

# Fraud Prevention in Malaysia: Maqasid al-Shariah Perspective

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## **Abstract**

**Purpose:** This study aims to analyze the fraudulent financial reporting (FFR) prevention strategies that should be implemented by the organizations using the conceptual base for its discussion in exploring the prevention strategies from the perspective of Maqasid al-Shariah. It is important to establish a fundamental academic understanding on the relationship of fraud prevention and Maqasid al-Shariah.

**Design/methodology/approach:** This paper is a conceptual review of FFR prevention strategies and Maqasid al-Shariah through content analysis on previous literature.

**Findings:** The findings point out that ‘certainty of being caught’ environment in the organization is more efficient in preventing and deterring fraud. This paper postulate that in generating the ‘certainty of being caught’ environment best be achieve through Maqasid al-Shariah (objectives of Islamic rules based on the Quran and Sunnah). The standard framework of Maqasid composed from the safeguarding of the basic integral five pillars which is faith, self, intellect, posterity and wealth.

**Research limitations/implications:** This paper is limited to a conceptual discussion through the content analysis method in suggesting the prevention strategies and understanding of the relationship between Maqasid Al-Shariah and FFR.

**Practical implications:** The suggested prevention framework that based on Maqasid al-Shariah in creating the ideal organization culture practices as means of prevention and deterrence of fraud in an attempt to reduce the fraud cases in Malaysia.

**Originality/value:** Even with the current preventive action taken by Malaysian government and related agencies the number of huge impact fraud cases continuously happen and FFR is the highest impact managerial fraud. More than half of listed companies in Malaysia is Shariah compliance this shows growing interest in Maqasid al-Shariah in Malaysia. Therefore, this paper suggests a new approach of FFR prevention from the perspective of Maqasid al-Shariah.

**Keywords:** Fraud, Fraudulent Financial Reporting, Culture, Maqasid al-Shariah, Conceptual paper

## Introduction

In recent years, multiple huge fraud cases have been exposed one after another in Malaysia. Back in 2007, the Auditor General Report (2007) disclosed a number of suspected fraud cases and one of it is the manipulation of the data from the computerized land registration that was implemented nationwide about a decade ago. In 2016, Felda Global Ventures Holdings Bhd (FGV) has discovered fraud in its 50%-owned unit in Turkey, which has incurred a stock loss of RM57mil (Khoo, 2016). In the year 2017, a breakout on the most scandalous fraud case in Malaysia '1MDB case' that became the world news. The trend showing the fraud conduct has almost become a cultural practice as the fraud cases keep on detected almost every year and the case is getting more severe by years. It has created integrity issues and has impacted Malaysia politically and economically. Thus, the issue has brought out the fundamental question on the prevention of fraudulent practices in Malaysia and what are the best ways to prevent the fraud and possibly deter it as to reduce the recurrent huge fraud cases.

Fraud is a significant universal threat to the businesses and organization. It is a white-collar crime that is different from a physical crime. Fraudulent crime is an organized crime which deceives the other party for personal gain and causing harm or losses to the other party. It is a crime that by far needed a lot of planning and organization in carrying out the deception which shows that the perpetrator requires knowledge and skills. Sutherland (1983) posits that white-collar crime is a perpetrated crime committed by those equipped with knowledge, skills and good family background that is those who are the executive in the organization. Uncontrolled or prevention of fraud crime would lead to a major impact not only to the organization but also to the community and the economy. Emphasizing on the necessity to further enhance the prevention and deterrence of fraud crime to complement the current anti-fraud measures in Malaysia.

Nowadays, everything has been more unpredictable, dynamic and complex that includes fraudulent crime. The perpetrator is often one step ahead from the auditors and the current prevention mechanism hence the related bodies need to be more proactive in taking the preventing and deterring of fraud (Wells, 2011). Cohen (1985) predicted that the emergence of fraud risk further denotes the general risk-based turn in approaches to crime, regulation, and governance. Due to huge losses caused by the fraud, organizations and related bodies start to give more attention to managing the fraud risk before it actually happens. Fraud risk is ontologically different from fraud. While fraud is an actual act, fraud risk deals with possibility and thus can and must be governed. Fraud risk is a distinctive risk framing of a future to be managed in the present. Thus, it deals with rules, ideas, roles, procedures, routines, texts, focusing on risk, control systems and managerial responsibility (Power, 2013).

