



# FRAUDS & FORGERIES

REPORT OF THE  
FIRST QUARTER  
2009

## REPORT ON FRAUDS AND FORGERIES IN THE NIGERIAN BANKING INDUSTRY FOR THE PERIOD JANUARY – MARCH, 2009

FITC received sixty six (66) returns from twenty one (21) banks in the first quarter of 2009. Of these, 23, 21 and 22 returns were received during the months of January, February and March, 2009, respectively. While 54 (81.82%) recorded cases of frauds and forgeries, 12 (or 18.18%) did not have such record.

Table I shows that the records of frauds and forgeries reported in the banking system during the period under review totalled 517 cases compared to 480 cases in the previous quarter, representing an increase of 7.72%. The major channels through which the frauds were perpetrated include fraudulent withdrawal, forged cheques and suppression of entries, which accounted for 53.97%, 12.96% and 11.03% of the cases respectively. It is noteworthy that these three account for 77.96 of all sources of fraud. Other significant types of fraud recorded during the period included computer fraud, opening and operating fraudulent loan accounts and clearing fraud. See Table I for details.

The total amount of money involved in the reported cases of fraud and forgery in the period under review reduced significantly to ~~N~~1.50 billion from ~~N~~3.40 billion in the preceding quarter, depicting a decrease of 55.88%. A careful look at Table I clearly shows that while computer fraud ranked first, accounting for ~~N~~739.04 million (51.01%) of the total amount involved, forged cheques ranked second with a sum of ~~N~~266.43 million, representing 17.76% of the amount involved and fraudulent withdrawal ranked third with the sum of ~~N~~158.37 million, representing 10.56% of the total amount involved. See Table II for details.

Further analysis of the returns shows that ~~N~~190.27 billion or 12.69% of the total amount involved was actually lost to frauds in the first quarter of 2009. The balance was directly recovered by the bank from the perpetrators through the ability of bank to either frustrate or

abort the attempt of the fraudsters. The analysis reveals that the largest amount lost to fraud could be traced to armed robberies valued at ₦56.64 million or 30.27% of the actual/expected loss. It further shows that huge sums were lost to theft of cash as well as fraudulent withdrawals, both totalling ₦75.01 million (or 39.79%).

However, miscellaneous and other types of fraud plummeted significantly to ₦126.29 million from ₦394.12 million of the previous quarter, showing a decrease of 67.96%. This category of fraud is made up of false identification, conversion of dividend warrants and failure of integrity test, amongst others.

With regards to the involvement of persons, the study indicates that outsiders were most culpable. They were involved in 392 (or 75.82%) of the cases, while banks' staff accounted for 112 (or 21.66%). But cases where perpetrators colluded with banks' staff totaled 2 (or 1.16%), and the culprits in 7 (or 1.35%) of the reported cases were not specified.

The returns indicate that 27 bank staff had their appointments terminated during the period under review on grounds of fraud and forgery. This represents a decrease of 3.85% when compared to 26 staff relieved of their jobs in the preceding quarter.

From the chart in Table IV, it is obvious that the banks were more observant and, thus, more successful in aborting many cases of computer fraud, forged cheques and miscellaneous & other types of fraud. But same could not be said of such frauds as over-invoicing of service to the banks, theft of cash and armed robberies. It is, therefore, expedient that the banks become more meticulous and beef up their security arrangements, at combating frauds in these other areas as they constituted major sources through which huge sums were lost.

