Fraud Prevention Portrait in Sharia Financial Institutions: It Takes a Village

*Faisol, Mohammad Nizarul Alim, Siti Munawaroh
Accounting Departement, Faculty of Economics and Business, Universitas Trunojoyo Madura, Indonesia

ABSTRACT
Fraud prevention is an essential aspect to be applied in Islamic financial institutions, especially in BMT X, to keep the organization’s assets from the crime that can harm the BMT. This study aims to describe the fraud prevention practice in BMT X. This study uses a case study approach to investigate how BMT X combat fraud before it happens by interviewing several informants who are working in BMT X. The findings show that the fraud prevention practices in BMT X starts from BMT X managers who must perform his duty according to SOP (standard operating procedures) that have been established in the BMT X. To prevent fraud in BMT X, an internal audit is conducted by the central Risk, Compliance and Assets (RCA) team which is carried out twice a month on the second weekend, to narrow down the possibility in committing fraud in BMT X. Furthermore, the fraud prevention mechanism at BMT X is strict supervision from several parties, both supervision from area managers, Sharia Supervisory Board, and the headquarters. The aforementioned fraud prevention mechanisms may facilitate the BMT X and other Islamic financial institutions to mitigate the occurrence of fraud in their institutions.

ABSTRAK
Pencegahan Fraud merupakan aspek yang penting untuk diterapkan pada lembaga keuangan syariah khususnya pada BMT X, untuk menjaga aset organisasi dari tindak kejahatan yang dapat merugikan BMT. Penelitian ini bertujuan untuk mendeskripsikan praktik pencegahan fraud di BMT X. Penelitian ini menggunakan pendekatan studi kasus untuk menggali bagaimana BMT X memerangi fraud sebelum terjadi dengan mewawancarai beberapa informan yang bekerja di BMT X. Temuan penelitian ini menunjukkan bahwa praktik pencegahan fraud di BMT X dimulai dari manajer BMT X yang harus menjalankan tugasnya sesuai SOP (standar operasional prosedur) yang telah ditetapkan di BMT X. Untuk mencegah terjadinya kecurangan di BMT X, dilakukan audit internal oleh tim Risiko, Kepatuhan dan Maal (RKM) pusat yang dilakukan dua kali dalam sebulan pada akhir pekan kedua, untuk mempersempit kemungkinan melakukan kecurangan di BMT X. Selanjutnya, mekanisme pencegahan kecurangan di BMT X adalah pengawasan yang ketat dari beberapa pihak, baik pengawasan dari manajer wilayah, Dewan Pengawas Shariah (DPS), dan kantor pusat. Mekanisme pencegahan fraud tersebut di atas dapat memudahkan BMT X dan lembaga keuangan syariah lainnya untuk memitigasi terjadinya fraud di lembaganya.

Keyword:
Fraud, Prevention, Islamic Institutions, BMT
1. INTRODUCTION
Frauds are plethora events happening everywhere in both private and public sector (Joseph et al., 2021). Every organizations that are socially responsible and committed to ethical business practices, perceives fraud as a detestable act (Mandal & S, 2023). N’Guilla Sow et al. (2018) also testified that most fraud scandals remain hidden, but it clearly jeopardize business as a whole. Corruption is categorized as form of fraud that regard as detrimental and immoral act in Indonesia (Rifai & Mardijuwono, 2020). Prenzler (2020) highlighted that despite the scale and pervasiveness of fraud little study documented the success of anti-fraud mechanisms for lack of information and systematic evidence in this area.

Given the magnitude of fraud problem in Indonesia, fraud prevention mechanism becomes a focal point in combating this unethical act. Hassan et al. (2023) stated that sound corporate governance and advent of technology capable of supporting fraud prevention endeavor. Joseph et al. (2021) advocated for disclosure in improving fraud prevention, on the other hand, Kaur et al. (2023) promoted hotlines, whistleblower policies and forensic accounting department establishment. Prior studies also proposed some mechanisms in fraud prevention such as robust effort in raising awareness (Medi et al., 2021), analytical procedures and audit procedures (Othman et al., 2020), ethical work environment, risk management, psychological assistance and ethics training, internal control and whistleblowing (Peltier-Rivest, 2018).