Fraud has been identified as an action taken by a perpetrator for a specific reason. Numerous scholars and regulatory bodies and respected agencies had defined such action. Universally, fraud has been defined as an act of deceit for personal gain regardless of benefit in term of financial or to cause the other parties harm. Bank Negara Malaysia the main regulatory body in Malaysia defines fraud as "an intentional act of deception involving financial transactions for the purpose of personal gain" (Bank Negara Malaysia, 2010). Fraud is a crime that is planned and considered thoroughly by the perpetrator. It is not the typical physical crime or simple petty theft, but fraud is an act of deceit and manipulation done in silence for their personal gain which could be a financial gain or other personal motives and gains. American

Institute of Certified Public Accountants (AICPA) defined fraud in accounting standards and reports as “an intentional act that results in a material misstatement in financial statements that are the subject of an audit” (AICPA, 2018).

The fraudulent activity could be perpetrated through various methods and in any area to achieve the end goals which not only gain financial benefit but also for other specific reason aims by the perpetrator. Fraud against a company can be committed either internally by employees, managers, officers, or owners of the company, or externally by customers, vendors, and other parties. Internal fraud, which is also identified as occupational fraud defined as “the use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization’s resources or assets” (Association of Certified Fraud Examiners (ACFE), 2018). The complexity of the occupational fraud in organization further categorized this type of fraud into three main and most common types of fraud which are asset misappropriation, corruption and financial reporting (Wells, 2014; ACFE, 2018).

According to ACFE (2018) among the three, FFR causes the highest median lost even though it is the lowest percentage in fraud crime committed. Thus this shows the severity of FFR, therefore, drives this study to look into its prevention and deterrence in the Malaysian context. Financial report is a tool that presents the company’s performance, their overall yearly activities, and also provide the imperative information to the shareholders, investors and any interested parties (Sadasivam, Subrahmanyam, Himachalam, Pinnamaneni, & Lakshme, 2016). The integrity and reputation of the company are extinguished in the report making it a vital element for the company to gain the interest of the investors and shareholders. Fraudulent financial reporting is defined as manipulation or deceiving in the financial report. Financial report is a tool for the corporation to publish their performance and provide the necessary information to show their credibility has triggered a motivation for some parties to manipulate the report for their own benefit or causing harm to other parties. The base of prevention and deterrence of fraud should be strong from the inside of the company this is because financial reporting is closely related to the management of the organization. It is impossible to say that the management has no clues of the crime since Price Waterhouse and Coopers (PwC) (2018) report the highest number of committed fraud was from the internal parties thus, further highlights that prevention of FFR should start from the internal parties of the organization.

Prevention and deterrence for fraud suggested to be explored in a broader perspective rather than limiting and depending only on the internal control framework (Wells, 2004). According to wide-scope deterrent theory, values outweigh the punishment in deterring crime. Therefore, based on this theory alternatively, provide the approach of prevention and deterrence of fraudulent in financial reporting from the spectrum of values practiced by the company. Development of good values in the business operation practices somewhere along the line has neglected the basis of religious value. Whereas, religions and good values have been very related since the teaching of almost any religion has always emphasized on the importance of good values practices that are ethically right to keep the harmonization among the livings and hereafter. Considering that Malaysia is an established Muslim country and aspire to continue grows as a leader in the Islamic Capital Market this paper pivots around the performance of company based on Maqasid al-Shariah concept that are comprehensive in achieving the ethically sound environment in the organization which subsequently would foster the “fear of getting caught” environment that could prevent the fraud crime. Moreover, starting from the introduction of Islamic securities in the year of 1997 Malaysia Islamic

Capital market entails of Shariah compliance companies has grown tremendously. Shariah-compliant was 478 back in 1997 has grown steadily to reach 607 companies as at 30 December 2018 – a number that represents 88% of the total number of companies listed on Bursa Malaysia in 2018. The increment numbers in Shariah compliant companies highlight the demand for Shariah compliant is rather significant showing the importance of having a Maqasid al-Shariah based framework in fraud prevention. Since the current fraud prevention available in Malaysia are yet to be able to remove Malaysia from severe fraudulent issues. With the environment and capital market setting this paper is aiming to introduce a fraud prevention framework base on Maqasid al-Shariah. Besides that, Shariah compliance company are expected to comply with the teaching of Shariah. Understanding Shariah is compulsory only then the Shariah companies are truly portraying the true teaching of Shariah. Besides that, this could benefit the organization to win the trust and confidence of the Muslim investors and stakeholders by truly practicing according to the Islamic values.

