

The Influence of Oversight, Anti-Fraud Strategies, and Sharia Compliance Audits on Preventive Fraud Efforts (Issuers in the Islamic Financial Institutions Sector on the Indonesia Stock Exchange for the Period 2018-2023)

Muhammad Maulana Hafizh¹, Tutty Nuryati², Tri Yulaeli³, Beti Nurbaiti⁴, Endah Prawesti Ningrum⁵

Fakultas Ekonomi dan Bisnis, Universitas Bhayangkara Jakarta Raya, Indonesia¹²³⁴⁵

correspondence: tutty.nuryati@dsn.ubharajaya.ac.id

Abstract

This study analyzes the effect of Supervision, Anti-fraud Strategy, and Sharia Compliance Audit on Preventive Fraud Efforts. The research population includes issuers in the Islamic Financial Institutions sector listed on the Indonesia Stock Exchange (IDX) during the 2018-2023 period. By using purposive sampling technique, 42 samples were obtained consisting of 8 issuers for six years. Secondary data is obtained from financial reports, sustainability reports, corporate governance reports, and annual reports of issuers. Analysis using Descriptive Statistical techniques, Classical Assumption Test, Hypothesis Test, and Determination Coefficient Test with the help of the Eviews 13 application. The results showed that Supervision has no effect on Preventive Fraud Efforts. Conversely, the Anti-fraud Strategy, and Sharia Compliance Audit have a positive effect on Preventive Fraud Efforts. Simultaneously, Supervision, Anti-fraud Strategy, and Sharia Compliance Audit affect Preventive Fraud Efforts.

Keywords: Fraud Prevention Efforts, Supervision, Anti-Fraud Strategy, Sharia Compliance Audit

Introduction

Preventive fraud efforts are a set of planned policies and strategies designed to anticipate the possibility of fraudulent actions within an organization before such actions occur. Amid technological advancements and the increasing complexity of economic systems, the need to implement mechanisms for fraud prevention has become a top priority in maintaining the integrity of financial systems and the operational sustainability of companies. The important role of internal controls in mitigating fraud risk is highlighted by Rashid (2022), who emphasizes that the existence of structured control measures is key to reducing potential deviations. Additionally, Dimitrijevic et al. (2021) assert that external audits, despite their limitations, still make a significant contribution to detecting and minimizing fraudulent practices within companies.

Awareness of fraud risk is also crucial for the success of prevention efforts, as explained by Sihombing et al. (2023), who state that awareness of fraud acts as a mediator between the effectiveness of risk management and the establishment of an organizational integrity system. The integration of internal controls, external audits, and education related to fraud risk serves as the main foundation for developing a comprehensive fraud prevention system. The presence of systematic oversight is believed to create a more transparent and accountable work ecosystem, thereby narrowing the opportunities for fraud to occur. Ahmad et al. (2021)

emphasize that consistent and planned oversight impacts the increase in ethical awareness and employee compliance, thus reducing the risk of fraud. Meanwhile, business ethics training and the socialization of integrity values, as mentioned by Sari and Prabowo (2022), have also proven to play a role in reducing the tendency for fraudulent behavior.

The implementation of effective preventive fraud measures requires robust governance and compliance systems, particularly in the Islamic finance sector. Khan & Amoozegar (2022) demonstrate that good governance and the consistent application of Sharia compliance principles can prevent the proliferation of fraudulent practices in Islamic banking. The emphasis on the importance of systematic preventive strategies to maintain the financial stability of the industry is also conveyed by Ayodeji (2023), who underscores the need for strengthening organizational policies and procedures. It cannot be overlooked that technological advancements in the digital era have opened significant opportunities to enhance the effectiveness of fraud detection and prevention, as identified by Donning et al. (2019). Overall, the effectiveness of preventive fraud efforts is achieved through the synergy of internal control systems, credible audits, and the optimization of technology, all orchestrated within a framework of strong corporate governance to ensure the integrity and accountability of the organization.

