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Report on Frauds and Forgeries in Banks

July - September, 2011

Report on Frauds and Forgeries in the Nigerian Banking Industry for the period July - September, 2011

FITC received 68 returns from 24 deposit money banks in the third quarter of 2011. Of these returns, 23 were received for the months of July and August, while 22 were received for September. Analysis of these returns indicated that the banking industry reported a total of 519 cases of frauds and forgeries, compared to 659 cases reported in the previous period, representing a decrease 21.24 percent. Consequently, the types of fraud predominantly perpetrated during the period include: automated teller machines (ATM) withdrawal, other forms of fraudulent withdrawals, suppression of entries, miscellaneous and other types of frauds, forged cheques with forged signatures and computer fraud. Classified under miscellaneous and other types of fraud were fraudulent diversions of customers' fund for personal use, impersonation, conversion of dividend warrants, dry posting, and misappropriation of funds, 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 reduced significantly to ~~N~~1.19 billion, representing a decrease of 48.57 percent, from ~~N~~2.306 billion recorded in the previous quarter. **Appendix I** shows that miscellaneous and other types of fraud ranked first, accounting for ~~N~~341.28 million (28.77 percent) of the total amount of money involved in frauds and forgeries; fraudulent withdrawals ranked second with ~~N~~324.90 million (27.39 percent), while falsification of accounts ranked third with ~~N~~125.50 million (10.58 percent) of the total amount involved in frauds and forgeries in the third quarter.

Further analysis shows that for miscellaneous and other types of fraud that ranked first in the amount involved in frauds within the quarter being reviewed, its reported figure of ~~N~~341.28 million depicts quite an appreciable reduction of 52.39 percent, when compared with the ~~N~~716.76 million recorded in the second quarter of 2011. Also, fraudulent withdrawals and armed robberies declined dramatically to ~~N~~324.90 million and ~~N~~100.76 million respectively down from ~~N~~940.06 million and ~~N~~214.11 million recorded in the preceding quarter, representing a fall of 65.44 percent and 52.94 percent respectively. However, falsification of account which ranked third, and suppression of entries, rose significantly to ~~N~~125.50 million and ~~N~~86.32 million respectively, depicting an alarming increase of 21.516 percent and 112.04 percent from ~~N~~0.580 million and ~~N~~40.71 million posted in the preceding period. **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~~1.19 billion estimated to have been involved in fraud and forgeries, ~~N~~656.41 million (55.33 percent) was actually lost to fraud and forgeries in the third quarter of 2011. The difference of

₦529.92 million (44.67 percent) was recovered through the painstaking efforts of banks' staff in aborting fraudulent attempts made by the perpetrators and by not compromising internal standards and procedures in consummating banking transactions as well as effective implementation of stringent control measures to mitigate the likely risk imposed by such fraudulent acts.

Analysis of the returns also revealed that miscellaneous and other types of frauds accounted for ₦214.16 million (32.63 percent) of the total amount lost to fraudulent activities, while falsification of accounts and armed robberies accounted for ₦101.59 million (15.48 percent) and ₦100.76 million (15.35 percent) respectively. **Appendix III** presents, the amount that was actually lost to frauds and forgeries during the period under review graphically, while **Appendix IV** shows the comparison between the amount lost to the amount involved.

Statistics reveals that there was a preponderance of external involvement in most of the reported cases of fraud, as outsiders were involved in 385 (74.18 percent) of the frauds cases, and employees of banks were involved in 127 (24.47 percent) of the cases reported. While fraudsters colluded with banks' employees in 5 (0.96 percent) of the cases, 2 out of the total number of cases reported were not specified.

The returns also indicated that 56 bank employees had their appointments terminated on grounds of frauds and forgeries. This represents a decrease of 34.88 percent when compared with the preceding quarter when 86 bank employees' had their appointments terminated on similar grounds. This is a step in the right direction, as it clearly points towards the banks' tenacity to rid the system of such fraudulent staff, in an effort to promote sound and ethical banking practices.

