



# **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 ₦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 ₦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 ₦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/outsideers.

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>Teller 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

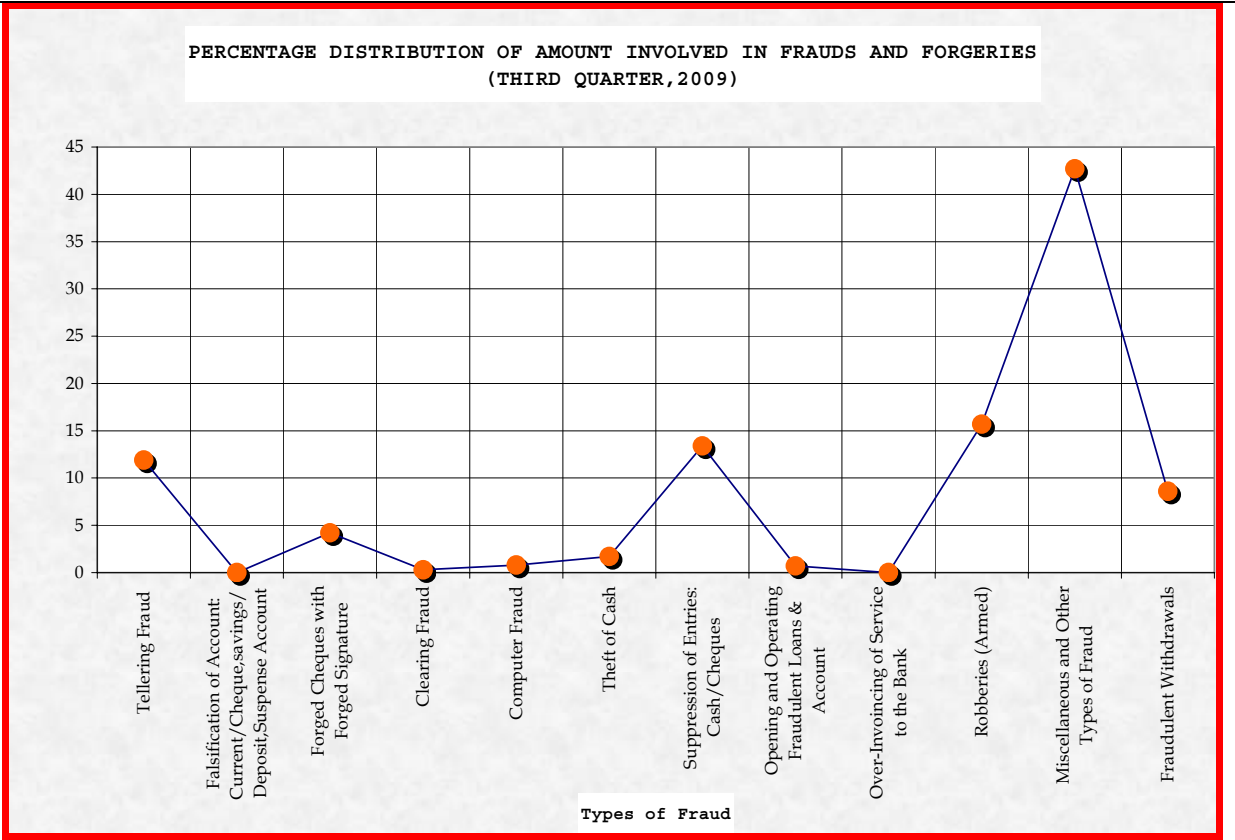
Note: All figures in parenthesis ( ) indicate percentages

