



Report on Frauds and Forgeries in Banks

April-June, 2011



Report on Frauds and Forgeries in the Nigerian Banking Industry for the period April - June, 2011

FITC received 68 returns from 24 deposit money banks in the second quarter of 2011. Of this, 23 returns were received for the months of April and May, while 22 returns were received for the month of June. Analysis of the returns showed that a total of 659 cases of frauds and forgeries were reported in the banking industry in the second quarter of 2011, compared to 842 cases reported in the previous period, which represented a 27.77 percent decrease. The types of fraud predominantly perpetrated during the period reviewed include fraudulent ATM withdrawals, other variants of fraudulent withdrawals, miscellaneous and other types of frauds, suppression of entries, forged cheques and forged signatures, as well as opening and operating fraudulent accounts. Captured under miscellaneous and other types of fraud, were fraudulent diversions of customers' fund for personal use, impersonation, conversion of dividend warrants, dry posting, misappropriation of funds, and fraudulent termination of fixed deposits, amongst others. See Appendix I for details.

During the period under review, the total amount of money involved in the reported cases of frauds and forgeries increased from N1.643 billion in the previous quarter to N2.306 billion, thus representing an increase of 40.35 percent. Appendix I shows that fraudulent withdrawals ranked first, accounting for N940.06 million (40.75 percent) out of the total amount of money involved in frauds and forgeries; miscellaneous and other types of frauds ranked second with N716.76 million (31.07 percent), while operating fraudulent accounts ranked third with N231.30 million (10.03 percent) of the total amount involved in frauds and forgeries in the second quarter.

Further breakdown shows that fraudulent withdrawals ranked first in the amount involved in fraud within the quarter being reviewed, as N940.06 million represents a huge increase of 477.96 percent, when compared with the N162.65 million recorded in the first quarter of 2011. Operating fraudulent accounts also notched up dramatically to N231.30 million, from N8.77 million recorded in the preceding quarter, to show an alarming rise of 2,537.40 percent. In the same way, armed robberies and clearing fraud escalated to N214.11 million and N47.83 million respectively in the period under review, from N42.06 million and N8.35 million posted in the preceding period, indicating an alarming increase of 409.06 percent and 472.81 percent respectively. However, miscellaneous and other types of frauds, which ranked second, fell from N878.69 million recorded in the preceding period to N716.76 million, representing a decrease of 18.43 percent. Appendix II further provides a graphic picture of the amount involved in the reported cases of frauds and forgeries.

The returns also indicated that out of the total sum of N2.306 billion estimated to have been involved in fraud and forgeries, N864.13 million (37.47 percent) was actually lost to fraud and forgeries in the second quarter of 2011. The difference of N1.442 billion (62.53 percent) was recovered through spot-checking of remittances by banks, implementing stringent control measures, strict adherence to internal processes and procedures as well as through the effort of the



law enforcement agents and eagle eyes of the anti graft agency.

Analysis of the returns also revealed that miscellaneous and other types of frauds accounted for N351.62 million (40.69 percent) of the total amount lost to fraudulent activities, while armed robberies and fraudulent withdrawals accounted for N210.73 million (24.39 percent) and N188.66 million (21.83 percent) respectively. Appendix III graphically presents the amount that was actually lost to frauds and forgeries during the period under review, while Appendix IV compares the amount lost with amount involved.

Data reveals that there was a prevalence of external involvement in most of the reported cases of fraud, as outsiders were involved in 505 (76.63 percent) of the frauds cases, while employees of banks were involved in 146 (22.15 percent) of the cases reported. Fraudsters colluded with banks' employees in eight (1.21 percent) of the cases reported.

The returns also indicated that 86 bank employees had their appointments terminated on grounds of frauds and forgeries within the reviewed period. This represents a decrease of 14 percent when compared with the preceding quarter when 100 bank employees' appointments were terminated on similar grounds. This is clearly indicative of the banks' zero tolerance for unethical conduct on the part of their employees.

