

## **Bank Frauds and Forgeries in Nigeria: A Study of the Causes, Types, Detection and Prevention.**

<sup>1</sup>Oloidi, Gabriel Adebayo, <sup>2</sup>Ajinaja, Olatunde Topson

<sup>1</sup>Faculty of Business Studies Rufus Giwa Polytechnic Owo, Ondo State, Nigeria

<sup>2</sup>Department of Banking and Finance Faculty of Business Studies Rufus Giwa Polytechnic Owo, Ondo State, Nigeria

---

**Abstract:** This paper focused on the causes, types, detection and prevention of frauds and forgeries [F&Fs] in the Nigerian banking sector. Questionnaire was designed to collect data from 81 bank branches in the south west. Findings revealed that the major factor in play was the problem of effective internal control system and enforcement of strict adherence. It was recommended that banks should install effective internal control system and enforce strict adherence.

**Keywords:** Frauds and forgeries, Banking System, Internal Control System

---

### **I. Introduction**

There appears to be little doubt about the fact that frauds and forgeries [F&Fs] in banks are a matter of the greatest concern to bankers, the monetary and political authorities and the generality of Nigerians today. The problem is definitely serious because such fraudulent practices had led to the collapse of some banks before the consolidation of the banking system and is still crippling the expected growth of many banks in the area of profitability. F&Fs are not new, according to Sydney [1986], they are as old as the banking industry itself. Judging by the facts available in respect of major frauds perpetrated in the past and considering their successive successes, the sophistication involved in terms of planning and carrying out of operations, Famodimu [1986] painfully reiterated the fact that fraud is an upcoming sector of the invisible yet forceful industry called crime. That was in 1986, about 27 years ago. F&Fs are the number one enemy of the banking system. It is not only limited to developing country but also a complex universal phenomenon rampant in the developed countries also [Nwankwo 1991]. It is one of the most intractable problems of modern day banking. Every responsible management of the bank, therefore, should make it a priority to improve vigilance every day as millions of naira are still being lost to F&Fs on daily basis [Olufidipe, 1994]. The extent of frauds in banks has continued to escalate rather than abated.

The status of F&Fs has not significantly changed. Okon and Unugbro [2003] comments were not seriously at variance with those of their predecessors. They confirm that F&F are still on the increase. Anywhere there is financial transactions, there is fraud. Ever before the 20<sup>th</sup> century, F&F had been increasing. The same trend continued in this century. Most banks will not publish F&F cases so as to protect their image in the public.

The evolving fraud landscape around banking and the increase in fraud-related losses requires electronic handling and detection system beyond the conventional practices. Robust fraud defence processes involving behavioural re-orientation and moral suasion go a long way.

It is an understatement to say that it is difficult to estimate the costs of fraudulent activities and forgeries to the community. Fraud and forgeries cost the banking industry as well as the whole nation considerably more than any type of crime. No one, whether they be victims or not is immune from the cost. Shareholders bear the brunt through business losses resulting in depleted earnings. Customers would share business losses through service cost increase. Bank armed robbery is another menace whose incidence is at a geometrical progression on victim banks. Millions of Naira/Dollars are carted away, giving a single lucky attack. Losses from bank armed robbers are beyond financial, involving destruction of lives and properties.

### **II. Objectives of the Paper**

The main thrust of this paper is to examine the causes, types, detection and prevention of F&Fs within the feasible internal banking system. It is believed that if the internal system, processes and assets are deflated from F&Fs, external effect of F&Fs would definitely be reduced; charity, at least, begins at home. Those causes, types, detection and prevention are ranked in order of viciousness.

The study therefore considers it quite timely and apt to analytically substantiate causes, types, detection and prevention of F&Fs and ranks in order of criticality/importance.

### **III. Review of Related Literature**

#### **Fraud**

Fraud encompasses a wide range of illicit practices and illegal acts involving intentional deception or misrepresentation. The Institute of Internal Auditors "International Professional Practices Framework [IPPF] quoted in ACL [2010] defines fraud as: "...any illegal act characterized by deceit, concealment or violation of trust". These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organizations to obtain money, property or services to avoid payment or loss of services or to become personal or business advantage".

There is no single definition of what fraud means. However, only false representation, abuse of position or the prejudicing of someone's right for direct benefit or indirect benefit can be regarded as criminal activity and is fraudulent. Contextually, these definitions suffice for this study.

#### **Forgeries**

Forgeries on the other hand are fraudulent copying and the use of customers account, irrespective of the type of bank account. The act can be committed only if written document is falsified or altered for the purpose of doing injury to another person or corporate. In legal terms, Adekanye [1986:7] quoted forgery as "...any alteration of a writing...made with intent to defraud is therefore forgery. Where a signature on a bill is forged or placed thereon without the authority of the person whose signature it purports to be, the forged or unauthorized signature is wholly not operative and no right to retain the bill or give a discharge therefore, or enforce payment thereof against any party thereto, can be acquired through or under that signature unless the party against whom it is sought to enforce payment is stopped from setting up the forgery or want of authority [p.7].

Forgeries in banking transactions can be perpetrated by falsifying entries in the accounts of customers by bank officials as well as customers. A summary of the above shows that forgery is a type of frauds which falsify or manipulate documents. Basically it must be proved that:

1. there is falsification in writing or alteration of an instrument
2. instrument is apparently capable of defrauding and
3. an intent to defraud.

