

INTEGRATING CORPORATE GOVERNANCE AND FORENSIC ACCOUNTING: A SUSTAINABLE CORPORATE STRATEGY AGAINST FRAUD

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Abstract

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In the realm of financial oversight and corporate management, forensic accounting (FA) holds a critical position, serving as a central control mechanism and being widely recognized as an essential component of corporate governance. FA plays a crucial role as a central control mechanism and is acknowledged as a pivotal element of corporate governance. Consequently, it needs to continuously adapt in response to shifts in corporate governance practices, while the role of internal auditors transforms to actively support corporate sustainability. The aim of this research is to assess the effectiveness of FA and explore its relationship with corporate governance, based on the relevant literature. Thus, the main objectives of the present study are to identify the internal control attributes that influence the quality of its performance and to evaluate how corporate governance contributes to enhancing the quality of FA. To achieve the aim and the objectives of the paper, a literature analysis was carried out. The main contribution of the present paper is to refresh the existing body of knowledge on contemporary FA and its interplay with corporate governance.

Keywords: Forensic Accounting, Corporate Governance, Internal Control, Corporate Sustainability, Quality Assessment, Internal Auditors, Literature Update

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1. INTRODUCTION

Various economic scandals involving fraud of all kinds hurt both developed and developing economies due to their negative economic impact.

The collapse of numerous large businesses has plagued the corporate world because of fraud. Poor corporate governance caused by a lack of a secure control environment, is a major contributor to manipulated financial reports, accounting scams,

poor company performance, and disgruntled stakeholders, investors, financial institutions, and insurance companies.

The nature of the modern economy changed rapidly due to technological evolution. Its digital transformation involving large volumes of complex data created great vulnerability to the economic environment and uncertainty to investors' revenue and profitability (Gleason et al., 2022). Cybercrime and data breaches significantly increased with the switch to digital operations. Financial fraud has evolved into a sophisticated, chaotic, and common practice. Today's biggest threat to businesses is fraud connected to technology and the Internet. They increase companies' concerns about their control environment effectiveness. Fraud control activities are the central pillar of business growth and sustainability. However, monitoring digital transactions is difficult and the control utility of auditing becomes ineffective, thus, affecting the quality of corporate governance (Alfordy, 2022).

The inability of traditional auditing to detect fraudulent activities conducted to uncover ingenious fraud schemes (Enofe et al., 2015). The law and auditing procedures are not always current with the most recent technological advancements, and fraudsters are always one step ahead. Accounting, regulatory, and legislative bodies became more concerned with detecting financial and administrative corruption. The emergence of fraudulent financial activities shows how well the governance framework and control environment are working and increases the need for more advanced audit services. A new perception of accounting and auditing has become imperative, and forensic accounting (FA) is born, which integrates accounting, auditing, and investigative skills. It bridges the gap between statutory, conventional accounting and auditing, and financial fraud prevention (Lakshmi & Menon, 2016).

It became critical for more skilled and specialized auditors to determine where the money went, how it arrived, and who was responsible (Efiong, 2012). Independent external auditors are also inefficient at eliminating fraud because they only deal with fraud after it has occurred. They do not perform predictive audits (Khersiat, 2018). On the audit team, forensic accountants are required. Traditional auditors are the financial system's watchdogs, whereas forensic accountants are the bloodhounds (Lakshmi & Menon, 2016; Alqaraleh et al., 2022; Julian et al., 2022).

FA is a dynamic and strategic tool to combat financial crimes because its proactive role detects "operational vagaries and deviant transactions before they crystallise into fraud" (Nigerian Institute of Advanced Legal Studies, 2010). Implementing FA services protects companies from long-term reputational damage caused by publicity related to fraudulent activities and determines the success level of good corporate governance. It restores investors' confidence and credibility in corporate governance and increases the company's market value (Blessing, 2015). It is the corporate governance's weapon of choice in the fight against fraud.

