a serious methodological problem: limiting the audit scope to financing operations only leaving other operational sides such as services, products, and relationships with employees and depositors. This weakens the comprehensiveness of supervision.

interfering responsibilities: AB2 raised the issue of interfering roles between Sharia audit units and internal audit departments in their respective areas of work. This leads to confusion in audit responsibilities in general.

Infrastructure and Resources (Technology and Tools)

For respondents AB2, PB2, PB1, and SF1 their responses revealed technical and material weaknesses that hold auditors from performing their daily work:

Limited Data and Resources: Respondents AB2 and PM1 complained about the limited budgets allowed to Sharia audit units which hold back digital transformation or the purchase of specialized audit software to help them perform their work automatically and reduce the likelihood of human error. They also cited difficulty accessing info either due to limited permissions granted to perform tasks or not enough training for audit staff on the systems used within the bank.

Weaknesses in the Used IT Systems: both PB2 and PB1 confirmed the weaknesses in the IT systems and software used in the banks which are designed to automatically detect violations. This slows down the audit process and reduces its accuracy. Additionally AB2 reported a lack of established mechanisms or clear procedures for following up on issued audit reports.

As to the sixth sub-question which states, " Can the effectiveness of the Sharia audit process in Palestinian Islamic banks be increased?" the results were analyzed using an objective methodology. Interviews with the experts revealed an agreement that improving the effectiveness of the Sharia audit process cannot be achieved through a single procedure but requires a multi-stage process leading to an overall restructuring of the audit system based on integrated pillars (Sharia-compliant, human resources, and methodological). The details of these proposed steps are as follows:

First: Structural and Legislative Strengthening

All of PM1, NH1, AB1, PB2, and PB1 all agreed that the first step in building up Sharia audit staff begins with granting auditor's immunity from administrative consequences of the audit process not merely giving them access to all the institution's info.

SF1 and AB2 translated this concept from theory into a practical proposal by suggesting the following:

External Regulatory Intervention: SF1 confirmed the necessity of intervention by the Palestinian Monetary Authority (PMA) regarding the issuance of binding regulations and legislation that ensure Sharia audit is directly attached to the Audit Committee springing from the Board of Directors and technically linked to the Sharia Supervisory Board (PB2) thus severing the connection with executive management and increasing auditor independence.

Internal Regulations: AB2 suggested the adoption of strict internal regulations by the Board of Directors that define the mechanisms for appointing and dismissing auditors to protect them from abuse of administrative power. This was confirmed by PB1 that way transforming independence from a moral value into legally binding provisions.

Second: Building Human Capital (The Dual Competency Model)

The need to move forward and shift from the traditional concept of the Sharia audit to the concept of a two-track audit and this can be reached through:

Integrated Knowledge Process: Both SF1 and NH1 confirmed the necessity for Sharia audit staff to receive specialized training that combine Islamic Fiqh with analytical, financial, and credit skills to bridge the Sharia gap experienced by auditors.

Continuous Professional Development: AB2 called for the adoption of a training approach in Islamic banking institutions in Palestine based on allocating annual training hours and a specific budget for each individual auditor to obtain professional certifications (such as CISA or AAOIFI certifications). Meanwhile PB1 suggested building up and increasing partnerships with specialized professional training institutes to address the quantitative shortage of qualified auditors and the qualitative shortage in specialized training programs.

Third: Shifting from traditional randomness to technological methodology

AB2, SF1, and PB1 proposed workable steps to transform auditing from an individual evaluation process into a systematic, measurable, institutional practice:

Risk-Based Audit: Both SF1 and PB1 confirmed the need to adopt a risk-based audit methodology that focuses on the most complicated, and repeated processes which carry a higher risk rather than counting solely on the current routine overall audit process.

Key Performance Indicators (KPIs): AB2 suggested establishing specific KPIs for audit professionals (such as audit duration, time required to close audit findings, and the percentage of recommendations implemented by the audited unit). These KPIs as NH1 recommended should be based on adherence to the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) standards as a technical reference.

Digital Transformation: Both SF1 and AB2 recommended for the use of financial technology and problem-tracking systems to automate the audit process almost entirely, that way we can reduce human error and reliance on manual effort.

