

## CULTURAL VALUES AS ANTI-FRAUD STRATEGY: LESSONS FROM ISLAMIC SCHOOLS

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**ABSTRACT** - This study investigates the potential of cultural values as anti-fraud strategies in Islamic schools, with a specific focus on institutions in Surabaya. Utilizing a qualitative case study approach, the research gathered data through direct observation and unstructured interviews with informants. The findings underscore the importance of five core cultural values: honesty, trust, mutual cooperation, mutual respect, and mutual care. The study concludes that the implementation of these values is crucial in fostering financial reporting accountability and reducing the risk of fraud within the school environment. These insights can benefit not only educational institutions but also other organizations by providing valuable guidance for developing internal anti-fraud programs based on the internalization of cultural values. By understanding how these values contribute to a trustworthy and ethical internal environment, institutions can proactively anticipate and minimize the potential for fraudulent activity.

**Keywords:** Cultural Values, Fraud Prevention, Organizational Cultures

**ABSTRAK – Nilai Budaya sebagai Strategi Anti Kecurangan: Kajian dari Sekolah Islam.** Penelitian ini bertujuan untuk mengeksplorasi strategi pencegahan kecurangan melalui implementasi nilai-nilai budaya di Sekolah Islam di Surabaya. Penelitian ini bersifat kualitatif melalui metode studi kasus dengan data yang dikumpulkan secara observasi langsung di lokasi penelitian dan wawancara tidak terstruktur dengan sejumlah informan. Hasil kajian menunjukkan bahwa nilai-nilai budaya yang diimplementasikan di sekolah adalah: kejujuran, amanah, gotong royong, saling menghargai, dan saling peduli. Implementasi nilai-nilai budaya tersebut terbukti menjadi faktor utama dalam membentuk akuntabilitas pelaporan keuangan dan mencegah terjadinya kecurangan di lingkungan sekolah. Hasil ini dapat menjadi panduan tidak hanya bagi lembaga pendidikan tetapi juga berbagai organisasi lainnya dalam membangun program pencegahan kecurangan internal dengan internalisasi nilai-nilai budaya tersebut. Pemahaman akan pentingnya nilai-nilai tersebut berkontribusi terhadap meningkatnya kepercayaan dan terciptanya lingkungan internal yang beretika sehingga dapat meminimalisir berbagai potensi kecurangan.

**Kata Kunci:** Nilai Budaya, Pencegahan Kecurangan, Budaya Organisasi

## **INTRODUCTION**

Fraud constitutes a serious concern that demands attention due to its substantial impact and the extensive losses it inflicts upon various parties (Kumar et al., 2018). The perpetration of fraudulent activities permeates all strata of society, from the affluent to lower-level employees, leaving no institution or organization immune to its potential occurrence. Instances of fraud have been documented across diverse sectors, including public (Setiawan, 2023b), private (Dewi et al., 2023; Setiawan et al., 2022), social finance (Arshad et al., 2015; Ohalehi, 2019; Setiawan, 2023a; Setiawan & Alim, 2022), digital and technological domains (Setiawan & Wahyudi, 2023), and the educational sector (Ebaid, 2022; Sofyani et al., 2022; Sunaryo & Utami, 2021). The ramifications of fraud are multifaceted, encompassing financial loss, reputational damage, erosion of trust, psychological distress, and significant law enforcement expenditures (Maulidiyah, 2023). The Indonesian Fraud Survey of 2019 reported 239 detected cases of fraud, with an average loss per case amounting to IDR 7.2 billion (ACFE Indonesia Chapter, 2019).

Educational institutions, despite their non-profit orientation and educational focus, are not exempt from the threat of fraud (de Souza-Daw & Ross, 2023). The 2019 Indonesian Fraud Survey identified educational institutions as among those that incurred losses due to fraudulent activities, accounting for approximately 1.7% of cases (ACFE Indonesia Chapter, 2019). The susceptibility to fraud within this sector is heightened by factors such as limited resources, a high degree of trust associated with their role in character and ethics development (Lauck & Brozovsky, 2018), overlapping responsibilities across departments and positions (Ohalehi, 2019), challenges in accountability and transparency (Ortega-Rodríguez et al., 2020), weak internal controls, and a comparative lack of financial and business expertise relative to commercial entities (Arshad et al., 2015). This is further evidenced by the average value of fraud incidents in educational institutions, with the largest portion exceeding Rp 10 billion (17.5%) (ACFE Indonesia Chapter, 2019). Such data suggest that fraud within educational institutions is not only prevalent but also indicative of a significant deficiency in internal control and oversight, as well as a lack of commitment to fraud prevention measures.

