

Internal Audit Evaluation at the National Zakat Agency of Banjarmasin City Based on the Latest Decision

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ABSTRACT: Effective zakat fund management requires transparent and accountable governance. Internal audits play a crucial role in ensuring public trust and operational efficiency in zakat management organisations such as the National Zakat Agency of Banjarmasin City. This study aims to evaluate the implementation of internal audits at the National Zakat Management Agency of Banjarmasin City, with a specific focus on compliance with the recently issued National Zakat Management Agency Decisions No. 98 and 99 of 2024. Using a descriptive qualitative approach, this research collected data through questionnaires and interviews with 13 key informants, including leaders, internal auditors, and auditees. The results of this study indicate that, although the National Zakat Agency of Banjarmasin City has a strong formal internal audit structure, its practical implementation requires strengthening at all stages of planning, implementation, and follow-up. The main challenges identified include a lack of trust from operational units, the absence of a clear formal audit mandate, limited access to information, and difficulties in fully integrating audit practices into the organisational culture. Additionally, coordination issues in follow-up actions were also identified. However, the overall process of planning, establishing, implementing, evaluating, reporting, and following up on internal audits generally scored well (average 4.3–4.7 out of 5), indicating a positive foundation for the organisation.

Keywords: Internal Audit of the National Zakat Agency, Regulations of the National Zakat Agency 2024, Internal Control.



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INTRODUCTION

This study aims to evaluate the implementation of internal audits at the National Zakat Agency in Banjarmasin City, which serves as the basis for an objective evaluation of existing internal audits, as well as to provide recommendations for overcoming obstacles and improving their effectiveness. Internal audits are a process of independently examining and evaluating a company's internal controls. Management is responsible for the information contained in financial statements (Ubaidillah et al., 2022) The main motivation for this research is the importance of transparency and accountability in the management of zakat, infaq, and sadaqah funds in order to maintain the trust of muzaki and mustahik. Zakat, infaq, and sadaqah funds collected by the National Zakat

Agency are a mandate from the people that must be managed professionally, sharia-compliant, and accountable. Therefore, the existence of an effective internal audit is crucial.

Zakat organisations play an important role in the sustainability of zakat in managing public funds. Indonesia has significant potential in terms of zakat, given that 87.18% of the total population of Indonesia is Muslim (Yolanda et al., 2020). Based on National Zakat Agency calculations, Indonesia's zakat potential reaches Rp327 trillion. This potential is still far from the actual collection of zakat funds in 2023, which has only reached 10% of the potential or Rp33 trillion (Kemenag, 2023). This indicates that zakat management, both in terms of collection and distribution, is still inefficient. This is evidenced by the slow decline in poverty levels (Statistik, 2024). When considering zakat's role as a means to distribute wealth from the wealthy to the poor, it can be concluded that zakat has not been managed optimally and thus has not been effective as a tool to reduce poverty in Indonesia (Fikri, 2018).

The internal audit unit is under and responsible to the Head of the National Zakat Agency. The internal audit unit has the following main duties: (a) supervising and controlling the implementation of the executive agency's tasks; (b) appointing public accountants to audit the management of zakat and other funds; (c) conducting financial audits, management audits, quality audits, and internal compliance audits of the National Zakat Agency (Hadi, 2020). The main benefits of the implementation of internal audit tasks and functions, as outlined by Sumarlin (2020) encompass several critical aspects: first, ensuring compliance with established policies, plans, and procedures; second, ensuring that company assets are accountable and safeguarded from various potential risks; third, enhancing trust in accounting and other activities developed by the organisation; and fourth, evaluating the quality of tasks and responsibilities assigned. Conversely, the absence of internal audit has the potential to cause significant negative impacts. Without internal oversight, the risk of errors, inefficiencies, and deviations increases, which can threaten the security and accountability of assets. This condition not only hinders performance improvement but also seriously erodes the trust of internal and external parties, leading to damage to reputation and disruption of the organisation's operational sustainability. Weak internal audit will result in inefficient internal control, which will affect all activities within an organisation, such as irregularities in presentation, errors, deviations, fraud, inefficiency, conflicts of interest, and ineffectiveness in organisational activities (Martias, 2019).

The internal audit process consists of four stages. The first stage is the Formation and Planning stage, where the audit team is assembled based on expertise aligned with the audit scope, has a strong understanding of business processes and operational risks, and develops an assignment plan (Rieke Sri Rizki Asti Karini et al., 2024). When creating the plan, auditors must establish objectives, scope, and resource allocation. Assignments in each area are unique, so planning for each assignment must be developed and tailored to the type of assignment and requires professional consideration. The second stage is the implementation of the audit, which covers the collection, distribution, and utilisation of zakat, infaq, sadaqah, and other religious social funds, ensuring that these stages are acceptable to the zakat collection agency in accordance with applicable regulations. The third stage is Evaluation and Reporting, which is conducted after the auditor completes the audit task, where the report includes the audit subject and the Sharia audit results in the form of recommendations in accordance with existing criteria (Kemenag, 2018). The fourth stage is

Follow-up, where after the audit is completed, the auditor's actions include reviewing the audit results, discussing the findings with management, and following up on identified issues (Rieke Sri Rizki Asti Karini et al., 2024).