Many studies have tried to mitigate fraud by highlighted some fraud prevention mechanisms, but fraud still prevail. Fraud is an old activity, so the literature is rich focusing on various aspects of fraud management (Soomro et al., 2019). This study try to capture how the fraud prevention mechanism in Islamic financial institutions. Similar study have been performed by Wahyuni-TD et al. (2021) in zakat institution. This study try to broaden the literature by analyze how other Islamic financial institutions such as Baitul Maal wat Tamwil (BMT) mitigate its fraud risk. Public in general perceived that Islamic institutions is just and honest (Wahyuni-TD et al., 2021), but the reality is the opposite.

The biggest challenge that must be faced by Islamic financial institutions is to maintain a good image, trust and customer loyalty to Islamic financial institutions (Harahap & Ghozali, 2020). The presence of sharia elements doesn’t guarantee an institution to be free from fraud. It is evident from the phenomenon of fraud cases that occurred in one of the BMT Y in Medan. The case originated with the main director of BMT Y committing acts of fraud under the guise of promising investment profits to customers. During the trial at the Medan District Court, the main director of BMT Y was proven legally and convincingly guilty of violating Article 378 of the Criminal Code, which had caused losses to customers of $1.01 billion, so that the main director of BMT Y was sentenced to 3 years in prison (Pengadilan Negeri Medan, 2021).
It is evident from prior studies, such as Robain & Rahman (2021), which reveals that fraud occurrence will lead to deprivation of rights, waste, inefficiency, and rampant white-collar crime. Therefore, several studies provide ways to minimize the occurrence of fraud in Islamic financial institutions, which requires the role of internal auditors to carry out internal controls so as to make fraud prevention in Islamic financial institutions more effective (Ginanjar & Syamsul, 2020). Implementing sound internal controls and carry out activities according to SOP (Standard Operating Procedure) provisions in the BMT to minimize fraud (Yahdini, 2016). In order to prevent acts of fraud in mudharabah and musyarakah financing, we must strengthen fraud prevention in the BMT by strengthening internal controls in the organization (Astuti, 2021). Internal control prevent fraud from various ways such as maintaining integrity, cooperation, governance, fairness, accountability, quality of work, social environment, and totality at work (Sudarmanto & Utami, 2021). To prevent fraud at BMT, it is necessary to have the effectiveness of the internal auditors and cooperation in all lines, or all BMT employees, participate fairly in carrying out supervision (Huda & Ardiana, 2021). In addition, it is necessary for BMT to submit their financial reports in a structured manner, not just for BMT administrative purposes (Rahajeng, 2022). Thus, based on the phenomena and previous studies described above, the theme of fraud prevention, especially at BMT X, will be interesting and important to examine in this study. This research will have differences from existing research. It should be noted that previous research discussed the effectiveness of BMT X organizations and the implementation of mudharabah and murabahah financing at BMT X, but this research will have differences because it will be more specific, namely to investigate fraud prevention mechanisms at the BMT X. From the analysis, researchers found some fraud potential and several mechanisms that BMT X use to mitigate fraud before it happens. It help BMT X and similar institutions to come up with more rigorous plan to prevent fraud. Other institutions can use the findings from this study to construct its own fraud prevention mechanisms.

