

REPORT ON FRAUDS AND FORGERIES IN THE NIGERIAN BANKING INDUSTRY FOR THE PERIOD, JANUARY-MARCH 2004

An average of 76 banks rendered returns on frauds and forgeries to the Centre for the first quarter of 2004 (2004.Q₁), compared with 78 banks in the preceding quarter (2003.Q₄). This represents a decrease of 2.6%. An analysis of the returns shows that 38% or an average of 29 banks recorded cases of frauds and forgeries while 61% or 47 banks reported nil experience on frauds and forgeries.

During the period under review, incidences of frauds and forgeries recorded in banks fell by 9 cases or 3.6% from 251 recorded in the fourth quarter of 2003 to 242 in the first quarter of 2004. However, there was a substantial increase of 49% in the amount involved from N820 million to N1.22 billion, as the actual/expected loss shot up from N180 million to N391 million, representing an increase of 118% within three months.

A closer look at Appendix 1 reveals that "suppression of entries" with just 10 cases, recorded the largest sum of N411 million or 34% of the total amount involved in frauds and forgeries. The actual/expected loss was N70 million or 17.9%, which also is an increase when compared to what obtained last quarter. Fraudulent withdrawal, clearing fraud and forged cheque with forged signature remain the most costly method employed by fraudsters to defraud banks with a total expected loss valued at N548 million or

44.9% of the total amount involved. The proportion lost to these types of fraud stood at N212 million or 54% of the entire amount. Cashiering fraud, falsification of account, computer fraud, foreign exchange fraud, cross firing of cheques and kite flying, theft of cash and suppression of lodgment, opening and operating fraudulent Loans and Accounts, over-invoicing of service to bank, and robberies amounted to N250 million or 20%. The report further shows an actual/expected loss of 26%.

Burglary and misuse of bank's property are examples of frauds classified under miscellaneous frauds and this amounted to N11 million or 0.95%. Miscellaneous type also recorded an actual/expected loss of N6 million or 1.5%. N133 million or 34.2%, which was lost through clearing, represents the highest amount lost through a particular type of fraud.

In terms of number of cases, fraudulent withdrawal recorded 72 cases or 30%, revealing the most common type of fraud for this period under review. 50.8% of the number of cases were perpetrated by outside persons while bank staff are responsible for 101 cases or 41.7%. Of the total number of reported cases, 16 cases were not specified while 2 were collaboration between bank staff and outside persons.

It is noteworthy that forged cheque with forged signature, which has been the dominant type of fraud, recorded a drastic decrease in the amount involved and the actual expected loss. This goes a long way to show that banks and their customers have been able to stem this tide. The need to sustain this success cannot be overemphasized.

It is therefore recommended that banks should not relent in their efforts at addressing this issue, which has wrecked havoc on the sector. In this regard, there is need for banks to give their staff extensive training on fraud detection and control in order to checkmate fraudulent persons in their activities, while at the same time provide enlightenment campaign on the need for customers to ensure the safety of their instruments. In addition, banks should put in place up-to-date devices that are designed to identify questionable instruments and the security system that would guide against, control and eliminate opportunities for electronic fraud.

Also, the new menace of suppression of entries calls for drastic action. We suggest tight monitoring of the activities of those that are directly involved in handling of instruments and sensitizing their customers of the need to be sure of those they allow to carry out transactions on their behalf.

Please see Appendix 1 for a detailed report on fraud and forgeries.

APPENDIX 1
Frauds and Forgeries in the Nigerian Banking Industry
1st Quarter of 2004 (January- March)

Types of Fraud	Total No. Of Cases Reported	Involving Bank Personnel Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (N)	Actual /Expected loss (N)
<i>Cashiering Fraud</i>	9	8	1	0	0	3,359,966.89 (0.27)	1,556,878.05 (0.40)
<i>Falsification of Account: current/cheque, savings/ deposit, suspense Account</i>	4	1	3	0	0	171,239.75 (0.014)	583,239.75 (0.15)
<i>Forged cheques With Forged Sign</i>	54	6	43	0	5	103,866,179.64 (8.5)	5,521,950.00 (1.4)
<i>Printing of Bank Document illegally</i>	3	2	1	0	0	0 (0)	0 (0)
<i>Clearing Frauds</i>	16	1	12	1	2	351,681,967.29 (28.7)	133,891,734.67 (34.2)
<i>Computer Fraud</i>	2	2	0	0	0	50,219,500.00 (4.1)	29,500,000.00 (7.5)
<i>Telex Fraud</i>	0	0	0	0	0	0 (0)	0 (0)