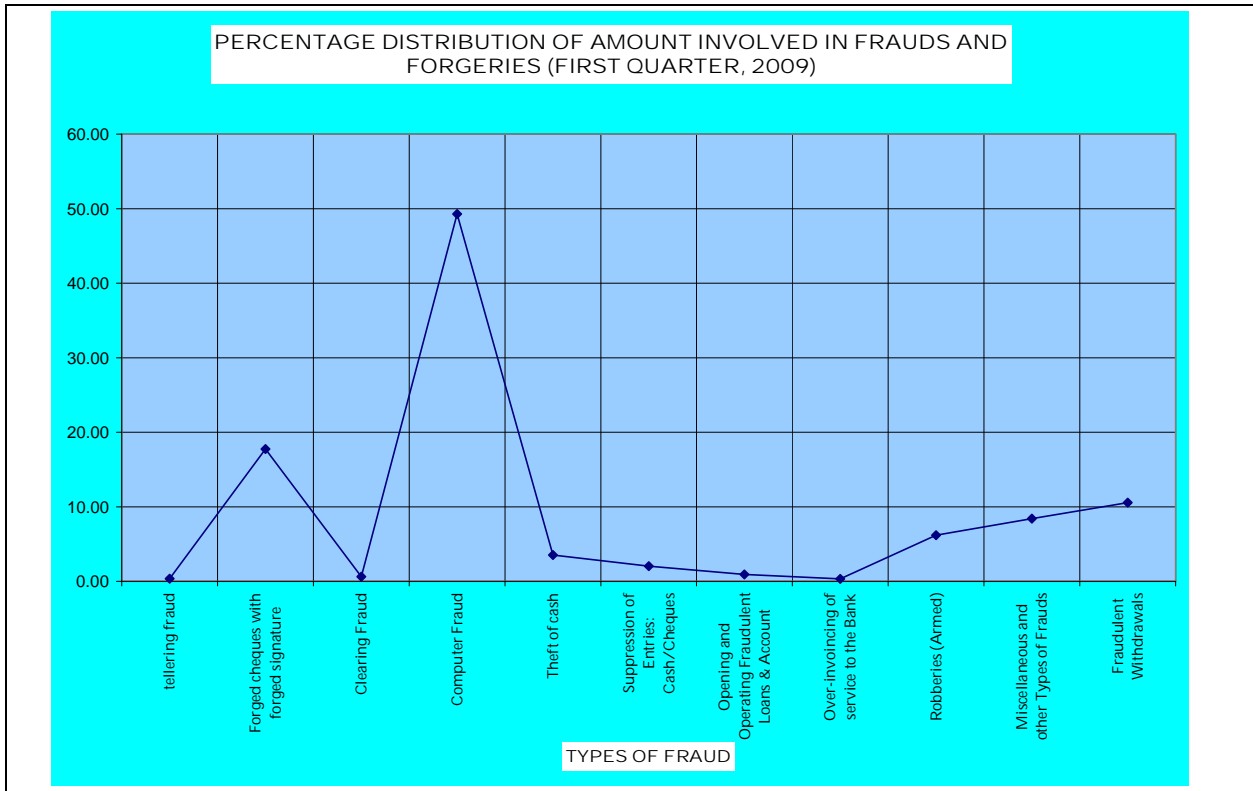
N.B: Please see the appendices (attached) for details of the cases of frauds and forgeries covered in this report.

