



Report on Frauds and Forgeries in Banks

January-March, 2011

Report on Frauds and Forgeries in the Nigerian Banking Industry for the period January - March, 2011

FITC received 69 returns from 24 deposit money banks in the first quarter of 2011. Analysis of the returns showed that a total of 842 cases of frauds and forgeries were reported in the banking industry, compared to 914 cases reported in the previous period, representing a 7.88 percent decrease. The types of fraud predominantly perpetrated during the period include unauthorized withdrawals through automated teller machines (ATMs), fraudulent withdrawals, suppression of cash, miscellaneous and other types of frauds and forged cheques with forged signatures. Captured under miscellaneous and other types of fraud were conversion of dividend warrants, fraudulent liquidation of fixed deposits, impersonation, dry postings, failure of integrity test and conversion of return money warrants, amongst others. See **Appendix I** for details.

The total amount of money involved in the reported cases of frauds and forgeries posted in the quarter being reviewed stood at ~~N~~1.643 billion, depicting a decline of 13.70 percent from ~~N~~1.904 billion recorded in the preceding quarter. **Appendix I** shows that miscellaneous and other types of fraud ranked first, accounting for ~~N~~878.69 million (53.48 percent) out of the total amount involved in frauds and forgeries; suppression of cash/cheques ranked second with ~~N~~213.87 million (13.02 percent), while fraudulent withdrawals ranked third with ~~N~~162.65 million (9.90 percent) of the total amount involved in frauds and forgeries during the period under review.

Further breakdown shows that for miscellaneous and other types of fraud that ranked first in the amount involved in fraud within the quarter being reviewed, its polled figure of N878.69 million represents an increase of 76.33 per cent, when compared with the N498.32 million recorded in the fourth quarter of 2010. However, suppression of entries plummeted to ~~N~~213.87 million from N366.88 million recorded in the preceding quarter; thus representing a decrease of 41.71 per cent. Similarly, fraudulent withdrawals reduced significantly to N162.65 million from N252.89 million recorded in the preceding period to show a fall of 35.68 per cent. Meanwhile, ATM withdrawals and forged cheques with forged signatures notched up to N111.55 million and N101.06 million respectively in the period under review, from N42.77 million and N76.48 million posted in the preceding period, thus indicating a 160.79 per cent and 32.13 per cent increase respectively. **Appendix II** further provides a graphic representation of the amount involved in the reported cases of frauds and forgeries.

The returns also indicated that out of the total sum of ~~N~~1.643 billion estimated to have been involved in fraud and forgeries, ~~N~~924.96 million (56.29 per cent) was actually lost to fraud and forgeries in the first quarter of 2011. The difference of

~~₦~~718.14million (43.71 per cent) was recovered through spot-checking of remittances by banks, implementing stringent control measures as well as strict adherence to internal processes and procedures.

Analysis of the returns also revealed that miscellaneous and other types of fraud accounted for ~~₦~~448.81 million (48.52 per cent) of the total amount lost to fraudulent activities, while suppression of entries and fraudulent withdrawals accounted for ~~₦~~190.33million (20.58 per cent) and ~~₦~~162.65million (13.48 per cent) respectively. **Appendix III** presents, graphically, 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.

Observable data reveals that there was a prevalence of external involvement in most of the reported cases of fraud, as outsiders were involved in 663 (78.74 per cent) of the frauds cases, while employees of banks were involved in 166 (19.71 per cent) of the cases reported. Fraudsters colluded with banks' employees in seven of the cases reported, while the identity of the persons involved as employees or outsiders was not indicated in six cases.

The returns also indicated that 100 bank employees had their appointments terminated on grounds of frauds and forgeries. This represents a decrease of 15.97 per cent when compared with the preceding quarter where 119 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 and Recommendation

This report shows significant improvements on 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 914 in the fourth quarter of 2010 to 842 in the first quarter of 2011, representing a decrease of 7.88 percent. Similarly, the total amount involved in frauds and forgeries positively improved to ~~₦~~1.643 billion from ~~₦~~1.904 billion recorded in the preceding quarter, depicting a decrease of 13.70 percent. However, the total amount lost to fraudulent activities edged up marginally to ~~₦~~924.96 million in the first quarter of 2011 from ~~₦~~902.10 million reported in the fourth quarter of 2010, depicting an increase of 2.47 percent. This is clearly illustrated in **Appendix V and VI**.

