



Report on Frauds and Forgeries in Banks

January-March, 2012

Report on Frauds and Forgeries in the Nigerian Banking Industry for the period January - March, 2012

FITC received 54 returns from 21 deposit money banks in the first quarter of 2012. Analysis of the returns showed that a total of 847 cases of frauds and forgeries were reported in the banking industry, compared to 585 cases reported in the previous quarter, representing a 44.79 percent increase. The types of fraud predominantly perpetrated during the period being reviewed include miscellaneous and other types of frauds, unauthorized withdrawals through automated teller machines (ATMs), fraudulent withdrawals, computer frauds, suppression of cash, and forged cheques with forged signatures. Captured under miscellaneous and other types of fraud were conversion of dividend warrants, fraudulent debit of General Ledgers, fraudulent liquidation of fixed deposits, fictitious loan facilities, 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 during the quarter being reviewed stood at ₦2.529 billion, indicating a significant decrease by 87.21 percent from ₦19.768 billion recorded in the preceding quarter. **Appendix I** shows that computer fraud ranked first, accounting for ₦1.327 billion (52.47 percent) out of the total amount involved in frauds and forgeries; miscellaneous and other types of fraud ranked second with ₦441.38 million (17.45 percent) while theft of cash ranked third with a total of ₦161.278 million (6.38 percent) of the total amount involved in frauds and forgeries during the period under review.

Further breakdown shows that computer fraud, which ranked first in the amount involved in frauds within the quarter being reviewed, posted ₦1.327 billion, representing a remarkable decrease of 92.3 percent, when compared with the ₦17.23 billion recorded in the fourth quarter of 2011. Suppression of entries decreased to ₦69.25 million from ₦777.57 million in the preceding quarter, while tellering fraud decreased to ₦6.01 million from ₦466.08 million recorded in the previous quarter. This indicates that there was a decrease of 91.1 percent and 98.71 percent in suppression of fraud and tellering fraud respectively. Similarly, operating of fraudulent account and fraudulent withdrawals, which were ₦214.99 million and ₦657.10 million respectively in the preceding period, nosedived to ₦60.95 million and ₦115.86 million respectively, thus indicating a 71.65 percent and 82.4 percent decrease respectively. However, miscellaneous and other types of frauds, which ranked second, rose significantly from ₦31.95 million to ₦441.38 million, indicating an increase of 1,281.5 percent. Similarly, armed robberies and theft of cash rose to ₦66.11 million and ₦161.28 million respectively in the period under review, from ₦23.91 million and ₦124.48 million posted in the preceding period, representing a 176.5 percent and 29.6 percent increase respectively.

Appendix II further provides a graphic representation of the amount involved in the reported cases of frauds and forgeries.

The returns also showed that out of the total sum of ₦2.529 billion estimated to have been involved in frauds and forgeries, ₦1.225 billion (48.4 percent) was actually lost to frauds and forgeries in the first quarter of 2012. The difference of ₦1.30 billion (51.6 percent) 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 computer fraud accounted for ₦468.03 million (38.19 percent) of the total amount lost to fraudulent activities, while miscellaneous and other types of frauds accounted for ₦305.58 million (24.94 percent). Similarly, operating fraudulent account and forged cheques accounted for ₦84.22 million (6.87 percent) and ₦77.38 million (6.31 percent) 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 showed a prevalence of external involvement in the reported cases of frauds and forgeries, as outsiders were involved in 661 (78.04 percent) of the frauds cases, while employees of banks were involved in 166 (21.61 percent) of the cases reported. Fraudsters colluded with banks' employees in three (0.35 percent) of the cases reported.

The returns also indicated that 59 bank employees had their appointments terminated on grounds of frauds and forgeries. This represents a decrease of 33.71 percent when compared with the preceding quarter where 89 bank employees' appointments were terminated on similar grounds. This is clearly indicative of zero tolerance by banks for unethical conduct on the part of their employees.

Conclusion and Recommendation

This report shows a significant improvements on some key parameters used in evaluating frauds and forgeries within the period under review. For instance, the total amount involved in frauds reduced considerably from ₦19.768 billion recorded in the fourth quarter of 2011 to ₦2.529 billion in the first quarter of 2012, depicting a decrease of 87.21 percent. Similarly, the total amount lost to frauds and forgeries plummeted to ₦1.225 billion from ₦1.88 billion recorded in the preceding quarter, depicting a decrease of 34.88 percent. However, the total number of fraudulent cases in the banking industry edged up to 847 in the period under review, increasing by 44.79 percent from 585 in the preceding quarter. This is clearly illustrated in **Appendices V and VI**.

When these indices are compared with those from a similar period in 2011, the first quarter of 2012 witnessed a slight increase in the total number of cases

involved in frauds and forgeries from 842 from 847. Also, the total amount involved and total amount lost to frauds and forgeries in the period increased to ₦2.529 billion and ₦1.225 billion respectively from ₦1.643 billion and ₦924 million posted in the first quarter of 2011, indicating an increase of 53.94 percent and 32.48 percent respectively. See **Appendices VII-IX** for further details.

The upsurge in the total amount involved and total amount lost to frauds and forgeries from ₦1.643 billion and ₦924 million in the first quarter of 2011 to ₦2.529 billion and ₦1.225 billion in the quarter being reviewed calls for stricter measures and adherence to professional best practices. However, the dip in the amount involved in frauds and forgeries in the quarter being reviewed compared with the preceding quarter is quite commendable. This notwithstanding, banks must tighten up their security measures, by regularly carrying out due assessment on staff and continually enlightening their customers on the risk of divulging their personal identification numbers (PIN). They must step up all control measures aimed at mitigating risks associated with fraudulent activities and their occurrences.

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 2011 and 2012 on selected concerns.

Appendix I: Frauds and Forgeries in the Nigerian Banking Industry (First Quarter, 2012)

| 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 | 3 (0.35) | 3 (1.64) | 0 (0) | 0 (0) | 0 (0) | 6,011,000.00 (0.24) | 6,011,000.00 (0.24) | 100 |
| Falsification Of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts | 3 (0.35) | 1 (0.55) | 2 (0.30) | 0 (0) | 0 (0) | 25,131,120.00 (0.99) | 0 (0) | 0 |
| Forged Cheques with Forged Signature | 63 (7.44) | 3 (1.64) | 60 (9.08) | 0 (0) | 0 (0) | 152,160,193.49 (6.02) | 77,382,563.29 (6.31) | 50.9 |
| Printing Of Bank Document Illegally | 1 (0.12) | 0 (0) | 1 (0.15) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 |
| Clearing Fraud | 5 (0.59) | 1 (0.55) | 4 (0.61) | 0 (0) | 0 (0) | 69,160,975.13 (2.73) | 74,903,714.00 (6.11) | 108.3 |
| Computer Fraud | 66 (7.79) | 22 (12.02) | 44 (6.66) | 0 (0) | 0 (0) | 1,327,194,253.52 (52.47) | 468,030,311.85 (38.19) | 35.3 |
| Telex Fraud | 1 (0.12) | 0 (0) | 1 (0.15) | 0 (0) | 0 (0) | 3,274,830.00 (0.13) | 0 (0) | 0 |
| Foreign Exchange Fraud | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 |
| Cross Firing Of Cheques and Kite Flying | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 |

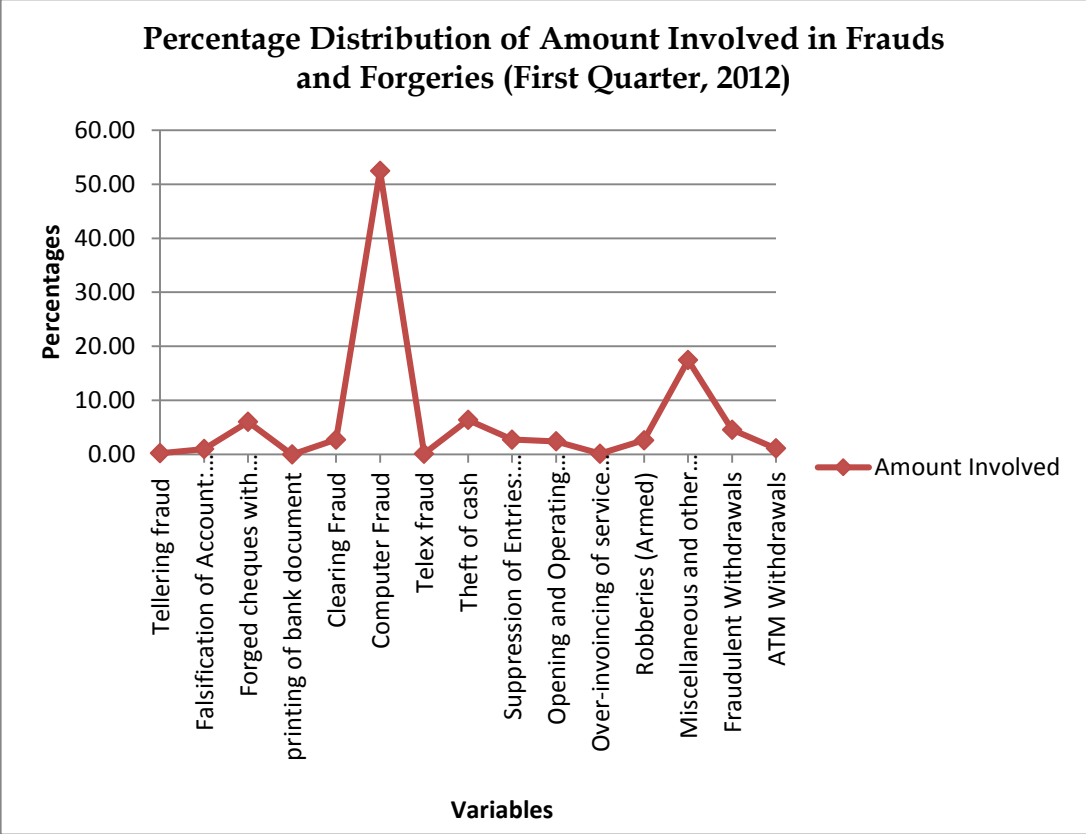
Note: All figures in parenthesis () indicate percentages

Appendix I Contd: Frauds and Forgeries in the Nigerian Banking Industry (First Quarter, 2012)

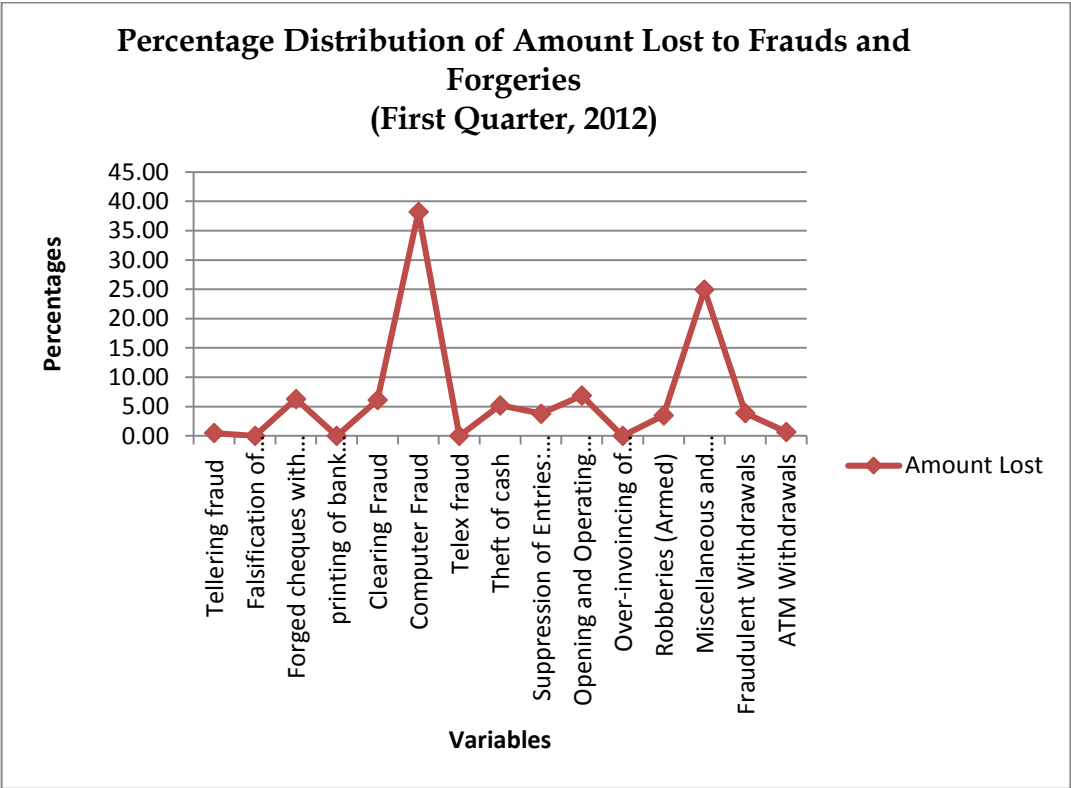
| Types of Fraud | Total Number Of Cases Reported | Involving Bank Staff Only | Involving Outside Persons Only | Collusion | Not Specified | Amount Involved(₦) | Actual /Expected Loss (₦) | Expected Loss/ Amount Involved (%) |
|---|--------------------------------|---------------------------|--------------------------------|--------------|---------------|---------------------------|---------------------------|------------------------------------|
| Theft of Cash | 25 (2.95) | 19 (10.38) | 6 (0.91) | 0 (0) | 0 (0) | 161,278,961.12 (6.38) | 63,876,660.78 (5.21) | 39.6 |
| Suppression of Entries: Cash/Cheques | 64 (7.56) | 61 (33.33) | 2 (0.30) | 1 (33.33) | 0 (0) | 69,250,460.59 (2.74) | 46,451,016.16 (3.79) | 67.1 |
| Opening and Operating Fraudulent Loans and Accounts | 7 (0.83) | 3 (1.64) | 4 (0.61) | 0 (0) | 0 (0) | 60,951,457.65 (2.41) | 84,222,730.46 (6.87) | 138.2 |
| Over-Invoicing of Service to the Bank | 1 (0.12) | 1 (0.55) | 0 (0) | 0 (0) | 0 (0) | 3,500,000.00 (0.14) | 0 (0) | 0.12 |
| Robberies (Armed) | 8 (0.94) | 0 (0) | 8 (1.21) | 0 (0) | 0 (0) | 66,111,790.43 (2.61) | 42,953,351.42 (3.51) | 65.0 |
| Fictitious Bank Branches | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 |
| Miscellaneous and Other Types of Fraud | 243 (28.69) | 42 (22.95) | 199 (30.11) | 2 (66.67) | 0 (0) | 441,381,667.52 (17.45) | 305,576,367.09 (24.94) | 69.2 |
| Fraudulent Withdrawals | 75 (8.85) | 26 (14.21) | 49 (7.41) | 0 (0) | 0 (0) | 115,863,680.28 (4.58) | 47,508,273.78 (3.88) | 41.0 |
| ATM Withdrawals | 282 (33.29) | 1 (0.55) | 281 (42.51) | 0 (0) | 0 (0) | 28,056,387.52 (1.11) | 8,510,410.24 (0.69) | 30.3 |
| Total | 847 | 183 | 661 | 3 | 0 | 2,529,326,777.25 | 1,225,426,399.07 | |

