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Research Article

Analyzing the Dimensions and Components of a Conceptual Model for Reducing Fraud in Financial Statements with an Emphasis on Corporate Governance

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ABSTRACT

Corporate governance plays an important role in ensuring the quality of the financial reporting process. Many recent corporate failures are attributed to weak governance, which has manifested itself in the form of fraudulent financial reporting and improper earnings management; therefore, the purpose of this study is to develop a model to reduce fraud in financial statements with an emphasis on corporate governance. This study is developmental in terms of outcome and exploratory/applied in terms of purpose and mixed in terms of data collection. Therefore, to determine the dimensions of corporate governance affecting fraud, grounded theory was used and then a researcher-made questionnaire was used to collect data on this variable. The statistical population of the study included experts with full degrees in accounting and financial management and certified public accountants in the qualitative section. The results of the qualitative research indicate the existence of 2 categories, 5 components, and 26 conceptual codes, which have provided a framework for a model to reduce fraud in financial statements with an emphasis on corporate governance in the form of a five-sided package model.

Keywords*:* Conceptual model to reduce fraud in financial statements, corporate governance, grounded theory

1. Introduction

The phenomenon of financial statement fraud is a critical issue that reflects the lack of integrity in financial reporting in the modern business environment. This fraudulent behavior involves the intentional manipulation of accounting information by management to present a financial position that does not reflect the true state of the company, thereby potentially harming investors, creditors, and other stakeholders (Sasmita et al., 2025). Financial statement fraud is characterized by the intentional failure to comply with relevant accounting standards in reporting financial information, resulting in the omission or significant distortion of facts (Cheng et al., 2021). Financial statement fraud occurs when a company distorts its financial reporting by falsifying unrealized income, overstating inventory, and intentionally presenting profits (Sari and Nugroho, 2021). It is also a type of fraud committed by company management and involves fundamental distortions that harm investors and other stakeholders (Wang et al., 2022). Agency problems arise from the division between ownership and management within a company. From a financial perspective, managers can control the financial information and reporting processes provided to investors or shareholders (Annan, 2022). A well-functioning corporate governance system is expected to address financial and non-financial crises in a company, thereby increasing the efficiency of business management (Sari and Nogroho, 2021). Changes in corporate governance in countries and companies create opportunities for improvement through mergers and acquisitions. Corporate governance is a fundamental pillar for economic institutions, especially as many countries adopt capitalist economies that rely on private companies (Shanicott and El-Dabbas, 2025). Effective corporate governance promotes transparency and accountability in financial reporting and creates frameworks that protect the rights of shareholders and other stakeholders (Aris et al., 2015). External audit is a critical corporate governance mechanism that addresses the agency problem, and the ability of external auditors to detect significant fraud is essential to ensure accountability and restore trust in corporate governance (Desorte and Harrison, 2018).

The problem of the present study is that in Iran, there is no research to provide a model to reduce the incidence of fraud in financial statements with an emphasis on the corporate governance system, which can be a guideline through which stakeholders can evaluate and improve the factors affecting financial statement fraud. Given that despite fraud in financial statements, intentional false information is provided about the company's financial status, which is intentionally misrepresented or omitted amounts or information disclosed in financial statements to deceive users. Therefore, it is considered a serious threat to public trust in financial information and the financial reporting process and has heavy costs and consequences for different groups. This important issue can be the main issue that leads to the provision of a model to reduce fraud in financial statements with an emphasis on the corporate governance system in financial companies. The bodies in the company that oversee the preparation of financial statements by managers are independent auditors, the board of directors, and the audit committee. Identifying each of these variables will be of great help in reducing fraud in the statements. In this study, we seek to present a conceptual model to reduce fraud in financial statements with an emphasis on corporate governance.

