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STREAM: FINANCE AND
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ACCOUNTING AND AUDITING

**The impact does internal sharia'h audit have on the
efficiency of Islamic bank's operations
-Case Study of AL SALAM Bank of M'sila**

**Dissertation Submitted to the Department of Financial Sciences and Accounting in Partial
fulfillment of the Requirements for the Master's Degree in Accounting and auditing**

**Supervised by:
Dr. ZEID AYMEN**

**Prepared by
BOURENANE FATIMA EZZAHRA**

Panels of Examiners

Yacine Nadir	University of M'sila	Chairperson
Aymen Zeid	University of M'sila	Supervisor
Mustapha Gamane	University of M'sila	Examiner

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Dedication

This Thesis work is dedicated to my dear parents who supported and encouraged me with their prayers and efforts to continue this work

To my brethren: Imane, Amina, Ahmed and Yasmina who supported me at every step.

To my grandmother and grandfather Allah's mercy.

To my friends: Yasmine, Nesrine, cheyma, ibtissem, Selma, Amira.

FATIMA EZZAHRA

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FATIMA EZZAHRA

Abstract:

Our study aims to study the impact of internal auditing on the efficiency of Islamic banks' financing operations and determine the extent to which it affects the improved financial performance of banks. Highlighting the integrated relationship between internal auditing and finance operations through the interview with the Director of Al salam Bank Branch (M'sila) as well as previous studies where we found that internal auditing plays a significant and effective role in improving risk management, reducing financial risks and identifying investment opportunities. The results of the study show that internal audit has a positive impact on the efficiency of Islamic banks' financing operations. The study recommends that the role of internal audit in Islamic banks be strengthened and continuously developed to improve the efficiency of financing operations and achieve financial results.

Keywords: internal auditing, finance operations, Islamic banks.

ملخص:

تهدف دراستنا الى دراسة تأثير التدقيق الداخلي على كفاءة عمليات التمويل لدى البنوك الإسلامية وتحديد مدى تأثيره على تحسين الأداء المالي للبنوك. مسلطين الضوء على العلاقة المتكاملة بين التدقيق الداخلي وعمليات التمويل من خلال المقابلة التي تمت مع مدير بنك السلام فرع (المسيلة) وكذلك الدراسات السابقة حيث وجدنا أن التدقيق الداخلي يلعب دورا كبيرا وفعالا في تحسين إدارة المخاطر والحد من المخاطر المالية والتعرف على الفرص الاستثمارية، أظهرت نتائج الدراسة أن التدقيق الداخلي يؤثر بشكل إيجابي على كفاءة عمليات التمويل لدى البنوك الإسلامية وتوصي الدراسة بتعزيز دور التدقيق الداخلي في البنوك الإسلامية و تطويره بشكل مستمر لتحسين كفاءة عمليات التمويل و تحقيق نتائج مالية.

الكلمات المفتاحية: التدقيق الداخلي، عمليات التمويل، البنوك الإسلامية.

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Introduction

Introduction:

Introduction:

The growing interest of companies in developed countries in internal auditing has been noted, this concern has been in many respects, foremost among which is the complexity of their operations.

As a result, various administrative responsibilities of the growing interest of companies in establishing independent internal audit departments while supporting them with the human efficiency that enables them to achieve the goals in the manner and effectiveness required.

Perhaps one of the most important reasons that led to such interest is the separation of management from ownership, the large size of enterprises and the emergence of multinational companies and international companies that have the multinational nationality and have been increased, the Department has had to develop internal control systems that ensure the proper functioning of the business and adherence to the policies and instructions of the senior management or the parent company.

In addition, If internal scrutiny is of such importance to companies in general, it is particularly important for banks, whether traditional or Islamic, where Islamic banks are regarded as a banking institution that acts as financial intermediation between savers and investors within the framework of legitimate Islamic financing formulas that renounce interest and tender in addition to providing banking services related to that role in accordance with sharia regulations.

This research examines the reality of applying internal auditing standards in Islamic Banks, with the aim of identifying the impact of internal auditing on Islamic banks' financing operation.

Introduction:

I. Problem statement

From the above, the problem of the research revolves around the following question:

What impact does internal sharia'h audit have on the efficiency of Islamic bank's financing operations?

To reach the depth of this question, several questions will be asked that will be of interest to the researchers in this work:

I. Research Questions:

- What are the financing modalities of (Al-SALAM Bank)?
- What are the stages of internal sharia'h auditing of Islamic banks' finance operations (Al-SALAM Bank)?
- What is the audit method of Al salam Bank (M'sila)?

II. Hypotheses

In light of the research problem, we can formulate the following hypotheses:

First hypothesis: The formula for financing by Murabah, the formula for financing by salam, the formula for financing by istisna 'a, the formula for financing by Ijarah, the formula for Musharakah, the formula for financing by Mudarabah.

Second hypothesis: There are four stages of internal sharia'h audit of Al salam bank financing: preparation and planning, implementation, reporting and follow-up.

Third hypothesis: Al Salam Bank follows the internal Sharia'h audit method of evaluating and analysing the Bank's banking and administrative operations to ensure that the legitimate standards and laws and legislation relating to the Bank are applied.

III. Importance of the study

The importance of this subject lies in internal scrutiny, which is seen as an instrument to help give the real picture of the situation of banks and is considered as a means of evaluation so that it affects all bank activities.

IV. Research objectives

This study aims:

- To falling on the concept and types of internal scrutiny.
- Recognize the importance and objectives of the internal audit function.
- Identification of internal sharia'h auditing criteria applied in Islamic banks.
- Identification of financing formats in Islamic banks.

V. Reasons for choosing the topic

The reasons for choosing the topic are objectives and subjective

Objective reasons:

Introduction:

- The global trend towards relying more on internal auditing function.
- The need for internal scrutiny by Islamic banks in order to achieve effectiveness, especially after the transformations in the global financial system

Subjective reasons:

- Learn more about this topic
- Trying to provide academic research to help me complete my future career project.

VI. Previous studies

Some previous efforts of researchers in this field were reviewed, in order to know their scientific effort and the variables they dealt with, some of which can be benefited from in the current study, and the following is a presentation of some of them:

The main objectives of this study are to:

- **Saudi Abdul Samad Study, Efficient Use of Salam Bank Resources in the Form of Leasing Finance (2015-2019), article published in Al Bashir Economic Journal, 2021.**

The problem with the study was how efficiently to use Islamic financing formats in the Al Salam Bank through the Ijara formula. The researcher reached a series of findings, the most important of which were:

- The importance of Al SalamBank's role through the optimal use of this funding formula;
- The composition of Algerian Muslim society has made its dealings with Islamic banks at a perceived high level;
- Al Salam Bank must diversify and develop its financing instruments and the provisions of its financing contracts to suit the reality in which it operates.

- **Zeid Ayman Study, Impact of the Management of the Risk of Islamic Financing Formulas According to the Decisions of the Basel Committee-Applied Study on the Algerian Bank of Al Baraka between 1995-2019 - Doctoral Memorandum, Economics, Akle Muhadad Olhaj University-Bouira, 2020.**

The problems of the study dealt with the implications of managing the risks of Islamic financing formulas through the decisions of the Basel Committee of the Algerian Bank of Al Baraka. The researcher developed hypotheses of regulatory capital that affect the risks of Islamic financing formulas by improving the performance of banks, whether traditional or Islamic, as well as the first line of defence; The risk management of Al Baraka Bank's Islamic financing formats has a direct bearing on the decisions of the Basel Committee, which affects its performance and reduces its risks. The researcher came up with a set of findings, the most important of which were:

- Risk management is efficient and necessary for the success and sustainability of Islamic

Introduction:

banks;

- The Basel Committee has always worked to find proposals and recommendations for good and sound management, whether traditional or Islamic;
- Islamic banks need to deal with active financial markets.

- **Kamal Mohammed Said Kamel Al-Nunu's Study, The Extent of Application of Recognized Internal Auditing Standards in Islamic Banks Operating in the Gaza Strip, Master's Note, Accounting and Finance Department, Islamic University of Gaza, 2009.**

The issue was the extent to which Islamic banks operating in the Gaza Strip adhered to the established internal auditing standards, and the researcher had developed a hypothesis of the extent to which Islamic banks operating in the Gaza Strip applied the special standards to be observed in auditing work.

The researcher came up with a set of findings, the most important of which were:

- Islamic banks insufficiently apply internal auditing criteria;
- There is a disparity in the application of performance standards, all of which ranged from good to medium;
- The impact of personal relations between the Bank's employees and the internal auditor on the audit process, which weakens its independence.

VII. Study curriculum:

In order to respond to the problem at stake and to learn about all aspects of the topic, we have relied in our study in its theoretical part on the analytical descriptive approach as an appropriate approach to the topic of the study. In the applied part, we have relied on a corresponding analysis strategy in order to achieve the study's objective and guide the interview to the desired direction.

VIII. Research Limitation

Every study has limits, the objective and spatial limits represent the institutions of the study samples, and the time limits represent the time period within which the study was applied, as follows:

- **Objective limits:** This research is classified as a theoretical and applied research that aims to inform the subject of knowledge aspects related to internal audit and funding formats within Islamic banks. The research is limited to examining various aspects related to internal auditing in Islamic banks and the funding formulas prevailing therein.
- **Time limits:** The study was conducted during the period from:
- **Theoretical aspect:** from October to the second week of April.
- **Applied aspect:** from 3rd week of April to 3rd week of May.

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- **Spatial boundaries:** Al Salam Bank, M'sila branch, was selected as a field study for our topic.

IX. Methodology

To answer the issue and address the issue, we true to divide the research into two theoretical chapters and one to study the situation at the level of AL salam bank.

For the first chapter is under the heading of an entrance to internal audit and is divided into three investigations in which the internal audit is addressed in the first research, internal audit in Islamic banks, in the second and third research methods of the efficiency of financing operations in Islamic banks.

For the second chapter, it is the applied aspect under the title of internal audit and its role financing operations in Islamic banks, which is a case study of Al Salam Bank this chapter, was divided into three investigations as well. The first research stated what is and the organizational structure of Islamic banks, and then the second research presented by Al Salam Bank (M'sila), and in the later stages of internal audit of the financing operations offal Salam Bank.

X. Research gap

Through a review of previous studies on the impact of internal audit on the efficiency of Islamic banks' financing operations, I noted that it has not received sufficient attention from researchers and interested in Islamic banking, despite its importance in enhancing the efficiency of financing operations and improving the performance of Islamic banks, and therefore this is an important area of research and study where it can contribute to the development and improvement of the performance of Islamic banks and increase the level of trust among investors and customers.

Comparison between previous studies and my study

The study differences similarities

- Saudi Abdul Samad Study, Efficient Use of Salam Bank Resources in the Form of Leasing Finance (2015-2019), Article Published in Al Bashir Economic Journal, 2021
We differed in the study period, we agreed in the field study place.
- Zeid Ayman Study, Impact of the Management of the Risk of Islamic Financing Formulas in Accordance with the Decisions of the Basel Committee - Applied Study on Al Baraka Bank of Algeria during the period, We disagreed in the field study place. We agreed in the study of the second variable of funding formats in Islamic banks.
- Kamal Mohammed Said Kamel Al-Nunu's Study on the Extent of Application of the Standard Internal Auditing in Islamic Banks Operating in the Gaza we differed in

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the(country) study sector, we agreed to study the first variable internal audit.

XI. The study structure

The study is divided into two chapters. The first chapter is relied on the concept of Entrance to internal audit, which in turn contains three topics: the first topic is related to the essence of internal audit, the second deals with internal (shari'a) audit in Islamic banks, while the third topic focuses on the efficiency methods of financing operations in Islamic.

The second chapter deals with the applied study of this one. It will address the identification in the first section for the institution under study and the second section to the applied study of this institution through the interview.

Through a review of previous studies on the impact of internal audit on the efficiency of Islamic banks' financing operations, I noted that it has not received sufficient attention from researchers and interested in Islamic banking, despite its importance in enhancing the efficiency of financing operations and improving the performance of Islamic banks, and therefore this is an important area of research and study where it can contribute to the development and improvement of the performance of Islamic banks and increase the level of trust among investors and customers.

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- Saudi Abdul Samad Study, Efficient Use of Salam Bank Resources in the Form of Leasing Finance (2015-2019), Article Published in Al Bashir Economic Journal, 2021
- We differed in the study period We agreed to mention funding formats and field study venue Zeid Ayman Study, Impact of the Management of the Risk of Islamic Financing Formulas in Accordance with the Decisions of the Basel Committee - Applied Study on Al Baraka Bank of Algeria during the period We differed in the study period We agreed in Chapter II, second research: Islamic Funding Formats.
- Kamal Mohammed Said Kamel Al-Nunu's Study on the Extent of Application of the Standard Internal Auditing in Islamic Banks Operating in the Gaza we disagreed in chapter II, fourth research we agreed in Chapter II: Internal Audit.

Chapter one:

Entrance to Internal Audit in Banks

1.1. Introduction

1.2. The Essence of Internal Audit

1.2.1. Historical Development of Internal Audit and Internal Audit System

1.2.2. Internal audit relationship to internal control system

1.2.3 International standards for internal auditing and audit committees

1.3 Internal Sharia'h audit in Islamic banks

1.3.1 The Concept of Sharia'h internal Audit in Islamic Banks

1.3.2 Importance and Objectives of Internal Audit in Islamic Bank

1.3.3 Internal Audit Plan and Procedures in Islamic Banks

1.4 Efficient methods of financing operations in Islamic banks

1.4.1. participatory financing methods in the return on investment

1.4.2. Debt-based financing methods

Conclusion

1.1.Introduction

This chapter aims to introduce internal scrutiny, highlighting the nature of the audit and the historical stages it has undergone. The concept of audit, evolution and diversity in the forms and area of audit also highlights the concept of internal control and the distinction between internal control and internal audit.

This section also includes three investigations divided as follows:

- First research: The essence of internal audit.
- Second research: Internal audit of Islamic bank.

Third research: Methods of efficiency of financing operations in Islamic banks.

1.2. The Essence of Internal Audit

An Overview of Internal Audit

Internal audit is systematic process of obtaining evidence and evidence indicative of the economic events carried out by the Foundation, using a systematic approach and using tools to gain an impartial technical opinion on the relevance of the institution is closing lists.

Through this research, generals on internal audit and its relationship to internal control will be provided.

1.2.1 Historical Development of Internal Audit and Internal Audit System

Internal audit is an important means of managing institutions to confirm and verify the compliance of administrative units with financial, administrative and legislative policies, financial and administrative regulations and general policies. This requirement will address the formation, evolution and concept of internal audit.

a- Historical overview

The tracker of the history of the evolution of the audit notes the multiplicity and diversity of the forms and scope of the audit. Its objectives in the initial stages were limited to detecting errors, fraud and manipulation and narrowing its scope in financial operations to become broader and broader to conduct means of delivering results.

Interest in internal audit began with the establishment of the institute of internal auditors in the United States in 1941.

This step can be seen as the main step in the field of professional reflection of internal audit, as it has since its inception contributed to the development of internal audit and the wider use of its services.¹

The institute worked to consolidate and develop it through various efforts. In 1947, the

¹ Khalaf Abdullah Wardat, internal scrutiny between theory and practice in accordance with internal auditing standards, paper for publication and distribution, 2006, p30.

institute of internal auditors issued the first list of internal audit responsibilities.

