The Concept of Islamic Audit: The New Perspective from Al-Ashr Value

Andi Irfan[1], Iwan Triyuwono[2], Ali Djamhuri[3], Aji Dedi Mulawarman[4]
{andi.irfan@uin-suska.ac.id[1]}

Depart. of Accountancy Faculty of Economics & Social Science UIN Sultan Syarif Kasim Riau
Student on Doctoral Program on Accountancy Science University of Brawijaya Malang Indonesia[1]
Doctoral Program on Accountancy Science University of Brawijaya Malang Indonesia[2,3,4]

Abstract. This research is to find out how the audit concept is developed based on Al-Ashr perspective. This study uses the religiosus paradigm. Research method used was literature study by examining the texts of the Qur'an using the senses, mind and heart. The findings show the six premises for developing the concept of Islamic auditing. The concept of time if the purpose of human life is to return to Allah. The concept of human loss and lucky versus freedom is *khalifatullah-filardh*, human responsibility to *Allah*. The concept of faith versus moral hazard is believer must have confidence that the blessings of sustenance have been arranged by Allah. The concept of good deeds is a human act must be valuable for Allah and accompanied by a sense of faith. The concept of truth in audit is the ultimate truth is God, as muhaimin argues that the truth must lead to the ultimate truth.

Keywords: Islamic audit; *al*-ashr; concept

1 Introduction

In its development, not all audits have succeeded in fulfilling the needs of all interested parties, however it is also found failure. Many failures occur through fraudulent actions using audits. The audit failure case has involved a public accounting firm with a high reputation, such as Arthur Andersen, which was founded in 1913, and was involved in the Enron case (Papenko, 2003). The same case also has occurred in Australia with the HIH Insurance Company Group involving an external auditor (Leung et al., 2011) and several other cases that occurred in Indonesia in 2004 (Sarwoko & Sukrisno, 2014). This implies that the audit, which should be able to increase the trust of the owners of capital to management, has failed. This failure emerges distrust of the audit itself. However, it is possible that the owner of capital does not trust the audit work due to it is not in accordance with his expectation (Brown, 1962; Heang, 2008).

Initial efforts to improve auditing practices by implementing a code of ethics created by The International Federation of Accountants (IFAC). IFAC, which was founded in 1977, andit focused on efforts to improve the auditor profession. In 2009, IFAC through the IAASB issued International Standards on Auditing (ISAs). The emergence of ISASs is expected to be a solution to save the auditor profession. In fact, this institution is an extension of capitalism to maintain the capital accumulation of the owners of capital. The disease of capitalism is a scourge for social justice, the welfare of the people, and it emerges humanitarian problems which lead to the position of humans being only made as slaves and prisoners of their own creation (Asy'arie, 2010; Kuntowijoyo, 2007). Although the existence of a code of ethics is increasingly rigid in regulating the audit profession, violations still occur. This violation is caused by the auditor's interest in obtaining material such as actions that manipulate financial statements by recording profits even though they experience losses or as moral hazard. Moral hazard that

BIC 2021, October 11-12, Padang, West Sumatera, Indonesia
Copyright © 2022 EAI
DOI 10.4108/eai.11-10-2021.2319587

occurs is moral damage that has a social impact on humans (Cunningham, 2006).

The auditor profession is also faced with the difficult choice of losing the auditee if thecode of ethics is implemented properly. Violation of this code of ethics is the final step so that the auditor is able to maintain his contract with the auditee (Ballas, 1998; Bowie et al., 2004; Campbell, 2005; Caramanis, 1998) or also known as the utilitarian concept (Humphery & Moizer, 1990). Finally, this utilitarianism has become commonplace in the auditor profession so that there is no loss of auditee. The auditor's actions become ethical when it is viewed from a utilitarian perspective because the utilitarian concept developed by Jeremy Bentham and John Stuart Mill's asserts that actions give profits which considered ethical actions (Viner, 1949).

2 Method

This study uses the religiosus paradigm as a refinement of the old and developing audit theory or concept in the world. This paradigm is expected to be able to fill the empty space from the old audit theory or concept to become an Islamic audit concept. *Al-Ashr* being the methodology in this research has some divine values that will be incorporated into the construction of the concept of this research. Al-Ashr is part of the Qur'an which functions as a guide, has a very deep content and can be used by humans in carrying out activities in this world.