2. Theoretical foundations of the research

Corporate governance

Corporate governance is considered a broad framework that includes a set of rules and procedures that aim to help an organization maximize long-term value and profitability while balancing the interests of shareholders and stakeholders (Omar et al., 2014; Shanicott and Al-Dabbas, 2025). Shanicott and Al-Dabbas (2025) defined corporate governance as a system of market rules and traditions that govern decision-making processes, especially in publicly traded companies (Shanicott and Al-Dabbas, 2025). Over the past few decades, corporate governance has become a critical function for national and international companies, especially in the wake of the events surrounding the financial crises that have negatively affected the global economy. Such a scenario has reinforced the necessity of good corporate governance practices (R. Abdullah et al., 2018). Corporate governance systems are established with the aim of reducing the potential abuse of administrative authority that may jeopardize the interests of shareholders. Arum et al. (2020) noted that the objectives of corporate governance include enhancing board performance, strengthening internal controls, monitoring the

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implementation of strategic initiatives, and clearly delineating the roles and responsibilities of shareholders, the board, executive management, and stakeholders. Furthermore, these systems emphasize the critical importance of transparency and disclosure (Rostami and Rezaei, 2022). Consequently, corporate governance includes rules and mechanisms that guide the leadership and management of a company. It regulates the relationships between the board, executive management, shareholders, and stakeholders. By establishing a comprehensive framework, corporate governance facilitates a transparent and credible decision-making process that protects the rights of shareholders and stakeholders, ultimately promoting fairness, competition, and transparency in the market. In the Iranian Auditing Standard No. 74 and the American Auditing Standard Statement No. 33 (American Institute of Certified Public Accountants, 2002), a set of conditions and situations that can be a warning sign for the possibility of committing fraud are introduced under the title of "fraud risk factors" (Raisi Nafchi and Dastgir, 2019). In general, internal organizational factors can include things such as organizational structure (Robbins, 1982), organizational culture. Material and capital factors, human resources, etc. According to the perspective of agency theory, agency problems between the owner and the agent are the basis for corporate governance. Investors are the "owners" of the company who, by providing resources (debt or capital), launch the company and delegate its daily management to professional managers as "agents". The separation of ownership from control has advantages such as managing financing and investment decisions by professionals and experts; but it also has the capacity to create agency problems. Financial statement fraud is one of the cases of the agency problem, in which managers seek to maximize their own personal interests by providing misleading information to owners; therefore, the activities of senior managers are limited by factors that shape and affect the governance of the companies they manage (Bahayan et al., 2020). Corporate governance mechanisms can be used to examine the quality of financial reporting, for example, the degree to which a company tends to manage earnings or commit fraud in financial statements. Also, previous research shows that good corporate governance mechanisms reduce the risk of fraud and also control agency problems, thereby ensuring that managers act in the interests of shareholders. If the composition of the board of directors, the dual role of the CEO, and the composition of the audit committee are considered as the main factors of corporate governance.

Fraud in financial statements

Financial statement fraud involves the intentional manipulation of financial statements to misrepresent the financial position of an organization. This may include overstating revenues, understating expenses, and concealing liabilities. Financial statement fraud can be committed by company managers, accountants, or auditors (Apriliana and Agostina, 2017).) Financial reporting fraud: It is the intentional distortion of financial statement results in order to present a false picture of the entity (Vakilifred et al., 2009). There are many motivations for financial reporting fraud. Examples include: reported profit-based compensation (Watts and Zimmerman, 1986) maintaining or increasing stock market prices (Dicho et al., 1996) achieving internal and external forecasts (Fama and Jensen, 1983) minimizing tax liabilities (Dicho et al., 1996) preventing breach of debt covenants (Spatis, 2002). Financing in the cheapest possible form (Kotsiantis, 2006). Businesses around the world need financing to grow and develop. However, potential investors only invest in those businesses that are financially healthy and have the potential to grow and develop. Annual financial statements and other publicly available information from businesses improve investors' understanding of how a company is run. Given that these reports are prepared under strict legal requirements and accounting standards and are also subject to independent auditing, investors look to these reports for reassurance about the financial viability of businesses. Whereas, accounting scandals in recent years have been widely publicized and have led to increased attention to the internal audit unit as an important factor in creating quality external financial reporting (Ganji et al.,