The phenomenon of rampant fraud in the financial sector, particularly in Islamic financial institutions, has become a highly relevant and crucial issue in recent years. Although the main principles of Islamic finance emphasize values of honesty, trust, and transparency, the reality is that there are still several Islamic financial institutions involved in practices of deviation, whether in administrative, operational aspects, or financial statement manipulation. One prominent case occurred during the period of 2018–2021, where there were allegations of misuse of investment funds by Islamic investment managers that were not in line with Sharia principles, resulting in losses for investors. Reports from the Financial Services Authority (OJK) periodically highlight the still-weak internal oversight systems and the suboptimal implementation of whistleblowing systems in several Sharia institutions. Further evidence from OJK and the Audit Board of the Republic of Indonesia (BPK) in 2022 indicates that Sharia audits have not yet been able to address all substantive aspects of Sharia compliance, thus opening gaps for fraud to occur. This issue presents a real challenge in efforts to build an effective fraud prevention system in Islamic financial institutions, which should ideally serve as a model in terms of transparency and integrity.

The increasing number of Islamic financial institution issuers listed on the Indonesia Stock Exchange from year to year indicates that this sector is growing in quantity. However, this growth is not always accompanied by improvements in the quality of governance and compliance systems. There are notes from external auditors regarding several companies that show persistent deficiencies in internal control and Sharia audits. This condition underscores the importance of focusing research on three main variables: optimal internal oversight, concrete anti-fraud strategies, and comprehensive Sharia compliance audits. These three variables are believed to be the main pillars in minimizing the potential for fraud in Islamic financial institutions, especially amid the dynamics and challenges of economic globalization. This research aims to investigate the extent to which these three variables support preventive

fraud efforts among Islamic financial institution issuers in Indonesia during the period of 2018–2023.

The Jiwasraya case in 2019 serves as a concrete example of the weaknesses in oversight and auditing systems within Islamic financial institutions. The significant losses incurred, amounting to IDR 16.8 trillion, were due to fraud and financial statement manipulation, demonstrating that governance and fraud prevention have not been comprehensively implemented, even though there is a Sharia business unit in place. Additionally, Bank Muamalat has also faced financial pressure due to weak internal oversight and poor asset quality, which impacted the stability of productive financing (CNN Indonesia, 2020; Katadata, 2019). These events underscore that vulnerability to fraud remains high, even when financial institutions uphold Sharia principles, if internal oversight and auditing are not conducted consistently and rigorously.

To gain a deeper understanding of the role of anti-fraud variables in supporting preventive fraud efforts, this study also explores a number of relevant literatures that highlight the importance of internal controls as the primary detectors and deterrents of fraud, as demonstrated by Rashid (2022). Additionally, the limitations of external audits in detecting fraud are outlined by Dimitrijevic et al. (2021), marking the importance of strengthening the preventive fraud framework comprehensively. Sihombing et al. (2023) add that awareness and the integrity of the system serve as crucial mediators in fraud prevention efforts within organizational environments. In the financial sector, the emphasis on structured prevention strategies is a key focus, as Ayodeji (2023) elaborates on the need for robust policies to support the financial stability of the industry. This research specifically highlights the synergistic relationship between oversight, anti-fraud strategies, and Sharia compliance audits, which has not been extensively integrated in previous studies.

The implications of previous literature findings regarding best practices and limitations in the implementation of preventive fraud measures are also a primary focus of this research. Donning et al. (2019) underscore the importance of technology in supporting fraud prevention in the digital era, which can provide early detection solutions and rapid responses. Meanwhile, Andia (2023) emphasizes that financial stability, particularly in the insurance industry, can be strengthened through comprehensive prevention strategies. Studies by Khan & Amoozegar (2022) and Santika and Ghofur (2019) indicate that oversight and Sharia compliance are essential foundations in preventing fraud, providing a normative and ethical framework for maintaining financial integrity. Drawing from these various perspectives, this research reinforces the importance of an integrative approach that combines oversight, anti-fraud strategies, and Sharia compliance audits to produce effective and relevant fraud prevention solutions in the Islamic finance sector.