In historical terms, when compared with the similar period in 2010, the first quarter of 2011 witnessed a reduction in the total number of cases involved in frauds and forgeries to 842 from 1,851 cases involved in the first quarter of 2010, indicating a dip of 54.51 percent. Also, the total amount lost to frauds and forgeries in these periods depicted a significant decrease of 19.85 percent, from

N1.154 billion recorded in the first quarter of 2010 to N924.96 million in the first quarter. See **Appendices VII-IX** for further details.

This positive trend appears to show that the efforts to stem the tide of frauds and forgeries in the industry are beginning to yield results. In addition to improved internal control measures and enhanced risk management practices. Therefore, the banks and regulatory authorities should continue to raise the knowledge and awareness level of both the banks' staff and customers on tendencies that could result in frauds and forgeries and how they may be detected early. This and other security alert measures will go a long way in further mitigating frauds and forgeries in the Nigerian banking industry.

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

Appendix I: Frauds and Forgeries in the Nigerian Banking Industry (First 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 (%)
Tellering Fraud	8 (0.95)	8 (4.82)	0 (0)	0 (0)	0 (0)	7,055,500.00 (0.43)	4,037,000.00 (0.44)	57.2
Falsification Of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Forged Cheques with Forged Signature	34 (4.04)	5 (3.81)	28 (4.22)	1 (14.29)	0 (0)	101,059,266.93 (6.15)	65,506,266.93 (7.08)	64.8
Printing Of Bank Document Illegally	1 (0.12)	1 (0.60)	0 (0)	0 (0)	0 (0)	300,000.00 (0.02)	300,000.00 (0.03)	100.0
Clearing Fraud	6 (0.71)	1 (0.60)	5 (0.75)	0 (0)	0 (0)	8,358,730.16 (0.51)	4,618,109.64 (0.50)	55.2
Computer Fraud	8 (0.95)	3 (1.81)	5 (0.75)	0 (0)	0 (0)	39,258,818.14 (2.39)	328,500.00 (0.04)	0.80
Telex Fraud	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Foreign Exchange Fraud	1 (0.12)	0 (0)	1 (0.15)	0 (0)	0 (0)	227,865.00 (0.01)	227,865.00 (0.02)	100.00
Cross Firing Of Cheques and Kite Flying	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0

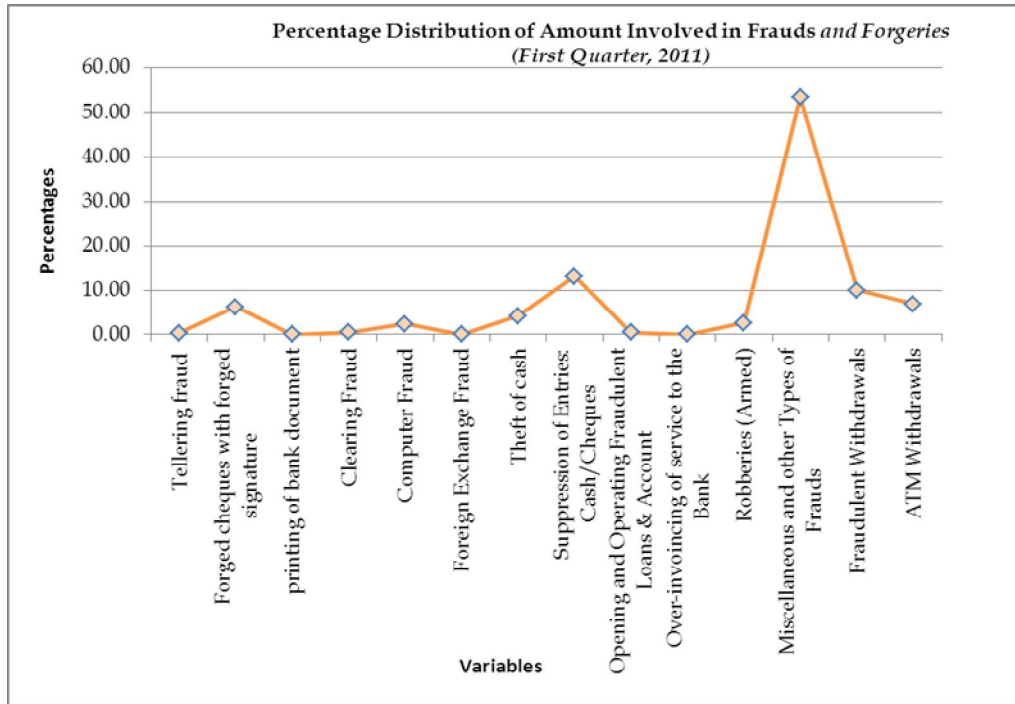
Note: All figures in parenthesis () indicate percentages