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1402), however, the collapse of many companies (such as Endron, Worldcom and Global Crossing) has cast doubt on the effectiveness of corporate governance, the quality of financial reporting and the reliability of audit functions. These cases of financial statement fraud have raised serious concerns about the effectiveness of corporate governance, the integrity and ethical behavior of senior managers, especially when they are accused of manipulating accounts, the adequacy and effectiveness of internal controls, the reliability of financial reporting, the quality of audit and the integrity of stock markets (Rezaei, 2010). Goel and Ganguly (2012) have defined financial statement fraud as an intentional misrepresentation or omission of amounts and information disclosed in financial statements with the aim of deceiving users of financial statements. Another definition of financial statement fraud is the intentional misrepresentation of a company's financial position by intentionally misrepresenting or omitting amounts or information disclosed in financial statements to deceive users. Therefore, the presence of fraud as a crisis factor in the financial arena is a serious threat to public confidence in financial information and the financial reporting process, and has heavy costs and consequences for various groups (Khoshbakht et al., 1401). The motives for financial statement fraud include the desire to meet revenue expectations, as organizations may manipulate their financial statements to present higher profits than earned income to align with analysts' forecasts (Lutfi et al., 2022). Another motive is financing. Companies may distort their financial statements to portray a more favorable financial position in order to obtain loans or other forms of financing. In addition, some organizations may resort to fraud to conceal fraudulent activities (Anda et al., 2020). Al-Natsheh and Al-Okdeh (2020), Al-Dawood et al. (2023), and Bader et al. (2024) examined fraudulent practices among listed companies on the Oman Stock Exchange, which often use deceptive techniques such as earnings smoothing, earnings management, and creative accounting. These studies focus on the motivations behind fraudulent behaviors and support efforts to effectively combat and mitigate these issues.

The impact of corporate governance structures on financial statement fraud.

Independent auditors review financial statements that may not accurately reflect the true financial position of a company. Due to several accounting scandals and fraud cases, the credibility of financial reports has been damaged, causing uncertainty about the accuracy of information used in strategic decisions (Rostami and Rezaei, 2022). Therefore, company management must address this challenge. Accountants, along with financial analysts, are looking for strategies that resolve uncertainty issues. Organizations that need to combat financial statement fraud and improve reporting quality are now focusing on corporate governance as a critical issue (Girao et al., 2022). Effective corporate governance includes both internal and external factors. Internal factors include the board of directors, audit committee, internal control systems, and risk management. External factors include external audit, stakeholder engagement, and regulatory frameworks (Al-Than and Nakhail, 2020; Manari et al., 2023). The establishment of these mechanisms requires compliance with the procedures established by the relevant authorities, in accordance with the powers and responsibilities assigned to the board of directors and executive management. It is anticipated that the proper implementation of these policies and procedures will significantly prevent fraud and reduce fraudulent activities (Hassanan et al., 2020).

3. Research background

Molaei et al. (2024) studied the impact of artificial intelligence on controlling and reducing the risk of fraud in financial statements. With the increasing advances in technology, artificial intelligence has entered the field of auditing and internal control as a powerful tool. This article studies the impact of artificial intelligence on controlling and reducing the risk of fraud in financial statements. The use of

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intelligent algorithms in analyzing financial data increases the ability to identify unusual patterns and anomalies and helps auditors to detect financial fraud more effectively. The results of the study show that the use of artificial intelligence improves the quality of financial reporting and significantly reduces the risk of fraud. This study highlights the key role of new technologies in promoting financial transparency and investor confidence. Amir Moezzi et al. (2023) studied the detection of financial statement fraud: Comparing the ability of models based on accounting variables. One way to control financial statement distortion is to detect it early so that preventive measures can be taken. The present study aims to investigate the ability of two models for predicting distortions based on financial statements, including the M-SCORE Benish model and the F-SCORE Dachou, and to measure their accuracy. The financial statement information of 164 companies listed on the Tehran Stock Exchange between 2015 and 2019 is studied. According to the results, the accuracy of the F-SCORE Dachou criterion in identifying companies with a possibility of manipulation and others is more than 70, which indicates the average ability of the aforementioned model in detecting fraud. Also, the ability of the aforementioned criterion with 73.17 percent in detecting fraud is higher than the Benish model with 69.51 percent. In terms of detection error, the type I and II errors, which respectively indicate the efficiency and effectiveness error of the model, are much lower in the Dachou et al. (2011) model than in the Benish model. Therefore, it can be concluded that the F-SCORE Dacho criterion has performed better in cases of detecting the possibility of manipulation in the financial statements of companies listed on the Tehran Stock Exchange between 2015 and 2019.

Yazdani et al. (2021) studied the role of auditor characteristics in reducing the risk of financial reporting fraud. The results of their study showed that in companies with a longer tenure of the auditor, as well as in companies with more industry expertise, the probability of high fraud risk is not lower. However, in companies that audit large institutions, the probability of high fraud risk is lower.

