



# **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 ~~₦~~1.50 billion from ~~₦~~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 ~~₦~~739.04 million (51.01%) of the total amount involved, forged cheques ranked second with a sum of ~~₦~~266.43 million, representing 17.76% of the amount involved and fraudulent withdrawal ranked third with the sum of ~~₦~~158.37 million, representing 10.56% of the total amount involved. See **Table II** for details.

Further analysis of the returns shows that ~~₦~~190.27 million 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.

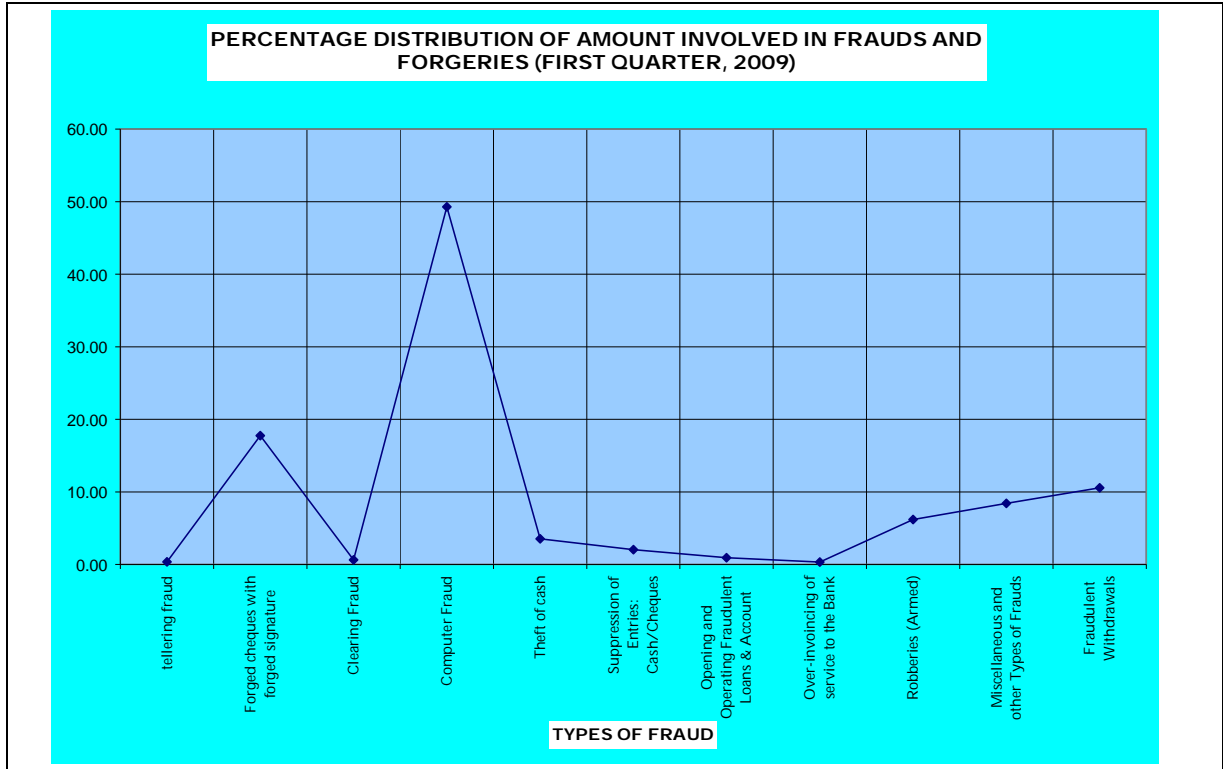
**N.B:** Please see the appendices (attached) for details of the cases of frauds and forgeries covered in this report.

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

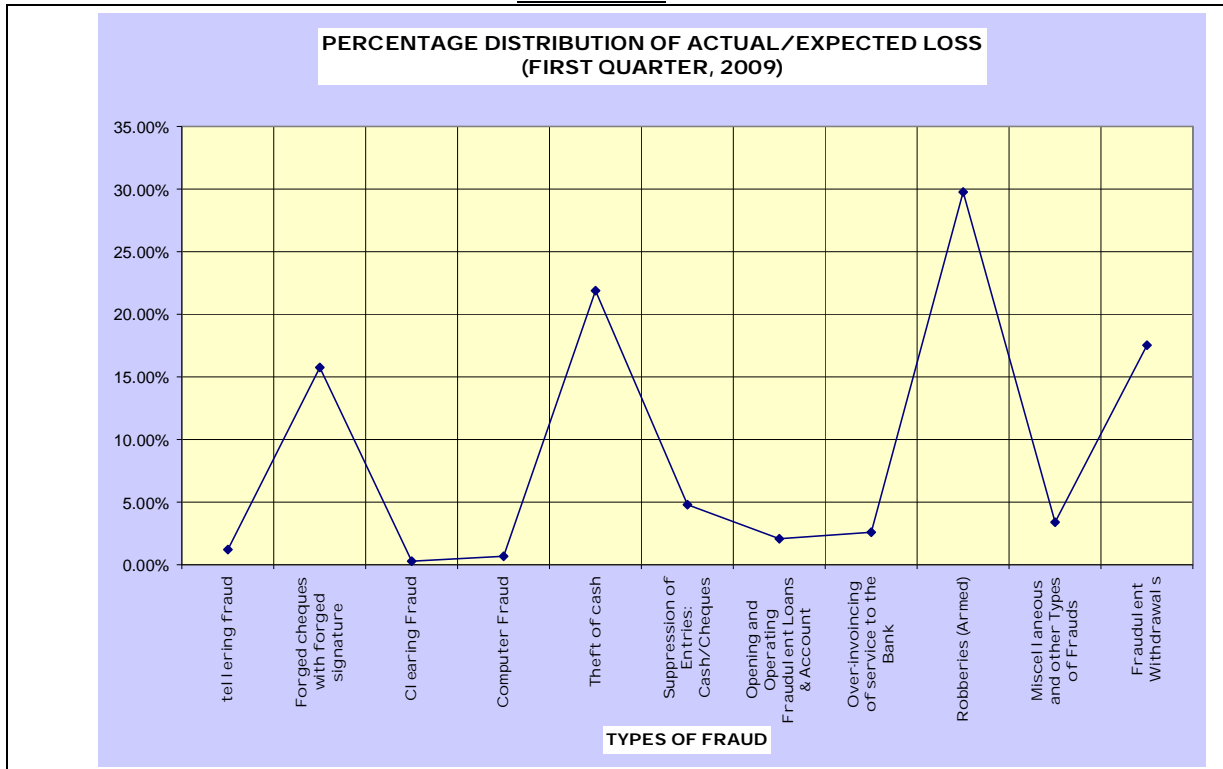
<b>Types of Fraud</b>	<b>Total Number of cases reported</b>	<b>Involving Bank Personnel only</b>	<b>Involving Outside Persons Only</b>	<b>Collusion</b>	<b>Not Specified</b>	<b>Amount Involved(^)</b>	<b>Actual /Expected Loss (^)</b>	<b>Expected Loss/ Amount Involved %</b>
<b>Teller Fraud</b>	5 (1.12)	4 (4.30)	1 (0.29)	0 (0)	0 (0)	5,393,500.00 (0.37)	2,296,405.00 (1.23)	42.6
<b>Falsification Of Accounts:Current/Cheque, Savings/Deposits, Suspense Accounts</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00 (0)	0.00 (0)	0
<b>Forged Cheques With Forged Signature</b>	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
<b>Printing Of Bank Document Illegally</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00 (0)	0.00 (0)	0
<b>Clearing Fraud</b>	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
<b>Computer Fraud</b>	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
<b>Telex Fraud</b>	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
<b>Total</b>	<b>517</b>	<b>112</b>	<b>392</b>	<b>6</b>	<b>7</b>	<b>1,499,853,528.27</b>	<b>190,268,424.27</b>	

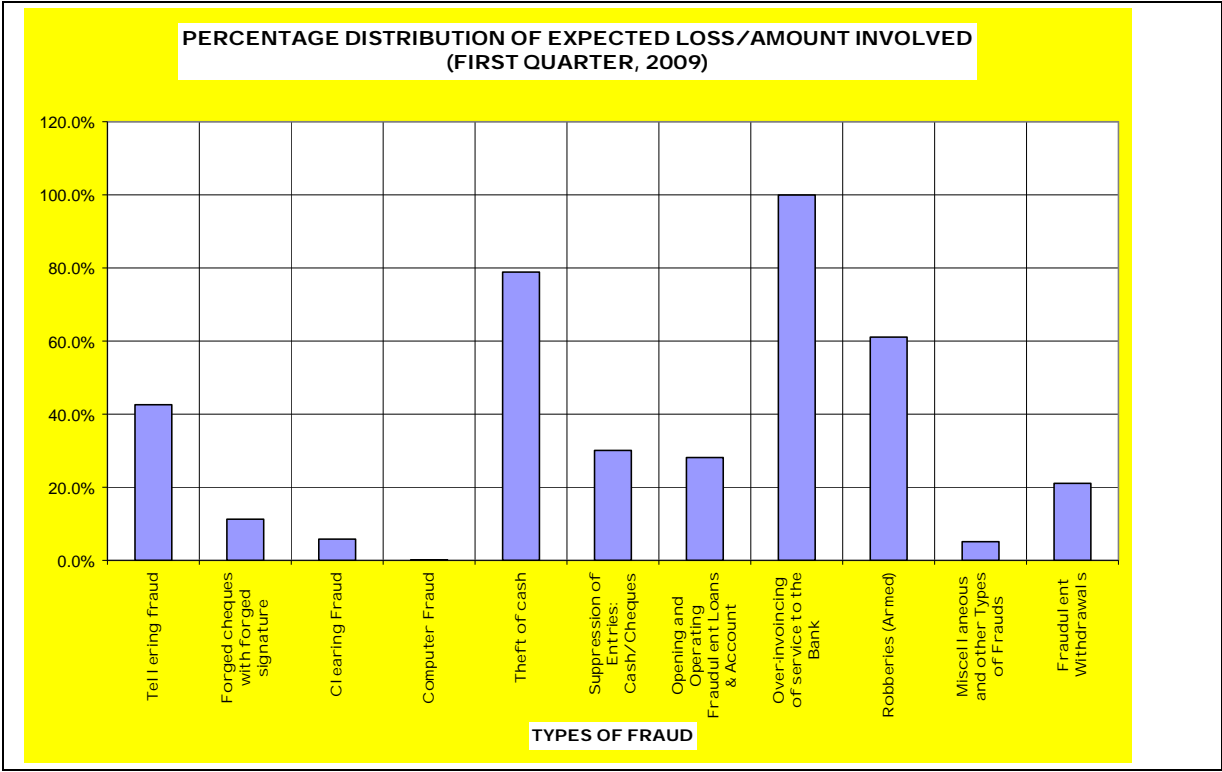
**TABLE II**



**TABLE III**



**TABLE IV**



**FITC Research, 2009.**

# **REPORT ON FRAUDS & FORGERIES IN BANKS**

**SECOND QUARTER  
2009**

## REPORT ON FRAUDS AND FORGERIES IN THE NIGERIAN BANKING INDUSTRY FOR THE PERIOD APRIL - JUNE, 2009

FITC received sixty two (62) returns from twenty one (21) banks in the second quarter of 2009. Of these returns, 58 (93.55%) recorded cases of frauds and forgeries, while 4 (or 6.45%) did not have such record.

**Table I** shows that the record of frauds and forgeries reported in the banking system in the period under review totalled 643 cases compared to 517 cases in the previous quarter, thus representing an increase of 24.37% in the total cases involved. Major fraud cases include fraudulent withdrawals, forged cheques, suppression of entries etc. Other types of fraud recorded during the period included opening and operating fraudulent loan accounts, tellering fraud and computer fraud. See **Table I** for details.

The total amount of money involved in the reported cases of fraud and forgery within the period under review rose significantly to ₦12.10 billion from ₦1.50 billion in the preceding quarter, depicting an alarming increase of 706.66%. A careful look at **Table I** clearly shows that while suppression of entries ranked first, accounting for ₦7.31 billion (60.45%) of the total amount involved, computer fraud ranked second with a sum of ₦1.72 billion, representing 14.24% of the amount involved and clearing fraud ranked third with the sum of ₦1.29 billion, representing 10.68% of the total amount involved. See **Table II** for a more graphic presentation.

Further analysis of the returns shows that ₦1.04 billion or 8.60% of the total amount involved was actually lost to frauds in the second quarter of 2009. The balance was recovered through proactive fraud

detection and interventions. The analysis presented in **Table I** and graphically illustrated in **Table III** reveals that the largest amount lost to fraud could be traced to miscellaneous and other types of fraud valued at ~~N~~357.21 million or 34.34% of the actual/expected loss. It further shows that huge sums were lost to suppression of entries as well as tellering fraud, both totalling ~~N~~303.81million (or 29.20%).

