



Comparison of Internal Audit Disclosure in Islamic and Conventional Banks in Indonesia

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This study aims to assess the disclosure practices in internal auditing within Islamic and conventional contexts, recognizing the vital role of internal audit functions in ensuring governance and managing risks, particularly in the banking sector. The research employs a qualitative methodology, conducting content analysis on 40 annual reports from Islamic and conventional banks in 2022-2023 to evaluate the extent of disclosure, which serves as a proxy for internal audit quality. The sample selection involved 10 Islamic banks and 10 conventional banks, chosen through purposive sampling. The findings reveal that despite the expectation for Islamic banks to prioritize full disclosure, they still fall short compared to conventional banks. Larger banks demonstrate higher transparency levels in information disclosure than medium and small banks. Additionally, conventional banks tend to offer more transparency than Islamic banks, emphasizing not only risk management but also value enhancement through consulting services. In contrast, Islamic banks place greater emphasis on regulatory compliance, with only a minority leveraging internal audits for advisory purposes. This research highlights the need for Islamic banks in Indonesia to enhance their transparency levels in internal auditing processes to improve overall governance and risk management effectiveness.

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INTRODUCTION

Implementing internal audits plays a crucial role in ensuring, assessing, and monitoring governance to guarantee the organization's quality and sustainability. Despite its role as a watchdog in the corporation, according to [Jarrah et al. \(2022\)](#), internal audit provides consulting and assurance services. Consistent with [\(Lucan, Hlaciuc, and Zaicéanu's \(2015\)\)](#) statement, internal audit has evolved to serve as a business advisory function. It aims to enhance value and drive business improvement by effectively managing resources and fostering a conducive organizational culture through counseling and assurance operations. Furthermore, the primary objective of an internal audit is to facilitate the effective management of operational activities within businesses, which leads to increased efficiency [\(Putra & Mulya, 2020\)](#). It not only leads to effectiveness and efficiency, but internal audits could also enable the corporation to achieve its objective by fulfilling its role in disclosure obligations [\(Boskou et al., 2019; Hayek et al., 2022\)](#). Hence, Islamic banking should prioritize internal audits to achieve the Islamic objective within Islamic banking institutions and emerge as a global player. [Mayes and Alqahtani \(2018\)](#) assert that Islamic banks encounter a greater degree of risk compared to conventional banks as a result of the relatively recent and distinctive feature of Islamic banking [\(Sulub et al., 2020\)](#).

Moreover, financial intermediaries, either Islamic or conventional banks, are exposed to risks and challenges. In the present business scenario, numerous banks employ diverse accounting methods to enhance financial information to improve their financial position and attain self-objectivity [\(Jarrah et al., 2022\)](#). This issue is reflected in internal control in internal audits that might impact corporate sustainability or other scandals. For instance, Dubai Islamic Bank suffered financial setbacks because of misleading reports and Islamic banks in South Africa faced insufficient accounting and management processes [\(Rini, 2014\)](#). Furthermore, a particular case in Indonesia had a weak internal audit; according to [Nurlalela et al. \(2021\)](#), numerous fraudulent activities were detected by the Indonesian Bank. Besides that based on empirical research indicates that Islamic banks perform at a slower pace compared to conventional banks [\(Akkas & Asutay, 2021, 2022; Asutay & Ubaidillah, 2023; Buallay, 2019\)](#). Therefore, in order to identify the similarities and differences between the internal audit methods of Islamic and conventional banks, it is crucial to carry out a comprehensive study and analyze their disclosures.

Although numerous research studies have been concentrated on the issue of Islamic financial products, their innovation, and their concern about Sharia auditing [\(Ahmed et al., 2020\)](#), more studies are still needed about internal audits in Islamic financial institutions. Prior research, such as [Jarrah et al. \(2022\)](#) and [Anisykurlillah et al. \(2022\)](#), explain the role of internal audit in mitigating risks in either creative accounting or the well-being of Islamic banks. Other research, such as [Khalid \(2019\)](#) and [Bouheraoua & Djafri \(2022\)](#) that audit committees need to be stronger based on Islamic accountability or even characteristics of internal audits that affect Sharia compliance [\(Puspitasari & Handayani, 2020; Khalid et al., 2021\)](#). Hence, this study distinguishes it from earlier, which compare Islamic and conventional banks, where, as far as we know, there is no study concerned with internal audit disclosure. The objective of this study is to determine the degree of internal audit disclosure in conventional and Islamic banks in Indonesia.