Shaniquet and Al-Dabbas (2025) examined the perception of corporate governance factors in reducing financial statement fraud in emerging markets: The Jordanian experience. This study examines the impact of corporate governance on reducing financial statement fraud (FSF) in Jordanian service and industrial companies listed on the Oman Stock Exchange from 2018 to 2022. To achieve this goal, this study used the Benish M-score model to assess the probability of FSF and logistic regression to examine the impact of corporate governance structure on reducing fraud. The study identified 13 independent variables, including board size, board independence, board compensation, non-dual CEO-chairmanship, board diversity, audit committee size, audit committee accounting experience, number of annual audit committee meetings, external audit fees, family business of the board, presence of women on the board, company size, and market listing on the FSF. The study included 74 companies from both sectors – 33 companies from the industrial sector and 41 companies from the services sector. The primary data was collected from financial statements and other information published in annual reports between 2018 and 2022. The results of the study revealed a total of 295 fraud cases during the period under review. Of the 59 companies analyzed, 21.4% showed a low probability of fraud, while the remaining 78.6% (232 observations) showed a high probability of fraud. The results show that the following corporate governance factors significantly affect the reduction of financial statement fraud (FSF): independent directors on the board, board diversity, audit committee accounting background, number of audit committee meetings, family business participation on the board, and company characteristics. The study offers several recommendations and emphasizes the importance of diversifying corporate boards by incorporating different perspectives and experiences.

Aral et al. (2023) examined the effect of the fraud diamond capability measures on the occurrence of fraud. An organization can lose up to 5% of its revenue to fraud (ACFE 2020), making the ability to effectively prevent and detect accounting fraud essential to many stakeholders. Auditors typically use the fraud triangle framework of pressure, opportunity, and rationalization to understand fraud risk factors. The fraud diamond extends the fraud triangle to include an additional risk factor, capability (Wolf and Hermanson 2004). This study uses an experimental task to analyze the impact of individual fraud diamond components on the likelihood of committing fraud. The results show that the components of self-efficacy, intelligence, and stress coping ability significantly affect the likelihood of committing fraud. The results also show that including the capability components of the fraud diamond improves the ability to predict the likelihood of fraud.

Rasha (2023) examined external auditors' use and understanding of fraud factors in assessing the risk of fraudulent financial reporting and the implications for audit policy and practice. Risk reporting in external audits Fraud factors include senior management motivation, integrity, opportunity, rationalization, and capabilities. Participants reported for four large audit firms with international audit experience, primarily in the United States, the United Kingdom, Egypt, the United Arab Emirates, Qatar, Bahrain, and Saudi Arabia. The findings reveal that senior management integrity and motivation are, in theory, the most critical factors in assessing fraud risk. However, self-selection bias forces external auditors to not assess these essential factors because they are too complex to assess, and insufficient guidance is provided to them by standard setters or audit institutions.

4. Research questions

Given that this research was conducted using a qualitative method, there are no hypotheses in the qualitative part that led to the use of grounded theory. As a result, the present study answers the following questions:

1. What are the themes of reducing fraud with an emphasis on corporate governance in Iran?

2. What are the components of reducing fraud with an emphasis on corporate governance in Iran?

3. What are the categories of reducing fraud with an emphasis on corporate governance in Iran?

5. Research Method

This research is a descriptive research in terms of data collection method. In this research, raw data was collected by reviewing existing scientific documents and through interviews. Regarding the subject, quantitative research has been conducted in the world, which is not deep enough, and the need to use qualitative methods is fully felt for data analysis.
Considering that the main goal of this research is to present a model for reducing fraud with an emphasis on the corporate governance system in Iran, the need to investigate and explore at different levels is necessary and essential, and for this reason, in order to understand the intangible aspects of the subject, the grounded theory method of grounded theory was used because with the help of this method, a theory can be presented based on various factors and the relationship between them. In fact, the main difference between this method and other approaches in qualitative research is its emphasis on forming and formulating a theory. Researchers can seek to develop different levels of theory when using this method. However, although most studies of this method are aimed at developing theory, this is due to the strong interest of expert researchers in this field and not the nature of this method (Danaeifard et al., 2004). The activities necessary for theorizing based on the data in the present study can be classified into three stages: preliminary studies, main studies, and