2. LITERATURE REVIEW

_Baitul Maal wat Tamwil (BMT)_

BMT is a sharia microfinance institution that has experienced developments in Indonesia over the years (Dewi & Astari, 2017; Solekha et al., 2021). As it is known, Islamic financial institutions are institutions that carry out their activities based on sharia principles originating from the Al-Qur’an, Hadith, and Ijma of the scholars, which are applied in Islamic financial institutions both outside and within the organization (Najib, 2017; Latif, 2020). Data shows that Indonesia has the largest number of BMT globally, as evidenced by the fact that there are currently more than 4,500 BMT units spread throughout Indonesia (KNEKS, 2019). It is undeniable that the development of BMT has entered the lines of society with a lower to middle-class economy (Sudjana & Rizkison, 2020;
Fraud Prevention

Mukhsin et al., 2022), to save the community from being ensnared by moneylenders and financial institutions that use the bank interest system (Al-Hadi & Fitiyah, 2014). BMT was established from, by, and for the local community, so that it grows rooted in the community and maximizes the circulation of funds used for the local community in particular and generally for the wider community (Rofi, 2021). With the presence of an Islamic financial institution called BMT, of course, it is felt that it has brought many financial benefits to the community, especially small communities that do not really know about banks and reject usury because it leads to a populist economy (Dewi, 2017). The work system implemented at BMTs is ultimately the same as the work pattern of Islamic banks, which are mediating institutions, by collecting funds from the community and, of course, channeling them back to the community (Permana & Adhiem, 2019; Kurniawan, 2020; Masruroh & Sugiono, 2022).

Fraud Prevention

Before discussing fraud prevention, it is necessary to first explain the definition of fraud. According to ACFE (2018), fraud has experienced growth over time, which began with someone’s bad intentions in committing financial crimes intentionally, which could harm both government and private organizations that are operating, so that this can cause shocks in the economy of a country. Tuanakotta (2017) emphasized that fraud committed by individuals and organizations to obtain financial benefits; the aim is to enrich themselves and secure personal benefits. Fraud is the intentional act of misrepresenting a truth or situation that is intentionally hidden from a material fact so that it can influence other people to take actions that are detrimental to them. In every case, financial fraud is carried out intentionally, so that fraud is considered a financial crime (Bryan, 2004; Boynton et al., 2006).

Fraud that occurs is generally caused by the internal environment of the organization (Ernawati, 2019; Robain & Rahman, 2021). The influence of internal environment is related, among other things, with weak internal control (Muna & Haris, 2018). Experts estimate that fraud that is revealed is a small part of all the fraud that actually occurs. Therefore, the main effort should be focused on prevention with enhancing internal control (Tuanakotta, 2007). Apart from internal control, there are two other important concepts in fraud prevention: raising fraud awareness (Madi et al., 2021) and assessing the risk of fraud (Amrizal, 2004; Tuanakotta, 2007). Fraud must be addressed immediately by reducing all forms of losses in financial or non-financial terms arising from these actions (Pebruary et al., 2020; Robain & Rahman, 2021). The existence of fraud prevention in organization will be useful to eliminate or minimize things that cause fraud to occur (Amrizal, 2004). Fraud prevention is also useful for organizations as a system and procedure that is designed and implemented for the main purpose of preventing fraud that can harm the organization (Marciano et al., 2021).
Fraud prevention itself is a process or effort to avert something from happening, usually something that can harm the organization’s finances (Marciano et al., 2021). Fraud prevention is all about endeavors to ward off potential perpetrators, narrow the possibility, and identify activities that have a high risk of fraud (Karyono, 2013). Meanwhile, according to The Institute of Internal Auditors (2004), fraud includes a series of inappropriate and illegal actions that are deliberately carried out to deceive. Such actions can be carried out for the benefit or loss of the organization by people outside or within the organization. Thus, fraud prevention is an attempt or effort to prevent illegal actions that are against the law or fraudulent acts committed by employees that have a detrimental effect on the organization. Prevention is carried out so that fraud within the company does not occur, so that the goals and objectives of the organization will be achieved, and the reputation of the organization will be maintained.

Albrecht et al. (2012) stated that prevention is based on control design to reduce the risk of fraud against companies or criminal offenses on behalf of the company (in particular, bribery and money laundering) so that they do not occur. In line with what Coenen (2009) said, prevention is focused on protecting company assets and information by stopping fraud from occurring. Tugiman (2006) also added that fraud prevention consists of various actions taken to minimize the possibility of fraud, limiting or minimizing losses that may arise if fraud occurs. It can be synthesized from several definitions above that fraud prevention is an effort to restrain all forms of fraudulent acts, narrow the possibility of fraud and identify activities that have a high enough risk of fraud that has a detrimental impact on entities, both the private sector and the government sector.