However, miscellaneous and other types of fraud increased significantly to ~~N~~508.22 million from ~~N~~126.29 million of the previous quarter, showing an increase of 302.43%. 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 in the fraud cases reported, the study indicates that outsiders were most culpable. They were involved in 519 (or 80.72%) of the cases, while banks' staff accounted for 117 (or 18.20%). But cases where perpetrators colluded with banks' staff totaled 4 (or 0.62%), and the culprits in 3 (or 0.47%) of the reported cases were not specified.

The returns indicate that 33 bank staff had their appointments terminated during the period under review on grounds of fraud and forgery. This represents an increase of 22.22% when compared to 27 staff relieved of their jobs in the preceding quarter.

From the chart in **Table IV**, it is obvious that the banks are becoming more vigilant and more successful in check-mating many cases of computer fraud, clearing fraud and suppression of entries. But the same can not be said of other fraud types such as tellering fraud, armed robbery, and other types of fraud. It is, therefore, pertinent that the banks ensure adequate checks on daily transactions carried out as well as beef up their security arrangements in order to intensify their efforts at combating frauds in other areas as they appear to have constituted major avenues of huge financial losses in the period under review.

It is also important that banks ensure that people in the tellering functions are skilled in the art of routine checks to ensure validity of transactions or customers' title to presented banking instruments. Due care should also be taken in performing due checks on integrity of staff in functions linked to tellering and other back end roles to minimize this sharp increase of 706.66% in amount involved in frauds and forgeries in the second quarter of 2009.

**N.B:** Please see the appendices (attached) for details of the cases of frauds and forgeries covered in this report with some comparisons with the first quarter of 2009 and the second quarter of 200

**FRAUDS AND FORGERIES IN THE NIGERIAN BANKING INDUSTRY (2ND QUARTER, 2009)**

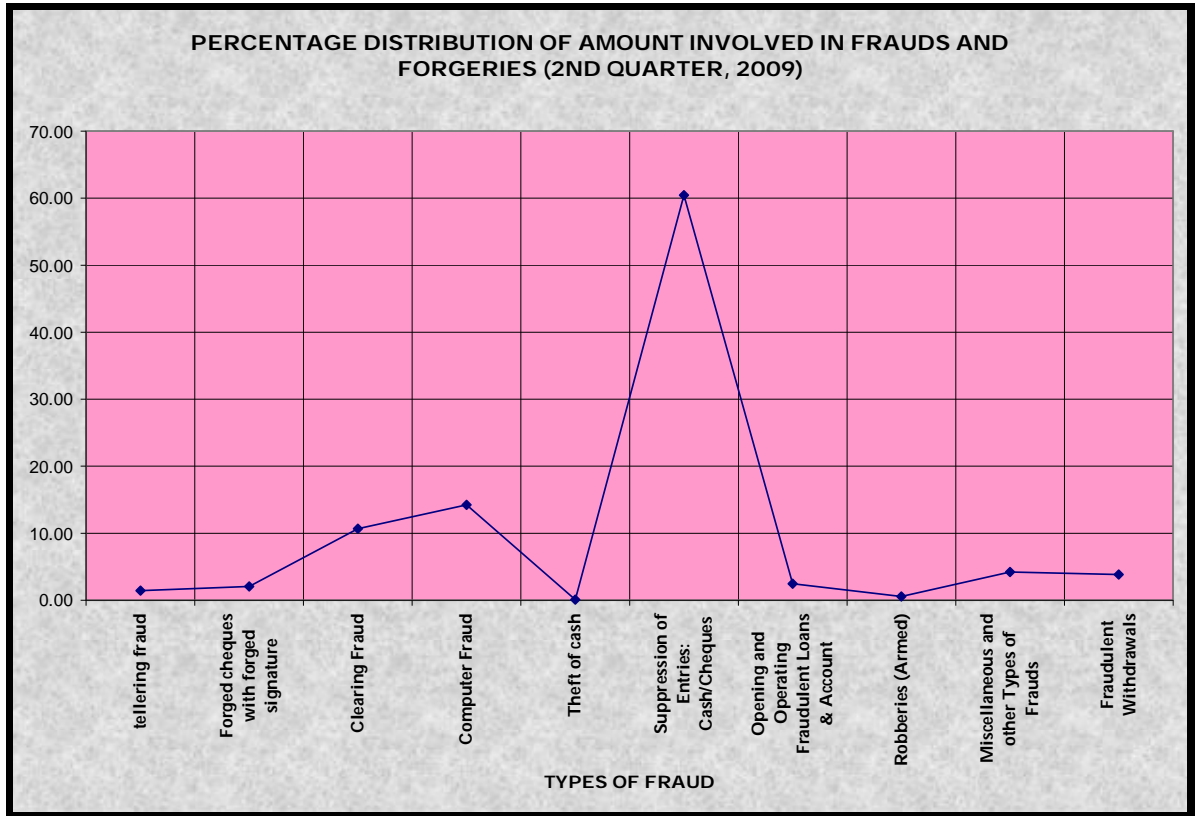
**TABLE 1**

<b>Types of Fraud</b>	<b>Total Number of cases reported</b>	<b>Involving Bank Personnel only</b>	<b>Involving Outside Persons Only</b>	<b>Collusion</b>	<b>Not Specified</b>	<b>Amount Involved(^)</b>	<b>Actual /Expected Loss (^)</b>	<b>Expected Loss/ Amount Involved %</b>
<b>Tellering Fraud</b>	13 (2.02)	13 (11.11)	0 (0)	0 (0)	0 (0)	174,744,389.82 (1.44)	149,206,086.29 (14.34)	85.4
<b>Falsification Of Accounts:Current/Chequ,Savings/Deposits,Suspense Accounts</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00 (0)	0.00 (0)	0
<b>Forged Cheques With Forged Signature</b>	57 (8.86)	1 (0.85)	55 (10.60)	1 (25)	0 (0)	248,516,601.06 (2.05)	76,124,025.81 (7.32)	30.6
<b>Printing Of Bank Document Illegally</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00 (0)	0.00 (0)	0
<b>Clearing Fraud</b>	7 (1.09)	0 (0)	7 (1.35)	0 (0)	0 (0)	1,291,843,700.26 (10.68)	25,336,788.83 (2.44)	2.0
<b>Computer Fraud</b>	11 (1.71)	5 (4.27)	6 (1.16)	0 (33.33)	0 (0)	1,722,650,679.00 (14.24)	25,242,000.00 (2.43)	1.5
<b>Telex Fraud</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00 (0)	0.00 (0)	0
<b>Foreign Exchange Fraud</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00 (0)	0.00 (0)	0
<b>Cross Firing Of Cheques &amp;Kite Flying</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00 (0)	0.00 (0)	0
<b>Theft Of Cash</b>	9 (1.40)	4 (3.42)	3 (0.58)	0 (0)	2 (66.67)	10,641,500.00 (0.09)	867,000.00 (0.08)	8.1

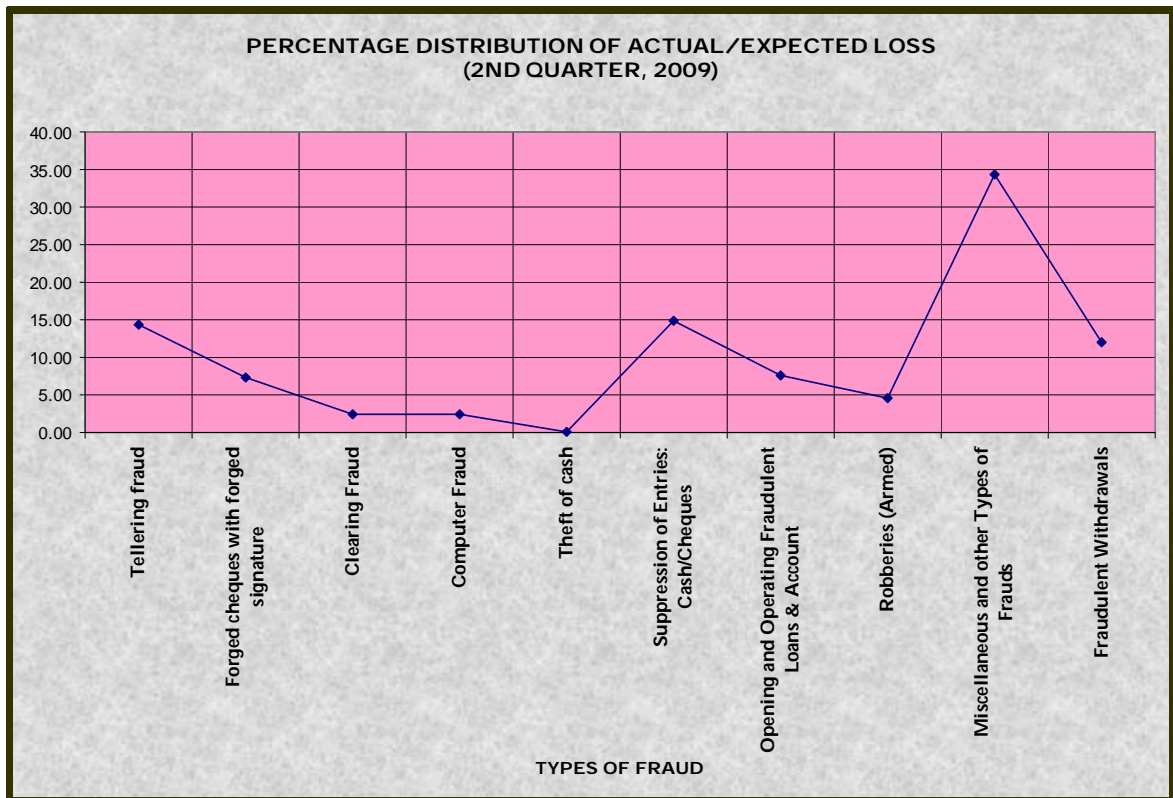
<b>Suppression Of Entries :Cash/Cheques</b>	56 (8.71)	55 (47.01)	1 (0.19)	0 (0)	0 (0)	7,313,625,941.00 (60.45)	154,597,813.21 (14.86)	2.1
<b>Opening And Operating Fraudulent Loans&amp; Accounts</b>	19 (2.95)	3 (2.56)	16 (3.08)	0 (0)	0 (0)	298,207,591.17 (2.46)	79,006,026.12 (7.59)	26.5
<b>Over-Invoicing Of Service To The Bank</b>	2 (0.31)	2 (1.71)	0 (0)	0 (0)	0 (0)	210,000.00 (0)	0 (0)	0
<b>Robberies (Armed)</b>	8 (1.24)	0 (0)	8 (1.54)	0 (0)	0 (0)	66,396,512.62 (0.55)	47,702,139.04 (4.59)	71.8
<b>Fictitious Bank Branches</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
<b>Miscellaneous &amp; Other Types Of Frauds</b>	59 (9.18)	19 (16.24)	39 (7.51)	0 (0)	1 (33.33)	508,217,564.75 (4.20)	357,207,791.58 (34.34)	70.3
<b>Fraudulent Withdrawals</b>	402 (62.52)	15 (12.82)	384 (73.99)	3 (75)	0 (0)	463,715,228.13 (3.83)	125,018,328.63 (12.02)	27
<b>Total</b>	<b>643</b>	<b>117</b>	<b>519</b>	<b>4</b>	<b>3</b>	<b>12,098,769,707.8</b> <b>1</b>	<b>1,040,307,999.5</b> <b>1</b>	