Prior research on fraud within the educational sector has predominantly focused on higher education. Studies have examined various aspects, such as the causes of academic dishonesty among students during the COVID-19 pandemic



(Ardiansyah et al., 2022), the design of systems for detecting and preventing fraudulent behavior through accreditation procedures (de Souza-Daw & Ross, 2023), the awareness of forensic accounting among students and professionals (Alharasis et al., 2023), the implementation of internal controls within universities (Sofyani et al., 2022), and the integration of forensic accounting education from the perspective of students (Ebaid, 2022). However, research on fraud at the school level and the use of cultural values as an anti-fraud measure is scant. This study aims to address this gap by focusing on anti-fraud programs and the inculcation of cultural values among school stakeholders.

Culture plays a pivotal role in shaping values that influence individual and collective behaviors within a society or organization (Schein, 1990). A robust organizational culture can positively impact an organization's financial accountability (Gelfand et al., 2004). To enhance financial accountability, it is imperative for organizations to cultivate a culture that supports ethical, transparent financial practices, thereby bolstering stakeholder trust, establishing a foundation for long-term growth and sustainability, mitigating financial risks, and reducing the likelihood of fraudulent activities (Beaulieu & Reinstein, 2020; Chapple et al., 2020).

Organizational culture can serve as an effective anti-fraud measure within an organization (Beaulieu & Reinstein, 2020; Chapple et al., 2020; Maulidiyah, 2023; Smaili, 2023; Suh & Shim, 2020). A strong and healthy organizational culture can deter fraud by influencing the behavior and actions of its members (Chapple et al., 2020). It embodies the norms, values, attitudes, and behaviors that are embraced by all members of the organization (Suh & Shim, 2020). When an organizational culture is founded on integrity, ethics, and transparency, it becomes more challenging for individuals or groups to engage in fraudulent conduct. A strong organizational culture that prioritizes these principles can effectively prevent fraud by encouraging members to act with honesty, report potential fraud, and foster an environment where fraud is less likely to take root (Maulidiyah, 2023). Schools, as educational institutions, play a critical role in instilling culture, particularly in terms of ethics and values (Sofyani et al., 2022). This is especially pertinent at the primary and secondary education levels, where students are in the formative stages of their value and moral development (Bali & Susilowati, 2019). The internalization of cultural values in schools can cultivate honesty and deter the inclination to commit fraud (Mujab & Alim, 2020).



This research is significant given the substantial financial losses attributable to fraud in educational institutions, the essential function of these institutions in imparting ethical values, and the role and internalization of cultural values in preventing fraud, which has not been optimally addressed. The study explores cultural values as a means of fraud prevention in educational institutions, particularly at the school level, to deter fraudulent behavior among various school stakeholders. Conducted at an Islamic school in Surabaya, this research seeks to uncover new phenomena and explore best practices for developing literacy in the implementation of culture as an anti-fraud program in schools.

The contribution of this research is twofold. Firstly, it assists educational institutions, especially at the school level, in addressing fraud-related issues by implementing and internalizing cultural values as an anti-fraud measure. Secondly, it aids educational institutions in formulating cultural values as an effective anti-fraud strategy to anticipate and minimize the potential for fraud.

The remaining sections of the paper are organized as follows: Section 2 delves into the literature on the variables under examination and the foundational theory concerning organizational culture, fraud, and its prevention. Section 3 outlines the research methodology. Section 4 synthesizes and discusses the main findings from data analysis based on observations and interviews with informants. Finally, Section 5 presents the summary and conclusions of the research, emphasizing the key findings and contributions of the study.

## **LITERATURE REVIEW**

### **The Construct of Organizational Culture**

Organizational culture constitutes a pervasive framework of norms, beliefs, and values that are embraced by members and dictate the behavioral conduct within an organization (Schein, 1990). It engenders a distinct identity for the entity and exerts influence over how individuals within the organization acclimate, conduct themselves, and contribute. Organizational culture serves as a catalyst for motivating members to engage and perform effectively. Implicitly, members assimilate and establish practices that are prevalent within the organizational milieu. A robust organizational culture is aligned with and bolstered by the company's objectives, whereas a frail organizational culture may impede or be at odds with these objectives (Smaili, 2023). An efficacious organizational culture is underpinned by strong values such as integrity, professionalism, and commitment (Suh et al., 2018; Ibrahim, et al., 2022),



playing a critical role in the success of an organization by functioning as an identity, fostering unity, enhancing communication, providing support, simplifying decision-making, offering stability, and aiding in adjustment and transformation.

Schein (1990) delineates three strata of culture within an organization: artifacts, espoused values, and basic underlying assumptions. The artifact level encompasses all that is observable, audible, and perceptible by the members, including organizational logos, uniforms, the lexicon employed in organizational communications, symbols, rituals, and the physical structure of the organization, such as office or factory layouts. The espoused values constitute core tenets that underpin behaviors within the organization, exemplified by a commitment to honesty, innovation, integrity, or customer service. These values, while not always overtly articulated, shape the worldview and principles that steer the conduct of organizational members. The basic underlying assumptions consist of deep-seated beliefs that, although often unacknowledged, establish the foundational framework influencing how members perceive the world, others, and the organization itself. These assumptions might include views on organizational hierarchy, attitudes toward change, or notions regarding conflict resolution.