## **Literature Review**

### ***Existing Fraud Prevention Tools***

In reaction to the weakness in fraud management after continuous huge fraud cases, there has been an increase of attention and investment in the amount of fraud control including the efforts made by the regulators to reduce the amount of fraud percentage. Unfortunately, even back in 2004, the issue has been addressed by KPMG stating that the current fraud controls and efforts shown to be unsuccessful since the frequency of fraud incidences is at a much higher level than seen previously (Tuan Mat, Nazri, Fahmi, Ismail, & Smith, 2013). The issue continues until today even with a lower percentage of fraudulent financial reporting the impact still highest and huge and scandalous fraud crime continuously happen leaving a strong question on what is to be done to reduce such number.

Nevertheless, the Malaysian government is well aware of the urgency in managing the corporate manipulation issues thus, continuous effort to promote awareness on accountability, integrity and transparency practices in businesses and also public servants. After the severe economic crises in 1997, the Malaysian government and regulatory bodies started to be more conscious on the importance of corporate governance and monitoring of corporate management and reporting hence Malaysia has taken a progressive step in introducing their very own code of conduct which is Malaysia Code of Corporate Governance (MCCG). It is a great head start for Malaysia and MCCG has become an integral guideline for Malaysia's companies in operating their companies and reporting it accordingly. It is obligatory for public listed companies to comply with the MCCG standard. Since then, Malaysia has continuously improvised their MCCG and the latest amendment in MCCG 2017 stress further on the internal control and risk management providing a more thorough guide on the ethically right business conduct. This shows that the regulators are aware of the importance of internal risk management that could reduce corporate manipulation issues. Strengthening internal control nonetheless a very important factor in managing fraud risk to reduce the fraud cases. However, with the increasing complexity of fraud risk in the current environment, relying on internal control mechanism alone is not adequate and sufficient to prevent the possibility of fraud (Wells, 2004).

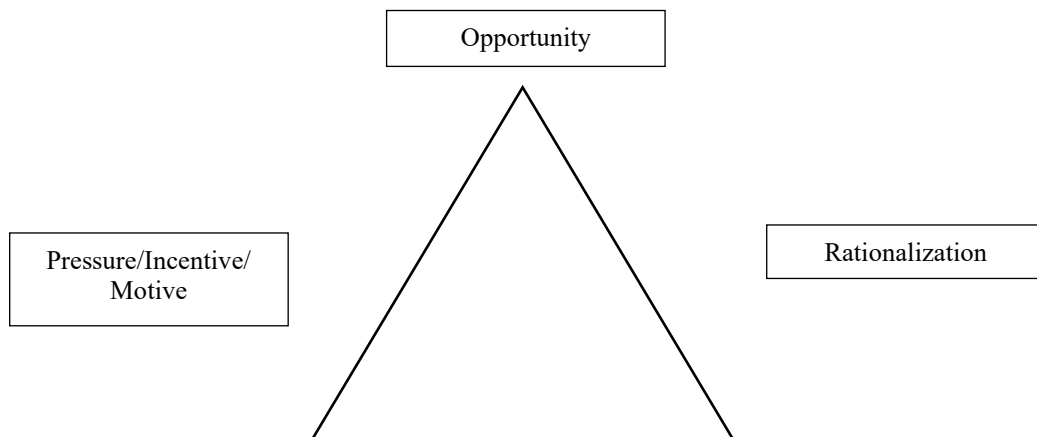
Generally, the Malaysian government has introduced laws and regulations to enable the companies or agencies or individual to take actions against the perpetrator. Among others, the government had issued the Company Act 1965, Company Commission of Malaysia (CCM) is responsible for the management and enforcement of the Companies Act 1965 (Act 125);

Business Registration Act (Act 197); Companies Trust Act (Act 100); and any other law under of the mentioned acts. CCM works with other regulatory bodies and authorities such as the Insolvency Department of Malaysia, Bank Negara Malaysia, Securities Commission of Malaysia and related government agencies, to ensure that good corporate governance is practiced by the market players. To ensure that all the companies adhered to the rules and regulation and conduct the business accordingly. However, there is an absence of the effectiveness of the legislation since the number of fraud cases continuously happen in Malaysia. According to Iyer and Samociuk (2006), corporate fraud is arguably the greatest unmanaged commercial risks of the day. Nevertheless, major frauds and bribery scandals keep wide-spreading just like twenty years ago. Iyer and Samociuk (2006) argue that many executives spent the last couple of decades implementing extensive corporate governance and control frameworks which they are just supposed to do that. They argue that tougher legislation does not change much the world of fraud and proposed it important to have a robust process of fraud defense strategies. Besides that, the legislation in Malaysia in regards of a fraud crime is still ambiguous as there is no act that clearly and solely managing fraudulent financial reporting for an example a clear act catering fraud and misconduct are Sarbanes-Oxley (SOX) Act of 2002. This issue highlighted because FFR is high impact fraud thus a thorough act that is clear on the action of fraudulent in financial reporting and could be referred by the investors and any parties could be more efficient in understanding such unethical conduct and what are their right as the shareholders and investors.