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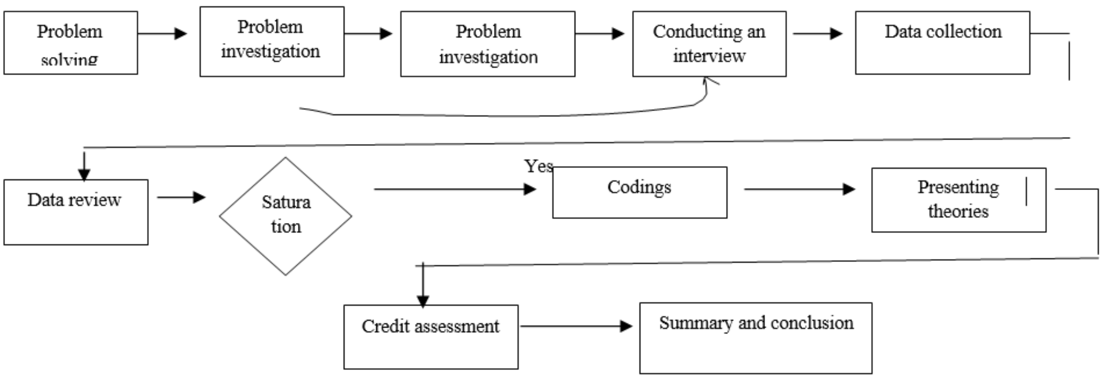
supplementary measures. In the preliminary stage, the emphasis is on the research problem and the statement of the research question, and the researcher seeks to discover and select problems and make choices in the form of research questions based on his research concerns and specialized field of study. The researcher's question, with the necessary flexibility, is the most important guide for the researcher, which leads him to examine the person's behaviors, the conditions in which incidents occur, documents, the research area, and documents with which interviews are useful. In the main study stage, the data are coded. This itself includes several coding stages, and then follows the analysis of the coded data and continues the process until the saturation point is reached. In the supplementary actions stage, after reaching the saturation point, the researcher attempts to present a theory and finally summarizes and validates the results obtained.

Chart number
(1)



The case study in this research is considered to be in the field of listed companies, whose projects are related to reducing fraud with an emphasis on the corporate governance system.
The method of collecting information is the in-depth interview method. In this study, interviews were conducted with 12 experts, and from the tenth interview onwards, repetition in the information received was observed; But to be sure, the twelfth interview continued, the time of distribution and collection of information through a questionnaire was in Farvardin 1404, data analysis and research conclusions were carried out in Khordad 1404. The interview began with questions about "Providing a conceptual model to reduce fraud in financial statements with an emphasis on the corporate governance system." (Open interview)
Secondary coding and forming categories: In the next stage, the primary codes are converted into secondary codes due to their large number (primary codes are placed in the form of similar categories). Several secondary codes are converted into a conceptual code. The table below, as an example, presents the results of open coding based on secondary codes, conceptual codes and categories. Sampling in this study, which included full professors of accounting and financial management and certified public accountants, was carried out with the help of the snowball method (purposive sampling), in which the number of samples was increased until saturation in the opinions of the sample members. The findings used by researchers in grounded theory include various types of qualitative data such as: conversations, observations, interviews, general reports, daily notes of respondents, and interactions and thoughts of the researcher. The data collection method in the present study was face-to-face interviews between 12 people, including full professors of accounting and financial management and certified public accountants. The initial interviews were conducted in a

completely open manner, and the questions and coding of the initial interviews were carried out. In some cases, as required by the circumstances, the researchers also observed and collected data so that some aspects of the problem could be touched by the researchers themselves. Also, after the participant's explanation was finished, the researcher once expressed the contents expressed by him and his own understanding of it, so that after the interviewee confirmed the accuracy of the contents expressed, he could be sure. In addition, the duration of each interview was between 55 and 80 minutes, based on the agreement of the parties and organizational conditions. In order to validate the results, the researchers in this study, in The open coding stage compares the consistency of the information and the categories obtained. Also, during axial coding, questions are designed about the categories and evidence and events are examined in relation to the data.
In the selective coding stage, each of the resulting categories is validated based on scientific documentation and research history.