Conclusion and Recommendation

This report shows commendable improvements on key parameters used in the assessment of frauds and forgeries in the banking industry, within the period under review. Worthy of note is the fact that there has been a considerable decrease in the total number of fraudulent cases reported in the banking industry from 842 in the first quarter, to 659 in the second quarter, and further to 519 in the third quarter, representing a decrease of 21.73 percent and 21.24 percent respectively. Similarly, the total amount lost in frauds and forgeries fell to ₦656.41 million in the period under review, down from ₦864.14 million and ₦924.96 million recorded in the second and third quarters respectively. Although the total amount of money involved in frauds and forgeries in the quarter being reviewed stood at ₦1.19 billion, it should be noted however, that this reported a marginal increase of ₦2.31 million in the second quarter, up from ₦1.64 million recorded in the first quarter of 2011. Essentially, the progress highlighted above can only be attributed to the fact that there were minimal involvements in

fraudulent activities from both banks' employees and outsiders, resulting in the steady decrease in the number of staff whose appointments were terminated on such grounds by the banks within these periods. This is clearly illustrated in **Appendix V-VII**.

Consequently, data drawn from similar period in 2010 depicts a decline in the total number of cases involved in frauds and forgeries to 519 in the third quarter of 2011 from 1,718 recorded in the third quarter of 2010, indicating a decrease of 69.79 percent. Likewise, the total amount involved and total amount lost in fraud and forgeries plummeted significantly to ₦1.19 billion and ₦656.41 million respectively in the period under review, from ₦7.24 billion and ₦6.41 billion posted in the third quarter of 2010, thus indicating an appreciable decrease of 83.56 percent and 89.76 percent respectively. See **Appendices VIII-X** for further details.

In conclusion, we can safely state that the various initiatives introduced and efforts made by banks and regulatory agencies are beginning to yield positive outcomes, which is quite evident in the level of success enumerated. The achievement attained so far is by no means an end in itself. Hence, it is imperative for both operators and regulators to sustain this momentum by continually reviewing existing control and precautionary measures to minimize the incidences of frauds. This will, no doubt, go a long way in enhancing the confidence of stakeholders in the banking industry, which may positively impact current access to finance indices for the country.

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

Appendix I: Frauds and Forgeries in the Nigerian Banking Industry (Third 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	7 (1.35)	7 (5.51)	0 (0)	0 (0)	0 (0)	55,470,991.27 (4.68)	41,608,501.27 (6.34)	75
Falsification Of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts	3 (0.58)	2 (1.57)	1 (0.26)	0 (0)	0 (0)	125,503,678.30 (10.58)	101,594,165.10 (15.48)	80.9
Forged Cheques with Forged Signature	18 (3.47)	0 (0)	18 (4.68)	0 (0)	0 (0)	11,580,575 (0.98)	7,955,500 (1.21)	68.7
Printing Of Bank Document Illegally	3 (0.58)	3 (2.36)	0 (0)	0 (0)	0 (0)	3,075,500 (0.26)	0 (0)	0
Clearing Fraud	1 (0.19)	0 (0)	0 (0)	0 (0)	1 (50)	6,018,006 (0.51)	6,018,006 (0.92)	100
Computer Fraud	14 (2.70)	2 (1.57)	12 (3.12)	0 (0)	0 (0)	24,472,082.12 (2.06)	17,406,488.47 (2.65)	71.1
Telex Fraud	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Foreign Exchange Fraud	1 (0.19)	0 (0)	1 (0.26)	0 (0)	0 (0)	603,600 (0.05)	603,600 (0.09)	100
Cross Firing Of Cheques and Kite Flying	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0