Total elimination of fraud and corruptions is impossible as there are no perfect ways of handling human-related issues, but the risks can be managed and minimize the number of fraud cases. Effective anti-fraud measures and preventive action are required in order to mitigate instances of fraud and misconduct (Buang, 2010). The development of a preventive framework to further enhance the prevention of fraudulent in financial reporting would significantly benefit the organizations in Malaysia, in particular, and the country, in general. Thus, this study is carried out to propose alternative fraud prevention measures that could be adopted by Malaysian public organizations. Specifically, a prevention framework based on Maqasid al-Shariah perspective in relations to companies practices that could help in reducing the fraudulent conduct.

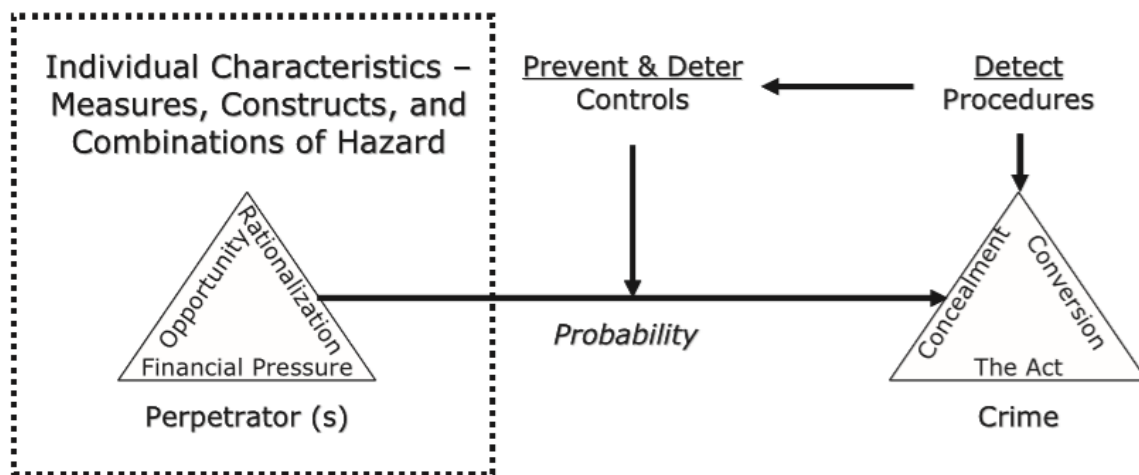
**Method: Literature Analysis**

***Underpinning Theory of Fraud Deterrent and Prevention***



**Figure 1 Fraud Triangle (Cressey, 1950)**

One of the prominent foundations in explaining the concept of fraud is the fraud triangle theory as illustrated in Figure 3.1 proposed by Cressey (1950). The theory provides an efficient model that also known as ‘classic model’ among the fraud scholars. Basically, Cressey came out with the model above from his research and observations where he hypothesizes three root causes of fraud which are pressures, rationalization, and motives. This model forms the basis for most discussions of fraud crime investigation until today. Ever since then, the enhancement of this model has been approached by many past fraud scholars. Among others, the enhancement made by Dorminey, Fleming, Kranacher, & Riley Jr, (2012) to further assess and evaluate the present anti-fraud profession’s response to fraud crime.



**Figure 2 Fully Ascribed Meta-Model of White Collar Crime (Dorminey et al., 2012)**

Figure 2 clearly presents the goal of anti-fraud measures is to lessen the probability of fraud crime occurrence by lowering the probability of the fraud vector. Dorminey et al., (2012) also explain that prevention directly affects the probability of the fraud by reducing the fraud opportunity. On the other hand, deterrence refers to the construction of a less probable environment for fraud. Therefore, it is best to argue that aiming to achieve the deterrence of fraud would also technically achieve the prevention measure of fraud. Dorminey et al., (2012) point out that the two most clear messages deterrents are believed to be the fear of getting caught (detection) and the fear of repercussions (punishment) which is also supported by Nagin, (2012).