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

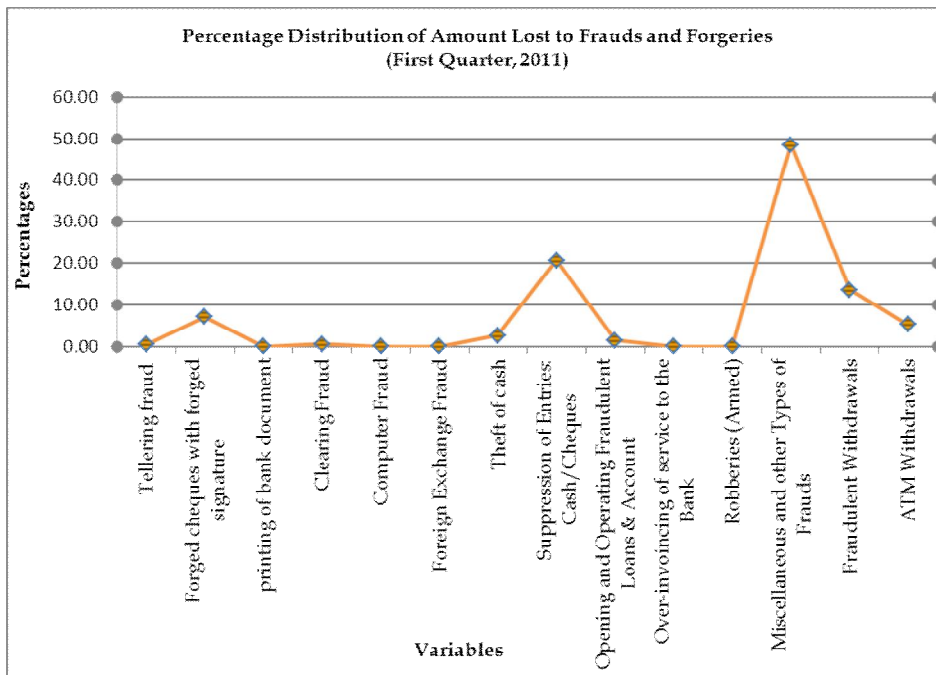
Types of Fraud	Total Number Of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved(₦)	Actual /Expected Loss (₦)	Expected Loss/ Amount Involved (%)
Theft of Cash	21 (2.49)	9 (5.42)	7 (1.06)	0 0	5 (83.33)	69124,932.99 (4.21)	23,698,641.09 (2.56)	34.3
Suppression of Entries: Cash/Cheques	63 (7.48)	62 (37.35)	0 0	1 (14.29)	0 (0)	213,875,079.25 (13.02)	190,331,025.00 (20.58)	89.0
Opening and Operating Fraudulent Loans and Accounts	8 (0.95)	1 (0.60)	5 (0.75)	2 (28.57)	0 (0)	8,772,532.80 (0.53)	13,419,563.43 (1.45)	153.0
Over-Invoicing of Service to the Bank	3 (0.36)	3 (1.81)	0 (0)	0 (0)	0 (0)	96,800 (0.01)	68,800 (0.01)	71.1
Robberies (Armed)	3 (0.36)	0 (0)	3 (0.45)	0 (0)	0 (0)	42,066,299.90 (2.56)	300,000 (0.03)	0.70
Fictitious Bank Branches	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Miscellaneous and Other Types of Fraud	57 (6.77)	38 (22.89)	17 (2.56)	1 (14.29)	1 (16.67)	878,698,505.39 (53.48)	448,806,810.97 (48.52)	51.1
Fraudulent Withdrawals	106 (12.59)	29 (17.47)	75 (11.31)	2 (28.57)	0 (0)	162,654,230.13 (9.90)	124,720,808.36 (13.48)	76.7
ATM Withdrawals	523 (62.11)	6 (3.61)	517 (77.98)	0 (0)	0 (0)	111,549,270.88 (6.79)	48,596,817.86 (5.25)	43.6
Total	842	166	663	7	6	1,643,097,831.57	924,960,208.28	