LITERATURE REVIEW

Disclosure Context in Governance

Enhancing transparency in governance practice is essential for establishing a functional and sustainable ecosystem [\(Gandía, 2011\)](#). This transparency aids in reducing information disparities among stakeholders, as noted by [von Alberti-Alhtaybat et al. \(2012\)](#). Management communicates key governance and performance details to investors and other stakeholders through disclosure, as emphasized by [Healy and Palepu \(2001\)](#). Organizations typically engage in varying levels of information disclosure, categorized into three tiers: adequate, fair, and full disclosure [\(Aziza & A. Birton, 2019\)](#). While there are considerations regarding the costs and benefits of disclosure [\(Cooke & Wallace, 1990\)](#), it is considered a mandatory practice in Islamic contexts, supported by [Haniffa and Hudaib \(2010\)](#), requiring entities to offer comprehensive clarifying information.

The extent of disclosure reflects the entity's commitment to governance standards. According to the [OECD \(2023\)](#), governance principles necessitate timely and accurate disclosure of all relevant information to uphold genuine transparency. Corporate governance plays a vital role in ensuring justice and transparency to protect the rights of all stakeholders, as highlighted by [Ismail et al. \(2023\)](#). Effective governance structures should incorporate various principles such as responsibility, control, incentives, oversight mechanisms, checks and balances, and discipline to operate optimally [\(Lewis, 2014\)](#). In Islamic financial

institutions, adherence to Sharia rules is crucial, with staff required to act in alignment with Islamic principles (Abdullah Saif Alnasser & Muhammed, 2012; As-Salafiyah & Rusydiana, 2020). Furthermore, Islamic financial institution governance must not only follow Sharia rules but also exhibit accountability towards both stakeholders and God, promote justice and fairness, uphold principles of equality, practice Islamic accountability to Falah, and prioritize social welfare, as highlighted by Abu-Tapanjeh (2009).

Internal Audit

According to Roussy (2013), the role of internal audit in enhancing collaboration is significant (Hayek et al., 2022). The growing emphasis on the importance of internal audit stems from the need to reduce errors and fraud (Sulub et al., 2020). By ensuring that the accounting system meets stakeholder requirements for accurate financial information, internal audit enforces compliance with financial quality and security standards (Jarah et al., 2022). Abed et al. (2022) discovered a connection between transparency, disclosure, and the prevalence of creative accounting, as indicated by previous research. Internal auditors often face a dilemma where failure to report irregularities can tarnish their reputation, while reporting them may draw management's attention and jeopardize their positions (Gomes, 2010). Therefore, fostering a culture of honesty and strong ethical values is an effective internal audit measure to prevent fraud in banks (Nurlaela et al., 2021). Additionally, as highlighted by Kasim in *Accountants Today* (2010), the audit function in Islamic businesses is not only crucial but obligatory, demonstrating the auditor's responsibility to both financial statement users and, more importantly, to the Creator, Allah SWT.

Despite certain constraints, such as financial circumstances, Islamic financial institutions rooted in Islamic principles are expected to share information publicly as a means of communication (Aziza & A. Birton, 2019). Internal audit plays a critical and influential role in safeguarding banks from various risks by scrutinizing financial statements for accuracy in disclosure and completeness of information (Jarah et al., 2022). Internal audit responsibilities encompass a broad spectrum, including enhancing collaboration, preventing fraud, and ensuring the accuracy of financial information in both traditional and Islamic financial environments.

Various factors contribute to assessing internal audit quality, including information technology, size, competence, application of quality assurance techniques, evaluation of internal audit reports, and focus on specific

tasks, as indicated by previous studies (Christ et al., 2021; Lin et al., 2010; Pizzini et al., 2011). Competence, level of control assurance, follow-up procedures, audit committee involvement in evaluating the internal audit program, and resulting outcomes are among the variables identified by Oussii and Boulila Taktak (2018) that impact the quality of internal audits. In Islamic banks, internal audits involve assurance activities, assessment consultations, and recommendations related to Sharia compliance, organizational governance, performance, adequacy, effectiveness, and efficiency (Birton et al., 2022).