Oversight, as a primary instrument in fraud prevention, serves not only as an early detection tool but also as a proactive prevention mechanism to minimize the risk of fraud. The advancement of digital technology has enabled real-time oversight, providing more accurate detection capabilities for suspicious activities. A supervisory framework built on Sharia principles adds an ethical dimension while reinforcing the commitment to integrity, as outlined by Khan & Amoozegar (2022). The collaboration between oversight and anti-fraud strategies can produce policies and procedures that mutually reinforce each other to maintain the financial

stability of Sharia institutions. Practically, oversight in the Islamic economic sector becomes the foundation that ensures all preventive efforts consistently adhere to Sharia principles, thereby providing an additional guarantee for the creation of a healthy and integrity-driven financial environment. Thus, the synergy between oversight, Sharia compliance audits, and anti-fraud strategies is key to developing a comprehensive fraud prevention approach.

Anti-fraud strategies emerge as an integrated approach that combines various methods and instruments for detecting, preventing, and addressing fraud. In the Islamic finance sector, the utilization of digital technology in monitoring systems is considered a breakthrough that can enhance the efficiency of fraud detection, as stated by Donning et al. (2019). The comprehensiveness of prevention methods, as noted by Andia (2023), includes strict internal standards and continuous regulatory reinforcement. The strength of anti-fraud strategies lies in their ability to integrate technology, effective oversight, and coherent regulatory enforcement. This concept aligns with the Sharia principles outlined by Khan & Amoozegar (2022), which assert that oversight and Sharia compliance not only prevent fraud but also foster public trust in the financial system. Santika and Ghofur (2019) also support the idea that the synergy between technology and Sharia oversight can provide a more effective response to the evolving threats of fraud. Thus, an optimal anti-fraud strategy is one that is holistic and integrated, linking the advantages of technology with the strengths of Sharia principles in responding to fraud challenges.

Sharia compliance audits occupy a strategic position in oversight and compliance enforcement aimed at preventing fraud in the Islamic finance environment. The role of this audit is not limited to the formal evaluation of compliance with Sharia norms but also promotes transparency and overall business accountability. Sharia compliance audits can complement anti-fraud strategies and oversight by providing a normative perspective that emphasizes the importance of ethics in every financial activity. The implementation of Sharia compliance audits can strengthen fraud prevention systems through systematic monitoring and evaluation based on principles of honesty and responsibility. The integration of Sharia compliance audits, oversight, and anti-fraud strategies forms a strong foundation for building a resilient Islamic financial system against fraud risks. Therefore, Sharia compliance audits are not only tools for detecting and preventing fraud but also means to enhance public trust and confidence in ethical Islamic financial practices.

The synergy between Sharia compliance audits, oversight, and anti-fraud strategies is crucial in supporting comprehensive preventive fraud efforts. The effectiveness of oversight can reduce the likelihood of fraud by ensuring that all organizational procedures operate according to applicable standards. A well-developed anti-fraud strategy provides a proactive approach to identifying and minimizing fraud risks. Sharia compliance audits, grounded in normative values, play a role in upholding ethics, transparency, and accountability. The combination of these three elements creates a conducive work environment for establishing a safer and more efficient financial system. An integrative approach is believed to have a positive impact on reducing fraud risks and enhancing stakeholder trust, particularly in the Islamic finance sector. The joint implementation of these three elements is expected to provide strategic and sustainable solutions in fraud prevention efforts.

