

FRAUDS & FORGERIES:



REPORT FOR 2008

**REPORT ON FRAUDS AND FORGERIES IN THE
NIGERIAN BANKING INDUSTRY FOR THE PERIOD
JANUARY - MARCH, 2008.**

The number of returns rendered by the banks to the Centre during the months of January, February and March, 2008 were 24, 23 and 24 respectively. In all, seventy-one (71) returns were filed in. Of these returns, 63 (88.73%) actually experienced frauds and forgeries, while 8 (11.27%) did not record such incidence.

Analysis of the returns reflected a slight increase in the number of frauds and forgeries in banks, from 352 in the previous quarter to 382 during the period under review. This represents 8.52% increase when compared with the previous quarter.

Frauds and forgeries were perpetrated through various channels. Prominent among these were fraudulent withdrawals, forged cheques with forged signatures, and other types of fraud, which accounted for 29.84%, 18.32% and 14.14% respectively. Other fraudulent activities witnessed during this quarter include suppression of entries, computer fraud etc. **See Appendix 1 for details.**

In terms of value, the total amount involved in frauds & forgeries increased significantly from N1.04 billion in the preceding quarter to N28.04 billion in the period under review. This depicts a 2,596% increase when compared with the previous quarter. A look at the **Appendices I & II** reveals that clearing fraud accounted for N23.09 billion or 82.35% of the amount involved, ranking it first. Fraudulent withdrawal, which stood at N2.45 billion representing 8.73%, ranked second, while suppression of entries ranked third with N1.47 billion or 3.57% of the total amount involved.

Miscellaneous and other types of frauds, however, rose significantly to N510.31 million from the N109.75 million of the previous quarter, showing an increase of 364.97%. This category of fraud is made up of loss of physical asset (such as vehicles etc.), conversion of dividend warrant, alteration of official documents, and failure of integrity test, amongst others.

Further analysis of the statistics reveals that the actual/expected loss from the entire amount involved in frauds and forgeries in the first quarter of 2008

was N7.23 million (or 25.78%). A critical look at **Appendix 111** reveals that miscellaneous and other types of fraud accounted for the largest portion of the amount actually lost to fraud, valued at N393.022million or 5.44% of the actual/expected loss. It further indicates that huge sums of money were lost to fraudulent withdrawal and computer fraud, both covering N455.58million, which was 6.30%.

With regards to the involvement of persons, the study shows that outsiders were most culpable, as they were involved in 224 or 58.64% of the reported fraud cases, while insiders (i.e. bank personnels) accounted for 125 or 32.72% of the cases. Whereas the culprits in 31 (8.12%) of the reported cases were not specified, cases of collusion with banks' staffs were 2 or 0.52%.

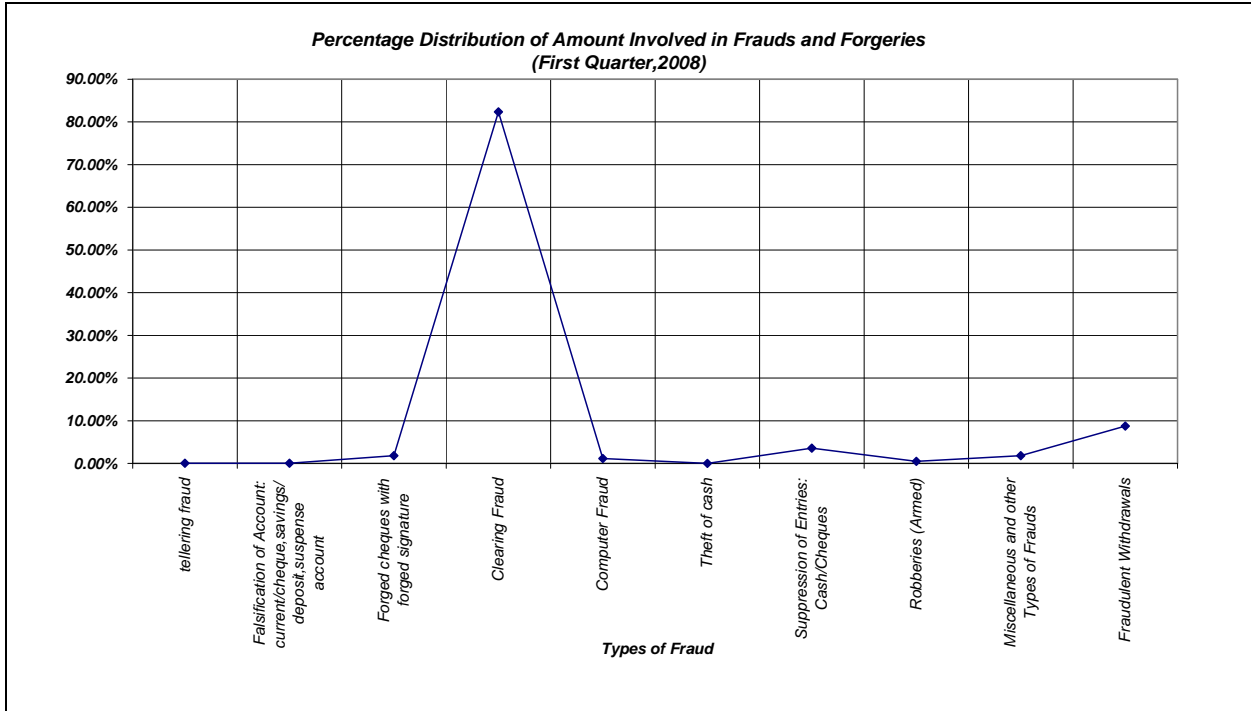
The report further showed that 27 bank personnels were either dismissed or had their appointments terminated on account of frauds and forgeries during the period under review. This represents an increase of 35% when compared to 20 staffs relieved of their jobs for same offences in the preceding quarter.

In conclusion, it is obvious from the chart in **Appendix IV** that banks are more successful in preventing suppression of entries, fraudulent withdrawals and forged cheques than in dealing with other types of fraud such as tellering fraud, armed robberies, and theft of cash. It is, therefore, imperative that banks beef up their security arrangements as well as ensure due processes in the discharge of their duties as a means of combating frauds in these areas, as they constitute the major channels through which huge sums were lost.