Conclusion

This report shows significant improvements on some key parameters used in evaluating frauds and forgeries within the period under review. For instance, there was a reduction in the total number of fraudulent cases in the banking industry from 842 in the first quarter to 659 in the second quarter, indicating a decrease of 21.73 percent. Similarly, the total amount lost to frauds and forgeries fell to N864.13 million from N924.96 million recorded in the preceding quarter, depicting a decrease of 6.58 percent. However, the total amount involved in fraudulent activities edged up to N2.306 billion in the second quarter from N1.643 billion reported in the second quarter depicting an increase of 40.35 percent. This is worrisome and clearly illustrated in Appendix V-VII.

When these in their indices are compared with those from a similar period in 2010, the second quarter of 2011 witnessed a reduction in the total number of cases involved in fraud and forgeries from 1,948 to 659 recorded in the second quarter of 2010, indicating a decline of 66.17 percent. In the same vein, the total amount involved and total amount lost in fraud and forgeries reduced to N 2.306 billion and N 864 million respectively in the period under review, from N 3.808 billion and N 2.841 billion posted in the second quarter of 2010, thus indicating a significant decrease of 39.44 percent and 69.58 percent respectively. See Appendices VIII-X for further details.

These improvements may signal better things to come, as they may be indications of significant landmarks in the collective efforts of industry operators and regulators, to minimize frauds and forgeries in the sector. It is expected that this momentum would be sustained all through the year and beyond. To realize this, the banks would need to ensure that on one hand, the growing standard of ethical and professional practices in banking are not compromised, while staff capacity to effectively identify loopholes and avert routine lapses is continually enhanced through requisite studies, benchmarks, interventions and training programmes.

Note: Please see the appendices below for summaries of the cases of frauds and forgeries covered in this report, with comparisons between the Second quarters of 2010 and 2011 on selected concerns.

Appendix I: Frauds and Forgeries in the Nigerian Banking Industry (Second Quarter, 2011)

Types of Fraud	Total Number Of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved(₦)	Actual /Expected Loss (₦)	Expected Loss/ Amount Involved (%)
Teller Fraud	10 (1.52)	10 (6.85)	0 (0)	0 (0)	0 (0)	11,752,635.00 (0.51)	0 (0)	0
Falsification Of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts	2 (0.30)	1 (0.68)	1 (0.20)	0 (0)	0 (0)	580,600.00 (0.03)	0 (0)	0
Forged Cheques with Forged Signature	27 (4.10)	1 (0.68)	26 (5.15)	0 (0)	0 (0)	33,436,000.00 (1.45)	16,074,000.00 (1.86)	48.1
Printing Of Bank Document Illegally	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Clearing Fraud	2 (0.30)	1 (0.68)	1 (0.20)	0 (0)	0 (0)	47,838,000.00 (2.07)	19,238,000.00 (2.23)	40.2
Computer Fraud	3 (0.46)	0 (0)	3 (0.59)	0 (0)	0 (0)	409,708.00 (0.02)	100,000.00 (0.01)	24.4
Telex Fraud	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Foreign Exchange Fraud	1 (0.15)	0 (0)	1 (0.20)	0 (0)	0 (0)	7,590,000.00 (0.33)	6,290,000.00 (0.73)	82.9
Cross Firing Of Cheques and Kite Flying	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0