Note: All figures in parenthesis () indicate percentages

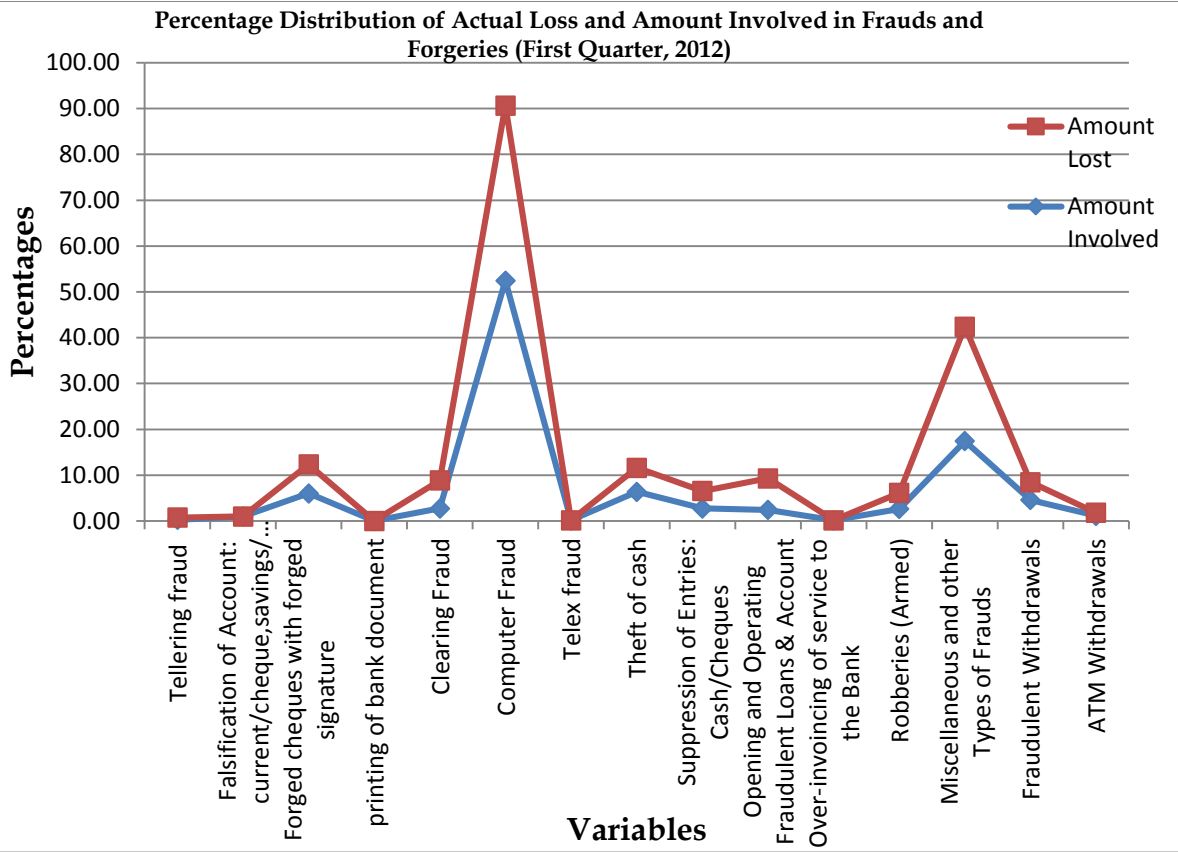
Appendix II



Appendix III



Appendix IV

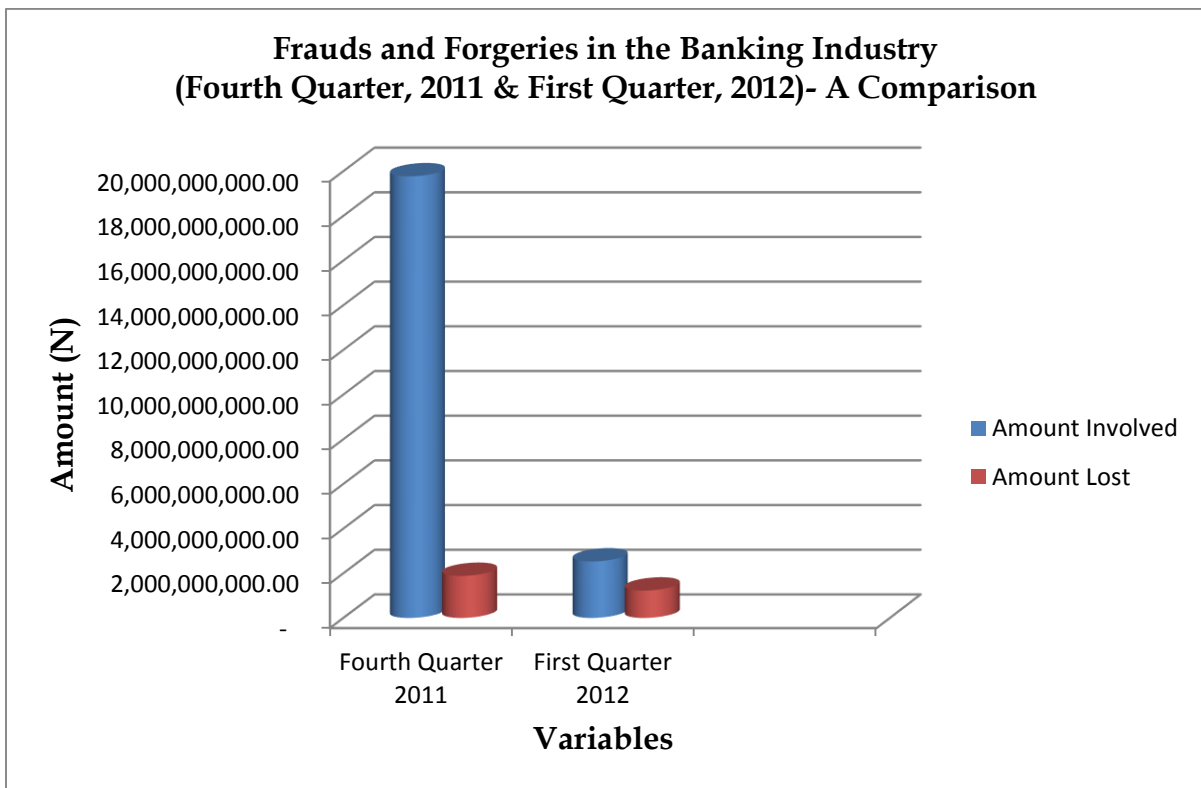


Frauds and Forgeries in the Banking Industry: A Comparison of Fourth Quarter, 2011 and First Quarter, 2012

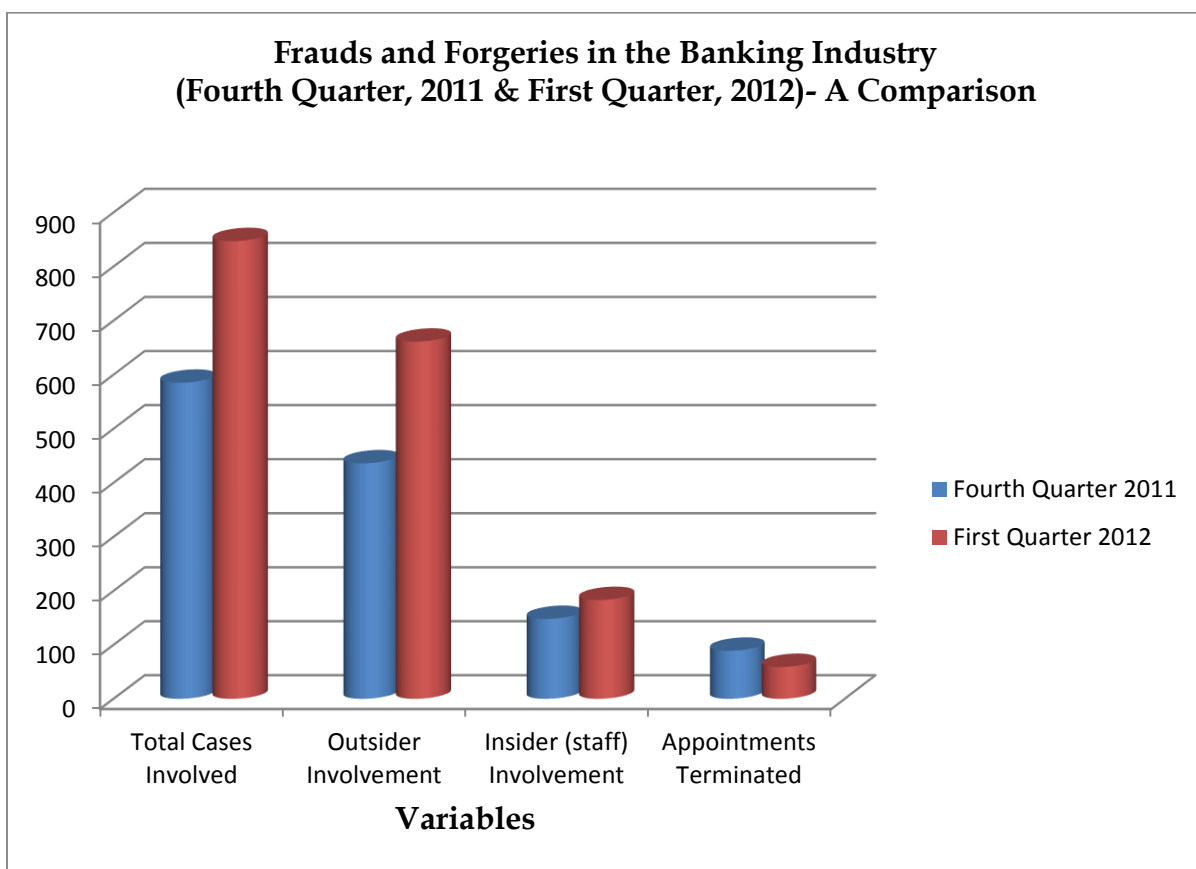
Appendix V

| S/n | Variables | Fourth Quarter, 2011 | First Quarter, 2012 |
|-----|-----------------------------|----------------------|---------------------|
| 1 | Total Cases Involved | 585 | 847 |
| 2 | Total Amount Involved | ₦19,768,507,714.39 | ₦2,529,326,777.25 |
| 3 | Total Amount Lost | ₦1,881,901,686.26 | ₦1,225,426,399.07 |
| 4 | Outsider Involvement | 436 | 661 |
| 5 | Insider (staff) Involvement | 148 | 183 |
| 6 | Appointments Terminated | 89 | 59 |