Fourth: Expanding Scope and Establishing a Culture of Comprehensiveness

NH1 presented a vision for expanding the Sharia auditor's authorization to include in addition to financing operations, employee conduct, profit distribution on investment accounts, and customer relations, thus enforcement the objectives-based approach in Islamic banking. To translate this vision into practical steps PB2, PB1, and NH1 proposed holding joint training sessions for auditors and executive management to spread and reinforce a culture of compliance and internal control and to make supervision an internal conviction for decision-makers rather than merely a regulatory burden imposed upon them.

Fifth: Integration and Procedural Governance (Obligation)

To make sure that audit reports are implemented and their findings are not merely theoretical our experts suggested the following:

Binding Follow-up Process: Both SF1 and PB2 confirmed that the implementation and follow-up of Sharia audit recommendations should be linked to executive performance evaluations. This obligates management to comply and jointly strengthens the role of Sharia audit.

Integrated Control: Both AB2 and SF1 advocated for making Sharia audit an integral part of an organization's control system by sharing evidence with internal audit, risk management, and compliance departments. This aims to prevent duplication and enhance the impact of control observations.

Chapter Four

Conclusions and Recommendations

4.1 Conclusions

The study concluded that The effectiveness of Sharia audit departments in Palestinian Islamic banks does not depend on a single, specific factor, but rather is the product of the interaction of a set of four factors. These factors combine intrinsic determinants of effectiveness with factors of the institutional environment. This study ranked these factors and determinants according to their importance and impact, based on the analysis of statistical and qualitative evidence. This ranking answers our main research question, which was: "What are the most important determinants affecting the effectiveness of the Sharia audit process in Palestinian Islamic banks?" The following is a summary of the results:

It became clear to us that the most important and influential determinant of effectiveness was independence. This result was confirmed by the stability of the quantitative evidence in the questionnaire distributed to the study sample with the qualitative evidence from the results of the in-depth interviews. In the quantitative evidence, both the statement "protection from administrative pressures" and the statement "no disciplinary action" received the highest absolute statistical agreement, with a mean of 5.0 and a zero standard deviation of 0.00. As for the qualitative evidence, (PM1, NH1, AB1, PB2, and PB1) all agreed that independence is the most important factor among the determinants that can affect the efficiency of the internal sharia auditor. They considered that the absence of independence can negatively affect the audit process and, at the same time affect the performance of the auditor himself. With these quantitative and qualitative results, we conclude that effectiveness depends on the existence of a kind of immunity for the internal forensic auditor that prevents the executive management from affecting his impartiality in any way.

It was also shown that neither the competency determinant nor the independence determinant can operate in isolation from the context, but rather requires the availability of a supportive environment within the organization (support from senior management) in addition to good governance. These factors were reached as evidenced by the statistical variations in the planning axis, where we had the highest standard deviation (0.93) in the

item related to the adoption of the audit plan, which showed us the existence of an organizational deficiency in the Palestinian market in this axis, which was confirmed by AB2, SF1, PB2, PB1, and PM2 in the qualitative analysis, as they saw that the three traditional factors are insufficient without senior management support and a clear governance framework. They explained that effectiveness requires a commitment from the board of directors to implement recommendations and provide resources. This leads us to conclude that effectiveness is directly affected by the clarity of reporting channels and the extent of management's responsiveness to recommendations.

Competence comes as a key enabling factor, but the study redefined it from mere “knowledge” to “dual specialization,” as the results showed a high consensus (Mean 4.9) and strong homogeneity (S.D 0.37) on the importance of academic qualifications and continuous training. Both experts (PB1, SF1) emphasized the concept of the “dual auditor” who combines jurisprudence of transactions and financial skills, considering that the lack in this aspect is one of the most important obstacles to effectiveness, which leaves us to conclude that effectiveness requires an auditor who is able to understand financial and legal risks together, and not just one of them.

Systematic and technical performance represents the practical translation of the previous components, and is affected by the work methodology and the tools used. While ethical commitment recorded a high average (4.8), there was a relative decrease in reliance on technology (Mean 4.5) and a dispersion in documentation procedures (S.D 0.76). Experts (AB2, SF1) called for the adoption of "Risk-Based Audit" and the activation of technology (Fin-Tech) to raise the efficiency of detecting violations. This puts us in front of the fact that effectiveness requires moving from traditional manual performance to systematic, documented, and technically supported performance.