3 Results and Discussion

3.1 Al-Ashr as a bridge to Islamic auditing

Asbab al-nuzul from Q.S Al-Asr is a habit of the Arab in the past. The society of Arabhad a tradition of gathering in the afternoon to discuss all the activities and lives of each group. The contents of the conversation alluded to the superiority and splendor of each tribe, ancestor and life. In the end, this conversation led to a fight because of the mutual envy and egocentricityof the group and caused hostility between people. As a result of this incident, the Arab society condemned that the time of Asr is an unlucky time. The society of Arab has considered the timeof Asr to be a day of misfortune. Asr time is used as a cause of conflict and hostility between groups in society. Until there are some people who often blame Asr time as the root cause of allexisting disputes (Fitri & Tantowie, 2017; Maslahah, 2008). This has the most role in the goodor bad ending of a job, because time is always neutral. Literally, al-'Asr means "*extorting something so that the most hidden thing is found out of it".*

3.2 The value of Al-Ashr: Time in Life

Time is one of the creatures created by Allah and also part of the dimensions of human life. Time characters usually run quickly, imperceptibly and suddenly end. The importance of that time gave birth to an Arabic proverb that says "*al-waqtu ka al-shaiyf*" or time is like a sword, itimplies that when humans do not use time well, then time kills them. While the Western proverbsays "time is money", it indicates that this time has material value that must be pursued by humans so that humans lose money if they do not use time properly. Islam defines time as humanlife starting from the womb to the afterlife. As a determinant of the direction of human life is the natural world. Allah has given age or time or life to humans. Humans are required to take advantage of age or time or fill their lives by doing *amar nahi munkar* so as to avoid somethingthat is useless and loses.

Islam gives great attention to accuracy and discipline in using time, the audit is the *same*

even with the consideration of the material issued by the auditee. Whereas the initial purpose of the audit is to establish the truth. The enforcement of the truth is not allowed to havea material element so that if the material element is prioritized, then the enforcement of the truth is only a pseudo-truth. When Islam demands to make the best use of time, it takes human sincerity in taking advantage of the available time. And if the time for conducting the audit hasbeen provided enough, it is necessary to ensure that the initial objectives of the audit are achieved. Therefore, the first premise is the purpose of human life is to return to Allah by utilizing the available time and age.

3.3 The value of Al-Ashr: Human Loss and Lucky versus Independence

People who are lucky are those who do good deeds and avoid evil and disobedience, on the other hand, people who lose are those who do disgraceful deeds and do not do good deeds. Islam describes humans as God's chosen creatures, as khalifatullah on earth (Mujiono, 2013). As His creation, humans have the following characteristics: acknowledging God, being free, trustworthy, responsible for themselves and the universe. The auditor works on the order of client, it means that there is income that the auditor expects from the auditee, so it is worried that the auditee will tend to include his interests. Auditees have an interest in maximizing wealth, management wants maximum company performance. Dealing with these three interests, the auditor is faced with a dilemma about independence and audit fees. The concern is that the auditor is working to reveal the truth as the initial purpose of the audit, however the auditor feelsthat his interests are threatened if the truth is revealed so that it threatens the interests of the owners and managers. As an independent person, the auditor should dare to reveal the truth without fearing that his material interests are threatened. Auditors as human beings who believeonly fear Allah, not fear His creatures. Therefore, the second premise is as *khalifatullah fil ardh*,humans are responsible for their work and work as a way back to Allah.

3.4 The Value of Al-Ashr: Faith versus moral hazard

Faith is the basis of belief that should be stable. As a basis or foundation, faith shouldnot fluctuate. If faith increases, kufr will disappear and vice versa if faith decreases, kufr *will* emerge (Matondang, 2015). *Kufr* can be interpreted as denying all the pleasures obtained or kufrfavors. Kufr this favor arises because of human greed for the hedonism of the world. To fortifyhuman beings from the greed of the world, it requires faith. Faith is also needed in the conduct of the audit. The audit profession serves to save and accumulate the wealth of the owner or auditee. The auditor obtains material when carrying out the duties of the auditee, the auditor hasan interest in perpetuating the relationship with the auditee for his or her interests or is called moral hazard. Moral hazard that occurs because auditors are treated as "wage workers". When the auditor is positioned as a "wage worker", the auditor must follow the exploiter's orders. As a "wage worker", the auditor receives a fee for his work. Therefore, the third premise is as human who has faith, we should have confidence that the blessings of sustenance have been arranged by Allah without being manipulated by the human being.