The National Zakat Management Agency is an organisation established by the government to manage zakat. At the national level, National Zakat Management Agency is established; at the provincial level, National Zakat Management Agency Province is established; at the district/city level, National Zakat Management Agency District/City is established; and at the sub-district level, National Zakat Management Agency Sub-district is established. National Zakat Management Agency organisations at all levels are coordinative, consultative, and informative (Fadly M. Djubedi, 2015). Based on Law Number 23 of 2011 concerning Zakat Management, Articles 6 and 7, the functions of the National Zakat Management Agency are closely related to planning, collection, distribution, and utilisation, finance, office administration, human resources, general affairs, recommendations, and reporting. Therefore, the need for internal audit functions arises, as the purpose of internal audit is to ensure compliance with policies and procedures, ensure that company assets are accounted for and protected from risks, enhance confidence in accounting and organisational activities, and assess the quality of tasks and responsibilities assigned (Maryati, 2020). Sharia auditing is one way to maintain and ensure the integrity of financial institutions that manage zakat in implementing sharia principles. Sharia auditing can provide assurance to stakeholders and is urgently needed to respond to the rapid development of the sharia financial industry. If there is a failure in sharia auditing, it will have a negative impact and even cause a failure in fulfilling the sharia principles themselves (Umiyati et al., 2023). Although there have been significant efforts to improve accountability, aspects such as internal auditing, operational supervision, and transparency in financial reporting still need improvement. Many zakat institutions in Indonesia have not been able to fully meet public expectations regarding transparency in the management of ZISWAF funds, particularly in terms of timely and detailed reporting. Internal audits, which should serve as the primary oversight tool, often fail to effectively ensure that zakat funds are managed in accordance with Sharia principles (Ansori & Silvino Violita, 2025).

To date, there have been a number of laws and regulations or policies regarding zakat issued by the government to optimise its role in helping to actualise the potential of the Muslim community (Moch. Arif Budiman, 2006). The enactment of Law No. 38 of 1999 on Zakat Management was a crucial turning point for Indonesia's Shariah economy, marking the beginning of national zakat regulation (Handayani et al., 2017). This regulation positively encourages muzakki to channel zakat through amil institutions, creating a legal foundation that enables institutions such as National Zakat Agency to grow and, in turn, requires a strong internal audit system for accountability and transparency. This is reinforced by the latest regulation, namely the Chairman of National Zakat Agency Decision No. 98 of 2024 as a general guideline for the Internal Audit of the National Zakat Management Agency to achieve a National Zakat Agency that is sharia-compliant, regulatory-compliant, and compliant with the Unitary State of the Republic of Indonesia in zakat management (Baznas RI, 2024b). Meanwhile, National Zakat Agency Chairman's Decision No. 99 of 2024 serves as a guideline for the National Zakat Agency in performing its control functions to provide recommendations to leadership to avoid all forms of loss, both material and immaterial, from internal and external sources (Baznas RI, 2024a). Additionally, they play a crucial role in ensuring

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and guiding the development and approval of Standard Operating Procedures (SOPs), while also providing an understanding of the importance of control to all levels of staff. If implemented effectively, these two decisions have the potential to significantly enhance public trust in National Zakat Agency. Furthermore, these decisions serve as the regulatory foundation for strengthening the governance of zakat management institutions in Indonesia.

In South Kalimantan, the National Zakat Agency, as the official zakat management institution, has a major responsibility to manage community funds in a trustworthy, transparent, and accountable manner. Public criticism regarding the transparency and effectiveness of zakat distribution shows how important it is for zakat institutions to maintain gold standards of governance and good practices. In this regard, the provision of effective internal audits is a crucial component in addressing declining public trust (Shamsuddin & Suhaily Bakar, 2021). In recent years, concerns have emerged regarding the transparency and reliability of financial reports in these institutions. Inconsistencies in record-keeping, limited public disclosure, and a lack of standardised reporting practices have contributed to declining trust among stakeholders, particularly muzakki (Fadillah & Prasetyo, 2024). To ensure this, the existence and implementation of internal audits are very important aspects. Internal audits play a role in evaluating the effectiveness of fund management, compliance with sharia principles, and the overall operational performance of the institution. However, based on initial observations, the implementation of internal audit functions in National Zakat Agency in the South Kalimantan region has not been uniform. Some district/city National Zakat Agency offices face challenges, particularly in terms of budget constraints and human resources, making it difficult to establish adequate internal audit units. This inevitably weakens internal oversight and may hinder the achievement of good governance. The table below illustrates the current state of internal audit functions within National Zakat Agency in South Kalimantan.

Tabel 1. Condition of the Internal Audit Function at the National Amil Zakat Agency in South Kalimantan

No	Work Unit of Amil Zakat Agency	Internal Audit Function		Sharia Audit	Financial Audit	Management Audit
		Avaible/ None	Description			
1	South Kalimantan Province	Avaible	Structure & position avaible	Avaible	Avaible	Avaible
2	Banjarmasin City	Avaible	Structure & position exists	Avaible	Avaible	Avaible
3	Banjarbaru City	Avaible	Structure & position not avaible	None	None	None
4	Banjar Regency	None	Audit function merged with operational function	None	None	None