4.2 Recommendations

Based on study finding and to enhance the effectiveness of internal Sharia auditing in Palestinian Islamic banks, the following recommendations were proposed:

1. Work is underway to issue a "Unified Sharia Audit Charter" that clearly defines the auditor's administrative reporting (to the Audit Committee/Board of Directors) and technical reporting (to the Sharia Board), and provides clear mechanisms for approving plans.

2. Imposing "functional immunity": Turning the consensus on independence into legislation that prevents the dismissal, punishment, or pressure in any way on the Sharia auditor except with the approval of the Sharia Supervisory Board.
3. Investing in "comprehensive automation": Due to weak technological adoption, a budget should be allocated to purchase specialized audit management systems that allow for sampling, documentation of worksheets, and electronic tracking of observations, thus eliminating the human element in concealing or delaying data.
4. Linking Rewards to Compliance: The executive management performance appraisal system should be modified to include a Key Performance Indicator (KPI) that measures the "speed of closing forensic audit observations." If management does not cooperate, its annual evaluation and rewards will be affected, thus addressing the problem of "ignoring recommendations" mentioned by experts.
5. To bridge the gap between jurisprudence and finance and promote the idea of dual competence, a temporary job rotation program is recommended; whereby the Sharia auditor spends time in risk management or credit to understand the "language of banking," while the financial auditor receives training in Sharia standards.

4.3 Limitations and future research

This study focuses specifically on Palestinian Islamic banks, which may limit the generalizability of its findings to other regions with different economic and regulatory environments.

Future research can develop these insights by examining internal Sharia audit practices in many and various Islamic banking contexts.

Across different regulatory frameworks and economic conditions a comparative studies will give valuable guidance on fitting internal Sharia audit to diverse markets. Quantitative estimation of the impact of organizational changes, training, or technological advancements on the effectiveness of the Sharia audit process can also participate to this.

Studies and research can be suggested as follows:

1. Proposed title no.1 (a comparative research): “ Determinants of the Effectiveness of Internal Sharia Audit : Comparative Study between Islamic Banks in Oman and Jordan”
2. Proposed title no.1 (a comparative research)

3. A study on "joint governance" Proposed title: "Integration of roles between internal Sharia audit and traditional internal audit: A proposed model for unifying efforts and preventing duplication."
4. Focus on "Technology" as an independent variable Proposed title: "The impact of digital transformation and artificial intelligence (AI) on the quality and efficiency of Sharia auditing: a forward-looking study."
5. Study of the impact of "Mediating Factors" Proposed title: "The mediating role of organizational culture in the relationship between the independence and effectiveness of Sharia auditing in Islamic banks."

List of Abbreviations

Abbreviation	Meaning
IND	Independence
COMP	Competence
PERF	Performance
PMA	Palestine Monetary Authority
AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
AIB	Arab Islamic Bank
PIB	Palestine Islamic Bank
SAF	Al-Safa Bank

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Appendices

Appendix A

academic experts panel

Name	Academic Major	University
Dr. Anas Al-Masri	Islamic Economics	Palestine Technical University
Dr. Osayed Fatayer	Islamic Economics	An-Najah National University
Dr. Musa Shehada	Islamic Banks	Ahliya University
Dr. Muawiya Al-Qawasmi	Islamic Finance	Sabahattin Zaim University

Appendix B
Study questionnaire

AN-Najah National University
Faculty Of Graduate Studies



جامعة النجاح الوطنية
كلية الدراسات العليا

Master's thesis questionnaire

The researcher is currently preparing a Master's thesis in Islamic Finance entitled "*Determinants of the Effectiveness of Internal Sharia Auditing: A Case Study of Palestinian Islamic Banks*" In order to achieve the objectives of this thesis, you are kindly requested to cooperate with the researcher by answering the following questions carefully and clearly. Please note that all information provided will be used solely for academic research purposes.

Thank you for your cooperation.

Researcher: Thabet Mohammed Mar'i

Section One: Demographic Data

Please mark (×) the statement that best suits you.

1- Gender :

Male () Female ()

2- Age: Less than 25 () From 25 to less than 35 ()

From 35 to less than 45 () Over 45 ()

3- Job Title:

Sharia Auditor ()

Officer/Manager of Unit/Department of Sharia Supervision and Sharia Audit ()

Member of the Sharia Supervisory Board ()

Chairman of the Sharia Supervisory Board ()

4- Bank:

Arab Islamic Bank ()

Palestine Islamic Bank ()

Al-Safa Bank ()

Section Two: Questionnaire Items

Please mark (×) the answer you deem appropriate, noting that the word "audit" wherever it appears in the following phrases refers to "internal Sharia audit" and the word "auditor" refers to "internal Sharia auditor."