Appendix VI



Appendix VII

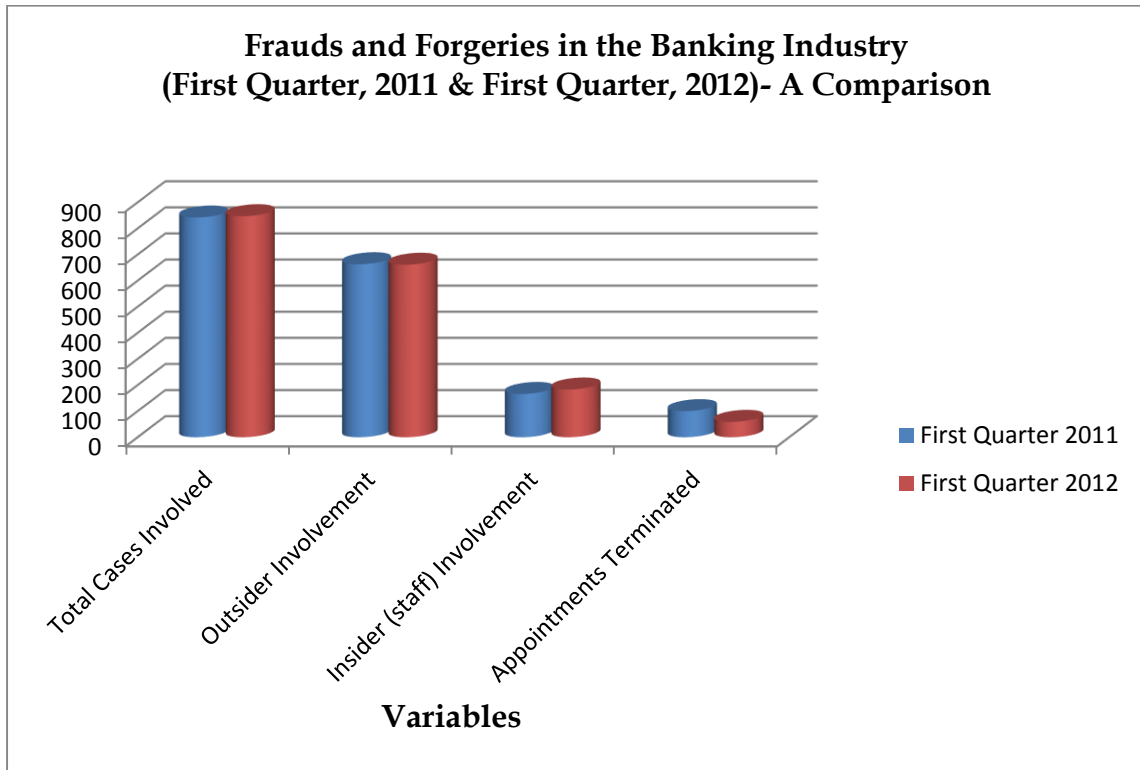


**Frauds and Forgeries in the Banking Industry
(First Quarter, 2011 and First Quarter, 2012) - A Comparison**

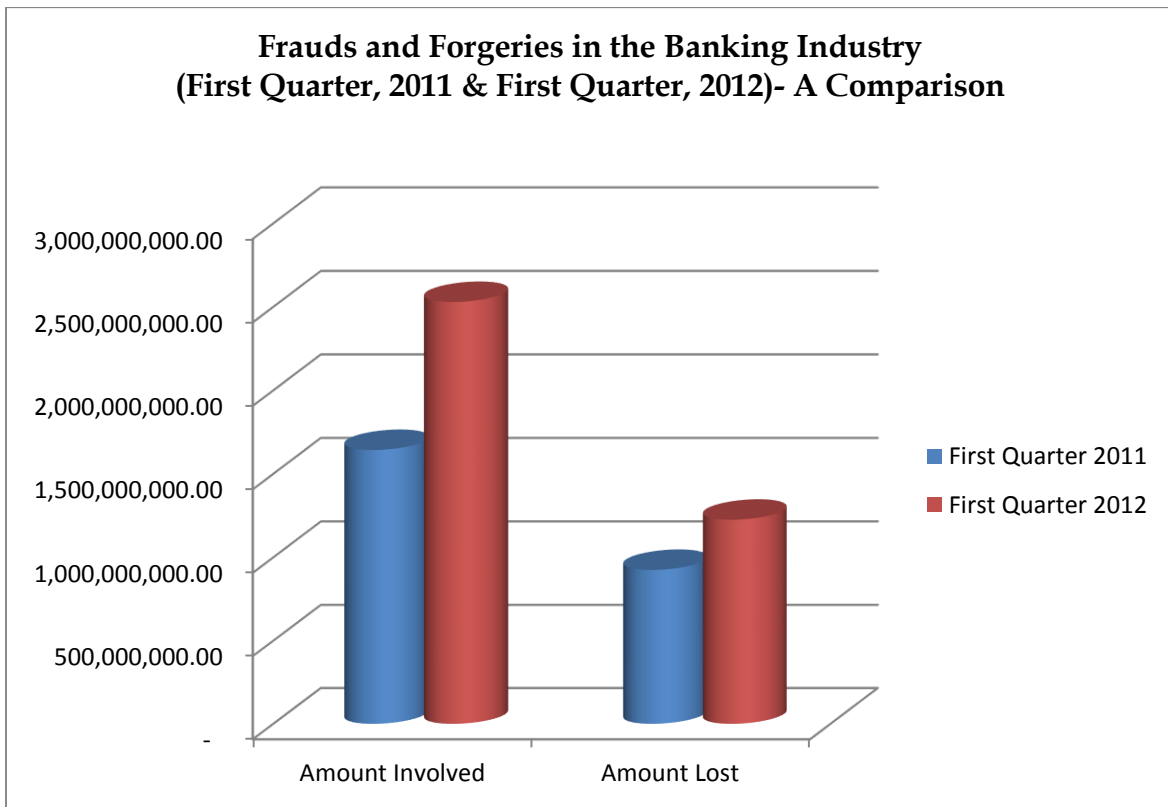
Appendix VIII

| S/n | Variables | First Quarter, 2011 | First Quarter, 2012 |
|-----|-----------------------------|---------------------|---------------------|
| 1 | Total Cases Involved | 842 | 847 |
| 2 | Total Amount Involved | ₦1,643,097,831.57 | ₦2,529,326,777.25 |
| 3 | Total Amount Lost | ₦924,960,208.28 | ₦1,225,426,399.07 |
| 4 | Outsider Involvement | 663 | 661 |
| 5 | Insider (staff) Involvement | 166 | 183 |

Appendix IX



Appendix X





Report on Frauds and Forgeries in Banks

April-June, 2012

Report on Frauds and Forgeries in the Nigerian Banking Industry for the Period April - June, 2012

FITC received 57 returns from 20 deposit money banks (DMBs) in the second quarter of 2012. Analysis of the returns showed that a total of 1,103 cases of frauds and forgeries were reported in the banking industry during the period under review, compared to 847 cases reported in the preceding period (Jan-Mar, 2012), representing an increase of 30.22 percent. The types of frauds predominantly perpetrated include fraudulent ATM withdrawals, computer fraud, forged cheques, forged signatures, suppression of entries, as well as miscellaneous and other types of frauds. Captured under miscellaneous and other types of fraud were fraudulent diversions of customers' fund for personal use, conversion of dividend warrants, dry posting, misappropriation of funds, inclusion of ghost workers on customers' staff payroll, amongst others. See **Appendix I** for details.

During the reviewed period, a total of ~~₦~~9.92 billion was involved in the reported cases of fraud and forgeries, compared to ~~₦~~2.53 billion involved in the previous period, representing an upswing of 292.21 percent. **Appendix I** shows that miscellaneous and other types of frauds ranked first, accounting for ~~₦~~7.53 billion (75.92 percent) of the total amount of money involved in frauds and forgeries for the second quarter, while computer fraud ranked second with ~~₦~~1.09 billion (11.02 percent), and fraudulent withdrawals ranked third with ~~₦~~763.55 million (7.70 percent).

Further breakdown shows that miscellaneous and other types of frauds, which ranked first in the total amount of money involved in frauds and forgeries notched up to ~~₦~~7.53 billion from ~~₦~~441.38 million reported in the previous period, indicating an alarming increase of 1606.37 percent. Similarly, fraudulent withdrawal jerked up from ~~₦~~115.86 million, recorded in the preceding quarter, to ~~₦~~763.55 million, depicting a rise of 559.01 percent. Suppression of entries and fraudulent ATM withdrawals also inched up from ~~₦~~69.25 million and ~~₦~~28.06 million in the preceding quarter to ~~₦~~80.11 million and ~~₦~~47.08 million respectively during the period under review, indicating an increase of 15.69 percent and 67.81 percent respectively. However, forged cheques and operating of fraudulent accounts improved from ~~₦~~152.16 million and ~~₦~~60.95 million to ~~₦~~92.63 million and ~~₦~~40.08 million, depicting a decline of 39.12 percent and 34.24 percent respectively. **Appendix II** provides a graphical illustration of the amount involved in the reported cases of frauds and forgeries.

Consequently, out of the total sum of ~~₦~~9.92 billion estimated to have been involved in fraudulent cases reported, ~~₦~~992.63 million was actually lost to frauds and forgeries in the second quarter of 2012, representing about 10 percent loss. Out of this figure, miscellaneous and other types of frauds accounted for ~~₦~~430.61 million (43.38 percent), while fraudulent withdrawals and computer fraud accounted for ~~₦~~186.99 million (18.84 percent) and ~~₦~~101.13 million (10.19 percent)

respectively. The difference of ₦8.93 billion (89.99 percent) was recovered either through spot-checking of remittances by banks, implementing stringent control measures, strict adherence to internal processes and procedures or the painstaking efforts of the law enforcement and anti-graft agencies. **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 involved with amount lost to frauds and forgeries.

Data also showed that there was a prevalence of external involvement in 973 (88.21 percent) cases of frauds and forgeries reported, while employees of banks were involved in 122 cases (11.06 percent) and fraudsters colluded with banks' employees in 6 (0.54 percent) of the cases reported.

The returns also revealed that 41 bank employees had their appointments terminated on the grounds of fraudulent activities during the quarter under review. This represents a decrease of 30.51 percent from 59 bank employees whose appointments were terminated on similar grounds in the preceding quarter. This clearly suggests that efforts by banks to discourage such unethical practices appear to be rubbing off on employees, and yielding the desired result. Subsequent quarter reports for the year will confirm or annul this indicative perception.

Conclusion

Generally, outcome of key variables used in evaluating the degree of fraudulent activities appears worrisome, as data generated from the analysis of these returns depict an increase in the total number of fraudulent cases reported, from 847 in the preceding period to 1,103 in the period under review. Similarly, the total amount of money involved in fraudulent activities also ballooned to ₦9.92 billion in the second quarter of 2012 from ₦2.53 billion reported in the first quarter of 2012, even as the level of external involvement jerked up to 973 from 661. However, the total amount lost, as well as the number of staff whose appointments were terminated on grounds of fraudulent activities dipped marginally from ₦1.23 billion to ₦992.63 million and 59 to 41 respectively. **Appendix V-VII**.

When these indices are compared with those from the corresponding period of 2011, the second quarter of 2012 witnessed an increase in the total number of cases involved in frauds and forgeries from 657 to 1,103, indicating a rise of 67.88 percent. Similarly, the total amount involved and total amount lost to frauds and forgeries rose to ₦9.92 billion and ₦992.63 million respectively in the period under review, from ₦2.26 billion and ₦844.14 million posted in the second quarter of 2011, thus indicating an increase of 339.17 percent and 17.49 percent respectively. See **Appendices VIII-X** for further details.

This worrisome trend, no doubt, brings to the fore the urgent need for operators to ensure proper monitoring of depositors funds by tightening their internal

control mechanisms, enhancing their data defense systems as a preventive measure and general security lapse mitigant, while regulators could facilitate the implementation of stiffer penalties and sanctions applicable to respective fraud cases. These efforts will obviously make far-reaching impact in the industry, mitigate the likely risks associated with such fraudulent acts and promote sound banking practices.

It is commendable that only about 10 percent of the amount involved in frauds were actually lost during the review period, depicting enhanced recovery and investigation. However, the extreme increase of cases and sums involved cause deep concerns in terms of systemic values erosion and increased propensity to amount fraud. These developments call for collaborative interventions by operators.

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 2011 and 2012 on selected concerns.

Appendix I: Frauds and Forgeries in the Nigerian Banking Industry (Second Quarter, 2012)

| 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 | 1 (0.09) | 1 (0.82) | 0 (0) | 0 (0) | 0 (0) | 6,300,000.00 (0.06) | 6,300,000.00 (0.63) | 100 |
| 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 | 77 (6.98) | 2 (1.64) | 75 (7.71) | 0 (0) | 0 (0) | 92,633,468.50 (0.93) | 16,641,000.00 (1.68) | 18 |
| Printing Of Bank Document Illegally | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 |
| Clearing Fraud | 11 (1) | 0 (0) | 11 (1.13) | 0 (0) | 0 (0) | 21,416,021.00 (0.21) | 2,290,273.94 (0.23) | 10.8 |
| Computer Fraud | 94 (8.52) | 3 (2.46) | 89 (9.15) | 1 (16.67) | 1 (50) | 1,093,619,780.57 (11.02) | 101,129,982.38 (10.19) | 9.2 |
| Telex Fraud | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 |
| Foreign Exchange Fraud | 3 (0.27) | 0 (0) | 1 (0.10) | 2 (33.33) | 0 (0) | 12,416,021.00 (0.13) | 12,416,021.00 (1.25) | 100 |
| Cross Firing Of Cheques and Kite Flying | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 |

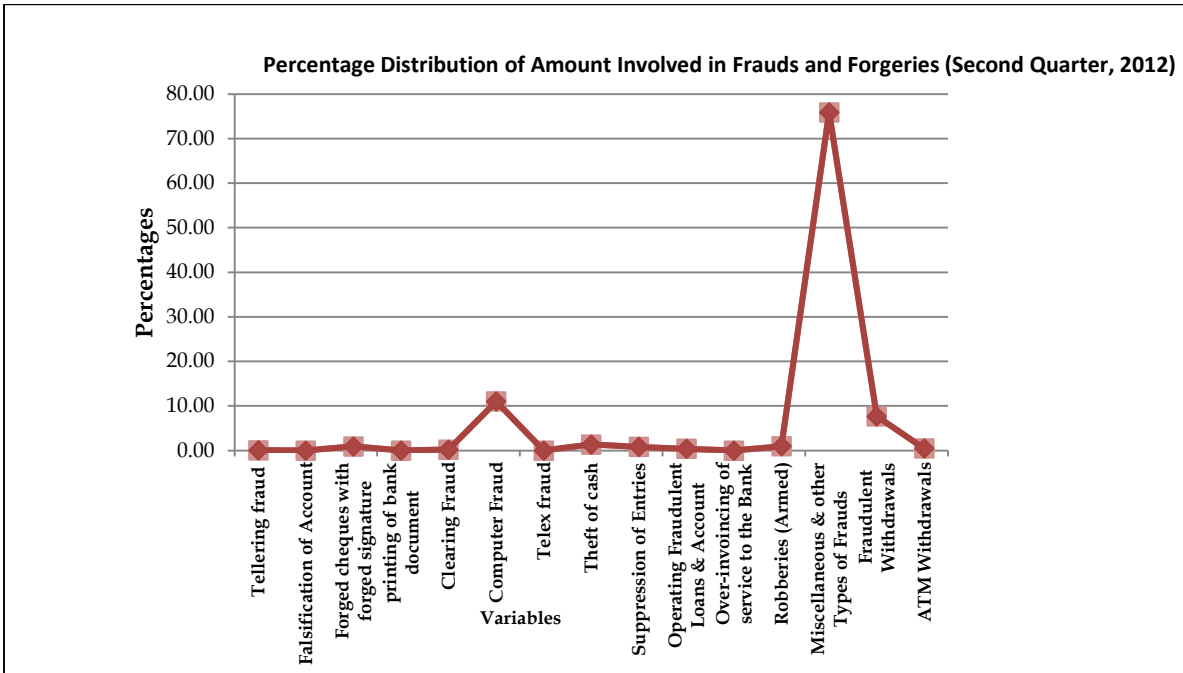
Note: All figures in parenthesis () indicate percentages

Appendix I Contd: Frauds and Forgeries in the Nigerian Banking Industry (Second Quarter, 2012)