Foreign Exchange Fraud	2	1	1	0	0	50,400,000.00 (4.12)	0 (0)
Cross Firing of Cheque & kite flying	1	0	1	0	0	16,000,000.00 (1.3)	0 (0)
Theft of Cash/Suppression of Lodgment	41	38	2	0	1	79,929,472.47 (6.5)	33,040,512.66 (8.4)
Suppression of Entries: Cash/Cheque	10	7	2	0	1	411,735,376.84 (33.7)	70,120,114.76 (17.9)
Opening & Operating Fraudulent Loans & Account	3	1	2	0	0	7,836,620.11 (0.64)	800,000.00 (0.20)
Over-invoicing of Service to the Bank	2	2	0	0	0	158,950.00 (0.013)	0.00 (0)
Robberies (Armed)	11	0	10	0	1	42,203,490.46 (3.3)	37,657,230.46 (9.6)
Fictitious Bank Branches	0	0	0		0	0 (0)	0 (0)
Miscellaneous and Other Types of Frauds	12	7	5	0	0	11,724,030.47 (0.95)	6,151,530.47 (1.57)
Fraudulent Withdrawals	72	25	40	1	6	92,650,226.89 (7.6)	72,614,188.18 (18.6)
Total	242	101	123	2	16	1,221,937,020.81	391,437,379.00

Source: Frauds and Forgeries Report from banks

❖ Figures in parenthesis are percentages

REPORT ON FRAUDS AND FORGERIES IN THE NIGERIAN BANKING INDUSTRY FOR THE PERIOD, APRIL – JUNE 2004

There was a marginal increase in the incidences of frauds and forgeries, as reflected in the returns rendered to the Centre by banks during the period under review when compared with the figures of the previous quarter.

While the last quarter recorded an average of 76 returns, the period under review recorded an average of 77 returns representing a 1.3% increase. Similarly, in terms of the number of banks that actually experienced incidences of frauds and forgeries, there was just a slight variance, going by an average of 29(38%) and 29(38.4%) respectively for the first and second quarter of 2004. Again, 61.8% or an average of 47 banks had no cases of frauds and forgeries for the first quarter of 2004, the second quarter of 2004 recorded 61.6% or an average of 48 banks

During the period, the total amount connected/exposed to frauds and forgeries stood at N2.4 billion. As was the case in the previous quarter, "suppression of entries" was the greatest culprit, with 25 reported cases valued at N1.19 billion or 49.4 % of all fraud cases reported. This is an alarming increase of N782 million when compared with the previous quarter of N411 million. Coming next in the order of amount

involved were cross firing of cheques & kiteflying which stood at N432 million, forged cheques with forged signature at N189 million, theft of cash/suppression of lodgment at N141 million and fraudulent withdrawals at N113.9 million.

Other types of frauds committed by fraudsters include over-invoicing of services to banks, clearing frauds, telex frauds, armed robberies, opening and operating fraudulent loans and account and miscellaneous frauds which included conversion of bank's property, fire, and the use of fake academic qualifications etc.

Further analysis of the statistics reveals that actual/expected loss suffered by the banks amounted to N875 million or 36% of the entire amount connected with the frauds reported. This is also a sharp increase of 124% when compared with N391 million recorded in the previous quarter. Cross firing of cheque and kiteflying with only one case recorded the largest sum lost to fraudsters valued at N432 million.

In terms of number of cases, out of the total 283 cases reported, fraudulent withdrawals, recording 79 cases (or 28%) remain the most prominent method employed by fraudsters to defraud banks. This was followed by forged cheques with forged signature with 58 cases (or 20%). It is worthy of note that during the period under review, outsiders were culpable in 135 or 47.7% of the total number of cases recorded. Also, insider involvement was at a significant level at 42.8% or 121 cases.

In view of the alarming increase in the amount involved in frauds, it is pertinent for banks to constantly update their fraud detection and prevention strategies.

Also, adequate caution should be exercised in the recruitment of staff. This is very crucial since a significant number of the frauds and forgeries cases were perpetrated by the staff of the banks.

The trend of fraud and forgeries observed also suggests an urgent need for banks to further tighten internal controls in order to curtail the financial losses associated with them.

Please see **appendix I** for a detailed report on frauds and forgeries.

