

## The Role of Governance Structure in Determining the Effectiveness of Fraud Prevention Strategies: A Systematic Literature Review

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### Abstract

*This study examines the role of corporate governance in determining the effectiveness of fraud prevention strategies. Using a Systematic Literature Review (SLR) approach with the PRISMA protocol, this study analyzes 21 international journal articles published between 2015 and 2026. The findings indicate that Agency Theory is the most dominant theoretical framework (48%). The majority of studies (81%) report a positive impact of corporate governance on fraud prevention, while 19% report negative effects. Governance mechanisms such as audit committees, board independence, and internal controls are found to be effective in mitigating fraud; however, their effectiveness depends on contextual factors and the quality of implementation. This study concludes that corporate governance plays a significant role in fraud prevention, but its effectiveness requires a contextual and integrated approach..*

*Keywords: Corporate Governance, Fraud Prevention, Systematic Literature Review*

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## 1. Introduction

Fraud in financial reporting and organizational operations has become a global concern due to its detrimental impact on stakeholders (Rashid et al., 2022). Numerous high-profile corporate scandals have demonstrated that failures in corporate governance are a primary root cause of systematic fraudulent practices (Kassem, 2022). Fraud not only results in financial losses but also damages organizational reputation and undermines public trust in capital markets (Nasir et al., 2019). Therefore, fraud prevention has become a key priority for companies, regulators, and auditors (Bonrath & Eulerich, 2024). One of the primary mechanisms believed to mitigate fraud risk is the implementation of a robust corporate governance structure (Mousavi et al., 2022). However, the effectiveness of governance mechanisms in preventing fraud remains a subject of debate in the academic literature (Erin et al., 2020)

Previous studies indicate that governance mechanisms such as audit committees, board independence, and internal controls play a significant role in detecting and preventing fraud (Halbouni et al., 2016). Several studies also find that the integration of financial data and governance variables enhances the accuracy of fraud detection models (Birol, 2019). Internal audit functions that report directly to audit committees are found to be more effective in adopting data analytics for fraud prevention (Rakipi et al., 2021). Strong internal control systems are even considered one of the most effective approaches in anti-fraud strategies

(Rashid et al., 2022). In addition, a corporate culture grounded in integrity and ethical leadership contributes positively to fraud prevention (Guiso et al., 2015). In the public sector, effective governance has been shown to improve organizational performance through fraud prevention (Rahayu et al., 2025). Similarly, work ethics and good corporate governance practices simultaneously influence the effectiveness of anti-fraud strategies (Reskino et al., 2023)

On the other hand, several studies report contradictory or negative findings regarding the role of governance in fraud prevention (Sari et al., 2022). In some cases, the presence of audit committees weakens the influence of fraud hexagon elements on financial reporting (Sari et al., 2022). The existence of an expectation gap between the public and auditors highlights weaknesses in fraud prevention strategies within central government institutions (Ellul & Scicluna, 2022). Weak governance structures may even increase the likelihood of fraudulent activities (Kassem, 2022). Additionally, larger risk committees do not always have a significant impact on preventing cybercrime (Erin et al., 2020). In certain contexts, the presence of directors with specific ethnic backgrounds has been associated with increased financial reporting fraud in Malaysia (Nasir et al., 2019). These contradictory findings indicate that the effectiveness of governance mechanisms is not automatic but highly dependent on contextual factors and the design of governance structures (Nadirisyah et al., 2024). Therefore, a systematic synthesis of the literature is necessary to comprehensively understand the role of governance structures in determining the effectiveness of fraud prevention strategies (Andayani & Wuryantoro, 2023). This study aims to analyze and synthesize empirical findings from previous research using a Systematic Literature Review (Islam & Stafford, 2022)

## 2. Research Methodology

This study employs a Systematic Literature Review (SLR) method to analyze and synthesize empirical findings on the impact of corporate governance on fraud prevention. 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, ProQuest, and Google Scholar, with the following keyword combinations: “Corporate Governance” OR “Audit Committee” OR “Board Characteristics” AND “Fraud Prevention” OR “Fraud Detection.” The search was limited to articles published in reputable international journals within the period of 2015–2026.