First axis: Independence of Sharia audit: Independence means the auditors' ability to work without any bias, conflict of interest, or external pressures that might undermine their ability to provide objective and fair assessments of Islamic bank transactions.						
	Items	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Q1	The audit team should have the necessary authority to perform its duties, including unrestricted access to all documents needed to complete the audit.					
Q2	The internal Sharia audit unit should report directly to the Sharia Supervisory Board and be evaluated by it.					
Q3	The Sharia auditor should not be subject to any personal or administrative pressure that may compromise their independence during the audit process.					
Q4	If audit observations are unfavorable to management, the auditor should not be subject to any administrative actions that negatively affect Him.					
Q5	Professional independence enables the auditor to issue accurate and objective reports.					

Q6	The neutrality and professionalism of audit reports helps enhance the Sharia Supervisory Board's confidence in the Sharia auditor's reports.					
Q7	There is a clear relationship between the level of audit independence and the effectiveness of the Sharia audit process.					
<p>Second axis: The competence of the Sharia auditor: This means that auditors possess the knowledge, skills and competencies necessary to perform their responsibilities.</p>						
Q8	Holding a recognized professional certificate and receiving specialized training in Sharia compliance is essential for an auditor to perform efficiently.					
Q9	Academic qualifications, such as a relevant university degree and deep knowledge of Sharia standards and AAOIFI auditing standards, as well as PMA instructions, are critical for the auditor.					
Q10	Continuous education and training in financial transactions and financing contracts help maintain the auditor's professional competence.					
Q11	The auditor must stay updated on the latest developments in Sharia and auditing standards.					
Q12	The use of working papers by the audit team, and their review by the head of audit, enhances audit accuracy.					
Q13	The auditor should provide clear and effective recommendations to improve Sharia compliance.					
Q14	The auditor must prepare audit reports in accordance with the approved plan and timeline, including audit objectives, scope, and key findings.					
Q15	The auditor should follow up on the implementation of					

	recommendations and corrective actions.					
Q16	The auditor's professional and technical skills influence the accuracy of audit results.					
Q17	Enhancing the auditor's professional and academic competence strengthens the effectiveness of the audit process.					
Q18	The quality of the audit is directly affected by the competence of the auditors.					
Q19	Developing the auditor's skills contributes to achieving Sharia compliance objectives and enhances audit quality.					
Q20	The greater the auditor's academic and practical competence, the more effective the audit will be in detecting and correcting violations.					
Third axis: The performance of the Sharia auditor's work: This means the mechanism of the Sharia audit team's work and the steps of the auditing process.						
Q21	The audit process should follow a clear annual plan that outlines objectives, scope, and relevant activities.					
Q22	Before starting an audit round, data about the activity to be audited should be collected, with a full assessment of related Sharia risks and prioritization accordingly.					
Q23	Coordination with both senior management and the Sharia Supervisory Board is required to approve the audit plan before implementation.					
Q24	A detailed audit program should be designed, outlining steps and procedures to be followed during the audit.					

Q25	Audit data should be collected and documented systematically to ensure ease of access and future review.					
Q26	Audit reports should be neutral, accurate, and reliable to serve the bank's stakeholders.					
Q27	Audit reports and recommendations should be prepared clearly to facilitate understanding by relevant parties.					
Q28	There should be ongoing communication between the audit department and senior management to discuss audit findings and ensure effective implementation of recommendations.					
Q29	The Sharia Supervisory Board should be consulted to resolve any disputes related to the interpretation of Sharia issues.					
Q30	Follow-up reports should be prepared to show the extent of implementation of corrective actions.					
Q31	The results of follow-up procedures should be reviewed to ensure continuous improvement of the audit process.					
Q32	The Sharia auditor should apply the professional standards issued by AAOIFI.					
Q33	The auditor must adhere to the professional code of ethics governing the performance of auditors in Islamic banks.					
Q34	The use of electronic audit software by the auditor increases the speed and efficiency of the audit process.					
Q35	Using specialized software that helps verify Sharia compliance in transactions improves audit effectiveness.					
Q36	Specialized software reduces human error during the audit process.					
Q37	Auditors should be trained in using all relevant software to ensure an effective audit process.					