APPENDIX 1
Frauds and Forgeries in the Nigerian Banking Industry
2nd Quarter of 2004 (April – June)

Types of Frauds	Total No. of Cases Reported	Involving Bank Personnel Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (N)	Actual/Expected Loss (N)
<i>Cashiering Fraud</i>	3	3	0	0	0	570,360.89 (0.2)	272,965.00 (0.03)
<i>Falsification of Account: current/cheque, savings/ deposit, suspense account</i>	11	5	5	0	1	10,504,740.00 (0.4)	1,712,740.00 (0.2)
<i>Forged cheques with forged signature</i>	58	9	42	0	7	189,054,679.34 (7.8)	37,328,695.79 (4.3)
<i>Printing of bank document illegally</i>	3	0	2	1	0	42,025,362.08 (1.7)	0
<i>Clearing Fraud</i>	6	4	2	0	0	67,573,698.83 (2.8)	119,404,433.97 (13.6)
<i>Computer Fraud</i>	1	1	0	0	0	183,900.00 (0.01)	0
<i>Telex Fraud</i>	3	0	2	0	1	56,496,016.40 (2.3)	0
<i>Foreign Exchange Fraud</i>	4	4	0	0	0	11,365,893.37 (0.5)	6,650,000.00 (0.76)
<i>Cross Firing of cheques & Kite flying</i>	1	1	0	0	0	432,000,000.00 (17.9)	432,000,000.00 (49.3)

Theft of cash/Suppression of Lodgment	38	36	2	0	0	141,084,093.51 (5.8)	111,398,683.44 (12.7)
Suppression of Entries: Cash/Cheques	25	21	3	0	1	1,194,315,603.77 (49.4)	21,466,354.77 (2.45)
Opening and Operating Fraudulent Loans & Account	12	4	8	0	0	38,061,761.67 (1.6)	6,761,822.14 (0.77)
Over-invoicing of service to the Bank	2	2	0	0	0	1,950,500.00 (0.1)	1,950,500.00 (0.22)
Robberies (Armed)	16	0	15	0	1	69,255,701.58 (2.9)	69,255,701.58 (7.91)
Fictitious Bank Branches	0	0	0	0	0	0	0
Miscellaneous and other Types of Frauds	21	8	9	0	4	48,991,017.01 (2.0)	33,643,420.83 (3.84)
Fraudulent Withdrawals	79	23	45	8	3	113,883,191.12 (4.7)	33,561,935.69 (3.8)
Total	283	121	135	9	18	2,417,316,519.57	875,407,253.21

Source: Frauds and Forgeries Report from banks

❖ Figures in parenthesis are percentages

REPORT ON FRAUDS AND FORGERIES IN THE NIGERIAN BANKING INDUSTRY FOR THE PERIOD, JULY – SEPTEMBER 2004

The volume and value of frauds and forgeries in the banking sector continues to take an upward swing, given the returns rendered by banks to the Centre for the period under review.

An average of 76 banks rendered returns on frauds and forgeries to the Centre during this period, depicting a slight decrease when compared to 77 banks of the last quarter. Of this returns, 32(42%) of the banks actually experienced cases of frauds and forgeries while 44(58%) did not have any experience of frauds and forgeries. This represents an increase in the number of banks that had cases of frauds and forgeries with reference to the figures of the previous quarter.

The total amount linked to these brazen acts increased marginally to N2.5 billion from N2.4 billion recorded in the last quarter. Forged cheques with forged signatures, at N919.6 million, accounted for 36.8 % of the entire amount involved making it the greatest culprit in terms of amount involved. Fraudulent withdrawal took the second position at N880 million or 35.5%. A substantial sum was also associated with opening and operating fraudulent account and Armed robberies. Both accounted for N438 million or 17.7% of the entire amount.

Theft of cash/suppression of lodgment, suppression of entries, clearing frauds, falsification of accounts, cashiering frauds, telex fraud, over-invoicing of service to bank, computer fraud, printing of bank document illegally and pension frauds, fraudulent manipulation of recharge cards and bribery which are classified under miscellaneous fraud were the other types of frauds perpetrated by fraudsters in the period under review.

The report further shows that N420 million or 16.9% of the total amount involved were actually lost to frauds while the balance were recovered or attempt made by the fraudsters were frustrated by the banks.

Appendix 1 reveals that the largest chunk of the amount lost could be traced to armed robberies valued at N133 million or 27% of the actual/expected loss. It also shows that huge sums were lost to fraudulent withdrawals and suppression of entries both covering N136 million or 32%.

There was a sharp rise in the number of cases reported by the banks, from 283 cases of the previous quarter to 314 cases for the period under review. Similar to what obtained last quarter, fraudulent withdrawals and forged cheques with forged signatures jointly constituted the commonest means fraudsters exploit in defrauding banks.

Further analysis of the number of cases shows that outsiders were responsible for 173 cases or 55% as against insider abuse of 129 cases or 41%.