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

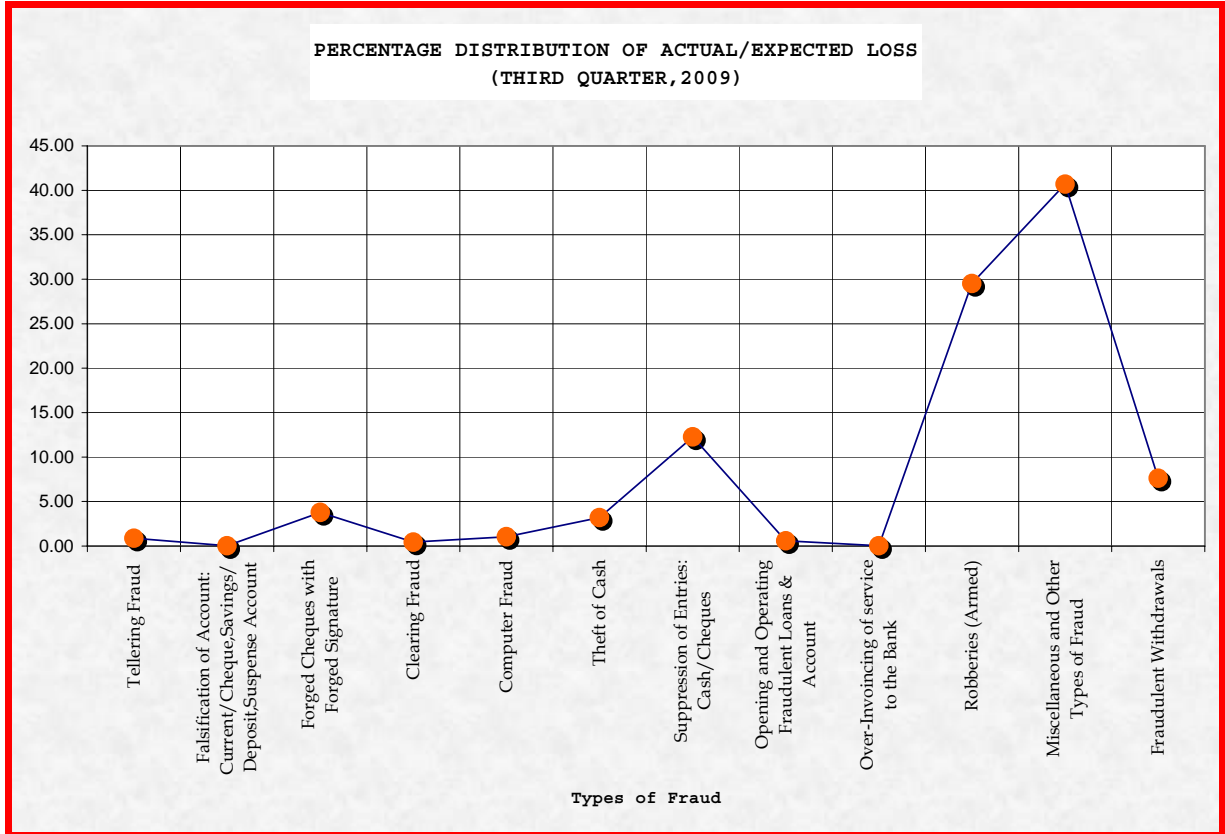
<b>Suppression Of Entries :Cash/Cheques</b>	79 (10.37)	79 (46.75)	0 (0.19)	0 (0)	0 (0)	317,916,464.01 (13.4)	149,515,234.86 (12.26)	47.0
<b>Opening And Operating Fraudulent Loans&amp; Accounts</b>	7 (0.92)	1 (0.59)	5 (0.88)	1 (10)	0 (0)	16,291,244.29 (0.7)	6,949,244.00 (0.57)	42.7
<b>Over-Invoicing Of 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