**N.B: All figures in parenthesis ( ) indicate percentages.**

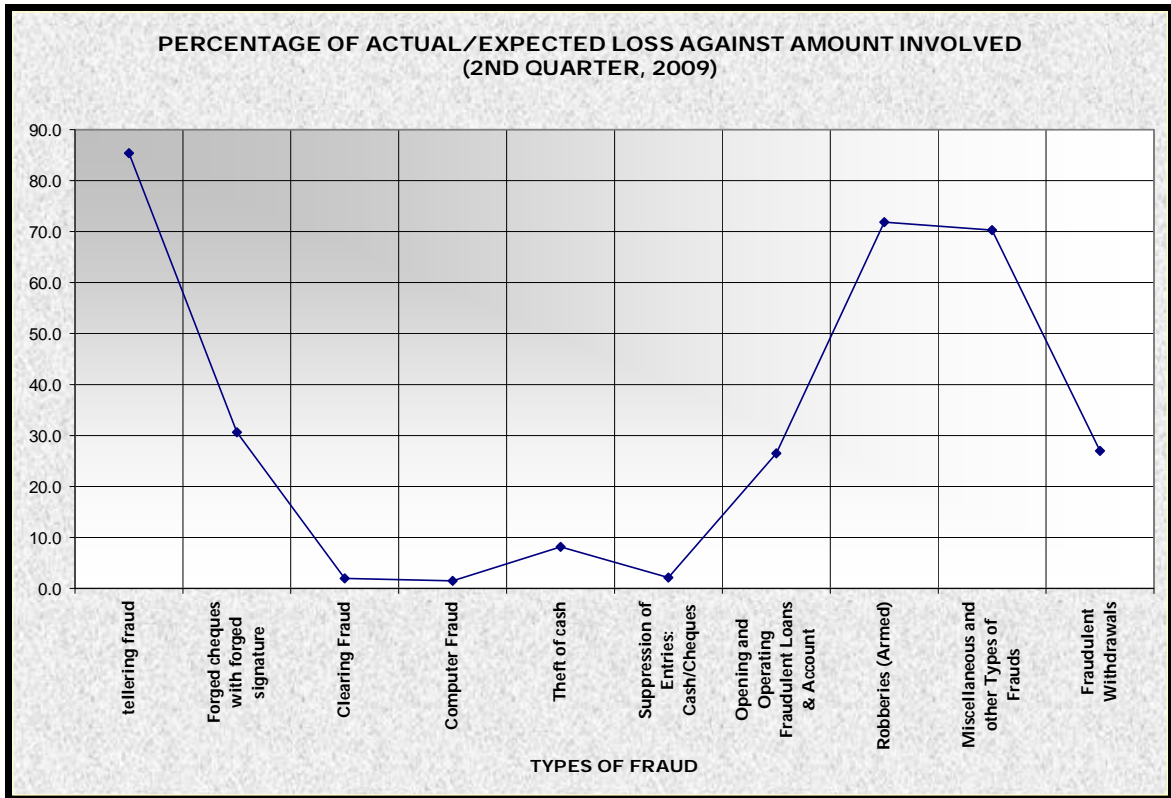
**TABLE II**



**TABLE III**



**TABLE 1V**



**TABLE V**

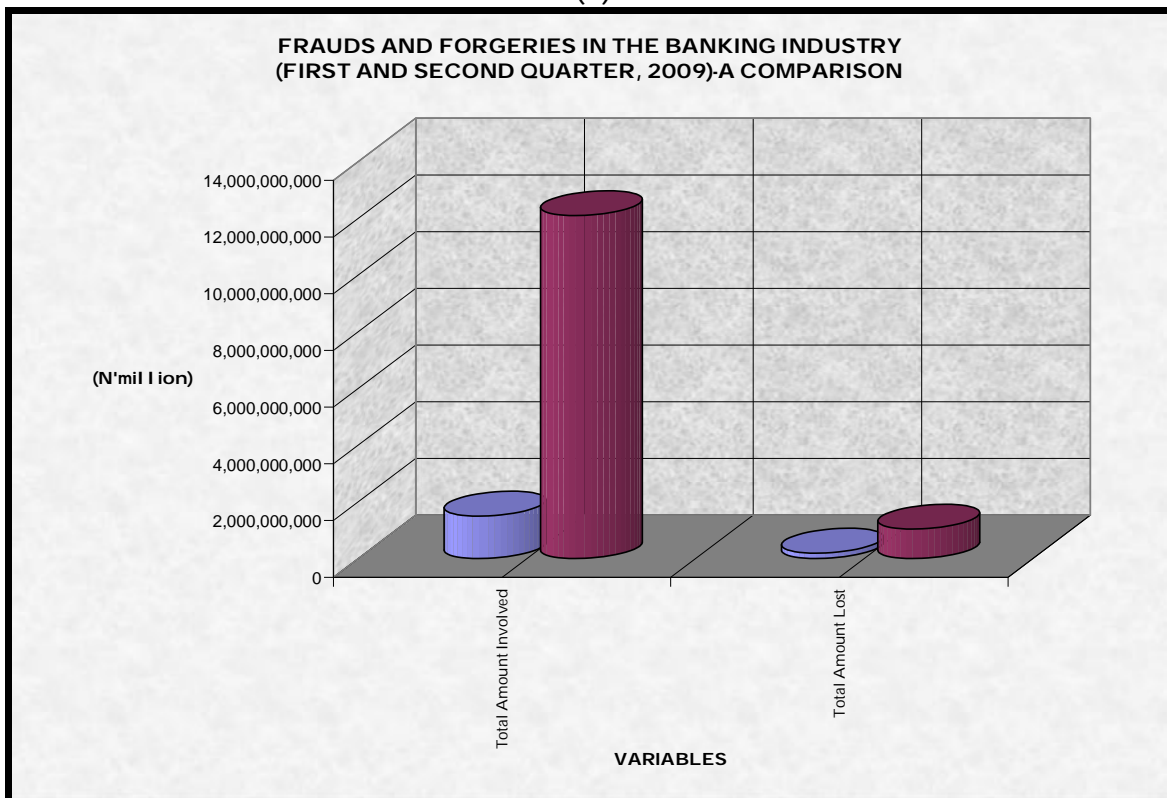
**STATISTICS OF FRAUDS AND FORGERIES IN THE BANKING INDUSTRY**

**A COMPARISON OF FIRST & SECOND QUARTER, 2009**

(a)

S/N	VARIABLES	FISRT QUARTER, 2009	SECOND QUARTER, 2009
1	Total Cases Involved	517	643
2	Total Amount Involved	₦ 1.5billion	₦ 12.1billion
3	Total Amount Lost	₦190.3 million	₦1.04billion
4	Outsider Involvement	392	519
5	Insider (staff) Involvement	112	117
6	Appointments Terminated	27	33

(b)

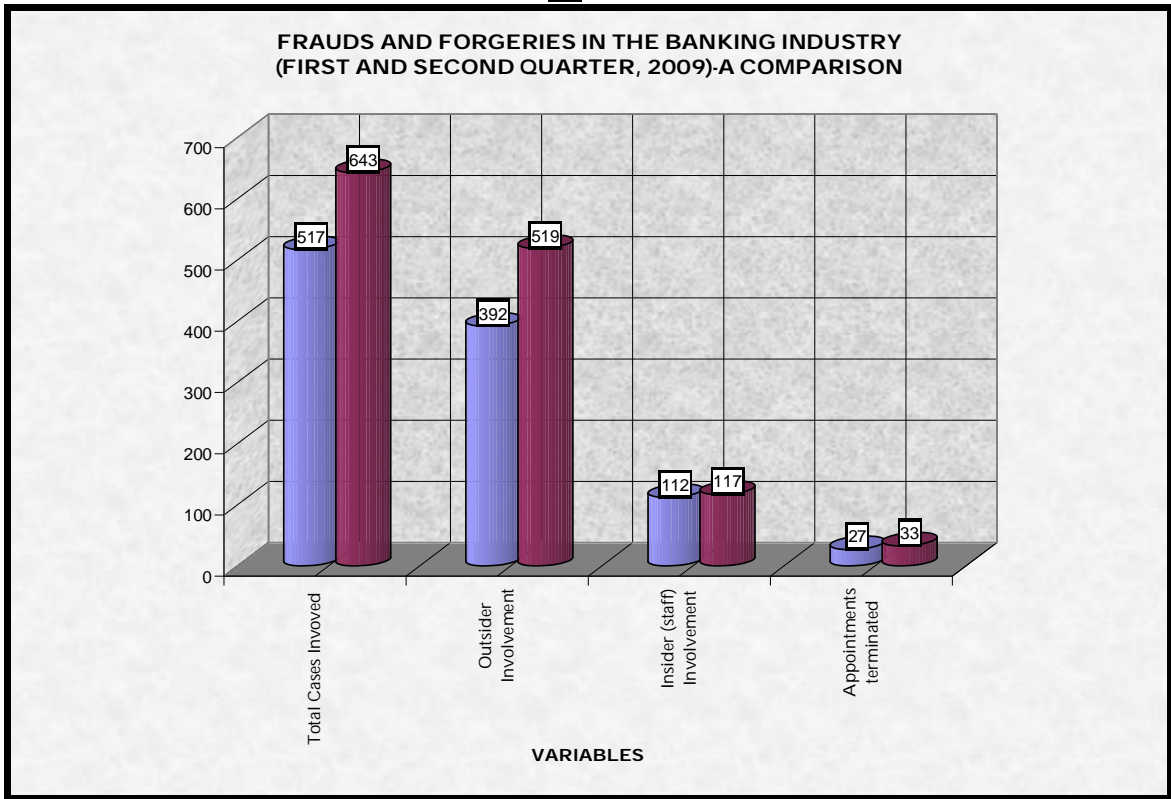


**KEY**

1st Quarter, 2009	
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2nd Quarter, 2009	
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(c)



**KEY**

1st Quarter, 2009	
2nd Quarter, 2009	

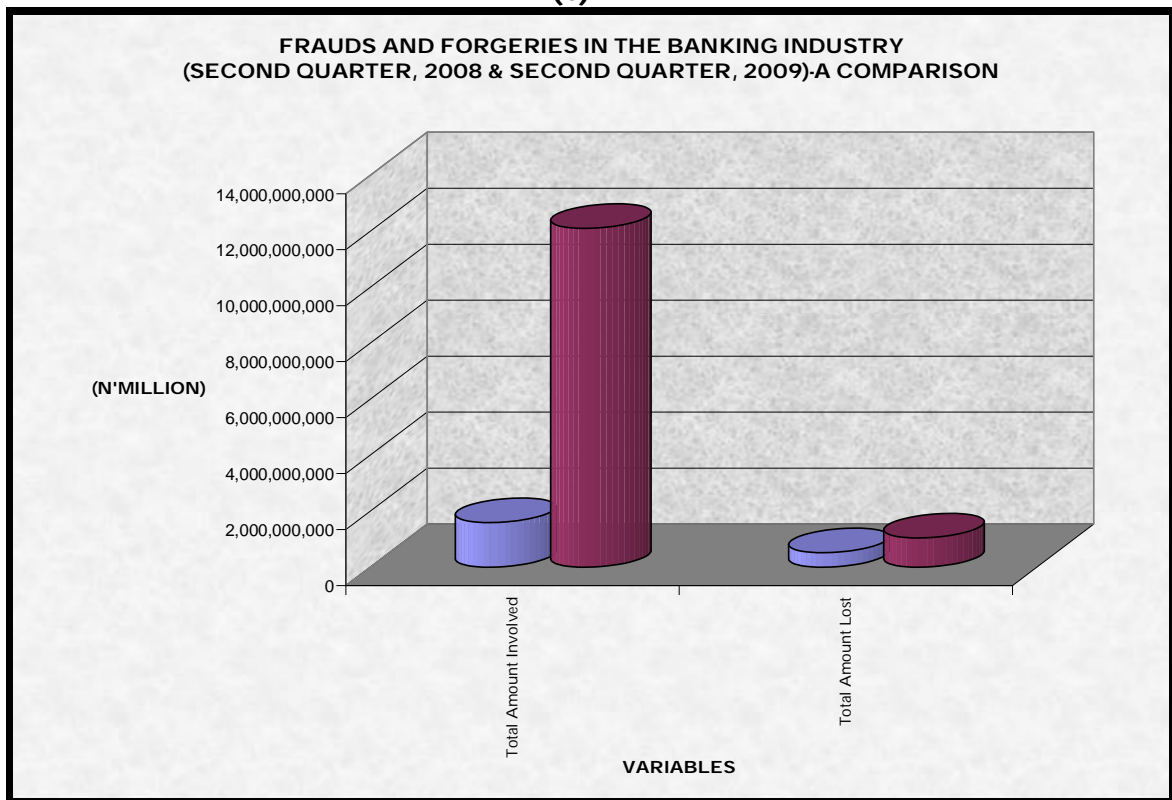
**TABLE VI**

**STATISTICS OF FRAUDS AND FORGERIES IN THE BANKING  
INDUSTRY  
A COMPARISON OF SECOND QUARTER, 2008 & SECOND QUARTER,  
2009)**

(a)

S/N	VARIABLES	SECOND QUARTER, 2008	SECOND QUARTER, 2009
1	Total Cases Involved	374	643
2	Total Amount Involved	1.59billion	<del>₦</del> 12.1billion
3	Total Amount Lost	518.77million	<del>₦</del> 1.04billion
	Outsider Involvement	207	519
5	Insider (staff) Involvement	132	117
6	Appointments Terminated	26	33