To combat the presentation of clone cheques, staff should be adequately enlightened on the effects of frauds and forgeries and be equipped with the knowledge and capacity to recognize and detect special security features on cheques. Staff needs to be specially trained to pay attention to human psychology. They should be more vigilant when they notice any display of fear, anxiety and other emotions related with intention to be fraudulent.

Please see **appendix 1** for a detailed report on frauds and forgeries.

APPENDIX 1
FRAUD AND FORGERIES IN THE NIGERIAN BANKING INDUSTRY
3RD QUARTER OF 2004 (JULY – SEPTEMBER)

Types of Frauds	Total No. of Cases Reported	Involving Bank Personnel Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (N)	Actual/Expected Loss (N)
<i>Cashiering Fraud</i>	10	9	1	0	0	12,767,722.00 (0.5)	9,205,187.00 (2.2)
<i>Falsification of Account: current/cheque, savings/ deposit, suspense account</i>	11	6	5	0	0	16,071,748.66 (0.65)	3,622,313.37 (0.9)
<i>Forged cheques with forged signature</i>	81	11	68	0	2	914,554,637.75 (36.85)	50,861,300.00 (12)
<i>Printing of bank document illegally</i>	4	2	2	0	0	373,400.00 (0.015)	50,400.00 (0.01)
<i>Clearing Fraud</i>	9	3	4	1	1	53,959,953.96 (2.2)	43,063,267.96 (10.3)
<i>Computer Fraud</i>	1	1		0	0	626,217.49 (0.03)	626,217.49 (0.15)
<i>Telex Fraud</i>	1	1	0	0	0	1,882,570.00 (0.08)	1,882,570.00 (0.44)
<i>Foreign Exchange Fraud</i>	0	0	0	0	0	0	0

Cross Firing of cheques & Kite flying	0		0	0	0	0	0
Theft of cash/Suppression of Lodgment	38	38	0	0	0	72,571,050.00 (2.9)	46,243,904.75 (11.01)
Suppression of Entries: Cash/Cheques	11	9	1	1		70,526,951.30 (2.8)	67,086,871.30 (16)
Opening and Operating Fraudulent Loans & Account	8	3	4	1	0	324,230,097.70 (13.06)	12,662,259.80 (3.01)
Over-invoicing of service to the Bank	3	3	0	0	0	1,455,866.00 (0.59)	938,920.00 (0.2)
Robberies (Armed)	12	1	11	0	0	113,695,889.14 (4.58)	113,695,889.14 (27)
Fictitious Bank Branches	0	0	0	0	0	0	0
Miscellaneous and other Types of Frauds	13	6	5	0	2	18,654,599.40 (0.75)	1,706,337.68 (0.40)
Fraudulent Withdrawals	112	36	72	1	3	880,428,099.45 (35.47)	68,445,551.70 (16.3)
Total	314	129	173	4	8	2,481,800,802.85	420,090,990.19

Source: Frauds and Forgeries Report from banks

- ❖ Figures in parenthesis are percentages
- ❖ Frauds involving foreign currencies were converted to Naira at the official rate

REPORT ON FRAUDS AND FORGERIES IN THE NIGERIAN BANKING INDUSTRY FOR THE PERIOD, OCTOBER – DECEMBER, 2004

The number of banks that rendered returns on frauds and forgeries declined from seventy-eight (78) in October 2004 to seventy-two (72) in November and further declined to (70) in December. On the average, therefore, seventy (74) banks filed in returns in the fourth quarter of 2004 as against 76 in the third quarter, representing a 2.6% decrease. Of this figure, 29(39%) actually experienced frauds and forgeries while 45(61%) had no such experience.

Analysis of the returns show that the incidences of frauds and forgeries in bank declined by 73 cases (or 23.2%), from 314 in the previous quarter, to 241 during the period under review. As was the case in the preceding quarter, fraudulent withdrawal and forged cheques with forged signature, continued to be the main conduit under which fraud and forgeries were committed in banks. Statistics show that 64 cases (26.56%) and 61 cases (25.31%) were reported for these categories of fraud in the last quarter of 2004.