Efforts to highlight internal audit provisions can lead to enhanced organizational qualifications (Boskou et al., 2017). Lin et al. (2010) link disclosure of material weaknesses to reduced competence, stemming from a decline in the application of quality assurance techniques during fieldwork and addressing previously identified internal control deficiencies. Conversely, Prawitt et al. (2009) found a correlation between improved internal audit quality and reduced earnings management. Oussii and Boulila Taktak (2018) noted a positive association between firm size and internal control weaknesses, suggesting that larger, more complex organizations with extensive operations are more prone to internal control issues.

Proper planning is essential for the internal auditing process, involving risk assessment and a preliminary plan that assigns key staff responsible for assessing the work plan (Cascarino, 2015). According to Pitt (2014), aside from strategy, staffing and professional procedures are key components contributing to a high-quality internal audit function. Staff capability to handle audit challenges and compliance with internal audit requirements can be assessed through focused inspections in audit disclosure (Boskou et al., 2019). Staffing levels and allocated hours for internal auditing, as stated by Hayek et al. (2022), determine the scope and effectiveness of internal audit operations by ensuring complete disclosure of company guarantees, transactions, and other relevant information at meetings (Boskou et al., 2019). Particularly for Islamic banks, adherence to Sharia compliance is crucial for establishing public trust and optimizing the effectiveness of the internal control system, which strictly follows Sharia principles (Mardiyah & Mardian, 2016). The internal audit report, generated through verification, testing, and evaluation procedures, aims to deliver decision makers timely and accurate information reflecting the true state of the organization (Al-Chahadah et al., 2018).

METHODOLOGY

Due to the critical nature of internal audit disclosure in both Islamic and conventional banks, this study adopts a qualitative approach. Additionally, comparative analysis is incorporated as the preferred methodology to provide a comprehensive understanding of internal audit practices in Islamic and conventional banks. Through comparative analysis, the study aims to elucidate the organizational structures and operational procedures by juxtaposing them with those of other banking systems (Esser, 2016).

Given the limited presence of only 10 full-fledged Islamic banks in Indonesia, a purposive sampling method was employed to select 10 conventional banks for comparison based on their respective sizes. This selection criterion ensures a representative sample that reflects the diverse scale of banks in the Indonesian financial landscape. To achieve the research goal of evaluating the extent of internal audit disclosure in Islamic and conventional banks in Indonesia, a content analysis will be conducted using secondary data extracted from the annual reports of these banks for the years 2022-2023, which are accessible on their official websites. The choice of these two specific years is deliberate as the landscape of Islamic banks experienced significant shifts due to a merger in 2021. By analyzing data from 2022 to 2023, this study aims to comprehensively examine the impact

of the merger on internal audit disclosure practices over this period.

Gathering information on internal audits can be challenging as not all data is publicly available, as noted by Al-Najjar (2011). In light of this, the study utilizes the research of Birton et al. (2022) to construct a coding framework for internal audit disclosure. This framework is designed to assess the extent of internal audit disclosure in Islamic banks by analyzing information from their annual reports. The framework is structured into three main components: the code, which includes planning through monthly meetings; audit sampling, which outlines audit activities; and compliance and assurance, which offer recommendations for improvement. For reliability assessment, the study follows the approach recommended by Schreier (2013), focusing on evaluating the planning elements by including the staff code as a crucial aspect of the internal audit process. The core components under scrutiny in this study entail staff and certification, monthly meetings, audit sampling, compliance, and assurance, serving as key areas of analysis. Furthermore, to differentiate between conventional and Islamic banking practices, the study categorizes banks based on their size and service focus. This classification approach provides insights into the distinct interpretations of internal audit practices within these two banking systems. Detailed information regarding this classification can be found in Table 1 for further elucidation and reference.