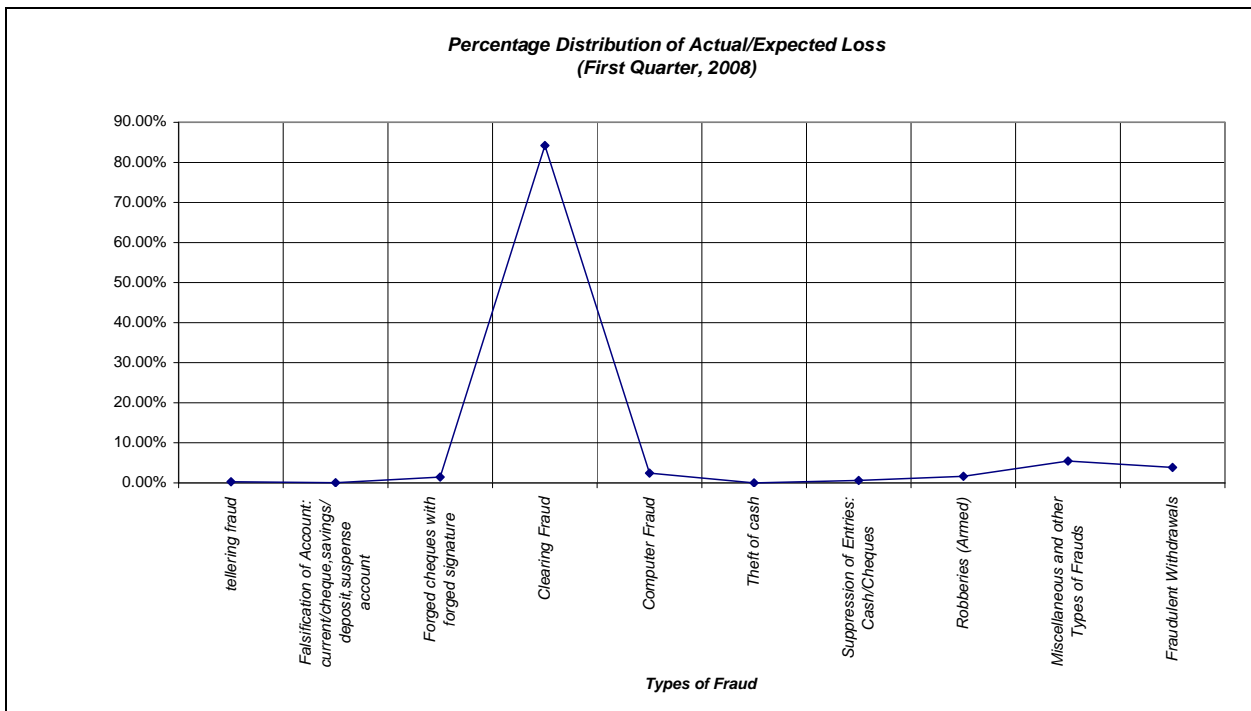
N.B: Please see the attached appendices for details of the cases of frauds and forgeries covered by this report.

Cross firing of cheques & kite flying	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Theft of cash	9 (2.36)	8 (6.40)	1 (0.4)	0 (0)	0 (0)	2,010,530.00 (0.01)	1,492,150.00 (0.02)	74.2
Suppression of entries :cash/cheques	49 (12.83)	47 (37.60)	1 (0.4)	0 (0)	1 (3)	1,000,471,818.20 (3.57)	43,660,972.76 (0.60)	4.4
Opening and operating fraudulent loans & accounts	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Over-invoicing of service to the bank	1 (0.26)	1 (0.80)	0 (0)	0 (0)	0 (0)	323,000.00 (0)	0 (0)	0
Robberies (armed)	20 (5.24)	0 (0)	20 (8.9)	0 (0)	0 (0)	134,258,860.40 (0.48)	118,828,683.14 (1.64)	88.5
Fictitious bank branches	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Miscellaneous & other types of frauds	54 (14.14)	20 (16.00)	13 (5.8)	0 (0)	21 (68)	510,312,739.49 (1.82)	393,022,918.21 (5.44)	77.0
Fraudulent withdrawals	114 (29.84)	24 (19.20)	85 (37.9)	1 (50)	4 (13)	2,449,254,308.00 (8.73)	277,889,635.04 (3.84)	11.3
Total	382	125	224	2	31	28,043,175,064.84	7,230,344,928.62	25.78

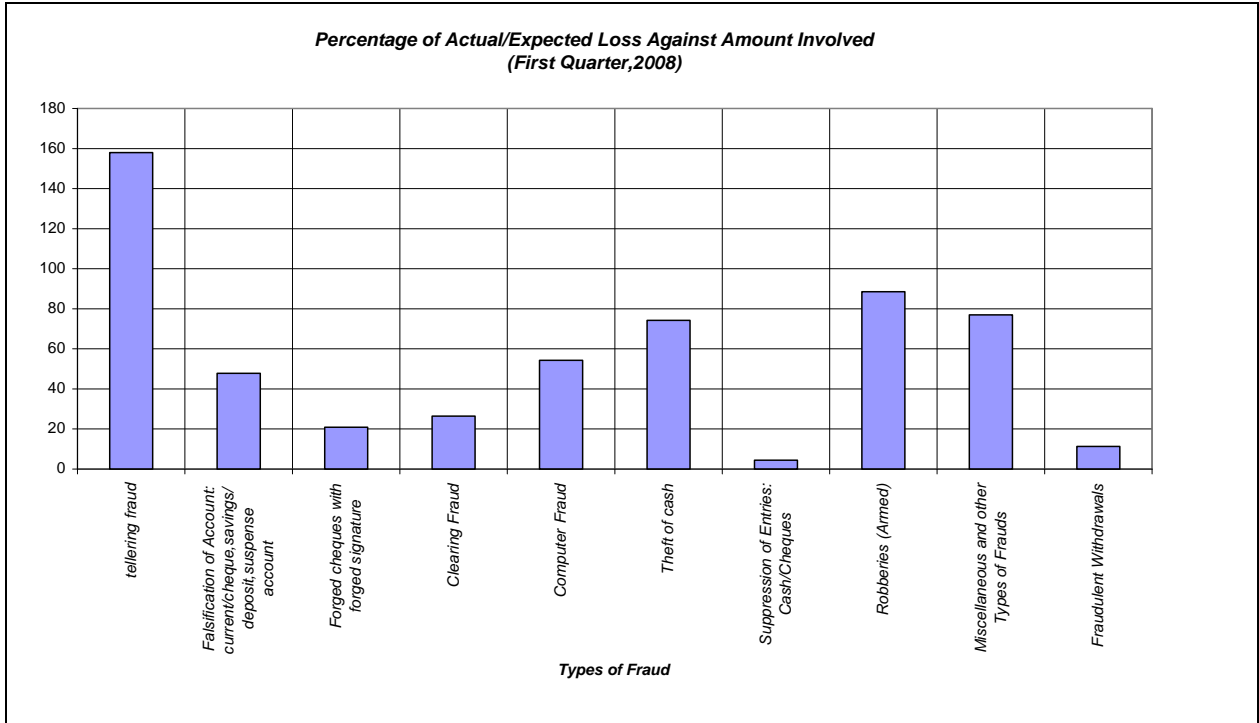
APPENDIX II



APPENDIX III



APPENDIX IV



**REPORT ON FRAUDS AND FORGERIES IN THE
NIGERIAN BANKING INDUSTRY FOR THE PERIOD
APRIL - JUNE, 2008**

A total of sixty nine (69) returns were received from twenty three (23) banks by FITC in the second quarter of 2008. A break down shows that 24, 24, and 21 returns were received during the months of **April, May and June**, 2008, respectively. Of these returns, 56 (81.16%) recorded cases of frauds and forgeries, while 13 (or 18.84%) did not have such record.

