



Fraud prevention through financial management accountability: The role of amanah-based governance and employee competence in the ministry of religious affairs

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Article Info	ABSTRACT
<p>Article history:</p> <p>Received Feb 6, 2026 Revised Feb 22, 2026 Accepted Mar 30, 2026</p> <p>Keywords:</p> <p>Amanah-Based Governance; Employee Competence; Financial Management Accountability; Fraud Hexagon Theory; Fraud Prevention.</p>	<p>This study investigates the roles of amanah-based governance and employee competence in preventing fraud through financial management accountability within the Ministry of Religious Affairs in Jambi Province, Indonesia. Guided by the Fraud Hexagon Theory, the study examines how ethical values, technical skills, and accountability mechanisms interact to reduce the risk of fraudulent behavior in public sector financial management. Data were collected from 200 employees of the ministry and analyzed using Structural Equation Modeling (SEM) to assess the direct and indirect effects of governance and competence on fraud prevention. The findings indicate that while amanah-based governance provides a moral foundation and shapes ethical awareness, it does not directly enhance accountability or prevent fraud. In contrast, employee competence has a significant direct impact on both financial management accountability and fraud prevention. Financial management accountability strengthens fraud prevention by providing structural mechanisms to limit opportunities for misconduct, though it does not significantly mediate the effects of ethical governance or employee competence. These findings suggest that public sector organizations should complement ethical governance values with systematic capacity-building programs, professional training in financial management, and stronger accountability mechanisms. For government institutions, particularly the Ministry of Religious Affairs, strengthening employee competence and implementing transparent financial management systems are essential to translate ethical principles into effective fraud prevention practices. Overall, the results highlight the importance of integrating ethical governance, skilled personnel, and robust accountability systems to operationalize moral principles and mitigate fraud risks effectively.</p> <p><i>This is an open access article under the CC BY-NC license.</i></p>



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1. INTRODUCTION

Fraud in public sector financial management is a global concern that continues to attract the attention of both scholars and policymakers due to its significant impact on public trust and government effectiveness. International studies indicate that weak financial management accountability and deficient internal control systems are primary factors that create opportunities for fraud in the public sector (Omar et al., 2017; Rae & Subramaniam, 2008). Ineffective accountability

allows excessive discretion among officials, increasing the risk of abuse of power and financial manipulation. As governments manage increasingly complex public budgets, ensuring accountability has become a crucial strategy for preventing financial misconduct.

In the context of religious public administration, the risks associated with financial mismanagement may be even more sensitive due to the involvement of public trust and religious obligations. Several high-profile cases related to the management of religious funds illustrate the vulnerability of such institutions to fraudulent practices. For instance, the corruption case involving the mismanagement of Hajj funds and quotas in Indonesia attracted national attention when former officials of the Ministry of Religious Affairs were prosecuted for irregularities in the allocation of Hajj quotas and the misuse of pilgrimage-related funds. Such cases demonstrate that the management of religious budgets, which involves large financial resources and administrative discretion, is highly susceptible to fraud if accountability mechanisms and ethical governance are not properly implemented. These empirical realities highlight the importance of strengthening both structural and behavioral mechanisms to prevent fraud within government institutions responsible for religious services.

Over the past decade, research has emphasized that strengthening accountability and internal controls plays a critical role in fraud prevention (Dorminey et al., 2012; Kassem & Higson, 2016). However, most of these studies focus primarily on structural and procedural mechanisms, such as audits, internal control systems, and formal regulations. This approach has been considered insufficient as it often overlooks behavioral, ethical, and value-based dimensions of public officials that also substantially contribute to fraud occurrences (Ocansey & Ganu, 2017). Consequently, understanding fraud prevention requires not only examining institutional controls but also exploring individual and organizational factors that shape employee behavior.

In this context, employee competence emerges as an important factor influencing the quality of financial management and the effectiveness of accountability systems. Competence encompasses technical knowledge, professional skills, and the ability to properly implement financial procedures and internal control mechanisms. Conceptually, competent employees are better able to understand regulatory requirements, detect irregularities, and implement transparent financial reporting processes. Conversely, limited competence may weaken internal control implementation and increase the likelihood that fraud opportunities remain undetected. Empirical studies confirm that insufficient professional capability and limited financial management expertise among public officials can reduce the effectiveness of accountability systems and increase vulnerability to fraud (Owusu et al., 2023; Sofyani et al., 2018). Thus, employee competence plays a critical causal role in fraud prevention by strengthening the operational implementation of financial controls and accountability mechanisms.