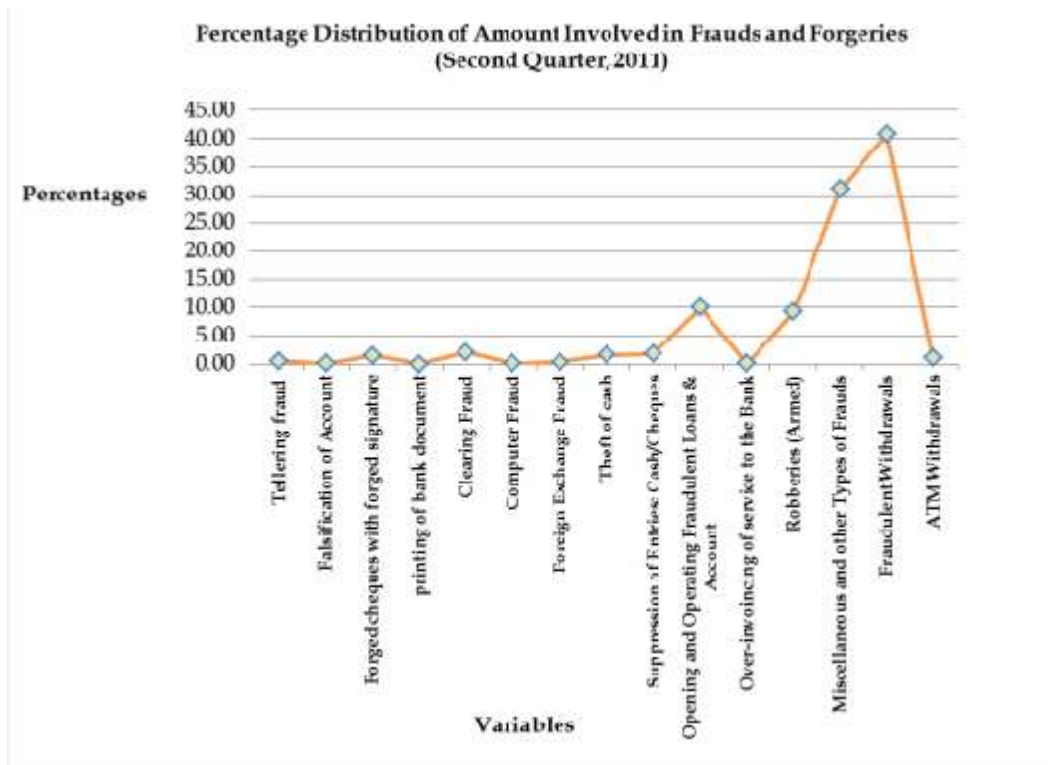
Note: All figures in parenthesis () indicate percentages

Appendix I Contd: Frauds and Forgeries in the Nigerian Banking Industry (Second Quarter, 2011)

