Establishing Shariah Audit Criteria for Zakat Operations: Where to Begin?

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Abstract

This study addresses the absence of structured Shariah audit mechanisms in zakat institutions, particularly in the operational aspects of zakat distribution. Hence, the objective of the study is to develop Shariah audit criteria grounded in authoritative references such as fatwas, governance manuals, and Islamic finance standards. Adopting a qualitative document analysis approach guided by the Logical Framework model, this study systematically translates key Shariah principles into practical audit criteria. The findings aim to enhance Shariah assurance, improve institutional accountability, and support more consistent zakat governance practices across decentralized systems. This study presents the development of Shariah audit criteria for zakat distribution by integrating documentary sources such as fatwas, governance standards, and institutional SOPs with practical operational considerations. Key findings include a structured set of audit criteria rooted in principles such as comprehensiveness, prioritisation, and data completeness, which were translated into actionable audit tools. The study also identifies critical enablers such as trained personnel, dedicated Shariah committees, and supportive digital systems that are necessary for effective Shariah auditing. Discussions highlight three key governance gaps: the lack of structured Shariah oversight mechanisms, limited legal institutionalisation of Shariah functions, and insufficient stakeholder competency. The study calls for the establishment of a formal Shariah governance framework, aligned with national enactments and supported by a Shariah Audit Competency Framework. Overall, this research contributes to institutionalising Shariah auditing as both a compliance and strategic governance tool in zakat management, fostering transparency, accountability, and public trust in line with the maqasid of zakat.

Keywords: *Audit Criteria; Logic Framework; Shariah Audit; Shariah Governance Framework; Zakat Distribution.*

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Introduction

Zakat, as one of the five pillars of Islam, is a vital instrument of wealth redistribution and social justice within the Islamic economic framework [1],[2]. Zakat operations encompass a wide range of activities including collection, management, and distribution of funds. Among these, the distribution process is particularly significant, as it directly determines the extent to which zakat achieves its Shariah objectives namely, alleviating poverty, empowering the asnaf, and fulfilling Maqasid al-Shariah. Despite the central role of zakat in Islamic finance, the governance of zakat operations particularly in terms of Shariah assurance remains fragmented and underdeveloped [3],[4]. This is especially evident in zakat distribution, where decisions related to eligibility, prioritization, and the form of support require rigorous adherence to Shariah principles. Unlike Islamic financial institutions, which operate under a structured Shariah Governance Framework (SGF) issued by Bank Negara Malaysia (BNM), zakat institutions largely lack standardized Shariah audit frameworks [5].

In the Islamic banking sector, the Shariah audit function is clearly institutionalized at multiple levels. At the national level, the Shariah Advisory Council (SAC) of Bank Negara Malaysia serves as the highest Shariah authority for the industry. The SAC is legally mandated to provide definitive rulings on Shariah matters related to Islamic finance, ensuring national-level uniformity and consistency in Shariah interpretation [6],[7]. This centralized authority minimizes discrepancies in fatwa interpretations, mitigates Shariah non-compliance risks, and reinforces public confidence in the Islamic financial system. At the institutional level, each Islamic financial institution is required to establish its own Shariah committee, responsible for advising the board and management on institution-specific Shariah compliance matters, including product development, contractual arrangements, and operational activities [8],[9],[10],[11]. These committees operate in alignment with SAC rulings, thus ensuring that both macro- and micro-level Shariah considerations are addressed effectively. Supporting these governance bodies are dedicated control functions within Islamic financial institutions, namely Shariah risk management, Shariah review, and Shariah audit functions [12]. These independent units ensure operational-level compliance and develop Shariah audit procedures by referring to SAC resolutions and institutional Shariah committee decisions, creating a coherent and authoritative audit trail.

Zakat institutions in Malaysia, operating under a decentralized governance model, currently do not possess a structured, multi-tiered Shariah oversight system similar to what is found in the Islamic banking sector [13],[14]. Oversight at the national or state level is typically carried out by bodies such as

the Jawatankuasa Perundingan Hukum Syarak or the National Fatwa Council, whose primary role is to deliberate on broad policy matters. A review of the e-Fatwa system by the Federal Territories Mufti Office shows that a total of 27 fatwas related to zakat have been issued since 1980 [15]. These include rulings on the annual zakat fitrah rate for the Federal Territories, the obligation of zakat on digital assets, and the use of zakat funds under the asnaf fisabilillah category. However, most of these fatwas focus predominantly on zakat collection matters, with limited emphasis on operational aspects of zakat distribution. This suggests a need for more comprehensive and systematic Shariah guidance, particularly at the implementation level, to support effective and accountable zakat management.