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Beyond technical competence, the literature also highlights the importance of ethical values and organizational culture in shaping employee behavior. Previous studies emphasize that integrity, ethical awareness, and moral responsibility are key determinants in preventing fraudulent behavior (Kaptein, 2011). However, most governance models rarely incorporate spiritually or religiously grounded values as part of public sector governance. In institutions that manage religious affairs, value-based governance rooted in ethical principles may provide an additional mechanism to discourage fraud by internalizing moral responsibility among employees. In Islamic governance principles, the concept of *amanah* represents a moral obligation to manage entrusted resources

responsibly, transparently, and in accordance with ethical norms. Embedding such values within organizational governance may reduce fraud rationalization and encourage responsible financial management behavior.

The integration of technical, structural, and moral dimensions of fraud prevention can also be explained through the Fraud Hexagon Theory, which extends earlier fraud models by incorporating six elements: pressure, opportunity, rationalization, capability, ego, and collusion (Cressey, 1953; Kassem & Higson, 2016). Within this framework, financial management accountability can be interpreted as a mechanism that reduces the opportunity for fraud through transparent reporting and monitoring systems. Employee competence relates to the capability dimension, as individuals with higher knowledge and skills possess both the capacity to execute financial procedures effectively and the potential ability to exploit system weaknesses if accountability mechanisms are inadequate. Meanwhile, amanah-based governance addresses the rationalization dimension by strengthening ethical awareness and internal moral control, thereby discouraging individuals from justifying fraudulent actions. By linking these variables to key dimensions of the Fraud Hexagon, the present study provides a more comprehensive explanation of how technical competence, accountability systems, and ethical values interact in shaping fraud prevention behavior.

Despite growing interest in fraud prevention, the literature still reveals an important research gap. Most previous studies focus primarily on internal control systems and audit mechanisms while examining competence mainly as a technical variable. Limited research integrates accountability mechanisms, employee competence, and value-based governance within a single analytical framework, particularly in government institutions responsible for managing religious services. Furthermore, empirical studies rarely explore how ethical values such as amanah interact with organizational accountability structures to influence fraud prevention outcomes.

Based on this gap, the present study aims to examine the role of financial management accountability in fraud prevention within the Ministry of Religious Affairs by incorporating amanah-based governance and employee competence as reinforcing factors. By integrating these variables within the Fraud Hexagon theoretical framework, this study seeks to provide a more holistic explanation of fraud prevention mechanisms in public sector financial management. The findings are expected to contribute to the development of fraud prevention literature by demonstrating that effective governance requires not only technical accountability systems but also competent personnel and internalized ethical values. Moreover, this research provides practical insights for government institutions, particularly those responsible for managing religious services and public funds, regarding the importance of combining professional competence, accountability structures, and value-based governance to mitigate fraud risks effectively.

2. RESEARCH METHOD

This study adopts a quantitative explanatory research design to examine the effects of financial management accountability, amanah-based governance, and employee competence on fraud prevention in public sector institutions. The population of this study comprises employees working at the Ministry of Religious Affairs offices across Jambi Province. Data were collected using a structured questionnaire, with respondents selected through purposive sampling, focusing on employees directly involved in financial management, administrative processes, and supervisory functions to ensure the relevance and accuracy of responses. Referring to the rule of thumb proposed by (Hair et al., 2017) the minimum required sample size for Partial Least Squares-Structural Equation Modeling (PLS-SEM) is five-ten times the total number of indicators, resulting in a minimum sample size of 200 respondents. The distribution of respondents consisted of Education Personnel, Religious Affairs Officers, Religious Counselors, and Administrative & Technical Staff. All variables were measured using a Likert scale, and the collected data were analyzed using Partial Least Squares-Structural Equation Modeling (PLS-SEM). PLS-SEM was selected due to its suitability for prediction-oriented research, its capability to estimate complex models with multiple constructs, and its robustness in handling non-normal data distributions and moderate sample sizes. The analysis

involved an assessment of the measurement model (convergent validity, discriminant validity, and reliability) followed by evaluation of the structural model to test the proposed hypotheses.