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5	Tapin Regency	None	Structure & position not available	None	None	None
6	Hulu Sungai Selatan Regency	None	Structure & position not available	None	None	None
7	Hulu Sungai Tengah Regency	None	Structure & position not available	None	None	None
8	Hulu Sungai Utara Regency	None	Structure & position not available	None	None	None
9	Balangan Regency	Available	Structure & position not available	Available	None	None
10	Tabalong Regency	None	Structure & position not available	None	None	None
11	Tanah Bumbu Regency	None	Structure & position not available	None	None	None
12	Kotabaru Regency	None	Structure & position not available	None	None	None
13	Batola Regency	None	Structure & position not available	None	None	None
14	Tanah Laut Regency	Available	Structure & position available	None	Available	Available

Based on the information obtained, the implementation of internal audit functions at the National Zakat Agency in South Kalimantan is not yet uniform. This is also supported by the results of research Maryati (2020) which states that the implementation of internal audits at the National Zakat Agency of South Kalimantan Province has not been optimal, has not been carried out in accordance with its role and function, and the quantity of audits has not been fulfilled, internal audits at the National Zakat Agency of South Kalimantan Province have not been effective. It was found that only 4 National Zakat Agencies have internal audit functions. The National Zakat Agency of Banjarmasin City is one of the institutions that has a more complete and formal internal audit structure. Several National Zakat Management Boards at the district/city level in South Kalimantan Province face challenges, particularly regarding budget constraints and human resource limitations, making it difficult to establish adequate internal audit units. This inevitably weakens internal oversight and may hinder the achievement of good governance. The National Zakat Management Agency of Banjarmasin City is one of the units that has internal auditors in accordance with National Zakat Management Agency Decisions No. 98 and No. 99 of 2024. Therefore, the National Zakat Management Agency of Banjarmasin City serves as a suitable example for further analysis regarding the extent to which internal audits are conducted in

accordance with standards, as well as their contribution to supporting transparency and accountability in zakat management.

METHOD

This study uses a qualitative method with a descriptive approach. The purpose of this study is to find out the facts and realities by going directly to the field (Sugiyono, 2020). In practice, this method aims to describe the situation and conditions in the field regarding the internal audit process of the National Zakat Agency of Banjarmasin City, from planning to follow-up audits, as well as the obstacles encountered and their impact on the transparency and accountability of the institution. The researcher seeks to uncover facts and realities in the field by conducting direct observations, interviews with relevant parties through the completion of questionnaires on the stages of the internal audit process carried out.

Through a descriptive approach, this study seeks to describe the situation and conditions in the field regarding the variables of the internal audit process at the National Zakat Agency of Banjarmasin City. The variables used are four processes, namely formation and planning, implementation, assessment and reporting, and audit follow-up. Based on the information obtained, the National Zakat Agency of Banjarmasin City has a complete internal audit function and no overlapping positions. To assess the internal audit function, it is necessary for such a function to exist within the organizational structure. Therefore, this study focuses solely on the National Zakat Management Agency of Banjarmasin City. The calculations for the four process variables are based on National Zakat Agency Decisions No. 98 and 99 of 2014 to obtain percentage values using a Likert scale.

This study uses a qualitative approach with two types of data: A case study design was chosen to gain an in-depth understanding of the phenomenon of internal audit implementation in the specific context of the National Zakat Agency of Banjarmasin City, allowing for the exploration of practices, challenges, and factors that influence compliance with National Zakat Agency Decisions No. 98 and 99 of 2024.

- Quantitative data: Quantitative data is data in the form of numbers that can be processed or analyzed using statistical calculations (Sugiyono, 2020). The quantitative data in this study consisted of respondent profiles, including gender, age, education, and occupation, as well as data obtained from the questionnaire results.
- Qualitative data: Qualitative data is data in the form of statements or opinions, thus taking the form of words or sentences (Sugiyono, 2020). Qualitative data in this study includes an overview, vision and mission, organizational structure, and activities carried out by the National Zakat Agency of Banjarmasin City. Qualitative data is data in the form of statements or opinions, thus taking the form of words or sentences (Sugiyono, 2020). Qualitative data in this study includes an overview, vision and mission, organizational structure, and activities carried out by the National Zakat Agency of Banjarmasin City.

- Literature review: Literature studies are data generated from library materials related to data needed to support research and data obtained from respondents.

Informants in this study were selected using purposive sampling to ensure the relevance and depth of the information obtained. The main informants included the Chair/Deputy Chair of the National Zakat Agency of Banjarmasin City, the Head of Finance, the Head of Internal Audit, and staff directly involved in the internal audit process. There were 13 informants in total.

The National Zakat Agency of Banjarmasin City, located on the 2nd floor of the Banjarmasin City Joint Secretariat Building, Jl. Lingkar Dalam Selatan, Kelayan Timur, South Banjarmasin.

Qualitative Research: “The questionnaire was validated and compiled based on relevant indicators from National Zakat Agency Chairman Decree No. 98 of 2024 concerning the Internal Audit Charter and National Zakat Agency Chairman Decree No. 99 of 2024 concerning Internal Audit Governance of the Zakat Agency. This questionnaire is designed to assess four internal audit processes carried out at the National Zakat Agency of Banjarmasin City.

For qualitative research, semi-structured interview guidelines were developed to explore the experiences and in-depth views of parties involved in internal auditing at the National Zakat Agency of Banjarmasin City. These interviews were focused on supporting the findings from the questionnaire and gaining a richer understanding of the actual conditions of internal audit at the National Zakat Agency of Banjarmasin City. This qualitative data was obtained through semi-structured interviews that were recorded and transcribed.