In contrast to Islamic financial institutions (IFIs), where the Shariah Committee plays a formalised and critical role in ensuring Shariah compliance across all operational levels, zakat institutions currently lack a central authority or dedicated institutional Shariah committee tasked with overseeing operational compliance particularly in zakat distribution [16],[17]. Within IFIs, the Shariah Committee provides structured and objective guidance on how to apply rulings issued by the Shariah Advisory Council (SAC) and other relevant standards. It also advises on emerging or complex issues, offering clarity on matters that may require referral to the SAC. Importantly, the committee is actively involved in monitoring daily operations to detect any potential Shariah non-compliance, validating such findings, and recommending rectification measures where necessary [5]. These functions help ensure that IFIs operate in alignment with both regulatory expectations and the ethical framework of Islamic law. The absence of a comparable structure within zakat institutions highlights a critical governance gap, particularly given the ethical sensitivity and religious obligation associated with zakat distribution.

This structural gap gives rise to three significant challenges in the governance of zakat institutions. First, there is no centralized authority responsible for issuing operational-level Shariah audit guidelines for zakat management, unlike the Islamic finance sector, where the Shariah Advisory Council (SAC) provides clear and authoritative guidance. Second, the absence of formal Shariah audit mechanisms at the institutional level contributes to inconsistencies in implementation, limited transparency, and varying practices across different states. Third, most zakat institutions lack an internal Shariah committee dedicated to monitoring Shariah-related issues in day-to-day operational activities. These three factors collectively hinder the development of standardized Shariah audit criteria for zakat distribution operations. Addressing these gaps is crucial to ensure Shariah compliance, improve operational accountability, and enhance public confidence in the governance of zakat.

To address the current gap in governance, this study aims to identify the foundational concepts, key reference materials, and essential components required to develop Shariah audit criteria that are specifically applicable to zakat distribution. The main objective is to design a conceptual framework that can formalize and guide Shariah auditing practices at the operational level within zakat institutions. This study is especially important because, while zakat plays a central role in Islamic socio-economic development, the governance systems that ensure its Shariah compliance remain relatively underdeveloped particularly when compared to the more established frameworks used in Islamic banking [18]. The lack of standardized Shariah audit criteria and institutional oversight in zakat operations has contributed to inconsistent practices, limited transparency, and reduced accountability. These challenges risk undermining public confidence in zakat institutions. As the process of distributing zakat often involves complex ethical and legal considerations, establishing a more structured and accountable Shariah oversight mechanism is both timely and necessary.

This research offers original contributions by being among the first to systematically propose Shariah audit criteria grounded in both classical jurisprudential sources and contemporary governance frameworks. It advances the discourse on Shariah governance in the non-banking sector, particularly in the under-researched context of zakat institutions. By doing so, it not only bridges the gap between theoretical ideals and practical implementation but also promotes greater consistency, accountability, and Shariah alignment across diverse institutional settings. The findings are expected to serve as a foundation for policy development, capacity building, and institutional reform in enhancing the credibility and effectiveness of zakat governance.

Literature Review

Audit criteria are fundamental to any performance audit, acting as measurable standards against which outcomes, processes, or practices are evaluated. Audit criteria are defined as explicit, evidence-supported benchmarks that outline intended outcomes for a given activity, enabling auditors to evaluate the extent to which these expectations have been fulfilled [19]. In the context of zakat distribution, this becomes particularly relevant where ethical, religious, and operational considerations must align.

According to the ASOSAI [20] guidelines, good audit criteria should exhibit seven key characteristics: reliability, objectivity, usefulness, understandability, comparability, completeness, and acceptability. These attributes ensure that the audit results are not only valid and consistent but also accepted by stakeholders, including the audited institution and the public. For example, a zakat audit criterion might assess whether zakat distribution reaches

all eight asnaf categories within a defined timeframe. Here, the benchmark must be realistic and rooted in Shariah principles and operational capacity.