Table 1. Variables and operational definitions

Variable	Definition	Indicators	Source
Fraud Prevention	Proactive efforts implemented by organizations to reduce the likelihood of fraudulent behavior by minimizing opportunities, pressures, rationalization, capability, collusion, and arrogance.	(1) Effectiveness of internal control systems; (2) Transparency of financial processes; (3) Whistleblowing mechanisms; (4) Ethical culture and integrity enforcement; (5) Monitoring and supervision intensity	(Albrecht et al., 2011; Dorminey et al., 2012; Vousinas, 2019)
Financial Management Accountability	The obligation of public institutions to manage financial resources transparently, responsibly, and in compliance with regulations to achieve organizational objectives.	(1) Accuracy of financial reporting; (2) Compliance with financial regulations; (3) Audit follow-up implementation; (4) Transparency in budget execution; (5) Responsibility for financial decisions	(Bovens, 2007; Liu & Lin, 2012)
Trust-Based Governance (Amanah-Based Governance)	A governance approach grounded in ethical responsibility, integrity, and moral accountability in managing entrusted authority and public resources.	(1) Integrity and ethical leadership; (2) Fairness in decision-making; (3) Transparency and honesty; (4) Moral responsibility (amanah); (5) Accountability to stakeholders	(Hassan et al., 2014; Huberts, 2018; Kaptein, 2011)
Employee Competence	A combination of knowledge, skills, experience, and ethical awareness that enables employees to perform their duties effectively and professionally.	(1) Financial and technical knowledge; (2) Professional skills; (3) Work experience; (4) Ethical awareness; (5) Continuous training and development	(Boyatzis, 2008; Mulgan, 2014; Vousinas, 2019)

3. RESULTS AND DISCUSSIONS

Outer Model Test

Construct Reliability and Validity

Construct reliability and validity are assessed to ensure that the measurement instruments consistently and accurately represent the latent variables under investigation (García et al., 2016).

Table 2. Construct reliability and validity

Construct	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Amanah-Based Governance	0.953	0.961	0.960	0.726
Employee Competence	0.984	0.985	0.987	0.902
Financial Management Accountability	0.975	0.977	0.979	0.854
Fraud Prevention	0.986	0.986	0.988	0.909

Source: Data processed using SmartPLS 4, 2025

Table 2 presents the results of construct reliability and validity assessment. The findings indicate that all constructs demonstrate strong internal consistency, as evidenced by Cronbach's alpha values ranging from 0.953 to 0.986, exceeding the recommended threshold of 0.70. Similarly, both composite reliability coefficients (rho_a and rho_c) for all constructs are above 0.90, confirming a high level of measurement reliability. Convergent validity is also well established, with Average Variance Extracted (AVE) values ranging from 0.726 to 0.909, surpassing the minimum criterion of 0.50. These results indicate that each construct explains a substantial proportion of variance in its indicators, confirming that the measurement model is both reliable and valid for subsequent structural model analysis.

Structural Model Evaluation (Inner Model)

Determination Coefficient (R²)

The coefficient of determination (R²) is used to evaluate the explanatory power of the structural model by indicating the proportion of variance in the endogenous construct explained by the exogenous variables (Hox, 2021).

Table 3. Determination coefficient (r^2)

Construct	R-square	R-square adjusted	Influence Level
Financial Management Accountability	0,825	0,817	Substantial
Fraud Prevention	0,929	0,924	Substantial

Source: Data processed using SmartPLS 4, 2025

Table 3 presents the results of the coefficient of determination (R^2) for the endogenous constructs. The R^2 value for Financial Management Accountability is 0.825 (adjusted $R^2 = 0.817$), indicating that a substantial proportion of variance in financial management accountability is explained by its antecedent variables, thus reflecting a strong explanatory power of the structural model. Furthermore, the R^2 value for Fraud Prevention reaches 0.929 (adjusted $R^2 = 0.924$), suggesting that financial management accountability, amanah-based governance, and employee competence collectively explain 92.9% of the variance in fraud prevention. Although this value indicates a very high predictive ability, it may also raise concerns regarding potential model overfitting. However, in the context of PLS-SEM, high R^2 values are not inherently problematic, particularly when the model is theoretically grounded and the constructs are conceptually related. In addition, the model specification in this study is based on established theoretical frameworks, which reduces the likelihood of spurious relationships. Nevertheless, to ensure the robustness of the model, further evaluation such as predictive relevance (Q^2) and out-of-sample prediction (e.g., PLSpredict) is recommended to confirm that the model maintains its predictive accuracy beyond the sample data.