In 1957, the first revised list of internal audit responsibilities was issued.

In 1964, the internal audit definition manual was adopted as a review of business and records, sometimes continuously carried out within the facility by specialized staff for this purpose. the scope and objectives of internal audit vary greatly in different enterprise and may be distinguished, especially in the large enterprise, to multiple matters not directly related to financial aspects.

An effective effort of the institute of internal auditing in the professional performance standards for internal auditing.

The committees were formed in 1974 to study and propose an integrated framework of professional performance standards in internal auditing. And in 1977 the commissions completed their work and reported on the results of their study, these standards were finally ratified at the thirty-seventh international conference in San Francisco in 1978 and are rightly recognized by the majority of practitioners and sponsored by representatives of the institute of internal audit and its affiliates as a birth and the advent of a new profession.

Internal audit is defined as a separate evaluation function established within the facility to examine and evaluate its various activities. The objective of internal audit is to assists organizational members in effectively carrying out their responsibilities by providing them with analytical data and information, conducting studies and providing appropriate advice and recommendations on the activities being audited.

In 1988 in Jordan, the securities authority issued disclosure instructions, accounting standards and auditing standards to be applied as of 1.1.1998, which includes responding to and keeping pace with the evolution of internal audit and requesting companies to form audit committees from board members to oversee internal auditing.

In 1999, an ethics manual for the audit profession was issues by the institute of internal auditors.

A new internal manual was drafted in 1999 by the institute of internal auditors as a separate qualitative, advisory and substantive activity within the facility designed to review and improve the achievement of these objectives by investigating and proposing improvements to maximize productivity.

In 2001, a new manual for the practice of the internal audit profession was drafted and internal audit was defined as an independent and objective confirmation activity and consultancy activity designed to add value to the enterprise and improve its operations.

It helps the enterprise achieve its objectives by developing a systematic and accurate

approach to evaluating and improving the effectiveness of risk management processes, control and guidance (control) ¹.

b- Internal Audit Concept

Internal audit is a concept that is not new. It has been known for a long time and has undergone stages of development. Having been a continuous financial control aimed at detecting errors and fraud, it is based on the comprehensiveness of qualitative and consultative auditing to improve performance.²

In its broad content, the comprehensive concept of internal scrutiny includes:

- Independent internal activity within the establishment established by the department to perform its service
- A monitoring tool presenting the evaluation of the policies plans and administrative procedures established.
- Advisory function to propose improvements.

➤ **The internal audit book is known as:**

A set of systems or an internal function established by management to perform its service in achieving operations and constraints continuously to ensure the accuracy of accounting and statistical data and in ascertaining all precautions taken to protect the assets and property of the enterprise, In verifying that the establishment's staff follow the policies, plans and administrative procedures established for them and in measuring the validity of such plans, policies and all other means of control in the performance of their purposes and proposing the necessary improvements to them so that the enterprise reaches maximum productivity.

From the definition we note that the view of senior management in different enterprises has made the internal audit function an effective control tool on the activities of the enterprise and this function has become a safety valve in the hands of management.

However, the internal auditor must be given all necessary powers to carry out his work free of any pressure and free access to all departments of the facility and to communicate with all its personnel. A sufficient number of qualified auditors must be available to match the objectives associated with the audit service and the department must react seriously to the findings, recommendations and suggestions.

The Institute of Internal Auditors has also identified internal auditing as an independent evaluation function that arises from within the facility to examine and evaluate all its activities as a service of the facility in order to assist the staff of the facility. Internal auditing

¹ Khalaf Abdullah Wardat, *ibid.*, p. 32-31

² Ahmed Hilmi Juma, *Internal Audit and Government*, Al Safeh Publishing and Distribution House, Edition 1, 2011 Amman, p. 46.

provides the department with analyses, evaluations, advice, guidance and information on the activities reviewed. The objective of internal audit includes the creation of an efficient and affordable control system.

➤ **From this definition, we draw the following:**

Internal audit is an independent evaluation function. This means that the internal auditor is independent of the activities he or she audits and follows administratively rather than at the levels of the enterprise's organizational structure such as the Board of Directors or the Audit Committee ¹.

1.2.2 Internal Audit and Internal Audit System

Internal control is one of the most important elements on which an auditor relies when performing an audit, the first step of the auditor's work is to study the internal control system of the institution whose accounts are to be audited. Based on this study, the auditor can determine the extent of his examination and tests through the necessary audit procedures. The better and effective internal control systems are, the less procedures and details the auditor carries out during the audit process and the weaker the systems applied, the more detailed the audit procedures².

1- Concept, objectives and types of internal control:

There are many concepts and opinions about internal control. Some define it as a scientific method or a regulatory plan. Others try to define it from the point of view of its means. Others consider it a purely managerial function. IFAC defines the internal control system as all the policies and procedures adopted by the management of the enterprise to help it reach the department's objective of managing the business as much as possible.

Structured, efficient and involved adherence to management policies, asset protection, prevention and detection of fraud and error, accuracy and completeness of accounting records, and timely preparation of reliable financial information.

What the Audit Practice Committee has defined as all-financial and other control regulations established by management to carry out the project's work in an orderly and effective manner to ensure adherence to administrative policies, inventory protection and the completeness and accuracy of records.

From the previous definition, the internal control system contains a number of objectives, including:

- Organizing the project to clarify the powers and responsibilities.

¹ Ahmed Hilmi Juma, *ibid.*, p. 48.

² Tawahr Mohamed Elthami, *Siddiqui Masoud, Auditing and Auditing Theoretical Framework and Applied Practice*, University Publications Office, Algeria, 2000, p. 84.

- Protect the assets of the enterprise from embezzlement and safeguard the rights of others in the enterprise.
- Ensure the accuracy of accounting statements so that they can be relied upon in the formulation of management policies and decisions.
- raising the level of productive efficiency.
- Promote adherence to administrative policies and decisions.

To achieve these objectives, internal control must be divided into the following sections:

- **Management oversight:** The organizational plan includes means of coordination and actions aimed at maximizing productive efficiency while encouraging adherence to management policies and decisions.
- **Accounting control:** The organizational plan includes means and procedures that are primarily competent to preserve the project's assets and the extent to which the accounting statements recorded in the books and financial records are relied upon.
- **Internal control:** The organizational plan and all means of coordination and procedures aimed at protecting the project's assets from embezzlement, loss or misuse. In order to achieve its objectives, internal control depends on the division of labor with self-monitoring. Each employee's work is subject to review by another staff member involved in the implementation of the process¹.

I.2.2. Internal audit relationship to internal control system:

Internal audit function is an important part of the internal control system and institutions need an effective and robust oversight system to successfully achieve their objectives. Internal audit must therefore examine and evaluate the efficiency and effectiveness of the internal control system by drawing the appropriate audit program while determining the quantity of tests needed and the size of the appropriate sample.

The main objective of the internal audit activity is to examine and evaluate the existing internal control system and thus identify weaknesses and make recommendations for improving the control system, as stipulated in the performance standards through standard 2130-oversight - which stipulates: Internal audit activity should help the organization maintain effective controls by assessing its effectiveness and adequacy, and propelling its continuous improvement.

Hence, the internal auditor should always be aware that oversight is sufficient and useful only if it is designed to achieve a specific objective. In general, the objective of the internal control system is to obtain reasonable assurance that the Department's objectives will be

¹ Tawahr Mohammed Elthami, Siddiqui Masood, Auditing and Auditing Theoretical Framework and Practice of Practice, ibid, p. 85-86.

achieved. The internal audit function to assess the efficiency and effectiveness of the internal control system by ascertaining the authenticity and reliability of the information in addition to determining the extent of commitment to policies, plans, procedures, laws and regulations, and ensuring the protection of the institution's assets.

The efficient and economic utilization of its resources and the extent to which its objectives are being pursued. In order to be able to evaluate the internal control system, internal audit needs to:

- Identification of activities subject to scrutiny, identification of operating systems and control system;
- Preparation of a preliminary assessment of the regulations;
- Determining the extent of the examination based on the results of the preliminary assessment;
- Undertaking screening work and evaluating its results;
- Conclusion as to whether oversight is inappropriate and ineffective;
- Submit a final report to assess the internal control system and identify recommendations for improving the situation.

Hence, the relationship between internal audit and internal control is direct. An effective internal control system requires an internal audit department within the organization, its mission is to ascertain the extent to which all procedures, regulations and policies have been put in place the main task of the Internal Audit Section is to ensure that the functions of the internal control system are implemented and completed¹.

1.2.3 International standards for internal auditing and audit committees

As internal audit activities take place in different cultural and legal environment and within organizations with different objectives, sizes and organizational structures, as these differences may affect internal audit activities in different settings, the American Institute of Auditors has issued a set of internal audit standards that will be addressed in this requirement in addition to the audit committees².

a- Internal auditing criteria:

Internal audit standards are defined as the principles governing the audit process, where they are accepted and recognized. These standards are the general framework within which the internal auditor uses appropriate audit procedures. These standards relate to the nature and

¹ Khalaf Abdullah Wardat, Internal scrutiny between theory and practice in accordance with international internal auditing standards, previous reference, p. 535.

² Abd al-Rahman babanet and Nasser Dari Adoun, Administrative Audit and Qualification of Small and Medium Enterprises in Algeria, Dar al-Muhammadiyah, p. 48.

objectives of the internal audit function. They reflect the quality required of the auditor when performing his or her various functions. Internal audit criteria are as follows:

1-Independence and implementation of the auditor's work (1100 series)

This criterion is divided into:

- Independence
- Implementation of the auditor's work

1.1-Independence: Internal audit activity should be independent and entrant auditors should be objective in the performance of their work

This criterion has two secondary criteria ¹:

- Stature in Enterprise
- Substantive

1.2- Execution of the work of the auditor: The work of the auditor shall contain mission-planning, examination and evaluation of the information received and collected, disclosure of the results obtained and follow-up.

This criterion is complemented by four secondary criteria, which explain its content and meaning:

- Task Planning
- Disclosure of results
- Inspection and evaluation of information
- Follow-up

2. Vocational qualification:

Internal auditors must perform their work with high professional competence and professional conscience. This standard has eight criteria, three of which relate to internal audit interests, and five of which are internal auditors:

2.1-Criteria for internal audit interest: Criteria for internal audit interest are the following:

- Selection and Demarcation of Users
- Knowledge of qualification and technical competence
- Supervision

2.2- Internal auditors' criteria: for internal auditors' criteria:

- Respect for occupational law
- Qualification standard and professional competencies
- Human relations and communication capacity

¹ Shadi Saleh Al-Bajirmi, Internal Audit Role in Risk Management, Master's Note in Accounting, University of Damascus, 2012, p. 53.

- Continuous Composition
- Professional conscience

3. Scope and scope of work:

This criterion is the most important criterion for its focus on the evaluation of the internal control system and performance and it regulates five secondary criteria to be clarified and interpreted ¹.

1.3-Expressly and comprehensively: Internal auditors must ascertain the openness and comprehensiveness of data and information prepared by different interests for reference and reliance.

2.3. Respect for policies, plans, procedures, rules and laws: Internal auditors shall examine the regulations prepared in order to ensure respect for policies, plans, procedures, rules and laws in force internally.

3.3. Asset protection: Internal auditors should examine whether there are procedures in place to protect assets and if they can be ascertained.

4.3. Main and effective use of resources: Internal auditors must assess whether resources have been exploited in an economic and effective manner.

5.3. Achieving the Foundation's governing objectives: Internal auditors shall examine the activities and programmes of the Foundation until they reach a realized result identical to the established objectives.

4-Conduct the internal audit service:

The director of the audit service shall proceed in appropriate manner. this standard shall be followed by six criteria, which shall be interpreted and supplemented by:

1 .4- Objectives, Efficiency and Responsibility: the director of internal audit department must have a file in which the objectives, required competencies and responsibilities of his interest are defined.

2.4- Planning: the director of internal audit service must prepare plans that allow his or her interest to exercise its responsibility.

3.4- Policies and Procedures: The director of the internal audit service shall indicate the writings, policies and procedures that guide the activities of his assistants.

4.4- Management and composition of staff: The director of the internal audit service shall prepare a blueprint for the recruitment and development of human resources for his benefit.

5.4- External auditor: the director of the internal audit service shall coordinate his efforts with the external auditor.

¹ Gérard Vallin, Lionel Collins, Internal Audit and Control, Objective and Practice, 2nd edition, Paris, 1979.

6.4- Quality control: the director of the internal audit service shall prepare a quality control plan in order to evaluate his or her interest activities.

B-Audit committees:

Audit committees play a major role in supporting the effectiveness of internal auditing, so they have been addressed to enrich this research.

1. Definition of review committees:

Defined as a selected number of persons among the company's board members responsible

For maintaining the independence of the auditor from management.

Spira also described it as subcommittee of the governing council with no decision-making authority. Its outputs consist of reports and recommendations from the governing council. It carries out oversight activities and actions, but its role remains advisory, without the right to report to the general shareholders authority¹.

From the previous definitions, it can be said that there are three characteristics of the audit committee:

- Panel of directors of the company
- Its membership is limited only to non-executive members with a high degree of independence and experience in accounting and auditing.
- The audit committee's responsibility is to review financial reporting processes and audits internal and external audits, as well as the commitment to apply corporate governance rules within the organization.

2- Importance of audit committees:

The importance of audit committees is reflected in the benefits expected of them, which can be provided to all relevant parties, such as the board of directors, external and internal auditor, shareholders and stakeholders.

The benefits provided by the review committees to previous parties can be explained as follows²:

1.2- important for the board of directors:

The establishment of the audit committee will assist executive board members in carrying out their functions and responsibilities in particular with regard to accounting and accounting

¹ Nabih Tawfiq Al-Marai, Audit Committees Role in improving the Internal Audit Function of Jordanian Insurance Companies, Master's Letter in Accounting, Jabara University of post graduate Studies, Jordan, 2009, p. 21, 20

² Iyad Said Mahmoud Al-Saas, How Effective Audit Committees Are in Supporting Internal and External Auditing Mechanisms, Master's Thesis in Accounting and Finance, Islamic University of Gaza, Palestine, 2012, p. 34, 33

by improving communication between the governing council and the external auditor, through meeting with external auditor during and at the end of the audit process and communicate the outcome of these meetings to the board of directors and assist in resolving the problems the auditor may face with company's management in preparing financial statements.

2.2- important for external auditor:

Audit committees play a major role is strengthening external auditor's independence in the form that leads to the performance of his functions without pressure of interference from management thus, there are some criteria that concern the nature of the relationship between them in terms of the role of the audit committees in appointing the external auditor, determining his fees and resolving the problems that may arise between management and the external auditor, as well as increasing the interaction between the internal and external auditor.

3.2- important for the internal auditor:

The audit committees select the head of the internal department, provide the necessary resources for this section and meet them continuously to resolve problems that may arise between them and the administration, thereby increasing the independence and activation of the internal audit department's role.