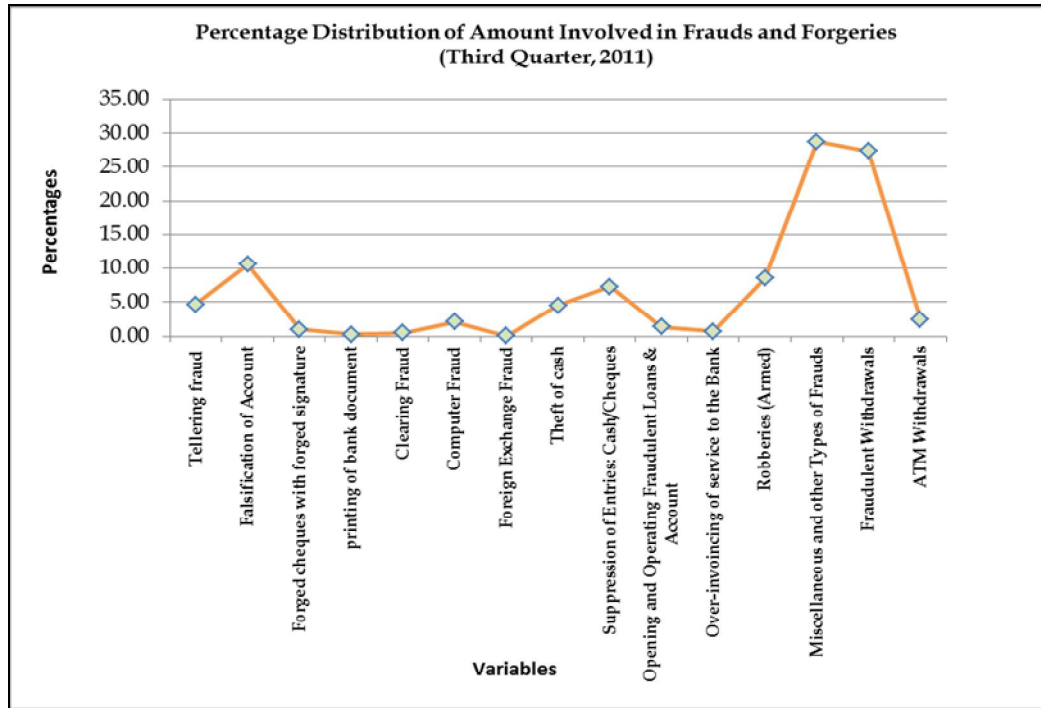
Note: All figures in parenthesis () indicate percentages

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

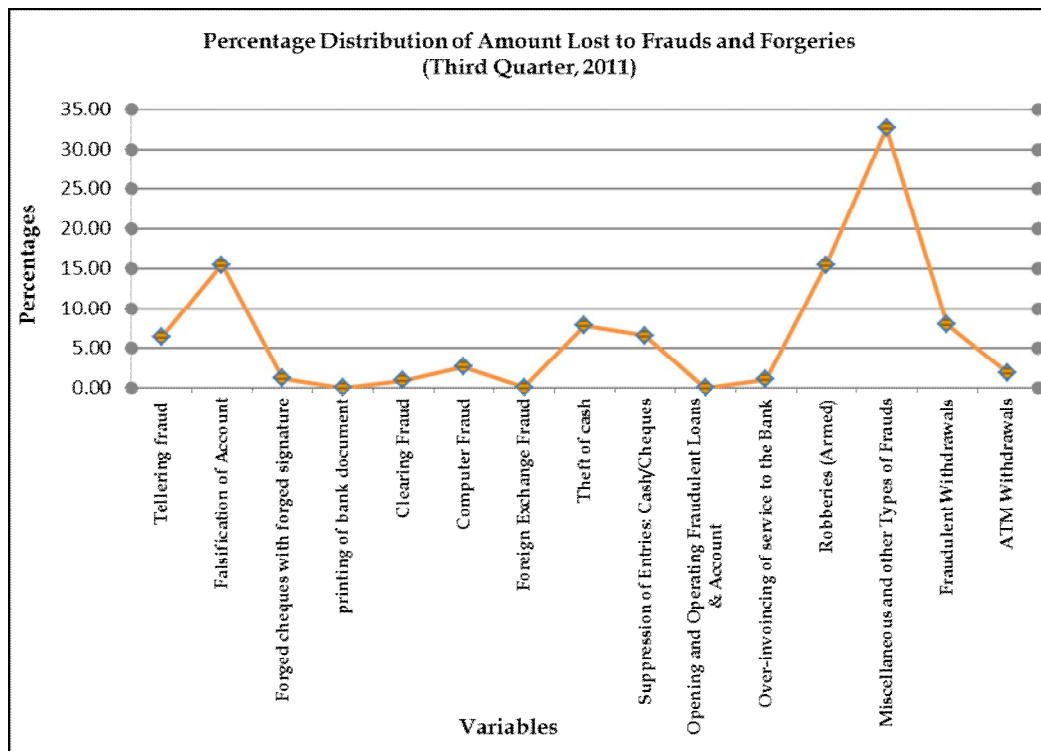
Types of Fraud	Total Number Of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved(₦)	Actual /Expected Loss (₦)	Expected Loss/ Amount Involved (%)
Theft of Cash	12 (2.31)	6 (4.72)	6 (1.56)	0 (0)	0 (0)	53,767,600 (4.53)	51,185,600 (7.80)	95.2
Suppression of Entries: Cash/Cheques	55 (10.60)	54 (42.52)	1 (0.26)	0 (0)	0 (0)	86,317,980.04 (7.28)	43,065,885.29 (6.56)	49.9
Opening and Operating Fraudulent Loans and Accounts	9 (1.73)	0 (0)	9 (2.34)	0 (0)	0 (0)	15,676,500 (1.32)	0 (0)	0
Over-Invoicing of Service to the Bank	3 (0.58)	2 (1.57)	1 (0.26)	0 (0)	0 (0)	7,919,100 (0.67)	7,169,602.12 (1.09)	90.5
Robberies (Armed)	6 (1.16)	0 (0)	6 (1.56)	0 (0)	0 (0)	100,755,918.91 (8.49)	100,755,918.91 (15.35)	100
Fictitious Bank Branches	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Miscellaneous and Other Types of Fraud	45 (8.67)	35 (27.56)	8 (2.08)	1 (20)	1 (50)	341,275,137.66 (28.77)	214,162,112.15 (32.63)	62.8
Fraudulent Withdrawals	99 (19.08)	14 (11.02)	81 (21.04)	4 (80)	0 (0)	324,899,019.11 (27.39)	52,233,246.06 (7.96)	16.1
ATM Withdrawals	243 (46.82)	2 (1.57)	241 (62.60)	0 (0)	0 (0)	28,994,212.79 (2.44)	12,648,173.25 (1.93)	43.6
TOTAL	519	127	385	5	2	1,186,329,901.20	656,406,798.62	55.33