Model Fit

Model fit is evaluated to assess the extent to which the proposed structural model adequately represents the observed data (Hox, 2021).

Table 4. Model fit

Construct	Saturated model	Estimated model
SRMR	0,075	0,075
d_ULS	3,154	3,154
d_G	11,089	11,089
Chi-square	1339,590	1339,590
NFI	0,631	0,631

Source: Data processed using SmartPLS 4, 2025

Table 4 presents the model fit indices for both the saturated and estimated models. The Standardized Root Mean Square Residual (SRMR) value of 0.075 for both models is below the recommended threshold of 0.08, indicating an acceptable model fit and suggesting that the discrepancy between the observed and predicted correlations is within tolerable limits. Additionally, the values of d_ULS (3.154) and d_G (11.089) indicate stable model estimation, while the Normed Fit Index (NFI) value of 0.631 reflects a moderate level of model fit, which is acceptable in PLS-SEM given its prediction-oriented nature.

Hypothesis Testing

Hypothesis testing is conducted to examine the proposed relationships between financial management accountability, amanah-based governance, employee competence, and fraud prevention. The hypotheses are tested using the bootstrapping procedure in PLS-SEM, which provides estimates of path coefficients, t-statistics, and p-values to assess the significance and direction of each relationship.

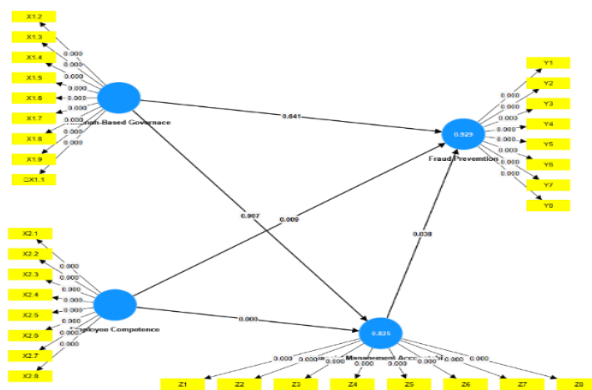


Figure 1. Final path model

Based on the final path model shown in the figure 1, this study examines the roles of Amanah-Based Governance and Employee Competence in enhancing Financial Management Accountability, as well as their implications for Fraud Prevention. The structural model reveals varying causal relationships among the constructs, both in terms of the strength of their effects and their predictive relevance.

Direct Effect

The direct effects analysis examines the causal relationships among the constructs in the structural model to determine the magnitude and significance of each hypothesized path (Musil & Kováčik, 2022).

Table 5. Direct effect

Construct	Original sample	Sample mean	Standard deviation	T statistics	P values	Info.
Amanah-Based Governance -> Financial Management Accountability	0,018	0,042	0,155	0,117	0,907	H1 Rejected
Employee Competence -> Financial Management Accountability	0,893	0,875	0,154	5,792	0,000*	H2 Accepted
Amanah-Based Governance -> Fraud Prevention	-0,045	-0,033	0,097	0,466	0,641	H3 Rejected
Employee Competence -> Fraud Prevention	0,595	0,544	0,227	2,619	0,009*	H4 Accepted
Financial Management Accountability -> Fraud Prevention	0,428	0,468	0,206	2,076	0,038*	H5 Accepted

Source: Data processed using SmartPLS 4, 2025

Table 5 presents the results of the direct effect analysis using the bootstrapping procedure. The findings show that amanah-based governance does not have a significant effect on financial management accountability ($\beta = 0.018$; $p = 0.907$), leading to the rejection of H1. In contrast, employee competence has a strong and significant positive effect on financial management accountability ($\beta = 0.893$; $p < 0.001$), supporting H2. Furthermore, amanah-based governance does not significantly influence fraud prevention ($\beta = -0.045$; $p = 0.641$), resulting in the rejection of H3. Conversely, employee competence shows a significant positive effect on fraud prevention ($\beta = 0.595$; $p = 0.009$), confirming H4. In addition, financial management accountability has a significant positive effect on fraud prevention ($\beta = 0.428$; $p = 0.038$), supporting H5.

Overall, these results indicate that employee competence and financial management accountability are the key direct determinants of fraud prevention, while amanah-based governance does not demonstrate a significant direct role within the structural model.