3- the role of audit committees in supporting the effectiveness of internal audit:

Given the important role played by internal audit function in preventing manipulation and detecting errors operations and accounting policies, many bodies have taken care of the need for the audit committee to follow up on internal audit plans and select the appropriate body to perform the audit meeting with the head of internal audit to identify and address the errors detected, the audit committee should therefore pay attention to internal scrutiny, as there is an interrelationship between them and each other that effects and is influenced by the other.

In order for internal auditors to play their role effectively, they must be independent. Therefore, the existence of an audit committee in the company will strengthen and strengthen the independence of internal auditing, which begins with the nomination of the audit team officer, the study of their work plan, the scope of their inspection and reports, as well as provide them with necessary resources and solve problems that may arise with management and increase interaction and coordination with external auditor.

Thus, the audit committee carries out several tasks in support of the internal audit function of¹:

¹ Iyad Said Mahmoud Al-Saas, How Effective the Review Committees' Role Is in Supporting Internal and External Auditing Mechanisms, *ibid.*, p. 54, 55.

- Evaluate the effectiveness and quality of internal audit as a part of the control system and that it is conducted in accordance with professional performance standards.
- Follow-up and approval of regulations and regulations on internal audit functions.
- Inspection and approval of internal audit performance strategy and annual plan.
- Strengthening the independence of internal audit by:
 - Appointment and removal of internal audit director.
 - Ensure that internal audit has sufficient resources to start its operations.

Audit director's freedom to contact the audit committee directly to discuss any important matters.

Ensure that there no restrictions on internal auditors when carrying out their duties.

Participation in the appointment, promotion and change of audit team.

Examine internal audit results, especially those that have an important impact, such as illegal actions and weaknesses in internal control.

Coordination between the work of internal auditors and external auditors, resulting in improved communication and increased quality and complementarity of the audit process.

The audit committee has already found significant importance and role in supporting internal audits by overseeing internal audit management and examining the work plan, supporting the independence of audit staff, and maintaining lines of communication between the board and external audit.

1.3 Internal (Shari'a) audit in Islamic banks

The internal (Shari'a) audit scrutiny of Islamic banks is one of the most important elements in the Islamic banking system Through which the Islamic Bank acquires credibility among the segments of the society that deal with it from shareholders, depositors, dealers and supervisory bodies, The forensic audit assists the Shari 'a watchdog in judging the extent to which the bank, company or fund adheres to the controls, opinions and decisions issued by the fatwa and the proper application of Sharia-compliant products and banking services ¹.

1.3.1 The Concept of Shari 'a internal Audit in Islamic Banks

Internal sharia audit scrutiny of Islamic banks and institutions is necessary to guarantee shareholders' rights and follow up on the supervisory, administrative and financial functions of internal work in Islamic banks and institutions.

The Concept of Shari'a Internal Audit: In order to clearly demonstrate the concept of forensic audit, we must identify the location of the Internal Forensic Audit between the legitimate bodies of Islamic financial institutions.

¹ Nawaf Ali Al-Kassar, Shari 'a Audit of Islamic Financial Institutions in Accordance with Governance Instructions, Shari 'a Control Issued by the Central Bank, p112

So let me make this clear:

- The Islamic Financial Institution's Shari'a Authority consists of two main components:

1/ The issuer of advisory opinions and decisions to be followed by the institution, called the "Advisory Commission"

2/ Supporting and assisting the Advisory Board, called "Shari 'a Control", as defined by the Islamic Financial Institutions Control Standard No. 2 issued by the Accounting and Audit Authority, is an examination of the extent of the institution's adherence to Shari' a in all its activities.

Legitimate control should be divided into two parts:

1/Department whose task is to prepare a guide to Shari 'a procedures, follow up the decisions of the Authority and classify them, prepare the required forensic research, train new employees on the basics of Islamic financial transactions jurisprudence and so on, called "Development and forensic research"

2/Section whose task is to follow up the implementation by the institution of the decisions of the Advisory Commission, called "Internal forensic scrutiny"

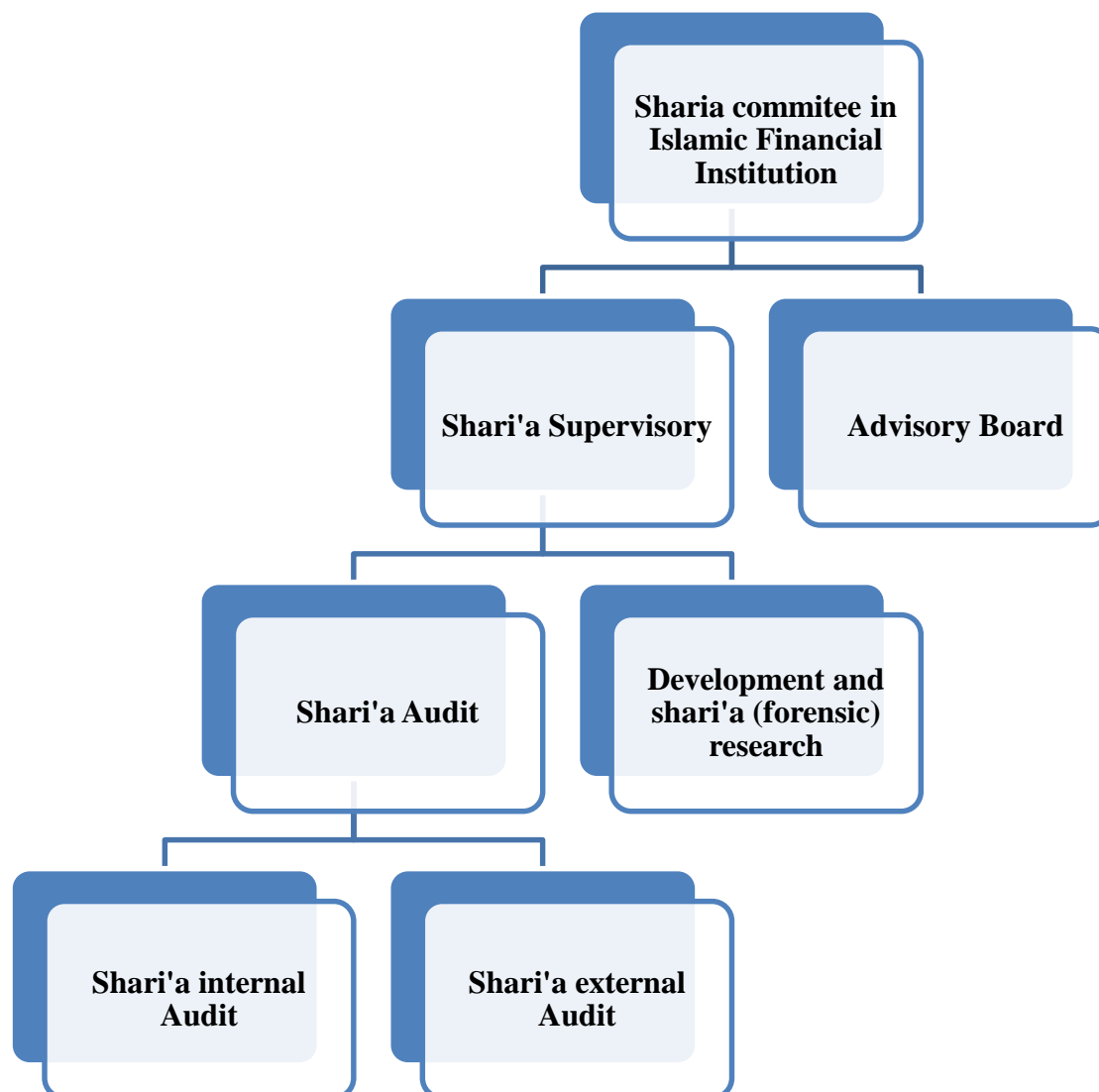
If the internal forensic audit is part of the legitimate control, the legitimate control extends the internal and other forensic scrutiny.

We can now define the concept of internal forensic audit and say: It is a department of the Islamic Financial Institution, concerned with making sure that the institution has fulfilled its responsibilities towards the application of the provisions and principles of the Islamic sharia as determined by the Foundation's Advisory Opinion.

The following outline summarizes the above¹:

¹ Mutlak Jasser, Internal Forensic Audit in Islamic Financial Institutions, working paper presented to the Conference of Forensic Auditors organized by Shura Shari 'a Consulting Company on 12/04/2019, pp. 3-4.

Figure 1: Components of the Islamic Banks' Sharia Supervisory Board



Source: Prepared by the student, based on: Divorced Al-Jasser, *op. cit.*, p. 04 (acted upon)

1.3.2 Importance and Objectives of Internal Audit in Islamic Bank

There is no doubt that the internal legitimate scrutiny of Islamic financial institutions has great aims and importance. It already has in the Islamic sharia evidence of its necessity and legitimacy.

1. The importance of legitimate internal audit in Islamic banks

Legitimate scrutiny is of great importance to Islamic banks and financial institutions for more than one of the following reasons:

- The basis for Islamic banks is the provision of the legitimate alternative to the Lord's banks.

It is no secret that legitimate scrutiny is a vital necessity for Islamic banks. It is the means by which the process of monitoring and monitoring the functioning of Islamic banks and their commitment and application in their transactions to the instructions of the Shari 'a Supervisory Board and the disclosure of the necessary legal alternatives.

- To indicate the adequacy, efficiency and effectiveness of the internal legitimate control system while ensuring adherence to Islamic law in all bank transactions, and to detect any irregularities immediately, and to inform the administration to take action to remedy the situation and ensure that it does not recur again¹;
- Its importance is also reflected in the follow-up to international banking developments and other developments in financial products and bank lands that require the efforts of specialists in the legal field, combining the purposes of the Shari 'a with the jurisprudence of the text and the realities of the times.
- To achieve continuous follow-up, scrutiny and analysis to ensure that the work is carried out in accordance with the provisions and principles of Islamic legitimacy and to indicate problems and difficulties and ways of overcoming them.

2. Objectives of legitimate internal audit in Islamic banks

By extrapolating all matters relating to forensic scrutiny, the following objectives can be devised:

- To comply with the operations and transactions of Islamic banks and the decisions, instructions and opinions issued by the Shari 'a Supervisory Board.
- To assist the Administration in assuming its responsibility to abide by the provisions of the Islamic Shari 'a and to ensure their application.
- To ensure compliance with all laws issued by the supervisory and legislative authorities and instructions issued by the institution itself.
- Ensuring the implementation of work and solving problems and difficulties.
- To contribute to the support and development of financial transaction formats in accordance with the provisions of the Islamic sharia, and to purify and purify the Islamic banks' business from legally prohibited transactions and transactions;

1.3.3 Internal Audit Plan and Procedures in Islamic Banks

The internal audit plan and procedures in Islamic banks are vital to ensure the safety and reliability of banking and financial operations. This plan aims to identify risks and vulnerability in the banking system and develop strategies to improve them.

¹ Central Bank of Kuwait, Instructions on the Governance of Legitimate Oversight in Kuwait's Islamic Banks Issued by the Central Bank of Kuwait, 2016/12/20, p.2

1. Internal Audit Plan in Islamic Banks

The Internal Audit Service must prepare a clear audit plan to cover all tasks to be performed during the year, taking into account the following:

- The timing and frequency of internal audit work as well as activities that will be subject to scrutiny on the basis of the nature and degree of risk of each activity.
- The audit plan should be realistic and feasible to suit the size of the bank's operations.
- The audit plan shall include all the bank's activities in all departments and branches.
- Determining the methodology for examining and auditing all activities in the bank based on the degree of risk¹.
- Take into account developments in banking activities and the degree of anticipated risks.
- The plan clearly identifies the financial and administrative resources required for the plan's implementation in terms of the number of staff, their scientific and practical qualifications and the technical requirements for the successful implementation of the plan.

2. Internal audit procedures in Islamic banks

The Monetary Authority has set out a set of procedures to be followed by auditors as follows:

- The Internal Audit Department must prepare an internal audit work procedure or programme to describe the objectives and plan of action of the audit on the understanding that these procedures are relatively flexible so that their adoption and completion process is consistent with the risks identified².
- All audit procedures must be documented in the working papers, reflecting all choices and assessments made on the activities.
- The written internal audit report should be issued as soon as possible after discussion with the audited departments to take their responses to the observations, provided that a summary report of the observations and findings of the audit committee is submitted.
- The report must present the scope and purpose of the audit and include the observations and recommendations reached from the Audit Service and the responses of the departments whose work has been audited.
- The Internal Audit Service must keep records of the tasks performed and the reports issued.
- Internal audit reports should be discussed periodically with the audit committee.

¹ External Forensic Audit Strategy: Concepts and Future Outlook in Light of the Standards of the Islamic Financial Institutions Accounting and Auditing Authority AAI OFI, prepared by Dr. Abdul Bari Mashaal 2011, p. 4.

² Kamal Mohammed Said Kamel Al-Nunu, The Extent of Application of Recognized Internal Auditing Standards in Islamic Banks Operating in the Gaza Strip, Master's Degree in Accounting and Finance, 2009, pp. 88-89.

1.4 Efficient methods of financing operations in Islamic banks

Islamic finance has many forms and methods. Alternatives to pastoral financing and each method has its own funding nature. There are methods that do not create debt and are known as indebtedness-based methods.

1.4.1. participatory financing methods in the return on investment

What distinguishes Islamic banks in banking is the replacement of the loan relationship with the partnership relationship.

It is this relationship that makes the radical change in tools and interests, and this system is called system system ownership quotas include a combination of methods including speculation and participation.

I. Mudarabah:

Mudarabah is a common method of financing in Islamic banks.

A. Language: Mudarabah has many meanings in the language, including ¹:

Beating any travel for trade for saying, «**if you are struck in the earth, you have no wings to fall short of prayer**».², and saying, «**And others to strike in the earth are crying out for God³**».

You mean the oath is said to beat me in this matter by contributing any share to me.

The description and prophecy of God's words means «**to strike a slave example with nothing to do with**». ⁴and to contribute as a saying to the people any contribution they make to it.

B. Terminology: Speculative jurists are defined by different definitions, including:

- Speculation is that the person gives money to be trafficked on a known part of the worker's profit, any part of what they agree: two-thirds, one quarter or one half and that it is not until the full liquidation of the speculation ⁵.
- A process of long-term transactions between a financial institution and a commercial or industrial enterprise

In such operations, the financial institution assumes risks as well as profits (the principle of fine sheep) ⁶.

2. Its legitimacy: Speculation of transactions that were in the ignorance and approved by

¹ Abdullah bin Abdul-Aziz Al-Ajlan, Mudarabah Company in Islamic Law, Islamic Outreach Magazine, Saudi Arabia, Riyadh, No. 1420, 22 E, p. 152, quoting Peoples' Tongue of Son Mantur: 2/490.

² Surah An-Nisa, verse 101.

³ Surah Al-Muzzamil, verse 20.

⁴ Surah An-Nahl, verse 75.

⁵ Mohamed Soelem, Department of Traditional Banks and Islamic Banks, Library and Artistic Radiation Press, Cairo, 1998 edition, p. 544.

⁶ M.L. 'I. Ben Hussein and M. a. " Surround, M. Al-Fayez, excerpts from Arab, Islamic, Auras, Algeria, 1991

Islam.