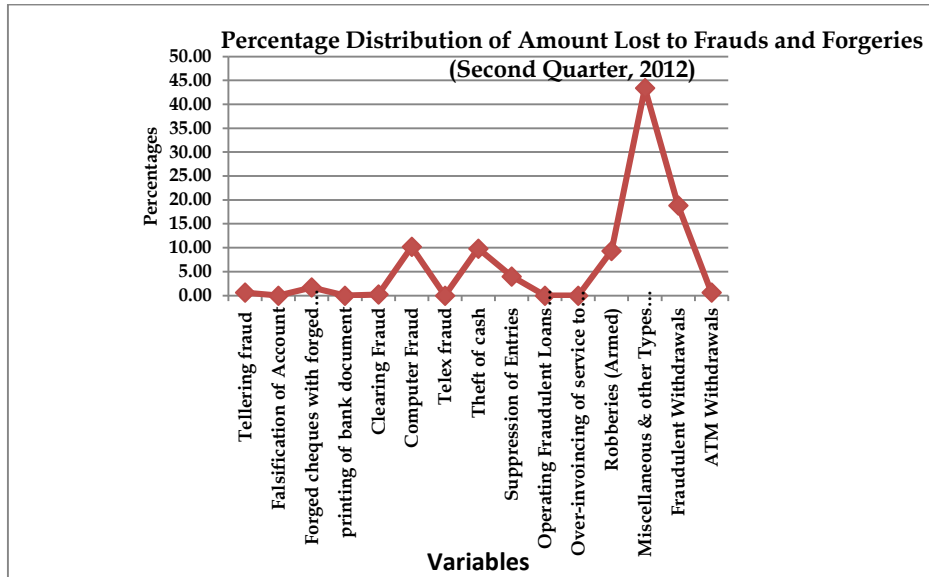
| Types of Fraud | Total Number Of Cases Reported | Involving Bank Staff Only | Involving Outside Persons Only | Collusion | Not Specified | Amount Involved(₦) | Actual /Expected Loss (₦) | Expected Loss/ Amount Involved (%) |
|---|--------------------------------|---------------------------|--------------------------------|--------------|---------------|-----------------------------|---------------------------|------------------------------------|
| Theft of Cash | 14 (1.27) | 12 (9.84) | 1 (0.10) | 1 (16.67) | 0 (0) | 134,683,150.00 (1.36) | 97,395,820.00 (9.81) | 72.3 |
| Suppression of Entries: Cash/Cheques | 51 (4.62) | 50 (40.98) | 1 (0.10) | 0 (0) | 0 (0) | 80,112,474.00 (0.81) | 39,820,829.90 (4.01) | 49.7 |
| Opening and Operating Fraudulent Loans and Accounts | 8 (0.73) | 0 (0) | 8 (0.82) | 0 (0) | 0 (0) | 40,076,500.00 (0.40) | 0 (0) | 0.0 |
| Over-Invoicing of Service to the Bank | 2 (0.18) | 2 (1.64) | 0 (0) | 0 (0) | 0 (0) | 666,500.00 (0.01) | 0 (0) | 0 |
| Robberies (Armed) | 16 (1.45) | 0 (0) | 16 (1.64) | 0 (0) | 0 (0) | 96,272,895.26 (0.97) | 92,792,895.26 (9.35) | 96.4 |
| Fictitious Bank Branches | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 |
| Miscellaneous and Other Types of Fraud | 101 (9.16) | 34 (27.87) | 65 (6.68) | 1 (16.67) | 1 (50) | 7,531,608,750.46 (75.92) | 430,628,116.27 (43.38) | 5.7 |
| Fraudulent Withdrawals | 72 (6.53) | 16 (13.11) | 55 (5.65) | 1 (16.67) | 0 (0) | 763,550,986.95 (7.7) | 186,988,390.22 (18.84) | 24.5 |
| ATM Withdrawals | 653 (59.20) | 2 (1.64) | 651 (66.91) | 0 (0) | 0 (0) | 47,082,053.58 (0.47) | 6,228,555.20 (0.63) | 13.2 |
| Total | 1,103 | 122 | 973 | 6 | 2 | 9,920,198,383.20 | 992,631,884.18 | |

Note: All figures in parenthesis () indicate percentages

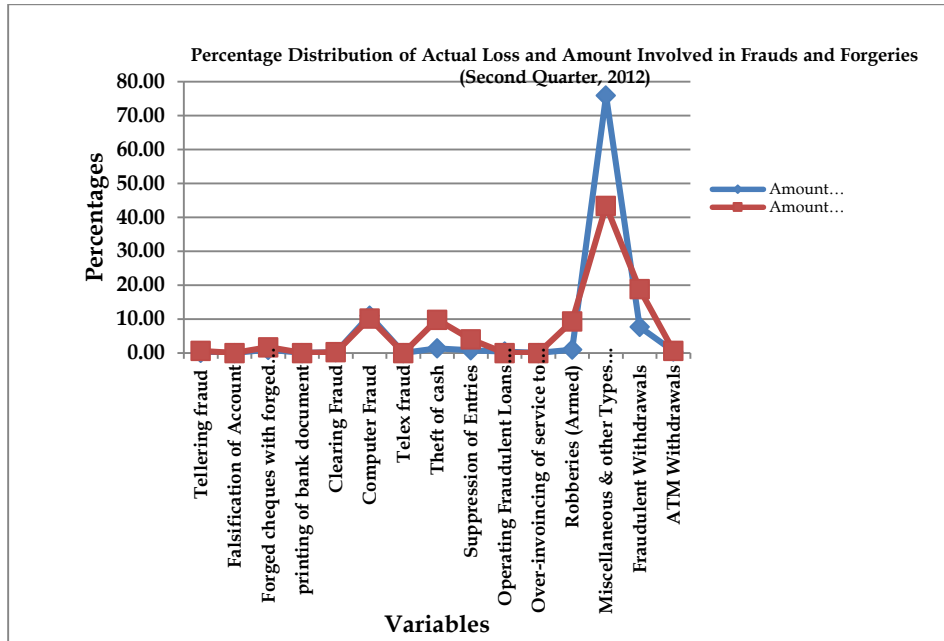
Appendix II



Appendix III



Appendix IV

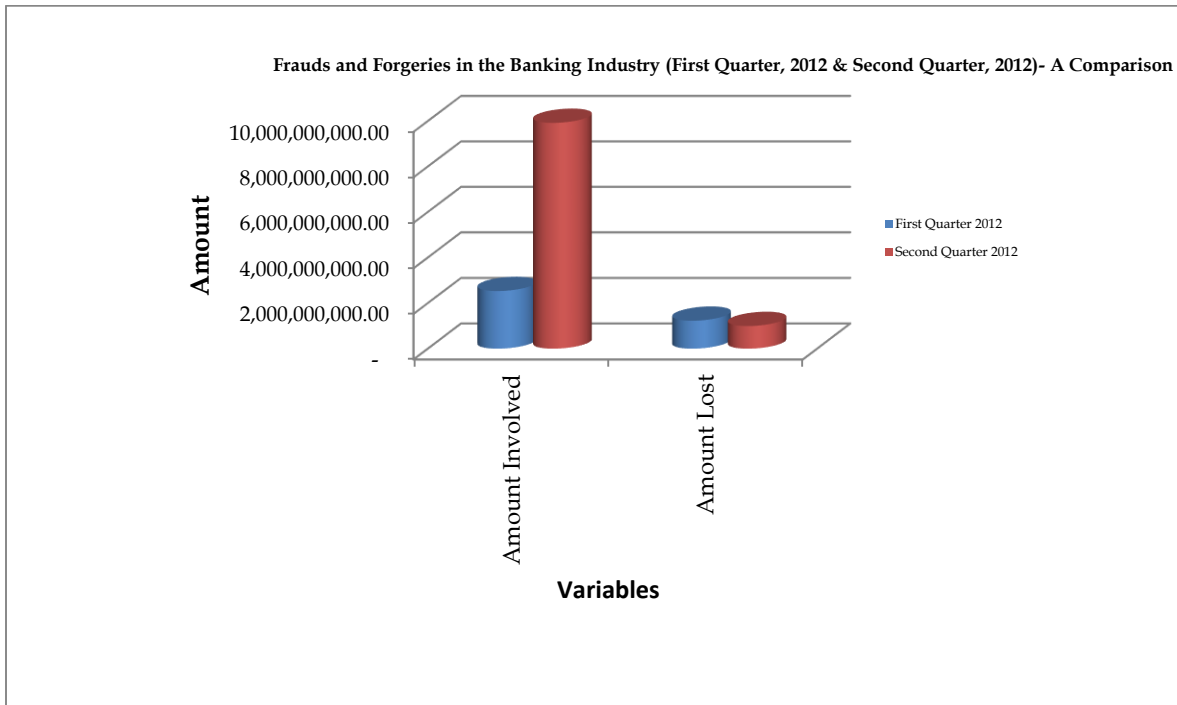


Frauds and Forgeries in the Banking Industry: A Comparison of First Quarter and Second Quarter, 2012.

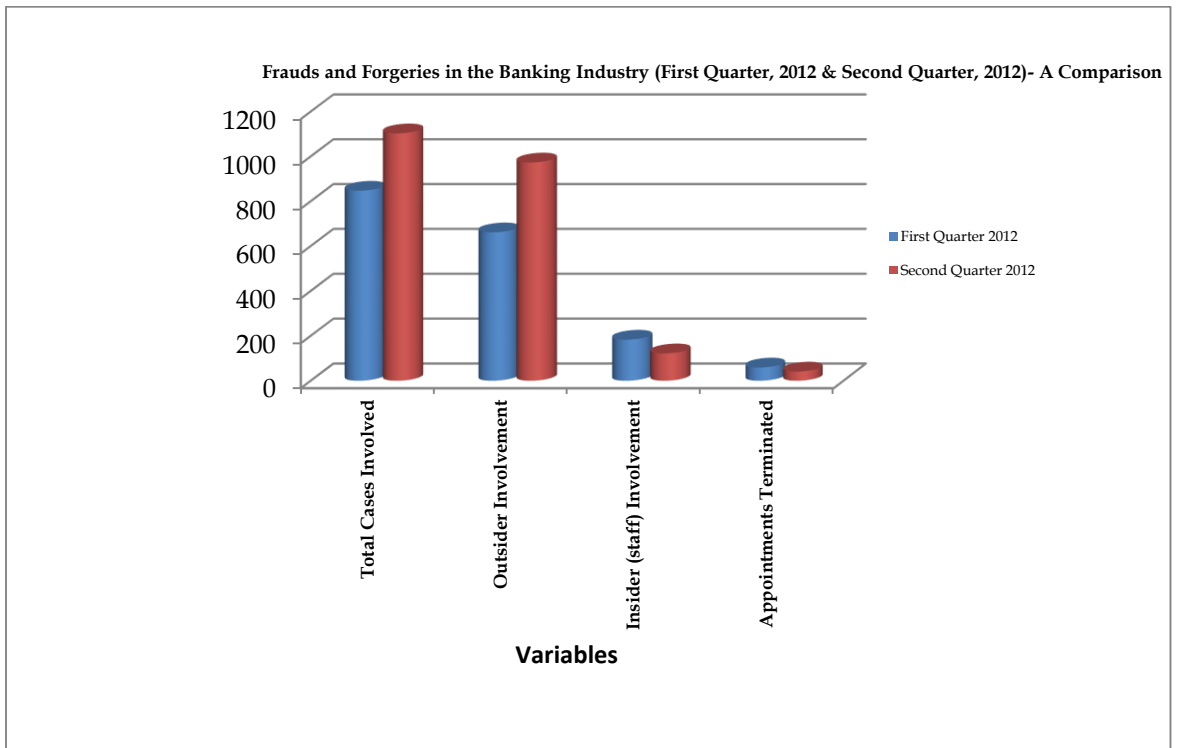
Appendix V

| S/n | Variables | First Quarter, 2012 | Second Quarter, 2012 |
|-----|-----------------------------|---------------------|----------------------|
| 1 | Total Cases reported | 847 | 1,103 |
| 2 | Total Amount Involved | ₦2,529,326,777.25 | ₦9,920,198,383.20 |
| 3 | Total Amount Lost | ₦1,225,426,399.07 | ₦992,631,884.18 |
| 4 | Outsider Involvement | 661 | 973 |
| 5 | Insider (staff) Involvement | 183 | 122 |
| 6 | Appointments Terminated | 59 | 41 |

Appendix VI



Appendix VII

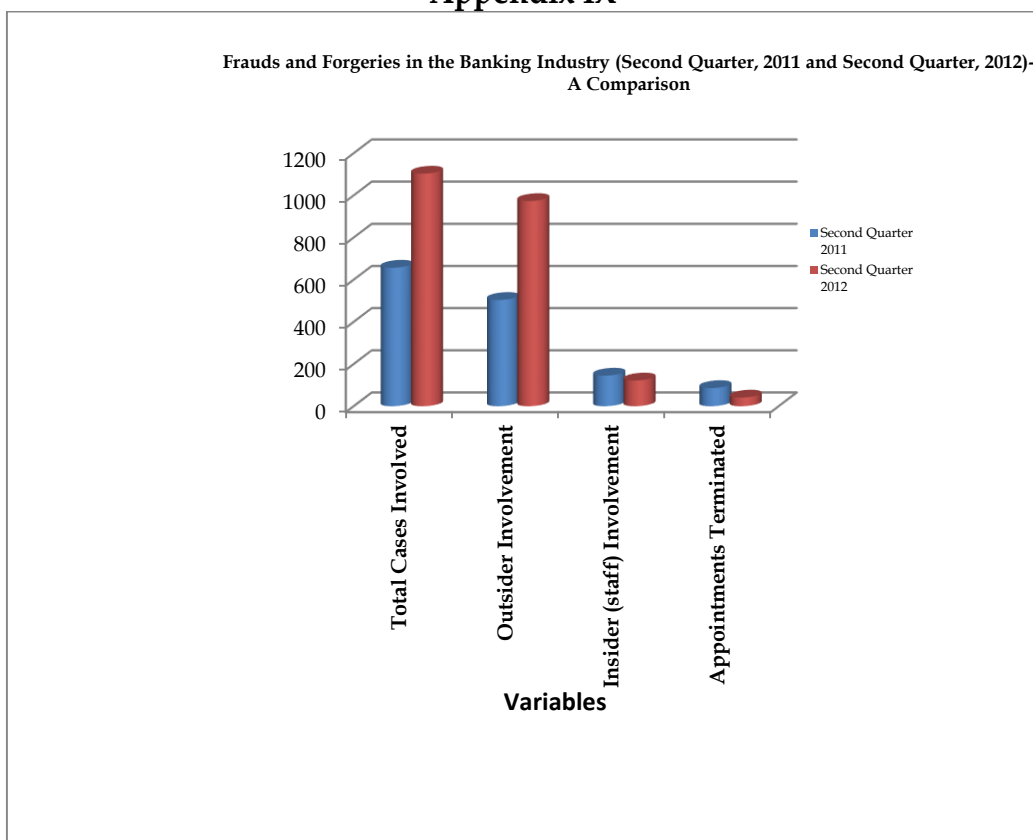


Frauds and Forgeries in the Banking Industry
(Second Quarter, 2011 and Second Quarter, 2012) - A Comparison