TABLE 1  
FRAUDS AND FORGERIES IN THE NIGERIAN BANKING INDUSTRY  
1<sup>ST</sup> QUARTER, 2009

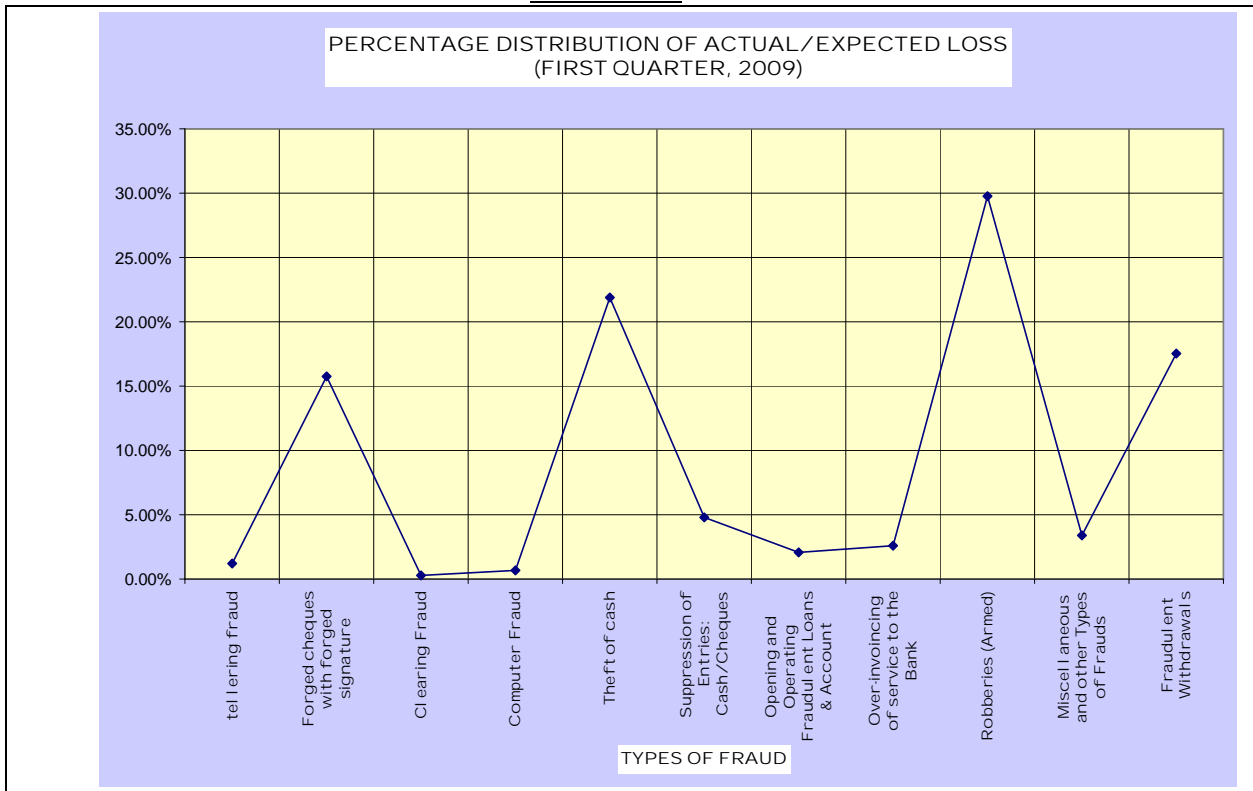
Types of Fraud	Total Number of cases reported	Involving Bank Personnel only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved(^)	Actual /Expected Loss (^)	Expected Loss/ Amount Involved %
Tellering Fraud	5 (1.12)	4 (4.30)	1 (0.29)	0 (0)	0 (0)	5,393,500.00 (0.37)	2,296,405.00 (1.23)	42.6
Falsification Of Accounts:Current/Chequ ,Savings/Deposits,Suspense Accounts	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00 (0)	0.00 (0)	0
Forged Cheques With Forged Signature	67 (12.96)	5 (4.46)	61 (15.56)	1 (16.67)	0 (0)	266,430,227.50 (17.76)	29,982,750.86 (15.76)	11.3
Printing Of Bank Document Illegally	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00 (0)	0.00 (0)	0
Clearing Fraud	11 (2.46)	0 (0)	9 (2.63)	1 (16.67)	1 (14.29)	9,485,882.01 (0.65)	550,000.00 (0.29)	5.8
Computer Fraud	19 (4.24)	9 (9.68)	8 (2.34)	2 (33.33)	0 (0)	739,041,940.00 (51.01)	1,301,902.95 (0.70)	0.2
Telex Fraud	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00 (0)	0.00 (0)	0

Foreign Exchange Fraud	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00 (0)	0.00 (0)	0
Cross Firing Of Cheques &Kite Flying	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00 (0)	0.00 (0)	0
Theft Of Cash	11 (2.46)	7 (7.53)	2 (0.58)	0 (0)	2 (28.57)	52,820,119.00 (3.65)	41,646,864.00 (22.26)	78.8
Suppression Of Entries :Cash/Cheques	57 (11.03)	56 (50.00)	1 (0.26)	0 (0)	0 (0)	30,383,771.56 (2.03)	9,137,406.28 (4.80)	30.1
Opening And Operating Fraudulent Loans& Accounts	15 (2.90)	1 (0.89)	14 (3.57)	0 (0)	0 (0)	13,988,657.74 (0.93)	3,937,413.16 (2.07)	28.1
Over-Invoicing Of Service To The Bank	3 (0.67)	3 (3.23)	0 (0)	0 (0)	0 (0)	4,948,824.00 (0.34)	4,945,624.00 (2.64)	99.9
Robberies (Armed)	4 (0.89)	0 (0)	4 (1.17)	0 (0)	0 (0)	92,701,025.00 (6.40)	56,636,860.00 (30.27)	61.1
Fictitious Bank Branches	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Miscellaneous & Other Types Of Frauds	46 (8.90)	6 (5.36)	37 (9.44)	0 (0)	3 (42.86)	126,292,313.28 (8.42)	6,476,058.88 (3.40)	5.1
Fraudulent Withdrawals	279 (53.97)	21 (18.75)	255 (65.05)	2 (33.33)	1 (14.29)	158,367,268.46 (10.56)	33,357,139.14 (17.53)	21.1
Total	517	112	392	6	7	1,499,853,528.27	190,268,424.27	