The scholars agreed on the permissibility and legitimacy of the speculative contract, if so, extended by the Quran, Sunnah, unanimity and evidence of its legitimacy from the Quran the Almighty said: «**others travelling through the land, seeking of Allah's bounty**¹ ».

Proof of its legitimacy from the year the Prophet said "Three in them the blessing: **"to sell for, to oppose, and to mix righteousness with barley** ²."

Ibn Hizb said, "The satisfaction was in the ignorance and the villager was a trader and no pension for them.

The great sheikh who cannot travel, women, children and orphans, they give money speculation to those who investigate it.

In a so-called part of profit, the Messenger of God acknowledged this in Islam and worked with Muslims³...

As evidenced by the unanimity of its passport, a group of companions said that they paid the orphan's money speculatively, including Omar Ben al-Khattab, Osman Ben Afan and Ali Ben Abiy Talib.

3. Its Terms:

Speculation has several conditions, including capital, including profit, including work.

A.Capital-related:

- Be aware, and not be a religion unless the contract is stuck on a grip such as saying to him if I catch my religion that so-and-so.
- Capital in cash; Speculation is not valid with offers, i.e., capital is in cash.
- To hand over money to the employer and have the authority to act ⁴.

B. Profit-related:

- Profit is common and known, such as half, third or quarter.
- To know the share of both the speculators and the head of the money, if there is no profit, the speculators have no right to anything, and if there is a loss calculated from the profit made if the money is not earned, you are capital; The requirement for a sum of money does not become for one, for example, if one is required to have 100 dirhams of profit, less or more and the other may not ⁵.

¹ Surah Al-Muzzamil, verse 20.

² Naérardrated by Ibn Maja.

³ Ramadan Hafez Abd al-Rahman, Banks, Banking and Insurance Transactions, Dar es Salaam, Cairo, Nak No about Tar, C5, p. 30.

⁴ Abdul Hamid Mohammed Al-Shurabi and Mohammed Abdul Hamid Al-Sharabi, Credit Risk Management, Knowledge facility, Alexandria,2002

⁵ Saleh Hamid Ali, Income Distribution in the Islamic Economy, Yamama, Damascus, Beirut, 2001, p. 286.

c. Related to work:

Working in speculation is the sole prerogative of the worker (speculator). The owner of the property, for his part, has capital and no work whatsoever. The concept of working in speculation extends to all business in trade, industry, agriculture, land purchase and construction because the business is intended to profit for both parties¹. In addition, there Conditions relating to employment include:

Work includes all business in trade, agriculture and others.

- If the employer breaches the conditions during speculation, the speculation is corrupted, the profit is made to the owner and the employer becomes a wage, and he is paid the same wage.
- The head of money shall not interfere between the speculators and the money to which the development order is entrusted. If the head of money is required to intervene in the work of the speculators, the speculation shall not be corrupted. The head of the money shall not formulate a policy of speculation by stipulating that it is limited to the limits on which he wants and agrees with the factor of speculation.
- The work of speculators such as mediation and security to which the socio-financial status of speculators qualifies is not intended in itself to develop money.

4. Types:

Mudarabah has types in terms of their terms, turnover of their capital, and limbs.

A. In terms of speculative conditions: divided into two parts

Absolute Mudarabah (speculation): Whereby the owner of the speculative money does not sustain a specific type of trade or persons, he trades with or in a place or time where the activity of that money is engaged, so that the speculators have complete freedom in the operation of speculative money in a way that leads to the preservation of money and an appropriate, return.

Restricted Mudarabah (speculation): The owner of the money shall place certain restrictions or conditions on the speculative contract, such as a requirement that he not buy, such as a requirement that he purchase only a commodity, or terminate him or her purchasing a commodity in her name, restrict him or her to work in a particular place, or restrict him or her to a certain time.

The formula of absolute Mudarabah (speculation) is most appropriate for Islamic banks².

B. In terms of capital turnover: Mudarabah (speculation) in terms of capital turnover is divided into two parts:

Timed Mudarabah (speculation): It takes the form of trades purchased by the employer's

¹ Jamal Amara, Islamic Banks, Dar al-Naba 'a, Biskra, 1996, p. 115.

² Abdul Ghafar Hanafi, Banking Department, New University Publishing House, Alexandria, 2002, p. 79.

speculators financed by the owner, and liquidated within a relatively short period. Accounting is done between the speculative parties, i.e., the turnover of capital is one cycle and the transaction is repeated once.

Continuous Mudarabah (speculation): It takes the form of a continuous partnership for the implementation of a successive set of deals, lasting for more than a period that is unlimited speculation as it is characterized by a multiple turnover of capital.

C. In terms of Mudarabah (speculative) parties: Speculative parties are divided into two parts:

Bilateral Mudarabah (speculation): Between only two parties, the owner of the capital and the employer, the owner of the money may be more than one person's opinion, but it is considered the same for the owner ¹.

Mudarabah (speculation) is collective (tripartite): and when the employer takes the money from the owner of the capital and gives it to another employer; the first employer is a financial owner for the second employer.

In Islamic speculative banks, collective parties are the appropriate speculation, where depositors represent the capital holder and the bank represents the first employer, and then the bank becomes a financial owner for the second employer.

II-Musharakah (Participation):

Musharakah (Participation) is the appropriate method of collective investment in our contemporary economic life.

1- Definition:

There are several definitions of speculation:

A-Language: Musharakah (Sharing) is a word derived from the company, and we are said to have subscribed in the sense of our participation and the two men have shared.

They shared and shared each other, meaning in Islamic jurisprudence in capital, employment, profit and loss ².

B -Terms: It has several definitions, including the following:

- It is a contract between two and more, with money and work from each for profit.
- Is a process of long-term transactions between a financial institution and a commercial or industrial enterprise and in such operations bear the risk of loss and benefit from profit.
- Musharakah (Participation) is one of the most important areas in which the Islamic Bank can

¹ Jamal Amara, previous reference, p. 116-117.

² Ben Amara Nawal, Banking in Partnership, Meeting of the Algerian Banking and Economic Transformation System, University of Warghla, pp. 451-452. Pray not about Ibn al-Wasr, Lassan al-Arabi, J2, Dar Lassan al-Arabi, Beirut, p. 306

invest its resources ¹.

2- Legitimacy:

A prize for the book, the year, the consensus, and its guide from the book, said: «**And I have many errors that some of them will not want some of them to do but say what they are²**».

3- Their forms:

Participation has two forms: diminished participation, and steady participation.

a-Diminished participation: in this type of partner's right to replace the bank with ownership of the project either at once or in stages according to the terms of participation This type of participation may also be called expired ownership, and this type of participation depends on the distribution of shares representing the project or the bank and its partner and the bank can forfeit its shares by selling to its partner as required by the agreed terms, From which participation is decreasing on the part of the bank and increasing on the part of the partner s investment assets, such as land. Premises, machinery and equipment and must have a limited period of up to five years including the construction period.

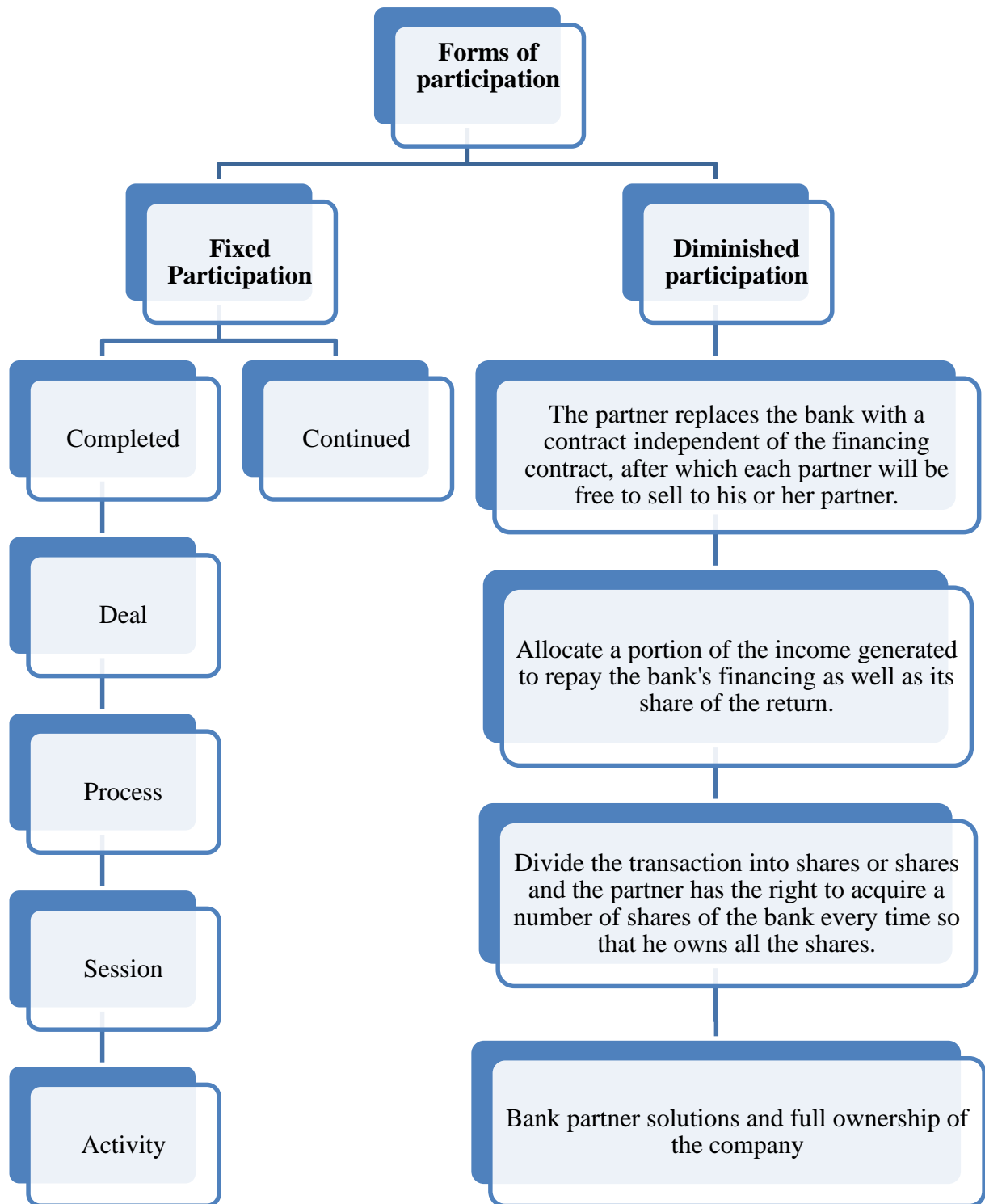
b-Fixed participation: It is also called permanent participation in the capital of the project, while the Bank participates one or more persons in the financing, management and supervision of a portion of the capital of not less than 15% of the capital of the project³.

¹ Mohamed Soelem, previous reference, p. 552.

² Surah Saad, verse 24.

³ Mahmoud Sahnoun, Monetary and Banking Economy, Dar Baha 'uddin Constantine, 2003, p. 102.

Figure 1 Forms of Participation



Source: Jamal Amara, previous reference, p. 94.

4-Its Terms:

Musharakah (Participation) is subject to several conditions, including:

- The customer's data shall include the customer's name, legal form, main position and maximum;
- Total participatory financing operations and total civil balances and guarantees.
- Process data should include specifications of goods, source of purchase, method of payment, delivery and location storage easily marketed and not damaged.
- When estimating projected costs, resources must receive a preliminary invoice showing specifications, prices, payment terms, delivery and validity.
- When estimating expected sources of funding, the Bank's participation in funding must not exceed what has been approved.

Credit or by proportional breakdown of both Bank and Client's contributions in financing anticipated costs.

- The contract must be open to the Agency, i.e., in what the power of attorney may take place.
- The profit shall be known in a specific proportion, i.e., the utilization of an unknown profit.
- The capital should be in cash or trade offers.

III-Muzarah (Farming):

It is considered participatory, and it is not used by Islamic banks.

1. Definition:

It has several language definitions and terminology.

A-language: Muzarah (farming) in the language of transplantation, and for transplantation two means: the first metaphorical is to throw seeds into the ground,

The second meaning is real: germination¹.

B-Terminology: It is to push the land to who grows it, or works on it, and to plant among it, where one participates

Partners with money or a component of wealth (land), and the second element working by the other partner,

In other words, the landowner gives land to those who grow or work on it, leading to the development of small agricultural enterprises².

¹ Mohammed Sheikhou, Islamic Banks, Wael Printing and Publishing House, Jordan, 2001, p. 159.

² Bin Amara, previous reference, p. 452, quoting Ousmane Babiker Ahmed, Sudanese Banks' Experience in Peace Formula Agricultural Finance, Islamic Research Institute of the Islamic Development Bank, edition 1.

2- Legitimacy:

It is an award in the hands of the tap, hanabal, Maliki and its Shafi 'ah, and its passport guide what he told.

Ahlu Khyber labourer Bashtar, who comes out of the fruit or planted¹ "Abdullah Ben Omar", may Allah satisfy them: "Whoever has a land, let it be planted or to be given by his brother, my father shall hold his land ²."

C- Conditions: The following conditions are required:

Eligibility of the contractors: to be reasonable, do not correct the farmer from the crazy, the unmarked boy, and puberty is not a condition for her passport.

- The land should be arable.
- The duration of the farmer's work is known.
- The exterior is common or buyer among the contractors and the externality is also required to be known.
- A statement of seeding in order to prevent the dispute and an information to the contractor.
- The sex of the sowing is shown so that the wage becomes known; since the wage is part of the output, it must be shown.

IV. Mosakat:

A method of financing is considered largely non-applicable, although its scope of application is broad in developing countries.

1- Definition:

It has several language definitions and terminology.

A. Language: Masakat are active for watering ³.

B. Terminology: that the person is based on watering the plants, and portrayed them as holding a company between two people.

One is a tree owner who searches for who grows them, and the other has the effort to do so, based on a distribution of a product between them as agreed⁴.

2-Legitimacy:

It is an award at Malikiyah, El Shafaia, Al Hanabal, two partners from the tap and its passport manual the treatment of the Prophet to Khyber and Roy people that Ansar told the

¹ Saleh Hamid Ali, *Income Distribution in the Islamic Economy and Contemporary Economic Systems*, Yamama Printing and Publishing, Damascus, Beirut, 2001, p. 293.

² Narrated by a Muslim.

³ Mohammed Sheikhoun, *op. cit.*, p. 159.

⁴ Nawal bin Amara, *Ref. Saq*, p. 452, quoting Abdul Majid Abdul Hamid Al-Zabiani, *Studies on Money and Transactions in Islamic Law*, Jamahiriya's Publication, Distribution and Media, 1993, p. 36.

Prophet: "I swear between us and our fellow Palm Firfath, we will keep us supplied and we will share the fruit ¹."

3-Its Terms:

Mosakat such as farming are judgment and legitimate as appropriate requiring the statement of the share of the output to be common between the parties and may be tried in all types of fruitful trees and for the product in the bargaining applies to the same speech in the farming in terms of being on the condition between them and in terms of its information, and being a common part between them ².