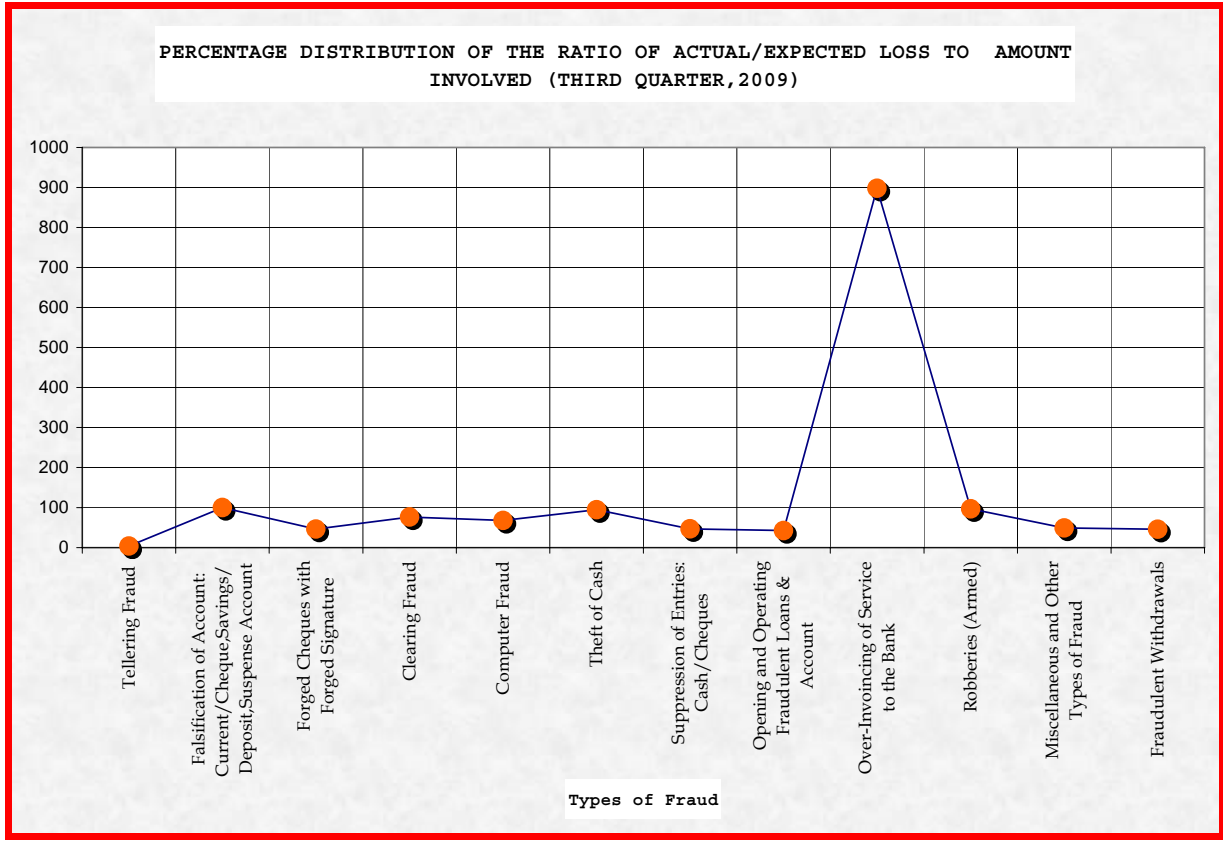
## APPENDIX II



## APPENDIX III



# APPENDIX IV



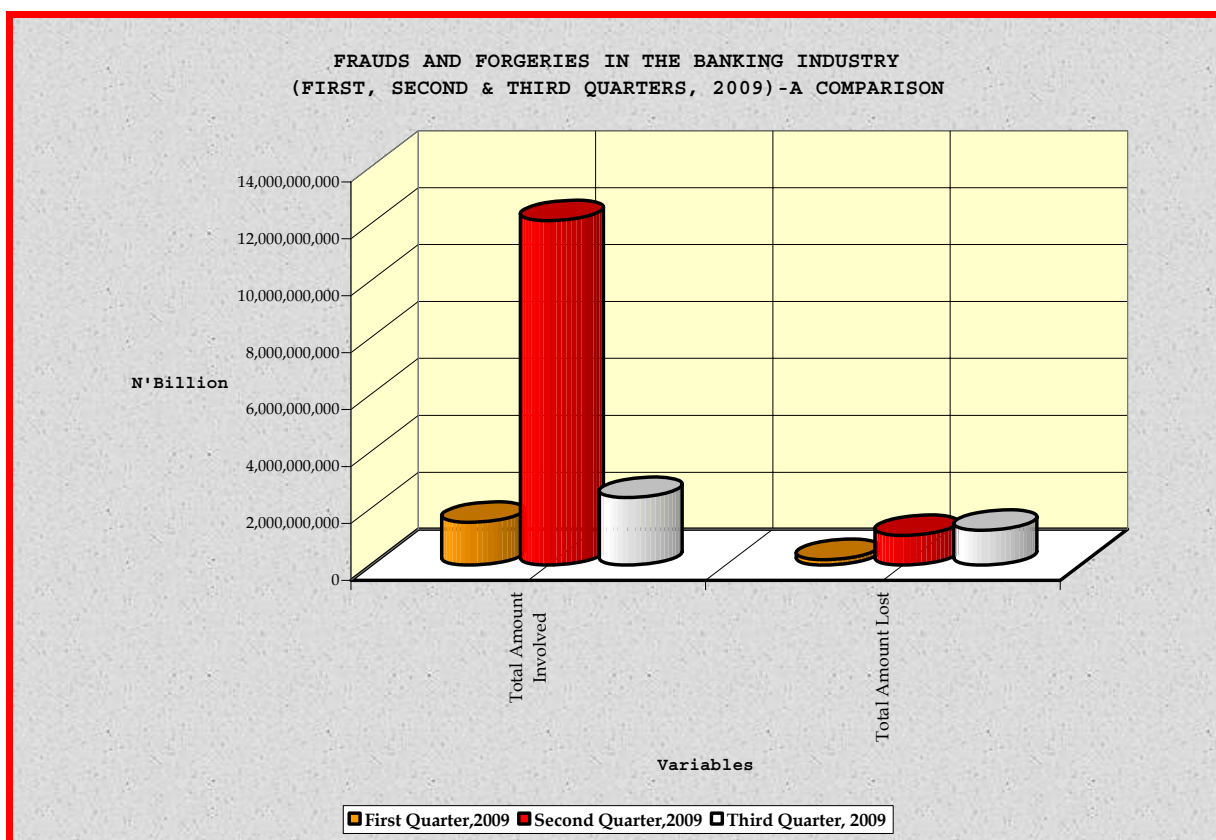