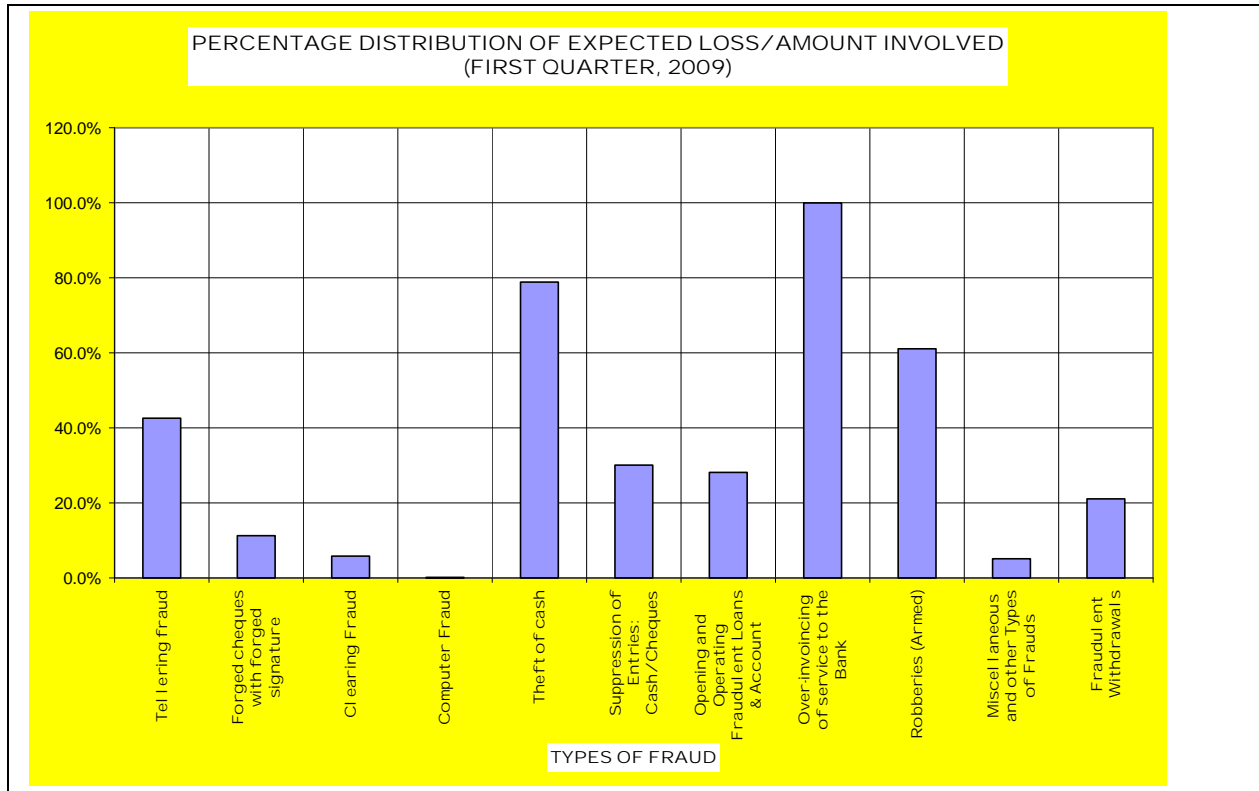
**TABLE II**



**TABLE III**



**TABLE IV**



FITC Research, 2009.