Analysis of the returns shows that the volume of frauds and forgeries in the banking system in the period under review reduced to 374 cases from 382 of the previous quarter, representing about 2.09% decrease. Fraud and forgeries were perpetrated through various channels, The most prominent cases recorded were those of fraudulent withdrawals, forged cheques and suppression of entries, which accounted for 29.68%, 18.72% and 11.50% of the cases respectively. Other types of frauds experienced during the period included computer fraud, armed robberies and theft of cash. **See Appendix I for details.**

In terms of value, the total amount of money involved in the fraud and forgery cases reported plummeted significantly from ^28.04 billion to ^1.59 billion, which represents over 94.33% decrease when compared with the last quarter. A total sum of ^349.1 million could be traced to forged cheques, representing 21.99 % of the entire amount involved. This makes forged cheques the major channel through which frauds and forgeries were perpetrated during the quarter. This is clearly illustrated in **Appendix II**. Computer fraud, at ^306.8 million, representing 19.33%, ranked second. A substantial loss of ^224.4 million could also be linked to suppression of entries, which accounted for 14.14% of the total amount.

Further analysis of the returns shows that ^518.7 million or 32.68% of the total amount involved was actually lost to frauds. The balance was recovered through the ability of the banks to either frustrate or abort the attempt of the fraudsters. A closer look at **Appendix III** reveals that the largest portion of the amount actually lost to fraud could be traced to miscellaneous and other types of fraud, valued at ^139.39 million or 26.87% of the actual/expected

loss. It further shows that huge sums were lost to suppression of entries and armed robberies, both covering ^172.01million (or 33.16%).

However, miscellaneous and other types of fraud increased significantly to ^161.53 million from ^510.31 million of the previous quarter, showing an increase of 68.35%. This category of fraud is made up of false identification and conversion of dividend warrants, amongst others.

With regards to the involvement of persons, the study indicates that outsiders were most culpable. They were involved in 207 (or 55.35%) of the cases, while banks' staff accounted for 132 (or 35.29%). But cases where perpetrators colluded with banks' staff totaled 3 (or 0.80%), and the culprits in 32 (or 8.56%) of the reported cases were not specified.

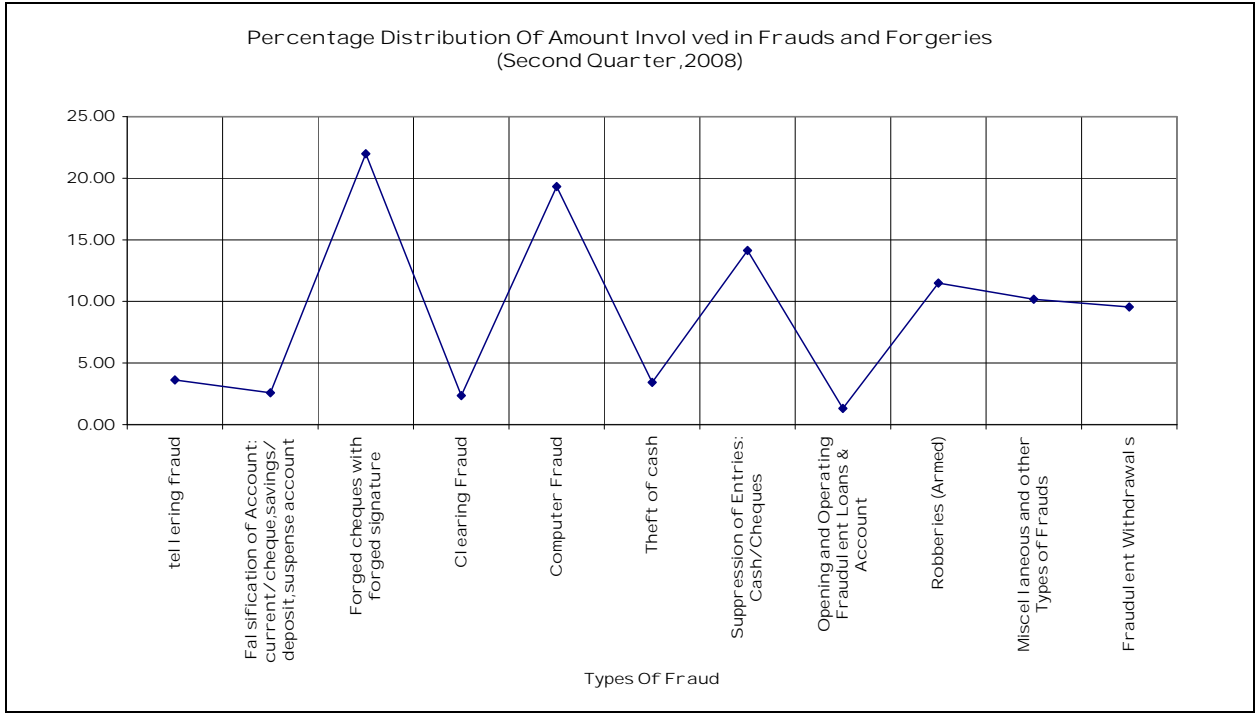
The returns indicate that 26 bank staff had their appointments terminated during the period under review on grounds of fraud and forgery. This represents a decrease of 3.70% when compared to 27 staff relieved of their jobs in the preceding quarter.

From the chart in **Appendix IV**, it is obvious that the banks were more vigilant and, thus, more successful in aborting many cases of opening and/or operating fraudulent accounts, computer fraud and falsification of accounts. But same could not be said of other fraud types such as tellering fraud and over-invoicing of services to the banks. It is, therefore, imperative that the banks intensify their efforts in combating frauds in these other areas as they constituted major avenues of huge financial losses in the period under review as well as non-banks publics' loss of confidence in banks and financial institutions generally.