The fundamental theory of deterrent traditionally justifies that punishment would deter crime. However, in this rapidly evolving world, the theory is argued by the deterrent theorist whether severe punishment actually could deter crime especially in the case of white-collar crime. The ultimate objective of the general deterrent theory is sending the message to hinder one from committing such crime but it is one that may not be heard by its intended audience. Thus, Lee (2017) argued that punishment alone is not enough as a measure of deterrent and propose the evolution of general deterrent theory known as ‘**wide-scope deterrent theory**’. The theory holds that ‘both shallow and deep deterrents—prudential reasons and moral reasons—are powerful tools in deterring crime’ in which postulate that in deterring crime should not focus narrowly on the punishment, but must also make use of internal value practice, especially because the latter carries deeper deterrent effects. According to Nagin

(2013), the ‘certainty of being caught’ environment is a vastly more powerful deterrent than the punishment which also supported by Dorminey et al. (2012). In addition, the present deterrent theorist express that both prudential and moral reasons help to deter crime, however, the moral reason outweigh the prudential reason as strong beliefs in moral principle will avoid one from committing the crime even when no punishment will ensue (Lee, 2017).

Ethical practices in the organizations are basically a morally right and it needs to be addressed not only for the formal operating procedure but must acknowledge that the moral development to follow the procedure needs to start from all level especially the leader. The vitality of ethics in addressing the rationalization would consequently neutralize the pressure leading to the fraudulent activity since an ethically sound person would contemplate between the right and wrong decision even with the presence of opportunity (Dorminey et al., 2012). Thus, based on the wide-scope deterrent theory the deterrent approach taken by this study is focusing on setting up the right tone for the organization that at the end could create those sense of ‘certainty of getting caught’ environment thus could strengthen the prevention of fraud.

### ***Maqasid Al-Shariah Perspectives***

In developing the right tone of organization practices that could act as deterrent and prevention mechanism for fraud this study is exploring in the perspective of Maqasid al-Shariah. This is because the ethics and moral is very closely related to religion teaching and besides, Islamic teaching comprises of all including the business conduct, accounting, economics, and social development. According to Rizk, (2008); Yusof, Mohd Nor, & Edward Hoopes (2014), the teaching of most religions (Judaism, Christianity, Islam, Hinduism, and Buddhism) on social values are almost similar and compatible with each other. Thus, this study is exploring the development of FFR prevention in the spectrum of Islamic teaching as its complete guidance from the Holy Quran and Sunnah which could shed a light on the problem solving for fraudulent issues. For instance, Islam has always emphasized the importance to record accordingly as it will be important for all parties as the evidence and references which expressed in Holy Quran from the Surah Al-Baqarah verse 282. This is to avoid the possibility of unjust business conduct which is the presence of fraud and causing harm to any of the parties (Kasim & Khalid, 2010). Islam strongly condone fraud act and it is clearly expressed in the Quran:

*“And do not consume one another's wealth unjustly or send it [in bribery] to the rulers in order that [they might aid] you [to] consume a portion of the wealth of the people in sin, while you know [it is unlawful]” (al-Baqarah 2:188)*

The verse above provide clear messages from Allah s.w.t in regards of prohibition of fraud and generally describe the meaning of fraud which is illegally consume or gain from other party. Therefore, any activities leading to such action are considered as fraud. Islam prohibits every type of fraud and deception, whether the fraud in activities of buying and selling or in any other matter between people (S. S. Ibrahim, Man, & Noor, 2013). Includes the manipulation and fraudulent in financial reporting since it is providing a false information and causing losses to the other parties. This shows that Holy Quran has clearly mention several times the important of good ethic and strongly against the act of causing harm to other including fraud. Sunnah from the Prophet Muhammad s.a.w. Islam also very forthcoming in prohibiting the act of fraud and emphasize how Islam against the act that could cause harm to

others from the verse “la dharar wa la dhirar” do not cause harm to others nor reciprocate harm.

