

LITIGATION AND STATEMENT FRAUD MINIMIZATION OF MANUFACTURING COMPANIES IN NIGERIA

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ABSTRACT

The main purpose of this study was to ascertain the relationship between litigation and financial statement fraud minimization in food and beverages manufacturing companies in Nigeria. Based on the findings of the study; it was found that the extent of relationship between litigation support and fictitious revenue minimization in food and beverages manufacturing companies in Nigeria is moderate and the extent of relationship between litigation support and fictitious revenue minimization in food and beverages manufacturing companies in Nigeria is significant. Thus, these findings points to the fact that the extent of practice of litigation support to prevent fictitious revenue is moderate, as reflected in the result of this study.

Keynote: Litigation Financial Statement, Fraud Minimization, Manufacturing Companies

INTRODUCTION

In the present challenging economy, associations should be set up to battle deceitful activities. Business experts may want to accept that extortion will never happen. In any case, measurable bookkeeping encouraged along these lines to verify that huge numbers of Enron's recorded resources and benefits that were swelled, and now and again, totally fake and non-existent. A portion of the organization's obligations and misfortunes were recorded in seaward substances, staying missing from Enron's budget summaries (Folger, 2011). Therefore, from the preceding statements, forensic accounting plays a vital role in the success or failure of contemporary business institutions. Systems are answerable for recording, examining, observing and assessing the money related state of business foundations, planning archives vital for charge purposes, giving data backing to numerous other authoritative capacities (Amidu, John & Joshua. 2011). Thus, when these systems become fraudulent, and unchecked, then the company or organization is in danger of bankruptcy. In numerous cases, deception has led to the liquidation of business organizations that were initially thought financially healthy.

Investigative audit is another name for forensic accounting. It is a merger of forensic science and accounting. It is the blend of accounting, inspecting and examination. Legal bookkeeping is a quickly developing field of bookkeeping that portrays the commitment those outcomes from genuine or foreseen debate or prosecutions. Okoye and Gbegi (2013) agree that "criminological" signifies "appropriate for use in a courtroom", and it is to that standard that legal bookkeepers for the most part work. Criminological bookkeeping is an insightful style of bookkeeping used to decide if an individual or an association has occupied with any illicit budgetary exercises. Likewise, legal bookkeeping includes three significant regions, examination, debate goals, and prosecution support. Manning (2002) characterized it as the mix of bookkeeping, reviewing, and analytical abilities to standard by the courts to address issues in a debate with regards to common and criminal cases.

Ojaide (2000) noticed that there is a disturbing increment in the quantity of extortion and deceitful exercises all the more particularly in Nigeria's public sector, requiring the permeability of forensic accounting administrations. The activity of the forensic accountant requests revealing, where the responsibility of the misrepresentation is built up and the report is considered as proof in the official courtroom or in the managerial continuing. Notwithstanding the particular information about the systems of discovering the cheats, one needs persistence and an expository attitude. Along these lines, the forensic accountant is portrayed by the accompanying explicit obligations:

case support, and analytical administrations. The forensic accountant takes an increasingly proactive, wary methodology in looking at the books of accounting. They make no presumption of the board respectability, show fewer worries for the arithmetical exactness have nothing to do with the bookkeeping or affirmation norms yet are sharp in uncovering any plausibility of extortion. A proficient forensic accounting may work for the government or public accounting firms. Albeit, forensic accounting has been in presence for quite a few years, it has developed after some time to incorporate a few kinds of money related data examination. Apostolou, Hassell and Webber, (2000) noted that forensic accounting can, consequently, be seen as a feature of accounting that is suitable for legal evaluation and tender at the uppermost level of pledge. Litigation support demands the role of forensic accountant as an expert or consultant. Litigation support consist providing assistance for actual, pending, or potential legal or regulatory proceedings before courts of laws in relation with the determination of arguments between parties. In short litigation support generally includes expert witness, consulting and other services (special master, court-appointed expert, referee, arbitrator, or mediator on behalf of a client). Likewise, investigative services include forensic services like performing analysis or investigations of the frauds, which though not involved in litigation, may require the same skills used in litigation. In the investigation, forensic accountants might audit the circumstance and recommend potential game-plans, help the customers with the security and recuperation of benefits, and work with private agents, forensic record inspectors, and advisors. The use of forensic accountants and their procedures is being incorporated in both internal and external audits as well as in investigations and forensic procedures being performed by various professionals. Traditionally internal auditing is becoming the cost center for the companies. But if the internal auditors have a dedicated forensic accountant in the team to investigate the frauds the performance can be quantified in terms of return on investment. Also, Investigative services consist of the prevention, detecting and quantification of fraud, money laundry, terror finance and corruption. Investigative services involve the the assessment of records and the utilization of bookkeeping methodology to find money related abnormalities and pursue the development of assets and resources in and out of organization.