From the perspective of agency theory, FA plays a crucial role in addressing the information asymmetry between principals and agents. This

asymmetry occurs because agents who manage the company have more information about its operations than the principals (Gottschalk, 2018). FA's techniques can uncover discrepancies in financial reports, thereby mitigating the risk of fraudulent activities by agents. It serves as a deterrent against mismanagement and fraud, protecting the interests of shareholders and other stakeholders. FA contributes to corporate governance by enhancing the reliability of financial reporting and compliance with relevant laws and regulations. It supports the audit function, adds to the effectiveness of internal controls, and provides a mechanism for investigating and addressing suspected fraudulent activities. Integrating FA into the corporate governance framework strengthens a company's oversight and control mechanisms. By proactively detecting and addressing financial irregularities, companies can avoid significant financial losses and reputational damage. Furthermore, the presence of FA practices signals to investors and stakeholders a strong commitment to ethical standards and transparency, thereby enhancing trust and confidence in the company's management. Thus, through the lens of agency theory, both corporate governance and FA address the challenges of agency costs and information asymmetry in the corporate environment. While corporate governance establishes the framework for aligning the interests of principals and agents, FA provides the tools for detecting, preventing, and investigating financial irregularities. Together, they play a vital role in ensuring the integrity, transparency, and efficiency of business operations, safeguarding the interests of shareholders and other stakeholders (Imoniana et al., 2013).

Resource dependence theory (RDT) provides a different perspective from agency theory when examining corporate governance and FA. While agency theory focuses on the conflicts between principals (shareholders) and agents (managers), RDT emphasizes the organization's dependence on external resources and the strategies it employs to manage these dependencies. This theory suggests that organizations must develop mechanisms to reduce their vulnerability and secure essential resources from the external environment, which includes financial resources, information, legitimacy, and access to markets (Pfeffer & Salancik, 2006). In the context of RDT, corporate governance is seen as a tool for managing dependencies on external resources, including capital, strategic partnerships, and regulatory goodwill. Governance structures, such as boards of directors, play a critical role in bridging the gap between the organization and its external environment. Board members often bring valuable resources to the organization, including industry expertise, network connections, and access to capital. Integrating FA into the corporate governance framework can enhance a company's ability to manage its resource dependencies effectively. By ensuring financial integrity and compliance, FA supports the organization's efforts to maintain legitimacy and trust with external stakeholders. This integration can make the organization more attractive to potential resource providers, such as investors, partners, and regulatory bodies.

In the realm of financial oversight and corporate management, FA holds a critical position, serving as a central control mechanism and being widely recognized as an essential component of corporate governance. This recognition is grounded in the dynamic nature of corporate environments, which demand that FA continually evolve in response to changing corporate governance standards. Simultaneously, the role of internal auditors has been evolving as well, adapting to actively contribute to the broader goal of corporate sustainability.

The aim of the present research is to assess and evaluate the effectiveness of FA, specifically examining its correlation with the state of corporate governance. The research is driven by two key inquiries:

RQ1: What are the internal control characteristics that have a determining influence on the quality of FA operations?

RQ2: How does the presence of robust and effective corporate governance practices contribute to enhancing the quality of FA?

Through this investigation, the research aims not only to shed light on the intricate dynamics between FA and corporate governance but also to provide valuable insights that can contribute to the evolving literature in the field, reflecting the current state of FA in tandem with its intersection with corporate governance. To do so, the paper adopts a literature review as the research methodology.

The structure of the remainder of this paper is as follows. In Section 2, an overview of the reviewed literature is presented. Section 3 outlines the methodology employed in this study. Finally, Section 4 contains the discussion, while Section 5 contains the paper's conclusions.

2. LITERATURE REVIEW RESULTS

2.1. Fraud barometer according to Big 4

In the 15th Ernst & Young's (2018) global fraud survey fraud and corruption due to unethical behavior have been identified as the greatest threat to businesses. Companies' unwillingness to fully comply with financial market regulations and legislations concerning antifraud policies, is responsible for the unprecedented rise in fraud. To enforce criminal corporate liability laws, governments impose fines on companies for their unethical behavior and fraudulent activities. In particular, United States (US) and United Kingdom (UK) authorities imposed 11 billion USD in financial penalties. After incurring penalties, many companies started taking compliance with legislation more seriously and altered their antifraud policies in response to high noncompliance costs. However, there is still a gap between the enforcement of anti-corruption laws and the companies' response to corporate management. The solution to the fraud problem is introducing digital compliance tools, such as real-time risk alerts, predictive analysis, and FA.

According to the KPMG's (2019) global banking fraud survey, external fraud increased substantially between 2015 and 2018, whereas internal employee fraud decreased between 2017 and 2018. Cyberattacks, account takeover, impersonation

fraud, and authorized push payment scams are identified as external fraud schemes. In financial institutions, many external frauds are perpetrated in conjunction with internal sources who have extensive familiarity with the systems, processes, and controls.