The choice of audit criteria must also reflect the context and nature of the audited entity. As highlighted by Batko [21], criteria should be developed through inclusive stakeholder engagement, covering perspectives from both strategic and operational levels. This ensures that audit standards are relevant to day-to-day realities while aligned with overarching goals. In the case of zakat institutions, which often lack formal Shariah audit mechanisms, such criteria could assess whether fund disbursement processes adhere to fatwa rulings, or whether documentation supports decisions on beneficiary eligibility.

Audit criteria play a critical role not only as tools for evaluation but also as instruments that promote accountability, transparency, and continuous institutional improvement [20]. They serve to translate broad objectives such as ensuring compliance with Shariah principles into concrete, measurable standards that can be applied in practice. In the absence of well-defined criteria, audits may become inconsistent or overly reliant on subjective judgment, a challenge that is particularly evident in decentralized systems such as Malaysia's zakat governance, where interpretations of Shariah may differ across states.

In conclusion, the development of audit criteria is not merely a technical task, but a strategic and ethical imperative. For this study, the formulation of Shariah audit criteria tailored to zakat distribution is essential to ensure operational-level alignment with Islamic principles, promote standardization across institutions, and enhance public trust in the governance of zakat.

The Logical Framework Approach (LFA), often operationalized through the Logical Framework Matrix or LogFrame, is a widely recognized planning and evaluation tool used across development, governance, and institutional research. Originally developed in the 1960s, the LogFrame has since been adopted by numerous international bodies including the European Commission and the World Bank as a method for systematically mapping the logical flow of activities, outputs, outcomes, and long-term impacts of a program or research initiative [22],[23],[24]. The LogFrame operates by breaking down a program or research effort into four key levels: inputs, outputs, outcomes, and impacts. These are typically structured in a matrix alongside performance indicators, means of verification, and assumptions. This structure provides clarity and coherence in understanding how a program is expected to achieve its objectives, particularly in complex and multi-stakeholder environments such as religious institutions or public sector governance [22].

For a study aiming to develop Shariah audit criteria specifically for zakat distribution, the Logical Framework presents an effective conceptual scaffold.

This research seeks to identify the foundational concepts, reference materials (e.g., fatwas, SOPs, AAOIFI governance standards), and operational mechanisms necessary to design audit criteria that can enhance Shariah assurance at the institutional level. By adopting the LogFrame, the study can systematically map the relationship between its activities (such as document analysis and expert interviews), the tangible outputs (the proposed audit criteria and conceptual framework), the expected outcomes (strengthened Shariah assurance and consistency in audit practice), and the long-term impact (improved governance and increased public trust in zakat institutions). Moreover, the LogFrame supports the research objective by aligning the normative goal of Shariah compliance with actionable indicators that can be applied in diverse institutional contexts. It facilitates transparency in the research process, enables critical validation through stakeholder engagement, and allows for structured comparison of practices across different zakat institutions. The approach also underscores the potential scalability of the proposed audit criteria by emphasizing adaptability and stakeholder buy-in essential qualities in the Malaysian zakat governance system, which is characterized by decentralized structures and diverse interpretations of Islamic jurisprudence. In summary, the Logical Framework offers not only a methodological tool but also a conceptual lens through which this study can translate abstract Shariah governance objectives into practical, evaluative audit criteria. Its structured, outcomes-driven logic makes it particularly suitable for research aiming to bridge the gap between religious compliance and institutional performance in the distribution of zakat.

Method

This qualitative study employs document analysis as the sole method to explore and develop Shariah audit criteria specifically applicable to zakat distribution. Guided by the Logical Framework Approach (LogFrame), the study is structured to identify key inputs, examine operational processes, and generate outputs (audit criteria) that support intended outcomes, such as strengthened Shariah assurance and improved zakat governance. The LogFrame model is suitable for this study because it enables a systematic linkage between source documents, operational practices, and institutional goals within zakat institutions [25].

The primary data sources consist of publicly available obtained from various regulatory, religious, and zakat-related institutions. These documents were selected based on their relevance to operational Shariah compliance and governance in zakat distribution. The sources include:

1. Fatwas issued by State Mufti Departments and the National Fatwa Council concerning zakat distribution and asnaf eligibility

2. Annual reports and audited financial statements from zakat agencies [26],[27],[28].

3. Accounting and Auditing Organization for Islamic Finance Institutions (AAOIFI) Governance Standards (GS 11) – Internal Shari"ah Audit [29].