The primary objective of this research is to examine and analyze the influence of oversight, anti-fraud strategies, and Sharia compliance audits on preventive fraud efforts. Strengthened regulations and governance through internal oversight are expected to tighten systems and reduce potential fraud by ensuring that operational standards are optimally followed. This research also has practical urgency for the Islamic finance world as it can provide in-depth insights into the effectiveness of anti-fraud strategies in identifying and mitigating fraud vulnerabilities in a complex financial system. In facing the dynamic challenges of the global economy, where fraud risks pose a serious threat, this research aims to support the formation of adaptive and robust policies. Increasing awareness of the importance of Sharia compliance audits also serves as a basis for strengthening accountability and ethics in the Islamic finance sector. The findings of this research are expected to contribute both theoretically and practically, serving as a foundation for policymakers and financial practitioners to develop more effective preventive measures in the future. Thus, a comprehensive analysis in this research is crucial for strengthening fraud prevention mechanisms in the Islamic finance environment.

This research focuses on Islamic financial institution issuers listed on the Indonesia Stock Exchange during the period of 2018–2023, considering the high demand for transparency and oversight in the modern Islamic finance industry. The selection of this research location aims to obtain a real picture of the implementation of oversight policies and anti-fraud strategies in the dynamic world of Islamic finance. The population studied includes all Islamic financial institution issuers on the Indonesia Stock Exchange during the same period, so the research results are expected to provide a comprehensive understanding of the effectiveness of anti-fraud policy implementation and Sharia compliance audits in the Indonesian Islamic finance sector.

1. Literature Review

1.1 Agency Theory

Agency theory in the context of management and finance serves as a conceptual foundation that describes the relationship between the principal and the agent. According to Purba (2023), this theory functions as a tool for the principal to evaluate the performance of the agent through accountability reports prepared by the agent, in this case, the management. The information conveyed through these reports allows the principal to gain a clearer picture of the agent's performance over a specific period. However, there is a tendency for agents to engage in manipulative actions to present reports that benefit the principal and portray the agent's performance positively. As a solution, the role of auditors becomes crucial to ensure the reliability of the financial information presented by the agent.

The basic concept of agency theory, as explained by Scott (2015), is a contractual relationship in which the agent acts on behalf of the principal with the primary goal of managing the company. The agent, in this case, the management, has a moral responsibility to optimize profits for the owners of the company, who function as the principal. In fulfilling this role, the agent seeks to obtain compensation that is commensurate with the agreed-upon contract. This highlights the importance of effective contract design, which is at the core of agency theory, to regulate a productive relationship between the agent and the principal. Thus,

agency theory emphasizes the significance of a contract structure that can align the interests of both parties.

Furthermore, Titisari (2019) asserts that agency theory can be used as a framework to understand issues such as corporate governance and earnings management. This theory indicates the presence of information asymmetry that can affect the relationship between the owners and the managers of the company. To address this challenge, the concept of Good Corporate Governance becomes essential for companies to operate in a healthier and more transparent manner. The presence of good corporate governance helps reduce information imbalances and ensures that agents act in accordance with the interests of the principal.

1.2 Fraud Triangle Theory

The fraud triangle concept is one of the most influential approaches in explaining an individual's motives for committing fraud. This model focuses on three main aspects that drive fraudulent behavior: pressure, opportunity, and rationalization. The foundation of this theory comes from in-depth research conducted by Cressey (1953) through interviews with 250 inmates convicted of corruption cases. During the five-month research process, Cressey identified that acts of betrayal of trust are generally triggered by personal pressures that cannot be openly addressed, as well as the existence of opportunities to abuse one's position without being detected by others.

In his research, Cressey highlighted that pressure often stems from financial problems that cannot be disclosed to others. This condition leads individuals facing such issues to choose shortcuts, namely committing fraud as a means to resolve their financial problems. Even if someone appears to be financially stable on the surface, internal pressure from economic burdens can still trigger the intent to commit fraud. The reluctance to seek help or even discuss financial issues with others also serves as a supporting factor, where the perpetrator prefers to find solutions on their own, ultimately leading to fraudulent actions.



