

## The Influence of Internal Control and Organizational Culture on Fraud Prevention: A Systematic Literature Review

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### Abstract

*This study analyzes the influence of internal control and organizational culture on fraud prevention using a Systematic Literature Review (SLR) of 20 indexed journal articles published between 2011 and 2026. From the perspective of Agency Theory, internal control functions to reduce information asymmetry between principals and agents, thereby lowering the likelihood of fraud. Meanwhile, organizational culture acts as a bonding mechanism that voluntarily aligns the interests of agents with those of principals.*

*The findings indicate that strong internal control and an adaptive organizational culture positively enhance the effectiveness of fraud prevention. In contrast, a non-adaptive culture increases the risk of fraud and undermines organizational stability. This study recommends integrating formal controls with organizational culture to develop a comprehensive fraud prevention system.*

*Keywords: Internal Control, Organizational Culture, Fraud Prevention*

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## 1. Introduction

Fraud poses a serious threat to organizational sustainability as it can undermine public trust and service stability (Sanusi et al., 2025). From the perspective of Agency Theory, fraud arises due to conflicts of interest between principals and agents who possess asymmetric information (Agarwal, 2025). Agency Theory explains that agents tend to act in their own self-interest rather than in the interest of principals when adequate control mechanisms are absent (Arfiansyah, 2021). Therefore, internal control is required to monitor agent behavior and align it with organizational objectives (Praise & Rapina, 2022).

Internal control functions as a monitoring mechanism that reduces opportunities for agents to commit fraud through audit procedures, segregation of duties, and reporting systems (Rinaldi et al., 2024). Recent studies show that strong internal control significantly enhances the effectiveness of fraud prevention across various types of organizations (Awolowo et al., 2026). Proactive internal control can even detect anomalies at an early stage before they develop into fraud that harms the principal. However, Agency Theory also emphasizes that formal control mechanisms alone are insufficient without support from the values and norms upheld by agents (Iyer & Raji, 2025).

Organizational culture becomes a key factor as it shapes ethical behavior voluntarily, not merely due to fear of sanctions. An adaptive and integrity-oriented culture can reduce information asymmetry by encouraging transparency and the reporting of violations (Chen et al., 2019). Recent research demonstrates that ethical and collaborative cultures strengthen agents' commitment to principals' interests, thereby reducing the intention to commit fraud (Liao et al., 2024). Conversely, weak or non-adaptive cultures increase the likelihood of agents exploiting system weaknesses for personal gain (Putra et al., 2024).

Within the Agency Theory framework, organizational culture acts as a bonding mechanism that naturally aligns agent incentives with principal objectives. Although many studies have examined internal control and organizational culture separately, few have synthesized both variables simultaneously within the Agency Theory framework (Brunner-Kirchmair & Hiebl, 2025). In fact, the effectiveness of fraud prevention depends on the interaction between formal controls (internal control) and informal controls (organizational culture) (Tonelli et al., 2026). Therefore, a systematic review is needed to integrate empirical evidence across various contexts and methodologies (Wressell et al., 2018).

A Systematic Literature Review (SLR) is chosen as the method because it enables the identification, evaluation, and synthesis of relevant findings in a transparent and replicable manner (Kable et al., 2011). Through this approach, the study aims to answer the following question: How do internal control and organizational culture influence fraud prevention from an Agency Theory perspective based on empirical evidence from the last five years?

The findings are expected to contribute theoretically to the development of Agency Theory and provide practical recommendations for organizations in designing a holistic fraud prevention system (Sanusi et al., 2025).

## **2. Research Methodology**

This study employs a Systematic Literature Review (SLR) method to analyze and synthesize empirical findings on the influence of Internal Control and Organizational Culture on Fraud Prevention. The SLR approach is chosen because it provides a systematic, comprehensive, and structured review of existing literature. This method enables the identification, evaluation, and interpretation of all relevant studies in a transparent and replicable manner.

The article selection process follows the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) protocol, which consists of four main stages: identification, screening, eligibility, and inclusion. The literature search was conducted using leading databases such as Scopus, ScienceDirect, ProQuest, and Google Scholar, using the following keyword combinations: "Internal Control" OR "Organizational Culture" AND "Fraud Prevention." The search was limited to articles published in reputable international journals within the 2011–2026 period.

The inclusion criteria applied are as follows:

- Empirical articles examining the relationship between Internal Control and Organizational Culture with Fraud Prevention
- Articles written in English or Indonesian
- Full-text availability
- Published in peer-reviewed journals

Table 2. Journal Article Distribution

<b>Quartile</b>	<b>Number of Articles</b>	<b>Percentage</b>
<b>Q1</b>	9	45%
<b>Q2</b>	5	25%
<b>Q3</b>	3	15%
<b>Q4</b>	1	5%
<b>ProQuest</b>	2	10%
<b>Total</b>	<b>20</b>	<b>100%</b>

Based on Table 2, the majority of articles used in this study come from Q1 (45%) and Q2 (25%) journals, indicating that the reviewed literature has high credibility and strong relevance to the topics of Internal Control, Organizational Culture, and Fraud Prevention. The remaining articles are sourced from Q3 (15%), Q4 (5%), and the ProQuest database (10%).

### 3. Results and Discussion

Based on the analysis of 20 selected journal articles, Agency Theory emerges as the most dominant theoretical framework in explaining the relationship between internal control, organizational culture, and fraud prevention.

Table 3. Theoretical Framework Distribution

<b>Theory</b>	<b>Number</b>	<b>Percentage</b>
Agency Theory	6	30%
Institutional Theory	4	20%

Contingency Theory	3	15%
Resource-Based View	2	10%
Stewardship Theory	2	10%
Socio-Technical Systems Theory	2	10%
Resilience Theory	1	5%
<b>Total</b>	<b>20</b>	<b>100%</b>

Based on Table 3, Agency Theory is the most frequently used theory (30%) in explaining the relationship between Internal Control, Organizational Culture, and Fraud Prevention. This indicates that agency conflicts between principals and agents serve as the primary foundation for understanding the need for control mechanisms and organizational culture in preventing fraud.

Other theories, such as Institutional Theory (20%) and Contingency Theory (15%), also contribute by explaining how environmental and contextual factors influence the effectiveness of fraud prevention.

#### 4. Conclusion

Based on the synthesis of 20 journal articles using the Systematic Literature Review method, it can be concluded that internal control and organizational culture have a positive influence on fraud prevention from the perspective of Agency Theory (Sanusi et al., 2025). Internal control functions to reduce information asymmetry between principals and agents, thereby lowering the likelihood of fraud and protecting the interests of principals (Agarwal, 2025). Strong internal control—through auditing, continuous monitoring, and effective leadership—has been proven to enhance the early detection of opportunistic agent behavior (Awolowo et al., 2026; Praise & Rapina, 2022).

Meanwhile, organizational culture acts as a bonding mechanism that voluntarily aligns the interests of agents with those of principals. Culture can reduce agents' tendency to exploit information asymmetry for personal gain (Iyer & Raji, 2025; Liao et al., 2024). In contrast, a non-adaptive culture or one characterized by high power distance increases the risk of fraud and undermines service stability (Tonelli et al., 2026).

Thus, within the Agency Theory framework, the effectiveness of fraud prevention depends not only on formal controls but also on the development of a culture that internalizes integrity values among agents (Dahmen, 2023; Rinaldi et al., 2024). This study recommends that organizations integrate strong internal control with supportive organizational culture to establish a sustainable fraud prevention system (Arfiansyah, 2021; Brunner-Kirchmair & Hiebl, 2025).

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