1.4.2: Debt-based financing methods

Besides participatory financing methods in the return on investment, debt-based financing methods are murabahah (selling plus), peace, istisnaa and rent.

I. Murabahah:

Murabahah is one of the most used financing methods in Islamic banks.

1. Definition:

A number of language definitions include:

a-Language: Murabahah in the language is a source of profit and is the increase ³.

b-Terms: It has several definitions, including:

- It is a form of intermediation through deposit. The broker uses the savers' funds to buy a commodity present and then sell it to the intermediary for the term of its debt, with the aim of winning the difference between the urgent price and the term.
- Murabahah: It is selling at the first price with a known profit ⁴.
- It is the purchase and resale of a contract in which a bank buys a tangible asset at the request of its customer from supplier and with a cost-based resale price plus gross profit.
- - It is one of the photos of the well-known sales of Amanah in Islamic law and is made by agreement between the seller and the buyer on
- The price of the commodity, taking into account its original price as purchased by the seller, i.e., it sold at the same price as the first and increased profit ⁵.

2- Legitimacy:

The scholars agreed on the permissibility and legitimacy of the sale of Murabahah, the origin of that book, the year and the consensus, but from the book to say the Almighty "**And**

¹ Mohammed Sheikhou, op. cit., p. 159.

² Saleh Hamid Ali, previous reference, p. 296.

³ Mohammed Abdullah Ibrahim al-Shibani, Commercial Banks Without Ripa, World Book House, Saudi Arabia, 1991, p. 5 11.

⁴Rafiq Younis al-Masri, Islamic Expenses, Dar al-Dobbi, Damascus, 2001, p. 9

⁵ Falah Hassan Adai al-Husseini and Abd al-Rahman Abdullah al-Dawri, Banking Department, Wael Publishing House, 2000 AD, p. 200.

cry from the credit of God ¹" and say the Almighty: « **It is no crime in you if ye seek of the bounty of your Lord ²** ».

He pointed out from the two verses that Murabahah was to the credit of profit, and the Almighty said: «**So their commerce was profitless ³**».

God's Peace Be upon Him When asked about the best earning. He said, "Sell the man with his hand." He said: «**If the two sexes disagree, sell what you want if they are hand in hand ⁴**».

The nation is unanimous on the passport of Murabahah.

3- Its Terms:

The sale of murabahah is required as a contract for other sales in general, but is concerned with the most important requirement ⁵.

In order for Murabahah to be correct, the first contract must be valid. If he is corrupt, the sale of Murabahah is not rewarded, because it sold the first price with an increase.

The total cost of the commodity must be determined in detail to include the purchase price, customs duties and other expenses depending on the place and conditions of delivery of the commodity.

Profit is known and may be a fixed amount or a proportion of the price ⁶.

Knowledge of the first price, the seller shows the buyer at the time of sale, the origin of the price and the expenses incurred on the commodity as his wages... etc.

It is preferable that the goods in the place of murabahah are public purchases or imported under bank-based provisions open to the bank by the branch. In the case of private sector dissatisfaction, a specialist expert must be hired by the bank's ⁷ knowledge.

II. Salam:

Salam works to finance agricultural operations significantly.

1-Definition:

A-Language: Salam is the language of the people of Hijaz and the ancestor is the language of the people of Iraq ⁸.

B-Terminology: It has several definitions and we mention them.

Salam was held on a deferred basis at an acceptable price in the Council and its picture

¹ Surah Al-jumu'ah, verse10.

² Surah Al-baqarah, verse198.

³ Surah Al-baqarah, verse 16.

⁴ Aladdin Za 'atari, Banking, Dar al-Kalam al-Tayeb, Damascus, Beirut, 2006, p. 92.

⁵ Jamal Amara, previous reference, p. 101.

⁶ Faiza Al-Labban, Banking Sector in Islamic Economics, Dar al-Yin, Algeria, 1999, p. 73.

⁷ Abdul Hamid al-Sharbi and Mohamed Abdul Hamid al-Sharbi, op. cit., p. 1021.

⁸ Rafiq Younis al-Masri, Islamic Banks, Dra al-Dobbi, Damascus, Syria, 1991, p. 364.

was that the parties would contract the purchase of something and the buyer would pay the price, to be delivered by the seller after a certain time.

The ladder is the sale of something and wool at an accelerated price in which the price is immediately paid by us delivering the commodity later.

is a procurement contract with the postponement of delivery of goods unlike the Murabahah contract and is often used in agricultural finance.

When prescribed in an allowance gives sooner and before the sale of a prescribed in the accelerated disclosure of the capital and the arrears in it ¹.

Legitimacy: permissible by book (Quran) and consensus.

The Quran says: «**O you who believe! When you contract a debt for a fixed period, write it down²**», and from the year what he said about the apostle of God said: "**Whoever I predecessor of you shall climb in a known kil, and a weight known for a known time³.**"

He said: "**Whoever is safer in something can only take what I give or his capital⁴.**"

"The one who predecessor does not require his owner other than to dispose of him".

Conditions: There are several conditions for sale by peace.

- It is possible to control its qualities such as mekel, monozone, measured and numbered, such as meat..., but what is not regulated, such as a pregnant animal and jewels, in which the peace may not, i.e., indicate the description of the item sold in an explanatory manner.
- Salam must be postponed until the peace and blessings of God have been known. "The wisdom of this is that it is licensed to accommodate the needy, and the welfare is achieved only if the Muslim is postponed ⁵.
- Be on the market from the time of the contract to the time of delivery so that the sale is out of order, and delivery is possible because the ability to deliver should be continuous so that the seller may die and peace is resolved because the deferred debt is resolved by the debtor's death.
- Do not combine the two alternatives in the peace (Salam) contract with the Lord, if they come together towards sex or towards destiny, credit and bad will be denied ⁶.

III: istisnaa:

Istisnaa is a contract or formula of Islamic financing that depends on manufacture and is required by it, and is legitimately permissible.

¹ Ramadan Hafiz Abdel Rahman and Al-Shimiri Al-Sewati, Al-Gharar Theory in Al-Baoua 'a, Dar Al Salam,2005, p160.

² Surah Al-baqarah, verse282.

³ Rafiq Younis al-Masri, previous reference, p. 364.

⁴ Narrated by Aldar Kattani.

⁵ Ahmed bin Hussein Ahmed al-Hassani, Bank Deposits, Dar Ibn Hizam, Beirut, 1999, p. 815.

⁶ Ahmed bin Hassan Ahmed al-Hassani, previous reference, p. 162.

1-Definition:**a -Language:**

He asked for the manufacture, where the Arabs said, «**And he made something he called for**¹».

- It also requests and questions the manufacture;
- Kassani's custom is "a contract on a sale subject to a condition of employment";
- The Samarkand definition "is a contract on a sale in the form and the condition of its work on the manufacturer".

b -Terminology:

It is to ask a person to make something for him, if the material is from the manufacturer, and that is for a certain price;

From the preceding definitions we conclude that istisnaa person "is to ask someone else to make something, but it is to certain specifications and the price is known provided that the specifications are precisely defined².

2-Its legitimacy:

The Maliki doctrine considers the permissibility of the istisnaa contract such as peace on its terms, and if the conditions of peace are met in the istisnaa contract is considered permissible. The El-Shafei doctrine applies to the istisnaa contract of Salam.

Hanbali's view of the tendency of the istisnaa contract is that of prevention, as the istisnaa of a commodity is not valid because it sold what it does not have in the face of Salam.

The judgment of the istisnaa contract at the jurists of Al-Hanafi Al-Jawaz and the face of the passport is the interaction between the people of this contract on the basis that it is a practical consensus and the practical consensus that Al-Hanafi considers a strong argument based on his saying, "What Muslims have seen well is in God and what Muslims have seen ugly³".

3-Its terms:

For istisnaa range of conditions, we mention:

- The contractor shall be informed of the statement of sex, gender and fate in accordance with the required specifications and agreed between the manufacturer and the manufacturer.
- The sale of istisnaa is not required to be the manufacture itself of the commodity that it has committed to selling and delivering at a future date. This means that it can entrust its industry

¹ Surah An-Nahl, verse88.

² Rafiq Younis al-Masri, op. cit., p. 377.

³ Mohammed Abdullah Ibrahim Al-Shibani, Interest-Free Commercial Banks, Dar Alam Al-Bookshop, Saudi Arabia, 2 200, pp. 223-224.

order to another person with another istisnaa contract in which we state the same description of the commodity and the date of its delivery. Inventory ", the Bank is manufactured in a contract with its customer and in another contract with the actual manufacturer, earning the difference between the prices.

- Istisnaa is not contrary to Islamic law, and internal resources in manufacturing and labour are from the manufacturer ¹.

IV-Ijarah (Leasing):

One of the bank's actions is on an operational property: the rent, which is located on the ground or on the building, the argument on the ground, or on a furnished building.

1-Definition:

For leasing several language definitions and terminology, we mention:

a-Language:

Ijarah (Leasing) is a language of cry, it is said that the wages of the thing I hate, and the wages of Valana House, that is, and I hate it.

b -Terminology:

Lease is a contract for the benefit of mosquitoes ².

The Bank purchases the assets required by customers in the areas of economic activity and then leases them to them for a fixed period covering the price of the asset and all expenses with an appropriate return. At the end of the lease period, the asset becomes the customer's property and the Bank bears all ownership risks ³.

2. Legitimacy:

Ijarah (Leasing) is legitimate by Quran, Sunnah and consensus.

From the Quran, Allah Almighty said: " And if they breastfeed for you, then give them their payment. », the old man proposed, «**I wish to marry one of these two daughters of mine to you, provided that you stay in my service for eight years**⁴».

As for the Sunnah, speaking of the Prophet, he said: "**Allah Almighty said:" Three I am their opponent on the Day of the Doomsday: a man who gave them treachery and me, a man who sold freely and eaten his price, and a man who hired a wage and who did not pay him**⁵ . "

The nation is unanimous in the legitimacy of the lease because of the need for people to

¹ Mohammed Abdullah Al-Shibani, previous reference, p. 225.

² Aladdin Za 'atari, Banking, Dar al-Kalam al-Tayeb, Damascus, Beirut, 2002, p. 118.

³ Armenio Fraga, Noor Alosting, Rajan, vol. 42, No. 4, Beirut, December 5 200, p. 47.

⁴ Surah Al-Qasas, verse 27.

⁵ Narrated by Bukhari.

exchange benefits and services, such as their need to exchange common goods."

3-Its general conditions:

Ijarah (Leasing) is a contract that requires what is required in all other contracts ¹.

- Be valuable money, which can be saved and sold for legitimate benefit.
- Be informed, and do not lead to a dispute because of the words of Allah's peace and blessings: "**Whoever hires a wage let him name his wages**" ².
- If it is not a benefit of the contractor's sex, the residential or service leave shall not be valid for the corresponding service elsewhere.

4. Advantages of leasing finance: Ijarah (Leasing) among other financing instruments has some advantages from the lessor's and lessee's perspective ³.

a-For the tenant: The most distinctive characteristic of leasing is that it is extra budgetary funding because the tenant can use machinery or cars rented from the durable assets you need without buying them as well as the lease helps the tenant to better plan and programme his expenditures because he knows his commitment to my advance and is a good means of protecting him against inflation, Especially if it is associated with a fixed-wage lease contract for a long time and it facilitates the tenant's administrative and accounting work.

b-For the lessor: Ijarah is another method of financing which increases its choices between these approaches and is less risky than loan and participation because the lessor owns the lessor's origin on the one hand and enjoys a stable income, Likewise, it generates income for the lessor other than a good loan. Moreover, some of the lessor's tax benefits can be reflected on the lessee in the form of a reduction in the fare.

5. Its forms: A number of forms are outlined below:

a - Property lease (expired lease): It is a lease contract that includes a promise from the lessee to transfer ownership to him after paying the price of the object in addition to the rent. This price is often paid in instalments, so that the amount of the rent is decreasing as the share of the fixed asset owned by the lessee increases.

b- Operating lease: The Islamic Bank hereby acquires various assets and assets. The Bank leases these objects to whomever it wishes for operating them and meeting their benefits within a specified period agreed upon. The expiry of that period is due to the Bank's acquisition to search again for another user wishing to lease them ⁴.

¹ Aladdin Za 'atari, previous reference, p. 120-121.

² Narrated by Muslim.

³ Moundher Qahf, Ijara Bonds and Leased Names, Islamic Research and Training Institute, Islamic Development Bank, Saudi Arabia, Research No. 2000, 28, p. 15

⁴ Ghassan Mahmoud Ibrahim and Manzur al-Qahr, Islamic Economy, House of Contemporary Thought, Beirut, Damascus, 2000, p. 181.

Conclusion

In the end, Islamic banks must attach great importance to internal audit, improve, develop their operations, and provide support to internal audit teams. Internal scrutiny of Islamic banks must be independent, transparent and reliable, to ensure the highest levels of security and confidence in banking operations. By following the internal auditing standards on Islamic law, Islamic banks can achieve the best results in internal auditing, improve the quality of banking services and achieve the interests of customers and shareholders.

Chapter Two:

Field study

2.1 Introduction

2.2 The Nature and Organizational Structure of Islamic Banks

2.2.1 The emergence and Concept of Islamic Banks:

2.2.2. The Types and Characteristics of Islamic Banks

2.2.3. Organizational Structure and Sources of Funds in Islamic Banks

2.3. Submission of Al Salam Bank

2.3.1 Establishment and Objectives of Al Salam Bank

2.3.2 Organizational structure of the Algiers Salam Bank

2.3.3. financing Formats at Al Salam Bank

1-Murabaha Financing Formula

2-Salam financing formula

3-Istisna 'a funding formula

4-Ijara financing formula

5-Musharakah and Mudarabah funding formula

2.4 Analysis and results of the field study

2.4.1 Interview

2.4.2 Analysis of Interview Questions

Conclusion

2.1 Introduction

This chapter aims to identify the impact of internal audit on the efficiency of the financing operations of Islamic banks, specifically Al salam Bank, where an interview was conducted with the Director Al salam Bank Agency (M'sila) and this chapter was divided into three investigations:

- First research: The Nature and Organizational Structure of Islamic Banks.
- Second research: Submission of Al Salam Bank.
- Third research: Analysis and results of the field study.

2.2 The Nature and Organizational Structure of Islamic Banks

Islamic banks have become a reality not only in the life of the Islamic Ummah, but also in all parts of the world scattered in most of its nations, offering an economic thought of a special nature, which requires us to be exposed to its origin and types, as well as the stages of its establishment, and its most important characteristics.

2.2.1 The emergence and Concept of Islamic Banks:

The need to establish and introduce Islamic banks reaches the status of legitimate commissioning and ancient Muslims have abided by God's guidance in establishing financial institutions that meet the needs of the early ages, as a money house, use some means to meet funding requirements, all in the light of the directives of the Holy Quran and Sunnah¹ And this prompts us to address the formation of these banks and from which several definitions of them can be provided.

a. The formation of Islamic banks:

When usage of usufruct interest spread rapidly throughout the modern bank's banking business, it was natural to look for an alternative to commercial bank based on usufruct interest by finding a bank based on Islamic sharia principles². The first attempts were in Asia with the campaign "Zero Interest Banks" and the march began in the Indian subcontinent with distinct writings such as the contributions of Najatullah Siddiqui in 1985, other Muslim economists, Islamic sharia scholars and businessmen³.