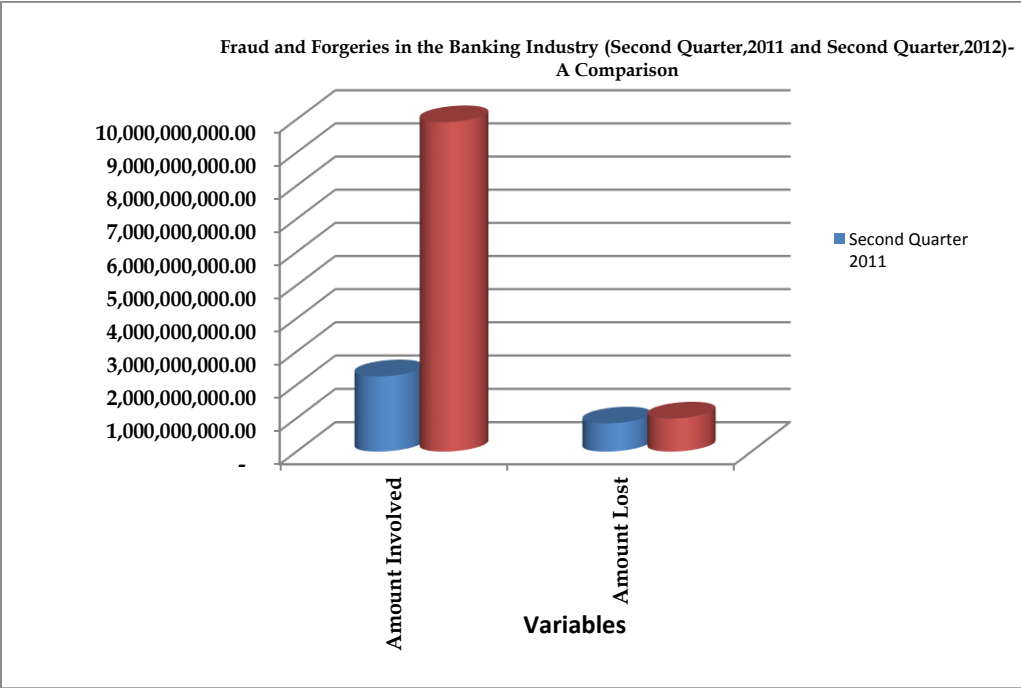
Appendix VIII

| S/n | Variables | Second Quarter, 2011 | Second Quarter, 2012 |
|-----|-----------------------------|----------------------|----------------------|
| 1 | Total Cases Involved | 657 | 1,103 |
| 2 | Total Amount Involved | ₦2,258,853,388.69 | ₦9,920,198,383.20 |
| 3 | Total Amount Lost | ₦844,897,970.80 | ₦992,631,884.18 |
| 4 | Outsider Involvement | 504 | 973 |
| 5 | Insider (staff) Involvement | 145 | 122 |
| 6 | Appointments Terminated | 86 | 41 |

Appendix IX



Appendix X



Report on Frauds and Forgeries in Banks

July - September, 2012

Report on Frauds and Forgeries in the Nigerian Banking Industry for the period July - September, 2012

FITC received 59 returns from 22 deposit money banks in the third quarter of 2012. Of these returns, 20 were received for the month of July, 18 for August, and 21 for September. Analysis of these returns indicates that the banking industry reported a total of 1,501 cases of frauds and forgeries in the period under review from 1,103 cases reported in the preceding period (April-June, 2012), indicating an increase of 36.08 percent. During this period, the types of fraud predominantly perpetrated include fraudulent ATM withdrawals, other forms of fraudulent withdrawals, suppression of entries, forged cheques with forged signatures, theft of cash, armed robberies as well as miscellaneous and other types of frauds. Categorized under miscellaneous and other types of fraud were fraudulent manipulation of customer's salary schedule, fraudulent liquidation of customers' investment, dry posting into staff account as well as misappropriation of funds, conversion of dividend warrants and unauthorized granting of credit facility to non-customers, 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 nose-dived to ₦4.15 billion from ₦9.92 billion reported in the previous quarter, representing an appreciable fall of 58.18 percent. **Appendix I** reveals that miscellaneous and other types of fraud ranked first with ₦3.33 billion (80.23 percent), fraudulent withdrawals ranked second with ₦209.20 million (5.04 percent), and computer fraud ranked third, accounting for ₦143.57 million (3.46 percent) of the total amount of money involved in frauds and forgeries.

Further analysis also depicts a decline in miscellaneous and other types of frauds, as it plummeted to ₦3.33 billion during the reviewed period, down from ₦7.53 billion recorded in the previous period, representing a significant dip of 55.80 percent. Similarly, operating fraudulent accounts and fraudulent withdrawals plunged significantly to ₦2.68 million and ₦209.20 million, from ₦40.08 million and ₦763.55 million, indicating a fall of 93.3 percent and 72.6 percent respectively. However, same could not be said of fraudulent ATM withdrawals and foreign exchange fraud as they both jerked up to ₦64.93 million and ₦16.22 million respectively, depicting an increase of 37.91 percent and 30.67 percent from ₦47.08 million and ₦12.41 million reported in the second quarter of 2012. **Appendix II** further provides a graphical illustration of the amount involved in the reported cases of frauds and forgeries.

The returns also indicated that out of the total sum of ₦4.15 billion estimated to have been involved in frauds and forgeries, ₦981.50 million (23.66 percent) was actually lost to fraud and forgeries in the third quarter of 2012. The difference of

₦3.17 billion (76.34 percent) was recovered either through the internal operational control systems, banks' staff's full compliance with established policies, rules and procedures and the painstaking efforts of the anti-graft and law enforcement agencies

Further analysis of the returns also revealed that miscellaneous and other types of frauds accounted for ₦551.03 million (56.14 percent) of the total amount lost to frauds and forgeries in the quarter under review, while armed robberies and fraudulent withdrawals accounted for ₦91.67 million (9.34 percent) and ₦90.20 million (9.19 percent) respectively. **Appendix III** graphically illustrates the amount that was actually lost to frauds and forgeries, while **Appendix IV** compares the amount lost with the amount involved.

Statistics also revealed that in 1,379 cases (91.87 percent), there was a predominance of outsider involvement in reported cases of frauds, while banks' employees were involved in 117 cases (7.79 percent) and fraud perpetrators colluded with bank employees in 4 (0.27) of the cases reported.

The returns also showed that 51 bank employees had their appointments terminated on the grounds of frauds and forgeries during the third quarter of 2012. This signifies a rise of 24.39 percent when compared with 41 bank employees whose appointments were terminated in the preceding quarter on similar grounds. This increase signifies the efforts of banks in reprimanding defaulting staff, who neither comply with policies and procedures nor seek to promote the ethical standards of the banking industry.

Conclusion and Recommendation

By and large, the findings from this report show some improvement. First, there was a significant decline in the total amount involved in frauds and forgeries during the third quarter, as it fell to ₦4.15 billion, from ₦9.92 billion in the second quarter. In the same vein, the total amount lost to frauds in the period under review dropped, by ₦981.50 million, down from ₦992.63 million and ₦1.23 billion in the second and first quarters respectively. However, there was a marginal increase in the total number of fraudulent cases reported in the industry, as it grew from 847 in the first quarter to 1,103 and 1,501 in the second and third quarters respectively. These are clearly illustrated in **Appendices V-VII**.

On the other hand, a review of data from the corresponding period in 2011 shows a considerable rise in the total number of cases involved in frauds and forgeries to 1,501 in the third quarter of 2012 from 519 recorded in the third quarter of 2011, indicating an astronomical rise of 189.21 percent. In the same way, the total amount involved and total amount lost to fraudulent activities

surged dramatically to ~~N~~4.15 billion and ~~N~~981.50 million respectively during the period under review, from ~~N~~1.19 billion and ~~N~~656.41 million recorded in the third quarter of 2011, indicating an upsurge of 249.70 percent and 49.53 percent respectively. See **Appendices VIII-X** for further details.

Evidently, performances on the various parameters used in evaluating the impact of frauds and forgeries during the period under review are cheering for the current year but daunting if considered against the same period in 2011. In the light of this, the operators and regulators should consider it imperative to proactively ensure that stringent and impermeable control measures are sustained to avert fraudulent attempts. Adequate training should also be given to banks' staff on the various loop-holes being explored by perpetrators, at periodic intervals with regular review of related policies.

Note: Please see the appendices for summaries of the cases of frauds and forgeries covered in this report, with comparisons between the third quarters of 2011 and 2012 on selected concerns.

Appendix I: Frauds and Forgeries in the Nigerian Banking Industry (Third Quarter, 2012)

| 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 | 2 (0.13) | 2 (1.71) | 0 (0) | 0 (0) | 0 (0) | 654,000.00 (0.02) | 0 (0) | 0 |
| 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 | 79 (5.26) | 2 (1.71) | 77 (5.58) | 0 (0) | 0 (0) | 77,271,547.00 (1.86) | 32,344,555.00 (3.30) | 41.9 |
| Printing Of Bank Document Illegally | 3 (0.20) | 1 (0.85) | 2 (0.15) | 0 (0) | 0 (0) | 29,852,388.80 (0.72) | 0 (0) | 0 |
| Clearing Fraud | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 |
| Computer Fraud | 86 (5.73) | 1 (0.85) | 84 (6.09) | 1 (25.00) | 0 (0) | 143,571,016.97 (3.46) | 69,087,588.98 (7.04) | 48.1 |
| Telex Fraud | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 |
| Foreign Exchange Fraud | 4 (0.27) | 2 (1.71) | 2 (0.15) | 0 (0) | 0 (0) | 16,223,524.49 (0.39) | 12,032,822.02 (1.23) | 74.2 |
| Cross Firing Of Cheques and Kite Flying | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 |

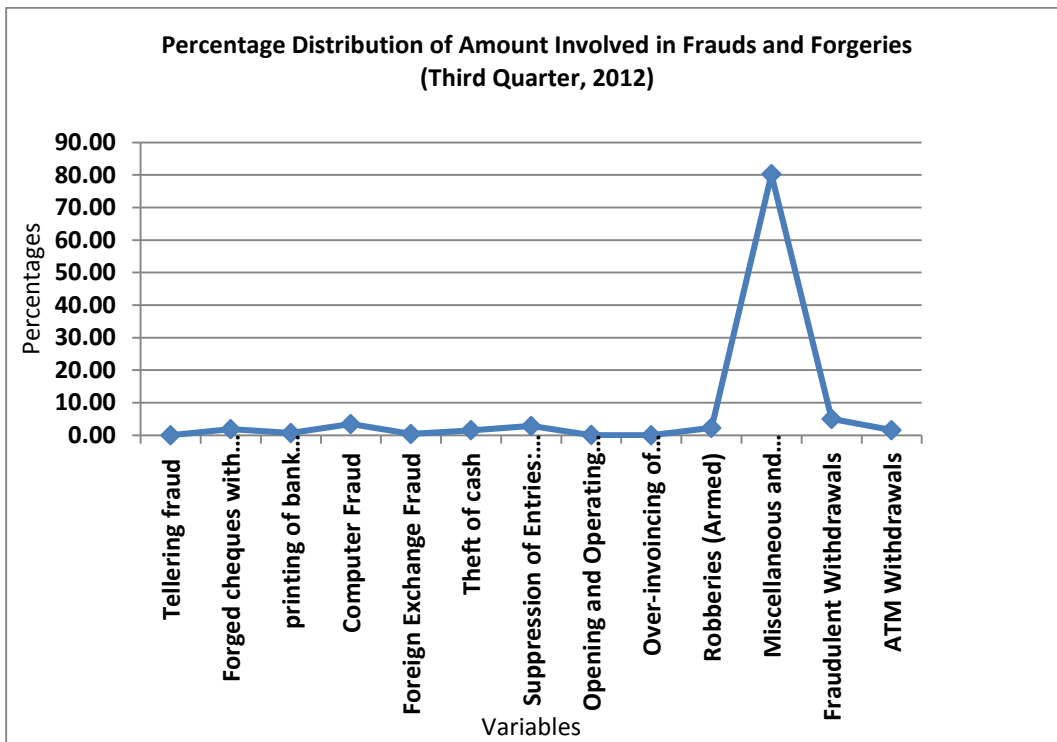
Note: All figures in parenthesis () indicate percentages

Appendix I Contd: Frauds and Forgeries in the Nigerian Banking Industry (Third Quarter, 2012)