3. RESEARCH METHODS
This research is qualitative and uses a case study approach (Kamayanti, 2016). The purpose of the case study used by the researcher is to describe the fraud prevention mechanisms at BMT X. In the case study approach, Yin (2013) said that it was a study that included an assessment aimed at providing a detailed description of the fraud prevention mechanisms at BMT X. The case study approach will help researchers understand a dynamic related to several current conditions in a particular setting (Massaro et al., 2019). Specifically, the case study approach will refer to individuals, groups, institutions, and communities (Wrona & Gunnesch, 2016). However, in this study, the researcher will be more focused on one group or organization to be asked for their opinion regarding the fraud prevention practices at BMT X.

In the case study approach, it will have a contextual nature that will refer to and focus on case studies, which, of course, will be related to and depend on the situation and conditions in a particular place. In this study, the researcher did not only aim to conduct interviews and observation; by using a case study approach, the researcher would also treat the data set obtained by
the researcher. So that later the results of the data analysis are in accordance with the purpose of this study, which is to examine the fraud prevention mechanisms at the BMT X. Researchers will also perform data analysis techniques with interactive models, starting from several stages such as data collection, data reduction, data presentation, and finally conclusions (Ridder, 2017; Goffin et al., 2019).

This research was carried out at the BMT X. While the object of research is an activity that aims to map or describe research comprehensively (Satibi, 2011). There is a separate reason why the researcher chose the object at the BMT X because of the important information the researcher got that the BMT X was only established 3 years ago, to be precise, in 2020. Even though it was only just established, many achievements were made by the BMT X, so it made researchers interested in researching the theme of the fraud prevention practices at the BMT X. While the focus of this research is on several informants who play an important role in managing BMT X. The list of informants can be seen in Table 1.

Table 1 is presenting list of informants that the researchers selected. Informants are people who are involved in the research and are an important part of the research completion process (Moleong, 2013). The presence of informants in the research can be used to assist in providing opinions regarding the fraud prevention mechanisms at the BMT X. Meanwhile, the informants that the researchers chose were informants who had a direct connection with the BMT X line of work, such as the head of the BMT X, the BMT finance section, the BMT X savings section, and the BMT X teller section. All informants would be asked for their opinions regarding the fraud prevention mechanisms at BMT X.

Furthermore, from the data obtained by the researcher, both from interviews and observations at the BMT X, the researcher will evaluate the results of observations related to the fraud prevention mechanisms at the BMT X. In this study, researchers will use triangulation techniques to check the validity of the data obtained (Sugiyono, 2011). For example, data from interviews with the head of the BMT X branch were compared with the results of interviews with the finance section, savings section, and teller section of the BMT X. The important role of a researcher in collecting research data is to conduct dialogue with the informants that the researcher chooses. Of course, to obtain this important data, the researcher had to come directly to BMT X and conduct dialogue with several informants.

Table 1

<table>
<thead>
<tr>
<th>Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. X</td>
<td>Head of Branch</td>
</tr>
<tr>
<td>Ms. Y</td>
<td>Finance Department</td>
</tr>
<tr>
<td>Mr. Z</td>
<td>Savings Section</td>
</tr>
<tr>
<td>Ms. W</td>
<td>Tellers</td>
</tr>
</tbody>
</table>
4. RESULTS AND DISCUSSION
In the results and discussion of this research, the researcher will present a finding from the interviews with several informants during observations at the BMT X. As the researcher explained earlier that this research will have differences from existing research, it should be noted that this research will be more specific to examine fraud prevention mechanisms at the BMT X. Meanwhile, fraud prevention really needs to be implemented in organizations, both government organizations and Islamic financial institutions such as BMT X, so that fraud prevention will certainly have a positive impact on being able to maintain organizational assets and can also minimize the occurrence of fraud within BMT X (Yahdini, 2016). In discussing this research, the researcher will later present findings starting from the development of BMT X, fraud potential in BMT X, and findings from several fraud prevention mechanisms within BMT X.