PricewaterhouseCoopers's (PwC's, 2022) global economic crime and fraud survey 2020 identified customer fraud as the most prevalent threat to global businesses, accounting for 35%. This was followed by cybercrime at 34%, asset misappropriation at 32%, bribery and corruption at 30%, and accounting and financial statement fraud at 28%. To combat fraud risks, companies have begun investing in antifraud policies. However, only 14% of companies globally are dedicated to antifraud resources. Antifraud policies are costly, and only a few companies can afford them.

Compared to 2020, digital-related fraud increased in 2021. The COVID-19 pandemic altered the lives of everyone and compelled them to work online. Companies were unprepared to face such a transformation and comply with the new measures. Their internal controls were inadequate. Some employees were willing to commit fraud because they believed they had a lower chance of being caught when they were away from their employer. In the UK, fraud cases increased by 66% in 2021 (KPMG, 2022). As a result of the transition to digital operations, employees working from home with access to corporate data were exposed to unsettling risks. The collusion between internal and external perpetrators increased by up to 26%, whereas external perpetrators increased by up to 43% due to the impact of hackers. With the rise of e-commerce and online services, social media opens the door to various fraudulent schemes. COVID-19 modifies business patterns and opportunities for third parties to commit fraud. Approximately 42 billion USD was lost in the business sector due to fraud (Deloitte, 2021a, 2021b, 2021c).

According to PwC's (2022) global economic crime and fraud survey, cybercrime, customer fraud, and asset misappropriation are today's most prevalent types of fraud. Cybercrime accounts for between 35% and 50% of fraud cases in industrial manufacturing, health industries, technology, media and telecommunications, and government and public sectors. In the US business world, fraud, noncompliance, and cyber breaches are the costliest and most pervasive threats (KPMG, 2022).

The disruption and uncertainty caused by COVID-19 provide malicious actors with opportunities to commit fraud. The transition to digital operations engenders a new business environment and a rise in corporate digital fraud, which has become an essential cost of doing business. Regardless of how well-run a business is, all companies face a certain level of fraud. The need to avoid creating opportunities for fraudsters compels them to implement risk elimination and fraud detection measures. Corporate leaders prioritize the establishment of preventive measures and contingency plans. Antifraud policies' fundamental pillar for mitigating fraud is fraud prevention (Deloitte, 2021a, 2021b, 2021c) because fraud detection is directly related to fraud prevention (Mangala & Kumari, 2015).

2.2. The role of forensic accounting in fraud mitigation

FA is the application of accounting, auditing, and financial skills, and an investigative mindset, to unresolved issues and legal problems in the context of real facts and evidence (Mansour et al., 2020). It is a fusion of forensic science and accounting that arose in response to the high rate of fraudulent activities and financial crimes (Ozili, 2015). FA can be synonymous with investigative accounting (Akinbowale et al., 2020). It focuses on fraud prevention and detection and attempts to penetrate concealment techniques to determine what happened in specific situations and events (Adesina et al., 2020).

Financial auditors are responsible for ensuring compliance with auditing standards and laws, fraud auditors focus on identifying potential fraud, and forensic accountants identify the perpetrator, and the circumstances under which the fraud occurred, and suggest preventive measures (Lakshmi & Menon, 2016).

From an auditor's perspective, FA is the application of auditing techniques and procedures, and the integration of investigative, accounting, and auditing skills and knowledge to resolve legal issues. Meanwhile, from the fraud auditors' perspective, FA is the application of specific analytic skills to deal with financial issues in a manner that is required, suitable, and acceptable by the court of laws and jurisprudence. Moreover, from the attorney and litigator's perspective, FA is the process of gathering, interpreting, summarizing, and presenting difficult and complex financial issues in court (Ozili, 2015). From an economist's perspective, FA is an effective process to estimate economic loss, damages, and reputation (Fitriyah & Sidharta, 2013). Lastly, from the companies' management bodies' perspective, FA is a preventive rather than an investigative tool, as it assists companies in preventing corporate fraud by enhancing their risk management, internal control system, and governance policies and in achieving their objectives (Das, 2020; Singhania et al., 2022). It evaluates the damages caused by the auditor's negligence and addresses the business reality of a particular situation (Eze & Okoye, 2019). Moreover, it determines the level of company bankruptcy and insolvency (Khersiat, 2018) and restores the company's eroded public confidence (Lamba & Jain, 2020).