Schein (1990) posits that to thoroughly comprehend an organization's culture, one must delve beyond the surface-level artifacts to unearth the espoused values and basic underlying assumptions. A profound grasp of these deeper cultural layers can enable organizational leaders to effectively orchestrate cultural change, discern the origins of certain behaviors, and perpetuate a culture that is congruent with the organization's vision and mission.

### **Theoretical Underpinnings of Fraud**

Fraud can be elucidated through the lens of the Fraud Triangle Theory, a conceptual framework introduced by Cressey (1950), which postulates that three critical elements precipitate fraudulent behavior: pressure, opportunity, and rationalization (Figure 1). The element of pressure encompasses factors such as extravagant lifestyle choices, onerous financial circumstances, significant economic duress, or the burdensome demands from familial and occupational spheres (Setiawan et al., 2022). Such pressures can create a sense of desperation, leading individuals to consider fraudulent acts as a solution to their predicaments.



The second element, opportunity, arises when vulnerabilities are present within an entity's internal controls. This can occur in scenarios where an individual's role in the workplace entails disproportionate dual authority without adequate segregation of duties within the financial process flow. For instance, if a single individual is responsible for the receipt, recording, and disbursement of funds, the potential for fraud escalates significantly.

Rationalization, the third component of the Fraud Triangle, pertains to the justifications that fraud perpetrators conjure to legitimize their illicit actions. This often involves a unilateral self-justification, such as the perception that engaging in fraudulent activities is acceptable because it is a common practice among peers or superiors within the organization. In environments where the misuse of authority is prevalent and goes unchecked, resulting in the exploitation of company assets for personal gain, these actions may become normalized. The absence of reprimands or sanctions from the company can further entrench such unethical behaviors.

Understanding these foundational elements is crucial for devising effective strategies to prevent fraud. By addressing the underlying pressures that may drive individuals towards fraud, reinforcing the internal control systems to close off opportunities for fraudulent activities, and establishing a robust ethical culture that discourages the rationalization of fraudulent behavior, organizations can significantly mitigate the risk of fraud.

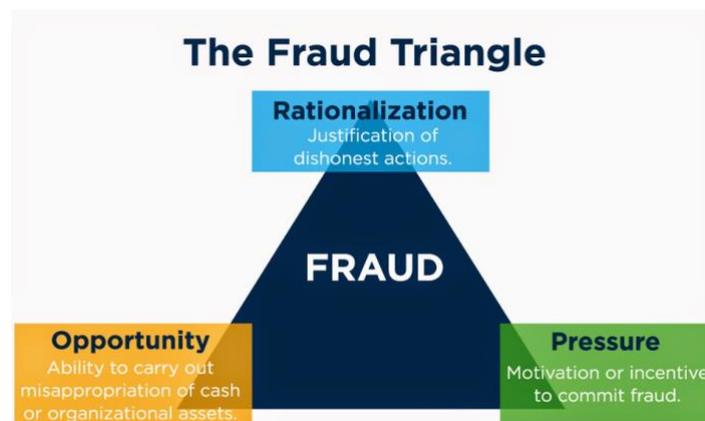


Figure 1. Fraud Triangle Theory  
(Source: Cressey, 1950)

Wolfe and Hermanson (2004) augmented the traditional Fraud Triangle Theory through empirical research, introducing an additional dimension of 'capability'



to the existing components, thus evolving the paradigm into the Fraud Diamond Theory (Figure 2). This expanded theory posits that the occurrence of fraud is contingent not only upon the presence of motivation, opportunity, and rationalization but also upon the fraudster's intrinsic capability. The theory asserts that in the absence of the necessary skills and expertise, a fraudster's strong motivation, the existence of opportunities, and even well-reasoned justifications are insufficient to facilitate the actual commission of fraud. It is the perpetrator's unique capability—which may include traits such as position within the organization, specialized knowledge, or confidence—that enables the execution of fraudulent activities (Mansor, 2017). This refinement of the fraud framework underscores the multifaceted nature of fraud and the importance of considering the individual capabilities of potential fraudsters when developing prevention strategies.



Figure 2. Fraud Diamond Theory  
(Source: Wolfe & Hermanson, 2004)

### Strategic Framework for Fraud Mitigation

The prevention of fraud through the implementation of a comprehensive anti-fraud strategy encompasses four interrelated strategic cornerstones: prevention, detection, investigation and reporting, and monitoring and evaluation with subsequent follow-up (ACFE, 2017).

Prevention refers to proactive measures designed to identify, thwart, and diminish the potential risks of fraudulent conduct within an organization or commercial setting. This involves the establishment of robust internal policies and procedures, the segregation of duties to prevent conflicts of interest, the conduct of both internal and external audits, the delivery of targeted training



programs, the reinforcement of information systems, and ongoing evaluation and regular reporting mechanisms (Albrecht et al., 2016).

