

Internal Audit Role in Digital Zakat Finance
(Case Study at a Zakat Institution in Indonesia)

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ABSTRACT

This study aims to get information about: 1) How is the implementation of digital zakat finance in Indonesia?; 2) Why do zakat institutions need the Internal Audit role in the implementation of digital finance zakat?. This study is motivated by the development of zakat collection systems such as digital zakat finance system that uses a digital platform. Along with the development of technology, the role of internal audit is also expected to be expanded to the aspect of information technology audit. Internal audit division faces several challenges regarding digital zakat finance. Internal audit division has to ensure the zakat institution already mitigate the significant risk related to digital zakat finance. This study is limited to the audit aspect related to zakat collection system in BAZNAS that used digital platforms such as bank transfer collection system and collection system that collaborated with e-commerce. To achieve the study's aims, this study uses qualitative methods with literature study techniques that are reinforced by interviews.

Keywords: Internal audit role, digital zakat finance, zakat institution.

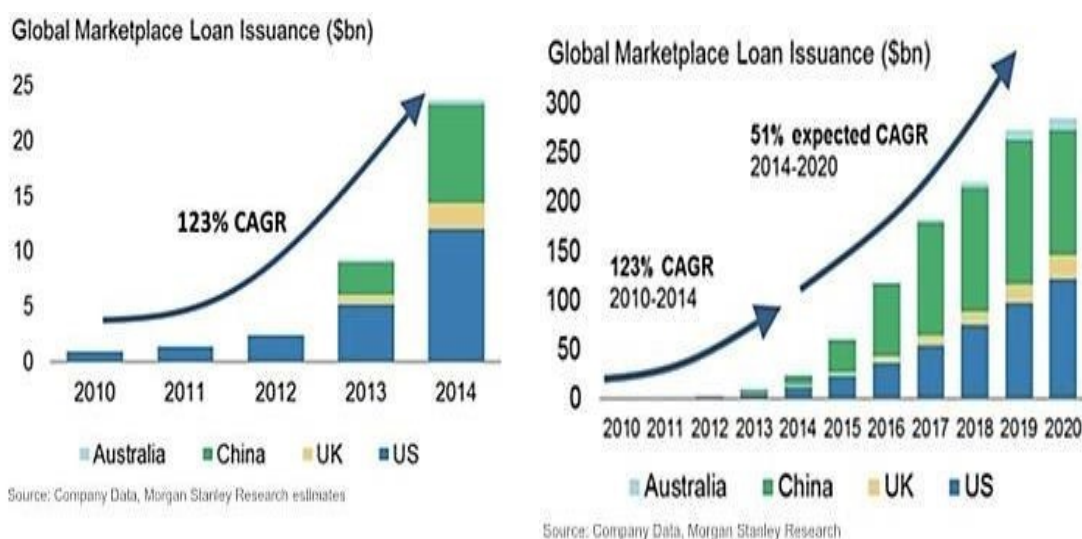
JEL Classification : M41, M42, O14, O33

INTRODUCTION

Zakat, Infaq, and Shodaqoh (ZIS) are the instruments of social finance. Currently in the zakat institution, collection and distribution process are made easier by the presence of digital finance. McKinsey Institute (2016) defines digital finance as financial services delivered over digital infrastructure (including mobile and internet) with low use of cash and traditional bank branches. Mobile phones,

computers, or cards used over Point-of-Sale (POS) devices connect individuals and businesses to a digitized national payments infrastructure, enabling seamless transactions across all parties.

The development of digital finance in the world from various business sectors illustrated in the marketplace loan issuance shows a rapid increase. This increase will continue to occur until 2020 and is illustrated in the following graph:

Graphic 1. Digital Finance Growth

Source: Company Data, Morgan Stanley Research in Haddad, (2017)

In *zakat* institution, innovation is required by applying digital finance to *zakat* information systems. Although, recently information technology has been applied to *zakat* institution, there is no related regulation and standard rules. The existence of legal guidelines and guarantees from the government are expected to encourage the improvement of *zakat* institution, increase innovation, and foster public trust. The digital finance concept itself can create big data and transparency tools for *zakat* institution ecosystems to provide more effective and efficient management. (Rahman and Salam, 2018).

For one of example *zakat* institutions (*Organisasi Pengelola Zakat/OPZ*) in Indonesia, the Indonesian Government makes a regulation about the *zakat*

managing process through Presidential Decree Number 8 in 2001. Presidential Decree Number 8 (2001) is regulation about the establishment of a national *amil zakat* organization in Indonesia called *Badan Amil Zakat Nasional (BAZNAS)*.