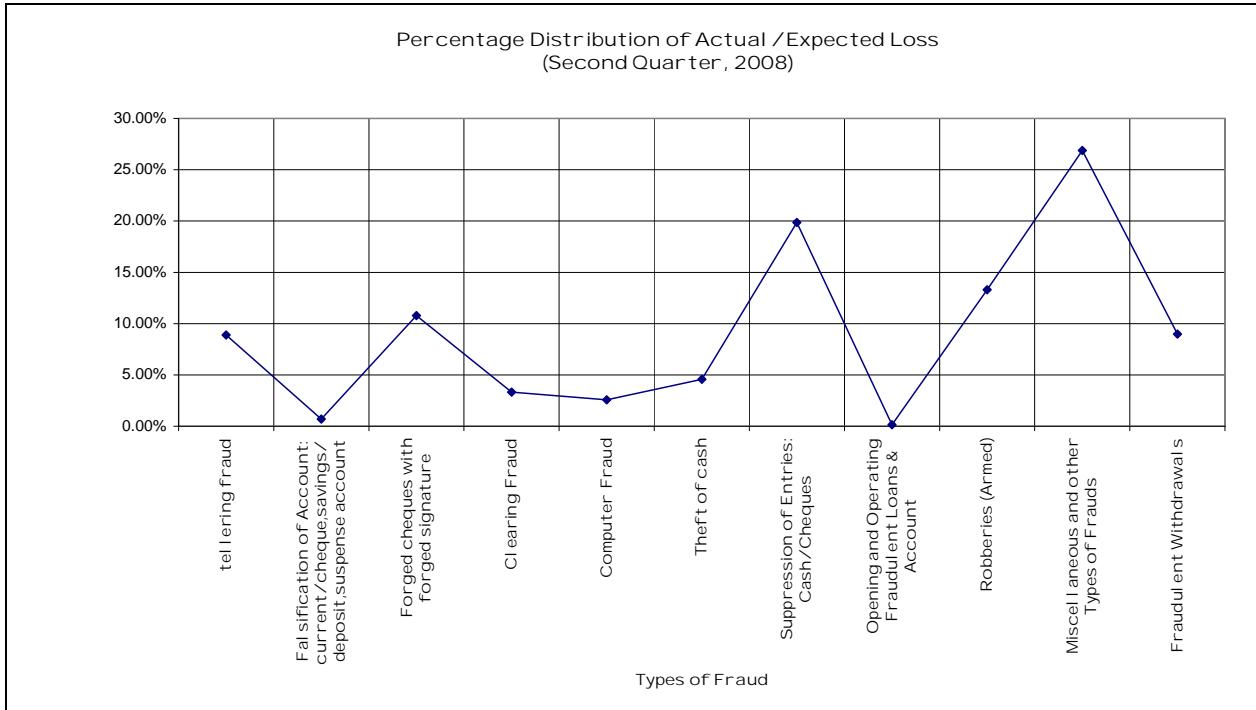
N.B: Please see the appendices (attached) for details of the cases of frauds and forgeries covered in this report.

Cross Firing Of Cheques &Kite Flying	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00
Theft Of Cash	15 (4.01)	13 (9.85)	2 (0.97)	0 (0)	0 (0)	54,428,727.40 (3.43)	23,688,239.40 (4.57)	43.52
Suppression Of Entries :Cash/Cheques	43 (11.50)	43 (32.58)	0 (0)	0 (0)	0 (0)	224,438,710.59 (14.14)	103,025,760.59 (19.86)	45.90
Opening And Operating Fraudulent Loans& Accounts	6 (1.60)	2 (1.52)	4 (1.93)	0 (0)	0 (0)	20,885,015.58 (1.32)	726,332.29 (0.14)	3.48
Over-Invoicing Of Service To The Bank	2 (0.53)	2 (1.52)	0 (0)	0 (0)	0 (0)	47,920.00 (0.00)	47,924.00 (0.01)	100
Robberies (Armed)	16 (4.28)	0 (0)	16 (7.73)	0 (0)	0 (0)	182,416,653.47 (11.49)	68,984,342.38 (13.30)	37.82
Fictitious Bank Branches	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00
Miscellaneous & Other Types Of Frauds	61 (16.31)	27 (20.45)	19 (9.18)	1 (33.33)	14 (43.75)	161,531,192.85 (10.18)	139,391,837.90 (26.87)	86.29
Fraudulent Withdrawals	111 (29.68)	25 (18.94)	79 (38.16)	2 (66.67)	5 (15.63)	151,473,636.84 (9.54)	46,611,713.14 (8.99)	30.77
Total	374	132	207	3	32	1,587,297,861.79	518,772,070.02	

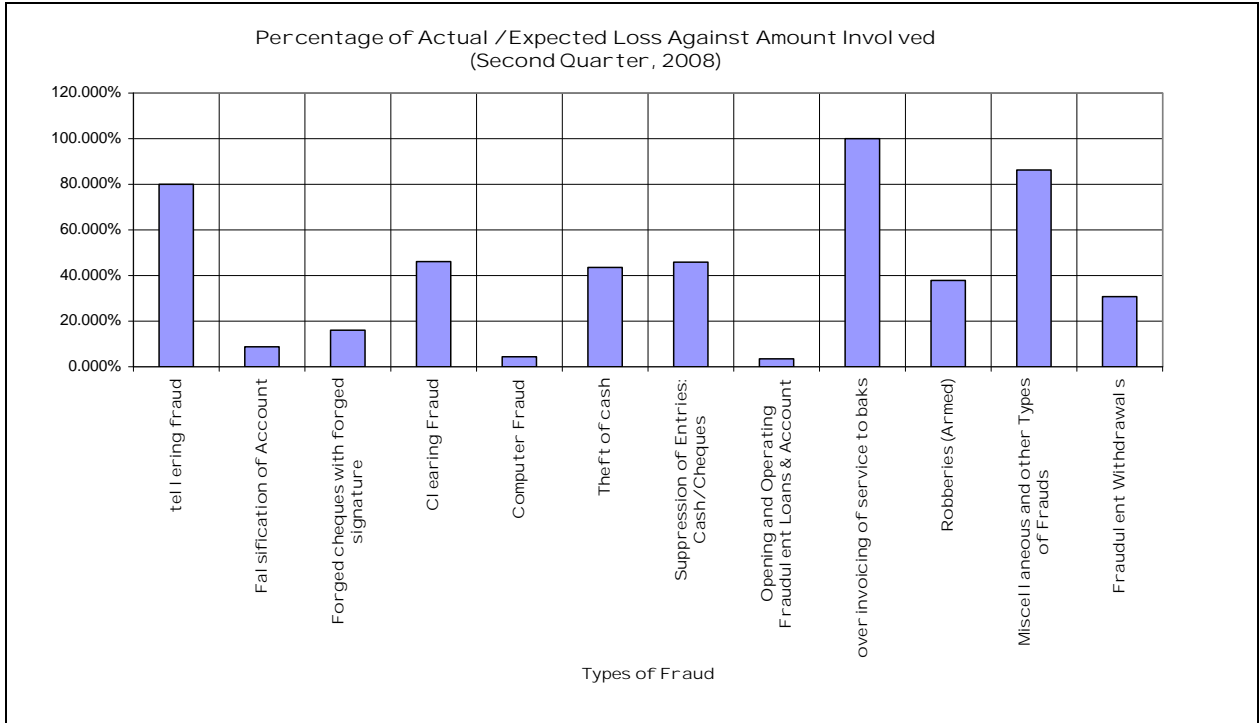
APPENDIX II



APPENDIX III



APPENDIX IV



**REPORT ON FRAUDS AND FORGERIES IN THE
NIGERIAN BANKING INDUSTRY FOR THE PERIOD
JULY - SEPTEMBER, 2008**

A total of sixty five (65) returns were received from twenty one (21) banks by FITC in the third quarter of 2008. A break down shows that 23, 21, and 21 returns were filed in during the months **July, August and September, 2008** respectively. Of these returns, 56 (86.15%) recorded cases of frauds and forgeries, while 9 (or 13.85%) had no such record.