Litigation Support

Litigation support gives help of to an accounting nature in an issue including the existing or pending suit. It manages issues identified with the measurement of monetary harms. A common prosecution bolsters task would compute the monetary misfortune coming about because of a break of agreement. Once in a while in the corporate world, questions between organizations emerge. In most cases, these issues can be effectively settled. Notwithstanding, in a couple of occurrences, it gets important to deal with the debate through lawful channels. In such cases, the exhortation of accountants versed in the legalities of business debates can be basic.

Litigation support is one of the most widely recognized motivations to employ a forensic accountant. Litigation support is basically the procedure by which accountants acquainted with the business debates give meeting and exhortation to lawyers. The kind of support provided can vary significantly from case to case. In certain conditions, the council may mean help during research or the arrangement of important actualities and documentation, while in others it may involve deciding the degree of harms the case has been tried. In such cases, a legal bookkeeper can furnish help with settlement exchanges or in acquiring documentation to help a legitimate cause. They can likewise give significant help in the beginning periods of a legitimate contest by directing audits of pertinent documentation to shape an underlying evaluation of the case, or by supporting in the disclosure procedures by defining key inquiries with respect to the money related proof.

On the off chance that a contest emerges, suit backing can be a crucial apparatus for accomplishing your ideal result. In the event that you ever need to counsel with a suit bolster supplier, guarantee that you work intimately with them and with your lawful insight to unmistakably characterize all desires to guarantee a smooth working relationship. At the point when an individual, business or element goes into a claim, regardless of whether they have recorded the claim or are reacting to it, they are going into a procedure known as "litigation".

The term "litigation" refers to the alludes to the way toward looking for the goals of a civil lawsuit. The process of litigation is actually a series of steps taken to resolve the matter, whether through negotiations towards a settlement or a court trial. Litigation support therefore is all activities, usually within the law firm, that is intended to set up an attorney to attempt a case, including document review, interviewing witnesses, and case preparation. Litigation support involves using accounting and Auditing techniques to qualify economic damaged pursuant to existing or pending suit. It gives help of a accounting nature in an issue including existing or pending prosecution. It manages issues identified with the evaluation of monetary changes. Indeed, it can be gathered that litigation support enhance effective intervention of the legal services to provide legislations, rules and regulations to govern the proper conducts of forensic accounting system and their techniques in carrying out these practices.

In litigation support, the forensic accountant presents factual evidence of economic issues that are related to any pending or existing litigation. The forensic accountant enumerates harms that could be sustained by all parties to a dispute. The implication is that any value arrived at in any damages must meet the satisfaction of parties to any legal dispute. Issues of dispute during courtroom proceedings can be resolved by the forensic accountant. He does play the role of a professional spectator when he testifies in court. In money-related wrongdoings situations, the scientific bookkeeper must value the earnestness of a circumstance and look past the round of numbers. It must go past being a criminologist or normal accounting. The field of forensic accounting is the result of scientific science and accounting, Crumbley (2003) depicts legal researchers as the inspectors and translators of proof and realities in legitimate issues. As indicated by Sadiq (2008) includes the assessment and understanding of monetary data. A forensic accountant gives data that is utilized as proof in the official courtroom. He explores, assesses and archives monetary misrepresentation and clerical violations, (for example, misappropriation and cheats) by representatives, the board and different fakes or wrongdoings in the association. He appraises misfortunes, harms and resources misappropriation and some other complex money related exchange.

Concept of Financial Statement Fraud

Financial proclamation extortion might be characterized as an intentional, unfair act submitted by traded on open market organizations, using a really deceptive budget summary that makes mischief and damages the speculators and loan bosses. Distorting budget report is normally dedicated by top-level administration and this otherwise called administration extortion with the objective to falsely improve the money related execution and aftereffects of the organization (Manurung and Hardika, 2015). Fiscal summary misrepresentation may additionally be characterized as a purposeful endeavor by enterprises to delude or misdirect clients of distributed budget reports, particularly speculators and leasers, by planning and dispersing tangibly misquoted fiscal reports.

Financial statement fraud is characterized in various manners, but the common definition includes: it is an illegitimate act, committed by management, and injures other parties through misleading financial statements. The auditor's responsibility to distinguish deceitful budget summaries identifies with the identification of material errors brought about by misrepresentation and isn't coordinated to the location of false movement in itself. The audit risk model is intended for completing reviews and expects auditor to use their judgment in assessing risks. In course of assessing risks, auditors should consider the risk factors of financial statement fraud.