## APPENDIX V

### STATISTICS OF FRAUDS AND FORGERIES IN THE BANKING INDUSTRY: A COMPARISON OF FIRST, SECOND & THIRD QUARTERS, 2009

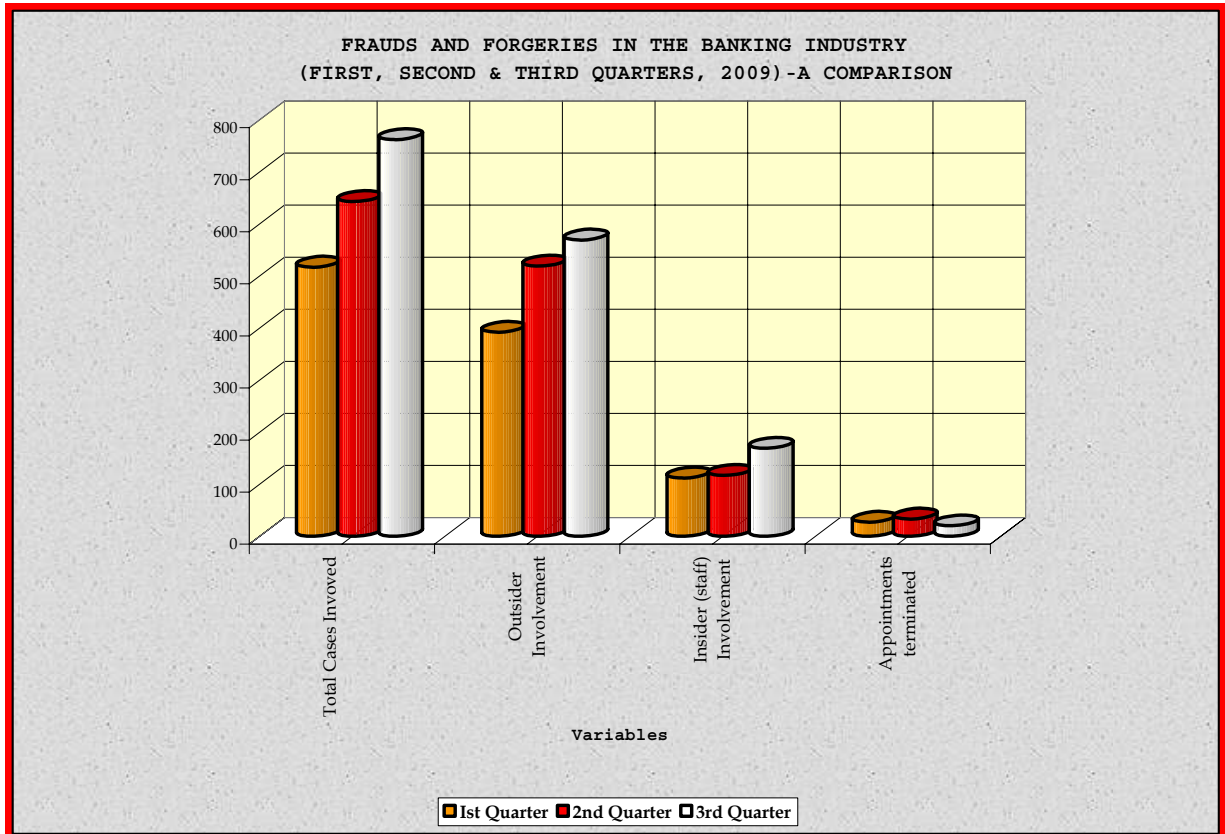
V (a)