The data collection methods used in this study included observation, interviews, questionnaires, and literature review. First, the author conducted direct field observations to observe the location, time, activities, events, and objectives. This study conducted direct observations at the National Zakat Agency in Banjarmasin City. The researcher also conducted interviews through direct question-and-answer sessions or face-to-face discussions between the researcher and relevant parties. These interviews were conducted with the Chairperson, Internal Auditor, Vice Chairperson, and each Head of Division of the National Zakat Agency of Banjarmasin City to obtain accurate information. The purpose of these interviews was to explore further and in-depth information regarding the aspects of the internal audit implementation process, the challenges faced in its implementation, as well as potential suggestions and ideas for solutions to improve the effectiveness of internal audits. Furthermore, this study also used data collection by distributing questionnaires to respondents in the form of online questions using Google Forms, which were distributed through the contact person of the Banjarmasin City National Zakat Agency. A questionnaire is a data collection method that involves creating a list of questions in the form of a survey that is submitted to parties related to internal audits, including the Head of the National Zakat Agency, Internal Auditors, and/or representatives from divisions that are frequently audited at the National Zakat Agency of Banjarmasin City. Additionally, literature review is used to collect data derived from relevant literature sources required to support the research, as well as data obtained from respondents.

The data were analyzed thematically using a qualitative analysis approach. The stages of analysis included: (1) Transcription of interview data; (2) Repeated reading to gain a comprehensive

understanding; (3) Data coding to identify key themes relevant to the research questions; (4) Categorization of themes and sub-themes; and (5) Drawing conclusions based on patterns and relationships found in the data.

RESULT AND DISCUSSION

In this study, the respondents were administrators of the National Zakat Agency of Banjarmasin City who were often involved in internal audits.

Classification of respondents based on gender

Based on field research and distribution through administrators conducted by the researchers, the number of respondents in this study based on gender is as follows:

Tabel 2. Gender of Respondents

No	Gender	Frequency	Percentage
1	Men	10	77%
2	Women	3	23%
Total		13	100%

Source: Primary data (compiled by researchers, 2025)

Based on Table 2, it is known that of the 13 respondents in this study, 10 or about 77% were male and 3 or about 23% were female.

Classification of respondents based on age

The respondents in this study based on age are as follows:

Tabel 3. Age of Respondents

No	Age	Frequency	Percentage
1	16 - 25 years old	0	0%
2	26 - 35 years old	3	23%
3	36 - 45 years old	5	38%
4	> 45 years old	5	38%
Total		13	100%

Source: Primary data (compiled by researchers, 2025)

Based on Table 3, it is known that the related parties who were the most respondents were those aged 36-45 years and > 45 years, each numbering 5 people or 38%, followed by the second largest age group, 26-35 years, numbering 3 people or around 23%. Meanwhile, there were no respondents aged 16–25 years old, or 0 people. This indicates that the majority of ages closely related to the internal audit process are those aged 36–45 years old and over 45 years old.

Classification of respondents based on their highest level of education

The respondents in this study based on their highest level of education are as follows:

Tabel 4. Respondents' Highest Level of Education

No	Highest Level of Education	Frequency	Percentage
1	High School/Vocational School/Islamic High School or equivalent	1	8%
2	Diploma	0	0%
3	Bachelor's Degree	9	69%
4	Master's Degree	2	15%
5	Doctorate Degree	1	8%
Total		13	100%

Source: Primary data (compiled by researcher, 2025)

Based on Table 4, it shows that the largest number of respondents were related parties with a bachelor's degree (S1/D4) as their highest level of education, totaling 9 people or approximately 69%. The second largest number of respondents were related parties with a master's degree (S2) as their highest level of education, totaling 2 people or approximately 15%. followed by the third-largest group of respondents, who are stakeholders with the highest level of education being a Doctorate (S3) and high school/vocational school/madrasah aliyah equivalent, each with 1 person or approximately 8%. Meanwhile, there were no respondents with the highest level of education being a Diploma, or 0 people. This indicates that the majority of respondents closely related to the internal audit process are those with the highest level of education being a Bachelor's degree (S1/D4).

Classification of respondents based on position

The respondents in this study based on their positions are as follows:

Table 5. Respondent Position

No	Position	Frequency	Percentage
1	Leader	1	8%
2	Auditor	3	23%
3	Auditee	9	69%
4	Total	13	100%

Source: Primary data (compiled by researchers, 2025)

Based on Table 4.5, it can be seen that the largest number of respondents were those with the position of Auditee, totaling 9 people or approximately 69%. The second largest number of respondents were those with the position of Auditor, totaling 3 people or approximately 23%. Meanwhile, the smallest number of respondents were those with the position of leader, totaling 1 person or approximately 8%. This indicates that the majority of respondents frequently involved in the internal audit process are in the Auditee position.

Based on the respondents' answers for each indicator, the results are summarised as follows.

Internal Audit Planning

Based on the data obtained, internal audit planning has been running quite well with an overall average score of 4.3, with management respondents scoring 5.0 and auditor respondents scoring 3.6 on average. In terms of the preparation of annual audit work plans, the majority of respondents (75%) stated that the plans were prepared systematically, documented, and evaluated regularly. However, 25% of respondents prepared audit plans that were not systematic, indicating a need for improvement in the consistency and structure of planning.