Note: All figures in parenthesis () indicate percentages

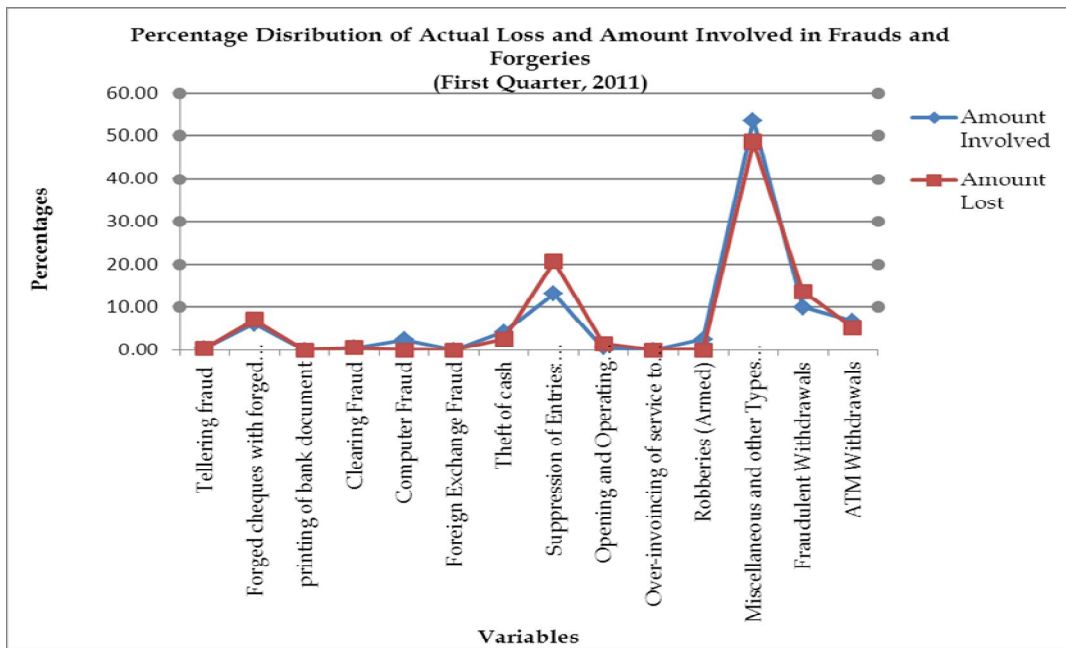
Appendix II



Appendix III



Appendix IV

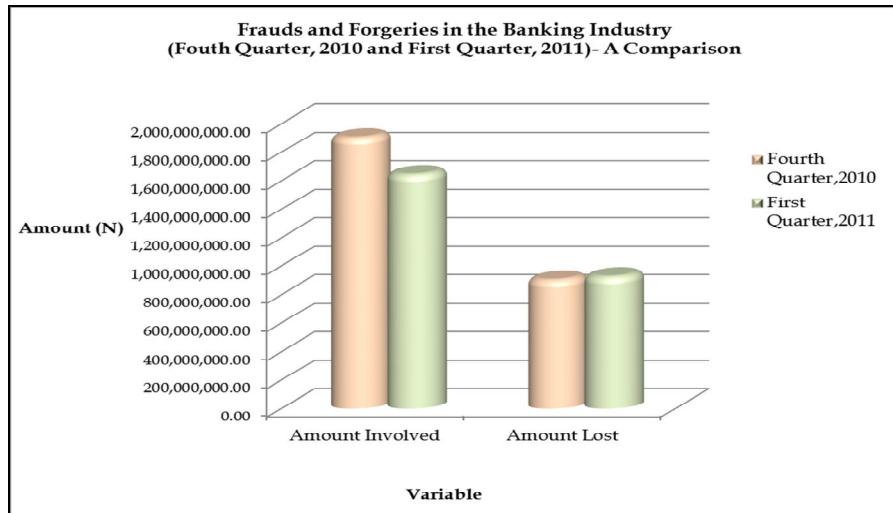


Frauds and Forgeries in the Banking Industry: A Comparison of Fourth Quarter, 2010 and First Quarter, 2011.