Table 1. Data Sample of Banks

| Conventional Banks | Islamic Banks |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Large</p> <p>Bank Mandiri (MDR) Bank Negara Indonesia (BNI)</p> <p>Medium</p> <p>Bank Central Asia (BCA) Bank Rakyat Indonesia (BRI) CIMB Niaga (CIMBN) Bank Danamon (DNM)</p> <p>Small</p> <p>Bank Tabungan Pensiunan Nasional (BTPN) Bank Permata (PRM) Bank Victoria (VIC) Bank Bukopin (BKP)</p> | <p>Large</p> <p>Bank Syariah Indonesia (BSI) Bank Muamalat (BMM)</p> <p>Medium</p> <p>Bank Mega Syariah (BMS) Bank Jawa Barat Syariah (BJBS) Bank Central Asia Syariah (BCAS) Bank Panin Syariah (PANINS)</p> <p>Small</p> <p>Bank Tabungan Pensiunan Nasional Syariah (BTPNS) Bank Bukopin Syariah (BKPS) Bank Victoria Syariah (VICS) Bank Aladin Syariah (BAS)</p> |

RESULTS

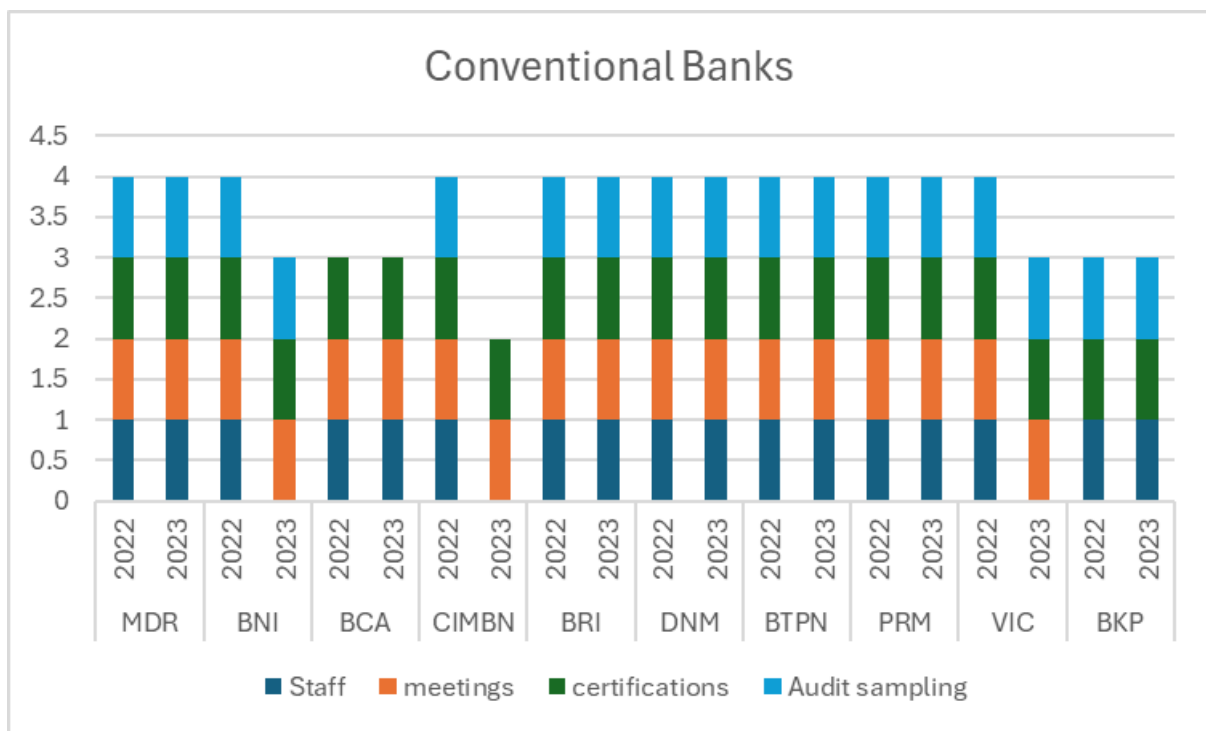
First, the bar charts will be outlined to compare internal audit disclosure practices between conventional

and Islamic banks in Indonesia for the years 2022 and 2023. The bars in the charts will represent various internal audit components, including staff, meetings, certifications, and audit sampling. This comparison will

provide insights into the differences in internal audit practices between the two types of banks over the specified time period. Each bank is represented by a bar, with the height of each colored segment indicating the level of disclosure for each component.