In terms of consideration of high-risk areas in ZIS-DSKL management, the majority of respondents (75%) stated that high-risk areas are always considered and documented, while the remaining 25% do not consider high-risk areas. This indicates a high level of awareness of the importance of auditing areas with significant risk potential.

Regarding the use of a risk-based audit approach, the majority of respondents (75%) also indicated that this approach is used systematically, documented, and evaluated. However, a small portion (25%) only use this approach unsystematically, indicating the need to strengthen understanding and comprehensive implementation of this methodology.

In terms of the alignment of audit work plans with governance principles and regulations, 75% of respondents stated that the plans were in line with all principles and included update mechanisms, while 25% were still developing plans that did not align with governance principles. This underscores the need for outreach and enhanced understanding of regulatory principles in audit planning.

Finally, regarding the approval of audit plans, the majority of respondents (75%) stated that the audit plans had been approved, acknowledged by management, and communicated to all work units. However, 25% stated that the plans had not been approved and were not acknowledged by management, indicating that there are still gaps in the communication process and internal formalities.

Establishment of Internal Audit

The establishment of internal audit units has shown excellent implementation with an average total score of 4.7. Regarding the existence of the internal audit unit in accordance with the Decision of the Chairman of the National Zakat Management Board No. 98 of 2024, the majority of respondents (70%) stated that the audit unit already exists, meets the requirements, is effective, and is well-documented. However, there are still some (30%) who stated that the unit only meets the minimum requirements or is not yet fully effective, indicating the need for improvements in the quality of the audit unit's operations.

In terms of the structure and position of internal audit, 69% of respondents stated that there is a complete formal designation, well-documented, and evaluated periodically. Meanwhile, 30% of

respondents stated that there is a complete and well-documented designation document, but it has not been evaluated. This reflects the need to strengthen the periodic evaluation system to ensure the structure remains relevant and adaptive to changes.

Regarding the appointment of internal audit members, the majority of respondents (62%) stated that the appointment was in accordance with authority, documented, and evaluated periodically. Thirty-one percent stated that the appointment process was in accordance and documented but there was no periodic evaluation mechanism. Meanwhile, only a small portion (8%) stated that the appointment was appropriate without documentation. This indicates that the governance of auditor appointments has been carried out in an orderly manner, although improvements are still needed in documentation and evaluation.

In terms of the number and composition of internal audit members, the majority of respondents (62%) assessed that the number and composition were very appropriate for the needs, supported effectiveness, and were evaluated periodically. Thirty percent of respondents considered the number and composition to be appropriate for the needs but without evaluation. This indicates that the availability of audit human resources is already quite ideal, although the evaluation of the role and number of members needs to be further optimized.

Finally, in terms of internal audit independence, 54% of respondents stated that internal auditors are independent, do not hold operational positions, and there are mechanisms for monitoring independence. Some others (31%) stated that auditors are independent but there is no formal oversight of independence, while 15% assessed that there is still potential for conflicts of interest. This indicates that the aspect of independence is well maintained, but oversight needs to be strengthened to ensure greater objectivity and professionalism.

Conducting Internal Audits

The results of the questionnaire on the conducting of internal audits show that, in general, SAI has carried out the audit process well and in accordance with regulations, with an overall average score of 4.3 on a scale of 5. In the first aspect, namely audit procedures in accordance with the Decision of the Chairman of the National Zakat Agency No. 98 of 2024 (Audit Charter), 62% of respondents stated that the audit had been fully conducted in accordance with the charter and well-documented, although 23% of respondents still indicated that the audit charter was not available at all. The mean score for this aspect was 4.1, indicating a need for improved understanding and compliance with the audit charter.

The second aspect, mastery of audit conducting, also showed similar results, with 62% of respondents stating that there were complete, well-documented, and evaluated audit assignments. However, 23% stated that they only had incomplete audit assignments.

The third aspect, the collection of audit evidence by the team, achieved relatively high results, with 62% of respondents stating that evidence was collected objectively, professionally, and well documented. However, 23% of respondents still stated that there was no objective and professional collection of evidence, indicating potential weaknesses in the quality of audit evidence.

In the fourth aspect, namely the accessibility of internal audits to the necessary information and records, 69% of respondents stated that access was full and there were mechanisms to resolve obstacles. This reflects that internal audits have been given sufficient space and information support in carrying out their functions with a mean of 4.4.

The final aspect, the timeliness of internal audits, showed relatively low results, with 62% of respondents stating that audits are always conducted on time and there are mechanisms in place to monitor timeliness. Meanwhile, 23% stated that audits are “generally” on time, and the remaining 15% are not yet fully consistent in terms of timing.

Internal Audit Assessment

The internal audit assessment showed excellent performance with an average total score of 4.6 out of 5. In the first aspect, namely the scope of the audit assessment, most respondents (46%) stated that the audit covered internal control, risk management, and was integrated with performance assessment, while 38% mentioned that the audit covered internal control and risk management only. This indicates that most audit processes already have comprehensive and strategic coverage.

In the second aspect regarding the evaluation of SOPs (Standard Operating Procedures), the majority of respondents (62%) stated that evaluations were conducted regularly, documented, and the results were followed up. Only a small portion (15%) still conducted evaluations irregularly. This shows that the internal audit function has supported continuous improvement of SOPs. The third aspect, related to the scope of compliance assessment with sharia principles, regulations, and internal policies, shows very positive results. As many as 69% of respondents stated that audits cover all principles and there are renewal mechanisms in place, while 31% stated full coverage even without renewal mechanisms. This reflects the organization's high level of compliance with governance principles and internal regulations.