Analysis of the returns as regards the volume of frauds and forgeries in the banking system shows an increase of 7.22% from a total of 374 cases in the previous quarter to 401 cases in the period under review. Frauds and forgeries were perpetrated through various channels; the most prominent cases recorded being those of fraudulent withdrawals, suppression of entries and forged cheques, which accounted for 27.43%, 14.46% and 13.22% of the cases respectively. Other types of frauds experienced during the period included computer fraud, theft of cash and opening and operating fraudulent loans and account. **See Appendix I for details.**

In terms of value, the total amount of money involved in the fraud and forgery cases reported reduced slightly from ^1.59 billion in the previous quarter to ^1.57 billion in the period under review. This depicts a 1.26% decrease when compared with the figure from the previous quarter. A closer look at the appendices reveals that miscellaneous and other types of fraud ranked first, accounting for ^734.4 million (46.67%) of the total amount involved. This is clearly illustrated in **Appendix II**. Forged cheques with forged signature ranked second, with ^267.9million (17.02%) involved, and computer fraud ranked third with ^134.1million (8.52%) of the total amount.

Further analysis of the statistics shows that the actual/expected loss from the entire amount involved in fraud and forgeries in the third quarter of 2008 was ^331.6 million or 21.07% of the total amount involved. A closer look at **Appendix III** reveals that of this amount, ^55.07 million (16.61%), representing the largest portion of the actual/expected loss, could be traced to armed

robberies. The balance was either recovered through the ability of the banks to either frustrate or abort the attempt of the fraudsters. Statistics further shows that huge sums were lost to opening and operating fraudulent loans and accounts and forged cheques, both covering ^92.95million (or 28.03%).

However, miscellaneous and other types of fraud shot up significantly to ^734.42 million from ^161.53 million of the previous quarter, showing an increase of 354.66%. This category of fraud is made up of false identification, theft of physical assets such as vehicles, laptops and conversion of dividend warrants, amongst others.

With regards to the involvement of persons, the study indicates that outsiders were most culpable. They were involved in 254 (or 63.34%) of the cases, while banks' staff accounted for 115 (or 28.68%). It was only in one case(0.25%) that perpetrators colluded with banks' staff, while the culprits in 31 (or 7.73%) of the reported cases were not specified.

The returns indicate that 27 bank staff were either dismissed, or 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 **Appendix IV**, it is obvious that the banks were more vigilant and, thus, more successful in aborting many cases of miscellaneous and other types of fraud, falsification of account and telex fraud. But same could not be said of other fraud types such as armed robberies, tellering fraud and over-invoicing of services to the banks. It is, therefore, imperative that the banks beef up their security personnel and facilities as well as intensify their efforts in combating frauds in these other areas as they constituted major avenues of huge financial losses in the period under review.

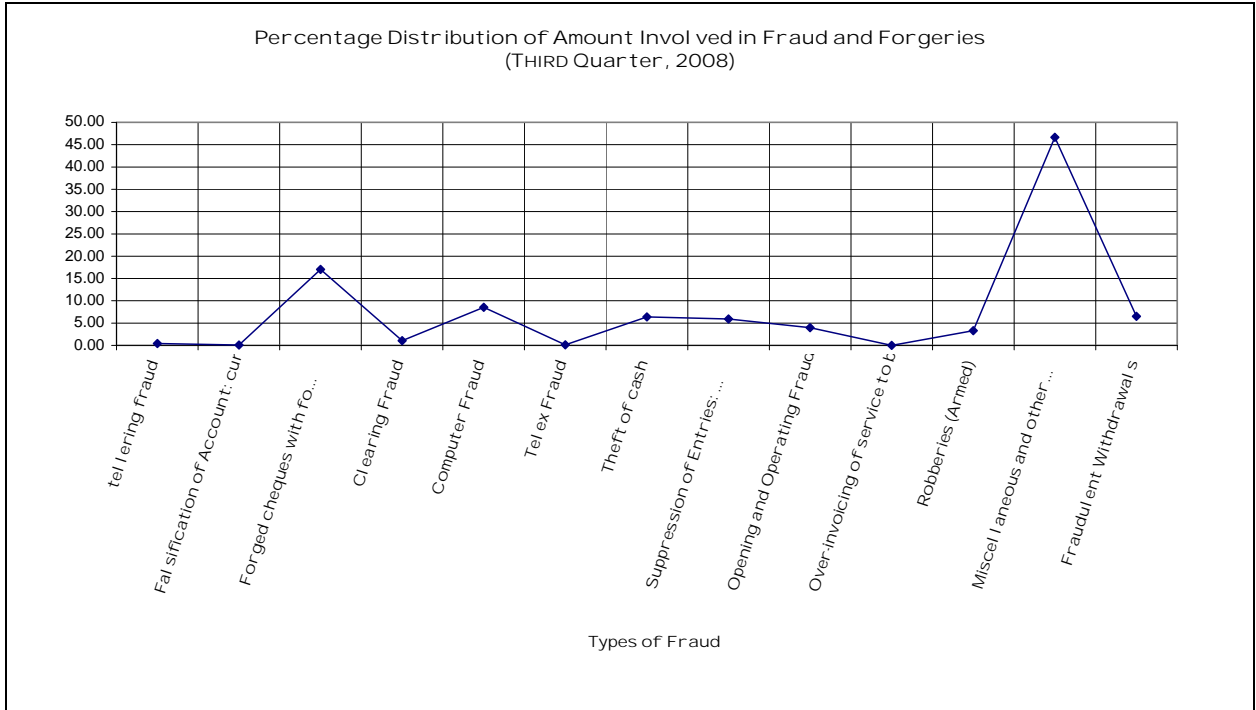
N.B: Please see the appendices (attached) for details of the cases of frauds and forgeries covered in this report.