In terms of culprits involved, the study shows that banks' staff were involved in 117 (or 48.5%) of the cases. On the other hand, outsiders were involved in 110 (or 45.6%), while collusion between the banks' staff and outsiders accounted for 4 (or 1.7%.) of the cases. Cases where perpetrators were yet to be determined were 10 in number or 4.1%

The total amount involved in the incidence of frauds and forgeries increased sharply from N2.5b in the third of 2004, to N3.3b during the period under review. A close look at **Appendix 1** reveals that, N1.3b

(or 40.77%) of the amount could be linked to opening & operating of fraudulent loans and account, making this type of fraud number one in terms of amount involved. Fraudulent withdrawal stood at N841m (or 25.45%) of the total amount involved, thereby ranking second. A significant sum of N751m (representing 22.71% of the sum involved) could also be traced to forged cheques with forged signatures. Other types of frauds experienced this quarter included falsification of account, suppression of entries, robberies and clearing fraud. The figures connected to these types of frauds are as shown in **Appendices 1 & 2**.

Further analysis of the statistics reveals that the actual/expected loss from the cases stood at N172m or 5.19% of the entire amount involved. Of this amount, 64.5m or 37.58%, representing the largest chunk of the expected loss was attributed to suppression of entries. It is cheering to note that the remaining amounts were recovered or the banks rebuffed attempt made by fraudsters.

In the light of the above, it is evident that fraud and forgeries is still very rampant in the banking industry. Therefore the need to pay adequate attention to this source of financial loss, most especially suppression of entries, fraudulent withdrawal and forged cheques with forged signatures cannot be overstated.

We therefore recommend a tightening of the internal control processes in banks, so as to check the trend. Furthermore, there is a need for constant training of staff in the different operational areas to ensure that they are well grounded in the nitty gritty of banking.

Please see the **appendices** below for a detailed report on frauds and forgeries

APPENDIX 1
FRAUDS AND FORGERIES IN THE NIGERIAN BANKING INDUSTRY
4TH QUARTER OF 2004

Types of Fraud	Total No. Of Cases Reported	Involving Bank Personnel Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (N)	Actual / Expected loss (N)
<i>Cashiering Fraud</i>	4 (1.66)	3 (2.56)	0 (0.00)	1 (25.00)	0 (0.00)	1,773,016.72 (0.05)	704,525.00 (0.41)
<i>Falsification of Account: current/cheque, savings/ deposit, suspense Account</i>	6 (2.49)	6 (5.13)	0 (0.00)	0 (0.00)	0 (0.00)	117,413,052.62 (3.55)	0 (0.00)
<i>Forged cheques With Forged Signature</i>	61 (25.31)	7 (5.98)	52 (47.27)	0 (0.00)	2 (20.00)	750,671,188.69 (22.71)	12,173,010.67 (7.09)
<i>Printing of Bank Document illegally</i>	2 (0.83)	2 (1.71)	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)
<i>Clearing Frauds</i>	13 (5.39)	2 (1.71)	9 (8.18)	0 (0.00)	2 (20.00)	40,646,153.63 (1.23)	3,500,000.00 (2.04)
<i>Computer Fraud</i>	3 (1.24)	1 (0.85)	0 (0.00)	0 (0.00)	2 (20.00)	1,256,000.00 (0.04)	1,000,000.00 (0.58)
<i>Telex Fraud</i>	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)
<i>Foreign Exchange Fraud</i>	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)
<i>Cross Firing of Cheque & kite flying</i>	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)