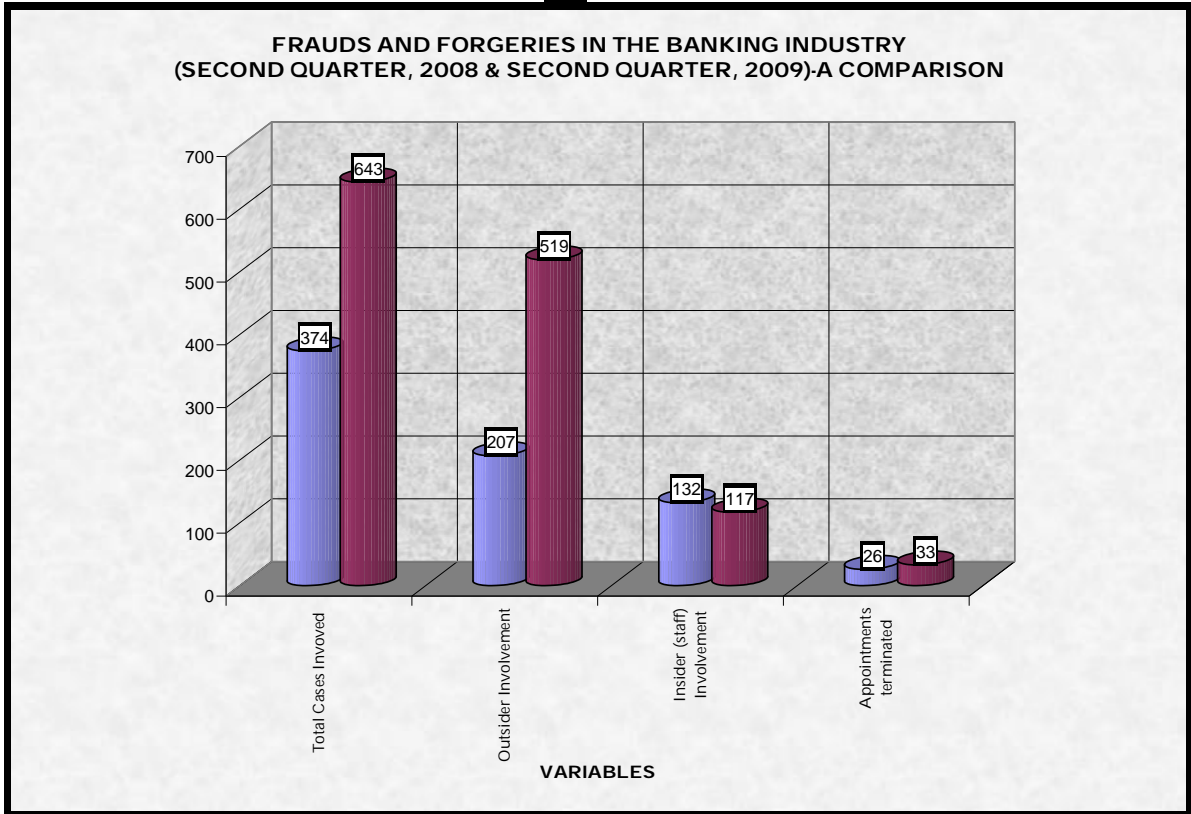
(b)



**KEY**

2nd Quarter, 2008	
2nd Quarter, 2009	

(c)



**KEY**

2nd Quarter, 2008	
2nd Quarter, 2009	

**FITC RESEARCH, JULY, 2009**

# **REPORT ON FRAUDS & FORGERIES IN BANKS**

**THIRD QUARTER  
2009**

## REPORT ON FRAUDS AND FORGERIES IN THE NIGERIAN BANKING INDUSTRY FOR THE PERIOD JULY-SEPTEMBER, 2009

FITC received 66 (sixty-six) returns from 22 (twenty-two) banks in the third quarter of 2009. Of these returns, 56 (84.85%) reported cases involving frauds and forgeries, while 10 (15.15%) had no such cases.

**Appendix I** shows that the reported cases of frauds and forgeries in the banking system totalled 762, compared to 643 cases in the previous quarter, thus representing an increase of 18.50%. The most common types of fraud were fraudulent withdrawals and suppression of entries. Other types of fraud reported during the period were forged cheques with forged signature, theft of cash, computer fraud, armed robberies, tellering fraud, opening and operating fraudulent loans and accounts, clearing fraud, falsification of accounts, and over-invoicing of services to banks. See **Appendix I** for details.

The total amount of money involved in the reported cases plummeted significantly to ~~₦~~2.37 billion from ~~₦~~12.10 billion in the previous quarter, depicting a decrease of 80.41%. A careful look at **Appendix I** clearly shows that while miscellaneous and other types of fraud ranked first in terms of the amount involved, accounting for ~~₦~~1.011 billion (42.70%) of the total amount involved; armed robberies ranked second with a sum of ~~₦~~370.99 million (15.66%); and suppression of entries ranked third with a sum of ~~₦~~317.91 million (13.42%) of the total amount involved.

The figure for miscellaneous and other types of fraud had increased from ~~₦~~508.22 million in the previous quarter to ~~₦~~1.011 billion, representing an increase of 98.93%. This category of fraud is made up of activities like false identification, conversion of dividend warrants and failure of integrity test, amongst others. See **Appendix II** for a graphic representation of the amount involved in reported cases of fraud and forgery in the period under review.

Analysis of the returns shows that ~~N~~1.22 billion (51.48%) of the total amount involved was actually lost to fraud and forgery activities in the third quarter of 2009. However, the balance was recovered through the banks' relentless efforts to abort attempts made by fraudsters. The analysis presented in **Appendix I** (and graphically illustrated in **Appendix III**) reveals that the largest amount either actually lost, or is expected to be lost to fraud are traceable to miscellaneous and other types of fraudulent activities, this valued at ~~N~~496.34 million (40.69%) of the total amount involved. Further analysis shows that huge sums of money were lost to armed robbery attacks and suppression of entries, both totalling ~~N~~509.47 million (41.77%).

The returns indicated a preponderance of external influences in the frauds committed. Outsiders were involved in 569 (74.67%) cases, while banks' staff accounted for 169 (22.18%) of the cases reported. Cases where the perpetrators colluded with banks' staff totalled 10 (1.31%), while the identities of the culprits in 14 (1.84%) of the cases were not specified in the returns.

The returns also indicated that 20 bank staff had their appointments terminated during the period on grounds of fraud and forgery. This represents a decrease of 39.39% when compared to 33 staff whose appointments were terminated in the preceding quarter.

The chart in **Appendix IV** suggests that banks were more careful and efficient in identifying and plugging loopholes that were being explored by fraudsters in tellering fraud, forged cheques with forged signature, suppression of entries, opening and operating fraudulent loans and accounts, and fraudulent withdrawals. However, the same cannot be said of other fraud types like over-invoicing of services to the banks, falsification of account, armed robberies and theft of cash. It is, therefore, imperative that banks minimise income leakage through expenses by putting in place adequate controls, and ensuring that retirement of cash advances are done with necessary supporting documents as at when due. They should also ascertain the authenticity of their customers' accounts/cheques before effecting transactions. Furthermore, security measures and collaborations amongst banks should be encouraged in order to mitigate the

incidence of armed robberies and theft, which constituted the major sources of funds lost by banks in the period under review.

## **Summary**

A comparison of data across the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> quarters of 2009 indicate that there are increasing cases of frauds in the banking industry. Total amounts lost to frauds and forgeries have also been on the increase. The degree of frauds and forgeries within the 2<sup>nd</sup> quarter of 2009 is very fundamental and should be given more attention, as the increasing incidences of frauds by 3<sup>rd</sup> parties/outside.

A comparison of data highlights between the situation in the 3<sup>rd</sup> quarter of 2008 and 2009 makes the worsening situation more glaring.

The efforts of the banks at investigating, dealing with and receiving sums that could have been lost to frauds and forgeries appear commendable, but they seem reachonary. The Central Bank of Nigeria and the Nigerian Deposit Insurance Corporation should support their efforts in curbing frauds and forgeries as a means of building customer confidence in the system.

**Note: Please see the appendices (attached) for summaries of the cases of frauds and forgeries covered in this report, and with some comparisons with the first and the second quarters of 2009.**

**APPENDIX 1: FRAUDS AND FORGERIES IN THE NIGERIAN BANKING INDUSTRY (3RD QUARTER, 2009)**

<b>Types of Fraud</b>	<b>Total Number of cases reported</b>	<b>Involving Bank Personnel only</b>	<b>Involving Outside Persons Only</b>	<b>Collusion</b>	<b>Not Specified</b>	<b>Amount Involved(^)</b>	<b>Actual /Expected Loss (^)</b>	<b>Expected Loss/ Amount Involved %</b>
<b>Tellering Fraud</b>	11 (1.44)	10 (5.92)	0 (0)	0 (0)	1 (7.14)	282,564,851.64 (11.9)	10,587,851.64 (0.87)	3.7
<b>Falsification Of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts</b>	1 (0.13)	0 (0)	1 (0.18)	0 (0)	0 (0)	340,000.00 (0.01)	340,002.00 (0.03)	100
<b>Forged Cheques With Forged Signature</b>	32 (4.20)	0 (0)	32 (5.62)	0 (0)	0 (0)	99,694,146.77 (4.2)	46,149,520.12 (3.78)	46.3
<b>Printing Of Bank Document Illegally</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00 (0)	0.00 (0)	0
<b>Clearing Fraud</b>	4 (0.52)	0 (0)	3 (0.53)	0 (0)	1 (7.14)	6,803,075.71 (0.3)	5,203,049.71 (0.43)	76.5
<b>Computer Fraud</b>	14 (1.84)	4 (2.37)	10 (1.76)	0 (0)	0 (0)	19,063,963.00 (0.8)	12,860,864.79 (1.05)	67.5
<b>Telex Fraud</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00 (0)	0.00 (0)	0
<b>Foreign Exchange Fraud</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00 (0)	0.00 (0)	0
<b>Cross Firing Of Cheques &amp;Kite Flying</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00 (0)	0.00 (0)	0
<b>Theft Of Cash</b>	20 (2.62)	13 (7.69)	1 (0.18)	2 (20)	4 (28.57)	40,989,916 (1.7)	38,874,635.50 (3.19)	94.8

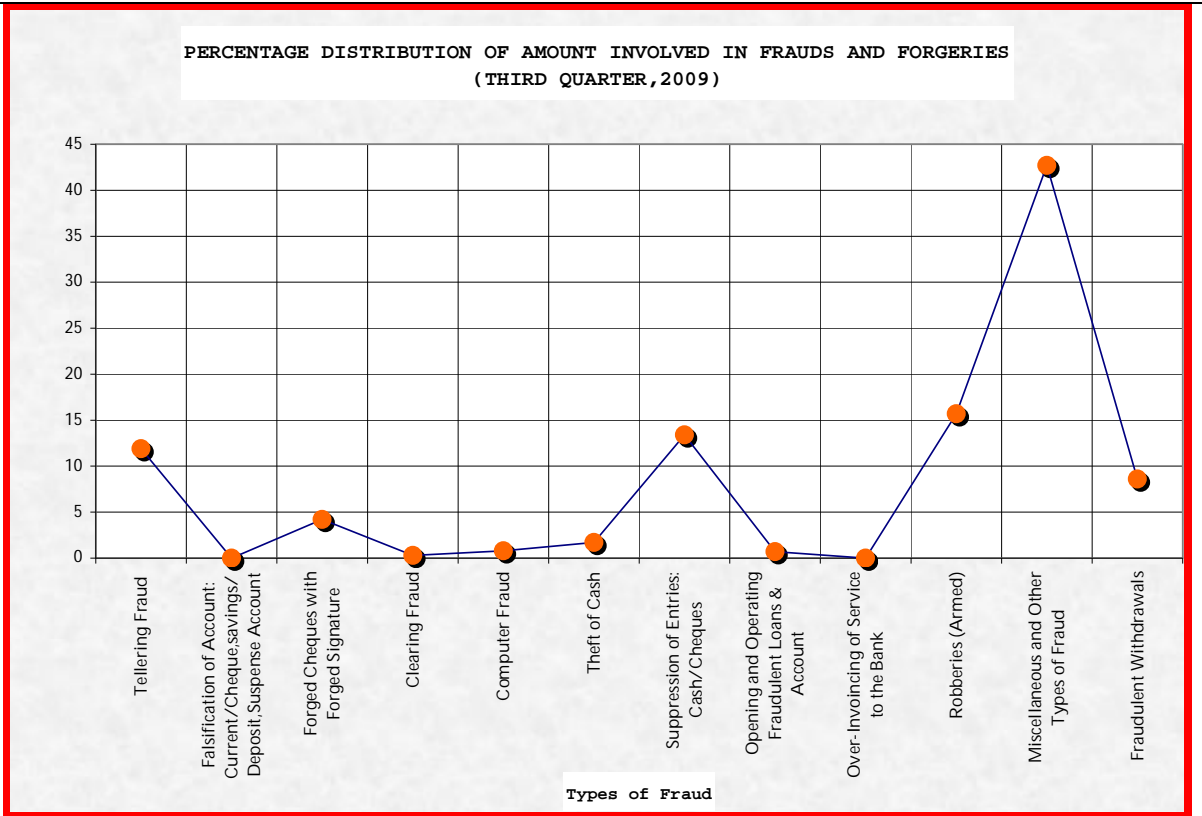
**Note: All figures in parenthesis ( ) indicate percentages**