APPENDIX 1
FRAUDS AND FORGERIES IN THE NIGERIAN BANKING INDUSTRY
3RD QUARTER OF 2008

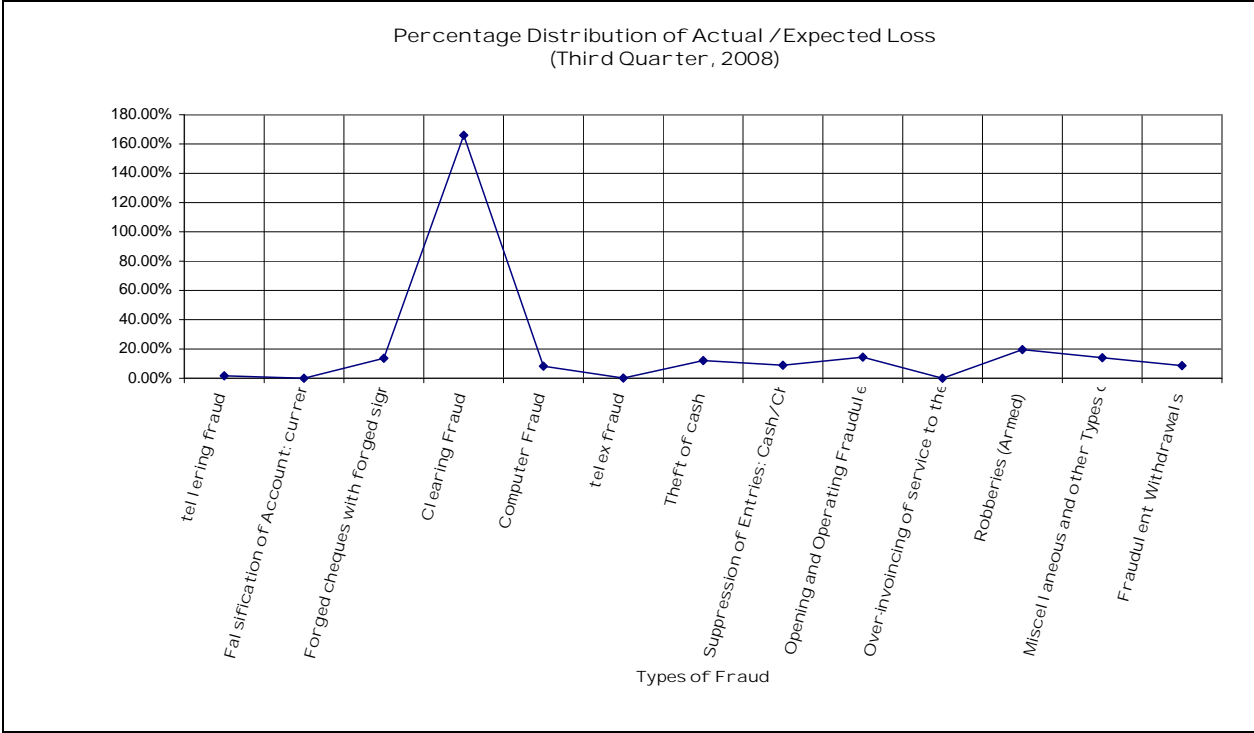
Types of Fraud	Total Number of cases reported	Involving Bank Personnel only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved(^)	Actual /Expected Loss (^)	Expected Loss/ Amount Involved %
Tellering Fraud	8 (2.00)	8 (6.96)	0 (0)	0 (0)	0 (0)	6,785,790.00 (0.43)	5,481,290.00 (1.65)	80.70
Falsification Of Accounts: Current/Cheque, Savings /Deposits, Suspense Accounts	5 (1.25)	0 (0)	5 (1.97)	0 (0)	0 (0)	1,147,637.97 (0.07)	148,000.00 (0.04)	12.90
Forged Cheques With Forged Signature	53 (13.22)	0 (0)	52 (20.47)	0 (0)	1 (3.23)	267,889,733.38 (17.02)	45,174,303.78 (13.62)	16.86
Printing Of Bank Document Illegally	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Clearing Fraud	4 (1.00)	0 (0)	4 (1.57)	0 (0)	0 (0)	16,752,000.00 (1.06)	5,500,000.00 (1.66)	32.83
Computer Fraud	31 (7.73)	6 (5.22)	24 (9.45)	0 (0)	1 (3.23)	134,099,113.00 (8.52)	27,514,066.33 (8.30)	20.52
Telex Fraud	9 (2.24)	0 (0)	9 (3.54)	0 (0)	0 (0)	1,887,000.00 (0.12)	309,500.00 (0.09)	16.40

Foreign Exchange Fraud	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Cross Firing Of Cheques &Kite Flying	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Theft Of Cash	12 (2.99)	9 (7.83)	2 (0.79)	0 (0)	1 (3.23)	100,326,334.26 (6.38)	40,058,500.00 (12.08)	39.93
Suppression Of Entries :Cash/Cheques	58 (14.46)	56 (48.70)	0 (0)	1 (100)	1 (3.23)	93,129,290.00 (5.92)	29,650,050.00 (8.94)	31.84
Opening And Operating Fraudulent Loans& Accounts	12 (2.99)	0 (0)	12 (4.72)	0 (0)	0 (0)	62,588,035.99 (3.98)	47,775,486.70 (14.41)	76.33
Over-Invoicing Of Service To The Bank	1 (0.25)	1 (0.87)	0 (0)	0 (0)	0 (0)	93,800.00 (0.01)	93,800.00 (0.03)	100
Robberies (Armed)	7 (1.75)	0 (0)	7 (2.76)	0 (0)	0 (0)	52,004,030.00 (3.30)	55,072,435.00 (16.61)	105.90
Fictitious Bank Branches	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Miscellaneous & Other Types Of Frauds	91 (22.69)	16 (13.91)	50 (19.69)	0 (0)	25 (80.65)	734,423,544.45 (46.67)	46,350,218.33 (13.98)	6.31
Fraudulent Withdrawals	110 (27.43)	19 (16.52)	89 (35.04)	0 (0)	2 (6.45)	102,577,458.05 (6.52)	28,455,009.49 (8.58)	27.74
Total	401	115	254	1	31	1,573,703,767.10	331,582,659.63	21.07