The second factor in the fraud triangle is opportunity, which arises when a company's internal controls are weak, making the likelihood of the perpetrator being caught very low. According to Georges (2019), two main aspects that create this opportunity are the availability of information regarding weaknesses in the control system and adequate technical skills to exploit those gaps. A deep understanding of the company's mechanisms and procedures allows the perpetrator to detect and take advantage of existing weaknesses for personal gain. However,

technical expertise alone is insufficient without relevant information on how the system can be breached.

1.3 Compliance Theory

In an academic context, compliance is defined as the extent to which individuals or organizations adhere to the regulations, norms, and practices established by specific authorities. According to Nielsen & Parker (2012), compliance theory encompasses economic, social, and normative motives that drive both individuals and organizations to follow rules. Compliance is not merely a normative action; it is a manifestation of motivation at various levels, whether individual or collective, within a structural framework (Nielsen & Parker, 2012).

Building on this concept, Leisink & Steijn (2009) add that compliance is fundamentally closely related to behavior that follows rules based on economic, social, and self-satisfaction motives. In this regard, the motivation to comply with rules does not stop at economic benefits or social rewards alone. Furthermore, compliance is also viewed as a means to achieve pride and a sense of self-esteem. Thus, the motivation for compliance is often a reflection of an individual's identification with the tasks and demands inherent in their roles within the organization.

Frey (1997) clarifies that compliance arises from the awareness of fulfilling obligations and can be motivated by both intrinsic and extrinsic factors. Intrinsic factors include personal motives such as economic and social reasons, while extrinsic factors encompass external influences, such as mandates from regulatory authorities. A concrete example of rules requiring compliance is government regulations like POJK No. 51 of 2017, which governs corporate financial reporting. In this context, the obligation to comply is not only to avoid penalties but also part of the awareness of the importance of rules and norms in supporting the smooth operation of the organization.

1.4 Fraud Prevention Efforts

Fraud prevention can be defined as a series of structured actions aimed at minimizing the likelihood of fraud occurring within an organization. According to Rahmatika (2019), fraud is often likened to an iceberg phenomenon, where only a small portion of fraud is successfully uncovered. This illustrates the complexity and challenges faced in efforts to identify and reduce instances of fraud. At its core, fraud prevention demands the elimination of all opportunities that may allow fraud to occur, with the success of these prevention efforts heavily relying on strengthening control systems and increasing stakeholder awareness of the importance of early detection of potential fraud (Tuanakotta, 2007).

Building on the importance of controls, fraud prevention also requires the implementation of strict and professional auditing principles. The auditing standard known as "Consideration of Fraud in a Financial Statement Audit" (SAS 99) serves as an important framework to assist auditors in detecting material fraud. Within this guideline, auditors are required to apply professional skepticism and should not automatically assume that management always acts honestly, as a mitigative step to reduce fraud risk. Awareness of this

potential for fraud becomes a fundamental pillar in effective prevention efforts, where a deep understanding of good governance and controls can limit the scope for fraudulent activities (Rahmatika, 2019).

1.5 Supervisiom

Oversight is one of the main pillars of management practice in Indonesia, widely known as supervision. This term has become an integral part of the management control mechanism, referring to the eight elements of control outlined in the GAO Comprehensive Audit Manual. In this context, oversight is defined as a continuous control process carried out by direct supervisors over their subordinates, serving both preventive and repressive functions. The purpose of this oversight activity is to ensure that every task is executed in accordance with the organization's plans, efficiently, and within the established regulatory framework (Suwanda, 2023). The scope of oversight is not merely formal; it also emphasizes the guidance and direction functions of supervisors to achieve organizational targets.

The formal history of the use of the term oversight in Indonesia is recorded in Presidential Instruction Number 15 of 1983 regarding Guidelines for the Implementation of Oversight. This policy emphasizes that every head of a government agency holds full responsibility for creating and enhancing a culture of oversight within their work environment. The concept of oversight is not only understood as a supervisory activity but also demands the active involvement of supervisors in nurturing and ensuring that every step taken by subordinates aligns with regulations, even while functional oversight is also conducted in parallel. The emphasis on direct interaction between supervisors and subordinates positions oversight as a strategic component in ensuring compliance with rules and the effectiveness of policy implementation (Suwanda, 2023).