Appendix C

Table of Interviewees

Code	Initials	Job title/position
NH1	A.D	Lecturer in the Islamic Banking Department—An-Najah National University
PB1	A.R	Chairman of the Sharia Supervisory Board at the Palestinian Islamic Bank and Head of the Islamic Banking Department at An-Najah National University
PB2	M.S	A member of the internal Sharia audit team at the Islamic Bank of Palestine preferred to remain anonymous.
AB1	A.M	Lecturer in Islamic Finance at Khodouri University and member of the Sharia Supervisory Board of the Arab Islamic Bank
AB2	T.A	Head of the Sharia Supervisory Unit at the Arab Islamic Bank
PM1	M.A	A member of the Palestinian Monetary Authority's bank inspection team who preferred to remain anonymous
PM2	A.H	A member of the Palestinian Monetary Authority's bank inspection team who preferred to remain anonymous
SF1	M.H	A member of the internal Sharia audit team at SAFA Bank preferred to remain anonymous.



جامعة النجاح الوطنية
كلية الدراسات العليا

محددات فاعلية التدقيق الشرعي الداخلي : دراسة حالة البنوك
الإسلامية الفلسطينية

إعداد
ثابت محمد مرعي

إشراف
د. علاء صبحي رزية

قدمت هذه الرسالة استكمالاً لمتطلبات الحصول على درجة الماجستير في التمويل الإسلامي، من كلية الدراسات العليا، في جامعة النجاح الوطنية، نابلس - فلسطين.

2025

محددات فاعلية التدقيق الشرعي الداخلي : دراسة حالة البنوك الإسلامية الفلسطينية

اعداد

ثابت محمد مرعي

إشراف

د. علاء صبحي رزية

الملخص

من خلال توفير بدائل مالية متوافقة مع الشريعة الإسلامية تلبية احتياجات العملاء الساعين لتجنب المعاملات الربوية والمحرمة، أصبحت المؤسسات المصرفية الإسلامية جزءاً لا يتجزأ من النظام المالي العالمي. وينطبق الأمر نفسه في فلسطين، حيث تلعب فاعلية التدقيق الداخلي الشرعي دوراً محورياً في ضمان الامتثال لمبادئ الشريعة وتعزيز حوكمة البنوك الإسلامية. تهدف هذه الدراسة إلى بحث محددات فاعلية التدقيق الداخلي الشرعي في البنوك الإسلامية الفلسطينية، وما إذا كانت هناك أي تحديات أو عقبات قد تواجهه، وذلك بالتركيز على ثلاثة محددات: الاستقلالية، والكفاءة، والأداء.

استُخدمت في هذه الدراسة منهجية مختلطة تجمع بين الأساليب الكمية والنوعية لضمان عمق وشمولية النتائج. قُسمت المنهجية إلى مرحلتين: مسح كمي لأعضاء هيئات الرقابة الشرعية وموظفي إدارات التدقيق الشرعي، ومقابلات نوعية معمقة مع عدد من الخبراء المعنيين بعملية التدقيق الشرعي في البنوك الإسلامية الفلسطينية.

كشفت النتائج أن الاستقلالية برزت كأهم عامل مؤثر في الفاعلية، أما فيما يخص الكفاءة، فقد أشارت النتائج إلى أن الفاعلية تتطلب من المدقق الإمام بالجوانب المالية والشرعية على حد سواء، وليس أحدهما فقط. وفيما يتعلق بالأداء، تتطلب الفاعلية اعتماد أساليب منهجية موثقة ومدعومة تقنياً، والحد من الاعتماد على الأساليب اليدوية. كما أظهرت النتائج أن العوامل الثلاثة التي ركزت عليها الدراسة غير كافية دون وجود إطار حوكمة واضح ودعم جاد من الإدارة العليا.

في ضوء هذه النتائج، توصي الدراسة بتعزيز آليات الاستقلالية من خلال منح المدقق الشرعي حصانة وظيفية، ورفع مستوى أداء وكفاءة المدققين عبر التطوير المهني المستمر، ودمج التكنولوجيا في التدقيق الشرعي، وتوسيع نطاق البحوث المستقبلية في موضوعات التدقيق الشرعي.

الكلمات المفتاحية: التدقيق الشرعي الداخلي، الفعالية، الاستقلالية، الكفاءة، الأداء.