The earnings management issues are of great concern to accounting and business professionals, especially given the relationship of these issues to the spectacular financial statement fraud cases of the last decade. Improper revenue recognition, one form of earnings management, is found to be the most common abuse by management in order to achieve their earning targets. The various schemes of revenue recognition fraud include bill-and-hold sales transactions, timing of revenue recognition, side agreements, illegitimate sales transactions, improper revenue recognition – contract accounting, improper related-party sales transactions and channel stuffing.

Financial statement fraud includes goal and misleading by a smart group of proficient culprits (e.g., top officials, reviewers) with a lot of well-arranged plans and an impressive gamesmanship (Razaee, 2010). Financial statement fraud may include the accompanying plans (Razaee, 2010):

- i. Falsification, adjustment, or control of material monetary records, supporting archives, or business exchanges
- ii. Material purposeful misquotes, exclusions, or distortions of occasions, exchanges, accounts or other noteworthy data from which fiscal summaries are readied
- iii. Deliberate misapplication, deliberate confusion, and improper execution of accounting models, standards, strategies and techniques used to quantify, perceive, and report financial occasions and business exchanges
- iv. Intentional oversights and revelations or introduction of lacking exposures in regards to accounting measures, standards, rehearses, and related money related data
- v. The utilization of forceful accounting systems through ill-conceived income the board
- vi. Manipulation of accounting rehearses under the current guidelines based accounting benchmarks which have gotten excessively nitty-gritty and too simple to even think about circumventing and contain escape clauses that enable organizations to shroud the financial substance of their exhibition.

Fraud scale theory

The theory is an option in contrast to the fraud triangle model. Albrecht, Howe, and Romney (1984) contended that dissimilar to legitimization in the fraud triangle theory; individual respectability can be seen in both a person's choice and the basic leadership process, which can help in surveying honesty and deciding the probability that an individual will commit fraud.

The fraud scale is fundamentally the same as the fraud triangle; be that as it may, the fraud scale utilizes a component called "individual respectability" rather than justification. This individual uprightness component is related to every individual's close to home code of moral conduct. The fraud scale theory expresses that when situational pressures and saw openings are high and individual uprightness is low, word related fraud is considerably more prone to happen. Albrecht portrays situational pressures as "the prompt issues people understanding inside their surroundings, the most overpowering of which are presumably high close to home obligations or money related misfortunes.

Relationship between fraud scale theory and the study

The fraud scale theory centers around the thought that the level of fraud hazard is controlled by together thinking about three criteria; weight, opportunity, and honesty. Weight is the thing that makes an individual commit fraud. These include; medical bills, expensive taste, addictive problems, financial problems, etc. Opportunity is the capacity to commit fraud because fraudsters do not wish to be caught; they should likewise accept that their exercises won't be recognized. Opportunity is made by powerless internal control, poor management, inefficient internal auditors etc. While, integrity is the capacity to uphold honesty, uprightness, sincerity, truthfulness, etc. Thus, those who commit fraud would have chosen not to, if there is a robust and actual internal control measure. Among the three theories reviewed, the study was anchored on the fraud scale theory because, it can be deduced that fraud and other unprincipled actions often happen owing to an individual's deficiency of individual veracity or additional ethical reasoning. The Fraud Scale suggests that when weight, opportunity, and uprightness are considered simultaneously, one can decide if a circumstance has a higher likelihood of fraud. Consequently, to thwart the event of such fraud, explicitly budget report fraud, the administration of a prepared and experienced examiner like the scientific bookkeeper is exceptionally required.

CONCLUSION

Based on the findings of the study; it was found that the extent of relationship between litigation support and fictitious revenue minimization in food and beverages manufacturing companies in

Nigeria is moderate and the extent of relationship between litigation support and fictitious revenue minimization in food and beverages manufacturing companies in Nigeria is significant. Thus, these findings points to the fact that the extent of practice of litigation support to prevent fictitious revenue is moderate, as reflected in the result of this study.

RECOMMENDATIONS

Considering the findings, discussion and conclusion of this study, it was recommended generally that manufacturing companies retain the services of qualified forensic accountants who are versed in the use of appropriate fraud deterrence methods in order to minimize fraud. Specifically, the following recommendations were made:

1. The extent of litigation support in checking fictitious revenue fraud was found to be moderate. Hence, food and beverages manufacturing companies in Nigeria should employ competent forensic accountants to check that sales that were actually made are properly recorded and those not actually made are not recorded to avoid recognition of improper revenue in the financial statement.
2. The extent of litigation support in checking improper expense recognition was found to be very strong. Food and beverages companies in Nigeria hence should maintain this standard that existed and ensure that any staff suspected to involve in improper expense recognition fraud is properly investigated and prosecuted and doing so in full glare of the public will serve as deterrence to others in the future.
3. The extent of litigation support in checking incorrect asset valuation was found to be very strong. Hence, food and beverages manufacturing companies should maintain this standard since it has been proved empirically that the two variables have strong relationship.

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