The fourth aspect, the use of audit assessment results, shows a very good level of conducting, with 85% of respondents stating that audit results are used for improvement and there are mechanisms to monitor their effectiveness. This means that internal audits are not merely administrative but have become an active and monitored tool for organizational improvement.

Finally, in terms of the principles of objectivity and independence in audit assessments, the majority of respondents (69%) stated that audits were conducted objectively and independently, and there are oversight mechanisms for both aspects. Although 23% of respondents stated that independence was maintained without oversight, this still indicates a sufficiently mature and professional audit practice.

Internal Audit Reporting

The internal audit reporting process is categorized as very good, with an overall average score of 4.4. Regarding the first aspect of preparing the Audit Report (AR), 50% of respondents stated that the AR was prepared in writing, complete, timely, and already had a quality control mechanism in

place. The remaining 50% stated that the report was complete and timely but did not mention a quality control mechanism. This indicates that the documentation process for audit reports is functioning well and consistently but requires improvement in strengthening the quality control mechanisms for reports.

Regarding the submission of audit reports to management, the results show that 50% of respondents stated that the reports were submitted regularly, documented, and monitored for accuracy. The remaining respondents stated that the reports had been submitted but were not fully documented or monitored. This indicates that the reporting system is structured, although improvements are still needed in documentation and monitoring.

In terms of the scope of audit reports, the majority of respondents (50%) stated that the reports clearly included all findings, analyses, and recommendations, and the other 50% added that the reports were also accompanied by a follow-up mechanism. This means that the quality of the report content is very good and supports data-driven decision-making that is comprehensive and relevant.

Regarding the storage of report archives, half of the respondents stated that the archives are stored regularly, easily accessible, and managed with a good system. The other half indicated that the archives are stored with varying degrees of regularity. This shows that audit document management is adequate, but there is still a need for improvement in terms of ease of access and regularity.

The final aspect regarding the use of audit reports in managerial decision-making shows that 50% of respondents have used the reports optimally, accompanied by a monitoring mechanism for follow-up decisions. Meanwhile, the other half indicated that the reports are only used partially or not routinely as a basis for decisions. This suggests that audit reports already have a significant influence on managerial processes, but there is still room for improvement in terms of consistency and effectiveness in decision-making.

Follow-up on Internal Audits

The follow-up to internal audits was rated as very good, with an overall average score of 4.4. In the first aspect regarding the monitoring of audit recommendation conducting, 62% of respondents stated that monitoring was conducted regularly, documented, and accompanied by mechanisms to evaluate effectiveness. However, 31% of respondents stated that follow-up had not been conducted consistently. This indicates that although the monitoring process has been carried out fairly well, there is still room to improve consistency in its conducting.

Regarding the mechanism for reporting the status of audit recommendation follow-up, 62% of respondents stated that there was a formal, documented, and well-adhered-to mechanism. A small number of respondents mentioned the existence of informal mechanisms or mechanisms that were not yet documented. This indicates that the audit follow-up reporting system is already quite robust, but efforts are needed to improve its documentation and formality.

Furthermore, in terms of response to audit findings, the majority of respondents (85%) stated that work units provided an adequate response accompanied by a monitoring mechanism for the conducting of improvements. This reflects a high level of awareness among work units of the importance of actively and responsibly following up on audit findings.

Regarding follow-up verification by the audit team, 69% of respondents stated that verification was conducted regularly, documented, and evidence-based. However, there were still respondents who mentioned that verification was conducted irregularly. This indicates that the audit team has performed its functions well, but there is a need for strengthening in terms of regularity and comprehensive documentation.

Finally, regarding the impact of the audit follow-up process, the majority of respondents (69%) assessed that the follow-up process promotes continuous improvement and has become part of the organizational culture. This is a positive indicator that internal audits are not merely administrative but also contribute meaningfully to improving the quality and effectiveness of the organization.

The implementation of internal audits at the National Zakat Agency in Banjarmasin City consists of four stages, namely planning, formation, conducting, assessment, reporting, and follow-up. The findings of the study show alignment with formal regulations, but also highlight challenges in practical implementation in the field.

Internal Audit Planning

The internal audit planning aspect shows that the Head of the National Zakat Agency of Banjarmasin City has a clear vision and an adequate policy framework for internal audit planning. At the policy and leadership commitment level, the Chairman of the National Zakat Management Agency of Banjarmasin City demonstrates a strong orientation toward the principles of good governance and regulatory compliance, particularly the regulations of the National Zakat Management Agency of Indonesia No. 2 of 2019 and Government Regulation No. 14 of 2014 (PP RI, 2014).

The formalization of the audit plan through approval by management and communication to all work units indicates the strategic efforts of the Head of the National Zakat Agency in developing a structured internal control system. This orientation essentially aims to ensure the safe, effective, and transparent management of zakat funds, in line with public accountability requirements. However, the main weakness lies in the formality of implementation and standardization of processes through incomplete operational audit standards. These standards play an important role in reducing the risk of errors in operations by providing clear guidelines for work units (Rahmawati et al., 2024). The absence of standard operating procedures hinders consistency and uniform understanding in the implementation of audits, while the adaptation of new internal audit functions requires adequate support to accelerate information dissemination and team capacity building for optimal effectiveness.