According to Central Bureau of Statistic (2015) in *Zakat Outlook 2017*, Puskasbaznas (2017) Indonesia is one of the countries with a majority Muslim population of 216.66 million people or with a percentage of Muslims equal to 85 percent of the total population. This indicates that Indonesia has great potential in collecting *zakat* funds. Based on data obtained from Baznas in 2016, in *Zakat Outlook 2017*, the collection of *zakat* funds continues to increase. This is illustrated in table 1 below:

Table 1. *Zakat, Infaq and Shodaqoh* Growth in Indonesia (Period 2002 – 2015)

Year	In Rupiah (Billion)	USD (Million)	Growth (%)	Growth GDP (%)
2002	68.39	4,98	-	3,7
2003	85.28	6,21	24,70	4,1
2004	150.09	10,92	76,00	5,1
2005	295.52	21,51	96,90	5,7
2006	373.17	27,16	26,28	5.5
2007	740	53,86	98,30	6,3
2008	920	66,96	24,32	6,2
2009	1200	87,34	30,43	4,9
2010	1500	109,17	25,00	6,1

2011	1729	125,84	15,30	6,5
2012	2200	160,12	27,24	6,23
2013	2700	196,51	22,73	5,78
2014	3300	240,17	22,22	5,02
2015	3700	269,29	21,21	4,79

Notes: 1 USD = Rp13.740,00; Source: Badan Amil Zakat Nasional (2017)

According to BAZNAS research, the potential for national zakat in 2015 has reached Rp. 286 trillion. This study is generated using an extrapolation method that considers GDP growth in previous years. The data shows that there is a high gap between the potential and the collection of zakat funds. This data can be seen from the actual data of national Zakat, *Infaq*, and *Shadaqoh* (ZIS) collection by the official zakat institution in 2015 which only reached Rp 3.7 trillion or less than 1.3 percent of its potential. (BAZNAS, 2017).

This condition is both an opportunity and a challenge for all Zakat Institutions (OPZ) in Indonesia to be able to increase the value of zakat, *infaq*, and *shodaqoh*. So that the welfare of the community is evenly distributed. BAZNAS has made this challenge an opportunity to do ZIS collection in the Community. BAZNAS has pioneered the implementation of digital finance in its collection and distribution.

Since 2016, BAZNAS has developed three digital platforms for collecting ZIS. Among them are internal platforms, external platforms, and social media platforms. BAZNAS applies the Internal platform through the website www.baznas.go.id and the muzakki corner application. BAZNAS applies external platforms, among others through various e-commerce, various digital payment channels (digital finance), through crowdfunding channels, zakat virtual assistants, chat robots (chat bots), and zakat payments through QR code. BAZNAS implements and optimizes the third platform, namely social media platforms through Facebook, Instagram, Whatsapp and YouTube (BAZNAS, 2018).

Proper of digital finance zakat is expected to be supported by all elements of zakat institutions. Rahman and Salam

(2018) states that the process of strengthening and supervising zakat institution should be through using strategic steps that are structured to realize the development acceleration of zakat institution. These processes include aspects of legal compliance, Syariah compliance, accountability, and a security structure.

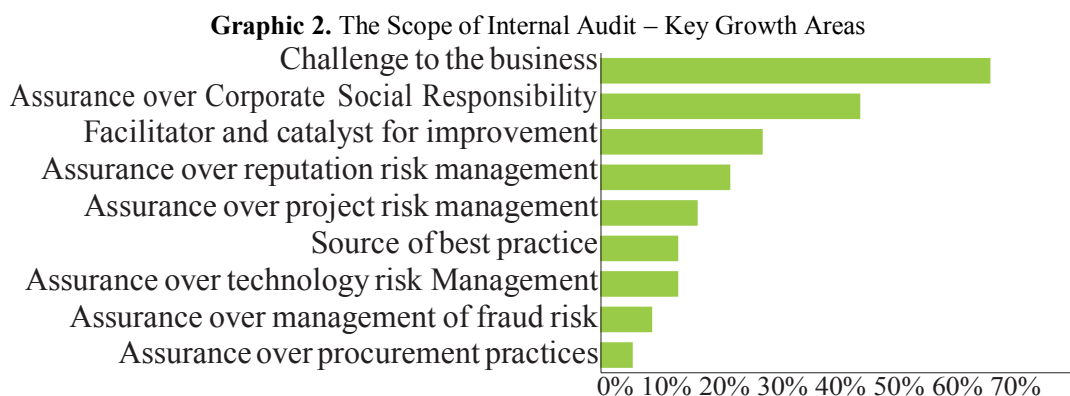
In addition, effective implementation aspects of Good Corporate Governance (GCG) in zakat institutions will be able to assist management in conducting internal supervision of the company to be more effective and efficient. One of the important tasks of Internal Audit in the implementation of GCG is to investigate and assess the internal control and efficiency of the company's operational implementation independently (Wulan, 2012).