Indirect Effect

The indirect effect analysis is conducted to examine the mediating role of financial management accountability in the relationship between amanah-based governance, employee competence, and fraud prevention.

Table 6. Indirect effect

Construct	Original sample	Sample mean	Standard deviation	T statistics	P values	Info.
Amanah-Based Governance -> Financial Management Accountability -> Fraud Prevention	0,008	0,020	0,076	0,103	0,918	H6 Rejected
Employee Competence -> Financial Management Accountability -> Fraud Prevention	0,382	0,413	0,207	1,850	0,064	H7 Rejected

Source: Data processed using SmartPLS 4, 2025

Table 6 reports the results of the indirect effect analysis. The findings indicate that financial management accountability does not mediate the relationship between amanah-based governance and fraud prevention ($\beta = 0.008$; $p = 0.918$), leading to the rejection of H6. This result suggests that amanah-based governance neither directly nor indirectly influences fraud prevention through accountability mechanisms. Similarly, financial management accountability does not significantly mediate the relationship between employee competence and fraud prevention ($\beta = 0.382$; $p = 0.064$), resulting in the rejection of H7. Although the indirect path shows a relatively substantial coefficient, the effect does not reach the conventional significance threshold, indicating that the impact of employee competence on fraud prevention is predominantly direct rather than mediated.

Discussion Study

The findings show that amanah-based governance does not directly enhance financial management accountability. Within the Fraud Hexagon perspective, amanah mainly relates to the rationalization dimension, which concerns the moral reasoning individuals use to justify ethical or unethical behavior (Sarmigi & Wahyuni, 2026). Values such as trust, integrity, and responsibility can strengthen employees' ethical awareness and encourage responsible conduct. However, ethical values alone are not sufficient to ensure accountability because they do not directly address structural factors such as opportunity, pressure, or capability. In public sector organizations, accountability is generally strengthened through formal regulations, reporting standards, and internal control mechanisms (Rahmah et al., 2026). Therefore, while amanah can shape ethical attitudes, its practical impact depends on how these values are integrated into institutional policies and operational procedures (Dutta et al., 2022). Studies on Islamic organizational culture similarly suggest that amanah provides an ethical foundation for responsible behavior, but its effectiveness increases when supported by formal governance structures and control systems (Tran et al., 2021). Without such institutionalization, amanah-based governance may remain symbolic rather than operational in strengthening accountability (Satia, 2024).

The results also indicate that employee competence significantly supports financial management accountability. Competence reflects the knowledge, technical skills, and professional abilities required to perform financial management tasks effectively (Albrecht et al., 2019). Employees with strong competencies are better able to understand financial procedures, implement internal controls, and identify potential irregularities in financial reporting. As a result, they contribute to more transparent and accountable financial management practices. Previous research similarly highlights that employees with adequate financial literacy and professional expertise tend to comply more consistently with financial regulations and reporting standards (McDaniel et al., 2002). In this context, competence functions as a bridge between ethical governance and operational practice by translating normative values into measurable accountability outcomes (Olawale et al., 2024). Strengthening employee competence through continuous training and professional

development is therefore essential for improving financial accountability in public sector organizations (Albrecht et al., 2011; Omar et al., 2017).

The study further finds that amanah-based governance does not directly prevent fraud. Although amanah encourages honesty, trustworthiness, and ethical responsibility, its influence mainly operates at the level of moral awareness. Fraud prevention, however, requires the management of several organizational factors simultaneously, including opportunity, pressure, and capability (Cressey, 1953; Wells, 2014). Without effective monitoring systems and internal controls, ethical values alone may not sufficiently reduce fraudulent behavior. Previous studies have also shown that ethical governance frameworks often influence attitudes but do not necessarily reduce fraud when they are not supported by strong procedural controls (Ocansey & Ganu, 2017; Rezaee, 2005). Research in Islamic organizational contexts similarly indicates that ethical values such as amanah contribute to building a culture of integrity, yet the practical prevention of fraud relies on institutionalized control mechanisms (Satia, 2024). Integrating ethical governance with transparent financial procedures and monitoring systems therefore becomes essential for translating moral principles into effective fraud prevention strategies (Rae & Subramaniam, 2008).