From conventional banks' staff viewpoints, the chart reveals a relatively consistent level of staff disclosure across most banks, with the average disclosure level hovering around 1.0. This indicates that most banks provide information about their staff involved in the internal audit process, likely including qualifications, experience, and potentially the size of the audit team. The disclosure of information related to meetings varies considerably among the banks. Some banks, such as BNI and CIMBN in 2023, need more information about their internal audit meeting practices.

On the other hand, banks like MDR, BRI, and DNM in both 2022 and 2023 show higher levels of disclosure, suggesting more transparency regarding their internal audit planning and communication mechanisms. The disclosure of certifications appears to be the most consistent across all banks, with most banks demonstrating a disclosure level of around 1.0 in both years. This signifies that most banks provide some information on the certifications or qualifications required of their internal audit staff, likely reflecting the importance of professional standards within the internal audit function. In audit sampling categories, the chart demonstrates a wide range in the level of audit sampling disclosure, with some banks exceeding 3.0 (e.g., BTPN in 2022 and 2023) while others fall below 1.0 (e.g., VIC in 2023). This can be seen as graph 1 as follows,



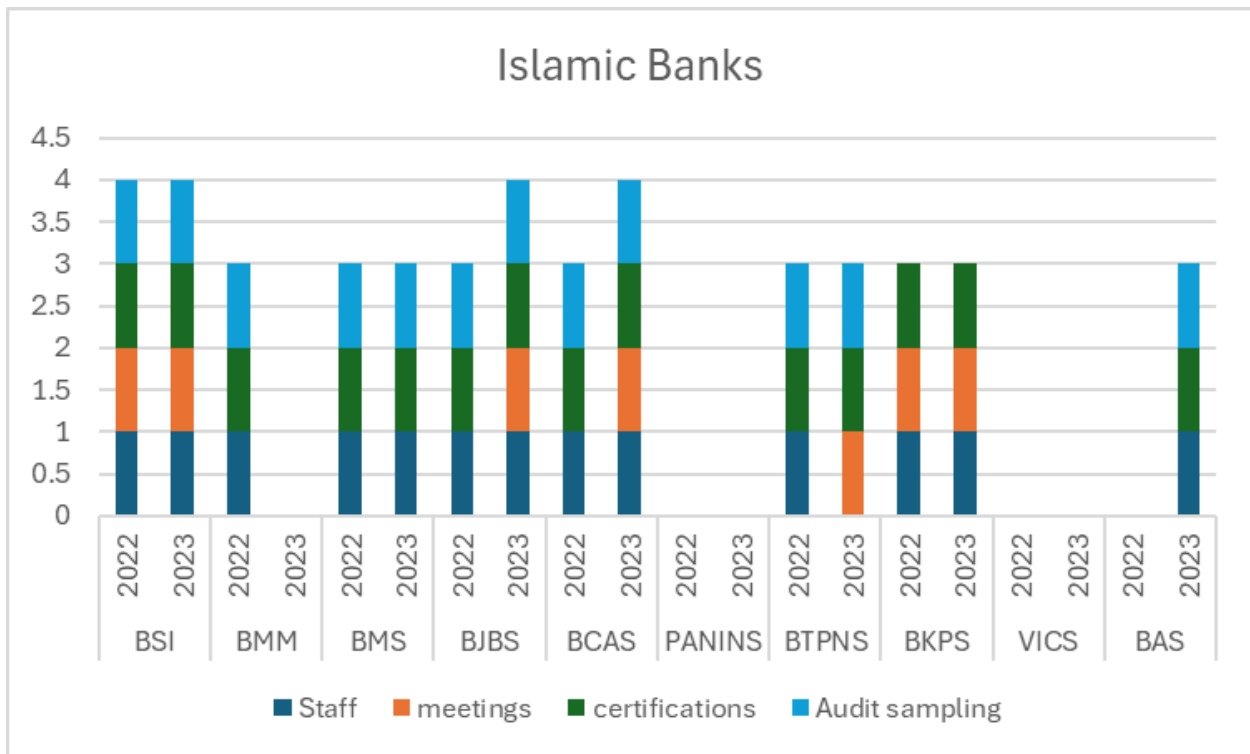
Graph 1. Conventional Banks Internal Audit Disclosure Practices