4. Islamic Financial Services Board (IFSB) Guiding Principles On Shari`Ah Governance Systems for Institutions Offering Islamic Financial Services [30].

5. Jabatan Wakaf, Zakat dan Haji (JAWHAR), Zakat Distribution Management Manual (Manual Pengurusan Agihan Zakat) [31].

6. Malaysia Institute of Accountants (MIA) White Papers on Shariah Audit [32].

7. Bank Negara Malaysia's Shariah Governance Policy Document [5].

8. Classical and contemporary literature

9. Published external Shariah audit reports from relevant institutions [33].

These materials were purposively selected to cover the range of governance touchpoints across the zakat distribution process, from beneficiary assessment to disbursement, monitoring, and reporting. The analysis follows a thematic analysis approach, which is appropriate for extracting patterns, concepts, and audit-relevant themes from diverse textual data. Thematic analysis supports the logical framework by categorizing the findings into inputs, processes, outputs, outcomes, and impacts (Figure 1).
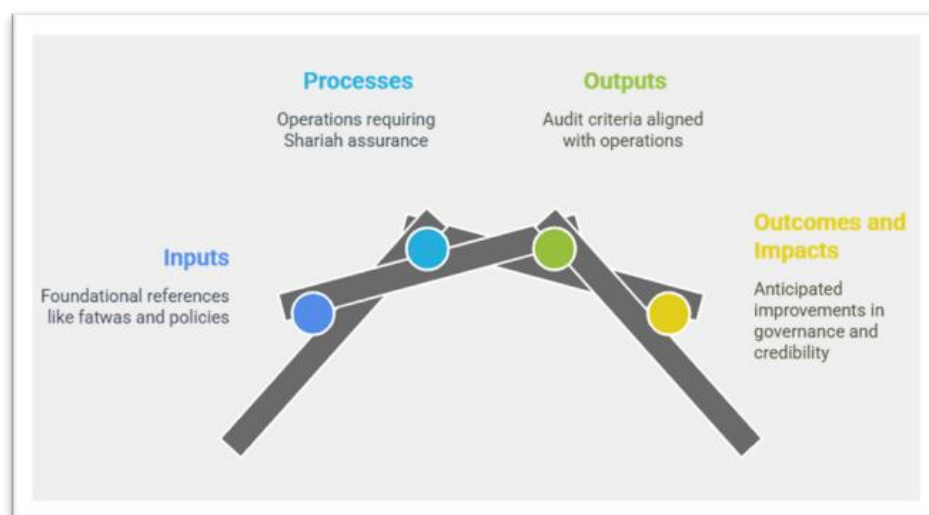

Figure 1: A Logic Framework for Developing Shariah Audit Criteria in Zakat Distribution

Result and Discussion

Inputs

Developing effective Shariah audit criteria for zakat distribution requires a strong foundation of both documentary references and institutional support. This study draws from a wide range of credible sources, including fatwa rulings issued by national and state-level Fatwa Councils, Standard Operating Procedures (SOPs), internal policies from selected zakat institutions, and governance standards published by international bodies such as the Accounting and Auditing Organization for Islamic Financial Institutions [29] and the Islamic Financial Services Board [30]. Guidelines from the Jabatan Wakaf, Zakat dan Haji [31] also offer valuable insights to ensure alignment with national Islamic governance practices.

In addition to these references, the success of Shariah audit implementation depends on several enabling factors within zakat institutions. These include the availability of trained and competent personnel who are equipped with both Shariah knowledge and auditing skills. Investing in continuous training and capacity building will strengthen the credibility of the audit process [34]. The establishment of a dedicated Shariah audit committee can also support more structured oversight and decision-making. Moreover, access to appropriate resources such as funding, manpower, and digital systems is essential. A well-designed computer system that supports audit activities can improve efficiency, data accuracy, and transparency. Finally, the development of a standardised Shariah-compliant SOP for zakat distribution operations will serve as a practical guide to ensure consistency and integrity across processes.

Together, these inputs create a supportive environment for designing a Shariah audit framework that is not only systematic and credible, but also sensitive to the operational realities of zakat institutions.