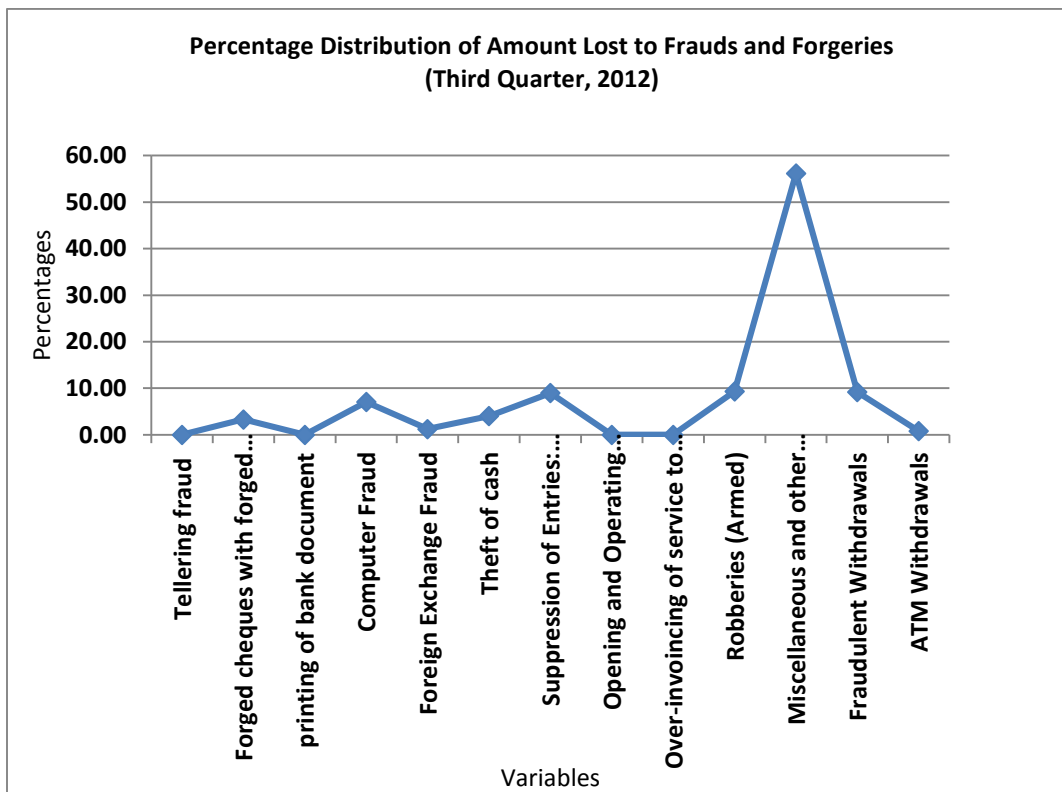
| Types of Fraud | Total Number Of Cases Reported | Involving Bank Staff Only | Involving Outside Persons Only | Collusion | Not Specified | Amount Involved(₦) | Actual /Expected Loss (₦) | Expected Loss/ Amount Involved (%) |
|---|--------------------------------|---------------------------|--------------------------------|--------------|---------------|-----------------------------|---------------------------|------------------------------------|
| Theft of Cash | 15 (1.00) | 12 (10.26) | 2 (0.15) | 0 (0) | 1 (100) | 63,167,771.50 (1.52) | 39,463,291.50 (4.02) | 62.5 |
| Suppression of Entries: Cash/Cheques | 55 (3.66) | 52 (44.44) | 3 (0.22) | 0 (0) | 0 (0) | 118,645,521.62 (2.86) | 88,020,437.79 (8.97) | 74.2 |
| Opening and Operating Fraudulent Loans and Accounts | 6 (0.40) | 1 (0.85) | 5 (0.36) | 0 (0) | 0 (0) | 2,683,173.42 (0.06) | 0 (0) | 0 |
| Over-Invoicing of Service to the Bank | 1 (0.07) | 1 (0.85) | 0 (0) | 0 (0) | 0 (0) | 21,000 (0) | 0 (0) | 0 |
| Robberies (Armed) | 13 (0.87) | 0 (0) | 13 (0.94) | 0 (0) | 0 (0) | 93,760,283.20 (2.26) | 91,672,153.20 (9.34) | 97.8 |
| Fictitious Bank Branches | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 |
| Miscellaneous and Other Types of Fraud | 162 (10.79) | 30 (25.64) | 131 (9.50) | 1 (25.00) | 0 (0) | 3,328,598,781.33 (80.23) | 551,027,708.43 (56.14) | 16.6 |
| Fraudulent Withdrawals | 102 (6.80) | 13 (11.11) | 87 (6.31) | 2 (50.00) | 0 (0) | 209,203,544.88 (5.04) | 90,204,708.81 (9.19) | 43.1 |
| ATM Withdrawals | 973 (64.82) | 0 (0) | 973 (70.56) | 0 (0) | 0 (0) | 64,929,757.29 (1.57) | 7,645,891.53 (0.78) | 11.8 |
| TOTAL | 1,501 | 117 | 1,379 | 4 | 1 | 4,148,582,310.50 | 981,499,157.26 | 448.1 |

Note: All figures in parenthesis () indicate percentages

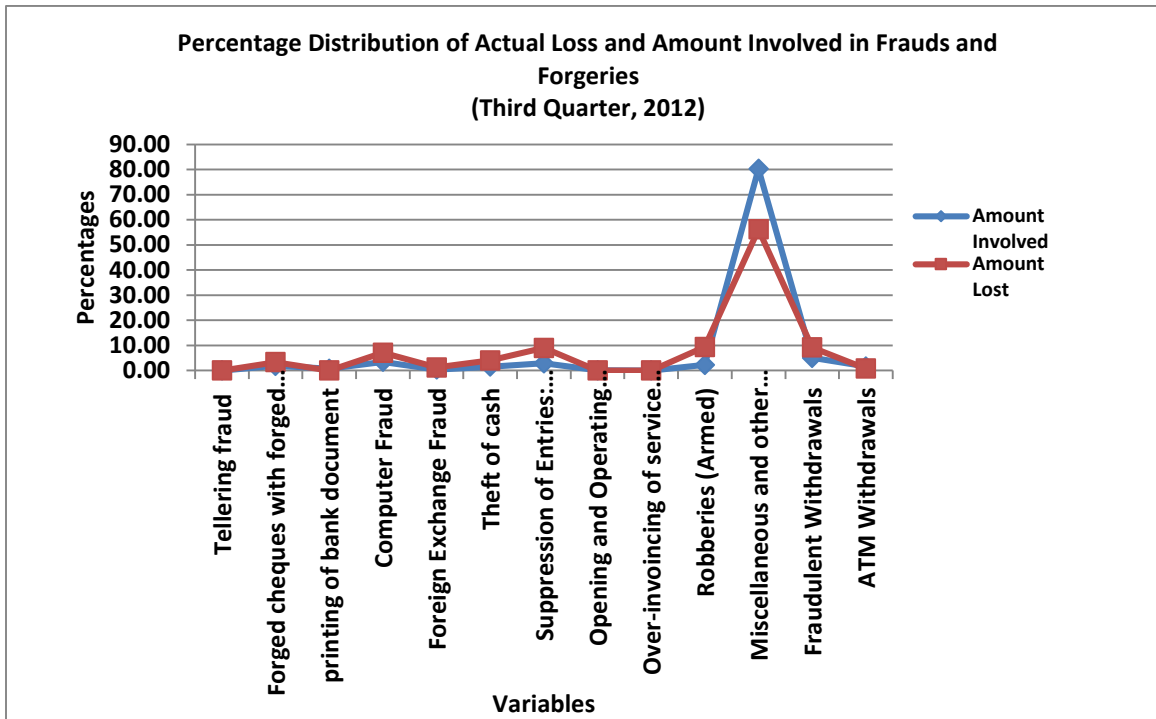
Appendix II



Appendix III



Appendix IV

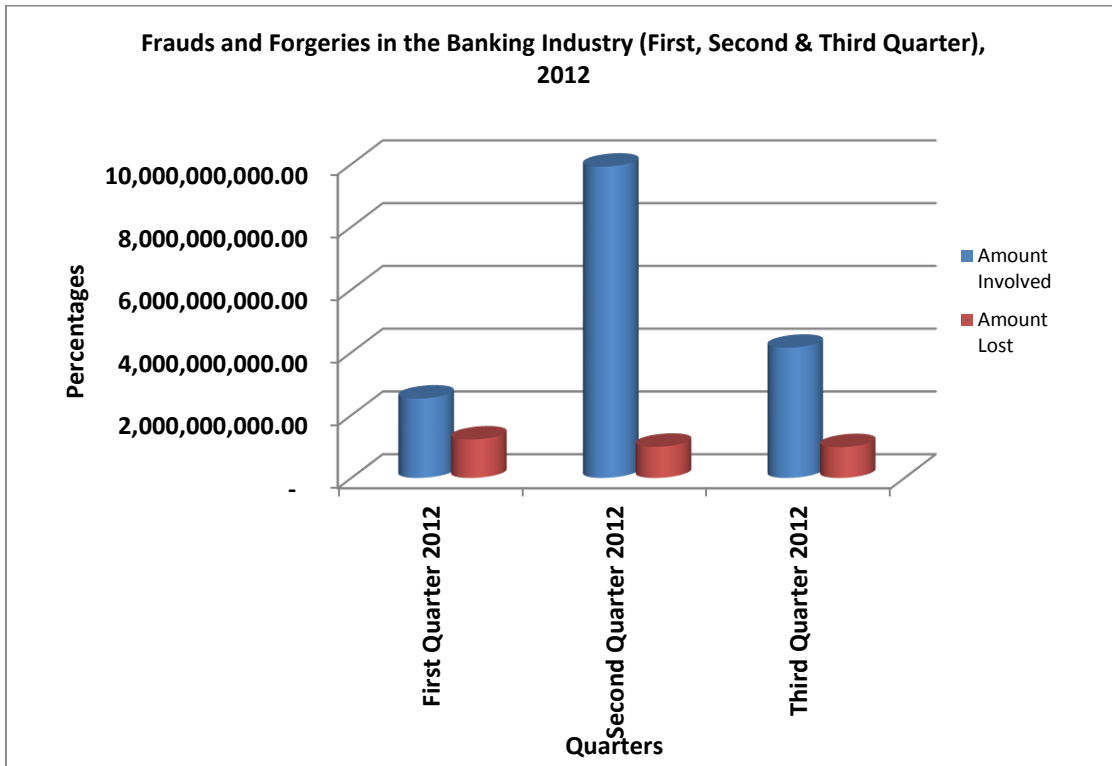


Frauds and Forgeries in the Banking Industry: A Comparison of First, Second and Third Quarters, 2012.

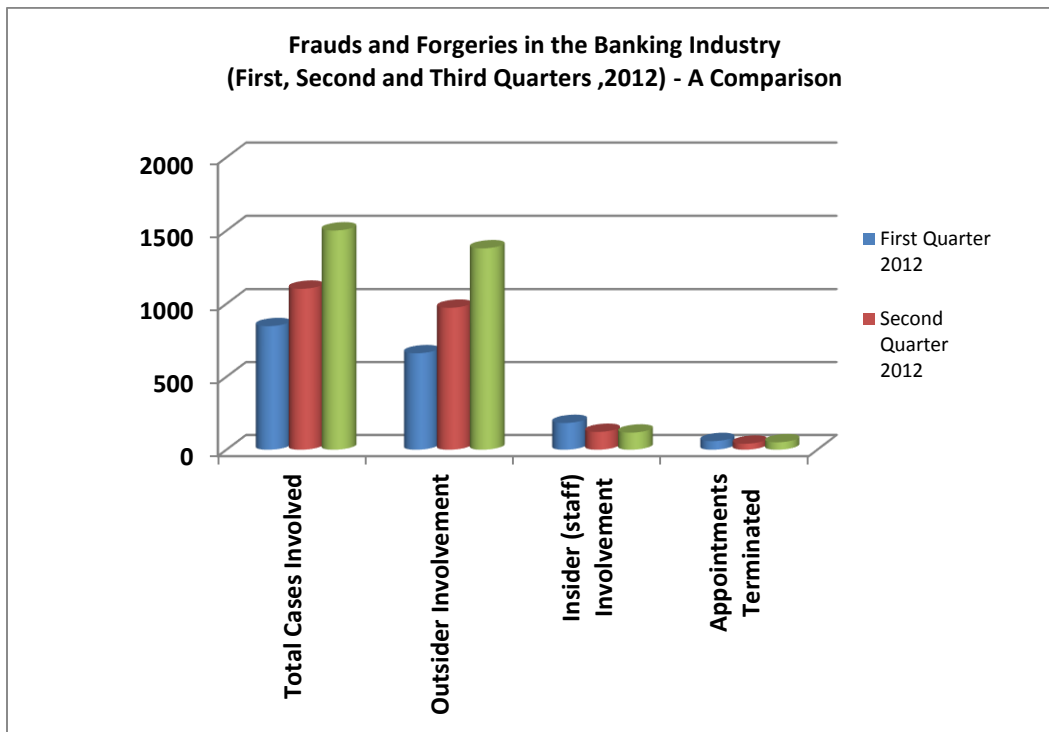
Appendix V

| S/n | Variables | First Quarter, 2012 | Second Quarter, 2012 | Third Quarter, 2012 |
|-----|-----------------------------|---------------------|----------------------|---------------------|
| 1 | Total Cases Involved | 843 | 1,103 | 1,501 |
| 2 | Total Amount Involved | ₦2,529,326,777.25 | ₦9,920,198,383.20 | ₦4,148,582,310.50 |
| 3 | Total Amount Lost | ₦1,225,426,399.07 | ₦992,631,884.18 | ₦981,499,157.26 |
| 4 | Outsider Involvement | 661 | 973 | 1,379 |
| 5 | Insider (staff) Involvement | 183 | 122 | 117 |

Appendix VI



Appendix VII



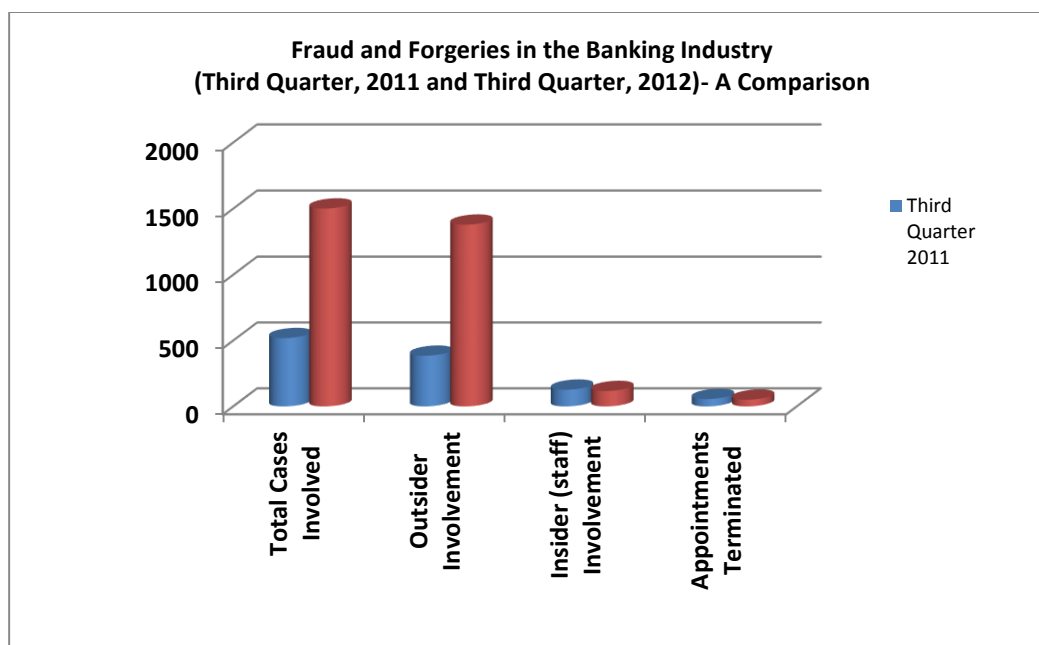
Frauds and Forgeries in the Banking Industry