S/N	VARIABLES	FIRST 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)



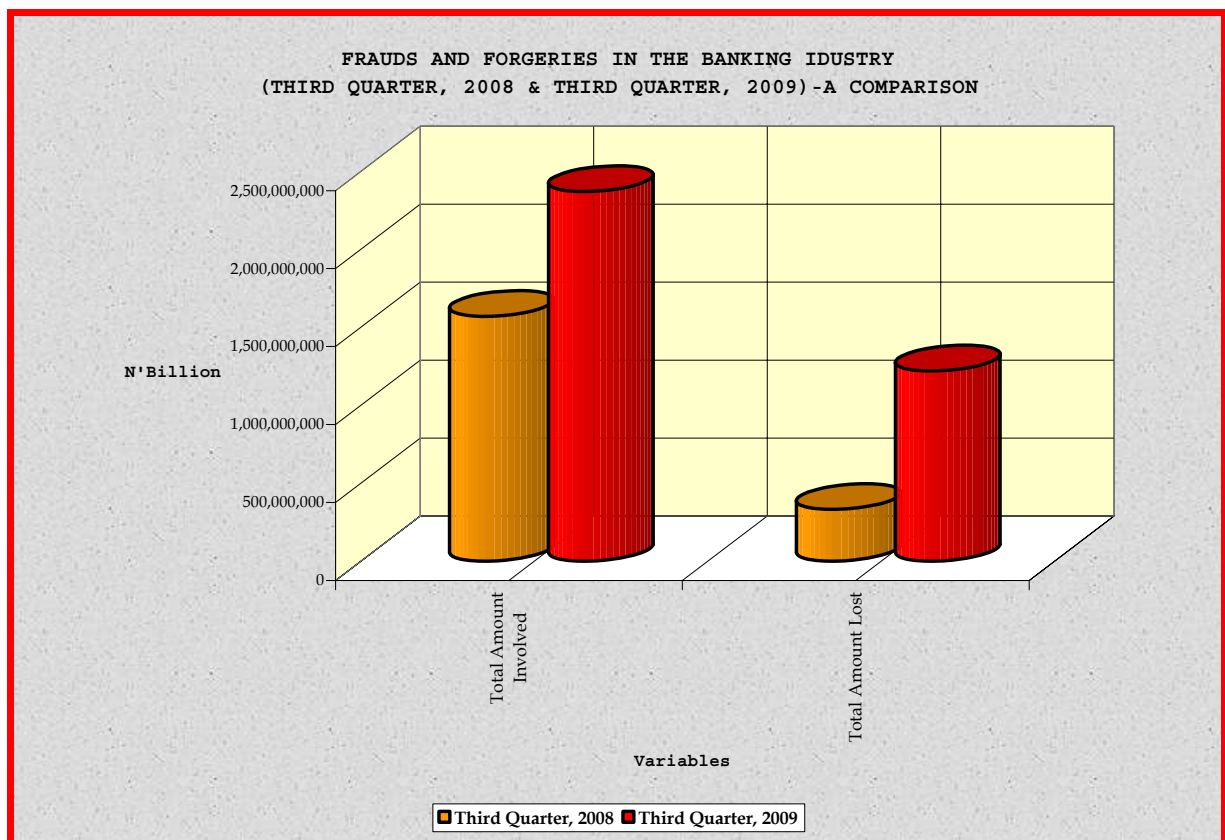
## APPENDIX VI

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