Process

This study undertakes a structured approach to develop Shariah audit criteria by carefully examining key documents and expert practices within zakat institutions. The process begins with a comprehensive review of existing fatwas, Standard Operating Procedures (SOPs), internal policies, and recognised governance standards. Each document is read with a specific lens: to identify areas within zakat distribution operations where Shariah principles are expected to guide decisions, actions, and accountability.

To move from general policy guidance to specific audit criteria, the operational clauses within these documents such as procedures for asnaf verification, fund disbursement methods, or zakat reporting practices are

mapped against established Shariah principles drawn from Fiqh al-Zakah [35]. For instance, if a policy outlines the steps for beneficiary selection, the process assesses whether those steps align with jurisprudential rulings on asnaf eligibility. From this, an audit criterion is formulated, such as: "Zakat recipients are assessed and categorised according to approved fatwa guidelines and documented evidence is maintained."

To ensure practical relevance and doctrinal accuracy, the study incorporates collaboration with academic experts in Shariah governance and audit. These experts provide critical feedback to refine the initial set of proposed criteria, especially in areas where operational practices intersect with complex jurisprudential interpretations. Additionally, benchmarking is conducted by referring to Shariah audit practices in Islamic Financial Institutions (IFIs), particularly those guided by AAOIFI and IFSB frameworks. While the operational context of zakat institutions differs, several governance principles such as Shariah oversight structures, documentation practices, and internal review mechanisms offer useful parallels. These are adapted to suit the unique characteristics of zakat distribution. This process of policy-document conversion, expert input, and strategic benchmarking enables the development of audit criteria that are both Shariah-compliant and operationally implementable. The resulting criteria are intended to guide internal audits, enhance institutional transparency, and improve public confidence in zakat governance.

Translating Distribution Principles into Shariah Audit Criteria

This study identifies core distribution principles outlined in JAWHAR's Zakat Distribution Management Manual and systematically translates them into measurable audit criteria to support the development of an operational-level Shariah audit program. The findings demonstrate how abstract Shariah-based distribution values such as comprehensiveness (menyeluruh), prioritisation (keutamaan), and complete information (mendapatkan maklumat lengkap) can be converted into concrete, auditable indicators aligned with institutional practices [31]. The principle of comprehensiveness emphasizes the importance of fair and inclusive distribution of zakat to all eight eligible asnaf groups. To operationalize this, an audit criterion is proposed to ensure that zakat funds are distributed according to the approved proportions and aligned with relevant fatwa guidance. Supporting audit evidence includes disbursement reports, internal policies, and zakat allocation records.

The prioritisation principle highlights the obligation to prioritise core asnaf categories namely fakir, miskin, and amil in the event of limited resources. This necessitates an audit criterion to ensure that fund reallocations across asnaf groups are justified and documented. The presence of internal budget, fund

reallocation approvals, and expenditure summaries form the basis of audit verification in this context. Lastly, the principle of complete information mandates a thorough field-based assessment of zakat recipients. This leads to the formulation of audit criteria that assess whether amil have conducted and documented complete beneficiary investigations. This criterion is supported by evidence such as profiling forms, investigation reports, and field visit records.

The table below presents the audit criteria derived from these principles, along with proposed evidence sources and audit procedures (Table 1).

Table 1: Shariah Audit Criteria Based on Distribution Principles

Distribution Principle	Audit Criteria	Audit Evidence	Audit Procedures
Menyeluruh (Comprehensive)	Zakat is distributed across all eligible asnaf categories in accordance with documented guidance.	Annual zakat disbursement reports, allocation statements, SOPs	Compare planned vs. actual disbursement records by asnaf group.
Keutamaan (Priority)	Priority is given to *fakir*, *miskin*, and *amil*; reallocations are properly justified and documented.	Budget plans, reallocation approvals, financial summaries	Assess whether majority allocations target priority asnaf; review reallocation justifications.
Maklumat Lengkap (Complete Information)	Beneficiary verification is conducted through complete and structured field assessments by amil.	Recipient forms, field visit logs, verification reports	Sample and review recipient files for compliance with SOPs and verification completeness.