Experience has shown that most of such forgeries are perpetrated by internal staff or by outsider who act in collusion with bank staff. According to Nwaze [2008], these bank employees release the specimen signature of the customers being forged.

#### **Computer [Aided] Frauds**

A brief discussion on computer fraud is necessary because banks were among the leading sectors of the economy to computerize their systems. It can be reasonably induced that some of the banks frauds involve the use of computers. The term "computer frauds" may seem ambiguous because a computer is not an animate object. It cannot therefore be fraudulent neither can it commit fraud. It appears misnomer, as people, not computers, commit fraud. This made some sources refer to computer assisted or aided fraud as an alternative. However, since "computer fraud" is in common usage, the term will be adopted in this research. In the report of their interim research findings, Collier, Dixon and Marston [1984:24] defined computer fraud as "any fraudulent behavior connected with computerization by which someone intends to gain dishonest advantage". It is also important to note David Nausman's argument in Vann [1985:22] that computer crimes "are those acts where there's a direct involvement of computers to commit the crimes, as against the situation where the act occurred outside of the computer system but was later processed genuinely by it".

Computer frauds can be perpetrated through input, files and programs manipulations, Trojan horse viciousness and operations manipulations such as the "Salami" technique [deducting a very negligible amount like 10k or less from a large number of accounts, the super zapping. The activities of hackers, according to [Oloidi, 2005:3], constitute computer fraud because any intentional unauthorized access to a protected computer for the purpose of obtaining restricted data, obtaining confidential financial information, using computer which is intended for organizational use, damaging or destroying information contained in the computer are classified computer frauds. The definition of Flor [2009:3] is not seriously different from the above. He defined computer [related] fraud as the causing of a loss of property to another person by any input, alteration, detection or suppression of computer data; any interference with the functioning of a computer system, with the fraudulent or dishonest intent of procuring, without right, an economic benefit for oneself or for another person.

Contextually, computer fraud is any fraudulent or criminal deception with computer system directly or indirectly, to obtain an unjust or illegal advantage for financial gains, and as such applicable in the banking system.

#### **Causes of Frauds and Forgeries**

The causes of frauds and forgeries can be classified into primary and secondary. A primary cause of a problem may be overlooked in some cases, chasing the secondary causes.

### **Primary Causes**

The general level of corruption, outrageous unemployment, serious social decadence wrong societal value system and deficient legal processes/systems supported with bad governance are a few of the likely primary causes. These causes are inter-related and with time are getting holistic in nature.

## **IV. Corruption**

Corruption definition and conceptualization has long been ideologically, morally, culturally, politically and intellectually elusive to the point of losing sight of its detrimental and parasitic symbiosis with many polities including Nigeria and their citizens all over the world [Akindele, 2005:7]. Instead of giving direct definition, Shogunle [2012:2] gives some features to identify corruptions:

- 1 any crime carried out primarily for economic gain
- 2 any crime requiring some form of organization [i.e interaction, no one man show]
- 3 any crime involving the use or non – use or misuse of legitimate power, authority, force, techniques or commerce, industry or public service and administration.

It ranges from its typification as using of public or official positions in ways that forsake public interest,... to its conceptualization as spoiled, unethically polluted and rotten behaviours that diverge from the formal and expected role which the society demands from everybody [Akindele, 2005:9].

Frauds and forgeries are direct consequences of corruption.

### **Derogatory Value System and Social Decadence**

The country has been plaque with misplaced value system; your sources of wealth do not matter. An armed robber can even organized thanksgiving in the church to demonstrate his robbery success. The moment you are in any public position either a political or career consideration, people celebrate with ignominy. It is rampant to see Commissioners, Head of Services, and Ministers etc organizing parties to celebrate their appointments because they use such opportunities to siphon public funds.. Accountability, transparency and integrity have been thrown into the muds. Some National assembly members become small gods immediately they grab the voters' mandate. An escape route for non-politicians and people with less privilege positions and poor financial status to measure up with influential members of the public is to option for frauds and forgeries. Covetousness leads many bank officials into victims of 419 and other detrimental financial implications on the employer bank.

### **Outrageous Unemployment**

The perspective of unemployment is the idle hands syndrome that devil uses. The issue of unemployment has gone beyond imagination. The entrepreneurship crusade has been frustrated by two major pivots of the Nigerian economy. The electricity problem from Never Expect Power Always [NEPA] to holding [or Hoarding Power] called Power Holding Company and unbearable cost of fuel in form of petrol. To avoid the monstrous power cancer worm is to experience the cruel stink of fuel cost. Many have been frustrated. Those who could not develop other coping strategies to unemployment resulted to arm robbery, advance fee fraud. 419 frauds, forgeries and all known financial criminalities. They intimate members [mainly youth between 18 years to 30 years] into their "cults" every day. Official [government friendly] unemployment rate in 2010 is 21.1 percent; and with a populate of 159million, about 34millions were unemployed [CBN 2010:Lii].