1.6 Anti-Fraud Strategy

Anti-fraud strategies are a series of actions and policies designed to prevent, detect, and address the occurrence of fraud within an organization (Rozmita Dewi Yuniarti, 2023). This term refers to proactive efforts made by organizations to raise awareness among all parties, including leadership, to identify potential fraud and implement preventive measures. Essentially, this strategy does not solely rely on individual awareness but also integrates strong internal controls that can provide effective prevention mechanisms. Unlike reactive measures, anti-fraud strategies aim to develop sensitivity and preventive actions against fraud before it escalates into a more significant problem.

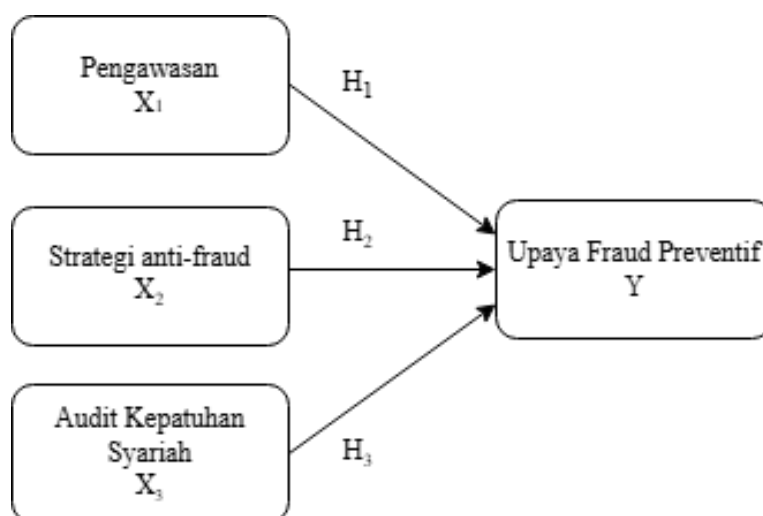
Internal control plays a vital role in anti-fraud strategies, particularly in establishing a framework that prevents opportunities for fraud to arise. In this context, organizations need to understand and build an appropriate control structure that aligns with their internal culture and dynamics (Yuniarti, 2023). Research conducted by Hermiyetti (2010) supports the importance of this aspect by demonstrating that internal controls have a direct impact on fraud prevention. Therefore, the implementation of anti-fraud strategies requires ongoing evaluation and adjustment, ensuring that all elements of the organization support the goals of fraud prevention. Elements of the control structure may include clear division of duties, authorization mechanisms, and continuous oversight as part of a collective effort to mitigate the risk of fraud.

1.7 Sharia Compliance Audit

Sharia compliance audit is a systematic and documented evaluation process to determine the extent to which the activities of Islamic financial institutions adhere to the specified Sharia principles (Yaacob, 2013). This process encompasses various aspects of the institution, including financial reports, products, the use of information technology, and operational procedures. Each of these aspects is examined to ensure its compliance with Sharia provisions. Thus, a Sharia compliance audit involves not only the analysis of documents or reports but also the assurance that every business practice within the institution aligns with the applicable Sharia norms. This is crucial to ensure that Islamic financial activities genuinely reflect the values upheld in Sharia principles.

Islamic financial institutions must comprehensively fulfill Sharia obligations for their role in the Islamic economy to be credible (H. A. Rusdiana, 2018). Compliance is a key characteristic in building stakeholder trust in the institution. As one of the main pillars, the Sharia compliance audit provides a framework that enables the institution to maintain integrity and strengthen accountability. The importance of this audit role is particularly evident in assisting the institution in achieving alignment with legal authorities and other regulations. Therefore, the Sharia compliance audit serves as a monitoring mechanism that ensures every aspect of the Islamic financial institution integrates with the standards set by relevant financial and religious regulations.