Meanwhile, the term Maqasid al-Shariah represent the Islamic teaching since its literal definition is “Maqasid” as the objectives and “Shariah” is Islamic law which based and derives from the Holy Quran (the words of Allah s.w) and Sunnah (hadith from the Prophet Muhammad s.a.w). Islamic teaching has always emphasized on the fairness towards human being and also to the environment flora and fauna. As mentioned in Quran

*“O ye that believe! Betray not the trust of Allah and the Messenger, nor misappropriate knowingly things entrusted to you” (Al-Anfaal: 27) (Salin, Ab Manan, Kamaluddin, & Nawawi, 2017).*

This verse from the Quran clearly shows the teaching from Islam stresses on honest conduct and do not misuse the authority given to them. In the context of this study, according to agency theory; the agent should not misuse the authority given to them by the principle for personal gain or causing harm as it is wrong against the teaching of Islam. Financial reporting is a tool to publish the company’s performance and credibility to the shareholders and investors; therefore any deception made to manipulate the report is definitely against the teaching of Islam. In addition, Ibn Ashur (2006) further elaborates that safeguarding the objectives of Islamic law is a mean of blocking the means to evil, which is better to prevent it before disruption occur. Al- Shatibi place a great emphasis on the importance of Maqasid al-Shariah as he pointed out that Allah revealed the Shariah for the benefit to mankind both in this world and the next. This is the primary objective of the Lawgiver and a unifying factor which can be seen in all of the detailed rulings of Shariah (Laldin, 2014). Maqasid al-Shariah aims always to seek the best public interest and it is expressed from the standpoint of their impact on the existence and survival of the individual and community.

## **Findings**

### ***Fundamental Maqasid Al-Shariah Framework***

Maqasid al-Shariah has started to gain more attention in the past decades and more researchers are exploring the practicing of Maqasid in daily life conduct regardless of human self-development or in business operation. Which can be seen the most simple example as to the Malaysian Shariah compliance listed companies has grown tremendously as compared from the first it been introduced back I the year 1997. Nowadays, almost 80 percent of listed companies in Malaysia is Shariah compliance which shows that the demand for Shariah compliance product growing. It is compulsory for every Muslim to abide by Shariah (the law of Allah s.w) as it is the best guidance in achieving harmonious life here and hereafter. Shariah generally is stated to be benefited to the humankind and to provide a guide for the human to gain improvement in their living conditions. It is constantly expressed in the Quran: *O mankind! There has come to you a good advice from your Lord (i.e. the Qu’ran, ordering all that is good and forbidding all that is evil), and a healing for that (disease of ignorance, doubt, hypocrisy and differences, etc.) in your hearts, - a guidance and a mercy (explaining lawful and unlawful things, etc.) for the believers. (Yunus:57).*

There are many fuqaha (Muslim scholars) contributing to Maqasid development and expansion. Some of the renowned scholars in Maqasid development are al-Juwayni, al-Ghazali, Al-Shatibi, Ibn Ashur and many more. Ibn Ashur (2006) opines that Maqasid al-Shariah highlights rationales, purposes and common good in the Islamic rulings and stresses their importance while basing itself on the Islamic scripts and observing the Islamic faith. Al-



Shatibi is one of the prominent Islamic scholars in Maqasid al-Shariah development and he places a great emphasis on the importance of Maqasid al-Shariah. Al-Shatibi pointed out that Allah revealed the Shariah for the benefit of mankind both in this world and the next. This is the primary objective of the Lawgiver and a unifying factor which can be seen in all of the detailed rulings of Shariah (Laldin, 2014). The discussion and foundation of Maqasid al-Shariah framework unfold the opportunity for contemporary Muslim scholars to utilize Maqasid in several aspects including social science. Al-Juwayni developed the theory concept of Maqasid al-Shariah which categorizes *maslahah* into necessities (*Daruriyat*), complements (*Hajiyyat*) and embellishments (*Tahsiniyat*).

The basis of *Daruriyat* are elements that structured on faith (religion) and human affairs which upon, any abandonment of it will lead to total disruption in human life. Necessities represent the essentials of survival thus compliance is a must. *Hajiyyat*, the complementary is an accent to the essentials in which the neglect of the interest leads will lead to the hardship of individual and community however the impact might not lead to the total disruption of human normal life. *Tahsiniyat*, on the other hand, is the interest in human improvement and attainment in their desired needs whereby the consciousness of the interest would help in their improvement (Laldin, 2014). Based on Al-Juwayni theory of Maqasid, it has opened a huge opportunity in approaching Islamic study in multiverse area including social science. Three renowned Maqasid al-Shariah framework are Al-Ghazali, Abu Zaharah and Al-Najjar (Said, Abd Samad, Mohd Sidek, Ilias, & Omar, 2018).