Table (1) Demographic information of the experts participating in the qualitative section

Quality department			**Features**	
Percentage of frequency	Abundance	Levels	Variable	Row
41.6%	5	Woman	Gender	1
58.4%	7	Man		
100%	12	Plural		
33.33%۳	4	20-10	Career history	2
66.34%	8	15 Up		
100%	12	Plural		
50%	6	50-40	Age	3
50%	6	Up 50		
100%	12	Plural		

According to the results of the demographic statistics in the qualitative section presented in Table 4-2, among the interviewees in the qualitative section, there were 7 men and 5 women, all of whom were university professors. The job experience of the interviewees was between 10 and 20 years, equivalent to 4 people, or 33.33 percent, and the job experience range of 15 and above included 8 people, or 66.34 percent of the participants. Finally, based on the age range, it was determined that 6 out of 12 people, equivalent to 50 percent, were between 40 and 50 years old, and the age range of 50 and above included 6 interviewees. It is worth noting that this information is presented relatively and based on the statements of the interviewees, and there was no interference in its expression by the researchers.

6. Research findings

During the interview, all the comments of the interviewees were recorded and stored, and their comments, along with the researchers' observations and their interpretations, were converted into text. After reaching the saturation point in the comments provided by the interviewees, the initial data

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was fed into MAXQDA software and with the help of this software, initial codes were created. In this study, the number of conceptual codes was 151, the number of themes was 26, and 5 main components and 2 main categories were obtained, as presented in Table (2).

Table (2) Selective coding of the axes identified from open coding

Coding theory	Main encodings		
	Selective coding	Axial coding	Open coding
Main classification	Categories	Main components	Conceptual themes
Developing a model to reduce fraud in financial statements with an emphasis on corporate governance	Internal mechanisms in corporate governance	Internal control strengthening function	Control Environment
			Risk Assessment
			Control Activities
			Information and Communication
			Monitoring
		Board strengthening function	Introducing committee members and effective oversight of corporate governance
			Overseeing company programs
			Strengthening board characteristics
			Focus on the accuracy and transparency of the company's financial and performance reports
			Determining the organization's macro policies
	External mechanism in corporate governance	Strengthening the function of independent auditing	Financial Risk Assessment
			Ensuring the Accuracy and Credibility of Information
			Reducing Information Asymmetry
			Strengthening Corporate Governance
			Reducing Errors
		Function of strengthening the ownership structure	How to Manage the Company
			Supporting Investor Capital
			Building trust among stakeholders Balance of power between major
			Balance of power between major and minority shareholders
			Monitoring management performance
			Type of ownership
	Internal mechanism in corporate governance	Strengthening the Audit Committee's Function	Oversight of internal control
			Oversight of financial reporting
			Communication with external auditor
			Oversight of risk management and fraud detection
			Audit committee characteristics