(Third Quarter, 2011 and Third Quarter, 2012) - A Comparison

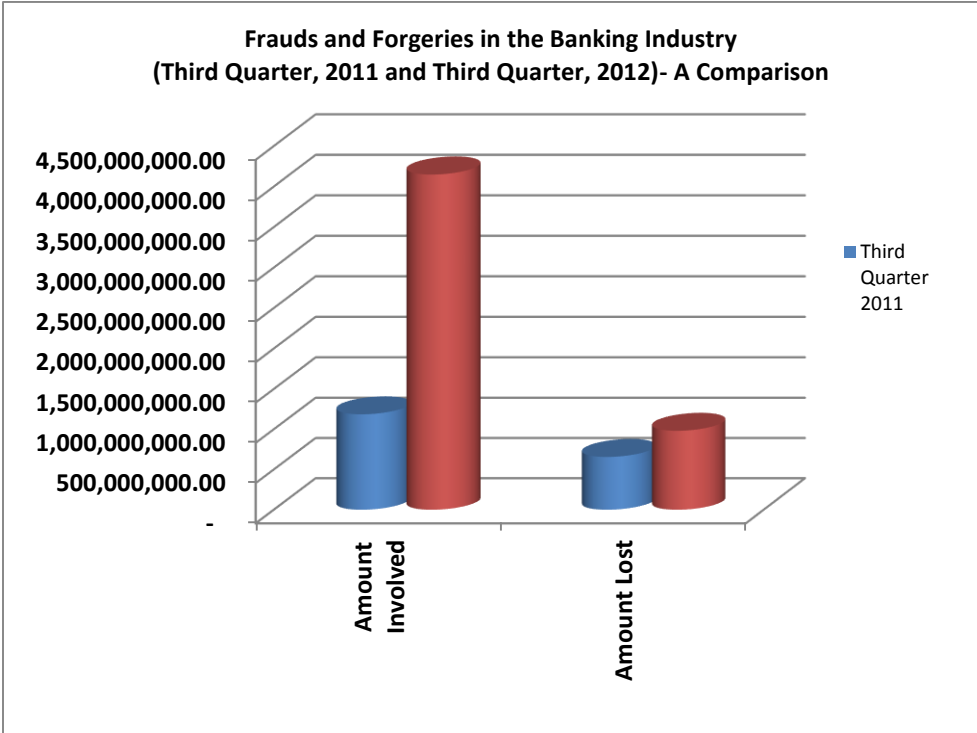
Appendix VIII

| S/n | Variables | Third Quarter, 2011 | Third Quarter, 2012 |
|-----|-----------------------------|-------------------------------|-------------------------------|
| 1 | Total Cases Involved | 519 | 1,501 |
| 2 | Total Amount Involved | ₦ 1,186,329,901.20 | ₦ 4,148,582,310.50 |
| 3 | Total Amount Lost | ₦ 656,406,798.62 | ₦ 981,499,157.26 |
| 4 | Outsider Involvement | 385 | 1,379 |
| 5 | Insider (staff) Involvement | 127 | 117 |
| 6 | Appointments Terminated | 56 | 51 |

Appendix IX



Appendix X





Report on Frauds and Forgeries in Banks

October - December, 2012

Report on Frauds and Forgeries in the Nigerian Banking Industry for the period October - December, 2012

FITC received 61 returns from 21 deposit money banks (including the legacy FinBank Plc) in the fourth quarter of 2012. Of these returns, 22 were received for the month of October, while 20 were received for November, and 19 returns were received for December.

During the reviewed period, the banking industry reported a total of 1,694 cases of frauds and forgeries, compared to 1,501 cases that were reported in the preceding period (July-September, 2012), indicating an increase of 12.86 per cent. The types of fraud that were predominantly perpetrated during the period include: fraudulent automated teller machines (ATM) withdrawals, computer fraud, forged cheques with forged signatures, theft of cash, suppression of entries, other forms of fraudulent withdrawals as well as miscellaneous and other types of fraud. Classified under miscellaneous and other types of fraud were diversion of customers' funds, fraudulent debit of general ledger, fraudulent cash deposit alert, misappropriation of funds, impersonation, conversion of dividend warrants, fraudulent liquidation of customers' fixed deposits, and unauthorized credit, amongst others. Kindly see **Appendix I** for further details.

During the reviewed period, total amount of money involved in reported cases of frauds and forgeries dropped significantly to ₦2.46 billion from ₦4.16 billion that was recorded in the previous quarter, indicating a decline of 40.60 per cent. **Appendix I** shows that miscellaneous and other types of fraud ranked first with ₦1.47 billion (59.46 per cent) of the total amount involved in frauds and forgeries; computer fraud ranked second with ₦414.03 million (16.80 per cent); while fraudulent withdrawals ranked third with ₦127.47 million (5.17 per cent) of the total amount involved in frauds and forgeries.

Analysis of the returns revealed that miscellaneous and other types of fraud fell significantly to ₦1.47 billion from ₦3.33 billion recorded in the previous quarter, depicting a significant decrease of 55.98 per cent. Similarly, fraudulent withdrawals and suppression of entries plummeted to ₦127.47 million and ₦68.28 million respectively, from ₦209.20 million and ₦118.65 million recorded in the preceding quarter, representing a fall of 39.07 per cent and 42.45 per cent respectively. However, computer fraud and operating fraudulent loans and account increased considerably to ₦414.09 million and ₦62.71 million, from ₦143.57 million and ₦2.68 million posted in the preceding period, indicating an alarming increase of 188.38 and 2,237.31 per cent respectively. Further graphic representation of the amount involved in the reported cases of frauds and forgeries are contained in **Appendix II**.

The returns also indicated that out of the total sum of ₦2.46 billion that was estimated to be involved in frauds and forgeries during the period under review, ₦1.53 billion (61.93 per cent) was actually lost to frauds and forgeries. The difference of ₦938.14 million (38.07 per cent) was recovered either through efforts of banks' staff in complying with established rules and procedures, adherence to internal control measures and standards, as well as the intervention of anti-graft and law enforcement agencies.

Further analysis of the returns showed that miscellaneous and other types of fraud accounted for ₦1.03 billion (67.35 per cent) of the total amount lost to fraudulent activities, while computer fraud and armed robberies accounted for ₦235.82 million (15.45 per cent) and ₦70.25 million (4.60 per cent) respectively. **Appendix III** presents the amount that was actually lost to frauds and forgeries during the period under review, while comparison of the amount lost with the amount involved during the period is graphically represented in **Appendix IV**.

During the reviewed period, there was predominance of external involvements in most of the reported cases of fraud. While outsiders were involved in 1,533 (90.50 per cent) fraud cases, 155 (9.15 per cent) frauds were perpetrated by employees of banks, and fraudsters colluded with banks' employees in 6 (0.35 per cent) of the reported cases.

The returns also revealed that 70 bank employees were dismissed as a result of their involvement in fraudulent activities. This represents an increase of 37.25 per cent, as against 51 bank employees that were dismissed on similar grounds in the preceding quarter. This indicates that banks are getting intolerable of unethical and fraudulent conducts among their employees.

Conclusion and Recommendations

There was significant reduction in the amount that was involved in frauds and forgeries during the fourth quarter of 2012; however, it is worrisome that some of the other parameters used to assess frauds and forgeries indicated increasing trends during the reviewed period. For instance, while the total amount that was involved in frauds and forgeries dropped to ₦2.46 billion (down from ₦4.15 billion and ₦9.92 billion in the third and second quarters respectively), total amount that was lost to frauds and forgeries rose to ₦1.53 billion in the period under review, up from ₦981.50 million and ₦992.63 million in the third and second quarters respectively. Similarly, there was an upsurge in the total number of fraudulent cases that were reported in the banking industry in 2012 to 1,694, from 1,501, 1,103 and 847 in the third, second and first quarters of the year respectively. Further illustrations are contained in **Appendices V-VII**.

Observable data from the corresponding period of 2011 indicated a fall in the total amount involved as well as the total amount actually lost to frauds and forgeries

in the reviewed period to ₦2.46 billion and ₦1.53 billion, from ₦19.77 billion and ₦1.88 billion, thus representing a decrease of 87.53 per cent and 18.90 per cent respectively. See **Appendices VIII-X** for further details.

The persistent rise in the number of fraud perpetrators in the banking industry is quite worrisome, and it will require the efforts of all stakeholders to stem this trend. While the banks continue to uphold zero tolerance for unethical practices among their staff by sanctioning such employees; also, all mitigating measures including internal controls and procedures, sufficient background check on staff during recruitment processes, as well as employee orientation on life style risks associated with fraud vulnerabilities must be strictly adhered to, in order to further minimize the incidence of frauds and forgeries in the industry.

Note: Please see the appendices below for summaries of the cases of frauds and forgeries covered in this report, with comparisons between the fourth quarters of 2011 and 2012 on selected concerns.

Appendix I: Frauds and Forgeries in the Nigerian Banking Industry (Fourth Quarter, 2012)

| 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 | 3 (0.18) | 3 (1.94) | 0 (0) | 0 (0) | 0 (0) | 3,065,191.00 (0.12) | 2,255,191.00 (0.15) | 73.6 |
| Forged Cheques with Forged Signature | 97 (5.73) | 4 (2.58) | 93 (6.07) | 0 (0) | 0 (0) | 82,695,947.00 (3.36) | 5,115,500.00 (0.34) | 6.2 |
| Clearing Fraud | 8 (0.47) | 0 (0) | 8 (0.52) | 0 (0) | 0 (0) | 48,915,335.00 (1.98) | 10,480,000.00 (0.69) | 21.4 |
| Computer Fraud | 200 (11.81) | 4 (2.58) | 196 (12.79) | 0 (0) | 0 (0) | 414,028,988.32 (16.80) | 235,818,934.85 (15.45) | 57.0 |
| Foreign Exchange Fraud | 7 (0.41) | 2 (1.29) | 5 (0.33) | 0 (0) | 0 (0) | 4,563,251.00 (0.19) | 3,421,432.00 (0.22) | 75.0 |
| Theft of Cash | 35 (2.07) | 23 (14.84) | 12 (0.78) | 0 (0) | 0 (0) | 57,969,333.72 (2.35) | 39,335,000.00 (2.58) | 67.9 |
| Suppression of Entries: Cash/Cheques | 67 (3.96) | 60 (38.71) | 7 (0.46) | 0 (0) | 0 (0) | 68,279,748.80 (2.77) | 47,439,624.64 (3.11) | 69.5 |

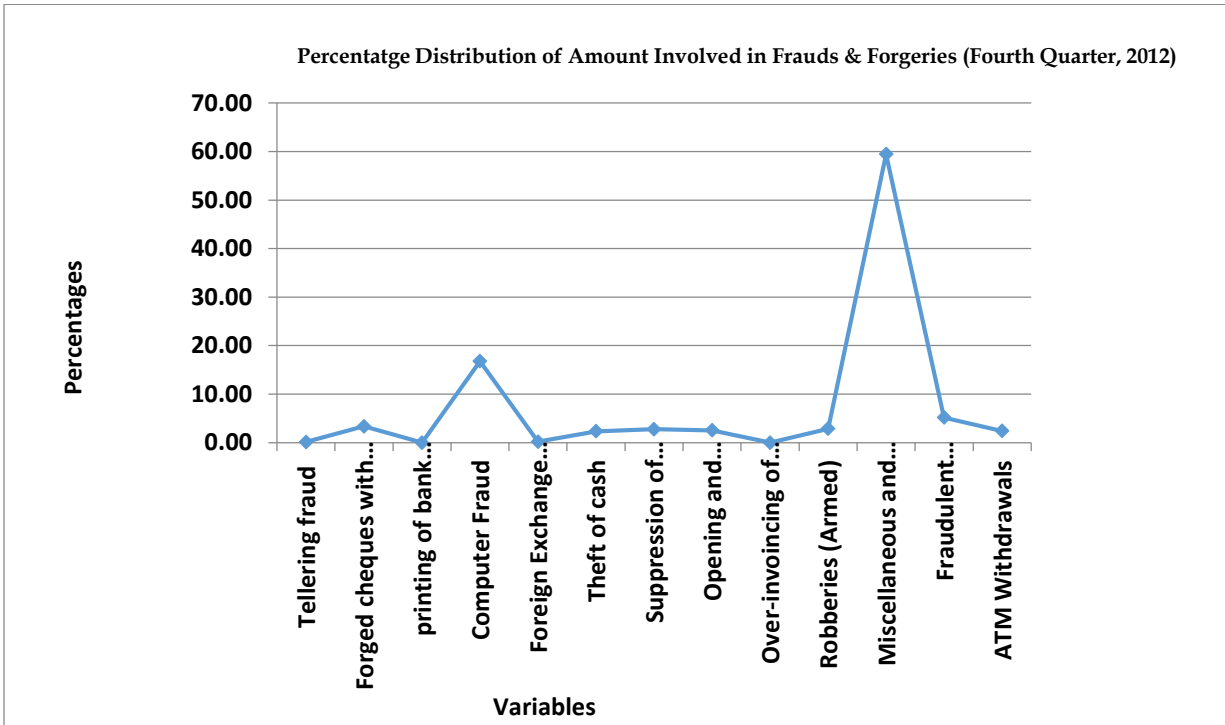
Note: All figures in parenthesis () indicate percentages

Appendix I (continuation): Frauds and Forgeries in the Nigerian Banking Industry (Fourth Quarter, 2012)