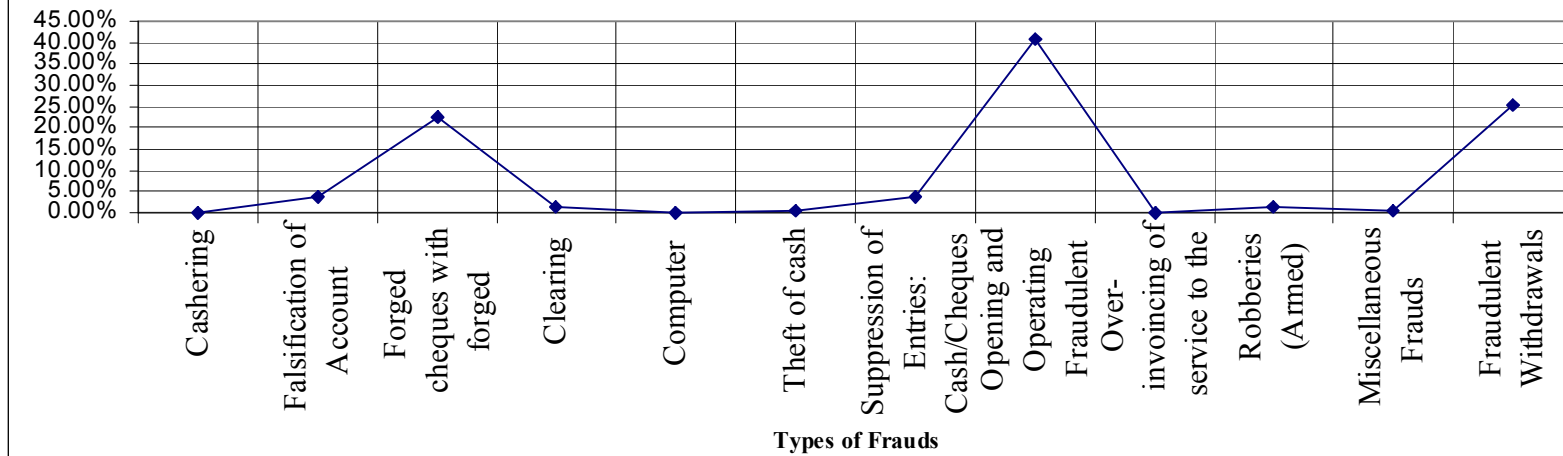
Theft of Cash	11 (4.56)	10 (8.55)	1 (0.91)	0 (0.00)	0 (0.00)	17,310,920.23 (0.52)	6,317,749.73 (3.68)
Suppression of Entries: Cash/Cheque	31 (12.86)	25 (21.37)	6 (5.45)	0 (0.00)	0 (0.00)	123,782,125.34 (3.74)	64,529,167.00 (37.58)
Opening & Operating Fraudulent Loans Account	17 (7.05)	6 (5.13)	11 (10.00)	0 (0.00)	0 (0.00)	1,347,826,371.59 (40.77)	3,940,141.79 (2.29)
Over-invoicing of Service to the Bank	16 (6.64)	16 (13.68)	0 (0.00)	0 (0.00)	0 (0.00)	3,237,513.23 (0.10)	2,729,982.86 (1.59)
Robberies (Armed)	7 (2.90)	0 (0.00)	5 (4.55)	1 (25.00)	1 (10.00)	49,908,074.07 (1.51)	26,911,368.57 (15.67)
Fictitious Bank Branches	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)
Miscellaneous and Other Types of Frauds	6 (2.49)	5 (4.27)	1 (0.91)	0 (0.00)	0 (0.00)	10,751,547.44 (0.33)	10,494,547.44 (6.11)
Fraudulent Withdrawals	64 (26.56)	34 (29.06)	25 (22.73)	2 (50.00)	3 (30.00)	841,249,579.06 (25.45)	39,396,014.83 (22.95)
Total	241	117	110	4	10	3,305,825,542.62	171,696,507.89

Source: Frauds and Forgeries Returns from banks

- ❖ Figures in parenthesis are percentages
- ❖ Frauds involving foreign currencies were converted to Naira at the official rate