It is a socio-professional activity. The practices of financial and management accounting are socio-professional. Audit is concerned with accounting oversight, whereas laws express the state's desire to establish and advance social, economic, and political order. Therefore, the FA discipline is a socio-professional activity because it combines accounting, auditing, and the law (Renzhou, 2011).

FA is the best option for controlling, eliminating, and mitigating fraud (Rehman & Hashim, 2021) and is used by the company to prevent fraudulent financial reporting. It has a proactive role in identifying deficiencies and internal control weaknesses and can successfully adopt and implement a corruption prevention plan (Siregar & Tenoyo, 2015). It analyzes untrue accounting and financial reporting and evaluates

risk management assessments and the adequacy of business risk mitigation strategies. As a result of analyzing the causes and effects of illegal activities such as fake documentation, employee theft, mistakes, negligence, tax evasion, and false bankruptcy, FA can predict their impact on financial reports and recommend the appropriate way to address them (Perduv et al., 2018).

Fraud audits and continuous evaluation of financial information, create a control environment in which fraud can be better detected. The follow-up examinations of findings and results have the biggest role in fraud prevention since they increase management's responsibility for evaluating risks and conducting supervision to eliminate opportunities for deception (Novatiani et al., 2022). High-quality audits lead to high-quality financial reporting (Tumwebaze et al., 2021). Preventing fraudulent financial activities through fraud audits, improves the quality of financial reports and ensures that financial statements are presented reliably, clearly, responsibly, and timely.

The use of FA improves a company's fraud risk management which addresses risk areas, formulates a response strategy, and implements control mechanisms and tools to mitigate fraud risk. The procedures and techniques of the FA are suitable for detecting fraud and enhancing the effectiveness of fraud risk management (Mittal et al., 2021).

It can be argued that the purposes of FA are 1) to detect errors and ambiguity in a company's operations and suspicious transactions before they escalate into fraudulent activities, early detection of frauds; 2) to improve the accuracy of financial statements by identifying any discrepancies and embezzlement of assets; and 3) to determine the accountability for corruption, which involves fixing the accountability for financial crime (Lamba & Jain, 2020).

Also, FA effectively contributes to and combats national tax fraud. Companies use creative accounting methods to manipulate their actual economic performance and pay less taxes. Moreover, FA focuses on violations of tax regulations because it investigates non-disclosed income, specifically undeclared income in tax statements. Forensic tax auditing techniques are required to detect violations of tax regulations (Balios et al., 2020). The growth prospects of national economies are affected by tax fraud, so the government should impose a strict legal framework for FA (Skordoulis et al., 2017).

2.3. Forensic accountant's techniques

Fraud is the subject of FA, and because it varies in nature, character, and operational methods, the purpose, methods, and techniques of FA are changing in response to the growing need of companies to fight fraudulent activities (Aduwo, 2016). Fraud detection depends on the type of fraud (Fadilah et al., 2019). The nature of the fraud determines the forensic accountant's techniques, the evidence gathered, the users of its services and reports, and the required skills (Popoola et al., 2014).

The forensic accountant employs the following well-known techniques: 1) background reading, 2) risk assessment, 3) benchmarking, 4) trend

analysis based on past transactions, 5) mathematical modeling (e.g., Benford's law), 6) ratio analysis, 7) digital techniques known as cyber forensic, 8) data mining, and 9) theory of relative size factor (RSF). Because statistical tools can identify suspicious transactions, they are required to prevent and detect fraud (Hashem, 2021).

The first technique, background reading, is related to the collective general information about fraud trends, and techniques, and all highlight anomalies for further investigation. Meanwhile, benchmarking compares one financial period with another, regarding business performance over time among business units, and the performance of other companies in the same industry. It allows for historical industry comparisons.

Data mining is an analytic software process that uses various techniques to find anomalies, patterns, and correlations within large amounts of data to predict outcomes. Such a method's task is to generate predictive and descriptive power, which means predicting unknown or future values using collective data and information and discovering correlations and patterns among them (Elragal & Klischewski, 2017). Anomalies and suspicious patterns are indications of fraudulent activity. Moreover, data mining analysis uncovers hidden information about unusual activities and generates proactive valuable knowledge for future decisions. The procedure is divided into three stages: initial data exploration, pattern identification with validation and verification, and deployment (Gaikwad & Varade, 2017). Meanwhile, the four data mining techniques are regression and classification analysis, which are used to predict, and clustering method and association rule discovery, which are used to describe (Ngai et al., 2011).