Development of BMT X
The first finding that the researcher will describe in this study is related to the development of BMT X. It should be noted that the BMT X was established on May 15, 2020, even though it is still young. The BMT X in 2021 will have received several awards or achievements at the regional level, such as the achievement of the best savings share in one of the Regency in Indonesia in 2021 and the achievements of the Branch head in the Regency in 2021. At the central level, the BMT X also received an award in the category of the best compliance branch in East Java in 2021 and the category of outstanding branches in East Java in 2021. So with these achievements, of course, BMT X wants to continue to exist by maintaining the achievements so far and maintain public trust, especially among customers who are registered at the BMT X, so that there is no such thing as fraud, which would be detrimental to the BMT X (Masruroh & Sugiono, 2022).

Table 2
Development Data for BMT X

<table>
<thead>
<tr>
<th>Year</th>
<th>Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>Member</td>
<td>472</td>
</tr>
<tr>
<td></td>
<td>Depositor/Customer</td>
<td>822</td>
</tr>
<tr>
<td></td>
<td>Partners</td>
<td>265</td>
</tr>
<tr>
<td>2021</td>
<td>Member</td>
<td>1.295</td>
</tr>
<tr>
<td></td>
<td>Depositor/Customer</td>
<td>1.566</td>
</tr>
<tr>
<td></td>
<td>Partners</td>
<td>539</td>
</tr>
<tr>
<td>2022</td>
<td>Member</td>
<td>1.745</td>
</tr>
<tr>
<td></td>
<td>Depositor/Customer</td>
<td>2.165</td>
</tr>
<tr>
<td></td>
<td>Partners</td>
<td>979</td>
</tr>
</tbody>
</table>

Source: IBMT X, 2022
Fraud Prevention

In addition to the several achievements made by BMT X, Table 2 shows that BMT X, from year to year, has experienced an increase in the number of members, customers, and partners registered at BMT X. It is proven that in 2020, the number of registered members will be 772, the number of customers will be 822, and the number of partners will be 265. In 2021, the number of registered members will be 1295, the number of customers will be 1566, and the number of partners will be 539. Whereas in 2022 there has been an increase in the number of registered members to 1745, the number of customers to 2,165, and the number of partners to 979. So it is clear that every year there has been an achievement and an increase in the number of members, customers, and partners who cooperate with the BMT X.

With this increase, there will be concerns for the managers of the BMT X about maintaining public trust, especially for customers who are registered at the BMT X. So that the management of BMT X hopes that there will be no acts of fraud that can harm the BMT X or customers who have registered with BMT X. The act of fraud itself can be interpreted as fraud committed by individuals and organizations to obtain illegal financial benefits; of course, fraud is carried out to enrich oneself and secure personal business benefits (Tuanakotta, 2017). So with the existence of acts of fraud, it is necessary to prevent fraud in the BMT X.

Potential Fraud at BMT X

As Islamic financial institutions such as BMT X develop, of course there will be even greater challenges that will be faced by BMT X managers, especially challenges in maintaining public trust in BMT X institutions so that fraud does not occur, which can harm the organization or customers registered at BMT X. That the emergence of an act of fraud in an organization such as BMT X originates from someone’s evil intention to do so, whether the fraud will be carried out by the BMT X manager or a customer registered with BMT X. The potential for fraud is a person’s tendency to commit financial crimes in order to gain personal benefits, and of course, it can harm the BMT X organization. Regarding the potential for fraud at the BMT X institution, one of the informants, Mr. X, as head of BMT X, will convey:

“If the potential for fraud at the BMT X institution can arise from the field team, because sometimes the agreement between the BMT X and the customer is carried out outside the BMT X institution, this has the potential for fraud”.