Al-Ghazali's Maqasid framework enhanced from al-Juwayni's Maqasid al-Shariah model by incorporating safeguarding of faith (*deen*), human self (*nafs*), intellect (*'aql*), progeny/posterity/family institutions (*nasl*) and wealth (*mal*) under the level of *Daruriyat* is divided into five protections of fundamental values that are necessary to human life. Al-Ghazali then defined the objective of Shariah "The very objective of the Shariah is to promote the well-being of the people, which lies in safeguarding the five components (Amin, Yusof, Haneef, Muhammad, & Oziev, 2015; Chapra, 2007). Meanwhile, both Abu Zaharah and Al-Najjar framework are enhance from the Al-Ghazali's Maqasid framework. Abu Zaharah (1997) in his study has extended Al-Ghazali framework by incorporating justice (*Iqamah al-Adl*) and education (*Tahdhib al-Fard*) in addition to the existing concept of public interest (*Jalb al-maslahah*) to make it more rounded in achieving the objective of Shariah. Al-Najjar (2008) explore Maqasid al-Shariah legal perspective in the context of its contemporary economic application and has developed a Maqasid framework that incorporates four objectives with eight component to his concept of Maqasid al-Shariah. Four objectives according Al-Najjar namely (i) safeguarding the value of human life (faith and human rights), (ii) safeguarding human self (self and intellect), (iii) safeguarding the society (posterity and social entity), and (iv) safeguarding the physical environment (wealth and environment/ecology).

The holy Quran is the guidance and legislation and the prior Islamic scholars have seen that as an obligation to ponder over it, deduce from it, and act upon it in order to outline the rules and regulation for the human to understand the right and wrong. The comprehensiveness of Maqasid al-Shariah concept is not limited to only Muslim and religious practices but to all aspect of human dealing, this is because the aim is to promote the wellbeing of the people and assist in daily life practices. Islamic studies in multiverse area including social science started to grow in an effort to find better alternatives in human life dealing. Past literature have stressed on the Maqasid al-Shariah in their studies to elevate Islam studies and promote

Islamic practices in all aspect of life. Some of the researchers are Chapra (2008), (Haniffa & Hudaib, 2007), (Abdul Razak, Mohamed, & Md Taib, 2008), (Hameed, Wirma, Rrazi, bin Mohamed Nor, & Pramono, 2004) (S. Ibrahim, Wirman, Alrazi, Nor, & Pramono, 2004), (Mohammed & Taib, 2015), (Arsad, Said, Yusoff, Haji-Othman, & Ahmad, 2014), (Said et al., 2018), (Bedoui & Mansour, 2015), (Asutay & Harningtyas, 2015) and many more who have discussed a lot and broaden up the utilization of Maqasid approach into the social science area. For instance, Hameed et al., (2005) tried to develop what they termed as 'Islamicity Disclosure Index' to measure and compare the performances of two Islamic banks whereas Haniffa and Hudaib (2007) exploring into ethical identity measures of Islamic banks. However, the study on the relation of Maqasid al-Shariah based performance as a means of prevention of fraud which is the fraud risk management is rather limited.

### ***Fraud Prevention Framework: Maqasid Al-Shariah Based Performance***

The FFR prevention framework to be proposed is the Maqasid based Performance (MqP) defined as a framework of company that perform based on the integral pillars of Maqasid al-Shariah (faith, self, intellect, posterity and wealth) that will provide a structural foundation in creating the ideal environment and culture practices in the organization since Maqasid al-Shariah is more comprehensive and holistic and the preservation of the objectives covers all aspect including the benefits of the stakeholders, employees, community and the environment. Besides that, safeguarding the objectives of Islamic law is a mean of blocking the means to evil, and its aim always "to seek the best public interest" examined from the standpoint of their impact on the existence and survival of the community. MqP is expected to generate the culture that is ethically sound based on Maqasid al-Shariah subsequently create the perception of "fear of getting caught" environment since it is an immoral act and does not allow such opportunity even to arise.

### ***Definition Of MqP Components***

#### **I. Faith**

Faith or Hifdh al-din (preservation of religion) derived from the word "d-a-n-a" that has several literal meaning as such judgment, governance, accountability, subjugation, authority, submission, surrender, obedience, and peace. Generally, faith gives the meaning as a "way of life". Ibn Ashur (1998) defines al-din as salvaging the faith of every individual Muslim from being affected by anything that might undermine and confuse his or her beliefs and distort his or her behavior. As for the community as a whole, preserving al-Din means to prevent anything that might violate and destroy its fundamentals, which includes defending Muslim land and sovereignty and preserving the means of Islamic learning and education among the present and future generations of the Muslim Community (Ibn Ashur, 1998, p.116). Another Muslim scholar, Atiyah (2008) defined al-Din at Hajiyyat level through upholding moral values and curbing the spread of corruption. Another scholar, Chapra (2008) defines Al-Din (faith) it as providing religious worldview which potentially helps man to reform the human self to ensure the fulfillment of all his spiritual and material needs.