Currently, the role of IA has shifted in practice. Initially, IA functions as watchdog, consultant, and catalyst (Wulan, 2012). Now, internal Audit's function is expanded to improve and add value for entity's operation (Vallabhaneni, 2014). This function supports the IA' role defined by IIA which contains assurance and consulting roles.

In General, the scope of internal audit (and, therefore, the scope of the assurance given) should go beyond compliance with processes and should also go beyond the adequacy of the processes themselves of governance, risk management and internal control. Internal audit has a duty to consider also the quality of the inputs to, and the outputs from these processes, and to identify and report any unacceptable levels of risk (Chambers, 2015).

The IA scope in non-profit (social) institution is also growing. There are several Key Growth Areas for the scope of

Internal Audit based on Delloite (2014) as illustrated in the following graph.



Source: Delloite, 2014

Collecting ZIS with digital finance has challenges and risks. For example, hackers, viruses, not technology applications by the public, costs, and others. According to Haddad (2017), explained that there is a risk of digital finance including fraud, data misuse, hackers, malware. According to Haddad (2017) the risks can also occur at the national level, including money laundry opportunities and financial system stability.

The Internal audit on zakat institution is an independent division. Zakat institution needs IA to ensure that the institution operations run properly in general. In addition, internal audit together with the risk management department can mitigate the risk of the zakat institution in utilizing digital finance technology. Shamsuddin et al., (2017) state that IT audit in zakat institution is very important because of the cashless concept. The cashless concept gives muzakki convenience for transferring their fund from banking transfer system. So, it is important for zakat institution to have IA members that have IT background that can support the team for auditing in the IT aspect (Shamduddin et al., 2017).

Based on the explanation stated above, so this study aims to know about: 1) How is the implementation of digital zakat finance in Indonesia?; 2) Why do zakat institutions need an IA role in the implementation of digital finance zakat?.

LITERATURE REVIEW

Internal Audit

IA practice cannot be avoided in organizational operations in the current era. IA is a function that is formed from the basic theory of agency theory. IA appears as a function that monitors management so that it can work under the goals of the organization. IA minimizes agency conflicts that may arise that occur between the owner of the organization and the management (Bendickson et al. 2016).

Globally, the definition of internal auditing is an independent consulting activity designed to improve and add value for entity's operation (Vallabhaneni, 2014). Adding value for an entity's operation is an important role of internal auditing (Lenz and Hahn, 2015). Internal auditing also helps an entity achieves its objectives by conducting a systematic approach to improve and evaluate the effectiveness of entity's control, risk management, and governance process (Vallabhaneni, 2014). Internal audit is also a process of prevention and detection on entity's fraud that can harm entity's objective (Graham, 2015).

Internal auditing process in the entity's operation is done by internal audit team. An effective internal audit team is a team that can perform an optimal and continuous monitoring role (Graham, 2015). To help internal audit teams perform

optimal monitoring role, they should know about entity's operation (Graham, 2015). Internal audit team performs monitoring role because in some conditions management cannot perform the monitoring role itself because of entity's complexity (Kagermann et al. 2008). That role is managed with compliance focused comparisons between the accepted criteria and the entity's existing condition as required by all applicable laws, regulation, and policies (Kagermann et al. 2008). Internal audit teams also perform assurance function by improving governance through several activities (Raiborn et al. 2017).

Global internal audit service consists of chief audit executive, audit manager, global auditor, senior auditor, and internal auditor (Kagermann et al. 2008). Chief audit executive and audit manager should have management expertise, but global auditor, senior auditor, and internal auditor should have functional expertise (Kagermann et al. 2008). Internal auditor performs several roles such as, develop audit scope, perform the audit process, evaluate entity's risk and internal control, and provide support and advice for the entity (Kagermann et al. 2008). To perform that several roles, the audit teams should be formed by auditors that have sufficient knowledge and skill.

Generally, the internal audit team performs audit fieldworks that consists of planning, preparation, execution, reporting, and follow up (Kagermann et al. 2008). Internal audit teams perform monitoring role in several areas such as management audit, operational audit, IT audit, financial audit, fraud audit, and business audit. Internal audit can also be divided by audit approaches such as risk-based audit approach, system based audit approach, transaction-based approach, result based approach, and compliance based audit approach (Kagermann et al. 2008).

Internal Audit Teams as a professional body is forced by a standard in doing their audit's fieldwork. The accepted standard in common practice is the

international standard designed by The Institute of Internal Auditors (IIA). IIA (2016) states in attribute standard number 1000 that Internal Audit (IA) charter is a mandatory document that consists of responsibilities, authority, and purpose of the internal audit process. The IA charter allows internal audit team describes its position in the entity including function of all Internal Audit Team and scope of IA process.