3.5 The Value of Al-Ashr: good deeds

Good deeds are good deeds undertaken by humans both in relation to individuals and socially. Good deeds are closely related to faith. If good deed is without faith, then it is uselesseven though the deed is good. On the other hand, if even a small deed is done with faith, it willget a reward (Saepudin et al., 2017). Besides, good deed is also related to individual piety and social piety. Individual piety is the relationship between humans and God *(hablumminallah),* while social piety is the relationship between humans and humans and the natural environment*(hablumminannas).* Individual piety and social piety must be

carried out by humans simultaneously and in *balance*. It is not justified for someone who is diligent in praying, dhikr, *iktikaf*, and fasting, but not caring about social issues. Therefore, people who do not care aboutsocial problems will get *"disgrace".* Allah says: *"Disgrace befalls them wherever they are, unless they are on good terms with Allah and on good terms with fellow human beings"* (Surah Ali Imran: 112). One of the social pieties can be undertaken by audit. Audit is an activity to examine a human work based on the rules and instructions as well as Islamic values. When theaudit is carried out according to the rules and instructions as well as Islamic values, then the work has value before Allah and is not a wasted job. Therefore, the fourth premise is a human action is valuable in the eyes of Allah, if it is accompanied by a sense of faith.

3.6 The value of Al-Ashr: Audit Truth versus God

The process of seeking the truth is hegemonized by modern Western epistemology. This process is distracted by positivistic ratio and empirical standards. The West views that this process must be empirically rationalized and proven (verification) through the five senses into a scientific measure, it indicates that truth is measured through humans or human is a measure of all things so that objective truth will not be found in accordance with the ultimate truth (Irawan & Permana, 2020). Auditing is also a human process in seeking the truth. The truth in the audit is believed to be the truth, but the financial statements presented are more likely to becareful in revealing the truth (Behn & Hermanson, 2011). Actually, the truth in the financial statements is the "proper" truth or the truth that is relative or not absolute. Truth should be ableto lead humans to their goals (Kuntowijoyo, 2007).

Audit *sees* truth as a process of testing evidence and conforming to applicable accounting standards. A reality found in the audit is considered a "proper" truth. This "proper"truth is believed by the auditor to be the truth that leads to an audit objective. Confidence in thetruth in the audit is expressed in the form of an audit opinion. Giving an opinion by the auditoras a belief and should be free from any pressure of power, certain fears or certain motives in determining the opinion. Therefore, the truth in the audit must be in line with the ultimate truthunder divine guidance. Thus, the fifth premise is the ultimate truth is God, as a Muslim of *muhaimin*, the truth that is sought through an audit must lead to the ultimate truth.

3.7 The Value Al-Asr: Patience and Sincerity

Patience can be asserted as a belief or human resistance in facing the obstacles of life to keep moving forward in running life to reach their goals. Patience is related to human resistance to lower the spirit in doing good and the spirit in leaving evil. Patience must be accompanied by an attitude of istiqomah, namely commitment, consistency, consequences andcontinues so that hopes and ideals can be achieved. Allah swore in Q.S Al-Asr with "time and future" so that humans are required to strive *in* patience by making the best use of time with thebelief that the purpose of human life is to seek the pleasure of Allah. Patience also requires self-confidence, optimism, being able to be exposed to trials and keep trying *(mujahadah)* because of the belief in the truth of God's promises. Likewise, sincerity implies that cleanliness of heartand submission. Believers should have a sincere soul and reduce worldly desires so that they can accept all the provisions of Allah. Patience and sincerity are a belief and sincerity of humans in carrying out activities accompanied by God's supervision. Auditing is a human activity in seeking the truth; therefore, patience and sincerity are needed in carrying it out. Therefore, the sixth premise is all human activities in this world must be accompanied by patience and sincerityto seek the pleasure of Allah.