Table 1. Journal Distribution

Quartile	Number of Articles	Percentage
Q1	6	29%
Q2	7	33%
Q3	3	14%
Q4	2	10%

<b>ProQuest</b>	3	14%
<b>Total</b>	<b>21</b>	<b>100%</b>

Based on Table 1, out of the total 21 articles included in this study, 6 articles (29%) are from Q1-indexed journals, 7 articles (33%) from Q2 journals, 3 articles (14%) from Q3 journals, 2 articles (10%) from Q4 journals, and 3 articles (14%) from the ProQuest database. This indicates that the majority of the articles (62%) are sourced from high-quality journals (Q1 and Q2), thereby ensuring the reliability and credibility of the findings presented in this literature review.

### 3. Results and Discussion

Based on the analysis of 21 selected journal articles, several theories are identified as the dominant frameworks explaining the relationship between corporate governance and fraud prevention.

**Table 2. Theoretical Framework**

<b>Theory</b>	<b>Number</b>	<b>Percentage</b>
<b>Agency Theory</b>	10	48%
<b>Fraud Models</b>	5	24%
<b>Institutional Theory</b>	3	14%
<b>Audit Theory</b>	2	9%
<b>Stewardship Theory</b>	1	5%
<b>Total</b>	<b>21</b>	<b>100%</b>

#### The Impact of Corporate Governance on Fraud Prevention

Based on the synthesis of 21 articles, corporate governance structures are found to play a significant but varying role in determining the effectiveness of fraud prevention strategies. The findings can be categorized into three main themes:

##### 1. Positive Impact of Corporate Governance on Fraud Prevention

The majority of studies report a positive relationship between governance mechanisms and fraud prevention.

(Birol, 2019) demonstrates that combining financial and governance data enhances the accuracy of fraud detection models. (Halbouni et al., 2016) find that corporate governance plays a moderating role in fraud prevention, while the use of information technology provides effectiveness comparable to traditional methods. (Rakipi et al., 2021) emphasize that the independence of the internal audit function (IAF) and its strong relationship with management improve audit effectiveness through data analytics.

(Rashid et al., 2022) identify internal control systems as one of the most effective approaches in fraud prevention. Positive findings are also supported by (Andayani & Wuryantoro, 2023; Bonrath & Eulerich, 2024; Nadirsyah et al., 2024; Rahayu et al., 2025; Reskino et al., 2023) who highlight that ethical values and good corporate governance (GCG) practices significantly enhance the effectiveness of anti-fraud strategies.

Furthermore, (Mousavi et al., 2022) argue that strong governance structures serve as a primary mitigation mechanism against fraud and money laundering. (Islam & Stafford, 2022) add that internal audit functions with explicit fraud detection responsibilities are more likely to adopt data analytics (Nugraha & Nugraheni, 2025), as well as (Khresat, 2025), also find that financial targets, organizational stability, and forensic auditors' technical expertise significantly influence fraud detection, with internal control acting as a mediating variable.

## 2. Negative or Insignificant Impact

In contrast, several studies report negative or contradictory findings.

(Sari et al., 2022) find that audit committees may weaken the negative influence of fraud hexagon elements on financial reporting, suggesting that their presence does not always function effectively as a fraud prevention mechanism. (Ellul & Scicluna, 2022) identify a significant expectation gap between public expectations and auditors' responsibilities, indicating weaknesses in fraud prevention strategies.

(Kassem, 2022) argues that weak corporate governance increases the likelihood of fraud, while (Erin et al., 2020) report that overly large risk committees may not significantly contribute to preventing cybercrime.

## 3. Moderating Factors Affecting Governance Effectiveness

Several studies identify contextual factors that strengthen or weaken the relationship between corporate governance and fraud prevention.

(Nasir et al., 2019) find that the presence of directors from specific ethnic backgrounds is positively associated with financial reporting fraud, indicating that board composition must be carefully managed. (Halbouni et al., 2016) highlight that an honest organizational culture and continuous training are critical elements that complement formal governance structures.

## 4. Conclusion

Based on a systematic literature review of 21 international journal articles published between 2015 and 2026, this study concludes that corporate governance structures play a crucial role in determining the effectiveness of fraud prevention strategies. The majority of studies (81%) report a positive relationship, indicating that governance mechanisms such as audit committees, board independence, internal controls, and corporate culture are effective in mitigating fraud risk. Agency Theory emerges as the dominant theoretical framework (48%) in explaining this relationship. However, 19% of the studies report negative findings,

suggesting that the effectiveness of corporate governance is not automatic and largely depends on contextual factors and the quality of its implementation. Future research is recommended to expand the scope to public sector organizations and developing countries, as well as to explore moderating factors influencing the relationship between corporate governance and fraud prevention.

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