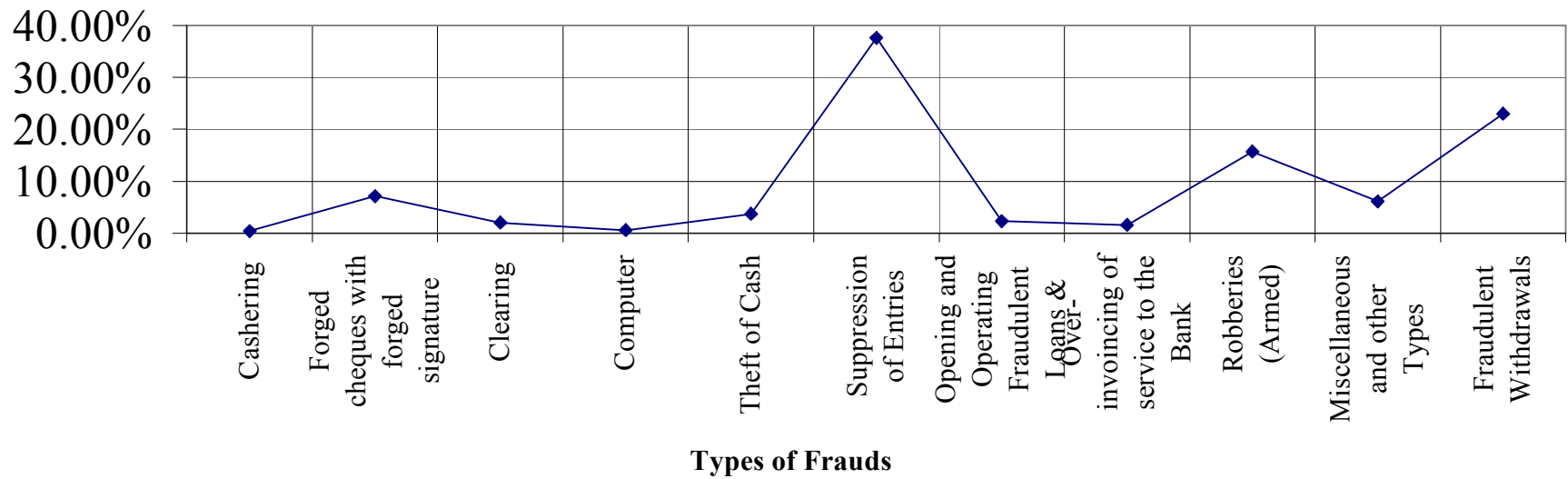
APPENDIX 2

Percentage Distribution of Amount Involved in Frauds and Forgeries (Fourth Quarter 2004)



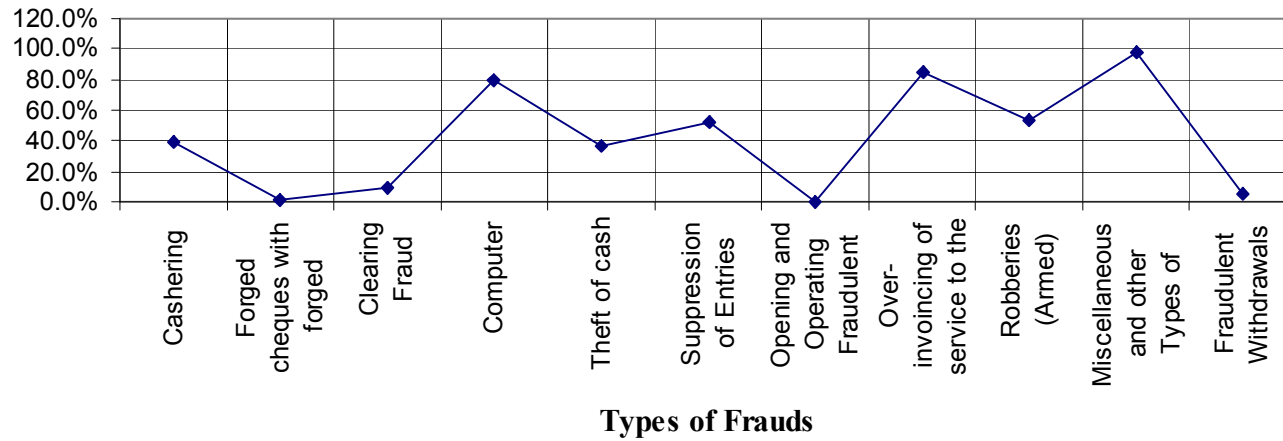
APPENDIX 3

Percentage Distribution of Actual/Expected Loss in Frauds and Forgeries (Fourth Quarter 2004)

