



DEVELOPMENT OF INTERNAL *SHARĪ'AH* AUDIT
SCREENING METHODOLOGY BASED ON *MAQĀSID*
AL-SHARĪ'AH FOR *TAKĀFUL* OPERATIONS IN
MALAYSIA

BY

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ABSTRACT

Due to the proliferation of business scandals involving some large corporations worldwide, the internal audit (IA) function in many organizations today is designed to act as an effective tool to measure sound corporate governance; to support risk management; and ensure fraud awareness management. Recently in Malaysia, the IA function is given a greater role to play in ensuring *Sharī'ah*-compliance and effective *Sharī'ah* governance within IFIs. Takāful companies are now directed to adopt the SGF 2011 to ensure comprehensive compliance to *Sharī'ah* and the TOF 2012 for operational efficiency and uniformity of Takāful practice. Stiffer penalties will be imposed on IFIs and its officers for not complying with *Sharī'ah* under the new law, the IFSA 2013. With increasing growth of *Sharī'ah* conscious consumers worldwide and the rising trend towards ethical financing and morally-guided behaviour, it will be prudent for Takāful companies in Malaysia to adopt a human-centric approach to audit and governance. Traditional audit benchmarks which measure organizational efficiency and profitability should be widened to include non-financial and socially responsible parameters like human welfare protection, where assessments are to be made on the beneficial impact of any laws, rules or regulations to stakeholders in order to achieve the higher objective of the *Sharī'ah* (*Maqāṣid al-Sharī'ah*) on social justice. This research examines the prospects and challenges of developing an internal *Sharī'ah* audit model, designed to undertake a *Maqāṣid*-based internal audit of Takāful operations in Malaysia. It recommends the application of a screening methodology to measure social justice in its protection and wealth creating dimensions. The research also recommends a standardized internal *Sharī'ah* audit framework (ISAF) for Takāful, as a move towards uniformity of audit practices, and a governing body to regulate the audit profession.

خلاصة البحث

نظرا لانتشار فضائح الأعمال في المؤسسات بما فيها بعض الشركات الكبيرة ومما بعض البلدان، فإن وظيفة المراجعة الداخلية في العديد من المنظمات اليوم قد صممت لتكون بمثابة أداة فعالة لقياس حوكمة الشركات؛ وهذا لدعم إدارة المخاطر؛ وضمان إدارة التوعية حول الاحتيال. لقد أعطيت لوظيفة المراجعة الداخلية مؤخرا في ماليزيا دورا أكبر في ضمان الامتثال الشريعة والحكم الشرعي الفعال داخل المؤسسات المالية الدولية. وقد وجهت شركات "التكافل" الآن إلى تبني إطار التشغيلي للتكافل 2011 SGF لضمان الامتثال الشامل لأحكام الشريعة الإسلامية، كما وجهت لتبني 2012 TOF للكفاءة التشغيلية والتوحيد في ممارسات "التكافل". وسيتم فرض عقوبات أكثر صرامة على المؤسسات المالية الدولية وموظفيها لعدم الامتثال لأحكام الشريعة الإسلامية. بموجب القانون الجديد (2013IFSA). ومع تزايد نمو مستهلكي الشريعة الواعين في جميع أنحاء العالم؛ والاتجاه المتزايد نحو التمويل الأخلاقي والسلوك الموجه أخلاقيا، فإنه سيكون من الحكمة بالنسبة لشركات التكافل في ماليزيا لاعتماد مقاربة مركزية الإنسان في المراجعة والحوكمة. يجب أن يتم توسيع معايير المراجعة التقليدية التي تقيس الكفاءة التنظيمية والربحية لتشمل المعلومات غير المالية التي تتميز بالمسؤولية الاجتماعية مثل حماية رفاهية الإنسان، أين يتم اتخاذ التقييمات على أساس التأثير الإيجابي لقوانين أو قواعد أو لوائح أصحاب المصلحة من أجل تحقيق الهدف الأسمى من الشريعة (مقاصد الشريعة) في العدالة الاجتماعية. يتناول هذا البحث آفاق وتحديات إنشاء نموذج مراجعة شرعية داخلية، و الذي يهدف إلى إجراء المراجعة الداخلية القائمة على المقاصد في عمليات "التكافل" في ماليزيا. ويوصي هذا البحث بتطبيق منهجية الفحص لقياس العدالة الاجتماعية فيما يخص أبعاد الحماية وإنشاء الثروة. ويوصي البحث بوضع إطار موحد للمراجعة الداخلية الشرعية لـ "تكافل"، باعتبارها خطوة نحو تحقيق توحيد ممارسات المراجعة، والهيئة الإدارية لتنظيم مهنة المراجعة.