In the words of Mr. X, who explained about the potential for fraud in the BMT X institution, that the potential for fraud would arise from the field team going in and out of the BMT X institution, it cannot be denied that the field team is one of the most influential people in finding prospective customers so that they register at the BMT X institution. So that the potential for fraud will appear in the field team who work every day, because sometimes the BMT X
institution agreements are carried out outside the institution by the field team, so that the potential for fraud will arise if the field team is blind eyed and takes advantage of the trust of customers and the wider community. Regarding this matter, Ms. Y, as the financial section head of the BMT X, also conveyed:

“It is true that sometimes the field team makes agreements outside the BMT X institution; of course, this is not prohibited at BMT X because BMT X serves the community wholeheartedly, so if the community is busy with their work, we can deliver money withdrawals and collect money such as customer installments every month”.

In line with what was conveyed by Ms. Y as the finance section at the BMT X, she said that the field team is like a midfielder in football; the role of the field team is very crucial within the BMT X institution. How can the field team’s important role not be seen because the field team’s job is outside the BMT X institution by delivering money if the customer is busy with his work, and the field team also picks up customers who will pay their installments every month at BMT X (Kurniawan, 2020)? So with the tasks carried out by the field team, there will be potential for fraud in the BMT X institution environment with the field team that delivers and picks up money from customers.

There is a potential for fraud at BMT X institution. Of course, there is an opportunity for someone to commit a financial crime. It is proven that this opportunity is related to weaknesses in the BMT X field team that delivers or picks up money from customers because the agreement is regulated outside the BMT X institution. In the theory of planned behavior, opportunity is an external factor that influences an individual’s behavioral control over actions. For example, in the BMT X institution, the greater the opportunity for someone to cheat, the more fraud is realized because they feel there is an opportunity to cheat (Ajzen, 2002).

**Every activity of the BMT X Institution must comply with the SOP**

The existence of the potential for fraud overshadows the BMT X as seen from the field team. Of course, this potential for fraud will make the managers of the BMT X worry about irregularities that will harm and damage the good name of the BMT X. So with this, the BMT X manager realizes that it is necessary to implement a system so that fraud does not occur, one of which is a system to prevent fraud in the BMT X by complying with existing regulations and carrying out activities according to the SOP (Standard Operating Procedure) provisions that have been established within the BMT X. The SOP itself is an organizational guideline for BMT X’s policies and organizational regulations that have been set. Regarding the BMT X SOP, Mr. X, as the Head of BMT X, will explain:
“Yes, sir, every activity related to BMT X must be done according to the SOP that has been set. If we don’t do it according to the procedure that has been set, then there will be a letter of reprimand from the center to the manager of BMT X. So by carrying out the SOP, it is the same as preventing fraud at BMT X”.

Mr. X is aware of the importance of maintaining the BMT X institution so that an act of fraud by someone does not occur and can harm the good name of the BMT X institution. So that the manager of the BMT X takes action, every activity related to the management of the BMT X must be in accordance with the SOP that has been set in the BMT X. The existence of these SOPs will have a positive impact on the BMT X institution, and of course, they can also prevent acts of fraud. The manager of BMT X realizes that if the management of BMT X does not comply with the established SOP, then BMT X manager will receive a warning letter from the center. Of course, a warning letter will be issued if BMT X does not comply with existing policies and regulations. The center does have the right to give a warning to the management of the BMT X, including BMT X. Regarding the SOP, another informant, Mr. Z, from BMT X savings section also conveyed:

“You see, in carrying out a cooperation agreement, it is necessary to apply SOPs; for example, in borrowing money, customers must submit requirements such as photocopies of ID cards, photocopies of family card, loan guarantees, and other requirements”.