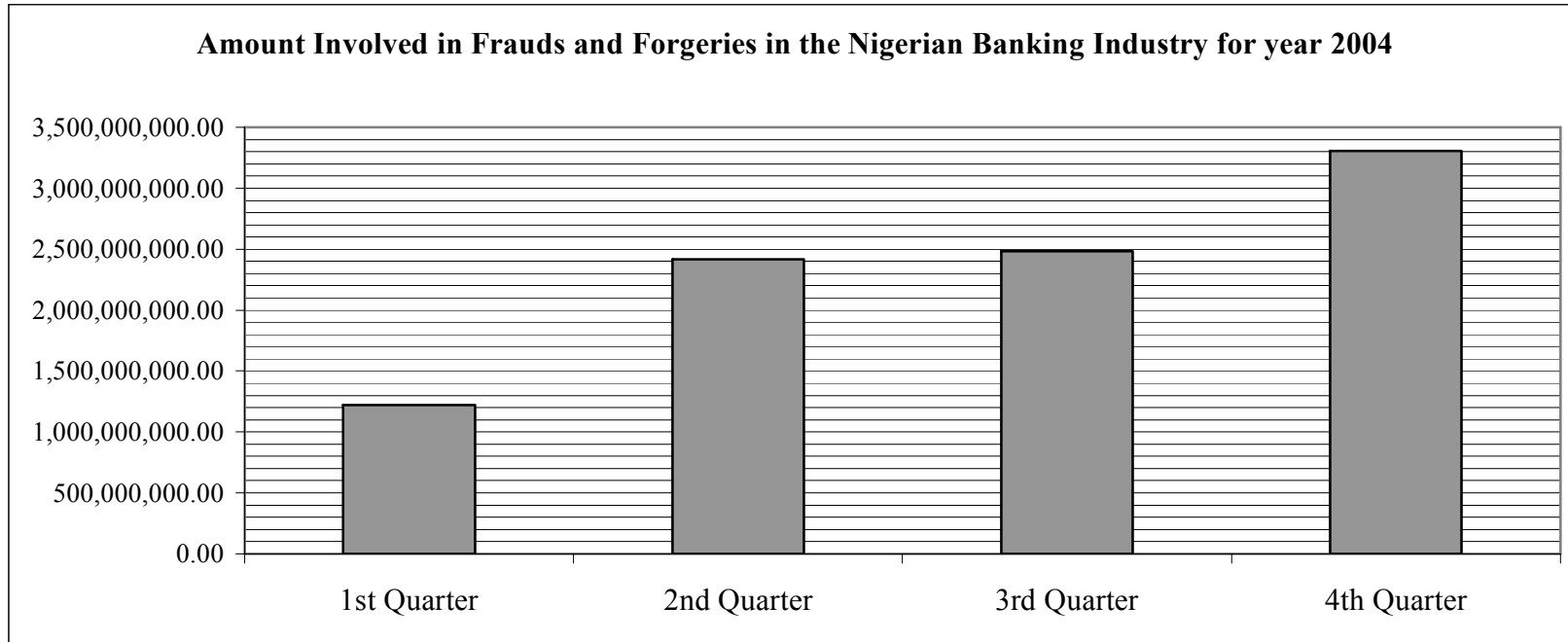


APPENDIX 4

Ratio of Actual/Expected Loss to Amount Involved in Frauds and Forgeries (Fourth Quarter 2004)

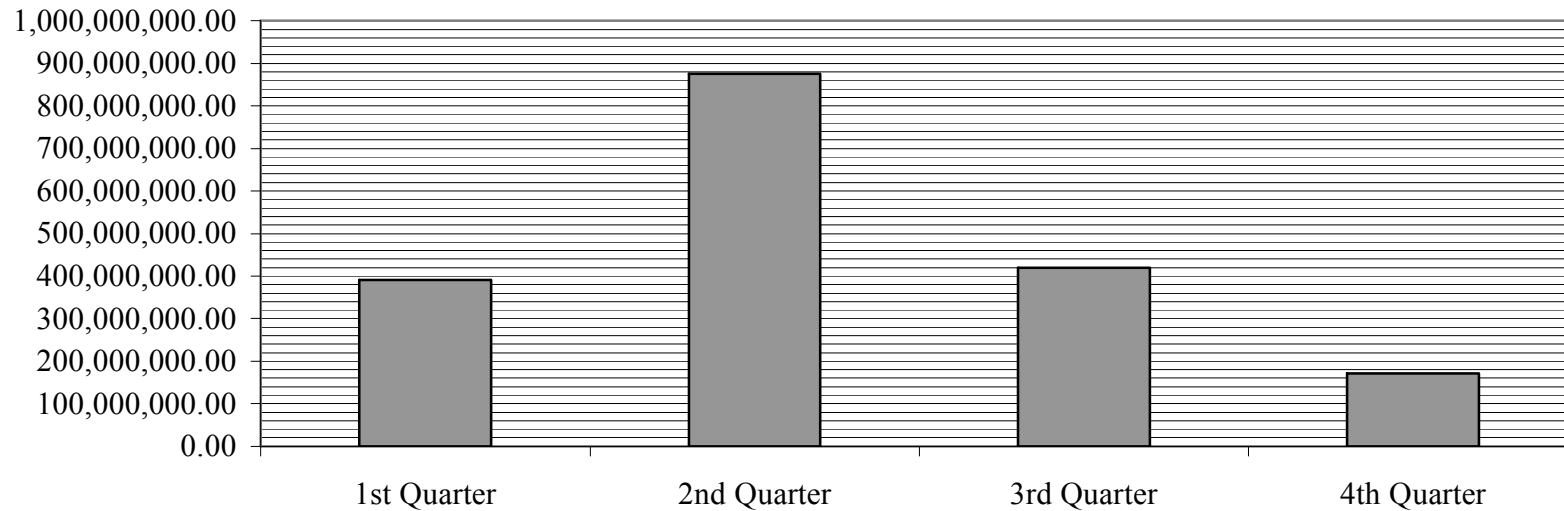


APPENDIX 5



APPENDIX 6

Actual/Expected Loss Due to Fraud and Forgeries in the Nigerian Banking Industry for year 2004



APPENDIX 7

**Actual/Expected Loss and Amount Involved in Frauds
and Forgeries in the Nigerian Banking Industry for year 2004**