Ratio analysis is the most reliable method of detecting fraud because it identifies abnormal trends or patterns. It examines the company's financial trends over a particular period and identifies discrepancies and inconsistencies in financial statements and non-financial data. If unexplained changes exist in the liquidity, solvency, profitability, efficiency, coverage, or debt ratios, this could be the first sign of fraudulent activity in financial reports. Vertical analysis allows for comparing financial elements in a common base item, whereas horizontal analysis focuses on the ratio of change over time (Eko et al., 2020).

The trend analysis compares current transactions to those from previous years. It is an important technique in FA because it can detect fraudulent manipulations of those transactions.

Benford's law¹, also known as the law of anomalous numbers or the first digit law, is a mathematical formula that aids in detecting patterns and irregularities in financial accounts. The frequency distribution of leading digits can indicate that something is wrong with the data and is influenced by several anomalies. It identifies unintentional errors and suspicious movements and suggests a possible area of fraud (Gover et al., 2017). It is normally used when no other

evidence exists to prove irregularities and illegal activities (Das, 2020).

In today's world, digital technology is changing at an unprecedented rate, and cyber fraud is a major issue. To find evidence and reach conclusions, forensic accountants employ cyber forensic procedures. Moreover, the digital investigation is immense. The cyber forensic process aids in extracting data from electronic devices and collecting important digital evidence (Prasanthi, 2016). The most commonly used techniques are reserve stenography, stochastic forensics, cross-drive analysis, live analysis, and deleted file records.

The RSF is a powerful test for detecting anomalies and highlighting all unusual fluctuations caused by fraud. It is calculated as the ratio of the largest figure to the second-largest figure in a given set of data. When RSF is high, it indicates the nonconformity of the largest number with the other numbers in the given set, requiring further investigation (Das, 2020).

Because they detect, control, and prevent fraudulent practices, FA techniques are effective and significant in evaluating and monitoring internal control systems and improving governance procedures' qualities.

2.4. Forensic accounting and fraud mitigation

2.4.1. The role of corporate governance in fraud mitigation

Good corporate governance encompasses the relationships between shareholders, the board of directors (BOD), creditors, financial markets, institutions, and employees; its ultimate objective is to maximize companies' contribution to the overall economy (Claessens & Yurtoglu, 2012).

Corporate governance is a comprehensive system of rules, practices, and processes based on fairness, transparency, accountability, responsibility, and independence that manages and controls the company. It governs the rights and obligations of shareholders, executives, and employees and seeks to increase the success rate of business (Novatiani et al., 2022). Two important elements of its structure are the BOD and the executive managers including the chief executive officer (CEO) (Xu et al., 2018). Corporate governance practices are evaluated based on the board and executives' decisions, disclosures, and credibility of the financial information provided (Saraswathy, 2019).

BOD is the key element of corporate governance mechanisms and the highest level of monitoring. It is accountable for the company's efficient governance (Zhang et al., 2022) and is answerable for the credibility of governance in business (Saraswathy, 2019). To remain competitive and survive, a business organization must have a structure based on all its members' ethical and moral conduct. BOD ensures the company's integrity and ethical standards through its oversight activities. The tone at the top determines the ethics disclosure and behavior that will be adopted, implemented, and enforced in the company (He et al., 2009).

Meanwhile, managers are accountable for establishing the appropriate corporate risk management and internal control mechanisms and

¹ In series or records of various sources, the leading significant digit, that is, "1", appears about 30% of the time, and 9 appears less than 5%. The first digit is the most frequent, followed by 2 and 3 and progressively decreasing down to 9. In uniform distribution, each digit appears about 11.1% of the time. In Benford's distribution, the frequency differs.

providing governance and oversight. By selecting the audit committee, BOD and the managers demonstrate their commitment and willingness to implement effective control mechanisms. The audit committee is responsible for auditing activities. It is the ultimate monitor of the financial and accounting system (Mousavi et al., 2022). It acts in the best interest of BOD, selects external and internal auditors, oversees financial managers, and reviews the auditing process and internal control system. It is the central component of corporate governance structure in terms of audit quality and financial reporting oversight (He et al., 2009).