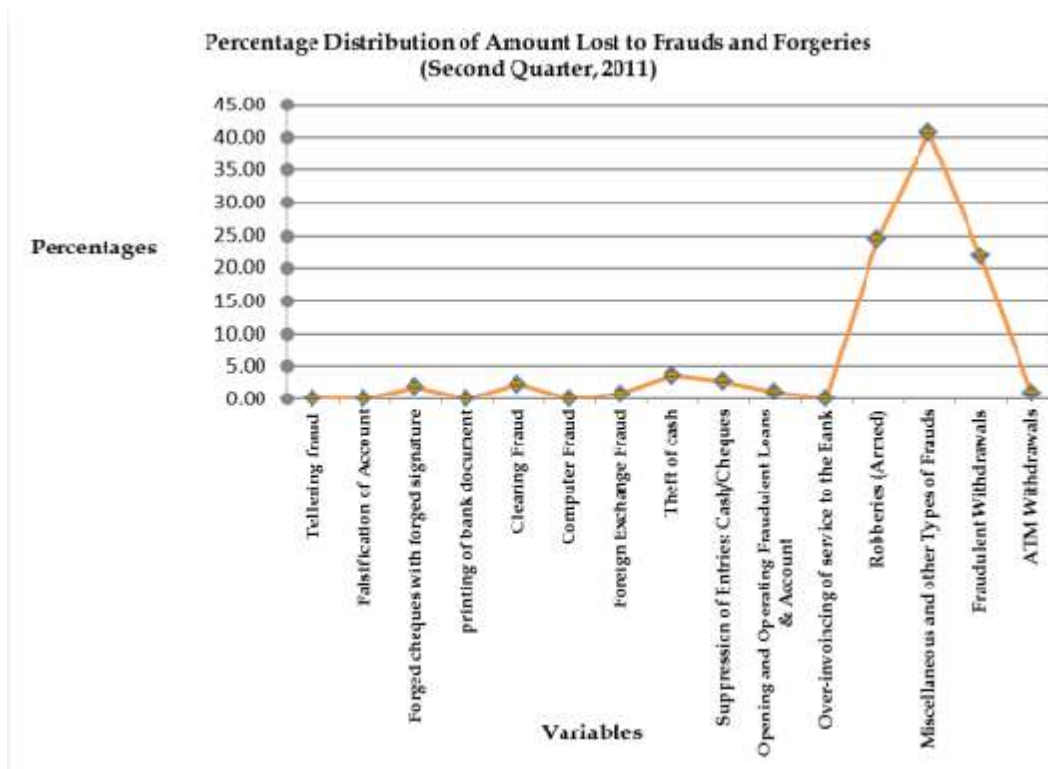
Types of Fraud	Total Number Of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved(₦)	Actual /Expected Loss (₦)	Expected Loss/ Amount Involved (%)
Theft of Cash	9 (1.37)	7 (4.79)	1 (0.20)	1 (12.50)	0 (0)	36,172,100.00 (1.57)	31,156,600.00 (3.61)	86.1
Suppression of Entries: Cash/Cheques	47 (7.13)	47 (32.19)	0 (0)	0 (0)	0 (0)	40,708,429.76 (1.76)	22,852,580.81 (2.64)	56.1
Opening and Operating Fraudulent Loans and Accounts	20 (3.03)	1 (0.68)	16 (3.17)	3 (37.50)	0 (0)	231,302,475.00 (10.03)	8,679,332.50 (1.0)	3.8
Over-Invoicing of Service to the Bank	4 (0.61)	4 (2.74)	0 (0)	0 (0)	0 (0)	738,414.00 (0.03)	429,000.00 (0.05)	58.1
Robberies (Armed)	9 (1.37)	0 (0)	8 (1.58)	1 (12.50)	0 (0)	214,113,868.98 (9.28)	210,738,868.98 (24.39)	98.4
Fictitious Bank Branches	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Miscellaneous and Other Types of Fraud	60 (9.10)	41 (28.08)	17 (3.37)	2 (25.00)	0 (0)	716,764,151.08 (31.07)	351,629,425.32 (40.69)	37.9
Fraudulent Withdrawals	119 (18.06)	31 (21.23)	87 (17.23)	1 (12.50)	0 (0)	940,056,483.50 (40.75)	188,660,272.68 (21.83)	20.1
ATM Withdrawals	346 (52.50)	2 (1.37)	344 (68.12)	0 (0)	0 (0)	25,228,522.47 (1.09)	8,287,890.51 (0.96)	32.9
Total	659	146	505	8	0	2,306,691,388.69	864,135,970.80	