### **Deficient Legal Processes/System**

The present evidences of judicial processes in Nigeria on the issue of financial crimes are not encouraging. The more you steal the better the law supports you. A public policy that encourages corruption and embezzlement with ridiculous penalty, if ever caught, is unfortunate. Processes recognize political affiliation and "god fatherism" than equity and justice. Victim banks contribute negatively in reducing frauds and forgeries by not prosecuting perpetrators for the fear of public image. This attitude encourages individual with inordinate ambition to defraud in financial institutions. Since affected bank may not prosecute erring staff, there may be no public knowledge of a staff that was terminated in a bank; such staff still finds his/her way into being employed in another financial institution. Just dismissing a staff who has stolen tripled his or her gratuity/ retirement allowance is counter justifiable.. It is an impetus for stealing. The only caveat is to steal as much as well guarantee life time financial security. Only icebergs of frauds and forgeries perpetrators are detected. As perpetrators escape detection, many others are encouraged to join in the act [Olasanmi, 2010].

### **Secondary Causes**

Secondary caused are the direct consequences of the plaque of the primary causes. Asukwo [1999:17] listed the following as the causes of frauds in banks; Greed – a drive to acquire gains far beyond one's income and immediate or long term needs; genetic cause – a hereditary characteristics passed from parents to offspring:

absence of divine control – absence of the fear of God, will cause a banker not to resist temptation in defraud his/her employer; poverty through poor income; poor internal control system – ineffective supervision, absence of timely audit, absence of operations manual, weak operational guidelines; lack of proper training –causing incompetence/ errors etc.; inadequate staffing – results in serious problem of work planning and assignment.

**Types of Frauds and Forgeries**

The types of frauds and forgeries can be as many as the varied services rendered by the banks. Little did we heard of Automatic Teller Machine [ATM] in Nigeria in the 20<sup>th</sup> century ATM fraud would eventually queue up to gratify the existing types. The taxonomy of F&Fs in banks are inexhaustible as the fraudsters seem to be ahead of the comprehension of management in understanding the problems and the attendant sophistication. Nwankwo [1994] gave account of 33 types of bank frauds, which are common in Nigerian Banking Sector. These include theft and embezzlement, defalcation, forgeries, payment against un-cleared effects, un –authorized lending, lending to ghost borrowers, kite – flying and cross – firing, un official borrowing, foreign exchange malpractices, impersonation, over-invoicing, manipulation of vouchers, fictitious contracts, fictitious accounts, under valuation of properties, false declaration of cash shortages, falsification of status report, computer frauds and many others. The classification of frauds by Albrecht [2003:8] are as in table i, explained according to type, victim, perpetrator and a summary explanation. Akindele [2011:358] in addition to the above types included telex fraud and teller of credit fraud. Many other researchers on this issue had also made series of classifications.

**Table i: Fraud Classification by Albrecht [2003:8]**

| S/N | Types of Fraud                              | Victim  | Perpetrator  | Explanation  |
|-----|---|---|--|--|
| 1   | Employee embezzlement or occupational fraud | Employers   | Employees  | Employees directly or indirectly steal from their employers  |
| 2   | Management fraud                            | Stockholders, lenders and others who rely on financial statements | Top management   | Top management provides misrepresentation, usually in financial information  |
| 3   | Investment scans                            | Investors   | Individuals  | Individuals trick investors into putting money into fraudulent investments   |
| 4   | Vendor fraud                                | Organizations that buy goods or services                          | Organizations or individual that sell goods and services | Organizations overcharge for goods or services or non-shipment of goods, even though payment is made                   |
| 5   | Customer fraud                              | Organizations that sell goods or services                         | Customers  | Customers deceive sellers into giving customers something they should not have or charging them less than they should. |

Source: Albrecht [2003:8]

A recent publication of fitc [2012:5,6] classified frauds and forgeries into 17 types as at third quarter of 2012 as in figure ii below. Other characteristics involved are the number of cases involved. Those involving bank staff only. involving outsiders and possible collusion. ATM fraud scored 64.82 percent of the total cases reported.

**Table ii Types and Characteristics of 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 |
|---|--------------------------------|---------------------------|--------------------------------|-----------|
| Teller Fraud  | 2 [0.13]                       | 2[1.71]                   | 0[0]                           | 0[0]      |
| Falsification of Accounts: Current/Cheque, Savings/Deposits, Suspense Account | 0[0]                           | 0[0]                      | 0[0]                           | 0[0]      |
| Forged Cheques with Forged Signature  | 79 [5.26]                      | 2 [1.71]                  | 77 [5.58]                      | 0[0]      |
| Printing of Bank Document Illegally   | 3 [0.20]                       | 1 [0.85]                  | 2 [0.15]                       | 0[0]      |
| Clearing Fraud  | 0[0]                           | 0[0]                      | 0[0]                           | 0[0]      |
| Computer Fraud  | 86 [5.73]                      | 1 [0.85]                  | 84 [6.09]                      | 1 [25.0]  |
| Telex Fraud   | 0[0]                           | 0[0]                      | 0[0]                           | 0[0]      |
| Foreign Exchange Fraud  | 4 [0.27]                       | 2 [1.71]                  | 2 [0.15]                       | 0[0]      |
| Cross Firing of Cheques and Kite Flying                                       | 0[0]                           | 0[0]                      | 0[0]                           | 0[0]      |
| Theft of cash   | 15 [1.00]                      | 12 [10.26]                | 2 [0.15]                       | 0 [0]     |