Detection encompasses the systematic identification of indicators suggestive of fraudulent or dishonest activities within an organization or business context. Detection strategies employ a suite of tools, methodologies, and analytical procedures to uncover any anomalous activity or conduct that may raise suspicion. These activities include, but are not limited to, comprehensive data analysis, meticulous examination of documents, scrutiny of financial reports, routine reviews, and behavioral analysis.

The investigation pertains to the meticulous process of probing into fraudulent acts that have transpired within an organization or business environment with the aim of gathering evidence, pinpointing the individuals responsible, evaluating the extent of the impact, and instituting suitable measures to redress the situation. The investigative process is multifaceted, involving the collection of evidence, conducting interviews, performing observations and forensic analyses, and compiling witness testimony.

The strategic approach to fraud mitigation requires a harmonized and methodical execution of these pillars to ensure the integrity of organizational processes and safeguard against the financial and reputational damage that can ensue from fraudulent activities.

## **METHODOLOGY**

The present investigation is a qualitative case study that employs two primary methods of data collection: observation and interviews. Observational techniques involved the researcher's direct engagement with the phenomena at the research site, specifically focusing on the actual manifestation of cultural values by members of the organizational community. Through observation, a nuanced and detailed portrayal of the cultural values phenomenon and its role in fraud prevention was ascertained, illuminating the reality and facilitating a more profound comprehension of the issue at hand (Yin, 2014). The selection of the case study methodology was informed by the researcher's affiliation with the research site, which afforded convenient access to information and data, thereby streamlining the process of eliciting detailed information and garnering comprehensive data.



Interviews were conducted in a semi-structured format with three informants possessing expertise in the financial domain (Table 1). These informants are engaged in the financial operations of the school, serving both as policymakers and as enactors of financial reporting. This strategic selection of informants was intended to enable the collection of precise data regarding the cultural values that underpin fraud prevention within schools. The semi-structured interview technique was designed to extract more nuanced information and explanations from the informants (Moleong, 2017), which included verifying the informants' understanding of the school's cultural values and the efforts made by the school to thwart fraud through the reinforcement of these cultural values.

Table 1. Informant Data

No	Name	Department/Position
1	Mrs A	Headmaster
2	Mrs B	Deputy Head for Financial Affairs
3	Mrs C	Financial Administration Section

(Source: Processed data, 2023)

During the interview phase, the researcher elucidated the objectives of the research and outlined the anticipated data requirements. The interview process was facilitated through the use of recording devices, and the resulting data was subsequently transcribed to streamline the analysis process. The researcher undertook manual transcription of the recordings, followed by an exploration of discernible patterns or relationships that emerged from the data.

The data analysis process was executed in three successive stages: data reduction, data display, and conclusion drawing (Sugiyono, 2020). During the data reduction phase, salient information was extracted and data that was irrelevant to the research context was discarded. The data display phase involved the visual representation of the data, enabling the researcher to scrutinize emerging patterns, trends, and significant pieces of information. The process of drawing conclusions required an in-depth analysis and validation to ascertain that the collected information aligned with the aims and objectives of the research.

To ensure the accuracy and credibility of the data, the researcher implemented a source triangulation test, cross-verifying the veracity of the data results with other informants possessing equivalent competence (Hermawan & Amirullah, 2016). This triangulation process enhanced the credibility of the research



findings and instilled greater confidence in their alignment with the actualities observed in the field.

## RESULT AND DISCUSSION

### Profiling the Research Site

The present study sought to identify alternative strategies for fraud prevention by examining schools as educational institutions. These institutions are emblematic of character and cultural education, nurturing students who represent future leadership cadres. The selected research site was one of the Islamic schools situated in central Surabaya City, the capital of East Java Province. The school's student demographic was characterized by its diversity in educational background, parental occupations, and ethnic and racial identities. This school was selected as the research site due to its fulfillment of the criteria of a multi-social institution that actively implements and internalizes cultural values across all stakeholders, including leaders, teachers, employees, and students. The internalization of cultural values within the school has been demonstrated to contribute significantly to anti-fraud schemes across various dimensions, particularly in promoting accountable and transparent financial reporting.

The school population comprised 190 students, 18 teachers, and 5 educational staff. The educational qualifications of the teachers were as follows: 80% held bachelor's degrees, 20% were holders of master's degrees, and 25% were certified educators. All educational staff members owned bachelor's degrees. In addition to its strong cultural values, the school maintained a series of consistent traditions and unique characteristics, including a group prayer program and a center for *tahfidz* (Quran memorization). The school had also implemented the "*Sekolahe Arek Suroboyo*" (SAS) program, designed to foster high-quality education through the creation of a safe, recreational, and educational school environment that promotes cooperative engagement among all stakeholders. This program also aimed to bolster the participation of the wider community, particularly those residing in the vicinity of the school, fostering a collaborative learning community.