**APPENDIX 1 CONTD: FRAUDS AND FORGERIES IN THE NIGERIAN BANKING INDUSTRY (3RD QUARTER, 2009)**

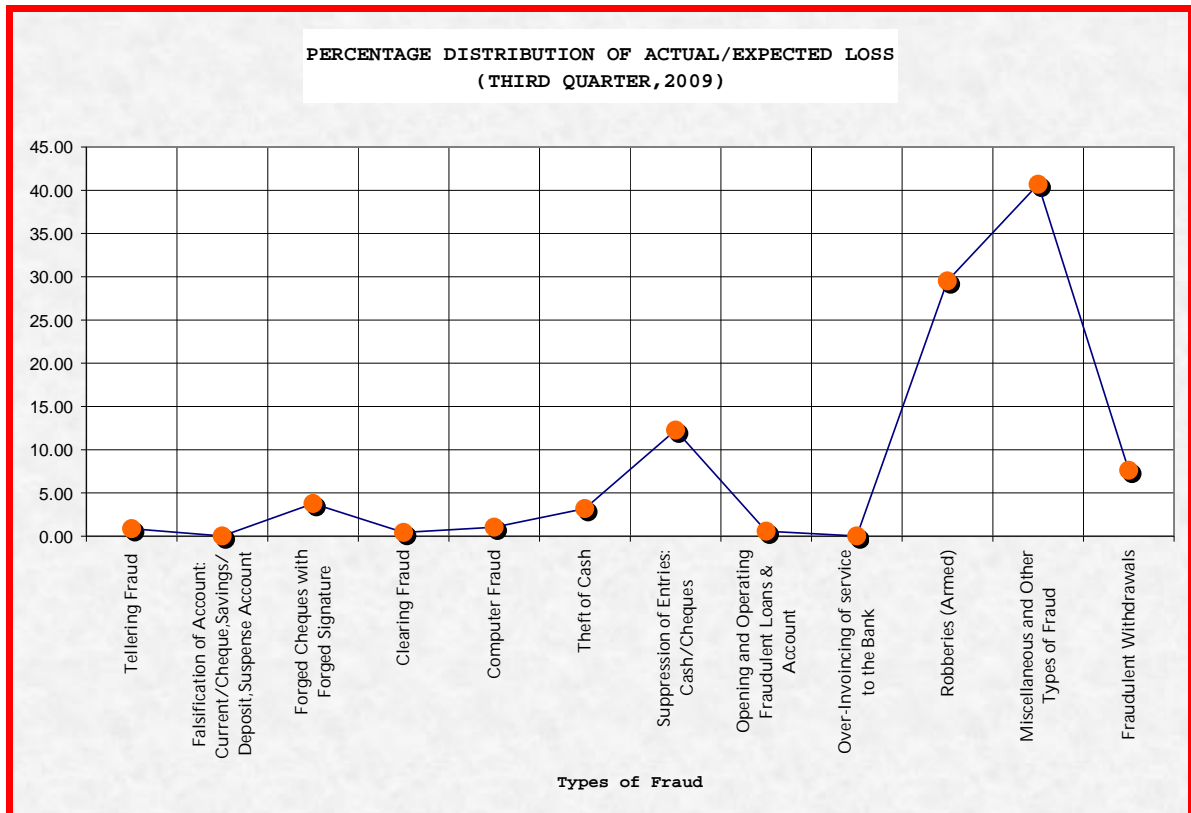
<b>Suppression Of Entries :Cash/Cheques</b>	79 (10.37)	79 (46.75)	0 (0.19)	0 (0)	0 (0)	317,916,464.01 (13.4)	149,515,234.86 (12.26)	47.0
<b>Opening And Operating Fraudulent Loans&amp; Accounts</b>	7 (0.92)	1 (0.59)	5 (0.88)	1 (10)	0 (0)	16,291,244.29 (0.7)	6,949,244.00 (0.57)	42.7
<b>Over-Invoicing Of Service To The Bank</b>	1 (0.13)	1 (0.59)	0 (0)	0 (0)	0 (0)	25,576.75 (0)	229,700.00 (0.02)	898.1
<b>Robberies (Armed)</b>	14 (1.84)	0 (0)	13 (2.28)	1 (10)	0 (0)	370,993,447.59 (15.7)	359,952,139.00 (29.51)	97.0
<b>Fictitious Bank Branches</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
<b>Miscellaneous &amp; Other Types Of Fraud</b>	52 (6.82)	13 (7.69)	35 (6.15)	1 (10)	3 (21.43)	1,011,780,530.01 (42.7)	496,344,243.46 (40.69)	49.1
<b>Fraudulent Withdrawals</b>	527 (69.16)	48 (28.40)	469 (82.43)	5 (50)	5 (35.71)	203,225,590.37 (8.6)	92,839,172.38 (7.61)	45.7
<b>Total</b>	<b>762</b>	<b>169</b>	<b>569</b>	<b>10</b>	<b>14</b>	<b>2,369,688,806.14</b>	<b>1,219,845,657.46</b>	<b>51.5</b>

Note: All figures in parenthesis ( ) indicate percentages

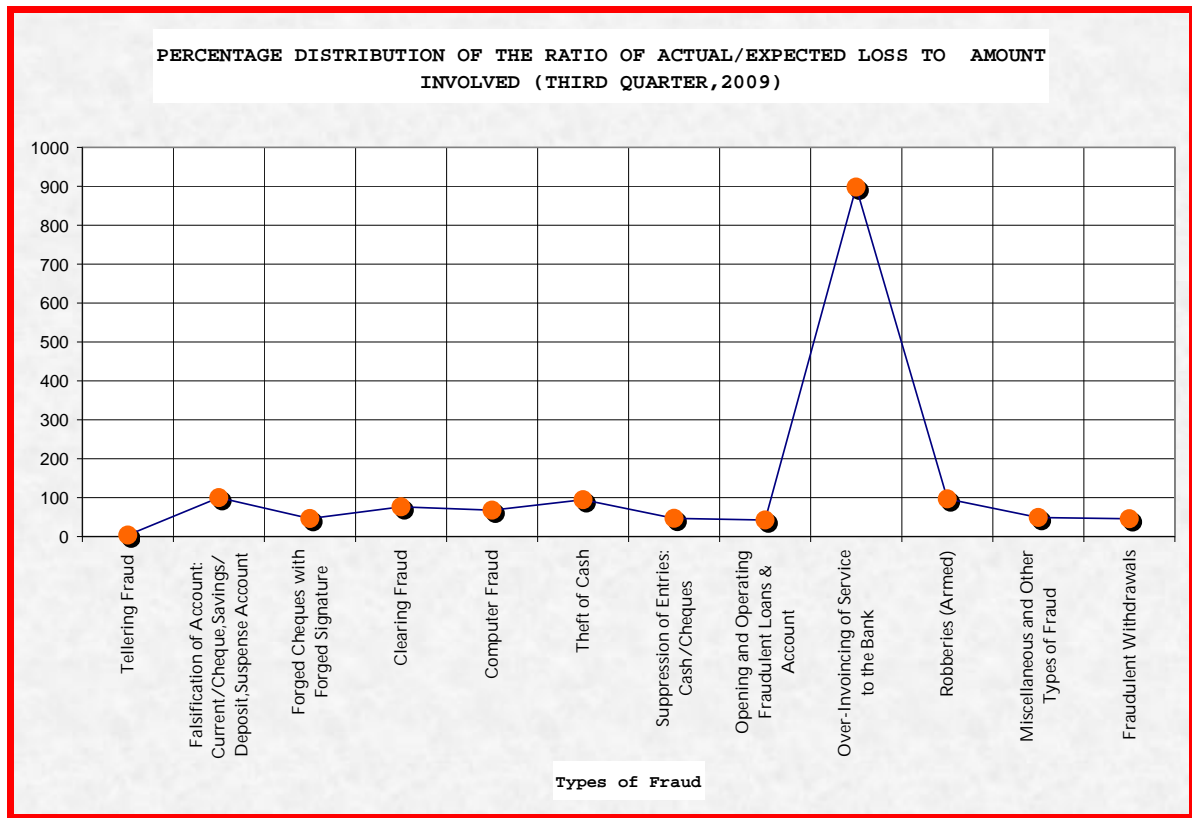
## APPENDIX II



## APPENDIX III



## APPENDIX IV



## APPENDIX V

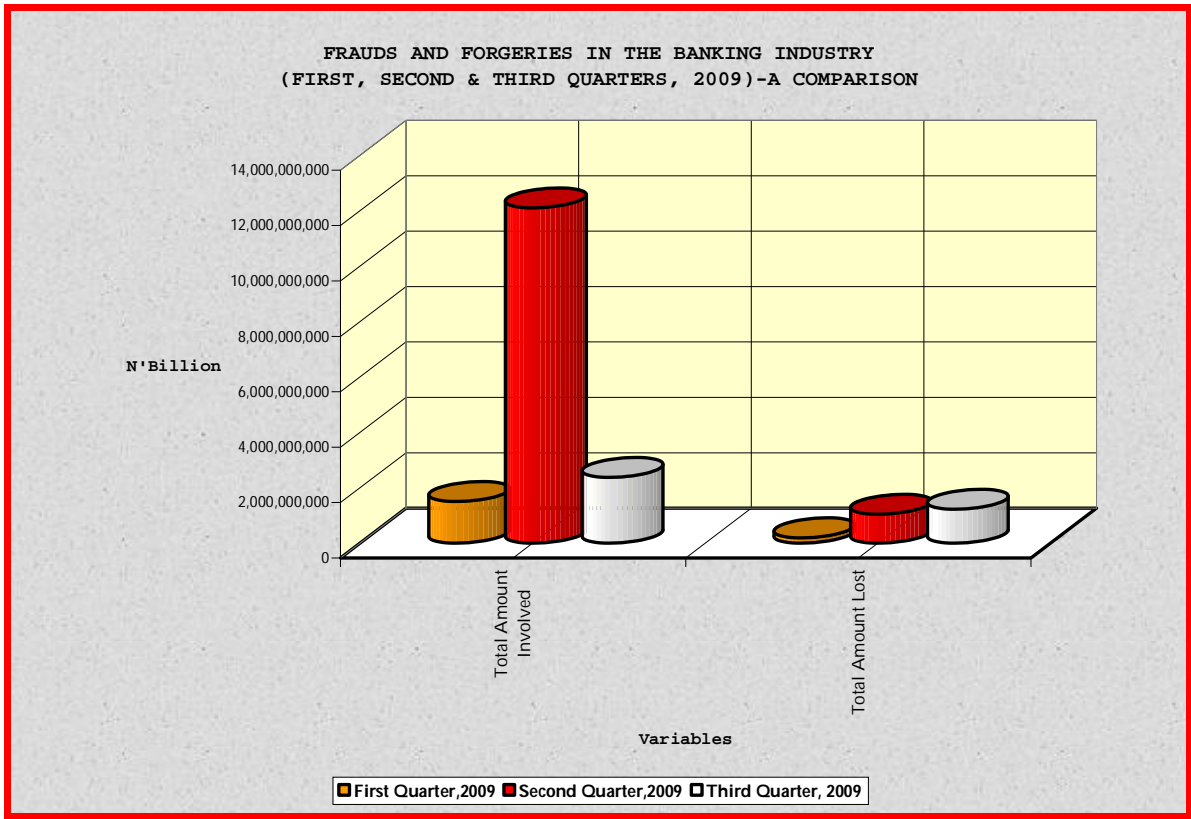
### STATISTICS OF FRAUDS AND FORGERIES IN THE BANKING INDUSTRY:

#### A COMPARISON OF FIRST, SECOND & THIRD QUARTERS, 2009

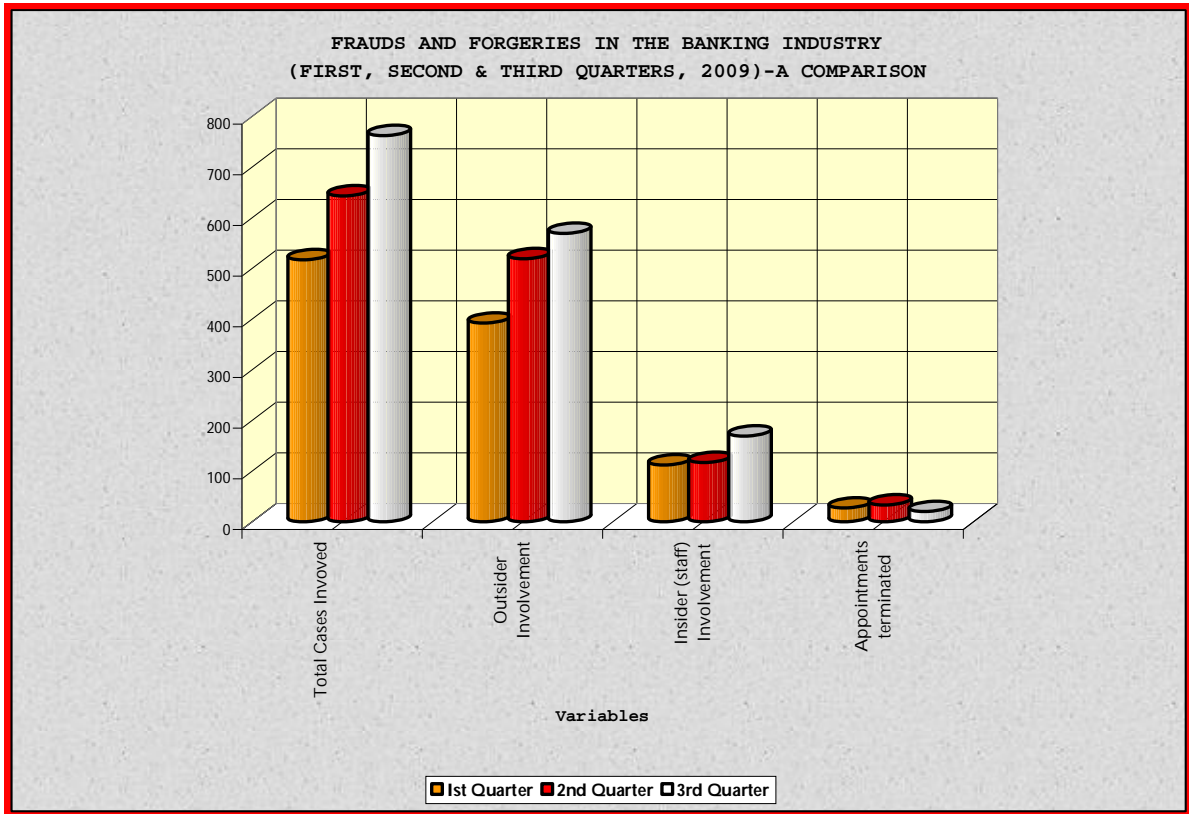
V (a)