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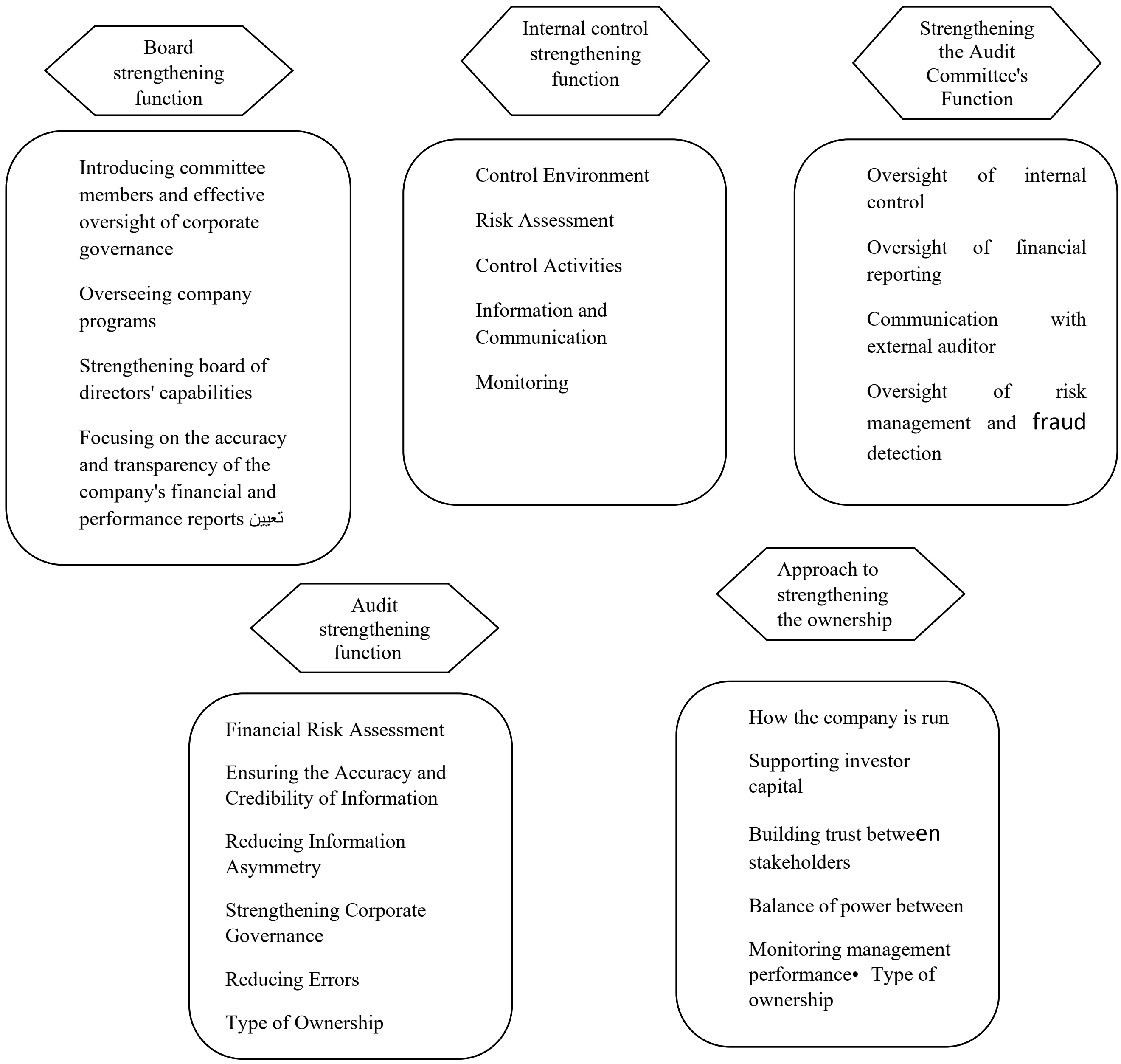
Since in designing the model, the components must first be determined and then the relationship between them must be explained, and then the logic for selecting these components and the relationship between them must be explained,

In the second step, based on the data obtained, a conceptual model was presented to reduce fraud in financial statements with an emphasis on the corporate governance system, which is divided into 5 categories as shown in Figure 2.

Figure (2) Exploratory model for reducing fraud in financial statements with emphasis on corporate governance (Source: Researcher's findings)



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Discussion In this study, 5 key questions and the relationship and impact of factors affecting them were identified to present a conceptual model of reducing fraud in financial statements with an emphasis on corporate governance. The explanation of the relationship between factors affecting the factors was expressed in the form of different theories. In order to validate the research, the findings of this study were presented to the consultants in interviews and the text of the theory was studied by them and their points of view were applied. This study was studied and reviewed by 2 professors and cases were stated to correct or change the theory. In order to ensure the reliability of the present design, process audit was used. The study and its findings are auditable when another researcher can clearly and clearly follow the decision path used by the researcher during the interview and show the consistency of the study. In addition, the other researcher must be able to reach similar or scalable conclusions, in other words, his conclusion about the data, his perspective and position are not contradictory to the researcher's conclusion. The decision path creates a way for the researcher to confirm the audit communication path. The decision path involves explicit and clear discussion of decisions made about theoretical, methodological, and analytical choices during the interview (Bazargan, 2008). To calculate the reliability of the interview using the intra-subject agreement method of two coders (evaluators), one of the professors in the field of finance and accounting was asked to participate in the research as a research associate (coder). The necessary training and techniques for coding the interviews were transferred to him. In each of the interviews, the codes that were similar in the opinion of the two people were identified as agreement and the dissimilar codes were identified as disagreement. Finally, with the help of the following formula, the accuracy and reliability of the research was evaluated. Considering that Bazargan (2008) considers validation of the results to be part of the grounded theory research process, using this concept, during the open coding process using the comparative method, the researchers in this study continuously matched the homogeneity between the information and the categories that emerged. A similar process of reviewing data against categories took place in the axial coding stage, with researchers asking questions about the categories and then reviewing the data to search for evidence, events, and occurrences.