In mid-1962, the idea took its way into application by one of the pioneers of the Islamic economy, Dr. Ahmed al-Najjar, to end early in mid-1967, four years after the practice⁴.

Scientific attempts also began with the emergence of Islamic banks, the first of which

¹ Ahmed Abdelaziz Al-Najjarlml, Mohammed Samir Ibrahim, Mahmoud Numan Al-Ansari, 100 questions and 100 answers on Islamic banks, International Federation of Islamic Banks, T2, 1981, p. 109.

² Fouad Tawfiq Yassin, Ahmed Abdullah Darwish, Bank Accounting at Commercial and Islamic Banks, Yazuri Scientific House, Amman, 1996, p. 3.

³ Islamic Solidarity International Bank, Islamic Banks, 2004, www.tiib.com.

⁴ Mahmoud Sahnoun, previous reference, p. 97.

was "Local Savings Bank", Egypt, 1963, in Tahliqiya governorate, Nile Delta, and in a city,

The first Islamic Bank for Local Development has emerged. Smallholders and workers, where they are in the countryside with small amounts, and by simple means, suited to their consciousness and culture, it has been unparalleled compared to traditional banks, where savings have doubled in four years. It rose from 40,944 savers in 1963 to 1.328,375 savers

This experience was stifled and ended for purely political reasons. However, the experiment was resurfaced in 1971 and began its business with the beginning of 1973¹. This may have been the first bank to apply the Islamic concept in Egypt. The law establishing it provided that benefits should not be dealt with or given, and its activity was limited to three tasks: The first is the purchase and sale of goods at a lower price than the private sector, and the second is the provision of social services such as good loans, the disbursement of expenses ordered by the courts for their beneficiaries from parents, mothers, wives, and the third was to collect zakat from wanting, and to distribute it to the beneficiaries².

Also established in Jordan is the Foundation for the Development and Management of Orphans' Funds. In 1972, several OIC Member States announced their desire to establish an Islamic bank to help finance the economic and social development of Islamic countries and societies. This declaration of intent was issued in 15/12/1973, and twenty-five Islamic States signed an agreement establishing "IDB" in 1974³ and then appeared "Dubai Islamic Bank" in 1975 and "Faisal Islamic Bank" 1976 and "Jordanian Islamic Bank for Finance and Investment" 1978, "Kuwait Finance House" 1979 Several banks and investment companies, based on banking, investment and finance, have been established in many countries on the basis of Islamic sharia law, and the coming years will see a significant increase in the establishment of Islamic banks⁴.

In 1997, the number of Islamic banks reached 176 Islamic banks, spread over the five continents of the globe, with assets of 147.7 billion dollars, and total deposits of 112.6 billion dollars, reaching more than 200 banking institutions in 2006⁵.

b. Concept of Islamic Banks:

There are several concepts of Islamic banks, including:

Islamic banks are financial monetary institutions, working to attract monetary resources from members of society and employ them effectively, ensuring their maximization and

¹ Fouad Tawfiq Yassin, previous reference, p. 4.

² Mounir Ibrahim Hindi, Management of Markets and Financial Facilities, Banking Facility, 1999, p. 245.

³ Ghassan Mahmoud Ibrahim, Munzar Al-Qaqr, op. cit., p. 186.

⁴ Fouad Tawfiq Yassin, Ahmed Abdullah Darwish, previous reference, p. 5.

⁵ Mahmoud Sahnoun, previous reference, p. 98.

growth within the framework of the established rules of Islamic sharia and in order to serve the peoples of the Ummah to develop its economy¹.

Islamic banks are banking institutions with the aim of pooling funds and savings from anyone who does not want to deal with the Lord (interest) and then working to employ them in different fields of economic activity, as well as providing various banking services to customers in accordance with the Islamic sharia and achieving the support of the economic and social development goals in society².

Islamic banks are institutions that aggregate savings and move them in participatory channels to invest in a freed method of interest rate through methods of strike, participation, trading and direct investment and provide all banking services within a framework of legitimate formulas that guarantee development and stability³.

Islamic banks are banking institutions that seek to abandon interest rates and follow.

Islamic sharia rules as a basis for dealing between them and their customers, both by accepting deposits and by employing these deposits for different uses in economic activity⁴.

Islamic banks are banking financial institutions to collect and employ funds within the Islamic sharia in order to serve the Islamic Takaful society, achieve distribution justice and place money on the Islamic track, with the obligation not to deal with the usurious benefits, taking or giving, by avoiding any action contrary to the provisions of Islamic sharia⁵.

Islamic banks are institutions whose functions and objectives are respected by the Islamic sharia rules in commercial and civil financial transactions, or are humane in granting credit⁶.

Islamic banks are banking institutions that do not deal with interest (usury) taking or giving. Islamic Bank should receive their money from customers without any direct or indirect obligation or undertaking to give a fixed return on their deposits while ensuring that the asset is returned to them upon request⁷.

2.2.2 The Types and Characteristics of Islamic Banks

Despite the special nature of Islamic banks, although their origin has been associated with being one of the types of banks, the extension of Islamic banks' activity, its complexity and the increase in the volume of their transactions have led to the need to specialize in certain

¹ Mohsen Ahmed al-Khudairi, *Islamic Banks*, Itrak Publishing and Distribution, Cairo, 1990, p. 17.

² Rashad al-Assar, Riad al-Halmi, *Money and Banks*, Dar Safa, Amman, 2000, p. 117.

³ Sami Ibrahim al-Swailem, *Islamic Banking*, vol. 10, Al-Wafa 'a, Mansoura, p. 130. See Mohamed Abdelhak Khafaji: *Islamic Economy*, Dar al-Jilil, Beirut, 1990, p. 121.

⁴ Ismail Ahmed al-Shinawi, Abdulnaim Mubarak, *Economics of Money, Banks and Financial Markets*, University House, Alexandria, (d. v), p. 311.

⁵ United Arab Forum, Naseem al-Sabah, *Islamic Encyclopedia*, www.yuarab.com.

⁶ Zainab Awadallah, Osama Muhammad al-Foli, *Fundamentals of the Monetary and Banking Economy*, Halabi Rights Publications, Beirut, 2003, p. 180.

⁷ Abdel Rahman Yisri, *Contemporary Islamic Issues*, University House, Alexandria, 2001, p. 259.

economic activities and themselves and to the establishment of specialized Islamic banks, which provide certain services to customers and other Islamic banks¹.

Hence, several types and characteristics of Islamic banks can be conceived.

A-Types of Islamic Banks:

Islamic banks can be divided into several types according to several foundations as follows:

I. Conformity of the geographical system:

According to this basis, they are divided into domestic and international banks. The first activity of the type is limited to the State of which they are nationals and in which they engage and the second where their activity expands and extends beyond the local system.

II. Functional area:

According to this basis, several types of Islamic banks can be distinguished and we will define each one as follows:

1-Islamic Industrial Banks: They specialize in providing financing for industrial projects.

2-Islamic Agricultural Banks (AIBs): whose employment is predominantly oriented towards agricultural activity.

3-Savings and Investment Banks: Operating on two scales, savings banks and savings funds are the task of these funds to collect savings from savers with a view to mobilizing individuals' cash surplus.

4-Islamic Commercial Banks: Specializes in providing financing for business activity, in particular financing working capital for trade according to Islamic foundations and methods.

5-Foreign trade banks: maximize and increase trade between countries and address structural imbalances in the production sectors of Islamic countries.

III. According to the size of the activity:

By this criterion is divided into three:

1-Small-scale Islamic banks: Limited-activity banks are limited to the local side, operate on all savings, and provide short-term financing to certain projects and individuals in the form of gambling, trading, and transfer surplus resources to large Islamic banks.

2-Medium-sized Islamic banks: Banks of a national nature that are the largest in activity, the largest in terms of customers and the most extensive in terms of geographical scope and are

¹ Mohsen Ahmed al-Khudairi, Islamic Banks, Etrak Publishing and Distribution, Cairo, 1999, p. 61.

limited in activity for international transactions.

3-Large Islamic banks: Some call them top-tier banks and are of a size that enables them to influence the cash market. It has the potential to guide the market and has branches in international financial and monetary markets.

IV. According to the strategy used:

Three types can distinguish this standard:

- 1. Leading and leading Islamic banks:** They rely on a strategy of expansion, development and renewal that has the ability to enter the fields of activities that are more dangerous therefore, higher profitability¹.
- 2. Imitated and affiliated Islamic banks:** depends on the tradition strategy for what has proven successful with leading and leading Islamic banks.
- 3. Cautious or limited Islamic banks:** Based on the refinement strategy or bank rationality strategy, banking services that are actually proven profitable are cautious and not financed by any high-risk activity whatever their profits.

V. According to customers and employees of the Bank:

Islamic banks are assessed on this basis in two types:

1. Regular Islamic Banks: Deals with individuals specially created to provide services to them whether natural or moral, whether at the level of large, regular or limited banking operations.
2. Extraordinary Islamic Banks: They provide services to ordinary Islamic countries and banks and do not deal with individuals. They provide services to finance economic and social development projects in Islamic countries. They also provide services to ordinary Islamic banks to help them cope with crises they may face while doing business.

b. Characteristics of Islamic Banks:

Islamic banks have a special nature that distinguishes them from other banks. Given the increase in the volume of their transactions and the expansion of their activities, this has led to the establishment of specialized and diverse Islamic banks.

Islamic banks are characteristic and distinct from other banks, because they differ clearly in the economic system to which they control, from which they differ in purpose and purpose. On this basis, these banks must have distinct characteristics²:

- The first advantage of the Islamic Bank from other banks is not to deal with the usurpatory benefits in all its transactions, because Islam has forbidden the Lord in all his forms, and as The Almighty said: "**And God dissolve the sale and the sanctity of the**

¹ Jamal Amara, Islamic Banks, previous reference, p. 90-92.

² Rafiq Younis al-Masri, Islamic Expenses, op. cit., p. 83.

Lord¹."

- Orienting projects towards halal investment, Islamic banks are development banks, based in their various activities on the principles of Islamic Shari'a, so they in all their businesses drive to finance and invest in projects that do good for the country
- Linking economic development with social development, Islam is an integral and inseparable unit of life in all levels and fields, so Islamic banks cannot achieve social development without economic development.
- The revival of Islamic financing and investment instruments as well as the Zakat system. There is no doubt that Islamic banks have effectively contributed to the revival of many Islamic financing and investment instruments by contributing to the encouragement of scholars and researchers for chaos in the jurisprudence of transactions. These banks have established a special fund to collect zakat, which they manage; it has also taken upon itself to deliver these funds to its legally determined expenses. In doing so, it performs a duty imposed by the Almighty on this nation.
- Limiting monetary expansion (inflation): The Islamic Bank's contribution to the creation or multiplication of cash is very limited if compared to traditional banks because they do not deal with the Lord. This phenomenon will not have any expansion under the Islamic system, which prevents stable and steady monetary unity in its purchasing power and thus
- contributes to reducing the phenomenon of inflation.
- The conduct and revitalization of the exchange movement between the Islamic States, thereby making the trade movement between the Islamic peoples move towards progress and even dispensing with the existing banking system and not relying on it in any banking business needed by the Muslim individual.
- The development and physical advancement of society are different from traditional banks. The latter are primarily for profit and have no purpose but to do so. Islamic banks are essentially for the development and material advancement of society. They do not lose sight of the profit goal but are second.

In the light of the above, we can summarize the characteristics of Islamic banks in the following points:

1- Ideology: Islamic banks are part of the Islamic economic system, since the Islamic religion regulates the lives of all human beings (spiritual, circular, social, political and economic²).

¹ Surah Al-baqarah, verse 275.

² Rafiq Younis al-Masri, *Islamic Expenses*, op. cit., p. 85.

Islamic banks are also subject to Islamic principles and values, which are based on the premise that money is the money of God Almighty, and that man is retrieved in it and will be held accountable in the afterlife.

This characteristic entails that Islamic bank investigate religious directives from all their businesses. In order to give effect to this characteristic, Islamic banks appoint Shari 'a supervisory bodies, comprising a selection of scholars of Islamic jurisprudence and economics, and offer them all their work. They are responsible for monitoring their business to ensure its compatibility with Islamic Shari' a.

By balancing their own interests with the social interest, they take into account social interests, even if this leads to the sacrifice of some of their own interests.

2- Useless: The basis for Islamic banks is to purge banking from the wrongdoing of the Lord. This is the fundamental difference between them and traditional banks, which rely on the method of interest) the loan for a specific proportion of the return is related to time. This method is one of the Lord who is forbidden by the Islamic Sharia .

Islamic banks replace the interest method in a participatory manner, which is based on the distribution of the risk of investment operations between the parties (financier and finance applicant¹).

2.2.3 Organizational Structure and Sources of Funds in Islamic Banks

Islamic banks are generally subject in their legal form to a system of shareholding companies that allows savers to participate in the establishment of the bank if they so wish.

In establishing the Bank, the rules and procedures prescribed by law in this area shall be followed with the exception of one, which is not subject to the laws and regulations to which traditional banks are subject as the Central Bank's supervision. The legal form of Islamic banks is also governed by the system of shareholding companies.

1-Organizational structure of Islamic banks:

The organizational structure of the Islamic Bank If its overall plan is similar to the shareholding companies, there are many partial differences, which is why the Encyclopedia of Islamic Banks has proposed a model of the organizational structure of the Islamic Bank so that each other's forms do not move away, and here we present this model only because the sub-differences are many and therefore many organizational structures we will try to comment briefly on this structure for the purpose of explanation and clarification.

At the top of the pyramid is the Board of Directors, which is the highest body of the Bank. And directly under it is the executive body of the Director-General, who oversees the

¹ Mohsen Ahmed al-Khudairi, Islamic Banks, op. cit., 62-69.

Bank's progress and the implementation of the policy established by the Board of Directors, advisers in various disciplines assist this. The Shari 'a and Legal Supervisory Board monitors the Bank's activities and ensures that its operations are legitimate and compatible with Islamic law and the laws of the country in order to avoid dealing with the benefit and investment in unauthorized projects.

The Director-General follows the central departments, each concerned with a particular sector. The central administration is divided into five:

1. Investment management.
2. Managing banking business.
3. Social solidarity.
4. Public administration.
5. Planning, research, training and information.

1. Investment Management:

The investment sector is one of the main advantages of Islamic banks, offset in traditional banks by the loan sector, where the latter only grants loans to economic sectors for fixed interest without taking into account the loss or profit received by the project.

Islamic banks either invest their money directly by sharing with others, speculation or murabaha Islamic banks in the form of diversified economic institutions, Banks do not adhere to a particular area of investment but can invest in all possible activities as shown by the investment management system Investment management, theoretically less, can be considered the backbone of the Islamic Bank, which must be the focus of the attention of the Bank's officials. Within the direct investment and less participatory sector, the Islamic Bank's most important activities - theoretically at least - are the main objective for which Islamic banks have been established, and must therefore receive all concerns including the human component, but in fact investment management has exploited only about 20% overall of the tyres, rather than 80%.