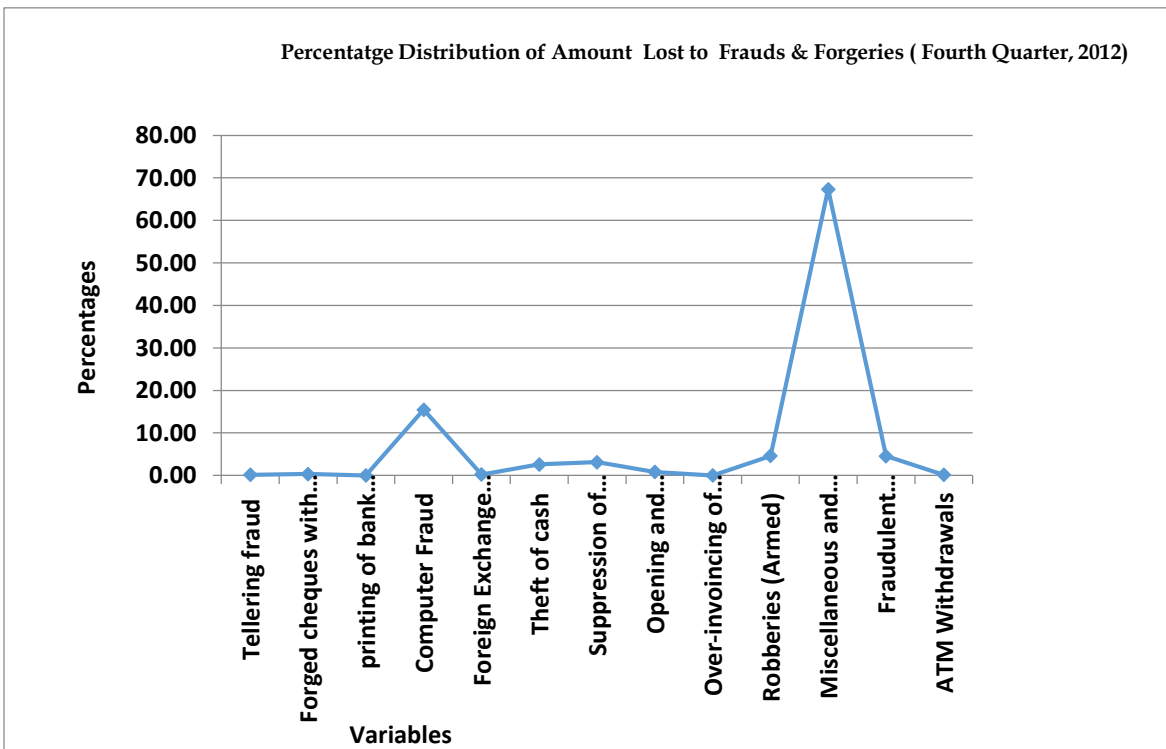
| Types of Fraud | Total Number Of Cases Reported | Involving Bank Staff Only | Involving Outside Persons Only | Collusion | Not Specified | Amount Involved(₦) | Actual/Expected Loss (₦) | Expected Loss/ Amount Involved (%) |
|--|---------------------------------------|----------------------------------|---------------------------------------|------------------|----------------------|-----------------------------|---------------------------------|---|
| Opening and Operating Fraudulent Loans and Accounts | 4 (0.24) | 1 (0.65) | 3 (0.20) | 0 (0) | 0 (0) | 62,714,150.00 (2.54) | 12,805,121.00 (0.84) | 20.4 |
| Robberies (Armed) | 13 (0.77) | 0 (0) | 13 (0.85) | 0 (0) | 0 (0) | 70,293,755.90 (2.85) | 70,246,755.90 (4.60) | 99.9 |
| Miscellaneous and Other Types of Fraud | 151 (8.91) | 34 (21.94) | 116 (7.57) | 1 (16.67) | 0 (0) | 1,465,292,951.76 (59.46) | 1,027,970,945.99 (67.35) | 70.2 |
| Fraudulent Withdrawals | 118 (6.97) | 23 (14.84) | 90 (5.87) | 5 (83.33) | 0 (0) | 127,469,336.79 (5.17) | 69,329,330.32 (4.54) | 54.4 |
| ATM Withdrawals | 991 (58.50) | 1 (0.65) | 990 (64.58) | 0 (0) | 0 (0) | 59,163,542.50 (2.40) | 2,090,381.25 (0.14) | 3.5 |
| Total | 1,694 | 155 | 1,533 | 6 | 0 | 2,464,451,531.79 | 1,526,308,216.95 | 618.9 |

Note: All figures in parenthesis () indicate percentages

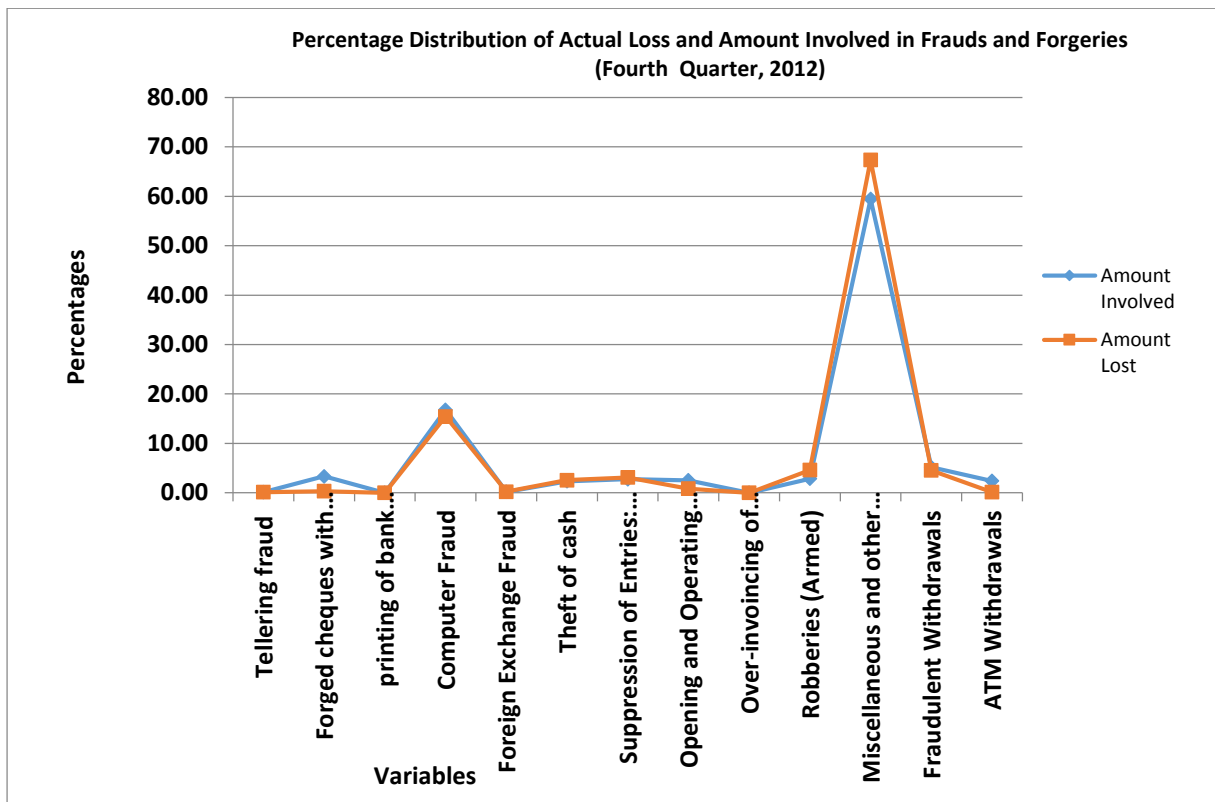
Appendix II



Appendix III



Appendix IV

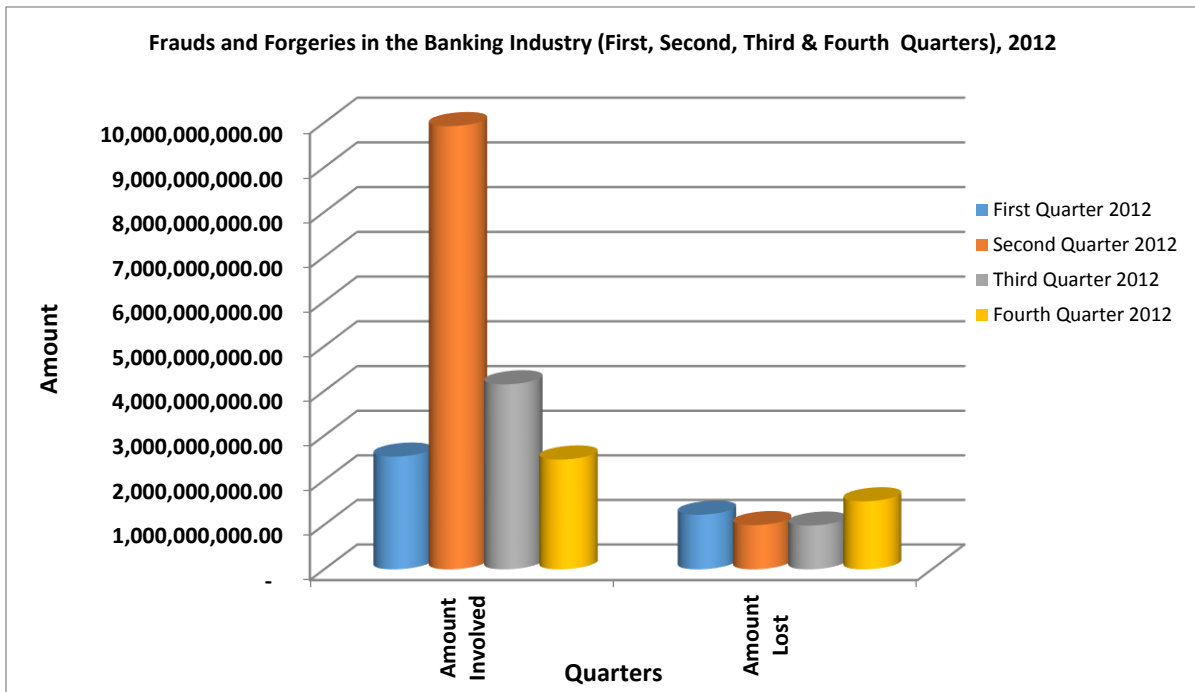


Appendix V

Frauds and Forgeries in the Banking Industry: A Comparison of 1st, 2nd, 3rd & 4th Quarters, 2012

| S/N | Variables | 1st Quarter, 2012 | 2nd Quarter, 2012 | 3rd Quarter, 2012 | 4th Quarter, 2012 |
|-----|-----------------------------|-------------------|-------------------|-------------------|-------------------|
| 1 | Total Cases Involved | 847 | 1,103 | 1,501 | 1,694 |
| 2 | Total Amount Involved | N2,529,326,777.25 | N9,920,198,383.20 | N4,148,582,310.50 | N2,464,451,531.79 |
| 3 | Total Amount Lost | N1,225,426,399.07 | N992,631,884.18 | N981,499,157.26 | N1,526,308,216.95 |
| 4 | Outsider Involvement | 661 | 973 | 1,379 | 1,533 |
| 5 | Insider (staff) Involvement | 183 | 122 | 117 | 155 |
| 6 | Appointments Terminated | 59 | 41 | 51 | 70 |

Appendix VI



Appendix VII

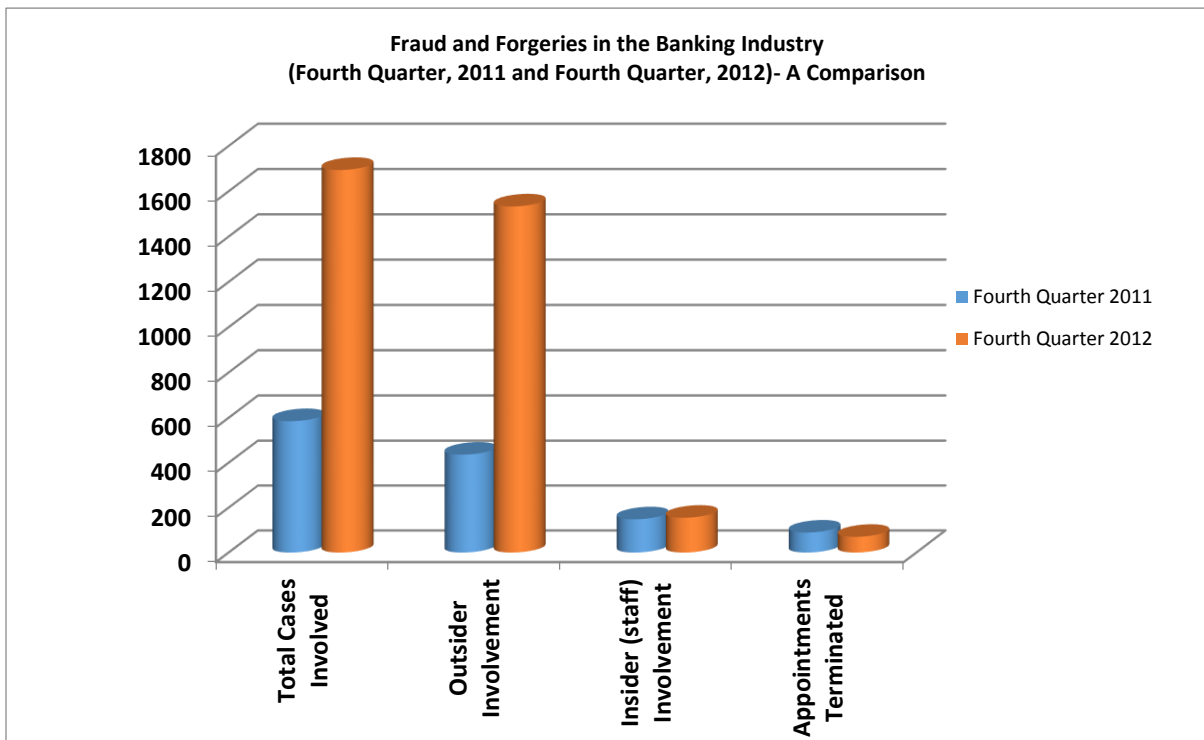


Appendix VIII

Frauds and Forgeries in the Banking Industry (Fourth Quarter, 2011 and Fourth Quarter, 2012) - A Comparison

| S/N | Variables | Fourth Quarter, 2011 | Fourth Quarter, 2012 |
|-----|-----------------------------|----------------------|----------------------|
| 1 | Total Cases Involved | 585 | 1,694 |
| 2 | Total Amount Involved | N19,768,507,714.39 | N2,464,451,531.79 |
| 3 | Total Amount Lost | N1,881,901,686.26 | N1,526,308,216.95 |
| 4 | Outsider Involvement | 436 | 1,533 |
| 5 | Insider (staff) Involvement | 148 | 155 |
| 6 | Appointments Terminated | 89 | 70 |

Appendix IX



Appendix X