Note: All figures in parenthesis () indicate percentages

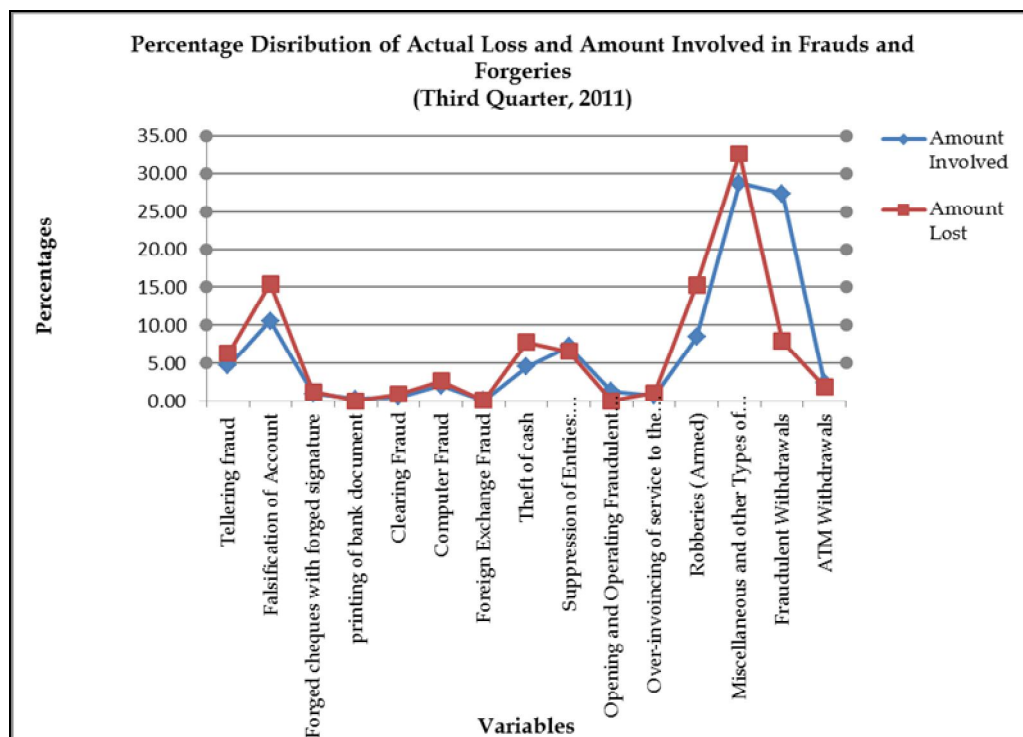
Appendix II



Appendix III



Appendix IV

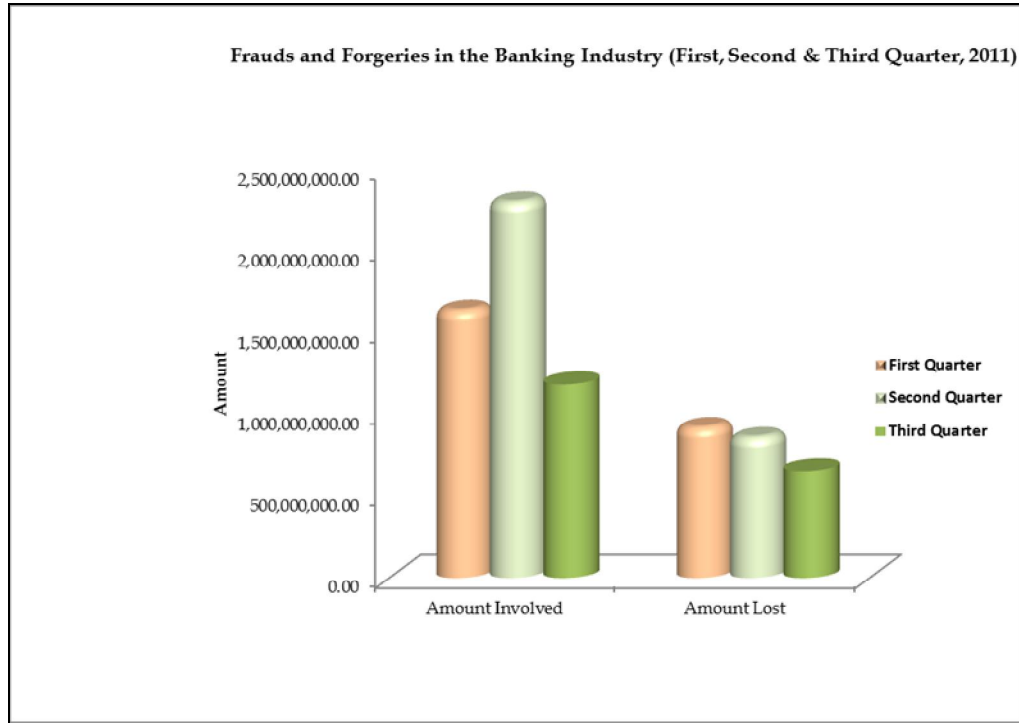


Frauds and Forgeries in the Banking Industry: A Comparison of First, Second and Third Quarters, 2011.