The quality of corporate governance determines the company's performance, enhances its value through ethical behavior, and espouses a policy of fairness, accountability, and dependability (O'Brien, 2019). Good and effective corporate governance by directors and management is an effort to prevent fraudulent financial statements (Kusumaningtias et al., 2016) and can be obtained with the implementation of anti-fraud policies, compliance with the law and regulations, effective internal control system, and carefully selected officers (Mahrani & Soewarno, 2018). The credibility of financial reporting depends on good management.

The primary objective of BOD, managers, and audit committees is to protect the company from fraudulent activities to preserve its integrity. Their priorities are the reliability of financial reporting, and compliance with laws and regulations to provide reasonable assurance of the effectiveness and efficiency of company operations (Sadique et al., 2019). To obtain such a goal, they employ a fraud deterrence policy, which reflects their commitment and willingness to fight fraud (Mangala & Kumari, 2015). Fraud deterrence policy enables the company to achieve its profitability objectives while minimizing resource loss (Bhasin, 2017). It is an interactive process involving the level of transaction controls, the retroactive examination of the governance process, and the thorough investigation and resolution of any suspected problems (Golden et al., 2006). It requires a well-executed plan that takes into account all relevant factors and potential risks, and implementation without any divergences. The main components of a transparent and dependable fraud deterrence policy are effective corporate risk management and the implementation of effective control activities, such as internal and external auditing and FA.

Lack of honesty and transparency in financial reports is one of the primary reasons for the emergence of fraud cases. If corporate leaders do not have a positive attitude toward antifraud policies, fraudulent activities will continue, and accounting failure will lead to governance failure. An inadequate internal control system allows individuals or groups to act in their interest and commit fraud (Enofe et al., 2015).

Only with the full support and encouragement of the BOD and executive managers could the control mechanisms guarantee the accountability of the financial system (Rehman & Hashim, 2018). The top management is the major factor influencing the implementation of a good internal control system incorporating FA services.

The appropriate business decision to combat fraud is to "invest to save". The implementation of fraud prevention strategies is expensive. Companies are obliged to spend money to implement effective fraud controls and hire in-house antifraud personnel. Typically, their budgets do not permit such investments; fraud policing resources are underfunded. They must strike a balance between cost-cutting pressure and effective corporate governance. The company's commitment to investigating potential fraud cases is costly since it must invest substantial resources into accounting services to detect and prevent fraud (Ozili, 2015). High cost is a barrier to the implementation of efficient control mechanisms.

2.4.2. The effect of corporate governance structure on corporate fraud

Numerous studies examine the effects of corporate governance mechanisms, including BOD members, executive managers, and audit committee members, on the level of fraud in financial statements. The results show that board characteristics, as well as audit committee features, and the role of the CEO have a significant impact on fraudulent financial reporting.

Board members' characteristics and ownership structure determine the level of disclosure quality and the effectiveness of fraud prevention policy. The composition of the BOD (the percentage of independent directors, the frequency of board meetings, the gender diversity, the board age, and working experience), the chairman's tenure, and the dual role of chairman and CEO influence significantly corporate fraud incidences (Girau et al., 2022).

The high percentage of outside and non-executive directors in BOD decreases the likelihood of fraudulent activities (Sharma, 2004). The board's ability to monitor managers and apply pressure to compel them with shareholders' wishes is improved by the board's independence and seniority (Beasley, 1996). Independent directors have the authority to impose constraints on management's decisions to protect the company's interests and reduce potentially harmful decisions (Vafeas, 2000). Moreover, according to the Nasdaq rules, independent directors should constitute the majority of the BOD to eliminate the possibility of conflicts of interest. The low percentage of independent board members affects the firm's earning management by increasing them abnormally and BOD's decision-making process is influenced by CEO (Klein, 2002; Kalantonis et al., 2021). CEO has a tremendous influence and, in many cases, authority on BOD members and they are more likely to violate financial market regulations and exhibit accounting irregularities. The dual role of chairman and CEO increases the likelihood of fraud. When one person wields significant power (chairman and CEO positions), it is easier for him to abuse his/her position and engage in fraudulent activities. The duality of the CEO is linked to the probability of financial statement fraud (Farber, 2005). Also, the demographic characteristics of the BOD have an impact on financial reporting. The number of female directors on boards seems to diminish the likelihood of financial misconduct (Wahid, 2019).

Female chief financial officers (CFOs) are less likely to commit financial reporting fraud (Maulidi & Ansell, 2022).