Therefore, the conceptual framework used in this research is presented as follows:



Material And Method Design Study

In this study, the method used is quantitative research. According to Sugiyono (2018), quantitative research is based on the philosophy of positivism, which is suitable for application to a large population with the aim of testing hypotheses. This research emphasizes the objective measurement of relationships between variables, and the data obtained is usually in the form of numbers that will be analyzed using statistical techniques. In the context of this research, the quantitative method was chosen because it allows the researcher to objectively measure the relationship between oversight, anti-fraud strategies, and Sharia compliance audits in relation to preventive fraud efforts.

The reason for using the quantitative method in this research is to enable objective measurement of the relationships between the variables being studied. In this context, the use of quantitative methods is highly relevant as it provides the ability to statistically analyze numerical data, thus offering a clearer and measurable picture. Through statistical analysis, the researcher can evaluate hypotheses regarding the influence of oversight, anti-fraud strategies, and Sharia compliance audits on preventive fraud efforts. This is important so that the research results can make a significant contribution to understanding the factors that influence fraud prevention efforts more comprehensively.

The sampling technique used in this study is purposive sampling. Purposive sampling is a sampling technique based on certain considerations, which in this research is used to obtain data that is relevant and representative for the research objectives (Sugiyono, 2014). In the data analysis stage, the researcher uses Microsoft Excel and Eviews 13 as tools to optimally process the data, ensuring accurate and reliable analysis results.

The population is the area of generalization that consists of objects or subjects with certain qualities and characteristics that have been established by the researcher for study and as a basis for drawing conclusions (Sugiyono, 2014). In this study, the chosen population is the financial reports of issuers operating in the Islamic financial institutions sector on the Indonesia Stock Exchange (IDX) during the period from 2018 to 2023. This population selection is made to analyze the influence of oversight, anti-fraud strategies, and Sharia compliance audits on preventive fraud efforts in the Islamic financial sector.

The research sample is a part of the number and characteristics possessed by a specific population. Sugiyono (2014) states that if the population size is too large to study in its entirety, the researcher can use a sample taken from that population. Therefore, the sample can be applied to a broader population, making the research results more representative. In this study, the criteria for selecting samples from the population are as follows:

- 1) Issuers in the Islamic financial institutions sector on the Indonesia Stock Exchange during the period 2018-2023.
- 2) Issuers in the Islamic financial institutions sector that publish annual reports and financial statements for the period 2018-2023.
- 3) Issuers in the Islamic financial institutions sector that have the necessary data for the research for each specified variable.

Result

Based on theoretical analysis and relevant previous research findings, the discussion in this literature review article is directed towards the following aspects:

The Influence of Oversight on Preventive Fraud Efforts

Oversight is often used in the context of management in Indonesia to refer to the concept known as direct supervision. This concept is part of the eight elements of management control widely utilized by the GAO Comprehensive Audit Manual. A series of continuous oversight actions carried out by direct supervisors over their subordinates is both preventive and repressive, ensuring that tasks are executed effectively and efficiently in accordance with plans and applicable regulations, and is known as direct supervision (Suwanda, 2023).

Presidential Instruction Number 15 of 1983 regarding Guidelines for the Implementation of Oversight is the first law to officially use the term oversight. According to this law, the leaders of government organizations are responsible for creating and enhancing internal oversight in their workplaces. This oversight includes direct supervision by superiors, even without functional oversight apparatus. In other words, this natural oversight emphasizes the importance of supervisors monitoring and guiding their subordinates to ensure compliance with policies and regulations (Suwanda, 2023).

Based on research (Jati, 2019), (Abubakar et al., 2022), (Wandansari, 2022), (Nurmasyithah, 2022), it has been shown that oversight has a positive and significant impact on preventive fraud efforts. Companies that are active in oversight activities not only enhance their positive image but also gain greater trust from investors.