On the other hand, for Islamic bank staff, the chart indicates a generally high level of staff disclosure across most Islamic banks, with the majority of bars exceeding 1.0 for both 2022 and 2023. This suggests that most Islamic banks are transparent regarding their internal audit staff, potentially disclosing information about their qualifications, experience, and the size of their audit teams. The most consistent disclosure is observed for BJBS, BTPNS, and BKPS in both years. However, BAS demonstrates a noticeable decrease in staff disclosure from 2022 to 2023. The disclosure of meeting information shows more significant variation among banks. While some banks, like BTPNS in both

2022 and 2023, display high levels of disclosure, indicating a robust communication and planning process for their internal audit function, others, such as PANINS and BKPS, exhibit significantly lower levels of disclosure. Disclosure related to certifications appears to be the most variable across the banks. While some banks, like BSI, BMM, and BMS, maintain consistent levels of disclosure around 1.0 in both years, others, such as BJBS, BCAS, and BAS, experience a more significant change in their disclosure levels between 2022 and 2023. This fluctuation could be attributed to evolving internal audit practices or variations in the importance placed on professional standards within these banks. The

disclosure levels regarding audit sampling vary widely among the banks, with some exhibiting very high levels

(e.g., VICS in 2023), while others remain below 1.0 (e.g., BTPNS in 2023). This can be seen as follow



Graph 2. Islamic Banks Internal Audit Disclosure Practices

In addition, we outline the audit sampling and compliance activities of various banks for the years 2022 and 2023 because it is essential for banks to continue evolving their audit sampling methodologies and compliance frameworks to navigate the dynamic regulatory landscape and mitigate potential risks effectively. Some banks in Islamic banking, such as PANINS, BTPNS, BKPS, BAS, and VICS, have undisclosed audit and compliance activities for 2022 and 2023, focusing on systematic compliance with laws and

regulations. The table analysis indicates that banks are enhancing their audit activities, compliance measures, and risk management strategies to ensure adherence to regulations, optimize operational efficiency, and drive value-added services. A systematic approach to compliance, including a focus on risk management, internal control optimization, and technology development, is a common theme across the banks. That can be seen in Table 2 as follows,

Table 2. Comparison Audit Sampling and Compliance in Conventional and Islamic Banks

| Bank's Name | Audit Sampling | | Compliance | |
|-------------|--------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| | 2022 | 2023 | 2022 | 2023 |
| MDR | 2 special audits, 14 regular audits, 11 mandatory audits, 3 branch audits | 2 special audits, 11 mandatory audits, 2 entity audits, 1 consulting, and 22 general audits. | Systematic compliance ensures laws, regulations and efficiency of internal control, financial, operational, risk management, and value-added. | Identifying risk, controlling. |
| BNI | One hundred twelve audit delivery channels, 12 mandatory audits, 7 audit divisions, 4 audit subsidiaries, 68 audit thematic focus on | 109 audit delivery channels, 4 audit international branches, 17 mandatory audits, 2 division examinations, 6 subsidiaries | Systematic compliance about strategic anti-fraud, Information security audit, developing applications | applying strategic anti-fraud |