Zakat in Indonesia

Zakat practice is an interesting topic to discuss because it is one of the important areas of Islamic teaching (Buadiantoro et al. 2018). Zakat is defined as a blessing, pure, grow, and goodness (Johari et al. 2015). Zakat also knew as a religious tax paid by the Muslims that eligible to pay (Saad et al. 2014). Lubis and Azizah (2018) also define zakat as a compulsory payment given by zakat payer (muzakki) annually under Islamic regulation which used for religious and charitable aims. Generally, zakat is divided into two categories: zakat fitr and zakat mal (Lubis and Azizah, 2018). Practically, many Indonesians muzakki pays zakat to the poor people near to them or their families (Lubis and Azizah, 2018). Al-Ayubi et al. (2018) also state that the zakat collection system in Indonesia is conducted voluntarily. However, in many countries there are many zakat institutions that play role in managing zakat given by muzakki. A zakat institution is an organizational body that responsible for managing the collection and distribution of zakat funding process (Al-Ayubi et al. 2018).

In Indonesia, there are zakat institutions formed by the community or non-government called LAZ. Indonesian Ministry of Religion divides LAZ into three categories based on the amount of zakat collected that consists of 1) National LAZ, 2) Provincial LAZ, and 3) Regency Level LAZ (BAZNAS, 2016). Examples of LAZ that currently exist are LAZ Rumah Zakat

Indonesia, LAZ Dompot Dhuafa Republika, LAZ Muhammadiyah, LAZ Indonesia Berbagi, and many more. Not only non-government zakat institution, but there is also government zakat Institution called BAZNAS.

Indonesian government makes the regulation about the zakat managing process through Presidential Decree Number 8 in 2001. Presidential Decree Number 8 (2001) is regulation about the establishment of a national amil zakat organization in Indonesia called BAZNAS. Related to that Presidential Decree, BAZNAS becomes one of the non-structural institutions in Indonesia that give contribution to Indonesia in social welfare aspect (Budiantoro et al. 2018). In Article 17 of Presidential Decree Number 8 (2001) states that all financing needed by BAZNAS are charged to the budget of Indonesia Ministry of Religion.

Collection System in Digital Zakat Finance

The effect of digital technology is increasing day by day in many countries (Rachman and Salam, 2018). Digital technology in the financial industry usually called financial technology (fintech) system. Fintech system means a development and an innovation that uses technology in the financial service and system in creating product and service for the users (Rachman dan Salam, 2018).

Digital technology in the financial industry is usually called digital financial platform. The digital financial platform enables companies to convert their physical cash into electronic or digital money (Dara, 2018). Digital finance means financial service that made by digital infrastructure including internet with cashless the concept (Dara, 2018). Digital financial platform can be accessed by user in their computers or mobile phone to help user in every activity (Dara, 2018). Digital zakat financial platform can also be used in managing zakat in Indonesia.

Zakat Distribution System

Zakat distribution system is an important aspect of zakat management system because it allows the poor and needy to take advantage of zakat. Lubis and Azizah (2018) state that the satisfaction in the zakat distribution process has a positive correlation with the conformity of the zakat payment process. Zakat is distributed to *mustahik* which is the recipient of zakat according to the Qur'an including poor people, mualaf, riqob, gharimin, fi sabilillah, and ibnu sabil (BAZNAS, 2016). Baznas (2016) in their zakat outlook 2016 states that BAZNAS distributes 89,23% their zakat received to the poor people, BAZNAS provincial level distributes 67,23% to the poor people, and BAZNAS district level distributes 76,19% to the poor people. As with zakat distribution in 2015, the distribution of zakat in 2016 was also focused to the poor people. Based on the distribution sector, in 2016 the distribution of zakat fund from BAZNAS are 33,18% for education sector and 27,01 for social sector.

There are several problems found in zakat distribution system in many countries. The zakat fund is not distributed to all zakat receivers (Ramizi et al. 2016). In Malaysia, there is an issue about the complexity of bureaucracy in zakat distribution (Ramizi et al. 2016). Another problem found in the zakat distribution process is the shortage of employee and expert in zakat institution regarding their job responsibilities (Lubis and Azizah, 2018). The problem of the distribution of zakat also arises when the zakat institution does not have the latest information regarding the address of the recipient of zakat (Lubis and Azizah, 2018). Sometimes the distribution of zakat is in a certain place which requires the recipient of zakat to come to the place (Lubis and Azizah, 2018). Sadly, some zakat recipients do not have money to the zakat area, so they have to borrow from their neighbors first so they can take their zakat.

BAZNAS allows mustahik to register as the recipient of zakat funds. BAZNAS has a counter at BAZNAS head office that serves the submission of prospective recipients of zakat. Assistance provided by BAZNAS includes assistance in living expenses, health, education, Ibnu Sabil, Gharimin, converts, and others. BAZNAS collects mustahik information by using the BAZNAS Management Information System (SIMBA) (BAZNAS, 2016). SIMBA produces mustahik information in the form of mustahik profile and the type of zakat distribution received by mustahik.