Islamic audit is an audit activity that has basic principles not only auditing and accounting,

but also auditing in an Islamic perspective according to Islamic law. Meanwhile, conventional auditing has the basic principle of economic rationalism which is governed by auditing and accounting concepts and principles (Ahmad & Al-Aidaros, 2015; Ahmadova, 2016; Alahmadi et al., 2017; Khalid & Sarea, 2021; Uddin et al., 2013). In general, conventional audits are carried out to assess management and accounting aspects only. Meanwhile, in the current islamic auditing process, the focus is not only on economic activities, accounting and management financial reports, but also with social and environmental influences that cannot beseparated from Islamic law which broadly regulates all aspects of human life and has the objective of bringing together the concept of auditing with science. Islamic (Kasim et al., 2009).The scope of the scope between islamic and conventional audits, islamic audit standards is indeed wider than conventional audits (Serena & Karimulloh, 2021). Khan (1985) stated that islamich auditing requires auditors who are accountable to management and society as well as to Allah. The task of the auditor is to carry out audits in accordance with islamic by upholding the spirit of amar ma'ruf nahi munkar (Q.S. Ali Imran (3): 104). Therefore, the auditor must believe that every good and bad deed will be rewarded in the hereafter even though it is as big as a dzarrah seed (Q.S. Al-Zalzalah: 7-8). This belief should be used as a basis in audit practice.

4 Conclusion

This paper is an initial review of the concept of Islamic auditing based on al-ashr values. The values of al-ashr as the guide to human life to to return to Allah. Auditing is a humanactivity that must be able to deliver humans to God. These efforts to internalize the concept of al-ashr are an initial effort so that this audit can be a bridge for humans to return to Allah in a clean and sincere manner. Auditing as an activity requires a touch of al-Ashr values so that theaudit can return to its initial spirit, namely as a supervisor in ensuring human activities in the corridor of *amar ma'ruf nahi munkar.* Islamic audit is an audit activity that has basic principlesnot only auditing and accounting, but also auditing in an Islamic perspective according to Islamic law. Meanwhile, in the current islamic auditing process, the focus is not only on economic activities, accounting and management financial reports, but also with social and environmental influences that cannot be separated from Islamic law which broadly regulates allaspects of human life and has the objective of bringing together the concept of auditing with science.

References

[1] Ahmad, M. R., & Al-Aidaros, A. H. (2015). The need of independent Shariah members inIslamic cooperative banks: An empirical study of professional accountants in Malaysia. *International Review of Management and Business Research*, *4*(1), 110-120.

[2] Ahmadova, M. (2016). Islamic internal control in non-Islamic environment: A necessity for Japanese companies. Academy of Accounting and Financial Studies Journal, 20(1), 1–17.

[3] Alahmadi, H. A., Hassan, A. F. S., Karbhari, Y., & Nahar, H. S. (2017). Unravelling shariahaudit practice in Saudi Islamic Banks. *International Journal of Economic Research, 14(15), 255–269.*

[4] Asy'arie, M. (2010). *Filsafat Islam: Sunnah Nabi dalam Berpikir*. Penerbit LESFI, Yogyakarta.

[5] Ballas, A. (1998). The Creation of the Auditing Profession in Greece. *Accounting, Organizations and Sock, Vol. 23, No. 8, Pp. 715-736.*

[6] Behn, B. K. C., & Hermanson. (2011). Top of Audit Deficiencies. *Journal of Accountancy*.