APPROVAL PAGE

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DECLARATION

I hereby declare that this thesis is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

Sheila Ainon Yussof

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INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA

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This thesis is dedicated to my daughter Juhanna Maneesah and grandson Zach Farooq who have constantly been there for me in my long and fulfilling journey of seeking knowledge. It was their faith and confidence in my capabilities that inspired me to bring this research to fruition. I ask the Almighty Allah to guide them in their future endeavours and to reward their good deeds in this world and the Hereafter.

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LIST OF ABBREVIATIONS

AAOIFI	Accounting and Audit Organization for Islamic Financial Institutions
ADR	Alternative Dispute Resolution
BNM	Bank Negara Malaysia
CBAM	Central Banking Act of Malaysia
CBO	Central Bank of Oman
CSR	Corporate Social responsibility
EWRM	Enterprise-Wide Risk Management
FT	Family Takāful
GCC	Gulf Cooperation Council
GSAB	Global <i>Shari'ah</i> Advisory Board
HNI	Have Not Individuals
HNWI	High Net Worth Individual
IAIS	International Association of Insurance Supervisors
IBA	Islamic Banking Act
ICP	Insurance Core Principle
IDB	Islamic Development Bank
IFI	Islamic Financial Institution
IFSA	Islamic Financial Services Act
IFSB	International Financial Services Board
ISA-SM	Internal <i>Shari'ah</i> Audit Screening Methodology
ISRA	International <i>Shari'ah</i> Research Academy
IT	Information Technology
KPI	Key Performance Index
MNFC	Malaysian National Fatwa Committee
MRR	Milliman Research Report
NCB	No Claim Benefit
NCD	No Claim Discount
OIC	Organisation of Islamic Conference
PIA	Participant Investment Account
PIF	Participant Investment Fund
PRF	Participant Risk Fund
PSA	Participant Special Account
SAC	<i>Shari'ah</i> Advisory Committee
SAF	<i>Shari'ah</i> Audit Framework
SC	<i>Shari'ah</i> Committee
SFA	Statement of Financial Account
SGF	<i>Shari'ah</i> Governance Framework
SM	<i>Shari'ah</i> Model
SRI	Socially responsible Investment
SSB	<i>Shari'ah</i> Supervisory Board
TA	Takāful Act
TO	Takāful operator
TOF	Takāful Operators Framework.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF STUDY

In light of new developments in the legal, regulatory and *Sharī'ah* frameworks for the Takāful industry¹ in Malaysia, namely the *Sharī'ah* Governance Framework (SGF) 2011, the Takāful Operational Framework (TOF) 2012 and the Islamic Financial Services Act (IFSA) 2013, there is a need to to develop a more structured and scientific internal audit mechanism which will incorporate the ethical and religious requirements of *Sharī'ah* audit. This study is proposing an Internal *Sharī'ah* Audit Screening Methodology (ISA-SM) based on *Maqāṣid al-Sharī'ah*² for Takāful operations in Malaysia to undertake a *Maqāṣid*-based Takāful audit, for a more objective and human-centric audit.

A human-centred audit is marked by humanistic values and devotion to human welfare and motivated by a concern with the alleviation of suffering. The *Maqāṣid al-Sharī'ah* (Objectives of the *Sharī'ah*) is concerned with human welfare and is human-centric. A *maqāṣid*-based audit (as proposed in this study to be operative in the ISA of Takāful operations) will promote benefits to humanity and avoid harm; uphold and promote justice in acquiring wealth; ensure that wealth is circulated among as many

¹ The Takaful industry in Malaysia has undergone several changes facilitated by proactive regulators in this region. The changes relevant to this study are in the area of *Sharī'ah* audit and governance, Takaful operational audit parameters, and the restructuring exercise to separate General Takaful function from Family Takaful function within 5 years.

² This term was first introduced by a distinguished and classical Muslim scholar Al-Shatibi, the leading founder scholar of *Maqāṣid al-Sharī'ah*, in his well known publication of *Al-Muwāfaqāt*, where he said that the *Maqāṣid* is observed in two situations: the objective of *Sharī'ah* (the Law) and the objective of *Mukalaff* (the performer). The *maqasid al-Mukalaff* should be subservient to the *maqasid* of the Law-giver to ensure consistency and shariah compliance in the activities of the human being.

people as possible (Al-Hayr:7); it will also promote transparency and accountability (Al-Baqarah:282) to avoid dispute and ensure stability.