| | | | | |
|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | technology information, 12 independent reviews, and 14 consultations. | audits, 74 IT audits, 17 independent reviews, 3 consultations, 16 reviews. | for digital auditing, and value-added | |
| BCA | Undisclosed | Undisclosed | Focus on developing technology for early warning fraud, credit restriction, risk management, treasury, and operational in branch offices and compliance with regulators. | Reliability of key applications for operations, third-party funds, credit and remittance, data governance, EDC, credit quality and restructuring, environmental sustainability governance, treasury, and complaint handling. |
| CIMBN | 54 Responsible Business Alliance audit, 14 thematic audits, 11 integrated and review, 10 continuous program | Undisclosed | Optimize data analytics and visualization, additionally continuing business monitoring and aligned assurance | KPI assessment, performance evaluation and feedback for improvement, |
| BRI | 3.577 works unit consists of division, regional, special branch, branch servant, cash office, BRI Unit, Overseas work, subsidiaries, regional audit office. Then 18 thematic audit activities. | 402 special audits, 133 thematic audits, 216 investigative audits, 930 surprise audits, 65 formal consulting, and 1369 informal consulting. | Systematic compliance to improve controlling, risk management, corporate governance, and especially for company value-added | Branch office audit, monitoring system, surprise audit, Risk strategy implementation |
| DNM | 198 Danamon entities audit, 183 joint audits with a finance company | 37 head office examinations, 9 regional office audits, 136 branches audit | A compliance work unit exists | Monitoring-reviewing risk to develop bank initiative process, focus on agile audit |
| BTPN | 3 mandatory audits, 6 general audits, 13 thematic audits, 4 branch audits, 9 consultative audits, 9 continuous monitoring | 3 mandatory audits, 3 general audits, 12 thematic audits, 4 branch audits, and 11 consultations. | Fund transfer, regulatory reporting, Internal adequacy assessment process, business segment, commercial banking, retail banking, digital banking, branch office, Information technology, treasury, operational & anti-fraud | Systematic compliance with laws and regulations |
| PRM | 107 assurance assignments and 24 consultation assignments | 78 assurance and 29 IT advisory and non-IT advisory | Information audit system and Systematic organizational compliance to regulations | Monitoring and systematic compliance with the law. |
| VIC | 14 branch audits, 25 sub-branch audits, 12 operational unit audits, 1 audit results report of the compliance and national blacklist management office | 14 branch office audits, 5 business units, 7 audits nonbusiness unit | Systematic compliance culture | Systematic compliance culture |
| BKP | 11 head office audits, 22 branches audited, 3 | 12 head office audits, 26 branch office audits, 5 IT | Systematic compliance culture | Risk-based audit |

| | | | | |
|--------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | technology information audited, 1 thematic audit, 19 special audits, 10consultation | audits, 6 thematic audits, 2 entity audits, 11 special audits | | |
| BSI | 45 regular audits. | 56 general audits, 42 investigate audits. | Focus on technology stabilization, corporate plan, review for new product acquiring technology, data analytics for external audit. | Monitoring, data analytics, and opinion for new products. |
| BMM | 27 regular audits and 7 ad-hoc audit | Undisclosed | Compliance with regulations and laws, third-party services, information security, products, management financing, customer relations, and operations | Control environment, event identification, risk assessment response, monitoring |
| BJBS | 34 general audits, 38 information technology audits, 7 special audits | 629 General audits, 7 special audits & anti-fraud, 6 quality assurance groups, 5 audit information technology | Systematic compliance with sharia and regulations | Optimization of internal control, implementation of anti-fraud strategies, consulting auditees across departments. KPI assessment, performance evaluation and feedback for improvement, |
| BCAS | 10 branches audited, 10 head units audited, 30 application reviews, 4 regular audits | 7 branch offices and 4 departments audited | Systematic compliance with laws and regulations | Compliance assessment report, security audit of BI's payment system, review of internal capital adequacy assessment process, single customer view |
| PANINS | Undisclosed | Undisclosed | Undisclosed | Risk awareness. |
| BTPNS | 21 regular audits include business processes, operations support functions, information technology, regulatory audits, subsidiary, and line distribution. 1 limited review on mobile banking and internet banking | There were 22 regular audits and 5 special audits in business process, operations and support functions, information technology, and line of distribution. | Focusing on a high-risk area | Systematic compliance with laws and regulations |
| BKPS | Undisclosed | Undisclosed | Systematic compliance culture | Systematic compliance with laws and regulations |
| BAS | Undisclosed | Undisclosed | Systematic compliance with laws and regulations | Systematic compliance with laws and regulations |
| VICS | Undisclosed | undisclosed | Systematic compliance with laws and regulations | Systematic compliance with laws and regulations |