|   |              |            |              |          |
|---|--------------|------------|--------------|----------|
| Suppression of Entries: Cash/Cheque                 | 55 [3.66]    | 52 [44.44] | 3 [0.22]     | 0[0]     |
| Opening and Operating Fraudulent Loans and Accounts | 6 [0.40]     | 1 [0.85]   | 5 [0.36]     | 0[0]     |
| Over – Invoicing of Service to the Bank             | 1 [0.07]     | 1 [0.85]   | 0[0]         | 0[0]     |
| Robberies [Armed]                                   | 13 [0.87]    | 0 [0]      | 13 [0.94]    | 0[0]     |
| Fictitious Bank Branches                            | 0[0]         | 0[0]       | 0[0]         | 0[0]     |
| Miscellaneous and Other Types of Fraud              | 162 [10.79]  | 30 [25.64] | 131 [9.50]   | 1 [25.0] |
| Fraudulent Withdrawals                              | 102 [10.79]  | 13 [11.11] | 87 [6.31]    | 2 [50.0] |
| ATM Withdrawals                                     | 973 [64.82]  | 0 [0]      | 973 [70.56]  | 0[0]     |
| <b>Total</b>  | <b>1,501</b> | <b>117</b> | <b>1,379</b> | <b>4</b> |

**Note:** All Figures in Parenthesis [ ] Indicate Percentages **Sources:** fitc[2012]

### **Detection of Frauds and Forgeries**

While the Board of Directors and Senior Management are responsible for a F&Fs management programme, internal audit can be a key player in helping address the problem. The internal audit should provide an evaluation on the potential for the occurrence of F&Fs and show an organization how to prepare for it and how to managing these frauds and forgeries risks.

Use of automation [technology] in fraud detection is two edge. Many business processes depend on the use of technology today. According ACL [2010:1], technology allows for people committing fraud to exploit weakness in security, controls or oversight in business application to perpetrate their crimes.

However the good news is that technology can also be a means of combating fraud. Internal audit/inspection needs to view technology as a necessary part of their tool kit that can help prevent and detect fraud. Leveraging technology to implement continuous F&Fsdetections [and prevention] programmes help safeguard organizations from the risk of fraud and reduce the time it takes to uncover fraudulent activities [ACL, 2010:1]. This helps both catch it faster and reduce the impact it can have on organizations.

Immediately irregularity is detected, the manager should promptly carry out the initial investigation and call the attention of inspectorate section. Frauds and forgeries detection should be promptly reported to the law enforcement agents for prosecution. Staff involvement may first be reported to head office for further directive where such guidelines/operational manual direct.

Frauds and forgeries can only be detected if senior management staffs are above board. The ethics underlying the branch manager, supervisors, accountants and the internal auditors/ inspectors are that of leadership by example. Research has shown that a high percentage of fraud perpetrators, by financial implication, are from these trusted senior staff. The report of Economic and Financial Crimes Commission [EFCC] indicted Board members bank managing directors and management staff as being responsible for majority of F&Fs cases [Egbohor, 2004]. In another report, Wells, [2002] analysis shows that amount involved in managers and/or executives frauds are three and half more than other employees. The situation would resemble a cow theft, detecting chicken theft! A system that stands against itself will collapse. This is exactly the reason for the perennial mysterious unabated frauds and forgeries trend in the banking industry. The financially deviant behaviours that encourages private gains at the employers'; shareholders' and stakeholders expenses, maladjusted behaviours that flagrantly violates any given banking ethics and legitimate norms of societal expectation have ensured the abortion of any frauds and forgeries detection programmes.

Bank accountant and auditors, who are supposedly to be graduate/professional accountants, have their roles to play. They should not be connected with fraud waves. Unfortunately, most bank "accountants" [in quote] are neither accounting graduates nor professional accountants likewise auditors. Where professional auditors are involved, Randle [2003] charged them to make adequate plan, perform and evaluate his audit work and to have reasonable expectation of detecting material misstatements on the financial statements whether caused by frauds, forgeries, other irregularities or errors.

An extension of the main responsibility is to review, evaluate and report on the adequacy of the internal control system to the management of the bank.

### **Prevention of Frauds and Forgeries**

Prevention is better than cure, says the old adage. If the causes of frauds and forgeries are anything to write home about, then the task of prevention of frauds and forgeries is probably most rewarding if inflated causes of F&Fs can be deflated or punctured. Based on their findings on prevention of frauds and forgeries, Mahdi and Zhila [2008], prescribed measures such as dual control, operational manual, graduated limit of authority, lending units, use of close circuit television, establishment of inspectorate unit, segregation of duties, verification of signatures, control of dormant accounts, close watch on life style of staff and coding/decoding and telex message. Olasanmi [2010] has also advised the use of computer aids as a tool for fraud prevention and control. She argued that good computer software will allow auditors to cover more grounds in less time and will also enhance the production of more accurate report.

In this regard, leveraging technology to implement continuous fraud prevention programme helps safeguard organizations from the risk of frauds and forgeries and reduce the time it takes to uncover fraudulent activity. This helps both catch it faster and reduce the impact it can have on organizations. Preventing the “prevention” has been the unresolved puzzle on the issue of frauds in banks. What management level will prevent a board member who is a fraudster a wolf in a sheep’s skin? Effective prevention is for all and sundry in the banking industry to imbibe such values as transparency, integrity and accountability.