Internal Audit in Digital Zakat Finance

Role of internal auditors nowadays is different from the old paradigm that placed IA as company's watchdog. Currently the role of the internal auditor is expanded to become a consulting partner for the organization to achieve organizational goals (Megawati, 2018). Currently BAZNAS strives to increase public trust by focusing on optimizing financial report reporting and implementing organizational control (Megawati, 2018). To increase the public trust in zakat management, the organizational structure of BAZNAS is currently complemented by internal audit functions (Megawati, 2018). Unfortunately, research related to the role of internal audit in zakat institutions is still relatively rare (Megawati, 2018). Naz'aina (2015) finds that amil competence and internal control system have a significant effect on financial reporting quality in their research object.

Noraini et al (2017) state that IA in Malaysian zakat institution has a very significant role for the operational activity. Noraini et al (2017) find that chief audit executive in their study has a certified accountant qualification but for overall IA team, that study finds that the teams are lack of members that have experience in financial audit. The educational background of audit members is from multiple backgrounds such as engineering,

information technology (IT), actuarial science, Islamic study, and also sport science (Noraini et al. 2017). Several IA in Malaysia Zakat institution do several type of internal audit such as operational audit, compliance audit, IT audit, and investigation audit (Noraini et al. 2017).

IT audit is the important type of internal audit that because the zakat institution cannot be avoided the impact of technology in zakat management (Noraini et al. 2017). In Malaysia, zakat is collected by mobile application such as smartphones and internet banking. IIA (2012) states that improvement of technology may change the organization's business process. It is important for organization to engage the internal auditor member that have IT knowledge to improve their audit quality. Moreover, Internal Auditors openness of insight becomes important because Internal Auditors are required to understand the organizational business process. So that Internal Auditors can know the risks that exist in the organization, especially in the technological aspects (IIA, 2012).

METHODOLOGY

An appropriate research is a research that can harmonize research question with the research method and techniques. This study uses qualitative research method to answer the research objective. A qualitative research method is usually explorative, flexible, fluid, and also have a sensitive context (Mason, 2002). In a qualitative research method, the research design and strategy are fit with the context and process of the research itself (Mason, 2002). A qualitative research usually uses deep interview and documentary analysis to answer the research question (Mason, 2002). A qualitative research method faces a new challenge in a social field which is increasingly complex with multi-dimensional problems (Mason, 2002). A qualitative research method can also use

literature review method to explore the research topic.

The purpose of the literature review is to find out a phenomenon in more depth from various literature sources. The purpose of the literature review also helps readers of a research to find out the most up-to-date information on the problems raised in the research and make a justification in the future (Cronin et al. 2008). Cronin et al. (2008) state that literature review contains selecting review topic process, selecting the literature, analyzing the literature, writing the literature review, and referencing. The research object for this literature review is BAZNAS as a zakat institution in Indonesia. The unit analysis in this literature review is IA Department in BAZNAS and digital zakat finance process.

IA's role at this time is considered to be able to assist the company in achieving its goals through its two main roles which consist of assurance and consulting roles (IIA,2012). To assess the role of IA in BAZNAS, this study should have clearly explanation about the BAZNAS's goal and function. BAZNAS has the following function such as:

1. Planning for the collection, distribution and utilization of zakat;
2. Implementing the collection, distribution and utilization of zakat;
3. Controlling over the collection, distribution and utilization of zakat;
4. Reporting as the accountability of zakat management

BAZNAS uses ISO 9001 as the guidance for running its function optimally. As an institution that has ISO 9001: 2015 certification, BAZNAS has set the Quality Objectives as follows:

- a. Optimizing the collection of ZIS from ministries, institutions, government agencies, BUMN, BUMD, private and public

companies according to the laws and regulations.

- b. Optimizing ZIS distribution and utilization programs by involving provincial BAZNAS, regency/city BAZNAS, LAZ and various related institutions to improve the welfare of mustahik.
- c. Strengthening the capacity, capability and governance of BAZNAS and LAZ.
- d. Strengthen cooperation with Islamic community organizations and other relevant parties to optimize socialization and education of ZIS and da'wah.
- e. Establishing a strong BAZNAS management system through the implementation of standard operating standards and the implementation of online systems based on information and communication technology on all aspects of work.
- f. Establish a transparent and accountable financial management system in accordance with sharia and PSAK 109.
- g. Preparing the system and infrastructure of BAZNAS and LAZ as Islamic financial institutions under the supervision of OJK.
- h. Develop a fair, transparent and empowering human resource management system.