The size of the board is also important in fraud defense. As BOD grows, it is less likely to operate, coordinate, and control the CEO. Large boards are valuable because of their knowledge and ability to provide higher-quality services (Chaganti et al., 1985). However, smaller boards perform better and operate more effectively. They have more favorable financial ratio values, and most importantly, monitor the CEO and provide him with stronger performance incentives through compensation and the threat of dismissal (Yermack, 1996).

Board age indicates its effectiveness for monitoring CEOs closely since older directors have accumulated more work experience, they are more capable of performing their duties, and they have more to lose if they fail in their monitoring duties. When the CEO is older than the board members, he pays less attention to the board's age when deciding whether to commit fraud (Xu et al., 2018). A potential motivation behind misrepresenting financial information is the compensation of executives. When a company's performance is based on compensation and there is a strong correlation between CEO compensation and reported income, the probability of misreporting and financial fraud increases since the CEO adopts discretionary accounting policies to boost reported earnings, (Zhang et al., 2022).

The audit committee's independence, knowledge, and working experience contribute substantially to the reduction of fraudulent activities in financial reporting. If the audit committee has sufficient independence, it can identify and report errors in financial reporting (Mousavi et al., 2022). Its financial expertise guarantees its audit activity specialization and its ability to detect problems. It has a deep knowledge of the changes in regulations and audit procedures (Rashid et al., 2022). The audit committee composition and the number of its meetings held each year positively impact shareholders' and investors' perceptions of the audit process's effectiveness in mitigating the likelihood of fraudulent activity. Its long tenure and its meeting frequency are related to ethics disclosure and ethical financial reporting and have positive associations with the likelihood of corporate scandal (McLaughlin et al., 2021). As a firm's overseeing mechanism of ethics compliance, the audit committee is more vigilant due to its being ethically conscientious in the code of ethics issues (Persons, 2009; van Ravenstein et al., 2013).

The structure of corporate governance and top management's commitment to control mechanisms determine the level of corporate fraud. Poor corporate governance results from the chairman's or CEO's overpowering influence, passive shareholders, fraudulent and self-serving behavior among board members, executive managers, and employees, board squabbles, and inefficient monitoring roles (Ezekwesili, 2022). Inefficient management leads to noncompliance with rules and laws and the establishment of ineffective internal controls and operating procedures, which increases corporate crime.

3. RESEARCH METHODOLOGY

Since the present paper is based on a literature review, the section on methodology is expected to be different from conventional papers and to mainly refer to the literature sources used (Wee & Banister, 2016). Literature review is a significantly growing way of writing papers during the last few years (Rana et al., 2022).

Based on the aim of the paper, the methodology involves identifying, evaluating, and synthesizing existing research on integrating corporate governance and FA as a strategy against fraud. The aim of the methodology followed is to uncover gaps in the current knowledge, consolidate evidence on effective practices, and discuss future research directions or applications in corporate strategy. Besides, this is the way most of the literature review papers are developed, based on the body of the existing literature.

In detail, the search strategy employed to locate relevant literature included:

- *Databases and sources.* Mainly Scopus, Google Scholar, JSTOR, and professional journals searched. Moreover, corporate reports were considered.

- *Search terms.* Keywords and phrases used in the search included "corporate governance", "forensic accounting", "fraud prevention", and "sustainable corporate strategy", as well as their combinations.

- *Selection criteria.* Included publication date range (to ensure the relevance of the data), geographical location, and the language of publication.

In the context of the present literature review, the authors have paid attention to avoid criticizing the authors of the papers used about what they did or did not in these papers (Wee & Banister, 2016). On the contrary, the authors of the paper put effort into critically analyzing the body of the literature used to achieve the aim and the objectives of the present paper.

4. DISCUSSION

Companies in both the public and private sectors operate in an environment that is not free of fraud. To base their decisions on accurate information, shareholders, investors, and creditors expect the financial statements to be accountable and reliable. Their decision-making is based on the companies' financial position, performance, and cash flows. The quality of accounting and financial information affects business success and the appeal of foreign investment. The emergence of financial fraud reduces the credibility of financial reporting and impairs information users (Delegkos et al., 2022; Kalantonis et al., 2022).