Not many people are honest. More people than we like to admit are culpable of committing fraud. When such people are placed in an environment of low integrity, poor control, loose accountability or high pressure, they become increasingly dishonest. Albrecht, [2003:86] advised that organizations should create a low fraud environment rather than a high one because workers adopt the dishonest practices of top management. Top management should create a culture of honesty, openness, assistance and eliminate opportunities for fraud.

#### **Creating a culture of honesty, openness and assistance**

According to Albrecht, [2003:86] this involves:

- i Hire honest people and train them in fraud prevention
- ii Create a positive work environment
- iii Develop and maintain a company code of ethics.
- iv Implement employees assistance programme to remove or reduce pressures that push people to commit fraud
- v Provide tip hotline for employees and customers. Most frauds are detected through tips and complaints.

#### **Eliminating Opportunities for Fraud**

- i Install good internal control
- ii Discourage collusion
- iii Alert vendors and contractors to company policies
- iv Monitor employees
- v Creating an expectation for punishment
- vi Carry out proactive fraud auditing very often

#### **Computer Fraud Prevention**

On the Prevention of Computer Frauds, the Following Security Precautions are Valuable

- i Firewall sensitive system – to ensure that corporate systems are protected from internet attack
- ii Obtain security alert information to identify potential security exposures before they become problems
- iii Regular review of audit trails to detect unusual or suspicious activities.
- iv Change password on a regular rotational basis. Avoid easy to remember passwords.
- v Establish and enforce a computer and physical policy
- vi Ensure all employees and management are briefed regularly on security threats, policies, corrective measures and incident reporting procedures.

#### **Research Questions**

This study was designed to answer the following research questions.

##### **Research Question 1**

What are the major causes of frauds and forgeries in the Nigeria Banking Industry?

##### **Research Question 2**

What are the types of frauds and forgeries committed within the past two years in the various branches?

##### **Research Question 3**

How can frauds and forgeries be detected?

##### **Research Question 4**

What are the major ways of preventing frauds and forgeries in the branch?

##### **Research Question 5**

What types of training/workshop/ seminar attended for the past one year?

**Methodology**

Research design:

The research design is descriptive survey. The dependent variable is frauds and forgeries and the independent variables are causes types, detection prevention of frauds and forgeries. Descriptive statistic and items ranking were used to analyse results.

Population: The population is the universal set of all the banks [commercial, merchant and development banks] operating in the south west Nigeria.

**Sample and sampling techniques**

A sample of 81 branches was involved. Most branches sampled either refuse to treat the questionnaire or did not return copies. Random sampling is therefore reduced to the level of the branches that responded. The pattern of sample composition is in table i below

**Table i [a] :Pattern of Sample Composition**

| Sex          |           |            | Age              |           |            | Experience in bank |           |            |
|--------------|-----------|------------|------------------|-----------|------------|--------------------|-----------|------------|
| Variables    | Freq      | %          | Variables        | Freq      | %          | Variables          | Freq      | %          |
| Male         | 59        | 72.84      | Less than 35 yrs | 50        | 61.73      | Less than 10 yrs   | 5.2       | 64.2       |
| Female       | 22        | 27.16      | 35yrs & above    | 31        | 38.27      | 10 yrs& above      | 2.9       | 35.8       |
| <b>Total</b> | <b>81</b> | <b>100</b> | <b>Total</b>     | <b>81</b> | <b>100</b> | <b>Total</b>       | <b>81</b> | <b>100</b> |

**Table i [b]**

| Rank/Status       |           |            | Geographical Location |           |            |
|-------------------|-----------|------------|-----------------------|-----------|------------|
| Variables         | Freq      | %          | Variables             | Freq      | %          |
| Manager           | 20        | 24.69      | Lagos                 | 31        | 38.27      |
| Accountant        | 46        | 56.79      | Ogun/Osun/Oyo         | 29        | 35.80      |
| Auditor/inspector | 15        | 18.22      | Ekiti/Ondo            | 21        | 25.93      |
| <b>Total</b>      | <b>81</b> | <b>100</b> |                       | <b>81</b> | <b>100</b> |

**Instrument**

The researcher designed a questionnaire used to collect data.

- Section A:** Collected data on respondents’ and branches’ characteristic representing the sex, age, respondent experience in the banking industry rank/status and geographical location.
- Section B:** Requests respondents to list major causes of frauds and forgeries in banks
- Section C:** Requests respondents to list of the major types of frauds and forgeries committed within the past two years in respondents’ branches.
- Section D:** Requests the ways frauds and forgeries can be detected in the branches.
- Section E:** Request respondents to list major ways of preventing frauds and forgeries.
- Section F:** Requests for any relevant training/workshop/seminar attended since about a year’s period.

**Administration of Questionnaires**

Research assistants were used to tender questionnaires to either bank Managers, Accountants or Auditors/Inspectors. Whichever attend to a copy of the questionnaire for a bank’s branch suffices. About 300 copies of questionnaires were distributed. Only 81 were used. Some were rejected on the basis of wrong respondents e.g. those filled by staff other than the targeted management staff.

**Statistical Analysis**

Homogenous responses were collated under causes, types, detection and prevention of frauds and forgeries. Responses on each item were added together expressed in percentages and then ranked according to importance /frequency of occurrence of the items.