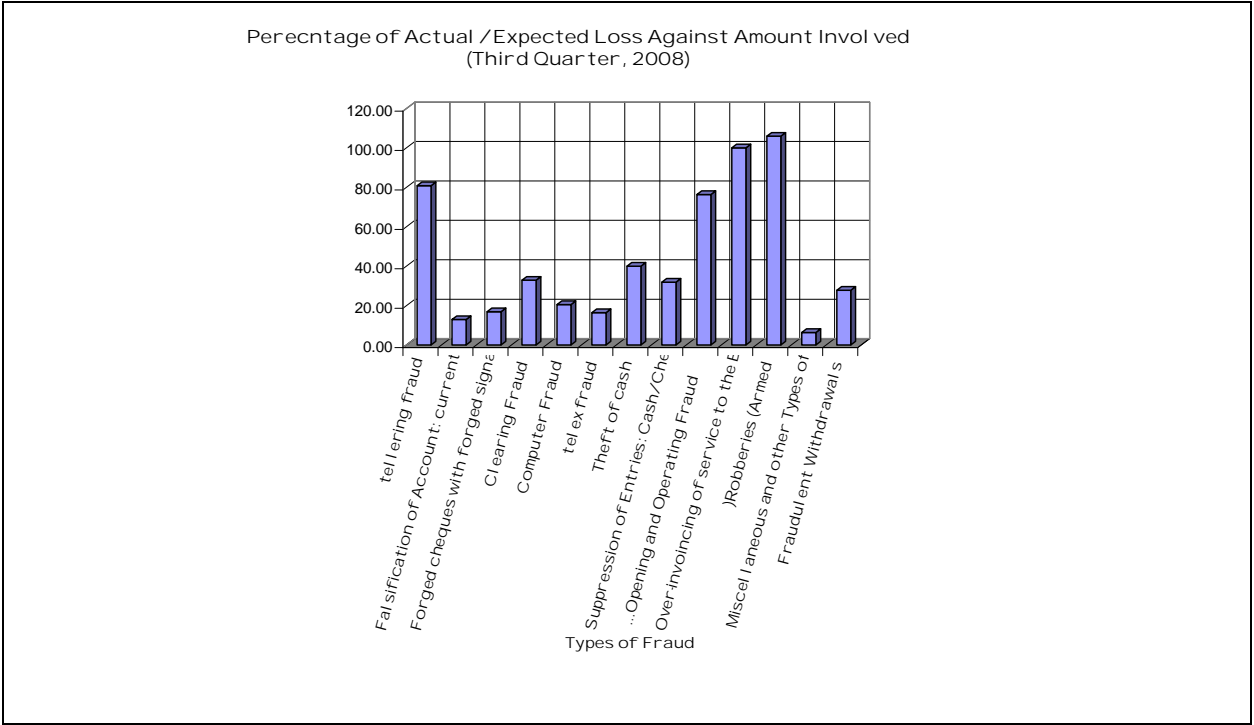
APPENDIX II



APPENDIX III



APPENDIX IV



**REPORT ON FRAUDS AND FORGERIES IN THE
NIGERIAN BANKING INDUSTRY FOR THE PERIOD
OCTOBER - DECEMBER, 2008**

Sixty four (64) returns were received from twenty one (21) banks by FITC in the fourth quarter of 2008. A break down shows that 23, 21 and 20 returns were received during the months of **October, November and December, 2008**, respectively. Of these returns, 59 (92.19%) recorded cases of frauds and forgeries, while 5 (or 7.81%) did not have such incident to report.

Table I shows that the records of frauds and forgeries reported in the banking system in the period under review totalled 480 cases compared to 401 cases in the previous quarter, thus representing an increase of 19.70% of the total cases involved. The major channels through which the frauds were perpetrated include fraudulent withdrawal, forged cheques and suppression of entries, which accounted for 35.63%, 14.17% and 10.42% of the cases respectively. Other types of fraud recorded during the period included computer fraud, opening and operating fraudulent loan accounts and tellering 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 rose significantly to ₦3.40 billion from ₦1.57 billion in the preceding quarter, depicting an increase of 116.56%. A careful look at Table I clearly shows that while armed robberies ranked first, accounting for ₦1.1 billion (32.40%) of the total amount involved, forged cheques ranked second with a sum of ₦972.56 million, representing 28.63% of the amount involved and computer fraud ranked third with the sum of ₦458.03 million, representing 13.48% of the total amount involved. See Table II for details.

Further analysis of the returns shows that ₦1.601 billion or 48.90% of the total amount involved was actually lost to frauds in the fourth quarter of 2008. The balance was recovered 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 ₦971.83 million or 60.69% of the actual/expected loss. It further shows that huge sums were lost to miscellaneous and other types of fraud as well as suppression of entries, both totalling ₦372.08 million (or 23.23%).

However, miscellaneous and other types of fraud plummeted significantly to ₦394.12 million from ₦734.42 million of the previous quarter, showing a decrease of 46.34%. 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 335 (or 69.79%) of the cases, while banks' staff accounted for 120 (or 25%). But cases where perpetrators colluded with banks' staff totaled 2 (or 0.42%), and the culprits in 23 (or 4.79%) of the reported cases were not specified.

The returns indicate that 26 bank staff had their appointments terminated during the period under review on grounds of fraud and forgery. This represents a decrease of 3.70% when compared to 27 staff relieved of their jobs in the preceding quarter.

From the chart in **Appendix IV**, it is obvious that the banks were more vigilant and, thus, more successful in aborting many cases of forged cheques, computer fraud and opening & operating fraudulent accounts. But same could not be said of other fraud types such as fraudulent withdrawals, clearing fraud and tellering fraud. It is, therefore, imperative that the banks beef up their security arrangements and intensify efforts at combating frauds in these other areas as they constituted major avenues of huge financial losses in the period under review.

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

Cross Firing Of Cheques &Kite Flying	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Theft Of Cash	7 (1.46)	5 (4.17)	1 (0.30)	0 (0)	1 (0)	28,241,788.00 (0.83)	21,695,288.00 (1.35)	76.8
Suppression Of Entries :Cash/Cheques	50 (10.42)	49 (40.83)	1 (0.30)	0 (0)	0 (0)	203,085,478.00 (5.98)	140,011,629.65 (8.74)	68.9
Opening And Operating Fraudulent Loans& Accounts	18 (3.75)	1 (0.83)	16 (4.78)	0 (0)	1 (0)	18,177,652.00 (0.54)	8,342,825.00 (0.52)	45.9
Over-Invoicing Of Service To The Bank	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0.00)	0
Robberies (Armed)	14 (2.92)	0 (0)	14 (4.18)	0 (0)	0 (0)	1,100,612,153.77 (32.40)	971,831,718.86 (60.69)	88.3
Fictitious Bank Branches	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Miscellaneous & Other Types Of Frauds	98 (20.42)	17 (14.17)	58 (17.31)	2 (100)	21 (0)	394,122,433.13 (11.60)	232,066,083.97 (14.49)	58.9
Fraudulent Withdrawals	171 (35.63)	20 (16.67)	151 (45.07)	0 (0)	0 (0)	136,666,908.30 (4.02)	70,834,951.36 (4.42)	518.3
Total	480	120	335	2	23	3,397,068,460.67	1,601,174,906.84	48.90