Inductive analyses undertaken by the researcher of existing regulations governing Takāful operations in Malaysia show an apparent biasness towards rule compliance. There is no robust scrutiny or methodology in place to assess the beneficial impact of the rules nor does it take into account prevention of harm to consumers and other stakeholders which are humanistic values being promoted under *Maqāsid al-Sharī'ah*. The SGF for instance was introduced in 2011 to overcome past practices of “form over substance” compliance³ and the guidelines were to ensure Takāful industry’s comprehensive compliance with *Sharī'ah*. However, the SGF guidelines were clearly silent on the *Maqāsid* of *Sharī'ah*⁴ or spirit of the law. It did not prescribe a specific internal *Sharī'ah* audit framework for Takāful companies to adopt, customize and adhere to. Subsequently, the TOF was introduced in 2012 to ensure regulatory clarity and operational efficiency of Takāful companies by providing a common benchmark which gave some semblance of uniformity, supportive of a technical audit, but it did not prescribe a structured assessment on the *Maqāsid* impact or the beneficial impact of *Sharī'ah* rules. The latest piece of legislation impacting the Takāful industry is the IFSA which reinforced Bank Negara Malaysia’s power to statutorily monitor and enforce *Sharī'ah*-compliance through punitive measures and to safeguard financial stability, but its focus is on developing

³ *Sharī'ah* compliance must be assessed not only from the mechanics of Takaful operations, or complying with legal documentation requirement or focusing on the “legal form” of a contract. It must also look at the human welfare aspect (substance). It must facilitate the needs of human beings. There must be a balanced compliance between “form” and “substance”. The spiritual ingredients or substance must be there like ethics, social responsibility, and alleviation of hardship, justice and elimination of prejudice, and in the case of Family Takaful, to uphold and promote justice in acquiring wealth and to ensure wealth is circulated among as many people as possible (Al-Hayr:7)

⁴At the time of research, Takaful companies were left to their own ingenuity to design their own internal *Sharī'ah* audit model based on general principles of the SGF. However this customization by TOs can impede effort in standardization of audit practice.

the *Sharī'ah* standards relating to rules of *Sharī'ah*⁵. Although proactive measures by Bank Negara Malaysia (BNM) to tighten the rules on *Sharī'ah* compliance and governance have contributed towards legal and regulatory clarity and consistency for the operations of Islamic finance in Malaysia (Sheila A. Y. and Abdullah M., A.2013), more needs to be done to reflect the *Maqāṣid* of *Sharī'ah* in Takāful operations.

It will be shown in Chapter 2 that the choice of Takāful business models by Takāful operators (TOs) and their modifications is often dictated by economic considerations, mainly to benefit TOs. Scant attention is given to the *Maqāṣid*, which if applied to Takāful operations, will ensure an equitable treatment of stakeholders and not merely benefitting TOs. Takāful contracts⁶ used in the business models like *Wakālah* or *Muḍārabah* (in its pure or modified form), are also more concerned about fulfillment of contractual requirements according to *Sharī'ah* law and proper use of *mu'āmalāt* concepts in those contracts. Here again it focuses on form or rule compliance.⁷ Legality of transactions and validity of contracts are shown to be given greater importance than the benefit to be realized by contributors and other stakeholders; there is no mechanism to measure the *Maqāṣid*-impact to ensure justice, equity and fair play. The ultimate objective of the *Sharī'ah* is that of serving the interests of all human beings and to save them from harm, however it is somewhat a

⁵ The enforcement of *Sharī'ah* compliance through the contract-based regulations of the IFSA clearly shows the concerns over strict legal or *fiqh* conformity to find a conviction.

⁶ In Takaful contracts, premiums or contributions paid by participants are divided into two accounts: the first account is for the participant's savings, while the second account is for the *tabarru'* fund. The TO will invest the money from the first account with any suitable shariah-compliant instruments. Once the contract reaches maturity or if the participant wishes to terminate the policy, the participant will get all the money collected and profits derived from investments made from this account. The second account, which is *tabarru'* fund, is used as a source of donation which is channeled to any of the participants should they experience a misfortune. For this reason, in Family Takaful, for example, when a participant passes away and the family is given compensation, this compensation is taken out of the *tabarru'* fund.

⁷ The *Sharī'ah* law governing Takaful prohibits Takaful transactions involving interest or *ribā'*, gambling and uncertainty.

neglected theme of the *Sharī'ah* (Kamali, 2008), as will be shown in the following chapters of this study.