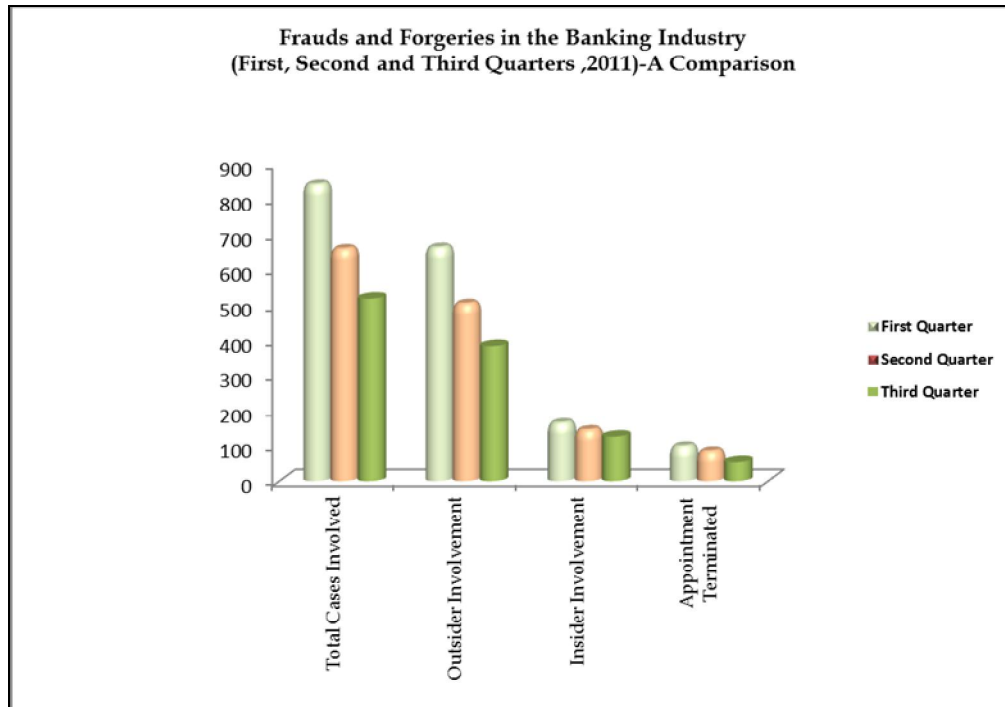
Appendix V

S/n	Variables	First Quarter, 2011	Second Quarter, 2011	Third Quarter, 2011
1	Total Cases Involved	842	659	519
2	Total Amount Involved	N 1,643,097,831.57	N 2,306,691,388.69	N 1,186,329,901.20
3	Total Amount Lost	N 924,960,208.28	N 864,135,970.80	N 656,406,798.62
4	Outsider Involvement	663	505	385
5	Insider (staff) Involvement	166	146	127
6	Appointments Terminated	100	86	56

Appendix VI



Appendix VII

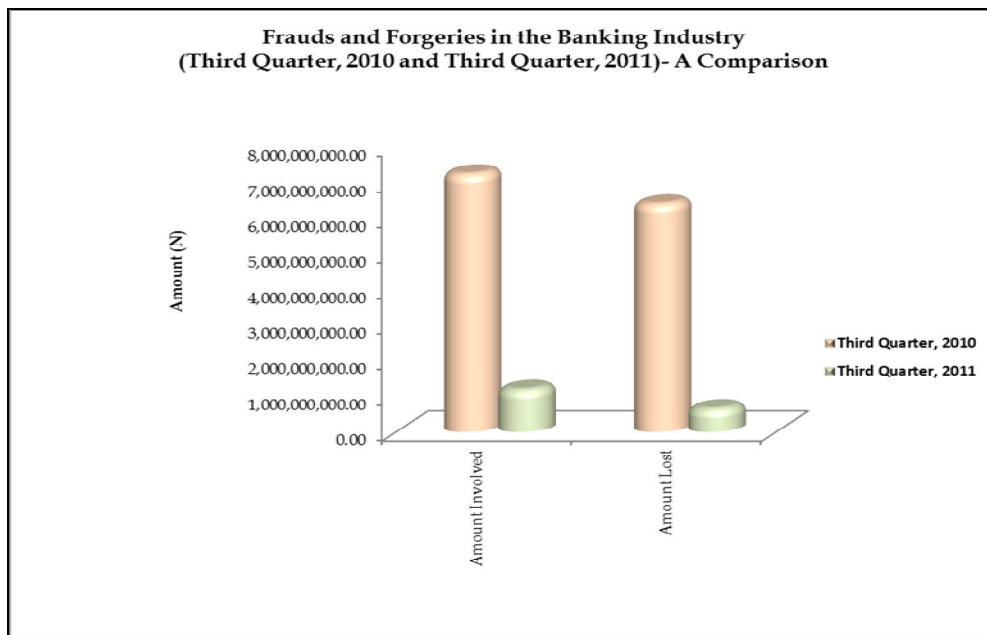


Frauds and Forgeries in the Banking Industry
(Third Quarter, 2010 and Third Quarter, 2011) - A Comparison

Appendix VIII

S/n	Variables	Third Quarter, 2010	Third Quarter, 2011
1	Total Cases Involved	1,781	519
2	Total Amount Involved	₦ 7,237,436,978.95	₦ 1,186,329,901.20
3	Total Amount Lost	₦ 6,410,474,089.07	₦ 656,406,798.62
4	Outsider Involvement	1,554	385
5	Insider (staff) Involvement	210	127
6	Appointments Terminated	152	56

Appendix IX



Appendix X