Given that the internal audit function is still relatively new, auditors are still in the process of understanding and learning about business processes within the organization. This situation also affects the level of compliance with applicable regulations in the implementation of audits. Therefore, even though the planning policy is sound, the development of structured work guidelines that are in line with regulations is an urgent need to strengthen the internal audit function going forward. In line with the findings of Ardha, Riwayatanti, and Haris (2025), structured business process modeling has proven to help harmonize internal audit procedures with international standards, so that the work guidelines developed are not only compliant with regulations but also more systematic and efficient (Bastian et al., 2025). Overall, the internal audit planning process has been implemented fairly well, particularly in terms of systematization, documentation, and consideration of high-risk areas. However, aspects of consistency and leadership involvement at all stages of planning need to be improved to ensure that audit implementation becomes more effective and comprehensive.

Establishment of Internal Audit

The establishment of the Internal Audit System Unit at the National Zakat Agency of Banjarmasin City is in accordance with applicable regulations, formed electively, and well documented. The presence of three active main internal audit divisions—sharia compliance audit, operational management, and finance—reflects a comprehensive structure. This unit has been formally established through a decision letter in accordance with its authority, directed to be documented, and evaluated periodically to maintain effectiveness and accountability. The organizational structure has also been well designed without overlapping roles, ensuring the independence of the audit unit through adequate oversight mechanisms. This demonstrates that the internal audit unit functions actively and supports good organizational governance. Furthermore, Yulisnawati, Pramono, and Laela (2024) found that the independence of internal auditors significantly improves audit effectiveness, which in turn strengthens overall compliance in Islamic financial institutions (Yulistinawati et al., 2023). These findings are consistent with the implementation of similar practices in the city of Banjarmasin. The number and composition of auditors are also stated to be in line with organizational needs, and the internal audit unit is assessed to have carried out its functions independently and without overlapping operational roles, in accordance with the fundamental principles of audit objectivity.

However, there are still indications that independence practices have not been fully maintained, there is still the possibility of auditors playing a dual role in operations, and there is a lack of periodic evaluation of the effectiveness of formally established audit structures. Bonrath's (2024) research explains that conflicts of interest arise when senior management exerts excessive influence over internal audit, shifting the focus from internal control to operational audit and consulting services, which reinforces concerns about the potential for auditors to play dual roles. Additionally, according to The Institute of Internal Auditors (2017), the threat of “self-review” especially when auditors review work or advice they have previously provided can compromise the quality and objectivity of audits. This underscores the importance of technical monitoring to prevent dual roles. Therefore, although formal frameworks and regulations have been well established, further

strengthening is needed at the technical implementation and comprehensive oversight levels: enhancing auditor capacity, ensuring the absence of conflicts of interest, and conducting routine evaluations of the effectiveness of existing audit structures.

Conducting Internal Audits

The conducting of internal audits at the National Zakat Agency of Banjarmasin City has generally referred to the procedures set forth in the internal audit charter based on central regulations, and has been carried out systematically and documented, as stated by the Head of the National Zakat Agency of Banjarmasin City. The audit began with an official assignment letter emphasizing documentation and evaluation of compliance for each audited unit. The audit team, consisting of three competent personnel, was directed to collect evidence objectively, professionally, and systematically in accordance with audit standards. Each unit was also instructed to provide open access to information, with support if faced with technical obstacles. The audit process was emphasized to be conducted on time, with regular monitoring by management to ensure the audit results could be utilized for continuous improvement. The Fourth Vice Chairman also stated that the internal audit process had been conducted in accordance with all procedures outlined in the Internal Audit Charter, accompanied by an official assignment letter, properly documented, and with the collection of objective and professional evidence in line with Internal Audit Standards. Work units are also open to providing access to information, and there are mechanisms for resolving obstacles. This reflects that the internal audit system at the National Zakat Agency is functioning in accordance with National Zakat Agency Regulation Number 2 of 2019 and Government Regulation Number 14 of 2014. Thus, the conducting of internal audits at the National Zakat Agency has a sufficiently strong regulatory and procedural foundation; however, it requires ongoing evaluation of the quality of conducting and consistency in practice to truly reflect the principles of accountability, effectiveness, and transparency.

Internal Audit Assessment

From a formal and ideal perspective, internal audit assessments at the National Zakat Agency in Banjarmasin are conducted comprehensively and strategically, with broad coverage and a focus on continuous improvement. However, the main challenge lies in ensuring consistency in the implementation of SOPs across all units and increasing awareness and ownership of audit results among work units. Shortcomings in providing concrete risk mitigation recommendations and constraints related to time/resources indicate that auditor capacity needs to be enhanced and management support for the assessment process must be strengthened. Soraya et al. (2023) found that legislation, culture, education, and human resources are the main factors hindering the implementation of internal audits, particularly in the context of developing countries. The potential for bias in decision-making also requires strict oversight of auditor objectivity and enforcement of ethical codes to maintain the integrity of assessment results. Optimizing audit assessments requires not only broad coverage but also depth in risk analysis and impact in driving real change. Other research highlights the effectiveness of risk-based audit implementation when supported by

systematic risk evaluation and analytical technology, which can increase the added value and efficiency of audit resource allocation.