In contrast, the findings demonstrate that employee competence plays a significant role in preventing fraud. Employees who possess strong financial knowledge and professional skills are better able to identify anomalies, apply internal controls properly, and ensure compliance with financial regulations. Their expertise enables them to detect potential fraud risks and maintain the accuracy of financial reporting. Previous studies support this finding, showing that higher levels of technical expertise and financial literacy among employees contribute to more effective fraud detection and prevention (Hogan et al., 2008; Rezaee, 2005). Moreover, competence strengthens the implementation of governance frameworks because employees are capable of translating ethical values into operational actions. While principles such as amanah guide moral reasoning, the practical prevention of fraud depends on employees' ability to monitor financial transactions and enforce control procedures (Hogan et al., 2008). Consequently, employee competence represents a critical mechanism for operationalizing ethical standards in organizational financial management (Dorminey et al., 2012; McDaniel et al., 2002).

The results also confirm that financial management accountability significantly contributes to fraud prevention. Transparent financial procedures, clear documentation, and systematic monitoring reduce opportunities for fraudulent behavior within organizations (Vousinas, 2019). When financial activities are properly recorded and regularly reviewed, irregularities are more likely to be detected, and employees face greater constraints in manipulating financial information. Previous studies similarly emphasize that organizations with strong accountability systems such as internal control mechanisms, rigorous reporting procedures, and transparent audit processes tend to experience lower levels of fraud (Dorminey et al., 2012; Kranacher & Riley, 2019). Accountability therefore functions as a structural safeguard that limits opportunities for misconduct while reinforcing a culture of integrity within organizations (Dutta et al., 2022; Sawyer, 1995).

However, the findings reveal that financial management accountability does not mediate the relationship between amanah-based governance and fraud prevention. Although amanah strengthens ethical awareness and moral responsibility among employees, its influence on fraud prevention appears to operate primarily at the level of personal values rather than through formal accountability mechanisms. Previous studies suggest that ethical principles require strong institutional integration in order to influence organizational outcomes (Hogan et al., 2008). Without such integration, ethical governance may influence attitudes but may not significantly reduce fraudulent behavior. Research in Islamic organizational contexts also indicates that while amanah strengthens moral reasoning, effective fraud prevention requires addressing structural factors such as opportunity and capability (Sarmigi & Wahyuni, 2026). Therefore, ethical governance must be supported by monitoring systems, internal controls, and organizational policies to produce measurable fraud prevention outcomes (Kranacher & Riley, 2019).

Finally, the study finds that financial management accountability does not significantly mediate the relationship between employee competence and fraud prevention. This suggests that employee competence may influence fraud prevention more directly. Employees who possess strong professional knowledge and financial literacy are capable of identifying risks, detecting irregularities, and applying internal controls effectively, even without relying heavily on formal accountability mechanisms (Olawale et al., 2024). Previous studies also indicate that competence strengthens both the ability to detect fraud risks and the capacity to manage financial procedures accurately (Sarmigi & Wahyuni, 2026). Consequently, investing in employee training, financial literacy, and professional development remains a critical strategy for strengthening fraud prevention in public sector organizations (Dorminey et al., 2012).

4. CONCLUSION

This study highlights the role of financial management accountability in preventing fraud, focusing on the contributions of amanah-based governance and employee competence within the Ministry of Religious Affairs. Amanah-based governance provides a moral foundation that shapes employees' ethical awareness and guides responsible behavior. However, ethical values alone are not sufficient to directly strengthen accountability or prevent fraud without formal control systems and monitoring mechanisms. In contrast, employee competence has a significant direct effect on both financial management accountability and fraud prevention. Employees with adequate knowledge and technical skills are better able to implement financial procedures, maintain transparency, and ensure compliance with regulations. Although financial management accountability contributes to reducing opportunities for fraud, it does not significantly mediate the effects of ethical governance or employee competence in this study. Based on these findings, several practical implications can be proposed for the Ministry of Religious Affairs and other government institutions. First, strengthening employee competence through regular training in financial management, internal control, and fraud awareness is essential to improve accountability practices. Second, institutions should enhance financial management accountability systems by strengthening monitoring mechanisms, internal audits, and transparent financial reporting. Third, ethical values such as amanah should be integrated into organizational policies and leadership practices to reinforce integrity in managing public funds. Overall, effective fraud prevention in government institutions requires the integration of ethical governance, competent human resources, and strong financial accountability systems to ensure that ethical principles are translated into concrete practices in public financial management.

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