### Cultural Values at Research Sites

Cultural values within a school setting represent moral and ethical principles that guide the actions and behaviors of all members of the school community,



encompassing students, teachers, staff, and administration (Bali & Susilowati, 2019). These values shape the culture of the school, engendering a positive educational environment and contributing to the personal and academic advancement of students (Mujab & Alim, 2020). It is incumbent upon all members of the school community to comprehend these cultural values and incorporate them into their everyday activities. The enactment of these cultural values is instrumental in enhancing performance and positively influencing the educational experiences of students.

Different schools may accentuate specific values that align with their unique mission and vision. In the case of this research site, the cultural values were jointly developed by the foundation, school leadership, and the teacher council. The objective of this collaborative formulation was to instill a commitment among individuals to consciously integrate and enact these cultural values in their daily activities. The effective implementation of these cultural values is intended to cultivate a conducive educational environment that aligns with, and upholds, the school's vision and mission.

The cultural values identified at this research site include honesty, trust, mutual cooperation, mutual respect, and mutual care. To ensure effective socialization and internalization of these values by all school members, they are prominently displayed at various locations within the school. This serves as a regular reminder, encouraging individuals to constantly remember and apply these values in their daily lives. This approach to value dissemination was confirmed by Mrs. C, an official from the Financial Administration Section, who stated: "The school culture is displayed at various points within the school premises, ensuring visibility to everyone. This allows students, teachers, and parents to constantly be aware and reminded of the school's culture."

### *Honesty*

Honesty is identified as the cornerstone value that educational institutions endeavor to inculcate and enforce amongst all parties engaged in the school's operations, encompassing leadership, educators, students, and administrative staff. These stakeholders are anticipated to exhibit honesty and uphold it as a guiding principle throughout all dimensions of school life. Honesty is instrumental in molding the characters of students, providing a vital foundation for the positive development of their morals and character. It facilitates unimpeded communication among all involved



parties, thereby securing the confidence of the school's foundation, educational services, parental bodies, and the community at large.

The Headmaster, Mrs. A, elucidated the essence of honesty as a cultural value and its critical connection to the management of school finances:

"Commitment to honesty ensures the smooth operation of school activities, particularly fostering transparent communication. The trust vested in the school's administration by the Foundation and the Education Department, as well as by the parents of our students, is paramount. Parents entrust their children to our educational care and contribute financially, which we must steward with the utmost integrity. It is imperative to maintain honesty, for it directly impacts the quality of service provided to the students."

The Deputy Head for Financial Affairs, Mrs. B, further expounded on the significance of honesty and its relevance to the transparency of the school's financial reporting:

"Honesty empowers every member of the school to confidently articulate their perspectives, in both verbal and written forms, within open forums or through formal submissions. This openness contributes to the school's success and ensures that stakeholders can access school financial reports in a transparent and forthright manner."

### *Trust*

Trust, as an integral cultural value within the school, plays a pivotal role in establishing a robust and affirmative educational culture. A trust-centric school culture fosters a secure environment where teachers, students, staff, and parents feel supported and are actively engaged in the educational journey. When trust permeates the school community, it cultivates a supportive atmosphere conducive to learning, personal development, and constructive collaboration.

Mrs. A provided insight into the embedded value of trust within the school culture, particularly regarding the confidence placed by school leaders in educators and parents:



"In our context, trust implies that class instructors are entrusted with the responsible management of their classrooms, maintaining consistent vigilance to ensure a harmonious and productive learning environment. Parents, in turn, should hold a firm belief that the classroom dynamics between teachers and students are genuinely collaborative and conducive to learning. It is essential to prevent any erosion of trust between parents and educators."

Additionally, Mrs. C commented on the cultural value of trust:

"Trust engenders a sense of confidence and reliability from parents towards the school in the education of their children. We place our faith in our teachers, staff, and all those who play a part in the educational process, believing in their commitment to the students' educational welfare."

### *Mutual Cooperation*

The principle of mutual cooperation is pivotal within the educational institution's culture, fostering an environment that is collaborative, inclusive, and supportive. An educational ethos grounded in mutual cooperation serves as the bedrock upon which students, educators, administrative staff, and parents can unite to attain common educational objectives, thus optimizing the learning potential of each student. A culture that esteems collective endeavor transforms the institution into a crucible for innovation, where ideas are cherished, creativity flourishes, and the engagement of each individual in the educational process is actively fostered. Such an environment is conducive to nurturing both the personal and academic development of students and is instrumental in propelling the institution toward the realization of its educational aspirations.

Mrs. A elucidated the significance of mutual cooperation within the school, involving an array of stakeholders:

"The principle of mutual cooperation necessitates meticulous implementation, given that a multitude of parties, including government entities, foundations, parents, students, and educators, are integral to the school's operations. It is essential for all parties to collaboratively engage in school-related endeavors, extending beyond the purview of the chairperson and coordinator to incorporate support from every faction, thereby ensuring the smooth facilitation of school functions."