**Presentation and Analysis of Data**

The data collected for this study was statistically analyzed and presented under this section. Frequencies and percentages were used to evaluate the research questions. The tables for the respective research questions are in the appendix.

**Research Question 1**

What are the major causes of frauds and forgeries in the Nigerian Banking Industry?

**Table 1:** Causes of frauds and forgeries in bank.

Table 1 shows the causes in percentage and ranked. There are 15 items in the table. The first five critical causes are problem of interred control, greed and lust poor remuneration, inadequate staff training and poor career policy.

#### **Research Question 2**

What are the types of frauds and forgeries committed within the past two years in your branch?

**Table 2:** Shows the types in percentage and ranked. There are 12 items in the table. The first three critical types are computer frauds, forgeries of signatures and manipulation/conversion of cheques and instruments.

#### **Research Question 3**

How can frauds and forgeries be detected?

**Table 3:** Shows methods of detecting frauds and forgeries. There are 10 items in the table. The first three critical detection methods are: close monitoring of internal control violation, cash audit/checking voucher and balances and sport checking/daily call over of vouchers.

#### **Research Question 4**

What are the major ways of preventing frauds and forgeries in the branch?

**Table 4:** Shows the prevention of frauds and forgeries in bank. There are 13 items in the table, The first four major ways of preventing frauds and forgeries are- installing effective internal control system;, checking and sport checking by auditors; punish offenders and publish outcome and staff rotation / interdepartmental transfer.

#### **Research Question 5**

What types of trainings attended for the past one year?

**Table 5: Shows** the training/workshop/seminar attended in the past one year. There are 10 items in the table. The first three important training are - frauds and theft alert prevention, detection and control; computer technology, internet and banking system, and debt management recovery, distress and credit control.

#### **Summary of Findings**

- 1 The first three items in table 1 represent about 46 percent out of the total 15 items on causes of frauds and forgeries.
- 2 The first three items in table 2 represent about 40 percent out of the total 12 items on types of frauds and forgeries
- 3 On detecting of frauds and forgeries in table 3, items ranked 1st to 3rd represent about 53 percent out of the 12 items.
- 4 Table 4 is on prevention of frauds and forgeries. The first three items summed up to about 50 percent out of 13 items.
- 5 On training only two items are relevant and these items are ranked 1st and 2nd. Total percentage was 35 percent out of 10 items in table 5.

All these leading items are the domineering and prominent factors on frauds and forgeries in the Nigerian Banking Industry.

### **V. Discussion of Findings**

This study has been carried out on the banks branches in the south west zone. The results of the study are the responses and opinions of bank Managers, Accountants and Auditors/Inspectors in the branches.

Each of the five tables exhibiting the research questions has prioritized the items as ranked. The causes of frauds and forgeries in this study agree with some of the causes explained by Asukwo [1999:17] such as greed, poor internal control system, poor supervision and lack of proper training. This study also supports Nwankwo [1994] on frauds taxonomy; fitc[2012]listing forgeries, manipulation of vouchers, computer frauds kite flying [cheque kiting] forged cheques with forged signature and ACL [2010:1] on technology [computer] frauds. On frauds and forgeries detection, this study gives credit to Randle [2003] on the adequacy of internal control. This factor represents 22.67 of all other method of detecting frauds and forgeries. ACL [2010:1] also advisedthat internal audit/inspection should be fast-tracked by technology to ensure timely detection of fraudulent activities and hence reduce the impact such can have on organizations. Table 4 is on prevention of frauds and forgeries. The findings agree with the findings of Malli and Zhila [2008], Olasanmi [2010] and ACL [2010] who emphasized effective internal control system, adherence to operational manuals, and segregation of duties.

One interesting aspect of table 5 was the leading relevant training on frauds and theft alert, prevention, detection and control. With this ranked as first in the items, one my conclude that the staff were given relevant training on fraudsand forgeries.

## VI. Conclusion

This study has focused on the types, causes detection and prevention of frauds and forgeries in the banking sector. The findings in this study would be an addendum, at least, to the various researches earlier conducted on this horrible waster called frauds and forgeries. Banks are the pivot on which the wheel of any economy is rotated; the sector should be jealously guided with pre-emptive measures for sustainability and factuality of the sector.

## VII. Recommendations

Based on the research findings on this study, the following recommendations are plausible:

- [1] Competitive salary in the sector should be paid to staff. Late payment of salary should be avoided. A standing policy on remunerations and date of payment of salary would go a long way to reduce staff financial challenges.
- [2] Management must install effective Internal Control System and enforce strict adherence.