Note: All figures in parenthesis () indicate percentages

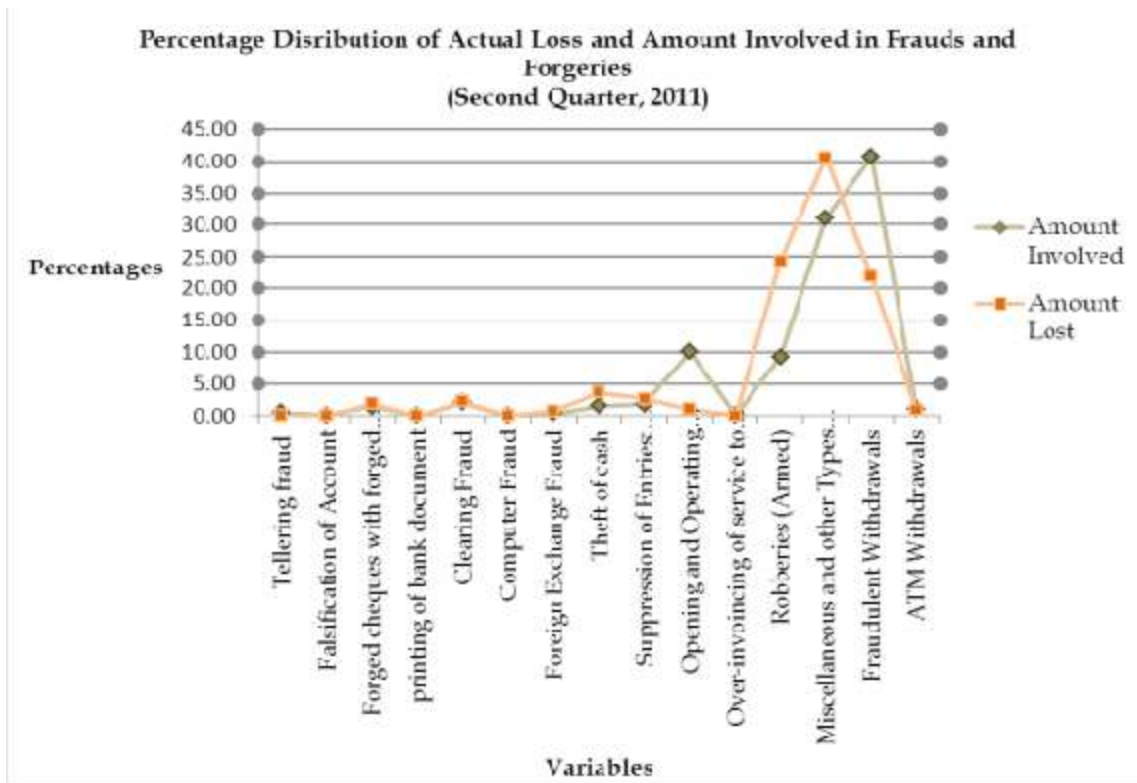
Appendix II



Appendix III



Appendix IV



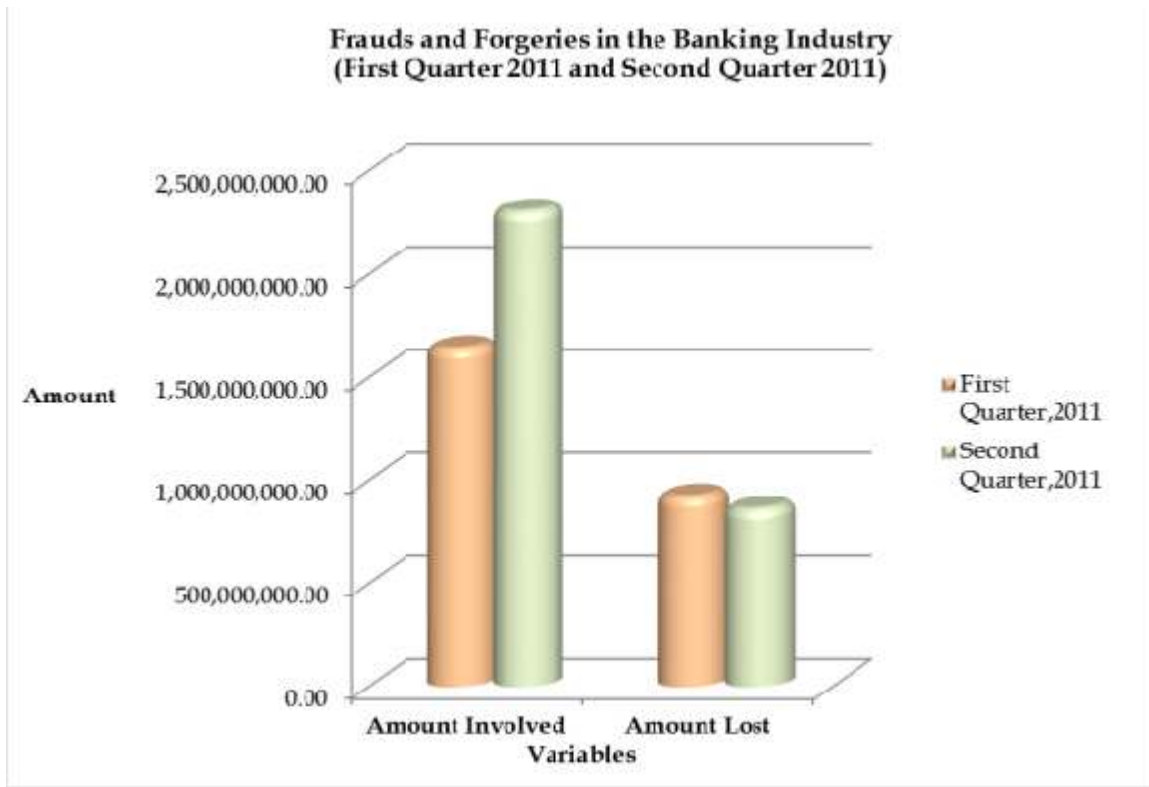
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Frauds and Forgeries in the Banking Industry: A Comparison of First Quarter and Second Quarter, 2011.