In line with Mr. Z’s explanation that in every activity BMT X must carry out according to the SOP that has been set, this SOP is no exception to also be applied in terms of making agreements, such as borrowing customer money. Not arbitrarily, BMT X gives loans, so customers who want to borrow money at BMT X, besides the fact that he is an honest person and has no problems with other financial institutions, there are general requirements that must be deposited at BMT X. These requirements are in the form of a photocopy of ID card, photocopy of family card, loan guarantees, and other requirements. Of course, these requirements are absolutely paid by the customer, as stipulated in the provisions of the BMT X SOP (Andika et al., 2020). With the existence of an SOP run by the BMT X manager, it will have a positive impact on the X branch of the BMT X institution, so that institutions or organizations that carry out their activities according to the SOP can avoid fraudulent actions that can harm the organization (Ekotama, 2011).

BMT X Audit Internal “Preventing Fraud”
The next finding is related to the fraud prevention model at the BMT X institution, which can be seen from the existence of an internal audit at the BMT X. Meanwhile, in every Islamic
financial institution, of course, there will be an internal audit, including BMT X Islamic financial institution, which must attend every inspection by an internal audit to ensure that the financial system at the BMT X institution does not go beyond the established provisions and certainly does not involve acts of fraud committed by irresponsible persons. If BMT X institution does not carry out an internal audit, there is concern that there will be weaknesses in the finance department that will trigger actions that can harm the BMT X Islamic financial institution. Regarding the internal audit of the BMT X, Mr. X, as the Head of BMT X, will convey:

“Look, bro, the internal audit schedule at the BMT X institution is carried out twice a month by the central RCA team, so the BMT X manager must prepare everything that will be examined, including the transaction slip, when the audit is carried out”.

An explanation from Mr. X, the head of the BMT X, is that in the BMT X institution, BMT internal audits are carried out twice a month, to be precise, on the second weekend by the central BMT X RCA team. So from an organized schedule, there is little room for someone to commit fraud at the BMT X institution (Huda & Ardiana, 2021). In addition, in carrying out internal audits, the BMT X manager must follow and prepare for what will be examined by the internal audit team, such as all transaction slips and so on related to BMT X financial transactions. Regarding the internal audit, Ms. Y, as the BMT X finance department, will also convey:

“Emm... yes, sir, every time there is an internal audit, the audit team will examine and provide input if it is felt that the financial reporting is inappropriate. Of course, in my opinion, frequent internal audits can also prevent fraud within the BMT X institution”.

In line with what was conveyed by Ms. Y regarding her experience in the financial world of BMT X, she is of the opinion that with internal audits that are often carried out by the central RCA team, there is less space for someone to commit acts of fraud that can harm the BMT X institution. While the purpose of the internal audit itself will provide stages, assessment, accuracy, and evaluation of the running of the BMT X managers that have been carried out, including assessing finances and processes in their accounting reports, so as to ensure that BMT X institution remains adherent to sharia principles by avoiding acts of financial crime.

The existence of an internal audit conducted by the central RCA team will make the BMT X institution more effective in running the BMT X organization, especially in the financial management of the X branch of BMT X.
**Fraud Prevention**

Internal auditing is ensured to prevent acts of fraud that can harm BMT X institutions and registered customers (Huda & Ardiana, 2021). Because basically, an internal audit will assess the level of effectiveness of a BMT X institution and reveal potential risks in the form of financial activity. Although internal audit cannot guarantee that fraud will not occur, at least internal audit can minimize fraud (Mulyadi, 2014).

**Supervision from Various Parties**

In addition to internal audits carried out by BMT X and SOP (Standard Operating Procedures), which must be adhered to and carried out in every activity by BMT X managers, of course, to be able to prevent acts of fraud at Islamic financial institutions The BMT X also carries out strict supervision from some parties; the aim of this supervision is to ensure that BMT X institution has implemented it in accordance with applicable regulations and remains in accordance with sharia principles. Regarding the supervision carried out by several parties at BMT X, one of the informants, Mr. X, as the head of BMT X, conveyed:

“To prevent fraud at BMT X, supervision is carried out. There are several parties who supervise it, such as the area manager three times a week, the Sharia Supervisory Board (DPS) once a week twice, and the center also once a month twice”.