Research Design

Steps of the literature review process in this study contains of:

1. Selecting the internal audit role in digital zakat finance as the research topic
2. Selecting the literature for this study from journals and internal audit standards
3. Analyzing the literature chosen from this study

4. Writing the result of the literature review

Digital zakat finance platform discussed in this study only limited to zakat collection process contains off: 1) zakat payment in collaboration with e-commerce and 2) zakat payment by bank transfer. Those payment method adopted by BAZNAS are payment method that closely related to infrastructure using. Digital finance zakat established by BAZNAS is a real form of digital financial innovation. The Financial Services Authority (OJK) does not dismiss the impact of technological advancements that made digital innovation increase in Indonesia.

1) Zakat payment in collaboration with e-commerce

Along with the rapid development of technology, BAZNAS must also provide alternative zakat payments that facilitate muzakki. BAZNAS collaborates with Tokopedia as one of the leading marketplaces in Indonesia to collect zakat from potential muzakki. The types of zakat payments available in Tokopedia are zakat mal and professional zakat. To use the feature, Muzakki must register with the Tokopedia account. After that muzakki can pay zakat through toopedia by using electronic money or transfer through a bank. Here is a partial interface of zakat payment that collaborated with Tokopedia.com.



Figure 1. Partial User Interface of Zakat Payment that Collaborate with e-Commerce

2) Zakat payment with bank transfer

BAZNAS provides an easy way to pay zakat for muzakki by making payments to all BAZNAS accounts. Muzakki can pay zakat by transferring to BAZNAS bank account. There are 22 BAZNAS bank accounts which consist

of various bank banks both state and private banks.

To ensure the payment of zakat through these two methods runs optimally, an internal audit role is needed to monitor and advise on the development of these methods. IIA

(2012) states that the IIA team should consider about the use of technology that cannot be separated from the organization's operational activities. IT audit is one of internal audit field that exists in every entity. The Institute of Internal Auditors (IIA) (2012) states that entities use technology in their operation to advance their services. An internal auditor should assure that IT aspect meet entity's business process requirement in achieving entity's objective. In auditing IT area, internal audit team can use Control Objectives for Information and Related Technology (COBIT) as a framework (Kagermann et al. 2008).

IIA (2012) develops the IA's role in IT aspect that consists of:

- a. Internal audit teams ensure a sufficient basis level of IT audit qualification in Internal Audit team
- b. Internal audit teams enclose IT's evaluation in their planning process
- c. Internal audit teams assess whether IT governance in the entity supports and sustains entity's objective and strategies
- d. Internal audit teams identify and assess the risk relating to entity's information system aspect
- e. Internal audit teams assess entity's control responding to risk in the entity's information system
- f. Internal audit teams assess a sufficient basis level of IT audit qualification in every audit engagement
- g. Internal audit teams deliberate to use technology based in their audit process

RESULTS AND DISCUSSION

This study is conducted at BAZNAS that using a literature approach that was strengthened by interviews with the Internal Audit of BAZNAS. The discussion

on this part is limited at BAZNAS implementation and the zakat collection system via digital platforms. This result and discussion divided into two parts that answer the research's aims. This study aims to get information about: 1) How is the implementation of digital zakat finance in Indonesia?; 2) Why do zakat institutions need an IA role in the implementation of digital finance zakat?.

Implementation of Digital Zakat Finance Indonesia

BAZNAS is divided into three categories such as BASNAS, BAZNAZ provincial level, and BAZNAZ district level. BAZNAZ as a zakat institution works seriously to attract muzakki so that muzakki interest to pay zakat at BAZNAS. There are several tools for zakat collection process used by BAZNAS. **First**, BAZNAS gives the opportunity to *muzakki* to pay zakat by banking transaction (baznas.go.id). There are 22 BAZNAS bank virtual accounts that available for *muzakki* to pay zakat. BAZNAS also work together with the Human Resource Department (HRD) in companies to allow their employees to pay zakat by BAZNAZ payroll system. Salaries of employees are deducted monthly and human resource department gives the deduction to BAZNAS bank virtual account.

Second, BAZNAS also has a zakat payment mobile application system on Android through google play store and iOS through apple store (baznas.go.id). That mobile application system is called *Muzakki Corner*. *Muzakki Corner* allows *muzakki* to pay zakat in real time through electronic payment system (electronic money and electronic wallet) that collaborated with BAZNAS (baznas.go.id). *Muzakki* can also access the *Muzakki Corner* through the official website of *Muzakki* BAZNAS (muzakki.baznas.go.id). Users from *Muzakki Corner* can access the payment history feature that facilitates users in

viewing their zakat history to BAZNAS and print the users Zakat Deposit.