Mrs. C provided additional insights regarding the cultural value of collective endeavor and its association with parental engagement:

"The synergy between collective endeavor and the value of trust is profound. Once trust is established, collaboration becomes seamless and applicable to both internal school functions and external partnerships. Take, for instance, the Skills Competency Test (UKK) for sixth graders, which necessitates concerted collaboration with the parents of the students in that grade. Their participation and assistance are vital to the successful execution of the UKK at the school."

### *Mutual Respect*

Mutual respect is an integral cultural value within the school setting. The implementation of this value engenders a positive and welcoming atmosphere, where all members of the school community are made to feel valued, accepted, and secure. This promotes a favorable impact on student progression, interpersonal relationships, and the overall learning environment. The cultivation of mutual respect prepares students to embrace and value diversity within the wider society, laying a solid foundation for personal advancement, character development, and a healthy educational experience. Furthermore, reciprocal consideration plays a critical role in mitigating societal issues, diminishing conflict, and alleviating tensions among individuals.

Mrs. A addressed the paramount importance of mutual respect within the educational milieu:

"Reciprocal consideration is of utmost importance. Its absence can lead to considerable discord. Given that we function as a team dedicated to education, it is crucial to uphold respect for one another. Parental feedback should not be dismissed as mere complaints but rather embraced as constructive suggestions that can enhance the school's environment."

Mrs. B contributed to the discourse on the value of mutual respect and its influence on fostering a caring community: "Reciprocal consideration is extended to all members of the school, encompassing students, educators, and the principal. This engenders a culture of care among all parties,



ensuring that any challenges or issues that arise are resolved amicably, without attributing blame."

### *Mutual Care*

The principle of mutual care, as embedded within the school culture, manifests as a conscientious concern for the development and success of all members of the school community. An attitude of mutual care fosters an environment that is warm, inclusive, and supportive, thereby enabling each individual within the school setting to feel welcomed and valued. The culture of caring within the school milieu can further engender a spirit of mutual cooperation. When individuals perceive themselves as valued, cared for, and regarded by others, they are more inclined to engage in cooperative endeavors with their peers.

Mrs. A, in her capacity as the school principal, expounded upon the cultural value of mutual care as implemented within the school:

"The cultivation of a caring attitude is predicated on our nature as social beings interacting with a diverse range of individuals. As such, it is incumbent upon us to display care and consideration towards others. An attitude of mutual care engenders a spirit of cooperation among all constituents within the school environment."

### **Islamic Values in Preventing Fraud**

Within the Islamic faith, several values serve as ethical and moral compasses for its followers. These principles, namely *al-Ikhlas*, *al-Adil*, *al-Amanah*, and *as-Shidq*, form the bedrock of Islamic morality and serve as deterrents against fraudulent actions.

*Al-Ikhlas*, or sincerity, is an integral moral foundation in Islam, advocating that every action, irrespective of its magnitude, be performed solely for the sake of Allah, without anticipation of human accolades or rewards (Safuan et al., 2021; Kamri et al., 2014). This principle aligns with the teachings of the Al-Qur'an and Hadith:

*"And they are obliged only to worship Allah by purifying obedience to Him in (practicing) a straight religion." (Q.S. Al-Bayyinah: 5).*



*The Prophet Muhammad (PBUH) stated, "The things that are most loved by Allah are deeds that are given istiqama, even if they are small." (HR. Muslim).*

*Al-Adil*, or justice, promotes equal treatment without discrimination, advocating the delivery of each individual's rights with fairness and truth (Sudarmanto & Utami, 2021). This principle is supported by teachings from the Al-Qur'an and Hadith:

*"And never let your hatred of a people encourage you to act unfairly. Be fair, because justice is closer to piety." (Q.S. Al-Ma'idah: 8).*

*The Prophet Muhammad (PBUH) stated, "O you who believe, be witnesses for Allah, even if only with one just sentence." (HR. Bukhari and Muslims).*

*Al-Amanah*, or trust, is an ethical principle in Islam that signifies the trust and responsibility that individuals must uphold. It mandates the fair and honest delivery of rights conferred upon someone (Edi et al., 2022; Ibrahim, 2016). This principle is in line with teachings from the Al-Qur'an and Hadith:

*"Indeed, Allah commands you to convey trust to those who are entitled to receive it, and when you give a law between people, give it fairly." (Q.S. An-Nisa: 58).*

*The Prophet Muhammad (PBUH) stated, "The best believer is the one with the best morals, and the best among you is the one with the best morals towards his family." (HR. Tirmidhi).*

*As-Shidq*, or honesty, is a characteristic that encompasses truth, sincerity, and honesty in all matters. An individual demonstrating *as-Shidq* speaks the truth, does not conceal facts, and acts with integrity. Honesty includes consistency between words and actions and having good and sincere intentions in all matters (Husna et al., 2021; Umuri & Ibrahim, 2020). This aligns with teachings from the Al-Qur'an and Hadith:

*"O you who believe, let you be people who are always righteous for Allah's sake and do not die unless you are in the state of Islam." (QS Al-Maidah:8).*



*The Prophet Muhammad (PBUH) stated, "Speak honestly. Truth leads to virtue, and virtue leads to heaven. A person continues to speak the truth and strives for honesty until he is recorded as an honest person in the sight of Allah." (HR. Bukhari and Muslim).*

Table 2 provides a comprehensive overview of cultural values on sites that align with Islamic values.