Takāful or Islamic insurance is replete with *Sharī'ah* objectives (*Maqāṣid al-Sharī'ah*)⁸ of promoting social well-being and mutual assistance through harm mitigation and wealth preservation. The *Maqāṣid* of Takāful is to serve the interests of all human beings and to save them from harm by Takāful contributors supporting one another jointly for the losses arising from specified risks through mutual assistance (*ta'āwun*) and voluntary contribution (*tabarru'*), in a spirit of brotherhood, solidarity and mutual cooperation⁹.

The *Maqāṣid* of *Sharī'ah* should not be overlooked by TOs, as “consideration of purposes” is the default methodology¹⁰ in the area of worldly dealings (*mu'āmalāt*) (Auda, 2011). The *Maqāṣid* constitutes a system of values that gives order and stability in human life. It has all the elements related to human nature (*fiṭrah*) (El-Mesawi, 2006), as Man according to the Muslim worldview occupies centre stage in the earthly cosmos or universe, and as such, the securing and realization of public good should form the central theme of *Sharī'ah*-compliant finance (Sheila A. Y. & Soualhi, Y., 2013).

As the needs of society become more sophisticated and people's expectations on justice, equity and good conscience have increased, realization of benefit to

⁸ Ibn Ashur defined *Maqāṣid* as the deeper meanings (*ma'ani*) and inner wisdom (*hikam*) the Law Giver has contemplated in respect of all or most of the *Sharī'ah* ordinances; and further adding to it that *Maqāṣid* must fulfill four qualifications: certainty (*thubut*); evidentiality (*zuhur*); consistency (*indibat*); and exclusivity (*ittirad*) to avoid it being categorized as mere conjectures.

⁹ The textual proof is found in the following verse of the Qur'ān “*And hold fast (cling) to the rope (habl) of Allah all together and do not be divided*”. The Arabic word “*habl*” implies solidarity. The importance of solidarity among believers has been emphasized by the Prophet (saw) “*A believer is like a brick for another believer; the one supporting the other*” (Sahih Muslim, Bk. 32 #6257). The textual proofs of the call to solidarity and mutual assistance to stave off harm are buttressed by numerous legal maxims that support the common responsibility of mitigating harm: “*Hardship is to be alleviated*” and “*Prevention of harm takes priority over securing of benefits*”.

¹⁰ This is in contrast with acts of worship (*ibadah*) where “literal compliance” is the default methodology in this area.

mankind should be the primary focus of Islamic financial institutions (Kamali, 2008)¹¹. The precedents of the leading companions of the prophet also saw the *Sharī'ah* not only as a set of rules but also a system of values, where the specific rules were the tangible manifestations of those overriding values, such that when *Sharī'ah* is applied at the operational level, *Maqāṣid* will provide the framework of values, and *fiqh* the legal details (Kamali, 2008). Thus *Sharī'ah* should not be given a narrow perspective; it should be applied in TOs not only as a set of rules but also a system of values, where its sole purpose is to realize human welfare, justice and equity.

Although the *Maqāṣid* is placed at the apex of the pyramid¹² to show its importance as an all-encompassing or umbrella principle, there is still an apparent dearth in its applicability or focus in the current Islamic finance structures (Tariq S., 2008). This is a concern that is consistently raised by *Sharī'ah* scholars and academicians, whose studies highlighted the issues and challenges in making the *Maqāṣid* operative in *mu'āmalāt* (Asyraf W.D and Abdulazeem, 2007, Kamali, 2008, Mustafa O.M. 2010, Mustafa O.M and Syahidawati S., 2013, Sheila and Soualhi, 2013).

The Prime Minister of Malaysia has also taken an encouraging step in operationalizing the *Maqāṣid al-Sharī'ah* through a “*Maqāṣid Sharī'ah* Index” (MSI)¹³ which is designed to gauge objectively and scientifically Malaysia's achievement in implementing Islamic law requirements according to the framework of *Maqāṣid al-Sharī'ah*. Through the use of a set of matrix or benchmarks, the MSI will

¹¹ Islamic finance consists of Islamic banking, Islamic insurance (Takaful), Islamic Capital market and Islamic wealth management.