## References

- [1]. ACL [2010] Fraud Detection: Using Data Analysis in the Banking Industry. ACL Services Limited pp 1 – 6
- [2]. Adekanye, F. [1986] “Frauds in Banking Transactions” *The Nigerian Banker* 6 [1], 7 – 15
- [3]. Akindele, R.I. [2011] Fraud as a Negative Catalyst in the Nigerian Banking Industry. *Journal of Emerging Trends in Economic and Management Science* 2[5], 357 – 36
- [4]. Akindele, S.T. [2005] “A Critical Analyze of Corruption and its Problems in Nigeria” *Anthropologist*, 7[1], 7 – 18
- [5]. Albrecht, W.S. [2003] *Fraud Examination*, Australia: Thomson/South – Western
- [6]. Asukwo, P.E. [1999] *Bank Frauds: A Look at the Nigerian Banking Cleaning System*. ICAN News, 4 [1], 16 – 19
- [7]. CBN [Central Bank of Nigeria][2010] *Annual Report CBN*. pp L – Lii
- [8]. Collier, P; Dixon, R and Marston, C. [1984:24] “Computer Fraud: Interim Report Findings” *Management Accounting*, 66 [9]; 24-25.
- [9]. Egbobor, E. [2004] “Economic and Financial Crimes Commission Blames Senior Banker Over Fraud Waves” *Financial Standard* July 5th, 5 [37], 12e
- [10]. Famodimu, B.O. [1986] “Frauds in Banks: The Role of the Branch Manager in Prevention Detection and Prosecution” in W. Adewumi [ed] *Frauds in Banks Lagos: Nigerian Institute of Banks* [pp 26 – 36]
- [11]. fitc.[2012] “Report on Frauds and Forgeries in Banks” *Training Consulting Research* July/Sept., 2012. Pp 4 – 6, 8
- [12]. Flor, R. [2009] *Fraud, Computer Related Fraud and Identity – Related Fraud*. <https://ww.roberflor.blogepot.com> Accessed and Retrieved on 28th July, 2013
- [13]. Mahdi, S. and Zhila, A. [2008] “Fraud Detection and Audit Expectation Gap: Empirical Evidence from Iranian Banks, *International Journal of Business and Management*, 3 [10], 65 – 77
- [14]. Nwankwo, G.O. [1991] *Banking Management Policy and Practice*, Lagos: Malth House Press Ltd
- [15]. Nwaze, C. [2008] “Quality and Internal Control Challenges in Contemporary Nigerian Banking” *Zenith Economic Quarterly*, *Zenith Bank Plc* 3 [2], 21 – 32
- [16]. Okons, S.E.N. and Unugbro, A.O. [2003] *Banking in Nigeria, Benin: Mindex Publishing*
- [17]. Olanmi, O.O. [2010] “Computer Crimes and Counter Measures in the Nigerian Banking Sector” *Journal of Internet Banking and Commerce* 15 [1], 1 - 10
- [18]. Oloidi, G.A. [2005] “Strategies for Reducing Computer Crimes in the Nigerian Economy” *Business and Finance Herald*, 1[1], 1 – 19
- [19]. Olufidipe, E.O. [1994] “Frauds in the Nigerian Economy and its Implication for Banks and Financial Institutions” *The Nigerian Banker* July/Dec; pp7 – 10
- [20]. Randle, T.K. [2003] “The Role of the Accounting Profession in Nigerian Economy” *The Nigerian Accountant*, 3 [3], 57 – 63
- [21]. Shogunle, E. [2012] “The Challenges of Eradicating Corruption in Nigeria: What Options?” A Paper Presented at the 2nd National Policy Conference on Transparency and Accountability in the Public Sector at Abuja on 27th to 29th March
- [22]. Sydney, I.F. [1986] “Management Control System and Prevention and Detection of Frauds in Banks” in W. Adewumi [ed] *Frauds in Banks Lagos: Nigerian Institute of Bankers*
- [23]. Vann, J.C. [1985] “Computer Fraud Needs to be Tackled” *The International Accountant* July, Pp 21 – 22
- [24]. Wells, J.T. [2002] “Occupational Fraud: The Audit as Deterrent” *Journal of Accountancy* 193 [4], 24 – 29

## Appendix

**Table 1 Causes of Frauds and Forgeries in Banks**

| S/N | ITEMS  | Freq | PER%  | RA NK |
|-----|--|------|-------|-------|
| 1   | Inefficient, weak/poor internal control system                                   | 46   | 17.36 | 1     |
| 2   | General greed for wealth, lust for affluence and degradation of societal values  | 43   | 16.23 | 2     |
| 3   | Poor remuneration and late payment of staff salary                               | 32   | 12.07 | 3     |
| 4   | Lack/inadequacy of staff training  | 24   | 9.05  | 4     |
| 5   | Poor career policy and job insecurity  | 19   | 7.17  | 5     |
| 6   | Short – circuiting laid down principles and violation of internal control system | 15   | 5.67  | 6     |
| 7   | Poor recruitment system/use of incompetent staff                                 | 15   | 5.67  | 6     |
| 8   | Inadequate management supervision/control system                                 | 13   | 4.09  | 8     |
| 9   | Long staying on a particular job/in a section or department                      | 13   | 4.90  | 8     |
| 10  | Inadequate operational supervision by regulatory authorities                     | 11   | 4.15  | 10    |
| 11  | Wide branch networks and complex corporate structure                             | 10   | 3.77  | 11    |

|    |  |            |            |            |
|----|--|------------|------------|------------|
| 12 | Faulty security arrangements for security documents    | 8          | 3.02       | 12         |
| 13 | General believe that bank can sustain any loss         | 7          | 2.64       | 13         |
| 14 | Excessive authority vested in a staff                  | 5          | 1.89       | 14         |
| 15 | Inadequate legal procedures/measures against offenders | 4          | 1.51       | 15         |
|    | <b>Total</b>   | <b>265</b> | <b>100</b> | <b>All</b> |