The goal of corporate governance is to ensure a company's high performance and profitability through the consistency of the financial reporting process and guarantee that all financial transactions are properly recorded, classified, and reported and that checks and balances are transparent. Good corporate governance tries to ensure that the company has an efficient and effective internal control system, strong audit mechanisms, and activities that protect the company's assets (Kinyua et al., 2015; Kalantonis et al., 2019; Lampropoulos

et al., 2024). To achieve sustainable corporate governance, top management is keen to enforce forensic discipline in their financial statements to guarantee the credibility of financial reports and increase the company's management transparency, accountability, and dependability. Audit activities including FA services are well-suited to fraud deterrence policies because they positively impact accounting procedures and safeguard the company from the negative impact of fraud.

The use of FA to analyze accounting and financial data improves the quality of the financial reporting system and strengthens audit independence. FA identifies areas of risk, accounting, and financial anomalies and devises solutions to deal aggressively with each anomaly. It guarantees the reliability of financial reports by identifying patterns and suspicious transactions, detecting, and minimizing fraudulent financial activities, and eliminating their existence. Its implementation increases the effectiveness of management in addressing business risks and the adoption of optimal management decisions that ensure companies' profitability.

FA requires management bodies to follow accounting standards in all financial and accounting operations, to be compliant with market regulations, and to work harder for good governance. The idea that a forensic accountant is a crime detector motivates management to be more conscientious about running the business effectively. By enhancing the accountability of the financial reporting system, FA enforces the accountability of management and thus of corporate governance. Investors feel more secure about their decisions based on financial reports, satisfaction with their investment, and confidence in the company. Effective corporate governance by directors and management yields increased investment, improved capital market access, increased asset value, job creation, economic growth, and sustainable economic development (Skordoulis, Ntanos, Kyriakopoulos, et al., 2020; Skordoulis, Ntanos, & Arabatzis, 2020; Skordoulis et al., 2022).

FA is a corporate governance practice that promotes the credibility of the company and is a strategic corporate governance tool for combating fraud. It ensures that its policies and objectives are intertwined with the internal control system. FA obtains a consistent corporate policy of ethical behavior. However, to effectively combat fraud and achieve good corporate governance, top management's support and commitment are required.

The application of FA is dependent on the willingness of companies' governing bodies. If top management is serious about preventing financial information manipulation, they should invest in developing effective internal control systems and strong corporate governance mechanisms and adopting FA procedures and techniques in their current business policies (Xanthopoulou et al., 2023).

5. CONCLUSION

The results of the paper, effectively communicate that the integration of corporate governance and FA is not just a strategy against fraud, but also a sustainable approach within corporate strategy. The paper emphasizes the sustainability aspect as an inherent quality of the strategy being proposed, suggesting that the approach is designed to be long-lasting, resilient, and beneficial for the corporate environment in the long term. Last, the paper's results show that sustainability is a key feature of the strategy, which aligns well with the contemporary emphasis on sustainable practices in business operations.

Given its nature, the present paper may possess certain limitations. Firstly, as it relies solely on existing literature, its methodology does not entail the collection of new data. Consequently, its primary contribution lies in summarizing current knowledge and identifying gaps, rather than generating new empirical findings in the field. Additionally, the studies utilized may exhibit heterogeneity, varying in methodologies, sample sizes, populations studied, and other factors, thereby complicating the synthesis of findings and drawing definitive conclusions across the literature. Lastly, there may be challenges in generalization, as findings from individual studies included in a literature review may not directly apply to other contexts or populations, thereby constraining the broader applicability of the review's conclusions (Baumeister & Leary, 1997).

The present paper suggests a promising area of research at the intersection of corporate governance, FA, and fraud prevention. To advance this field, future research can explore various directions that would not only broaden the understanding of how these areas interact but also provide actionable insights for organizations striving for sustainability and integrity in their operations. The investigation of how emerging technologies (e.g., artificial intelligence, blockchain, big data analytics) are transforming FA practices and corporate governance structures is a promising area of research. In this way, the identification and assessment of the effectiveness of technological tools in detecting and preventing fraud within corporations will become feasible. Another promising research would be a comparative analysis of how different cultural and regulatory environments influence the integration of corporate governance and FA practices, in order to understand the role of cultural and legal frameworks in shaping corporate strategies against fraud, providing insights into global best practices. Last, the examination of how ethical considerations and sustainability goals influence the adoption and effectiveness of FA practices within corporate governance, would lead to the assessment of the ethical dimensions of fraud prevention strategies and their alignment with broader sustainability and corporate social responsibility goals

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