¹² The *Sharī'ah* as shown in the reservoir of scholarly works on Islamic jurisprudence has been classified under four areas of study. In using the pyramid to illustrate its order of importance, scholars have placed the *Maqāṣid* (purpose of *Sharī'ah*) at the top, followed by *Qawa'id* (legal maxims) and below that *uṣūl al-fiqh* (principles deriving rulings from the *Sharī'ah*) and at the bottom of the pyramid, the *fatwa* (specific rulings issued by scholars).

¹³ *Maqāṣid al Sharī'ah* Index is developed by JAKIM, IIUM and Islamic Missionary Foundation Malaysia and it will be implemented in January 2015.

make a comparative assessment on the extent of Malaysia's conformity with *Shari'ah* law and *Shari'ah* objectives with other countries, where any success achieved and any shortcomings can be rectified together. This project being a work-in-progress should also include assessments on the well-being (*falāḥ*) of its citizens. The Malaysian government's stand on *Maqāṣid al-Shari'ah* is hoped to indirectly lend support to this study's initiatives towards making the *Maqāṣid* operative in internal *Shari'ah* auditing of TOs. Kamali M.H. (2011) views these initiatives as the Islamic finance industry's readiness to operationalise the *Maqāṣid al-Shari'ah* .

With greater cross-border transactions, international connectivity and regional financial integration, the Takāful industry in Malaysia is expected to maintain its competitive position¹⁴in line with the blueprints of the Financial Sector Master Plan (2011-2020).This targeted growth and performance has made it necessary for the Takāful industry to have strong internal controls to avoid the corporate scandals that have plagued the purely interest-based capitalistic systems, where financial performance was monitored but ethical behaviour of corporations was not accounted for or given lower priority.

The *Maqāṣid* of *Shari'ah* audit is to preserve the dignity of Islam. By ensuring that Takāful operations fulfill the *Shari'ah* objectives of justice whilst adhering to the law of *Shari'ah*, in a balanced way, it will avoid reputational and systemic risks.

¹⁴The Takaful industry globally is now recognized as one of the key components of the Islamic financial system. The Takaful market was worth USD12billion in 2011, showing an increase of 31% from 2010 according to Ernst &Young World Takaful Report, 2011.According to first Milliman Global Family Takaful Report 2011.Malaysia is reported to be the most established of global Family Takaful markets. In a recent study by Ernst and Young, reported in The Express Tribune (2014), it was found that growth of Takaful business is rebounding, fuelled by improved economic conditions across its core markets and increased underwriting needs from the broader Islamic banking sector. Saudia Arabia and Malaysia command 70% of the business and are expected to retain that lead. In previous years, inefficiency and intense competition have limited the sector's expansion and growth rates slowed around the turn of the decade.

Under the SGF, *Shari'ah* audit¹⁵ is designated as one of the organs of internal control. *Shari'ah* audit must be differentiated from conventional audit, as the former must reflect a broader perspective and not replicate the financially-biased conventional audit. With increasing growth of *Shari'ah*-conscious consumers and a rising trend towards ethical financing and morally-guided behaviour, it will be prudent for Takāful companies to adopt a “human-centric” approach to audit, as assessments on protection of human welfare is as important as legality of transactions, operations and information systems.

The practice of Takāful companies for over 30 years of its existence since 1984 has always been to adhere to the rules of *Shari'ah* which is fraught with challenges at the industry level, as the law may be complied with literally, or circumvented, in order to compete with conventional insurance, often at the expense of human welfare and compromising the *Shara'ī* objectives¹⁶. As Takāful is based on fiduciary relationship, and full disclosure of facts is necessary for contributors to make an informed choice on risk mitigation and investment channels, transparency is required in the business models on contracts used and equitable treatment of stakeholders, especially relating to Takāful contributors, shareholders of Takāful companies and TOs. This would necessitate developing a structured and more objective internal audit methodology to undertake a comprehensive scrutiny on the beneficial impact of the rules or the possible harm to consumers and other stakeholders to ensure a fair distribution of risks and benefits.

¹⁵ *Shari'ah* audit under the SGF means periodical and independent assessment of the IFIs to ensure sound and effective internal control system for *Shari'ah* compliance covering all aspects of IFIs business operations and activities. It is to be performed by internal auditors with adequate *Shari'ah* related knowledge and training. The expertise of IFIs *Shari'ah* officers may be engaged as long as the objectivity of the audit is not compromised. It may be outsourced to external parties but the oversight, accountability and responsibility over these functions must remain with the IFI.

¹⁶This could be attributed to Takaful industry's prime focus on legal accuracy at the pioneering and developmental stage to differentiate it from conventional practices and to avoid law suits which could lead to reputation and systemic risks.