Internal Audit Reporting

Based on the data collected, the internal audit reporting process at the National Zakat Agency of Banjarmasin City shows a dualism between the formal framework that has been established and the conditions of implementation in the field. This dualism indicates that the National Zakat Agency of Banjarmasin City has succeeded in building a strong foundation and framework in the aspect of internal audit reporting in accordance with applicable regulations. The existence of procedures, documentation, and efforts to compile reports on a regular basis are positive steps. However, the biggest challenge lies in the implementation and enforcement phase. The existence of reports and recommendations does not automatically translate into consistent and impactful corrective actions across all units. The auditee's intention to implement audit recommendations can be influenced by perceptions of the benefits of corrective actions. Another factor of concern is the support from management in following up on audit findings. A study conducted by Yanti et al. (2024) found that following up on audit recommendations contributes positively to the quality of public services, while recommendations without follow-up have no impact. Weaknesses in the follow-up and control mechanisms for implementing these recommendations can reduce the overall added value of internal audits. Internal audits, which should function as a tool for oversight and continuous improvement, risk becoming mere formalities if their reports are ineffective in driving change. Therefore, this reporting area requires not only improvements in the preparation process but also in the use of reports for effective decision-making, as well as ensuring that follow-up actions can be measured and strictly controlled.

Follow-up on Internal Audits

The internal audit follow-up process at the Banjarmasin National Zakat Agency demonstrates a strong formal commitment, but this is accompanied by challenges in consistent implementation in the field. The Banjarmasin City National Zakat Management Agency has a good understanding of the importance of audit follow-up and has sought to establish an adequate policy framework. Support from leadership demonstrates commitment at the strategic level. However, implementation at the operational level still faces practical challenges, including internal coordination issues and cultural resistance (differences in perception). Without clear standard operating procedures for follow-up verification, critical gaps emerge that make the process inefficient and less accountable. According to IIA Performance Standards, the Head of Internal Audit must establish a follow-up process to monitor and ensure that senior management has effectively implemented corrective actions. Additionally, it is important to develop formal work procedures based on risk, difficulty, and realistic timeframes. A study by Umor et al. (2020) shows that the effectiveness of audit follow-up is influenced by the coordinative, cooperative, and collaborative network models among stakeholders in the public sector, reinforcing the notion that cross-unit coordination can improve follow-up implementation. Therefore, this follow-up area

requires urgent strengthening in three main aspects: standardization of operational procedures for verification and monitoring processes with clear measurements, improvement of internal coordination and audit culture, and implementation of collaborative network mechanisms involving multi-stakeholders such as auditors, management, and related units. With these steps, audit follow-up can become an effective and measurable catalyst for continuous improvement, rather than just an internal formality.

Comparison with Previous Studies

Although this study provides deep insights, there are several inherent limitations that need to be acknowledged. The focus on a single case study at National Zakat Agency Banjarmasin City limits the generalizability of the findings, as the characteristics and challenges of National Zakat Agency in different regions may vary. Furthermore, the primary data obtained through interviews and internal documents, although triangulated, may be subject to self-reporting bias or may not fully capture the complexity of dynamics from an external perspective. Therefore, the results of this study are best interpreted as an exploratory case study that provides a detailed picture of a specific context, serving as a basis for further, broader, and comparative research.

While this study provides valuable insights into the impact of leadership styles on organizational performance, several limitations should be acknowledged. First, the cross-sectional design limits our ability to establish causality, similar to the challenges noted by Herzberg et al. (2020). Second, the reliance on self-reported data may introduce biases, such as overestimation of leadership effectiveness, as highlighted in prior research. Third, the study's geographic focus on Surabaya may limit the generalizability of findings to other regions with different cultural and economic landscapes. Future studies should employ longitudinal designs and include a more diverse sample to address these limitations and provide more robust insights.

For future researchers, it is recommended to expand the scope of research to include National Zakat Agency at the provincial and regency/city levels or other zakat institutions in order to obtain a broader comparison and more in-depth analysis of the impact of internal audits on the overall performance of zakat institutions.

CONCLUSION

His study investigates the evaluation of internal audit implementation at the National Zakat Agency of Banjarmasin City and aims to assess the extent to which internal audit is implemented, identify challenges, and formulate solutions for its improvement. The findings indicate that National Zakat Agency Banjarmasin City has an adequate formal audit structure (sharia compliance, operational/management, financial), but the effectiveness of its implementation still requires strengthening, particularly in planning, execution, and follow-up. Specifically, the main challenges include a lack of trust in auditors by operational units, the absence of formal audit mandates, limited access to information, and the failure to integrate audit as part of the organizational culture, as well as coordination in follow-up actions. These findings underscore the

need for internal audit to serve as a strategic tool to strengthen transparent, accountable, and Sharia-compliant zakat governance, through improved communication, management support, consistent SOPs, and monitoring of follow-up actions.

Although this study provides valuable insights into the implementation of internal audits at National Zakat Agency Banjarmasin City, several limitations should be noted, such as the focus on a single location and internal organizational constraints. Future research should focus on expanding the scope of study to other provincial/district/city-level National Zakat Agency or zakat management institutions, which could enhance our understanding of the impact of internal audits on the overall performance of zakat institutions and inform more comprehensive policy frameworks, practices, or theories in zakat governance.

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