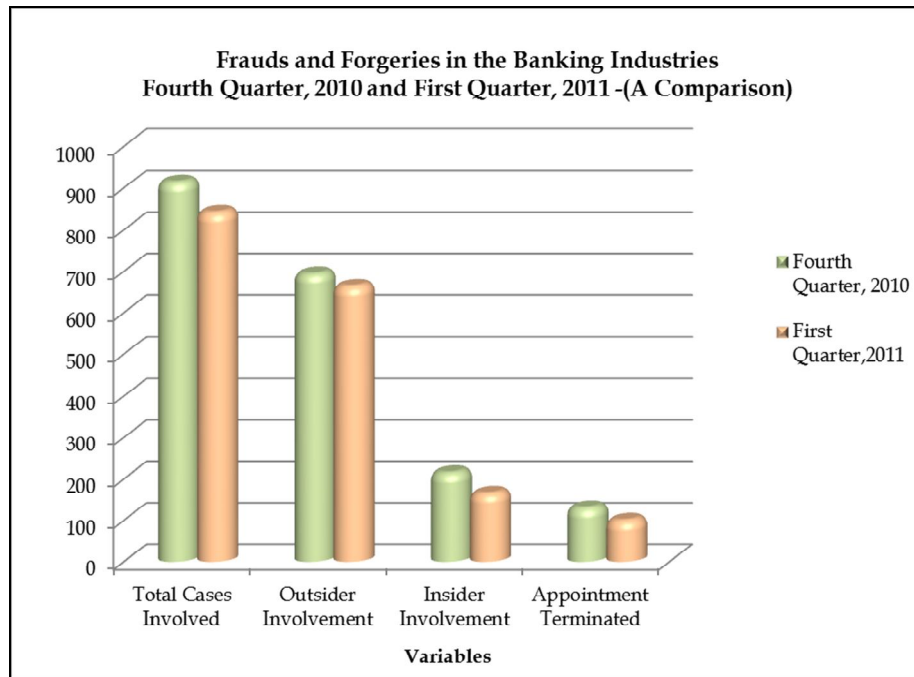
Appendix V

S/n	Variables	Fourth Quarter, 2010	First Quarter, 2011
1	Total Cases Involved	914	842
2	Total Amount Involved	₦ 1,904,024,813.52	₦ 1,643,097,831.57
3	Total Amount Lost	₦ 902,096,823.14	₦ 924,960,208.28
4	Outsider Involvement	694	663
5	Insider (staff) Involvement	215	166
6	Appointments Terminated	130	100

Appendix VI



Appendix VII

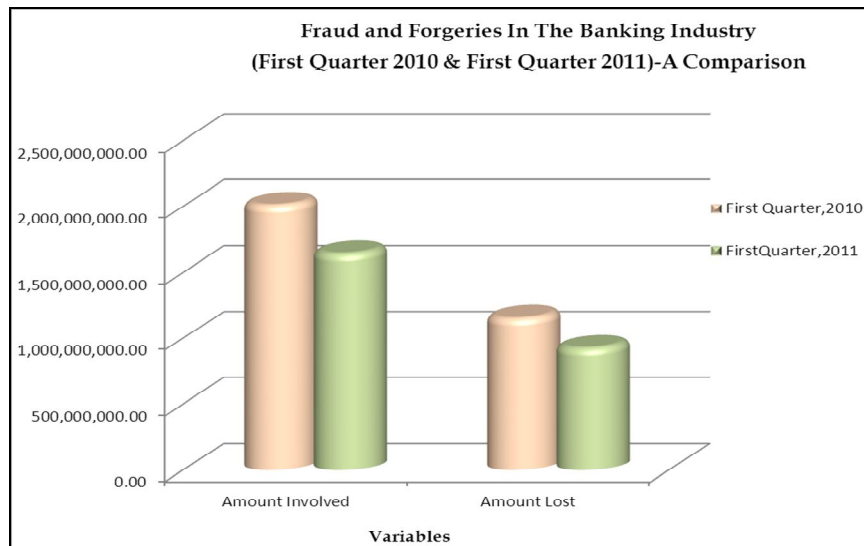


Frauds and Forgeries in the Banking Industry
(First Quarter, 2010 and First Quarter, 2011) - A Comparison

Appendix VIII

S/n	Variables	First Quarter, 2010	First Quarter, 2011
1	Total Cases Involved	1,851	842
2	Total Amount Involved	₦2,010,893,381.95	₦1,643,097,831.57
3	Total Amount Lost	₦1,154,030,716.63	₦924,960,208.28
4	Outsider Involvement	1,650	663
5	Insider (staff) Involvement	192	166
6	Appointments Terminated	119	100

Appendix IX



Appendix X