#### **II. Self**

The definitions of safeguarding self according to Maqasid has been discussed by many past Muslim scholars. Prominent Muslim scholar Al-Juwayni and Al-Ghazali in Al-Raysuni (2006), defines safeguarding self as generally the preservation of human life through the law of retribution (in the event of murder). Ibn Ashur (1998) added another dimension to the definition of safeguarding self which is to protect human lives from being ruined either individually or collectively by preventing harm and ruin before they happen, such as

combating and eradicating epidemics. Whereas Abdul Razak, Mohamed, & Md Taib (2008) views the preservation of human self in another perspective, as they refer the development in the preservation of Islamic bank and its contribution to the economic empowerment of the real sector.

### III. Intellect

Based on the literature analysis most of the Muslim scholars shows an agreement in the definition of intellect. Imam Al-Ghazali points out that intellect is the fountainhead, starting point, and foundation of knowledge (as quoted in Chapra, 2008). Al-Shatibi (2004), defines safeguarding of intellect is by preventing it from anything that will spoil it (Al-Raysuni, 2006). According to another Muslim scholar, safeguarding the intellect means the protection of people's minds from anything that would put cost disruption and disorder (Ibn Ashur, 2006). Ibn Ashur (2006) discussed further on the elaboration of the definition states that any type of disorder of the intellect will then lead to serious corruption consisting of improper and perverted human conduct. Consequently, defected mind of an individual leads to a partial corruption of the society like a domino effect it will affect the minds of the community and thus will lead to corruption and disruption in human life.

### IV. Posterity

Preservation of posterity takes many dimensions depending on the particular aspect of human life is approached. In the context of this study safeguarding posterity elaborated as a preservation of the future generations and the importance of it falls under *daruriyat* category (Çizakça, 2007; ibn Ashur, 2006). Ibn Ashur (2006) elaborated the preservation of posterity is in the manner of what is needed by the community for the achievement of its interests and the proper functioning of its affairs. If it is neglected, the social order will not actually collapse but will not function well thus causing a human being to distress and having a hardship in daily life dealings.

### V. Wealth

Preservation of wealth or property (*hifdh al-mal*), according to Ibn Ashur (2006) means protecting the wealth of the community from being ruined and from shifting to the hands of others without compensation. Al-Juwayni and Al-Ghazali describe the preservation of wealth as the protection of people's possessions from thieves (Al-Raysuni, 2006). In more contemporary Islamic scholars the views on wealth are more "holistic" manner broader perspective as it is seen as protection of ownership and property; acquisition and development of property or wealth and preservation (Dusuki & Bouheraoua, 2011).

## Discussion and Conclusion

The objectives of this paper are to investigate the preventive measure for the fraudulent financial reporting that should be implemented by the organizations and this study tries to explore the prevention strategies from the perspective of *Maqasid al-Shariah* in managing the issues of financial reporting fraud. Based on the content analysis of previous researches, fraud prevention should not depend solely on the internal control framework but the organization should be more rigorous in handling the fraud risk by having a robust prevention measure. This paper highlight that setting the right tone in an organization that could create the 'certainty of getting caught' environment is a better deterrent measure for fraudulent crime. This paper also contributes to the understanding of *Maqasid al-Shariah* in relation to fraudulent conduct and provide a new perspective in approaching the fraudulent financial reporting issues.

This paper suggests a prevention framework that is based on the Maqasid al-Shariah (MqP) as another alternative in an effort to reduce fraud cases in the future. This framework is an approach that requires attention and participation of every party in the organization as the process is not just complying with the legislation, but perform accordingly to the Islamic teaching. Al-Shatibi explained that Shariah is not only to shed the light on the importance on solely for glorifying and worship their Creator but also to stop people from aimlessly following their whims (Ginena & Hamid, 2015). It is only relevant to look for prevention measures of such unethical conduct through the Maqasid al-Shariah. Having Maqasid al-Shariah as a base would definitely help the prevention framework to be ethically correct and consequently create the ideal culture of safeguarding the organization from fraudulent activities. Future research may conduct empirical research using the MqP framework among the listed companies in order to know the extent of its application in mitigating fraud.

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