DISCUSSION

The majority of conventional banks exhibit a steady level of staff disclosure over the years, with most bars hovering around 1.0, indicating a consistent trend in their reporting practices. Conventional banks place a strong emphasis on the competence and proficiency of their staff, evident from the data presented in the table. Notably, they prioritize transparency by disclosing information on the personnel count and the extent of professional certifications held by their internal auditors. This commitment to transparency underscores the importance they place on ensuring the quality and expertise of their workforce to maintain operational efficiency and effectiveness. In comparison, Islamic banks also generally show a high degree of staff disclosure; however, the chart highlights more variability among these banks. While certain banks like BSI, BMM, and BMS remain stable in their disclosure levels, others, such as BJBS and BAS, exhibit significant year-on-year fluctuations. This variance may indicate challenges in maintaining consistent reporting standards across Islamic banks, potentially impacting their ability to communicate critical information about their internal audit capabilities effectively. An area of concern is the scarcity of internal auditor personnel and the limited availability of qualified expertise within Islamic banks. Previous studies, such as those by [Hayek et al. \(2022\)](#) and [Oussii & Boulila Taktak \(2018\)](#), have underscored the importance of having skilled personnel and a robust internal audit framework to ensure the smooth operation of a financial institution. The lack of adequate resources and expertise in internal auditing within Islamic banks may explain why they continue to lag significantly behind conventional banks in terms of overall performance and operational excellence.

Moreover, a clear trend emerges where the majority of conventional banks exhibit a robust commitment to transparency through detailed disclosure of their audit sampling practices. This emphasis on sharing information not only underscores their dedication to good governance principles but also reflects a culture of accountability within these institutions. In contrast, the landscape is different for small Islamic banks, as they generally fall short in providing sample audit information, unlike their larger or medium-sized counterparts that demonstrate more consistent disclosure practices. Notably, only one Islamic bank stands out for offering comprehensive disclosure across all criteria, highlighting a disparity within the Islamic banking sector in terms of

transparency and accountability. This discrepancy in disclosure practices among Islamic banks stands in contrast to the Islamic principles that emphasize integrity and accountability in dealings with others, as highlighted by [Kasim in Accountants Today \(2010\)](#). The lack of uniformity in transparency across small Islamic banks raises concerns about their adherence to governance standards and their ability to communicate critical audit information effectively. On the other hand, the trend observed in larger banks aligns with the findings of previous studies by [Boskou et al. \(2017\)](#) and [Prawitt et al. \(2009\)](#), indicating that larger institutions tend to provide a more comprehensive array of information, reflecting a stronger commitment to transparency and stakeholder communication.

CONCLUSION

In conclusion, Islamic banks, despite being perceived as institutions that uphold transparency as a fundamental principle, still lag behind traditional banks in terms of disclosure practices. This discrepancy raises concerns about the level of accountability and openness within the Islamic banking sector. Moreover, while Islamic banks place a strong emphasis on adhering to established systems, there is a growing recognition of the need to leverage technology to enhance their services. Despite these efforts to modernize, the overall disclosure information provided by Islamic banks remains below the standards set by conventional banks, indicating room for improvement in communication and transparency practices within the industry.

In contrast, conventional banks demonstrate a consistent dedication to sharing detailed audit information, showcasing a robust commitment to transparency and accountability. This proactive approach to disclosure not only promotes trust among stakeholders but also reinforces the importance of open communication in the financial sector. However, small Islamic banks face challenges in aligning with these high standards of transparency, potentially hindering their ability to effectively communicate critical audit information to stakeholders. By addressing these disparities and enhancing their disclosure practices, Islamic banks can bridge the gap with traditional banks and strengthen their credibility and reputation in the market.

To address these disparities and uphold the principles of transparency and accountability, it is imperative for small Islamic banks to enhance their disclosure practices and align them with industry best practices. By following the lead of larger Islamic banks

and conventional institutions in terms of information sharing and audit transparency, smaller banks can bolster their credibility and trustworthiness in the eyes of stakeholders and regulatory bodies. Embracing a culture of openness and accountability not only strengthens the internal governance framework of Islamic banks but also fosters greater confidence among investors and customers in the integrity of these financial institutions. This can enhance their reputation, build trust, and align themselves with international standards of governance and reporting.

This study fills a significant research gap by exploring internal audit topics, focusing on a comparative analysis between Islamic and conventional companies using information sourced from annual reports. However, it is important to note that the scope of this study was limited to the Indonesia region only. Moving forward, there is potential for further research that extends beyond this geographic boundary by adjusting regulatory frameworks to address both the similarities and distinctions between Islamic and conventional companies. By establishing comprehensive criteria for internal disclosure across diverse regions, future studies can provide a more holistic understanding of internal audit practices within different organizational contexts.

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