TABLE II

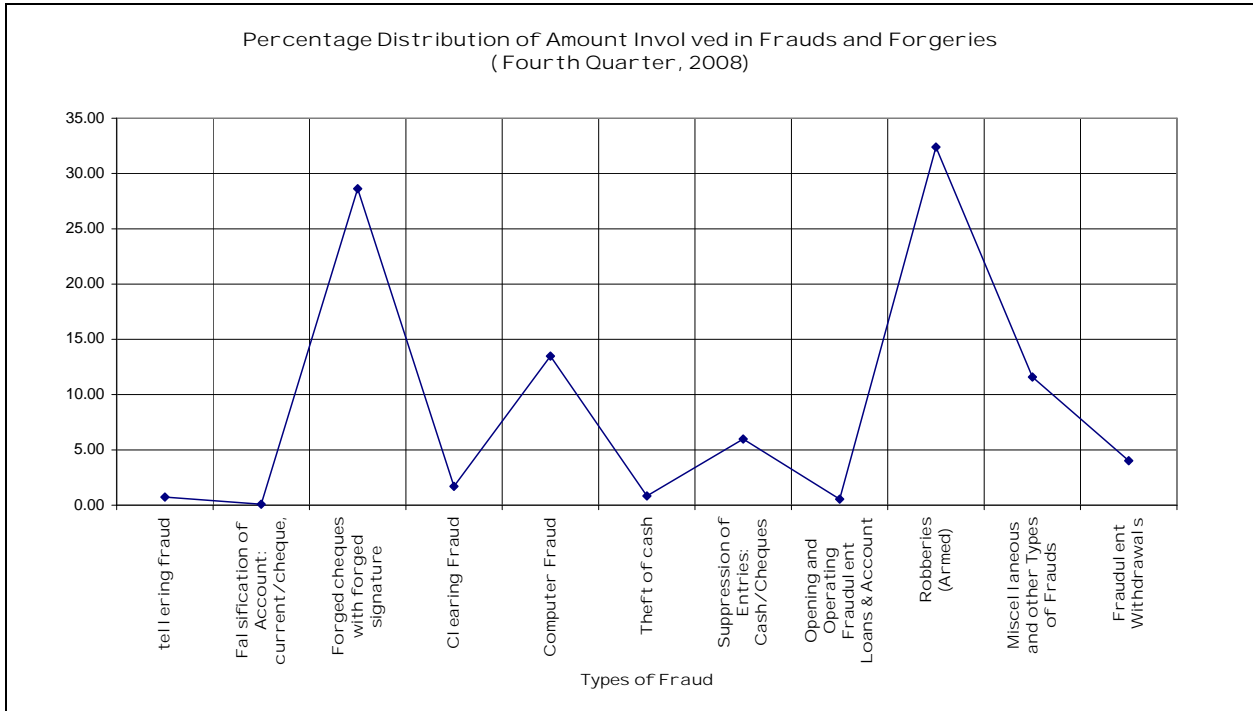


TABLE III

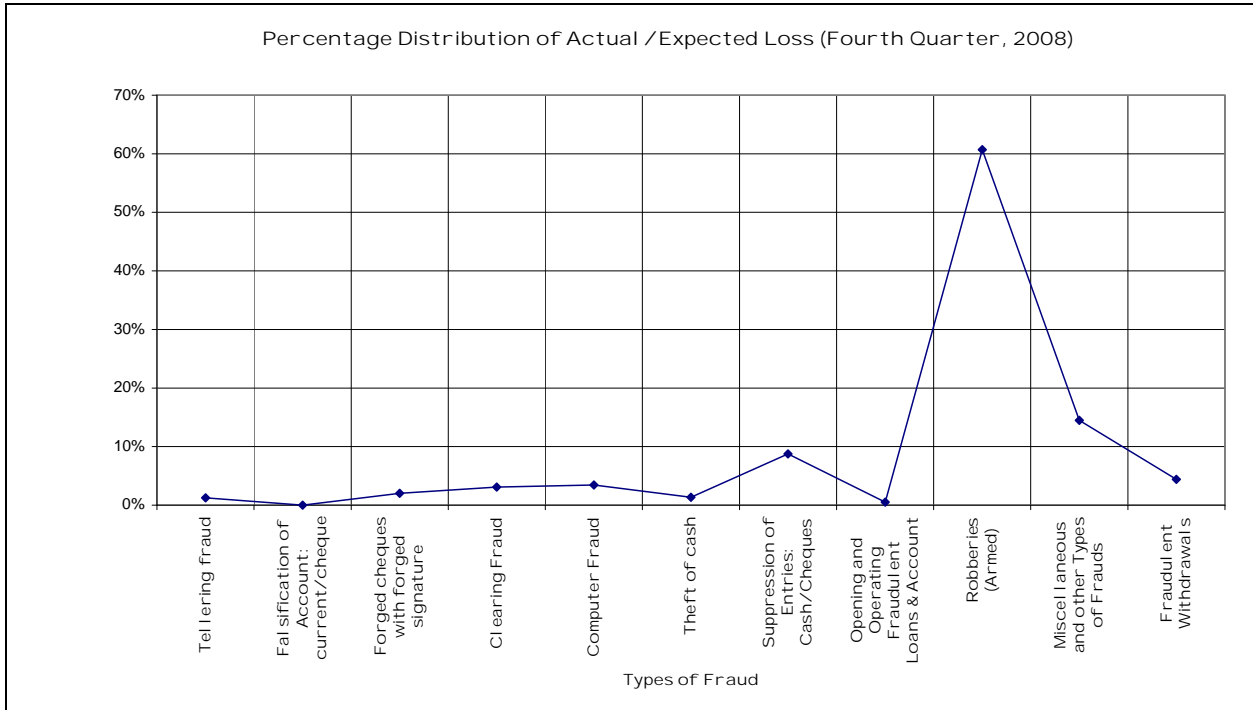
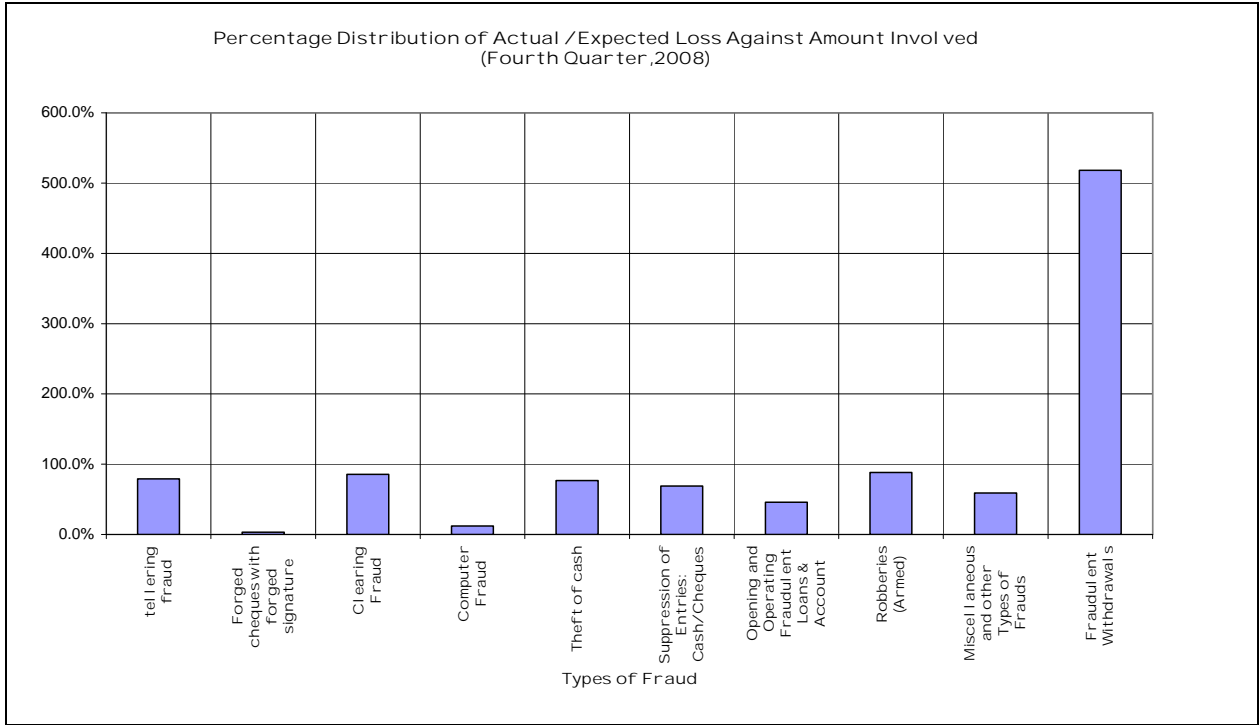


TABLE IV



FITC Research, 2008.