The Influence of Anti-Fraud Strategies on Preventive Fraud Efforts

According to Rozmita Dewi Yuniarti (2023), anti-fraud strategies are a set of actions and policies intended to prevent, detect, and address fraud within a company. This term refers to proactive measures taken by organizations to raise awareness among everyone, including leadership, about fraud and to take preventive actions. Essentially, this approach does not solely rely on individual awareness but also integrates strong internal controls that have the capability to provide effective prevention mechanisms. Anti-fraud strategies aim to develop sensitivity and preventive actions against fraud before it escalates into a larger issue, in contrast to reactive measures.

In anti-fraud strategies, internal control is crucial, especially in preventing opportunities for fraud. In this regard, organizations must understand and build a control structure that aligns with their internal culture and dynamics (Yuniarti, 2023). Hermiyetti (2010) found that internal controls have a direct impact on fraud prevention, supporting the importance of this aspect. Therefore, ongoing evaluation and adjustment are necessary to implement anti-fraud strategies to ensure that all aspects of the organization support the goals of fraud prevention. The control structure may include continuous oversight in efforts to reduce the risk of fraud, clear division of duties, and authorization mechanisms.

Research conducted by (Lee & Kartika, 2024), (Mohammad Sigit Adi Nugraha et al., 2023), (Lubis & Budiwitjaksono, 2023), (Naulita, 2020), and (Yuniarti, 2017) indicates that anti-fraud strategies have a positive influence on preventive fraud efforts.

The Influence of Sharia Compliance Audits on Preventive Fraud Efforts

To determine the extent to which the operations of Islamic financial institutions comply with established Sharia principles, a Sharia compliance audit is a systematic and documented evaluation process (Yaacob, 2013). Various parts of the organization are involved in this process, such as products, the use of IT, financial reports, and operational procedures. Each of these elements is examined to ensure that they meet Sharia requirements. Therefore, a Sharia compliance audit not only involves the analysis of documents or reports but also ensures that every business practice within the institution aligns with the applicable Sharia standards. This is crucial to ensure that Islamic financial actions genuinely adhere to Sharia principles.

The Sharia compliance audit strengthens the control systems of financial institutions to prevent violations (Azwirman, 2023). In other words, this audit creates a system of oversight and checks and balances to ensure that the organization operates according to plan. It also means ensuring that Islamic financial institutions have moral and ethical responsibilities toward their stakeholders in addition to complying with the law. These responsibilities include careful risk management and accurate, transparent reporting. Therefore, the Sharia compliance audit is not just a tool for examination; it is also a strategic tool for achieving sustainable goals in good governance that aligns with Sharia principles.

Research conducted by (Ali et al., 2023), (Ridha & Umiyati, 2022), (Mayndarto, 2023), (Safitri, 2019), and (Subkhi & Puspitasari, 2023) indicates that the implementation of Sharia compliance audits has a positive influence on preventive fraud efforts.

Conclusion, Implication, and Recommendation

Based on the analysis of the literature review conducted, it can be concluded that oversight, anti-fraud strategies, and Sharia compliance audits have an influence on preventive fraud efforts.

This study concludes that effective internal oversight, structured anti-fraud strategies, and comprehensive Sharia compliance audits play a significant role in strengthening preventive fraud efforts among issuers in the Islamic financial forum in Indonesia. The theoretical implications of these findings suggest that the three variables, examined within the framework of agency theory, the fraud triangle, and compliance theory, create a crucial integrative foundation for minimizing fraud risk and enhancing Sharia governance.

In simple terms, these results emphasize the need for continuous improvement of oversight systems, the internalization of an anti-fraud culture through education and training, and the optimization of the role of Sharia audits not just as a formality, but as an aggressive ethical and normative evaluation procedure. Therefore, it is recommended for stakeholders—especially management, the Sharia supervisory board, and regulators—to strengthen the synergy between internal control policies, early detection technologies, and compliance with Sharia principles as a sustainable preventive measure to maintain the integrity of the Islamic financial sector.

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