Table 2. Cultural Values in School and Islamic Values

No	Cultural Values	Islamic Values	Sources
1	Honesty	<i>As-Shidq</i>	Q.S. Al-Maidah: 8
2	Trust	<i>Al-Amanah</i>	Q.S. Al-Bayyinah: 5
3	Mutual Cooperation	<i>At-Ta'awun</i>	Q.S. Al-Baqarah: 197
4	Mutual Respect	<i>Al-Ihtiram</i>	Q.S. Al-Hujurat: 10
5	Mutual Care	<i>Al-Ihtimam</i>	Q.S. Al-Baqarah: 267

(Source: Processed data, 2023)

### Cultural Values and Accountability in Financial Reporting

A critical indicator of proficient school administration is the accountability of financial reports. These reports systematically and structurally present the school's financial performance in managing funds, monitoring financial outcomes, and ensuring transparency. The school under scrutiny in this study is a privately owned institution governed by a Foundation, thereby necessitating its financial reports to address both the Education Department and the Foundation as the school's proprietors. Reports submitted to the Education Department pertain to the usage of School Operational Assistance (BOS) funds, sourced from the state budget, and thus accountability is due to the state. Financial reports submitted to the Foundation encapsulate revenues derived from student fees, activity funds, and building donations. These reports also detail the utilization of budgets regulated by the Foundation.

Mrs. C elucidated the financial reporting processes and procedures within the school more comprehensively:

"We have a dual reporting mechanism: one addressed to the Foundation and the other to the Department. The latter is necessitated by our receipt of assistance from the Department in the form of BOS and BPD funds. The reports for the Foundation align with the income and expenditure originating from the school, including tuition fees, activity funds, and building funds, which are then utilized to enhance welfare and support



school operations, including infrastructure development. The reporting to the Department adheres to departmental policy, encompassing requisite points, specific items aligned with BOS and BPD policies, timelines, and standards for items that must be reported in a comprehensive manner to facilitate the disbursement of subsequent assistance."

Each financial report undergoes evaluation by the Department and the Foundation. This evaluation influences budget allocations for subsequent periods. Mrs. C provided further explanation:

"Tuition fees, activity funds, and building funds directly impact the implementation of school programs and activities, teacher welfare, and expenditure on school facilities and infrastructure. Comprehensive and well-executed reporting enhances the Department's trust in the school's adherence to procedural and technical guidelines. Compliant reporting facilitates the timely disbursement of BOS and BPD funds. However, non-compliance with these guidelines can tarnish the institution's reputation and delay fund disbursement by up to two months."

Mrs. B affirmed Mrs. C's account of the process and elaborated on the repercussions of compliant and non-compliant financial reporting:

"The impact of the reporting process is significant as there is a sequence and flow to each part, starting from the coordinator, approved by the principal, and then submitted to the Foundation through an Accountability Letter (SPJ). Once the report is approved, we initiate the activity. Subsequently, we evaluate and review any challenges or shortcomings encountered during the activity. The outcomes of this evaluation are utilized to enhance future activities."

Mrs. A further detailed the financial reporting process, specifically concerning reports directed to the Department and the Foundation:

"Indeed, since our school receives assistance from the government, we report tuition revenues from students to the Foundation. Conversely, we report the utilization of government aid to the Department. Feedback on financial reports is expected from the Department, typically in the form of monitoring and evaluation from school supervisors. The Foundation, particularly the head, also provides an evaluation of the school's financial management."



Mrs. C elucidated the influence of school culture on accountable school financial reporting:

"The internalization of school cultural values, particularly honesty, is crucial to all financial reporting processes. School finances must be accurately represented, and the information should be reported transparently, without any concealment. This ensures that the financial reports genuinely reflect the actual financial status of the school."

### **Cultural Values as a Deterrent Against Fraudulence**

The incorporation of cultural values within schools can engender an environment of honesty and transparency, instrumental in preventing fraudulent activities among leadership, educators, and administrative personnel. Fraud, a consequence of intention, opportunity, and rationalization (the elements of the fraud triangle), can occur anywhere and affect anyone. However, the reinforcement and positive embodiment of cultural values can mitigate the risk of fraud within school settings. The internalization of such values can moderate and neutralize harmful intentions, preventing individuals from engaging in fraudulent behaviors. A conscious effort to uphold these values, even in the face of opportunity, can effectively deter fraudulent acts.

Cultural values have proven to be an efficient anti-fraud mechanism since their formal incorporation into the school's ethos. These values, codified as rules, are binding for all school members, intended to be upheld at all times and in all locations. They serve as a pre-emptive measure against potential fraud, particularly employee fraud, which can occur at all levels, from the lower echelons (staff) to the upper echelons (school leadership). These cultural values maintain the commitment of school leaders to operate within the regulations set by the Foundation and the Department. At the intermediate level, they ensure the financial department's ability to execute financial operations and present transparent, accountable financial reports without manipulation. At the lower level, they safeguard against the misuse of funds and fictitious transactions.