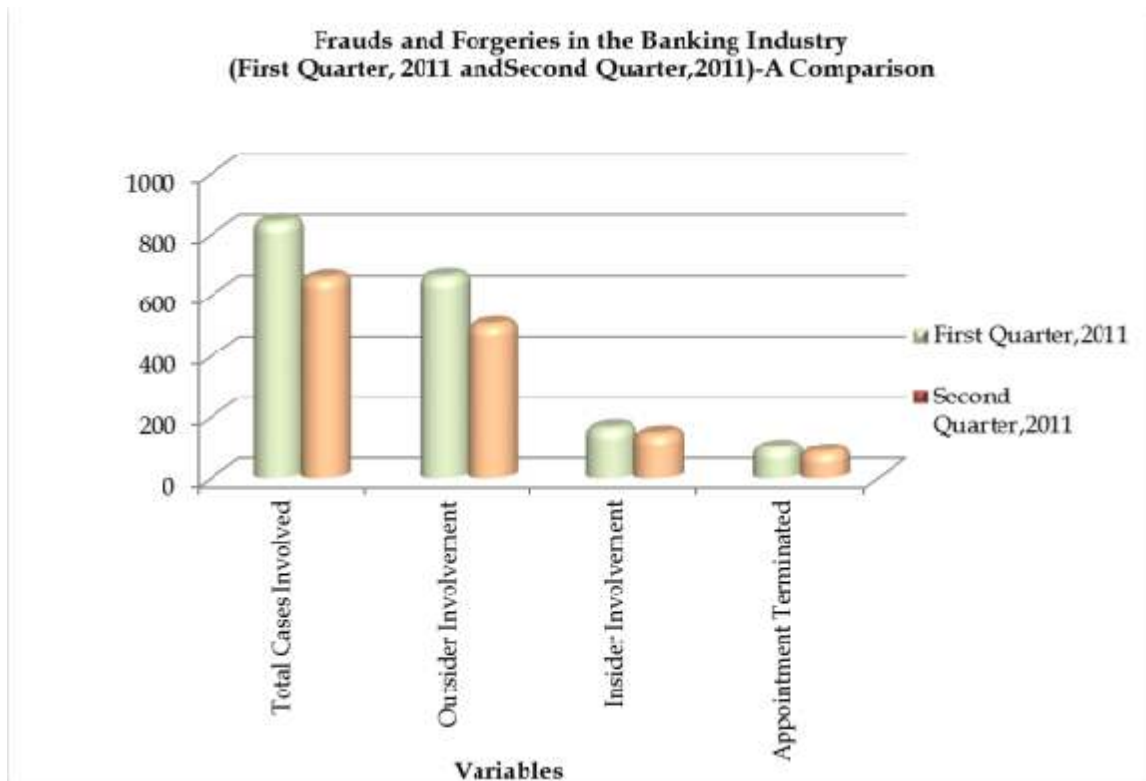
Appendix V

S/n	Variables	First Quarter, 2011	Second Quarter, 2011
1	Total Cases Involved	842	659
2	Total Amount Involved	₦1,643,097,831.57	₦2,306,691,388.69
3	Total Amount Lost	₦924,960,208.28	₦864,135,970.80
4	Outsider Involvement	663	505
5	Insider (staff) Involvement	166	146
6	Appointments Terminated	100	86