[7] Bowie, P., Sweeney, A., & Burns, E. (2004). The Feasibility and Potential ofOrganisational Peer Review Audit in Community Nursing: An Example of Record Keeping. *Quality in Primary Care; 12: 109–17.*

[8] Brown, R. G. (1962). Changing Audit Objectives and Techniques. *The Accounting Review, Oktober,*

Pp. 696 – 703.
[9] Campbell, T. (2005). True and Fair to Whom? A Philosophical Approach to Auditing, Ethics and Auditing. *Tom Campbell, Keith Houghton Published ANU Press.*
[10] Caramanis, C. V. (1998). Assessing the impact of "liberalisation" on auditor behaviour. *Accounting, Auditing & Accountability Journal, Vol. 11 Iss 5 Pp. 562 – 592*.
[11] Cunningham, L. A. (2006). Too Big to Fail: Moral Hazard in Auditing and the Need to Restructure the Industry Before it Unravels. *GW Law Faculty Publications & Other Works,106 Colum. L. Rev. 1698.*
[12] Fitri, S. R. A., & Tantowie, T. A. (2017). Nilai-Nilai Pendidikan Kedisiplinan dalam Al- Quran Surat Al-'Ashr Ayat 1-3 Menurut Tafsir Al-Maraghi. *Jurnal Tarbiyah Al-Aulad*
[13] Heang, L. T. (2008). The evolution of auditing: An analysis of the historical development. *Journal of Modern Accounting and Auditing, Vol.4, No.12 (Serial No.43)*
[14] Irawan, D., & Permana, R. F. (2020). Konsep Kebenaran dalam Perspektif Islam dan Barat. *Order (New York: Touchtone Books, 1996), 209, 210.*
[15] Kasim, Ibrahim, M., Hamid, S., & Sulaiman, M. (2009). Shariah auditing in Islamic financial institutions: Exploring the gap between the" desirable" and the" actual". *Global Economy & Finance Journal, 2(2), 127-137.*
[16] Khalid, A. A., & Sarea, A. M. (2021). Independence and effectiveness in internal Shariahaudit with insights drawn from Islamic agency theory. *International Journal of Law and Management, 63(3), 332–346.*
[17] Kuntowijoyo. (2007). *Islam sebagai Ilmu: Epistemologi, Metodologi, dan Etika. 2 ed.* Penerbit Tiara Wacana Yogyakarta.
[18] Leung, P., Coram, P., Cooper, B. J., & Richardson, P. (2011). Modern Auditing and Assurance Services. *5th Edition, John Willey & Sons Australia, Ltd. Milton Qld.*
[19] Maslahah, A. (2008). Waktu dalam Perspektif Al-Qur'an Telaah Surah Al-Ashr 1-3. STAIN Ponorogo. *STAIN Ponorogo*.
[20] Matondang, H. A. (2015). Konsep Al-Iman Dan Al-Islam: Analisis Terhadap Pemikiran Al-'Izz Ibn 'Abd As-Salam (577-660 H. Atau 1181-1262 M). *Journal Analytica Islamica,4(1), 54-83.*
[21] Mujiono, M. (2013). Manusia Berkualitas Menurut Al - Qur'an. *Hermeunetik, Vol. 7, No.2, Desember*.
[22] Papenko, B. (2003). Fraudulent Financial Reporting; Ways to Detect and Interpret The Warning Signals. *International Business Standard and Corporate Governance. Training Paper, Ukraine. USAID*.
[23] Saepudin, D. M., Solahudin, M., & Khairani, I. F. S. R. (2017). Iman Dan Amal Saleh Dalam Alquran (Studi Kajian Semantik). *Al-Bayan: Jurnal Studi Ilmu Al-Qur'an Dan Tafsir, 2(1), 10-20.*
[24] Sarwoko, I., & Sukrisno, A. (2014). An empirical analysis of auditor's industry specialization, auditor's independence and audit procedures on audit quality: Evidence from Indonesia International. *Conference on Accounting Studies 2014, ICAS 2014, 18-19August 2014, Kuala Lumpur, Malaysia. Procedia - Social and Behavioral Sciences 164 (2014) 271 – 281.*
[25] Serena, A., & Karimulloh, K. (2021). Audit Tenure in Islamic Perspective: Analysis of Verses of the Qur'an and Al-Hadith. *Accounting and Finance Studies, 1(2), 85–93.*
[26] Khan, M. A. (1985). Role of the Auditor in an Islamic Economy. *Journal of King Abdulaziz University: Islamic Economics*, *3*(1).
[27]Uddin, M. H., Ullah, M. H., & Hossain, M. M. (2013). An Overview on the Basics of Islamic Audit. *European Journal of Business and Management, 5(28), 9–18.*