

## **HALAL ASSURANCE MECHANISMS IN HALAL INDUSTRY: AN APPRAISAL ON ITS EFFECTIVENESS TOWARDS CONTINUOUS HALAL ASSURANCE AND THE WAY FORWARD**

**Zurina Shafii<sup>1</sup>, Siti Noradibah Md Zain<sup>2\*</sup>**

<sup>1</sup>Assoc. Prof., Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia & Research Fellow, Islamic Finance and Wealth Management Institute, MALAYSIA,

[zurina.shafii@usim.edu.my](mailto:zurina.shafii@usim.edu.my)

<sup>2</sup>PhD candidate, Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia, MALAYSIA,

[sitioradiba\\_qq@yahoo.com](mailto:sitioradiba_qq@yahoo.com)

\*Corresponding author

### **Abstract**

Shariah governance of halal industry duly relies on JAKIM (The Ministry of Islamic Development), the Islamic organ which aims to regulate the halal industry. JAKIM's guidelines for Halal Assurance Management System required the industry players to establish Internal Halal Committee meant for developing, monitoring, and controlling the effectiveness of the halal assurance system within their organization. The scope of halal committee members is restricted, without clear direction of reporting to higher authorities, for instance to the board committees and BOD. This may trigger conflicts among the members and the effectiveness of the halal policy is in questions. Current halal assurance mechanisms are also lacks of strategic halal monitoring elements as there are no prescribed shariah governance organs. It is argued that the shariah governance organs; BOD, the Management and Shariah Committee has to be guided on their roles and responsibilities and they are to be responsible and accountable for shariah breach incidences. The controversy in the food and beverages industry, for instance the Cadbury case in the middle of 2014 has tainted the consumer's confidence, affect the halal industry and has significantly challenged the credibility of JAKIM as the responsible organ in providing the halal recognition and in monitoring the halal industry operations. Therefore, this conceptual paper attempts to appraise the current halal assurance guidelines provided by JAKIM with the view to improve it. This paper recommends the guidelines to include the prescription of the roles and responsibilities of shariah governance organs; BOD, the Management and SC. Since SC's appointment was never made mandatory in the halal industry, this paper argues the need for that organ that provides independent advice on shariah compliance and monitors shariah compliance practice within the organization through the examination of shariah review and audit practice. This paper also argues the need for the establishment of compliance and assurance functions, namely shariah review and audit. These measures are aimed to improve halal assurance, in addition to the operation of Halal Integrity Committee currently practiced. It is hoped the proposed measures will strengthen the halal governance championed by JAKIM and internal control for halal within the halal certified organization. With both elements in place, consumers' confidence and investors' confidence will be ensured, which in turn help Malaysia to elevate its status as one of the most important Halal industry players in the world.

**Keywords:** Shariah Governance Mechanisms, Shariah Governance Organs, Shariah compliance function, Shariah assurance function, Halal Integrity Committee.