These findings affirm that zakat distribution activities can be assessed through criteria that are both rooted in Islamic jurisprudential principles and aligned with standard audit methodology. By anchoring audit design in documented distribution values, zakat institutions can implement structured Shariah audits that reinforce compliance, transparency, and public trust. Moreover, this approach strengthens the bridge between normative Shariah governance and measurable institutional performance, an essential step in institutionalising Shariah audit within Malaysia's zakat system.

Output

The outcomes of this study are threefold and offer meaningful contributions to the advancement of Shariah auditing in zakat institutions. Firstly, the study compiles a comprehensive and well-curated set of reference materials including fatwas, policies, and standards that can guide and support future Shariah audit initiatives. Secondly, it presents a clearly structured list of Shariah audit criteria tailored to the operational processes of zakat distribution, offering practical tools for institutions seeking to enhance compliance and accountability. Thirdly, the study introduces a conceptual framework that thoughtfully integrates theoretical foundations, institutional practices, and real-

world operational touchpoints into a unified audit model. This framework is both adaptable and replicable, allowing it to be implemented across diverse zakat institutions while remaining sensitive to variations in local fatwa interpretations and governance contexts.

Potential Outcomes and Impacts

At the outcome level, this study is expected to assist zakat institutions strengthen and formalize their Shariah auditing practices in ways that are consistent, evidence-based, and aligned with operational realities. By offering clearly defined audit criteria and well-referenced benchmarks, the study contributes to enhancing Shariah assurance and improving internal governance. These improvements are likely to promote greater institutional accountability, reduce the likelihood of non-compliance, and support a stronger connection between religious obligations and day-to-day practices within zakat operations.

In terms of its broader impact, the study holds the potential to improve public trust, transparency, and the overall credibility of zakat governance. By addressing a critical gap in Shariah audit mechanisms especially within decentralized frameworks such as Malaysia's zakat system, the research supports the wider goals of Islamic social finance, including poverty alleviation and ethical distribution of resources. Ultimately, this study highlights the role of Shariah auditing not just as a tool for compliance, but as a strategic element of good governance, contributing to the long-term effectiveness and integrity of zakat institutions.

Discussion

The development of Shariah audit criteria in zakat distribution can be informed by a variety of foundational sources, including fatwa rulings, JAWHAR's Zakat Distribution Management Manual, academic literature, and operational documents. However, a key concern is whether these documents adequately cover the full spectrum of zakat distribution operations at the institutional level. Gaps in operational coverage may compromise the effectiveness of Shariah compliance assurance. Therefore, the establishment of a formal Shariah governance framework tailored to zakat institutions is critical. Such a framework should encompass the core components as outlined in Bank Negara Malaysia's Shariah Governance Policy Document [5]. These include:

1. A Shariah Committee, which plays a pivotal role in providing independent, sound, and objective advice to ensure that the institution's objectives, operations, and activities comply with Shariah principles;

2. Shariah Risk Management, a function tasked with identifying, measuring, monitoring, and reporting Shariah non-compliance risks across operational processes;

3. Shariah Review, which involves continuous internal assessments to ensure adherence to Shariah requirements in day-to-day zakat operations;

4. Shariah Audit, which provides independent assurance on the integrity, effectiveness, and adequacy of internal control systems and the overall Shariah compliance of zakat distribution activities.

The establishment of these Shariah governance components: Shariah Committee, Shariah Risk Management, Shariah Review, and Shariah Audit is crucial to institutionalising a robust and accountable zakat distribution system. Their presence ensures that Shariah compliance is not merely theoretical but embedded in every stage of operational practice, from policy formulation to disbursement and reporting [36],[37]. When properly implemented, this governance structure strengthens internal controls, mitigates the risk of Shariah non-compliance, and enhances the transparency and credibility of zakat institutions. Ultimately, such a framework promotes greater public trust and ensures that zakat funds are managed in accordance with both ethical principles and religious obligations.

A second critical issue concerns the legal and regulatory foundations required for the effective establishment of Shariah governance structures. While existing laws such as the Administration of Islamic Law Enactments and statutory provisions related to Baitulmal and zakat institutions provide the necessary legal support, it is equally important for zakat institutions themselves to proactively design and implement a comprehensive Shariah governance framework in alignment with these legal provisions [38]. This includes clearly defining the roles, mandates, and reporting lines of Shariah governance functions particularly the Shariah Committee in a manner that is consistent with the applicable state or federal laws. By ensuring alignment with the legal framework, zakat institutions can enhance the legitimacy, enforceability, and operational coherence of Shariah oversight, especially in Malaysia's decentralized zakat governance system.