Mrs. A, who holds the highest leadership role and overall responsibility for the school, stated:



"It is absolutely crucial to exercise caution when dealing with finances to prevent misuse or premature borrowing. This aligns with our cultural values of honesty and trustworthiness. As a school administrator, there is a level of trust placed in me, and as the school manager, it is my duty to uphold this trust strictly. It is vital to incessantly instill and maintain our school culture in executing our programs. If we can fulfill our mandate, we will be trusted, fostering cooperation, mutual respect, and care among all parties. This is greatly beneficial for the continuity of education within the school."

Mrs. C, who is responsible for executing financial functions from recording to reporting, stated that one of the impacts of implementing school culture is gaining the trust of parents, enabling them to make regular payments:

"The implementation of the school culture has a considerable impact. When it is well executed, we are naturally inclined to preserve the trust bestowed upon us, particularly from the parents who have entrusted their children's education to us. A trustworthy school encourages parents to pay tuition and other fees regularly and punctually, without any arrears. Upholding our school culture minimizes the number of late payments from each student's parent, reducing the arrears from one to three months. This does not apply to all students; therefore, the delay rate can drop from 50% to 30%, eventually reaching 20% to 10%. We hope that the implementation of our school culture will further reduce arrears, ensuring the smooth functioning of school activities and the learning process."

These findings shed light on the pivotal role that cultural values play in preventing fraudulent activities within educational environments. It delineates how the incorporation of core values such as honesty, trust, mutual cooperation, mutual respect, and mutual care into the institutional ethos can significantly deter misconduct. The results corroborate prior scholarly assertions that an ethical organizational culture is instrumental in mitigating fraud, and they advocate for the active cultivation and integration of cultural values as a strategic measure against fraudulent behaviors in educational settings. Nonetheless, it is imperative to recognize that cultural values, while foundational, are not a unilateral solution to fraud. An effective fraud prevention framework necessitates a holistic strategy that amalgamates cultural values with stringent internal controls, ethical leadership, and proactive whistleblowing protocols to construct an environment resilient to fraud.



This aligns with the Fraud Triangle theoretical framework, which posits that the convergence of three elements—pressure (or motivation), opportunity, and rationalization—is conducive to the occurrence of fraud. By addressing each of these elements through a comprehensive, multi-dimensional approach, the propensity for fraud can be effectively reduced. The findings suggest that schools should prioritize instilling cultural values by incorporating values-based education in academic curricula, consistently reinforcing values within the school culture, recognizing individuals who embody these values, and developing clear and rigorous policies for financial management and reporting that align with the institution's cultural values.

## CONCLUSIONS

This study underscores the significant impact of cultural values in fostering an environment imbued with honesty and transparency, thereby acting as a substantial deterrent to fraudulent activities within educational institutions. By embedding core values such as honesty, trust, mutual cooperation, mutual respect, and mutual care into the institutional ethos, the propensity for fraudulent activities can be markedly reduced. These findings align with an established body of literature that underscores the importance of an ethical organizational culture in fraud prevention. However, this research also emphasizes that while cultural values are integral to mitigating fraud, they should not be perceived as an isolated solution. On the contrary, a comprehensive, multi-faceted approach that amalgamates cultural values with robust internal controls, ethical leadership, and effective whistleblowing mechanisms is crucial to establishing a truly resilient anti-fraud environment. Such an approach aligns with the Fraud Triangle theoretical framework, which posits that fraud occurs when three elements—pressure (or motivation), opportunity, and rationalization—coalesce.

This research has important implications for educational administration and policy-making. School administrators are advised to prioritize the instillation and reinforcement of cultural values within the school community. To achieve this, values-based education should be integrated into academic curricula. It is also important to consistently articulate and reinforce these values within the school culture and to formally recognize individuals who embody them. In addition, educational institutions should develop and promulgate clear and rigorous policies governing financial management and reporting. These policies should align with the institution's cultural values and emphasize the



principles of transparency, accountability, and ethical behavior in all financial dealings.

However, this study is limited by its data collection methodology, which solely encompassed observation and interview methods without the analysis of financial data to confirm whether fraud has indeed been averted within the school. Future research could augment this study by incorporating financial data analysis into its data collection methods, thereby enhancing the reliability of the research findings. Comparative studies exploring the effectiveness of cultural values in fraud prevention across diverse organizational contexts and cultural settings could yield invaluable generalizations and best practices. In summary, this study contributes to the growing corpus of research on fraud prevention by highlighting the pivotal role of cultural values in fostering ethical behavior and deterring fraudulent activities within educational institutions. By integrating cultural values with other anti-fraud measures, schools can engender a safe, ethical environment conducive to learning and development.

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