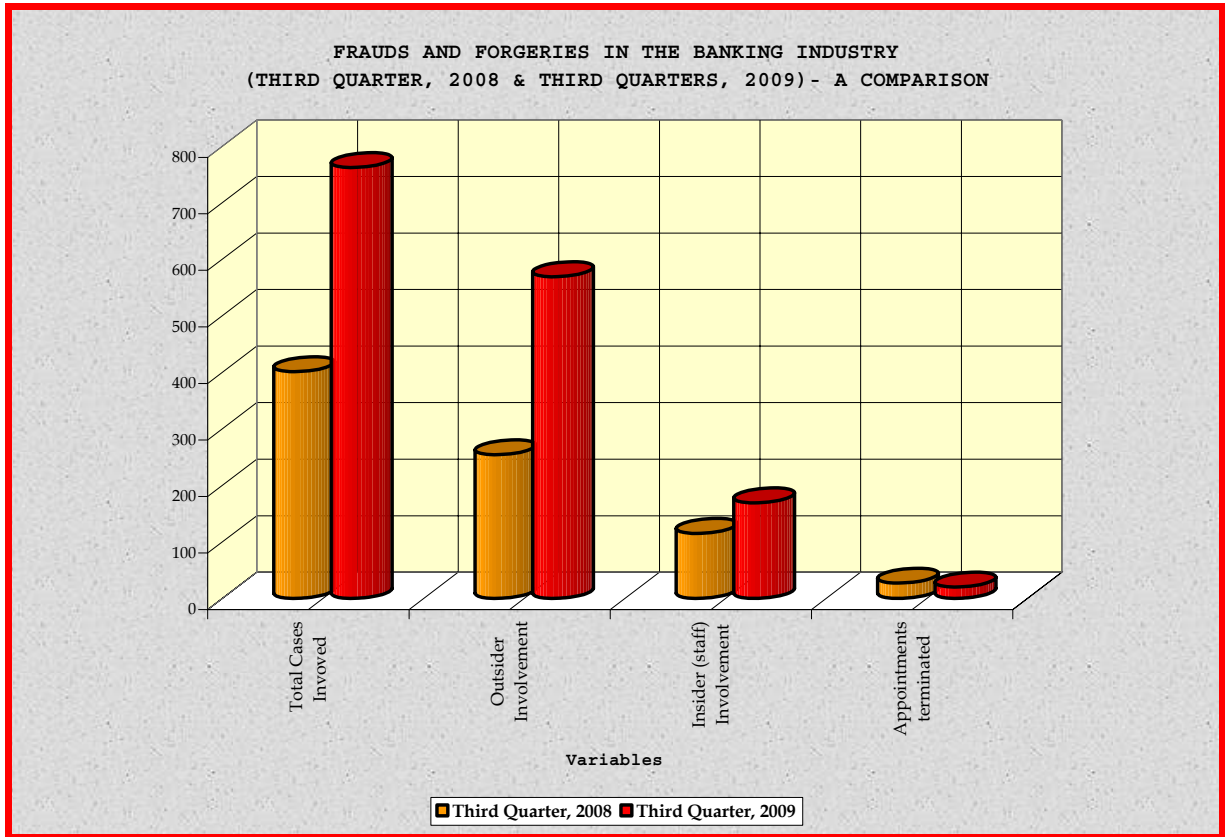
VI (a)

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)



VI (c)



*FITC RESEARCH, NOVEMBER, 2009*