The third area of concern involves the competency of individuals responsible for implementing Shariah governance. This extends beyond Shariah auditors to include board members, senior management, and audit committee members. As highlighted by Kamaruddin et al. [39], limited Shariah literacy among these key stakeholders remains a significant barrier to ensuring robust Shariah assurance in zakat institutions. Addressing this gap requires a strategic commitment to competency enhancement through well-structured training

programmes, recognized certification pathways, and ongoing professional development initiatives. In this regard, the introduction of a Shariah Audit Competency Framework, as proposed by Esa et al. [34], offers a practical roadmap to strengthen talent development and foster a sustainable pool of qualified professionals. Such a framework would not only enhance the credibility and effectiveness of Shariah audit functions but also support the long-term institutionalization of Shariah governance across the zakat sector.

Zakat institutions must increasingly acknowledge that the integration of Shariah audit is no longer a discretionary feature but a fundamental necessity, both within Malaysia and in the global context. In comparison to Islamic Financial Institutions (IFIs), many zakat bodies have yet to fully institutionalize structured Shariah governance frameworks. This developmental gap is particularly pressing given the rise of complex and evolving Shariah-related issues, such as the permissibility of disbursing zakat in the form of qard (benevolent loans), the allocation of zakat funds for infrastructure projects like mosque construction [35], and the implementation of Conditional Cash Transfer (CCT) mechanisms [40],[41],[42]. These emerging practices introduce intricate jurisprudential considerations, especially concerning the principles of tamlik (transfer of ownership), the legitimacy of conditionality, and the ethical management of zakat resources. Addressing such concerns requires not only comprehensive Shariah deliberation but also the establishment of robust monitoring systems to ensure ongoing compliance. In this regard, the Shariah audit function serves as a critical mechanism that translates legal and ethical interpretations into operational enforcement, fostering consistency and reliability in practice.

Moreover, innovations such as behavioural conditionalities within CCT models further underscore the need to recalibrate existing zakat distribution mechanisms [40]. These models aim to enhance the long-term welfare and empowerment of asnaf communities but require dynamic, proactive, and context-sensitive Shariah audit oversight to safeguard both compliance and effectiveness. In summary, reinforcing the Shariah audit function within zakat institutions represents a strategic and forward-looking step. It not only ensures alignment with Islamic jurisprudential principles but also strengthens institutional transparency, public confidence, and the overall integrity of zakat governance. Ultimately, such enhancement supports the higher objectives (maqasid) of zakat: achieving justice, equity, and sustainable poverty alleviation in accordance with Shariah [43].

Conclusion

This study set out to address a key governance gap in zakat institutions, the absence of structured, operational-level Shariah audit criteria to guide zakat distribution. By analyzing primary reference materials: fatwas, SOPs, and governance standards and engaging in expert benchmarking, the study successfully developed a set of Shariah audit criteria rooted in jurisprudential principles and operational realities. The findings show that zakat distribution activities can be aligned with principles such as comprehensiveness, prioritization, and informed disbursement when translated into measurable audit standards. These criteria can enhance institutional accountability, Shariah compliance, and public trust.

Moreover, the study identifies that an effective Shariah audit function depends not only on documentation, but also on enabling structures such as a competent Shariah Committee, Shariah risk management, and internal Shariah review and audit systems. The legal foundation for establishing such governance functions must be aligned with existing enactments, and the competency of board members, auditors, and senior management must be strengthened through structured development pathways.

Based on these findings, zakat institutions are encouraged to formalize a Shariah governance framework that includes independent audit mechanisms at the operational level. Regulatory bodies may also consider issuing national-level guidance to standardize audit practices across different states. Lastly, the development of a competency framework specific to Shariah audit in zakat should be prioritized to ensure long-term institutional sustainability and integrity.

Author Contributions

Mohd Suffian Mohamed Esa: Conceptualization, Methodology, Writing–review & editing, Project administration. **Salmy Edawati Yaacob**: Methodology, Writing – review & editing. **Hairunnizam Wahid**: Writing – review & editing.

Conflict of Interest

The authors declare no conflicts of interest.

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