Third, BAZNAS also collect zakat from crowdfunding system through www.startzakat.com. Nowadays, there are several industries that boom in this era including crowdfunding industry (Chang, 2018). Generally, the crowdfunding system is divided into donation activity, lending based, pre-purchase, and equity type (Chang, 2018). Startzakat.com changes the zakat collection system from one side campaign system into crowdfunding system (www.startzakat.com). One side campaign system is the way of promoting zakat done by zakat institution to attract *muzakki* to have an interest in paying zakat. In another side, crowdfunding system allows *muzakki* to create their own campaign to solve the social and economic problem that can be helped from zakat distribution (www.startzakat.com). Belleflamme et al. (2014) state that in crowdfunding system the initiator can flexibly design a campaign to help the society in accepting the donation from other people.

Fourth, BAZNAS also help *muzakki* easier to pay zakat by collaborating with several Indonesian e-commerce or marketplace such as tokopedia and muslimmarket.com. *Muzakki* can shop

through those e-commerce websites and also pay zakat to BAZNAS. This zakat collection process is in line with digital effect in our society (Rachman dan Salam, 2018).

The IA role in the implementation of digital finance zakat

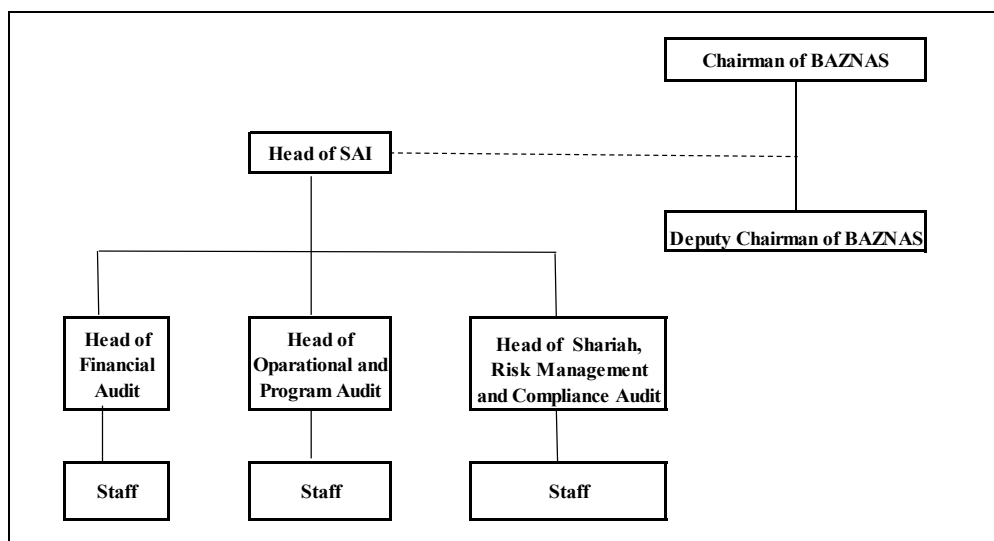
Internal Audit in BAZNAS

According to BAZNAS, Audit is the process of checking the suitability of required documents and activities. Internal Audit in BAZNAS is also called Internal Audit Unit (*Satuan Internal Audit/SAI*). The Internal Audit Unit consists of financial audits, operational and program audits, sharia, risk management and compliance audit. Internal Audit Unit role in BAZNAS is adjusted to ISO 9001: 2015.

The position of internal audit in the organizational structure of BAZNAS is under the chairman of BAZNAS. This shows that the position is an independent position because IA is directly responsible to the Chairman of the BAZNAS. Also, the position shows that the Internal Audit is supervising the structure under the Chairman of the BAZNAS.

Internally, BAZNAS's internal audit is illustrated in the following chart:

Chart 1. Internal Audit Structure



Source: BAZNAS, 2016

Assurance and Consulting Role (According with the role issued by IIA)

Generally, the role of Internal Audit in BAZNAS must according to IIA standards. The IA's role based on IIA are giving the assurance and consulting function to organization. The role of internal audit is illustrated through regulation, internal audit charter, job descriptions, and Standard Operating Procedures (SOP) that have been adjusted to ISO 9001: 2015.

For example in regulation, Internal Audit role in provincial level BAZNAS is clearly defined in BAZNAS regulation No. 3, 2014 about the organization and work procedures for provincial level BAZNAS and district level BAZNAS, IA department in BAZNAS usually called SAI (*Satuan Audit Intern*).

In each of its roles, SAI always implements assurance and consulting roles. For example, this is illustrated in article No. 22 states that SAI BAZNAS structure is under and responsible to BAZNAS chair at a provincial level. In article No. 23 states that SAI has the task of carrying out financial audits, management audits, quality audits, and provincial-level BAZNAS internal compliance audits.