2. Banking Management:

This sector is not different from the traditional banks only at one point, which is not to deal with interest. Its mission is to open various accounts and credits, issue instruments, buy, and sell currencies.

The Directorate manages the Bank's branches, inspects, monitors and stimulates the work of the branches as required by the Bank's policy.

3. Department of Social Solidarity:

This department is one of the advantages of Islamic banks. One of its main tasks is to

collect and distribute zakat in fact. Zakat collection and distribution are only the functions of the State, but the Islamic State for the most part does not perform this legitimate duty. Therefore, Islamic banks have seen to do this work pending the State's action.

The collection and distribution of zakat is not one of the tasks of Islamic banks, and it is one of the necessary banking operations.

In addition to zakat sponsorship, some banks perform insurance operations that are supposed to be carried out by companies that are specialized in insurance.

These insurance processes are different from traditional insurance, where the provisions of the Islamic sharia are observed and this type of insurance is called cooperative insurance.

However, banks often set up subsidiaries with the task of insurance so as not to overload the bank's work, thereby compounding business difficulties.

These cooperative insurers are either a branch of the bank or mobile companies supervised by the bank.

In addition to zakat and cooperative insurance, the Social Solidarity Directorate carries out various social services according to the circumstances and needs.

4-Public Administration:

As a whole, the departments in all companies are responsible for the bank's finances, such as accounts, treasury, various administrative matters, such as workers' affairs, warehouses, maintenance... etc¹.

5-Department of Planning, Research, Training and Information:

They relate to the tasks we find in other companies and banks, which may be absent from the task of social solidarity in cases where there is a fund or body overseeing the collection, distribution and investment of zakat.

b. Sources of funds in Islamic banks:

The sources of funds in Islamic banks vary between internal and external sources. These sources or resources are the main pillar of the bank's financial position, which strives to support them continuously. This is what we will address²:

I. Sources of internal funds:

Islamic banks, like other financial institutions, rely on financial resources to perform various activities. The sources of these funds vary and their relative size in the bank's budget.

¹ Mohammed Abdullah Shaheen, *Islamic Banks between Reality and Hope*, Academics for Publishing and Distribution, 2019, pp. 163-166.

² Mohammed Abdullah Ibrahim Al-Shibani, *Commercial Banks Without Rabba Dar 'Alam Book*, Saudi Arabia, 2002, p. 263.

The types of these sources will be addressed through the following points¹:

Capital: Capital in Islamic banks is defined as the total value of the funds that the bank receives from the entrepreneurs, at the start of its formation, and any additions or discounts made in subsequent periods, whether cash or sample².

- The importance of capital:

- Provide protection, security and confidence for depositors.
- Facing expenses resulting from the establishment of the bank and the beginning of its activity.
- To face losses that are likely to be suffered independently.

Precautions: Precautions represent the sum of the amounts deducted from the Bank's profits, which may be of a legal or optional nature, to support the financial position and to address the various risks that the Bank is likely to pose.

As a shareholder's right, the reserves are deducted from the dividends to be distributed to them, i.e., after determining the share of both depositors and shareholders in distributable profits, as the profits generated are the result of the investment and employment of both shareholders and depositors' funds.

The importance of precautions: Precautions are an essential element of the Islamic Bank's budget:

- Supports its financial position, does not increase depositors' safety and confidence as a guarantee of their money.
- Do not gain flexibility in choosing investment projects freely³.

Allowances and retained profits:

Allotment: Allowances represent amounts deducted from the Bank's profits to meet a shortfall in asset values, or to meet unquantified but uncertain liabilities.

Retained profits: Retained profits are deductions from the Bank's profits during the financial year, carried over to the following years and used to finance various activities and operations. The Bank may decide to withhold all profits realized with the approval of the General Assembly.

2.3 Submission of Al Salam Bank

Al Salam Bank is one of the most important Islamic banks active in Algeria. It is the second Islamic bank in the Algerian banking market after Al Baraka Bank. It works in

¹ Mohamed Boujlal, Islamic Banks, National Book Foundation, Algeria, 1990, p. 53.

² Ghassan Assaf, Ibrahim Ali Abdullah and Fayege Nassar, Banking Department, Safa Publishing and Distribution House, 1993, p. 181

³ Rashad Al-Assar and Riyadh Al-Halabi, Money and Banks/Dar Safa 'Amman, 2000, p. 53.

conformity with the concepts of Islamic sharia in all its banking activities. Therefore, we will try in this study to familiarize this bank.

2.3.1 Establishment and Objectives of Al Salam Bank

In this requirement, we will try to identify Al Salam Bank in terms of its origin and objectives.

1. Establishment of the Algerian Al Salam Bank

The Algerian Al Salam Bank was founded in June 8, 2006, and was approved by the Bank of Algeria on September 10, 2008, to begin operating on October 20, 2008, with a written and paid capital of DA 7.2 billion, equivalent to US \$100 million.

To become one of the largest Islamic banks in North Africa, it was established as part of the process of establishing a group of peace banks in Arab and Islamic countries after the success of Sarifa al-Islamiya, and Algeria was chosen to embrace one of its headquarters for its investment environment.

Algeria's economic openness in comparison to Arab countries has been enhanced by the fact that Algerian-UAE rapprochement has been reinforced by the fact that most of the capital of Al Salem Bank is an Emirati. The founders of the Bank have chosen the Islamic banking curriculum for the Bank's work because of their firm conviction.

Since then, the Bank has endeavored to represent Islamic banking in the best possible manner.

Its rules were established in addition to its expansion and spread after only two years of activity.

2. Definition of the Algerian Al Salam Bank.

It is a comprehensive bank operating in accordance with Algerian law and in accordance with the provisions of Islamic law in all its dealings. It is the result of Algerian-Gulf cooperation and was introduced by the Bank of Algeria in September 2008.

To engage in its activities with the aim of providing innovative banking services, it operates in accordance with a clear strategy consistent with the requirements of economic development in all vital facilities in Algeria by providing banking services that derive from the original principles and values of the Algerian people in order to meet the needs of the market, traders and investors¹.

3. Definition of Al Salam Bank (M'sila)

In the context of the expansion of the Algerian Al Salam Bank, it opened a branch in the state of M'sila after receiving accreditation in 2019.11.27, and then began its actual activity

¹ Algerian Al Salam Bank in: www.alsalamalgeria.com, April, 20th, 2023, 14:23PM

on 2019.12.05.

4. Objectives of Al Salam Bank (M'sila)

The objectives of Al Salam Bank do not depart from the strategic plan of the Algerian Al Salam Bank, which was adopted by the Board of Directors with ambitious objectives to enhance the Bank's services to achieve customer satisfaction. These objectives were focused on the following:

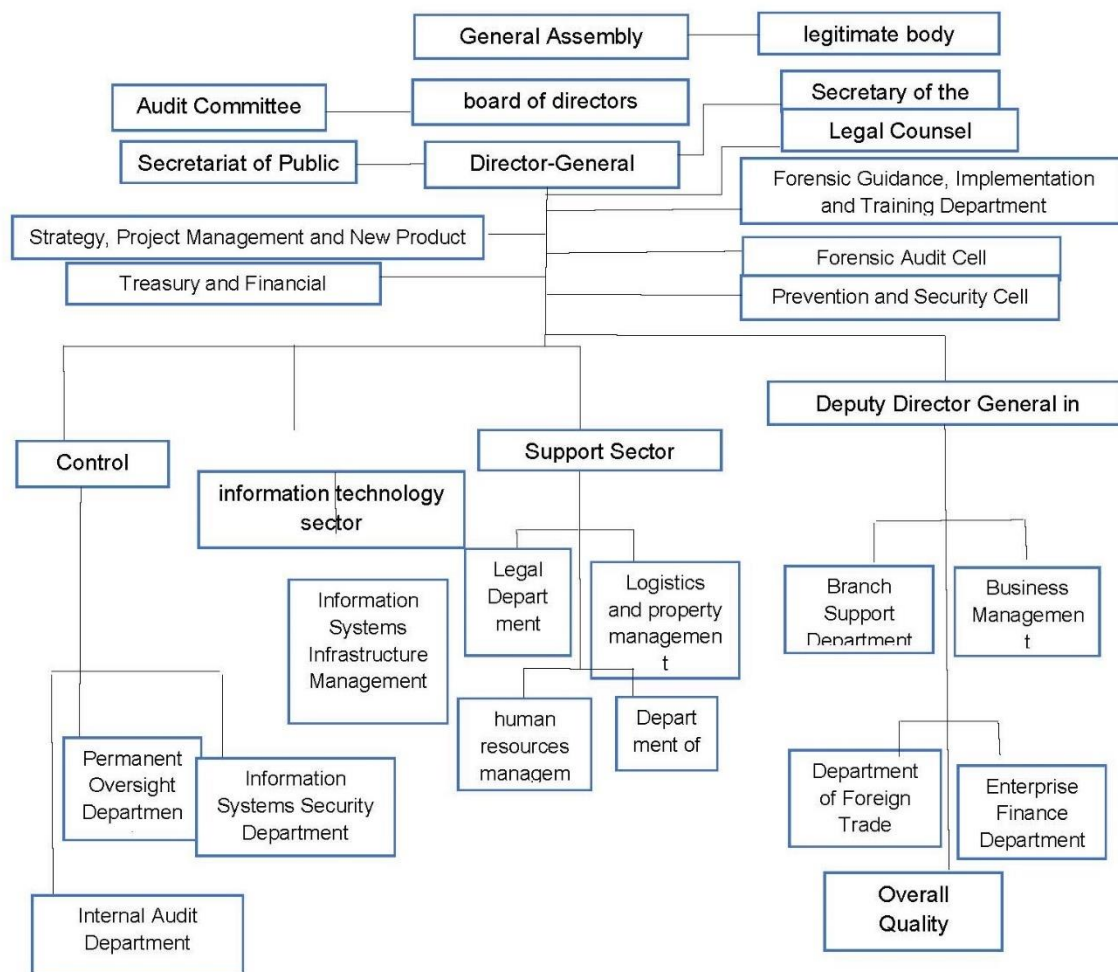
- Providing and disseminating outstanding Islamic banking services;
- Effective contribution to sustainable social and economic development;
- Developing banking services and products in line with the needs and desires of all segments of society. This is one of the most important pillars for achieving financial inclusion by facilitating access to and provision of financial services to individuals and institutions;
- To ensure that the quality of the services provided is enhanced and that the clients' satisfaction is achieved primarily;
- Achieving a satisfactory level of profitability for the Bank's shareholders' aspirations;
- Developing banking systems and procedures to increase the quality and speed of services provided to customers;
- Developing and upgrading the Bank's human component to optimize service delivery;
- Attention to social responsibility based on the bank's identity;
- Focus on the application of the latest special regulations as the cornerstone of the establishment of the digital bank¹.

¹ Algerian Al Salam Bank, Annual Report, 2022, April, 20th, 2023, 14:23PM

2.3.2 Organizational structure of the Algiers Salam Bank :

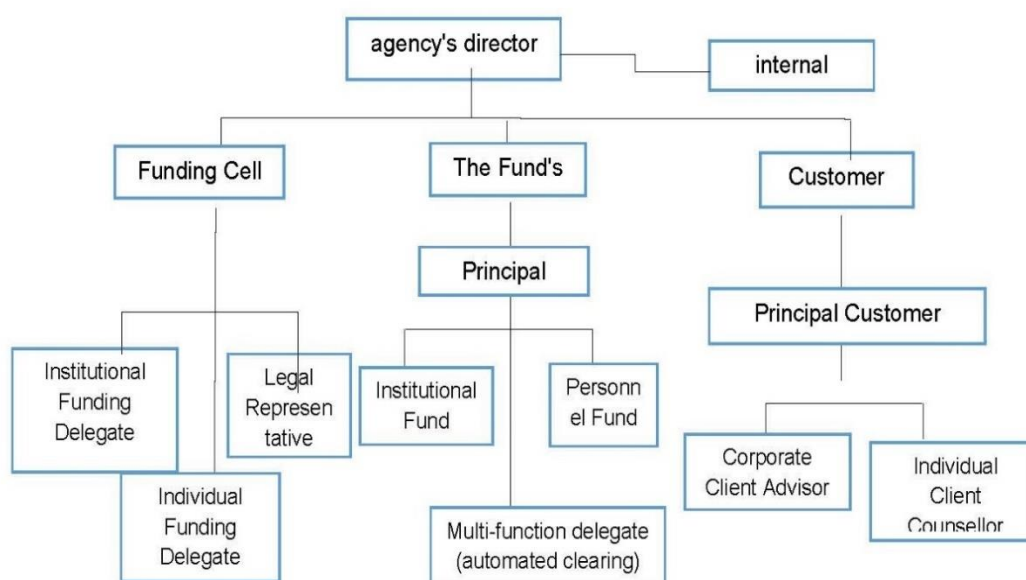
The organizational structure of Islamic banks differs from traditional banks, as it is designed in a manner consistent with the principles of Islamic sharia and sharia provisions. Here is some information on the organizational structure of the Algiers Peace Bank and the Liquefied Peace Agency.

Organizational structure of the Algiers Salam Bank



Source: Bank's documentation (IAEA)

The organizational structure of Al Salam Bank (M'sila)



Source: Bank's documentation (IAEA)

2.3.3 financing Formats at Al Salam Bank

Al Salam Bank deals with many of the financing formats adopted by the Algerian Al Salam Bank, which conform to the principles of Islamic Shari'a. These include: the modalities of financing in Murabaha, Salam, Istisna'a, Ijarah, in addition to Mudarabah and Musharakah.

1-Murabaha Financing Formula

Murabaha One of the most widely used formulas in Islamic banks, given its characteristics.

-Definition of Murabahah by Al Salam Bank

Is the purchase by the bank of a transported or fixed commodity with specific

specifications upon the request and promise of the customer to buy it, and then resell it with Murabahah after owning and holding it at a cost plus a profit margin promised by the client.

The parties to the contract consist of:

- The seller of the bank (resources);
- c Bank;
- Buyer from bank (dealer)

2-Salam financing formula

Salam finance is the second funding formula handled by Al Salam Bank, which we will review below:

-Definition of peace financing by Al Salam Bank

The sale of the ladder is the purchase of a prescribed commodity at an instant price and under special conditions in which the bank dealing with the sale of the commodity is entrusted after its receipt. The parties to this contract are:

- Bank (buyer);
- Dealer (seller);
- Final buyer.

3-Istisna 'a funding formula

-Definition of istisna 'a contract by Al Salam Bank

Is a contract between the bank and the dealer in which the bank deliberately delivers the goods of a prescribed eye at a specific price, to be delivered on a certain date (the bank is a manufacturer and the dealer is a manufacturer).

The bank concludes a parallel istisna 'a contract with a third party (contracting contract) in which the bank is a manufacturer and the contractor is a manufacturer.

The parties to this contract include:

- Bank (istisna 'a manufacturer and contractor);
- The client;
- Contractor (manufacturer)

4-Ijara financing formula

-Definition of Ijara contract by Al Salam Bank

is a contract between the bank and the dealer, whereby the bank leases an eye located in the bank's property at the time of the contract or described in the lessor's receipt on a specified date.