**Table 2Types of Frauds and Forgeries in Banks**

| S/N | ITEMS  | FREQ      | PER %      | RANK       |
|-----|--|-----------|------------|------------|
| 1   | Computer frauds  | 20        | 14.36      | 1          |
| 2   | Forgeries of customer's signature/misrepresentation                                    | 18        | 12.95      | 2          |
| 3   | Cheque/instrument conversion, manipulation and forgeries                               | 17        | 12.23      | 3          |
| 4   | Suppression/willful shortage/theft of cash by tellers                                  | 15        | 10.79      | 4          |
| 5   | Systematic/fraudulent withdrawal or deduction from customers account                   | 14        | 10.07      | 5          |
| 6   | Falsification/presentation of false or forged cheque                                   | 12        | 8.63       | 6          |
| 7   | Collusion within internal staff and with external party and leakage of official secret | 9         | 6.47       | 7          |
| 8   | Fund transfer/IT frauds  | 8         | 5.76       | 8          |
| 9   | Falsification of figures, records and books of account                                 | 7         | 5.04       | 9          |
| 10  | Cheque kiting  | 7         | 5.04       | 9          |
| 11  | Over – invoicing and fictitious payments to supplies                                   | 6         | 4.32       | 11         |
| 12  | Teaming and lading   | 6         | 4.32       | 11         |
|     | <b>Total</b>   | <b>74</b> | <b>100</b> | <b>All</b> |

**Table 3Detection of Frauds and Forgeries in Banks**

| S/N | ITEMS   | FREQ       | Per %      | RANK       |
|-----|---|------------|------------|------------|
| 1   | Close monitoring violation of internal control system             | 34         | 22.67      | 1          |
| 2   | Cash audit/checking vouchers and balances                         | 24         | 16.0       | 2          |
| 3   | Support checking/daily call over of vouchers                      | 22         | 14.67      | 3          |
| 4   | Close monitoring and thorough screening of cheques before payment | 13         | 8.67       | 4          |
| 5   | Daily review of various transactions by auditors                  | 12         | 8.00       | 5          |
| 6   | Unscheduled staff rotation and segregation of duty                | 11         | 7.33       | 6          |
| 7   | Installation of fraud detecting/CCTVI surveillance equipment      | 11         | 7.33       | 6          |
| 8   | External auditor checking regular accounts                        | 10         | 6.67       | 8          |
| 9   | Close supervision of staff  | 5          | 3.33       | 9          |
| 10  | Customers' accounts monitoring                                    | 4          | 2.67       | 10         |
|     | <b>Total</b>  | <b>150</b> | <b>100</b> | <b>All</b> |

**Table 4Prevention of Frauds and Forgeries in Banks**

| S/N | ITEMS  | FREQ       | Per%       | RANK       |
|-----|--|------------|------------|------------|
| 1   | Install effective internal control system and enforce adherence                | 49         | 26.20      | 1          |
| 2   | Checking daily activities/sport checking by auditors and responsible officials | 28         | 14.97      | 2          |
| 3   | Punish offenders and publish the outcome                                       | 16         | 8.56       | 3          |
| 4   | Staff rotation/periodic interdepartmental transfer                             | 15         | 8.02       | 4          |
| 5   | Checking vouchers and instrument of payment regularly                          | 14         | 7.50       | 5          |
| 6   | Corporate code of conduct and constant review of operational procedures        | 12         | 6.42       | 6          |
| 7   | Regular payment of competitive salary obtainable in the banking industry       | 12         | 6.42       | 6          |
| 8   | Close supervision and monitoring of staff                                      | 10         | 5.35       | 8          |
| 9   | Regular staff training   | 10         | 5.35       | 8          |
| 10  | Adequate quality control measures  | 6          | 3.20       | 10         |
| 11  | Accurate, complete and concise presentation of accounts                        | 5          | 2.67       | 11         |
| 12  | Provision/installation of surveillance equipment                               | 5          | 2.67       | 13         |
| 13  | Effective regulatory functions of the CBN                                      | 4          | 2.14       | 13         |
|     | <b>Total</b>   | <b>187</b> | <b>100</b> | <b>All</b> |

**Table 5Trainings Attended within the Past One Year**

| S/N | WORKSHOPS/SEMINAR/CONFERENCES                                   | FREQ      | Per%       | RANK       |
|-----|---|-----------|------------|------------|
| 1   | Fraud and theft alert, prevention detection and control         | 17        | 2.97       | 1          |
| 2   | Computer technology, internet and the banking system            | 9         | 12.10      | 2          |
| 3   | Debt management recovery and credit control/distress management | 7         | 12.16      | 2          |
| 4   | Customer service excellence                                     | 8         | 10.81      | 4          |
| 5   | Techniques of audit and investigation of internal control       | 7         | 9.46       | 5          |
| 6   | Marketing for result  | 7         | 9.46       | 5          |
| 7   | Training in revenue collection/tax planning                     | 7         | 9.46       | 5          |
| 8   | Re-engineering process for banks                                | 4         | 5.41       | 8          |
| 9   | Relationship management training                                | 3         | 4.05       | 9          |
| 10  | CBN workshop for community banking                              | 3         | 4.05       | 9          |
|     | <b>Total</b>  | <b>74</b> | <b>100</b> | <b>All</b> |