Implementation of the role of SAI has been adjusted to the regulations issued

by BAZNAS and ISO 9001: 2015. IA in BAZNAS is functioned such as:

- 1) Preparation of audit program
- 2) Execution of audit field work
- 3) Execution of audit field work related to special purposes directed by BAZNAS chairman
- 4) Preparation of audit report
- 5) Preparation of audit conducted by external parties
- 6) Implementation of internal audit coordination with SAI at the district level

Based on the internal audit charter, job description, and SOP, internal audit always works a balanced role in assurance and consulting. SAI has unlimited authority to access all resources related to BAZNAS institutions because the main role of SAI are to perform some audit functions such as Financial Audit, Operational and Program Audits, Sharia Audit, and Risk and Compliance Management.

Internal Audit Role in Digital Finance at BAZNAS

Discussions on internal audit roles in this study focus on aspects of IT that refer to IIA standards (2012). The following is an analysis of IA Role:

Table 2. Analysis of IA Role in Digital Finance at BAZNAS

No	Criteria	Existing Condition In BAZNAS	Recommendation
1	Internal audit teams ensure a sufficient basis level of IT audit qualification in Internal Audit team	Internal Audit Unit in BAZNAS consists of a Financial Audit, Compliance Audit and Operational and Risk Management Programs and Audits.	We propose that in the future, Internal Audit Unit will ensure the sufficient IT audit qualification in its unit. Technological developments cannot be avoided in the business of the zakat collection process at BAZNAS. So it is very important for the Internal Audit Unit to have personnel who are experts in the IT field.

No	Criteria	Existing Condition In BAZNAS	Recommendation
2	Internal audit teams enclose IT's evaluation in their planning process	BAZNAS Internal Audit has not considered IT evaluation in the planning process	We propose that in the future, Internal Audit Unit will enclose it's evaluation in their planning process. With the digital zakat collection, the Internal Audit Unit at BAZNAS must ensure that zakat funds must be received by BAZNAS in accordance with those given by muzakki.
3	Internal audit teams assess whether IT governance in the entity supports and sustains entity's objective and strategies	Specifically and specifically, Internal Audit has not assessed IT governance to support and maintain the entity's goals and strategies.	We propose that in the future, Internal Audit Unit will assess the IT governance to support BAZNAS objectives and strategy. The Internal Audit Unit must ensure that IT aspects can encourage optimal collection of zakat as stated in Law Number 23 Year 2011.
4	Internal audit teams identify and assess the risk relating to entity's information system aspect	Internal Audit identifies and assesses risks related to aspects of the entity's information system	It is recommended that the Internal Audit Unit in BAZNAS can conduct IT-based audits to mitigate all risks that related to IT aspect.
5	Internal audit teams assess entity's control responding to risk in the entity's information system	Internal Audit has conducted risk assessments related to the entity's information system	It is recommended that the Internal Audit Unit in BAZNAS can assess entity's control related to information system. We propose Internal Audit Unit uses COSO's internal control framework as the guideline to assess entity's control.
6	Internal audit teams assess a sufficient basis level of IT audit qualification in every audit engagement	Internal Audit has not assessed the auditor's qualifications in the IT field specifically	In the future, Internal Audit will ensure that.
7	Internal audit teams deliberate to use technology based in their audit process	In planning and conducting audits, Internal Audit uses IT	It is recommended that IT Audit be standardized in Baznas

Source: processed based on interviews with IA Baznas, 2018

CONCLUSION

According on the explanation above, it can be concluded as follows:

1. BAZNAS can be used as an example of zakat institutions that have implemented digital finance zakat. BAZNAS is divided into three categories such as BASNAS, BAZNAZ provincial level, and BAZNAZ district level. the website that supports BAZNAS in the implementation of digital zakat finance are www.baznas.go.id, www.startzakat.com, and www.muzzaki.baznas.go.id.
2. Internal Audit in BAZNAS is also called Internal Audit Unit (Satuan Internal Audit/SAI). The Internal Audit Unit consists of financial audits; operational and program audits; sharia, risk management and compliance audit. Internal Audit Unit is adjusted to ISO 9001: 2015. SAI has not maximized its role in IT-based audits. It was an opportunity and challenge for the SAI Baznas.

Recommendation

1. For BAZNAS
Digital Finance is an opportunity as well as a challenge for BAZNAS. BAZNAS has succeeded in being a pioneer in the application of digital zakat finance. It is also expected to support the internal role of Audit in digital zakat finance. BAZNAS must immediately prepare IT Internal Audit function so that it can carry out its role optimally. We recommend that the Internal Audit Unit pay attention to aspects of human resources such as training matters, education, and experience of auditors regarding of IT.
2. For Other Zakat Institution
Zakat institutions other than BAZNAS can model BAZNAS in

the application of digital zakat finance. Also, it is necessary to prepare the internal audit for digital zakat finance to run properly under institutional procedures.

3. For Other Researchers
You can see the internal audit team directly working for one to two months, so you can better understand and describe the implementation of the role of internal audit, especially the role in digital finance zakat.

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