5- Musharakah and Mudarabah funding formula

1. Definition of Musharakah and Mudarabah financing according to Al Salam Bank

A-Definition of Musharakah financing by Al Salam Bank

Co-financing is a contract between two or more parties, each providing a financial share. It consists of two shares a company's capital, or profit, distributed between them according to the agreement and loss according to the structure of Musharakah(the participation).

B- Definition of Mudarabah financing by Al Salam Bank

Mudarabah (speculation) is a contract between two parties through which the employer pays a sum of money for the speculators to trade for a common amount of profit they share as required.

If it loses without default or infringement, the loss falls solely on the bank and the speculators only lose their effort and work.

The parties to the contract are the bank (owner of the money), the dealer (speculator) or the dealer (owner of the money), and the bank (speculator). Speculation is divided into two parts¹:

- **Divorced:** strikes by investing correctly in line with the bank's principles;
- **Restricted:** restricted by a particular project or private activity.

2.4 Analysis and results of the field study

Field study design:

To analyze the extent to which internal audit applies to the efficiency of financing operations at Al Salam Bank, the Liquefied Branch is under consideration, it is clear that the interview method with the manager is best suited to determine the extent of internal audit and its impact on the efficiency of the financing operations. Therefore, this study will address the first two requirements of the interview and the second analysis.

2.4.1 Interview

After examining and studying the methodology of scientific research methods and tools, and identifying their negativity and responsiveness, in order to give the theoretical study a proper applied dimension consistent with the problems and hypothesis of the study, it became clear that the interview method is the most appropriate and most appropriate method for this study, because it provides data and information that serves the study well. Its ability to respond to the problem of the study, to verify the validity of its assumptions, and the importance of the interview lies heavily in the fact that it is a direct means of communication between the researcher and those who have the necessary information to serve the study, and it helps us to explain the questions that some of the research ambiguities have, and thus to obtain few answers.

¹ Algerian Al Salam Bank: In: <http://alsalamalgeria.com>, April, 20th, 2023, 14:23PM

The interview was used directly with the Director of Al-Salam Bank M'sila Agency. This type of interview touched on the main axes of the study and the important points that came on the theoretical side in order to drop this aspect on the reality, knowing that the interview took into account the following points:

- To inform the researchers in advance of the questions;
- Questions are written and arranged starting with general questions up to the exact questions;
- The interview was conducted, where the pre-defined questions were sometimes not adhered. The debate on the subject matter was generally focused. This encouraged the researchers to put forward his ideas fully on the ground and to give a full picture of the subject in question.

2.4.2 Analysis of Interview Questions

Bank Al Salam Questions

Question 1	How much is the Bank is Capital?
Answer 1	Al Salam Bank is a company with shares whose capital is estimated to be: 20.000.000.000.00 DA.
Question 2	What is the legitimate formula adopted in consumer finance?
Answer 2	For the legitimate formula adopted in consumer, finance at Al Salam Bank M'sila Agency is sale by installment.
Question 3	What products do Al Salam Bank provide to companies?
Answer 3	Products provided by Al Salam Corporate Bank are: -Funding operations -Foreign trade -Investment and Savings -Services
Question 4	What are the functions of Al Salam Bank?
Answer 4	Al Salam Bank M'sila Branch performs the following functions: - Opening accounts of all kinds - Payment methods (cheques, bank cards ... etc.) - Study and grant funding - Receipt of funds from clients - Delivery of funds to clients
Question 5	What are the objectives of Al Salam(IAEA)
Answer 5	The Agency aims to develop the national economy by providing investment-oriented funding that in turn creates positions of occupancy. It also aims to achieve profit as a commercial banking institution that seeks to achieve the following objectives: - Total assets of approximately 07 million Algerian dinars

	<ul style="list-style-type: none"> - Total discounts of approximately 6.8 million Algerian dinars - Total commitments up to 3.5 million Algerian dinars - Total net revenues estimated at 390 million dinars
Question 6	What is the most software at Al Salam Bank?
Answer 6	The most used software is (MY SALAM), which allows access to the account and transfers.
Question 7	Are all operations at Al Salam Bank digitized?
Answer 7	Yes, 90% of operations digitized. 10% in-person attendance. Special institutions such as foreign trade and loans because the central bank sets special conditions for them.
Question 8	Is it dependent on fintech?
Answer 8	Yes, Al Salam Bank is one of the leading banks in reliance on fintech in all its services.
Analysis	By meeting with the director of Al Salam Bank, M'sila agency and answering questions about the bank, Al Salam bank shows us that the bank is one of the banks operating in accordance with Islamic shari'a principles and includes financing projects, individuals and companies, it also keeps pace with international financial and banking developments as well as is one of the leading banks in reliance on financial technology.

Loans and their risks questions

Question 9	What are the loans granted to customers by the Bank?
Answer 9	<ul style="list-style-type: none"> -Check Account, Equipment and Furniture Finance, Motorcycle Finance, - -Car Finance (Consumer Finance) -Rent or build and expand houses (home finance) -Tourist Book, My Age Book (Investment Accounts)
Question 10	What are the conditions for obtaining loans from Al Salam Bank?
Answer 10	<ul style="list-style-type: none"> - Age where a loan cannot be given to persons under 21 years of age - The requirement that the value of the loan does not exceed a certain percentage of the monthly salary - Difference in the value of the monthly instalment paid by the applicant on the loan depending on the value of the financing, the higher the value of the financing the higher the monthly instalment - The duration of the financing depends on the customer's wishes and the type of loan, and also depends on the monthly salary - The relationship between the value of the finance and the number of instalments is mostly expulsive.
Questions 11	What are the risks of granting such a disk?
Answer 11	Non-payment of small and medium enterprises applying for investment loans with the aim of establishing and expanding an activity, renovating and/or upgrading the equipment.

Question 12	How to deal with those risks?
Answer 12	<p>This is done by dividing the amount received between the bank and the customer. Musharakah is determined between the two sides. This ratio varies according to the type of loan and the nature of the project. The risk of the loan is assessed by examining the feasibility of the project, determining the likelihood of success and estimating the value of the guarantees provided by the client. The duration of the loan is determined by the interest rates based on these evaluations.</p> <p>If the loan is not repaid, the problem is dealt with in different ways:</p> <ul style="list-style-type: none"> - Debt rescheduling - Renegotiation of loan terms <p>In case of inability to repay the loan, the guarantees provided by the customer are sold to cover the debt.</p>
Analysis	The answers obtained during the interview show that loans in Islamic banks have several characteristics that make them safe and less risky for borrowers and banks themselves. They are characterized by a lack of benefits and usury and are considered to be fairer, more transparent and in line with the principles of Islamic law.

Internal Audit and Funding Formats at Al Salam Bank questions

Question 13	What are the sources of funding in the Bank?
Answer 13	<p>Self-resources (internal): capital - reserves</p> <p>External resources (clients' funds): investment accounts - savings and reserve accounts - current accounts.</p>
Question 14	What is the Bank's funding formats?
Answer 14	<ul style="list-style-type: none"> - Murabaha Financing Formula -salam Financing Formula - Istisna 'a Financing Formula - Ijarah financing formula – Musharakah financing formula - Mudarabah financing formula.
Question 15	What is the audit method used in the Bank?
Answer 15	Al Salam Bank follows the internal audit method of evaluating and analyzing the Bank's banking and administrative operations to ensure that the legitimate standards and laws and legislation relating to the Bank are applied.
Question 16	For internal audit how it is done?
Answer 16	Internal audits are conducted periodically and systematically to ensure that legitimate standards and controls are applied in all banking operations carried out by the bank.
Question 17	What are the stages of the bank's audit process?
Answer 17	Planning phase - audit phase - analysis phase - evaluation phase - recommendation phase.

Question 18	What is the most important stage of internal auditing?
Answer 18	A certain stage can't be identified as the most important stage in the bank's internal audits, as all stages are important and necessary to achieve the ultimate objective of the audit, which is to ensure that legitimate standards are applied in all banking operations. It is important that all stages be implemented in an integrated and effective manner to ensure that this goal is achieved.
Analysis	The interview showed that internal auditing plays an important role in ensuring compliance with legitimate standards and ethical principles. It aims to assess and improve the Bank's financial, administrative and accounting processes. In addition, it follows the legitimate funding formulas that conform to Islamic sharia principles. These formulas include the provision of financial services in legitimate and innovative ways and the achievement of profit in a legitimate and fair manner.

Conclusion

Conclusion

Conclusion

Internal auditing can be argued to play a significant role in improving the efficiency of Islamic banks' financing operations. It helps identify and assess financial and administrative risks, develop internal control procedures and improve the accounting system, thus helping to improve the quality of services provided to customers and increase their confidence in the bank.

In order to maintain this efficiency, Islamic banks must invest in the development and continuous updating of internal audit programs, provide the necessary resources for their efficient implementation, encourage employees to participate in them and commit to applying what is discovered during them

Based on the findings of this study, we have reached the following points:

I. Test hypotheses

Based on the case study and analysis of the results of the interview with the bank manager, the validity of the hypotheses formulated at the beginning of the study was verified as follow:

A.First hypothesis: Al Salam Bank (M'sila) has multiple funding formulas: win-win funding formula, peace finance formula, istisna 'a ...

The study validated the first hypothesis, confirming that the financing formulae of the Al Salam Bank (M'sila) are as follows: Murabahah financing formula, salam financing formula, the istisna 'a financing formula, Ijarah financing formula, Musharakah formula, Mudarabah financing formula.

B.Second hypothesis: Internal Sharia'h audit of Al Salam Bank's (M'sila) financing operations is in four phases.

The study validated the second hypothesis, confirming that there were four stages of internal forensic scrutiny of the Bank's financing operations: the preparation and planning phase, the implementation phase, the reporting phase and the follow-up phase to recommendations.

C.Third hypothesis: Al Salam Bank follows the method of internal sharia'h audit.

The study validated the third hypothesis, confirming that that the Bank of Al salam should follow the internal Sharia'h audit method of evaluating and analyzing the Bank's banking and administrative operations in order to ensure the application of legitimate standards and laws and legislation related to the Bank.

Results of the study:

In the light of this study's theoretical and applied aspects, the following conclusions:

- Improving the efficiency of funding operations.
- Improved audit procedures and validation of financial statements.
- Enhancing trust between investors and customers.
- Identifying potential risks and developing strategies to reduce them.
- Improving the company's ability to make the right financial decisions.
- Improved financial resource planning and cost control.
- Increase the company's productivity and profitability.
- Improving the company's financial management and achieving financial sustainability.
- Improving relations with financial and banking institutions.
- Improving the company's ability to deal with economic and financial.

II. Suggestions

- a. Islamic banking companies should strengthen the role of internal auditing and its development to improve the efficiency of financing operations.
- b. Continuous training of staff in the internal audit department should be provided to develop their skills and increase the effectiveness of their work.
- c. The tools and techniques used in internal auditing should be updated to improve the quality of work and efficiency.
- d. Islamic banking companies should strengthen cooperation between internal audit, financial management and executive management to improve the efficiency of financing operations.
- e. The process of documenting financial transactions must be improved and the application of Islamic standards and laws must be ensured at all stages of financing.
- f. Islamic banking companies should develop the monitoring and evaluation system for financing operations and ensure that financial and strategic objectives are met.
- g. Financial and technical support must be provided to the Internal Audit Section to carry out its tasks efficiently and with high quality.

III. Study Prospects

Our approach to internal auditing and its impact on the efficiency of Islamic banking finance has made us discover the possibility to continue it from other researchers by studying the following topics:

- a. Study the impact of the implementation of internal audit standards on the quality of

Conclusion

financing operations in Islamic banks.

- b. Analysis of the Internal Audit Section's role in improving auditing and auditing procedures for financing operations in Islamic banks.
- c. To assess the impact of the development of the skills of employees in the internal audit department on the efficiency of financing operations in Islamic banks.
- d. Study the role of cooperation between the Internal Audit, Financial Management and Executive Management Department in improving the efficiency of Islamic banks' financing operations.
- e. Analysis of the impact of improving the process of documenting financial transactions and applying Islamic standards and laws on the quality of financing operations in Islamic banks.

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Appendices



الجمهورية الجزائرية الديمقراطية الشعبية
وزارة التعليم العالي والبحث العلمي
جامعة محمد بوضياف بالمسيلة
كلية العلوم الاقتصادية والتجارية وعلوم التسيير



قسم:

المسيلة في: 2023 / 01 / 25

رقم:

إلى السيد: البراهيم بن الصديق

مدير فرع المسيلة

الموضوع: طلب مساعدة الطلبة على إجراء التريص الميداني.

سيدي المحترم، تحية طيبة و بعد...

في إطار افتتاح الجامعة على محيطها الاقتصادي والإداري، ومن أجل مساعدة الطلبة في إعداد مذكرات التخرج، التي تدخل ضمن متطلبات نيل شهادة الماستر في شعبة: المالية والمحاسبية تخصص: مخمس : م.ح.ا.س.م.و.ح.د.ت.ج.ت. فإنه يشرفنا أن نطلب من سيادتكم مساعدة الطلبة المذكورين في الجدول أدناه، على إجراء تريصهم الميداني بمؤسستكم. تقبلوا منا فائق التقدير والاحترام.

الطلبة:

الرقم	الاسم واللقب	رقم بطاقة الطالب	رقم ب.ت.و.ر.س	الإمضاء
01	بورثان فاطمة الزعراء	191731082279	20780481	
02				
عنوان المذكرة: <u>تأثير التدقيق الداخلي في كفاءة عمليات التمويل لدى البنوك الإسلامية</u> The impact does internal audit have on the efficiency of Islamic bank's operations - Case study of Al Salam Bank of M'sila				
المشرف (الاسم و اللقب و الإمضاء)		هيئة التريص (الإمضاء والختم)		رئيس القسم (الإمضاء والختم)

الجمهورية الجزائرية الديمقراطية الشعبية

Université Mohamed Boudiaf a M'sila

وزارة التعليم العالي والبحث العلمي

جامعة محمد بوضياف بالمسيلة

Faculté des Sciences Économiques, Commerciales et
des Sciences de Gestion

كلية العلوم الاقتصادية والتجارية وعلوم التسيير

Département: Financial and Accounting

قسم: Financial Sciences and Accounting

تصريح شرفي

بالاتزام بمعايير الأمانة و النزاهة العلمية في إعداد مذكرة الماستر

أنا الممضي اسقله:

الطالب (ة) Boumiane Fatima Zahra المولود(ة) بتاريخ: 1/11/2000 بـ M'sila
الحامل لبطاقة التعريف الوطنية (أور.س.) رقم: 207030481 الصادرة بتاريخ: 24/10/2021 عن:
المسجل بالسنة الثانية ماستر شعبة Financial Accounting تخصص: Accounting and Auditing خلال السنة الجامعية 2022/2023
والمعد لمذكرة الماستر التي تحمل عنوان: "....."

The impact does internal audit have on the efficiency
of Islamic bank's operations
Case Study of A.L.Salam Bank of M'sila

أصبح بشرفي أنني إلتمت بمراعاة معايير الأمانة والنزاهة العلمية المطلوبة في إنجاز مذكرة الماستر المذكور أعلاه.

حرر بتاريخ 3/11/2023 / 5/11/2023

التوقيع و البصمة