As revealed by Mr. X, indeed, in the BMT X institution strict supervision is carried out by several parties, including the area manager, the Sharia Supervisory Board (DPS), and supervision from the center. Supervision from several of these parties has certainly been scheduled, such as supervision carried out by the area manager supervising the BMT X in one week three times, supervision carried out by the Sharia Supervisory Board (DPS) twice a week, and also supervision carried out by the BMT X center once a month twice. So that strict supervision from several parties will ensure that the BMT X complies with the applicable provisions that have been set within the BMT X, Regarding the supervision of BMT X, another informant, Ms. W, as the teller of the BMT X, also conveyed:

“Sometimes supervision is carried out suddenly without any notification to us as BMT X managers, especially supervision carried out by area managers and DPS. The existence of supervision will make managers careful in carrying out every activity. So before the supervisor comes, the manager checks again regarding the types of transactions and others”.
In line with what was conveyed by Mrs. W as the teller of the BMT X, that supervision was carried out suddenly without any notification to the management of the BMT X. Of course, this was carried out on the basis of effective supervision to see the readiness of the BMT X managers in running the wheel organization so as not to deviate from the established rules. Supervision is often carried out by the area manager and the Sharia Supervisory Board (DPS) every week, so before supervision is carried out, the manager of BMT X must re-check the transactions that have been carried out so that when the supervisor comes, they will assess the BMT X manager well and miss from the supervisors.

The existence of supervision from several of these parties will certainly have a positive impact on Islamic financial institutions, especially the BMT X. As previously stated, supervision is carried out to ensure that every activity carried out by the BMT X is in accordance with applicable regulations and also ensures that there is no fraud that can be detrimental to the organization (Marciano et al., 2021). So that BMT X remains guided by sharia principles. Because basically the BMT X institution is an Islamic financial institution that is based on the environment and principles of sharia, of course the manager of the BMT X in carrying out its activities must be guided by the Qur'an, hadith, and the consensus of the ulemas that have been established and carried out by Islamic financial institutions, especially BMT X (Najib, 2017; Latif, 2020; Sudjana & Rizkison, 2020).

5. CONCLUSIONS AND SUGGESTIONS
The aim of this study to uncover how BMT X as one kind of Islamic financial institutions fight fraud before it happens. From the analysis researchers found some intriguing and interesting findings. First, even though the BMT X is still young, many achievements have been made by the BMT X, so with these achievements, the BMT wants to continue to exist and maintain public trust. Second, the potential for fraud at BMT X arises from the weakness of the field team, which sometimes makes deals with customers outside the BMT X. Third, to prevent fraud, the manager of BMT X must carry out organizational activities in accordance with the SOP provisions that have been established within BMT X. Fourth, as a supplement to mitigate fraud, an internal audit is carried out by the central RCA team twice a month on the second weekend, so that there is less possibility for someone to commit fraud at BMT X. Fifth, the fraud prevention mechanisms at BMT X is also related to strict supervision from various parties, both supervision from area managers, the DPS (Sharia Supervisory Board), and supervision from the headquarter. Of course, this supervision is carried out to ensure that the institution is operating according to the provisions set in BMT X. So that the prevention of fraud established in the BMT X will effectively minimize the occurrence of fraud and even avoid acts of fraud that can harm the BMT X.
The result of this study can be used as a cornerstone for similar institutions to apply fraud prevention mechanisms such as in this research object, namely BMT X. The findings from this study is need to comprehend accordingly as to several limitations. First, this study only use research source such as interview and observations but no documentation or document source from BMT X. This in turn limit the researchers to perform triangulation to gain a more valid result. Future research can use document source or documentation to enhance the validity of the findings by using more robust triangulation data technique. Second, this study only focus to mechanisms to prevent fraud that already been put in place by BMT X without confirming its actual practicability and effectiveness to prevent unethical act, such as fraud. Future study can assess the effectiveness of such fraud prevention mechanisms to provide better insight and contribution to literature.

REFERENCES


**Corresponding Authors:**
Author can be contacted on E-mail: faisol210591@gmail.com