Appendix VI



Appendix VII

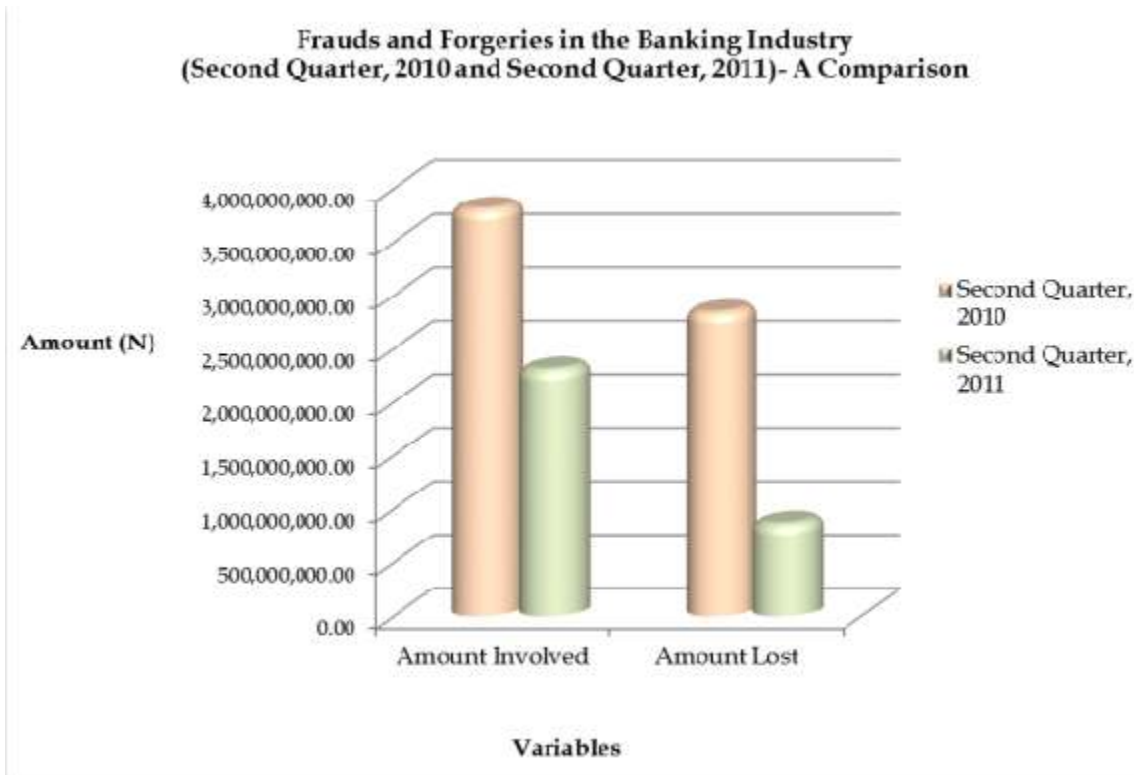


Frauds and Forgeries in the Banking Industry
 (Second Quarter, 2010 and Second Quarter, 2011) - A Comparison

Appendix VIII

S/n	Variables	Second Quarter, 2010	Second Quarter, 2011
1	Total Cases Involved	1,948	659
2	Total Amount Involved	₦3,808,051,564.48	₦2,306,691,388.69
3	Total Amount Lost	₦2,841,051,596.00	₦864,135,970.80
4	Outsider Involvement	1,681	505
5	Insider (staff) Involvement	238	146
6	Appointments Terminated	145	86

Appendix IX



Appendix X