S/N	VARIABLES	FISRT QUARTER, 2009	SECOND QUARTER, 2009	THIRD QUARTER, 2009
1	Total Cases Involved	517	643	762
2	Total Amount Involved	₦ 1.5billion	₦ 12.1billion	₦2.37 billion
3	Total Amount Lost	₦190.3 million	₦1.04billion	₦1.22 billion
4	Outsider Involvement	392	519	569
5	Insider (staff) Involvement	112	117	169
6	Appointments Terminated	27	33	20

V (b)



V (c)



## APPENDIX VI

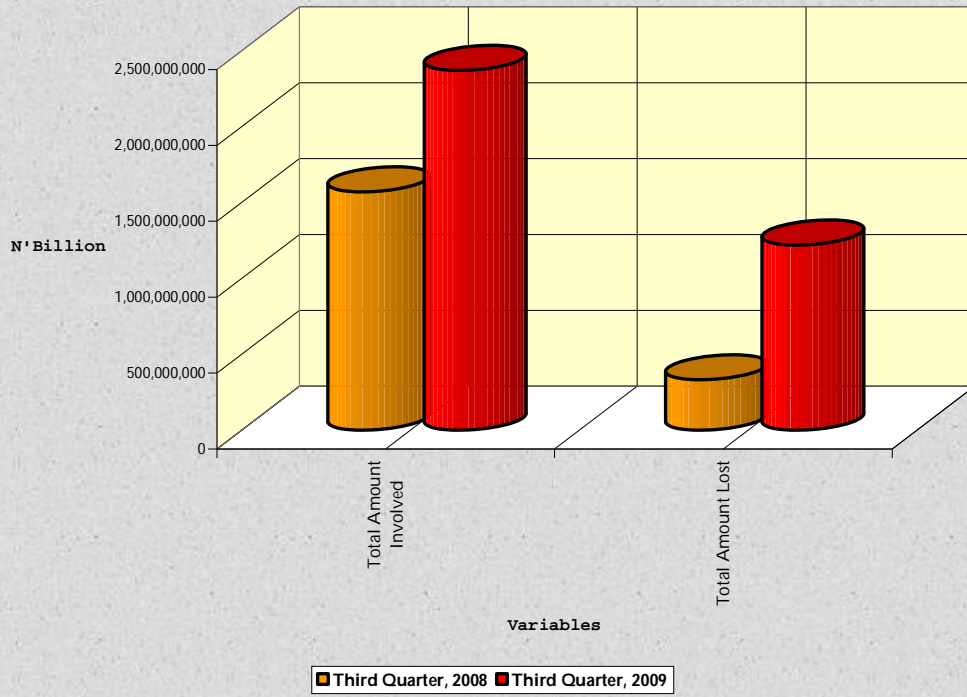
### STATISTICS OF FRAUDS AND FORGERIES IN THE BANKING INDUSTRY: A COMPARISON OF THIRD QUARTER, 2008 & THIRD QUARTER, 2009

#### VI (a)

S/N	VARIABLES	THIRD QUARTER, 2008	THIRD QUARTER, 2009
1	Total Cases Involved	401	762
2	Total Amount Involved	N1.57billion	N2.37billion
3	Total Amount Lost	331.6million	N1.22billion
4	Outsider Involvement	254	569
5	Insider (staff) Involvement	115	169
6	Appointments Terminated	27	20

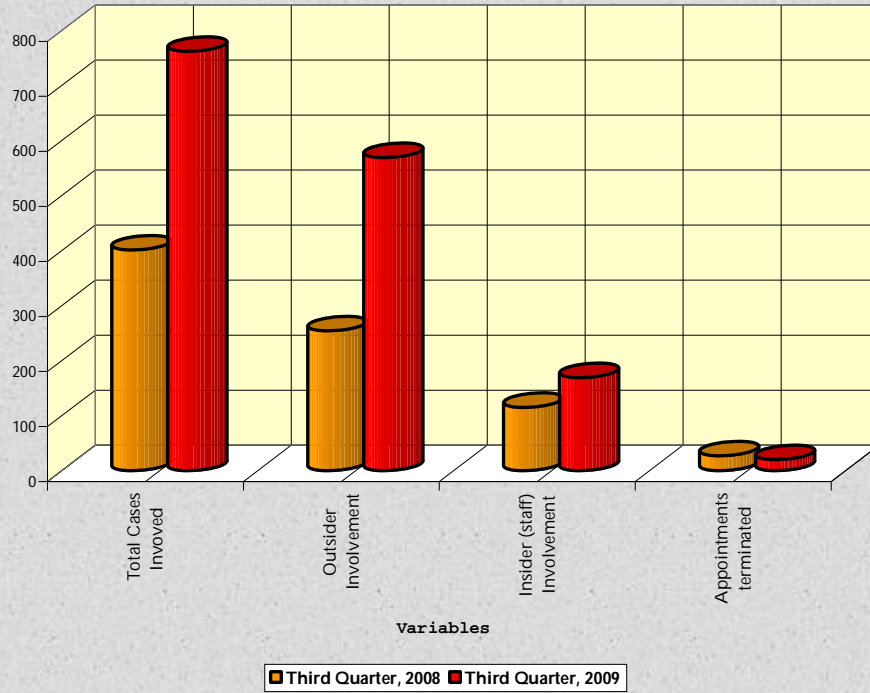
#### VI (b)

FRAUDS AND FORGERIES IN THE BANKING INDUSTRY  
(THIRD QUARTER, 2008 & THIRD QUARTER, 2009)-A COMPARISON



VI (c)

FRAUDS AND FORGERIES IN THE BANKING INDUSTRY  
(THIRD QUARTER, 2008 & THIRD QUARTERS, 2009)- A COMPARISON



**FITC RESEARCH, NOVEMBER, 2009**

# **REPORT ON FRAUDS & FORGERIES IN BANKS**

**FOURTH QUARTER, 2009**

## REPORT ON FRAUDS AND FORGERIES IN THE NIGERIAN BANKING INDUSTRY FOR THE PERIOD OCTOBER - DECEMBER, 2009

FITC received 60 returns from 20 banks in the fourth quarter of 2009. 50 of the returns, representing 83.33%, indicated cases of frauds and forgeries, while 10 of them, representing 16.67%, did not.

During the quarter, a total of 857 cases of frauds and forgeries in the banking system were reported, compared to 762 cases reported in the previous quarter, representing an increase of 12.47%. The types of fraud that were perpetrated were predominantly fraudulent withdrawals and forged cheques with forged signature. Other types of fraud reported during the period were suppression of entries, computer fraud, tellering fraud and theft of cash. See **Appendix I** for details.

However, the total amount of money involved in the reported cases of fraud and forgeries increased significantly from ~~N~~2.37 billion in the previous quarter to ~~N~~5.76 billion in the fourth quarter, thus representing an increase of 143.04%. A careful look at **Appendix I** shows that forged cheques with forged signatures ranked first in terms of the amount involved, accounting for ~~N~~3.27 billion (56.85%) of the total amount involved in fraud and forgeries. Computer fraud ranked second with ~~N~~971.73 million (representing 16.88%), while fraudulent withdrawals ranked third with ~~N~~720.87 million (representing 12.52%) in the reported cases.

Miscellaneous and other types of fraud plummeted significantly to ~~N~~166.73 million from ~~N~~1.011 billion in the previous quarter, representing a decrease of 83.51%. This category of fraud is made up of activities like false identification, conversion of dividend warrants and failure of integrity test, amongst others. See **Appendix II** for a graphic representation of the amount involved in the reported cases of fraud and forgery in the period under review.

The returns also show that of the total amount involved (~~N~~5.76 billion) in fraud and forgeries, ~~N~~556.4 million (representing 9.67%) was actually lost to fraud and forgery activities in the fourth quarter of 2009. However, the balance was recovered through cautious efforts of the banks in obstructing various attempts made by fraudsters by scrutinising all bank instruments and ensuring compliance with laid down procedures in their transactions.

The returns reveal that the largest amount either actually lost, or is expected to be lost to fraud could be traced to fraudulent withdrawals, and was valued at ₦144.08 million (25.89%) of the total amount involved. Further analyses show that huge sums of money were lost to suppression of entries and computer fraud, valued at ₦126,712,375.65 million (representing 22.77%) and ₦72,839,353.59 (representing 13.09% respectively). See **Appendix III** for a graphic presentation of the amount lost to fraud and forgery in the period.

Moreover, the returns indicate a predominance of external persons in the cases of fraud committed: outsiders were involved in 730 (85.18%), while banks' staff were involved in 124 (14.47%) of the cases reported. In one reported case, fraudsters colluded with banks' staff, while two other cases did not specify the identities of those involved.

The returns also indicate that 10 bank employees had their appointments terminated on grounds of fraud and forgery; this represents a decrease of 50% when compared to the preceding quarter where 20 bank employees' appointments were terminated on similar grounds.

During the fourth quarter banks were able to thwart various attempts made by fraudsters through forged cheques, computer fraud, falsification of account, tellering fraud, fraudulent withdrawals and theft of cash, but seemed unable to prevent the attempts of fraudsters through channels like clearing fraud, over-invoicing of services to the banks, opening and operating fraudulent loans/accounts and suppression of entries.

In view of the adverse effects of fraudulent activities on banks' performance, customers, the financial services sector and the economy as a whole, it is imperative for banks to develop and implement necessary control measures to minimize the incidence of fraud and mitigate their impact by ensuring that transaction documents are well scrutinised before processing them to ascertain their authenticity. Banks should also ensure that expenses to be incurred by them are channelled to appropriate quarters for verification and approval, thereafter retired with all necessary documents. Furthermore, precautionary measures and proper reconciliation procedures should be implemented in banks to avert occurrence of fraudulent withdrawals and suppression of entries, which constituted major sources through which huge sums were lost by banks in the period under review.

### **Summary**

An evaluation of the returns for the first, second, third and fourth quarters of 2009 indicates alarming increase in the total number of reported cases of frauds in the Nigerian banking industry. The amount of money involved also seems to be on an increase as well as the involvement of external individuals in the reported cases of fraud. We hope that banks will collaborate more amongst

themselves to address this threat. However, banks' efforts at preventing the occurrence of fraud must be complemented with support and collaboration of their customers and the regulatory bodies so as to minimise the spate of frauds within the financial services sector to the barest level.

See **Appendix V** for the summaries of the returns for the various quarters.