7. Discussion and Conclusion

Based on the dimensions created and the research model, this section discusses and argues each of the main components of the research:
According to this category of the research model, professional mechanisms in reducing fraud in financial statements are the function of strengthening internal control, the function of strengthening the board of directors, the function of strengthening independent auditing, the function of strengthening the ownership structure and the function of strengthening the audit committee. In this section, professional mechanisms are divided into the following 5 main components, which are described below.
A) Function of strengthening internal control
In general, the internal control structure includes policies, systems and methods that are created to provide relative assurance of achieving organizational goals. In short, internal control includes all measures designed and implemented by management and other employees so that management and the business unit have reasonable assurance that everything is working as it should. Of course, it should be noted that although internal controls are necessary to achieve the goals of the business unit, this issue, which includes (control environment, risk assessment, control activities, information and communication and monitoring), can also reduce the amount of fraud in the company.
B) The function of strengthening the board of directors
Regarding strengthening the board of directors, it can promote and improve the performance and effectiveness of these management elements in an organization. And it can improve the structure, processes, knowledge and skills of board members, as well as strengthen communication and

cooperation. And by strengthening the board of directors, it increases the efficiency and effectiveness of the organization in achieving organizational goals and missions. In this important issue, which includes (introducing committee members and effective oversight of corporate governance, monitoring company programs, strengthening the characteristics of the board of directors, focusing on the accuracy and transparency of the company's financial and performance reports, determining the organization's macro policies) it can reduce the level of fraud in the company. This finding is consistent with previous studies conducted by Shi et al. (2020) and Silady (2006) who emphasize the positive effect of board independence on management oversight. This, in turn, reduces agency problems (Jensen and Meckling, 1976) and the possibility of fraud. However, Obaid (2023) shows that there is a significant negative correlation between board independence and the likelihood of fraud in financial statements. These contrasting results indicate that independent directors play an important role in directly monitoring the companies they serve, thereby increasing the effectiveness of the oversight functions in the organization. Independent directors are responsible for monitoring and overseeing management decisions and actions to ensure that they are aligned with the interests of the organization. In general, the board of directors is entrusted with the task of monitoring the accuracy and reliability of the information presented in the financial statements. As the number of board members increases, the oversight function of the board experiences a significant improvement, and as a result, the effectiveness of management in preventing fraud in the company increases. (Prisvita and Taqwa, 2019). According to Nasutun and Setivan (2007), they argued that as the size of the board increases, the level of coordination becomes more complex and challenging. This complexity can potentially create opportunities for fraudulent activities by management, thereby giving them greater control over the board. Independent board members play a key role in the company and are responsible for monitoring managers to ensure their adherence to financial reporting and effective implementation of corporate governance standards (Davi Ariani et al., 2023). It is crucial for independent board members to have the ability to act independently. The selection of independent board members is directly determined by shareholders during the general meeting of shareholders. Independent board members are individuals who serve on the board and maintain their independence by not having financial, managerial, ownership or family relationships with other board members, the board of directors, controlling shareholders or any other relationship that could potentially compromise their independent judgment and decision-making abilities. (Triani et al., 2019). External board members do not have interests in the internal parties of the company, which enables them to exercise more independent oversight. This promotes more effective oversight of the company and reduces the opportunity for fraudulent activities to occur (Obeid, 2023).

c) The function of strengthening independent auditing

Considering that independent auditing is a systematic process for collecting and impartially evaluating evidence about management's claims about economic activities and events with the aim of determining the extent to which these claims or statements comply with predetermined criteria and reporting them to interested parties, and this is done by impartial persons to report to interested parties, and professional auditors identify signs of fraud using advanced analytical techniques. These signs may include unusual transactions, document mismatches, or suspicious behavior patterns. Timely identification of these signs can prevent major fraud. By increasing transparency and accountability in the organization, auditing creates an environment in which financial fraud is hardly possible. Independent audit reports inform stakeholders about the organization's financial status and put more pressure on managers to comply with ethical and legal principles. This issue, which includes (assessing financial risks, ensuring the accuracy and reliability of information, reducing information asymmetry, strengthening corporate governance, and reducing errors), can significantly reduce the amount of fraud in the company.

8. References

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