A *Maqāṣid*-based Takāful audit will assess fuller or comprehensive *Sharī'ah* compliance, as it will evaluate whether Takāful operations are complying with *Sharī'ah* to the letter and spirit of the law. A *Maqāṣidic* approach will be more customer-centric, more *tawhīdic* or holistic and integrated, with a fuller application of *Sharī'ah* as it is based on promoting human welfare by preventing harm (insurance or risk mitigation) and ensuring the realization of benefits to humanity (economic prosperity and social justice). It can be likened to the central nerve in a human body where signals (the laws) are given for the body to move, but the spirit (the *Maqāṣid*), the life-force will steer the body according to the divine laws of the Lawgiver. According to Jasser Auda (2008)

“A *Maqāṣidi* approach takes juridical issues to a higher philosophical ground, and hence, overcomes historical difference over politics between Islamic schools of law, and encourages a much-needed culture of conciliation and peaceful co-existence. Moreover, the realization of purposes should be the core objective of all fundamental linguistic and rational methodologies of *ijtihād*, regardless of their various names and approaches. Thus the validity of any *ijtihād* should be determined based on its level of achieving purposefulness, or realizing *Maqāṣid al-Sharī'ah*.”

Thus, to ensure Takāful companies undertake a holistic and integrated adherence to the rules of *Sharī'ah* and the spirit of *Sharī'ah* (*Maqāṣid*), this study is recommending the application of the ISA-SM on Takāful operations to assess¹⁷ whether the rules and objectives of *Sharī'ah* are complied with on governance of internal audit organizational structure, competency of auditing staff, adequacy of auditing process and whether IT application system is equipped with technology to detect or audit on *Sharī'ah* non-compliances. The ISA-SM is intended to be a

¹⁷ It is customary practice that in giving objective assurances on *Sharī'ah* conformity, auditors must be satisfied that the following requirements are fulfilled by the areas under audit (1) Observations of prohibitions in *Sharī'ah* law; (2) Fulfillment of the contractual requirements according to *Sharī'ah*; (3) Proper use of *mu'āmalāt* concepts in contracts or products. This study has included another auditable area or criteria: (4) that the areas under examination ought to satisfy the *Maqāṣid* or purpose of the *Shariah*.

proximate representation of *Shari'ah* audit, as *Shari'ah* audit is broader and includes non-financial parameters like ethics, religious requirements and contractual requirements under *mu'āmalāt*.

Due to the two dimensions of “insurance” and “wealth generation” present in Family (or Life) Takāful,¹⁸ it is used in this study to illustrate how the *Maqāṣid* can be operationalised through the two-tier screening process of the ISA-SM. At the first level filter (the *Maqāṣid* Paradigm), internal auditors will be disciplined to ascertain whether the particular Takāful product is a *ḍarūriyyi* (or an essential benefit) where faith, life, progeny, intellect and property is to be protected to maintain order and social stability. The *Maqāṣid* Filter, as a second filter, will ensure that wealth is generated and distributed in a just and equitable manner.¹⁹ Through this *Maqāṣid* of wealth matrix, internal auditors will adopt a holistic and integrated audit and are disciplined to measure the higher objectives of economic prosperity and social justice. It is through this two-tier screening or filtering process of the ISA Screening Methodology that a deeper and wider audit can be undertaken to assess rule compliance and realisation of benefit to humanity.

Internal *Shari'ah* audit mechanisms must not only assess economic prosperity of Takāful companies from the financial perspective, but objective assurances must also be given to the *Shari'ah* conscious public that economic wealth is acquired, accumulated, preserved and circulated through legal, religious and ethical means

¹⁸ Family Takāful is ideally placed to meet the “spiritual” dimensions of Takāful on protecting faith, life, family needs, intellect and property. It is a more viable proposition than short-term property protection of General Takāful. Family Takāful operators can set aside part of the Takāful contributions as ‘Participants Investment Fund’ to generate wealth through investment activities

¹⁹ Ibn Ashur’s *Maqāṣid* of all kinds of economic wealth will be applied in the proposed Screening Methodology as a “*Maqāṣid* Filter” to ensure that wealth is generated and preserved in a just and equitable manner according to the five criteria: marketability (*rawāj*); transparency (*wuduh*); preservation (*ḥifz*); durability (*thabat*); and equity (*‘adl*) in handling it. It will assess whether there is a wider circulation of wealth as wealth should not be in the hands of a few people, a just distribution of wealth, a level playing field and equitable treatment of stakeholders.