**Note: Please see the appendices (attached) for summaries of the cases of frauds and forgeries covered in this report and with some comparisons over the first, second and third quarters of 2009.**

**APPENDIX 1: FRAUDS AND FORGERIES IN THE NIGERIAN BANKING INDUSTRY (4<sup>TH</sup> QUARTER, 2009)**

<b>Types of Fraud</b>	<b>Total Number Of Cases Reported</b>	<b>Involving Bank Staff Only</b>	<b>Involving Outside Persons Only</b>	<b>Collusion</b>	<b>Not Specified</b>	<b>Amount Involved(₦)</b>	<b>Actual /Expected Loss (₦)</b>	<b>Expected Loss/ Amount Involved (%)</b>
<b>Telling Fraud</b>	13 (1.52)	13 (10.48)	0 (0)	0 (0)	0 (0)	396,438,011.86 (6.89)	66,017,942.35 (11.86)	16.7
<b>Falsification Of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts</b>	2 (0.23)	0 (0)	2 (0.27)	0 (0)	0 (0)	11,695,000 (0.20)	1,100,000.00 (0.20)	9.4
<b>Forged Cheques with Forged Signature</b>	75 (8.75)	1 (0.81)	74 (10.14)	0 (0)	0 (0)	3,272,530,106.22 (56.85)	59,358,160.22 (10.67)	1.8
<b>Printing Of Bank Document Illegally</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00 (0)	0.00 (0)	0
<b>Clearing Fraud</b>	3 (0.35)	1 (0.81)	2 (0.27)	0 (0)	0 (0)	8,161,300.68 (0.14)	10,286,035.17 (1.85)	126
<b>Computer Fraud</b>	18 (2.10)	10 (8.06)	8 (1.10)	0 (0)	0 (0)	971,734,118 (16.88)	72,839,353.59 (13.09)	7.5
<b>Telex Fraud</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00 (0)	0.00 (0)	0
<b>Foreign Exchange Fraud</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00 (0)	0.00 (0)	0
<b>Cross Firing Of Cheques and Kite Flying</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00 (0)	0.00 (0)	0

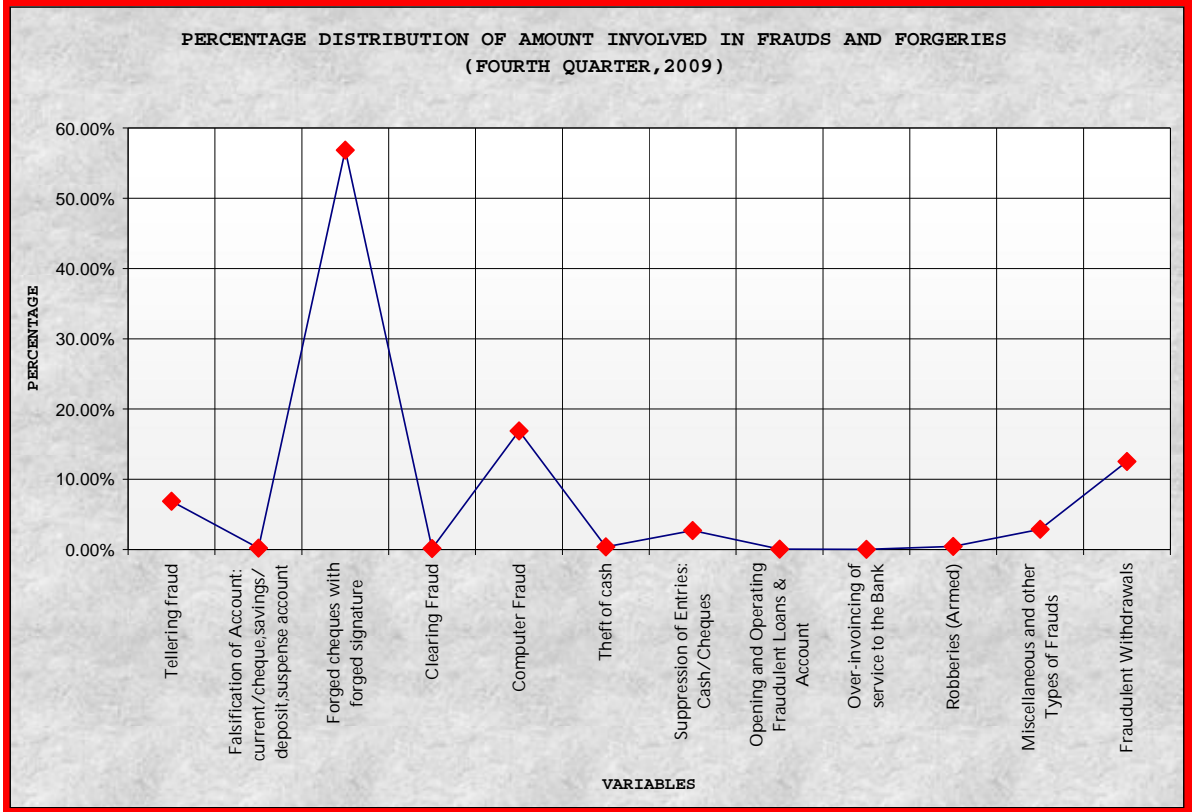
**Note: All figures in parenthesis ( ) indicate percentages**

**APPENDIX 1 CONTD: FRAUDS AND FORGERIES IN THE NIGERIAN BANKING INDUSTRY (4<sup>TH</sup> QUARTER, 2009)**

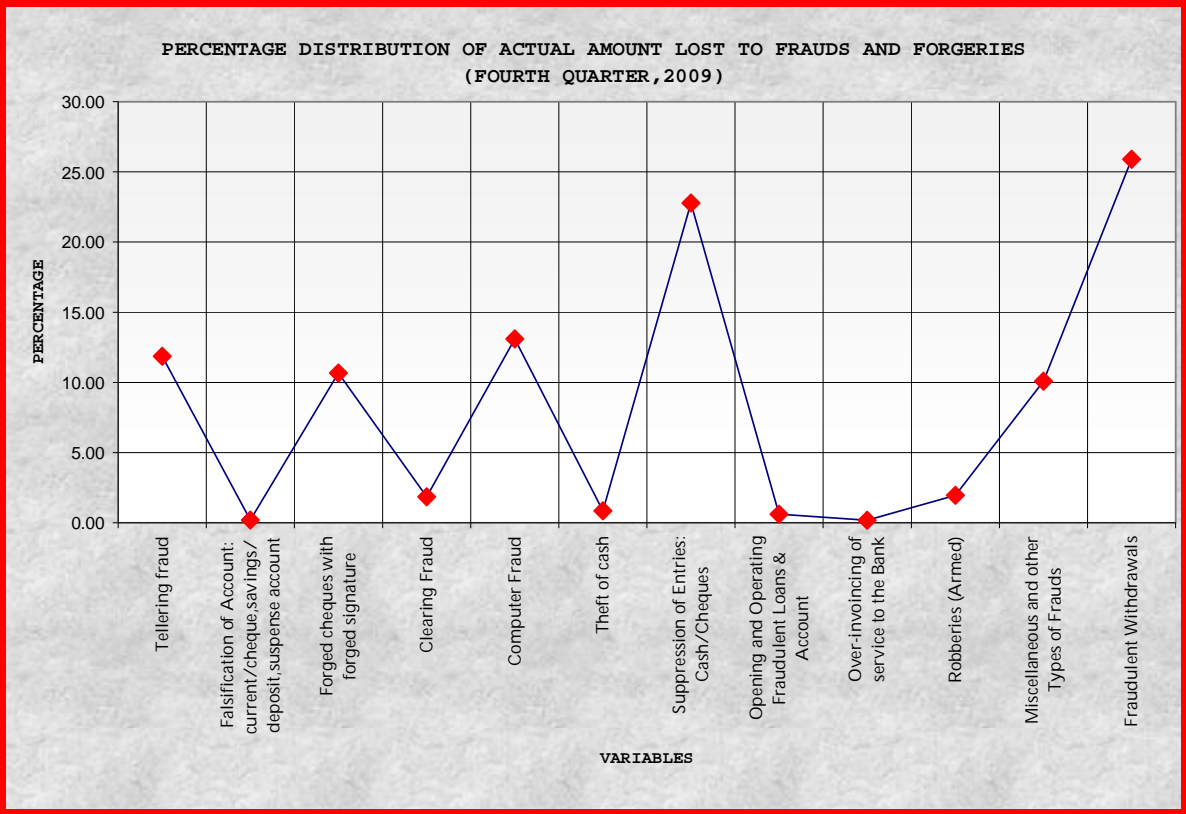
<b>Theft of Cash</b>	10 (1.17)	7 (5.65)	2 (0.27)	1 (100)	0 (0)	22,352,255 (0.39)	4,706,465.00 (0.85)	21.1
<b>Suppression of Entries: Cash/Cheques</b>	60 (7.00)	59 (47.58)	0 (0)	0 (0)	1 (50)	156,161,062 (2.71)	126,712,375.65 (22.77)	81.1
<b>Opening and Operating Fraudulent Loans and Accounts</b>	2 (0.23)	0 (0)	2 (0.27)	0 (0)	0 (0)	3,520,768.98 (0.06)	3,403,370.00 (0.61)	96.7
<b>Over-Invoicing of Service to the Bank</b>	3 (0.35)	3 (2.42)	0 (0)	0 (0)	0 (0)	983,000 (0.02)	973,000.00 (0.17)	99
<b>Robberies (Armed)</b>	3 (0.35)	0 (0)	3 (0.41)	0 (0)	0 (0)	25,223,041.20 (0.44)	10,847,291.20 (1.95)	43
<b>Fictitious Bank Branches</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
<b>Miscellaneous and Other Types of Fraud</b>	62 (7.23)	6 (4.84)	56 (7.67)	0 (0)	0 (0)	166,726,171.91 (2.90)	56,090,052.37 (10.08)	33.6
<b>Fraudulent Withdrawals</b>	606 (70.71)	24 (19.35)	581 (79.59)	0 (0)	1 (50)	720,868,508 (12.52)	144,079,450.11 (25.89)	20
<b>Total</b>	<b>857</b>	<b>124</b>	<b>730</b>	<b>1</b>	<b>2</b>	<b>5,756,393,343.85</b>	<b>556,413,495.66</b>	<b>9.7</b>

**Note: All figures in parenthesis ( ) indicate percentages**

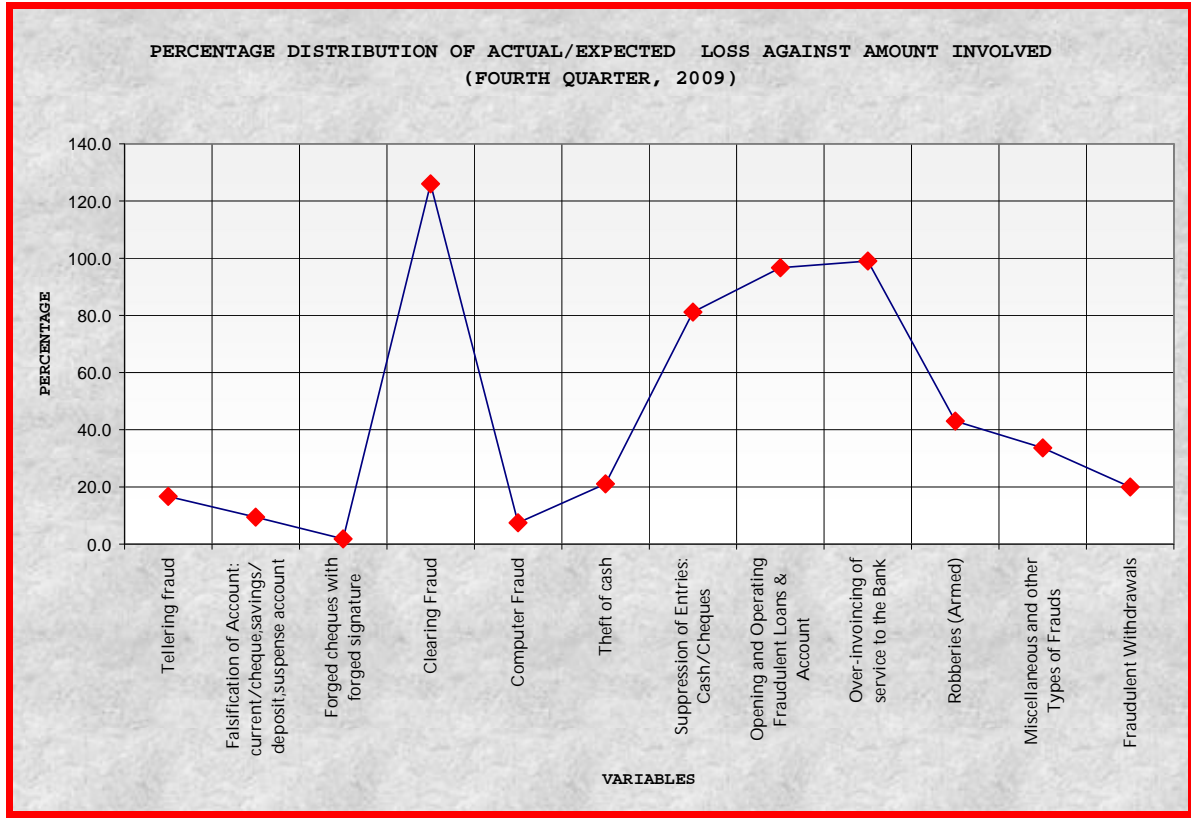
## APPENDIX II



## APPENDIX III



## APPENDIX IV



## APPENDIX V

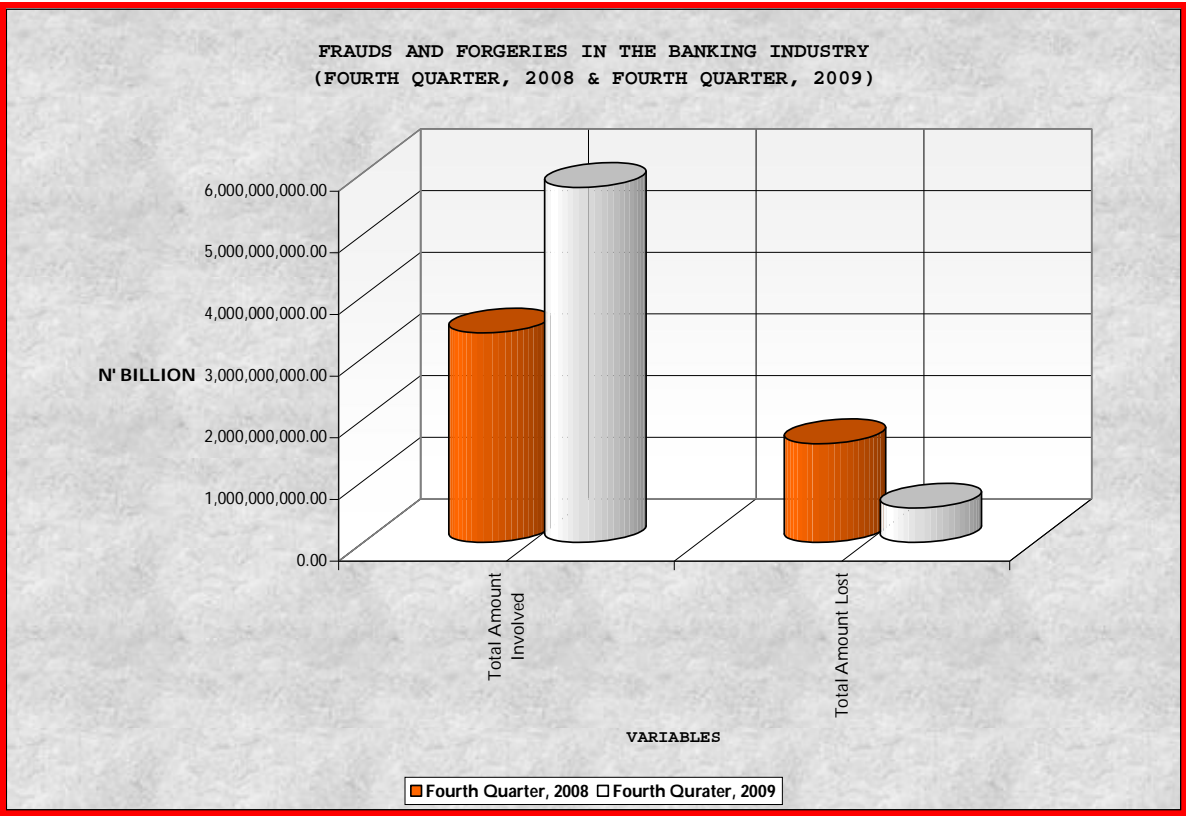
### STATISTICS OF FRAUDS AND FORGERIES IN THE BANKING INDUSTRY: A COMPARISON OF FOURTH QUARTER, 2008 & FOURTH QUARTER, 2009

#### V (a)

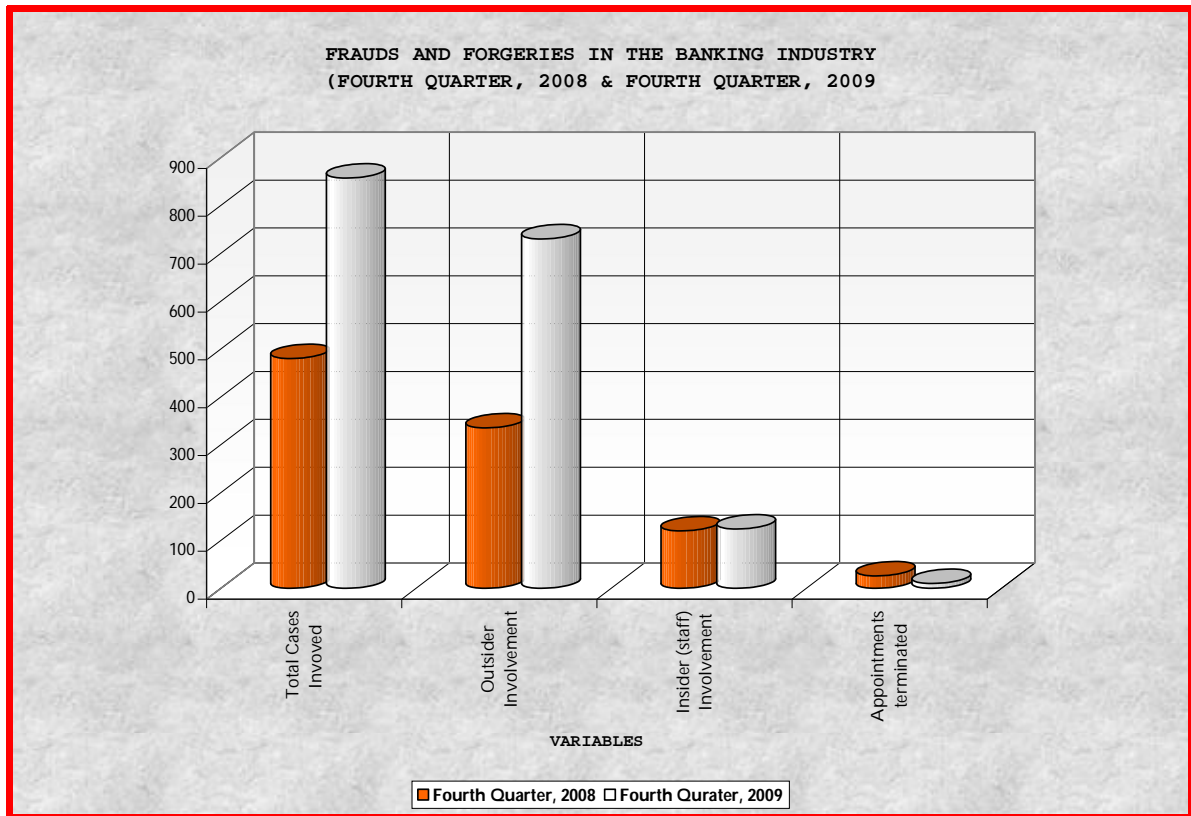
S/N	VARIABLES	FOURTH QUARTER, 2008	FOURTH QUARTER, 2009
1	Total Cases Involved	480	857
2	Total Amount Involved	<del>₦</del> 3,397,068,460.67	<del>₦</del> 5,756,393,343.85
3	Total Amount Lost	<del>₦</del> 1,601,174,906.84	<del>₦</del> 556,413,495.66

4	Outsider Involvement	335	730
5	Insider (staff) Involvement	120	124
6	Appointments Terminated	26	10

V (b)



V (c)



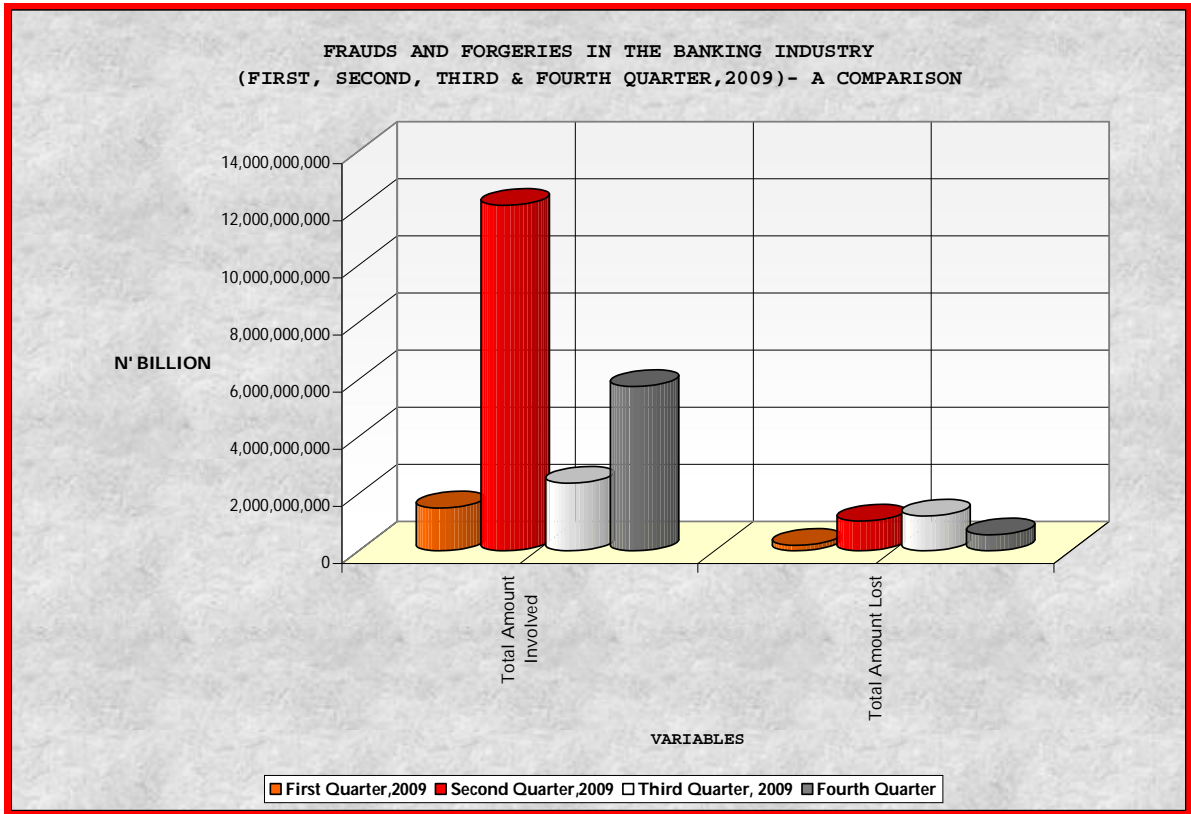
**APPENDIX VI  
STATISTICS OF FRAUDS AND FORGERIES IN THE BANKING  
INDUSTRY:  
A COMPARISON OF FIRST, SECOND & THIRD AND FOURTH  
QUARTERS, 2009**

**VI (a)**

S/N	VARIABLES	FIRST QUARTER, 2009	SECOND QUARTER, 2009	THIRD QUARTER, 2009	FOURTH QUARTER, 2009
1	Total Cases Involved	517	643	762	857
2	Total Amount Involved	₦ 1.5billion	₦ 12.1billion	₦2.37 billion	₦5.76 billion
3	Total Amount Lost	₦190.3 million	₦1.04billion	₦1.22 billion	₦556.4 million
4	Outsider Involvement	392	519	569	730
5	Insider (staff) Involvement	112	117	169	124

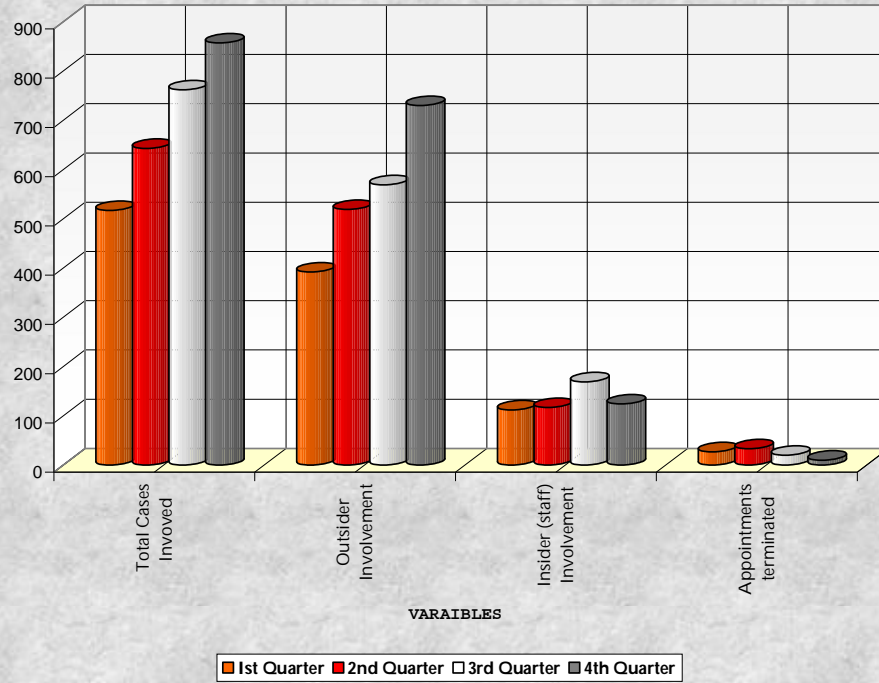
6	Appointments Terminated	27	33	20	10
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**VI (b)**



**VI (c)**

FRAUDS AND FORGERIES IN THE BANKING INDUSTRY  
 (FIRST, SECOND, THIRD & FOURTH QUARTER, 2009) - A COMPARISON



***FITC Research, March, 2010***