

Frauds and Forgery in Nigerian Banking Industry 1970 - 1998

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Abstract—Fraud takes place when a person deliberately practices deception in order to gain something unlawfully or unfairly. While fraud is most commonly committed to obtain benefits of value, it sometimes occurs solely for deceiving another person or entity. Forgery is the process of making, adapting, or imitating objects, statistics, or documents with the intent to deceive for the sake of altering the public perception, or to earn profit by selling the forged item. This paper focused on the causes, types, detection and prevention of frauds and forgeries in the Nigerian banking industry. The paper also reviews the various forms of fraudulent practice, their impact and inducement for various reforms in banking industry. The thesis recommends that banks should install effective internal control system, enforce strict adherence and that there is the need for members of the public to shun the habit of cultivating corrupt practice as part of our lives.

Keywords—Asset, Bad Debt, Bank, Bank customer, Bank draft, Bank statement, Bill of Exchange (BOE), Cheque, Control system, Distress, Fraud, Forgery, Internal Audit, Liability, Liquid, Management, Organization, Records, Reliability, Regulations and Rules

I. INTRODUCTION

In legal terms, forgery has been defined as the act of falsifying or altering any writing for doing injury to another person. Any alteration of writing made with intent to defraud is there for forgery.

In every industry all over world, an efficient system is widely accepted as a necessary condition for an efficient functioning of a nation's economy. For the Finance Industry to be efficient, it must be guided in view of failure of the market system to recognize management and the tendency for market participants to stop risk and misappropriations by all means, which could impair their stability. It is in this regard that Financial Institutions are expected to ensure prudent management of assets and resources and guarantee the safety of customer funds.

They are therefore expected to adhere strictly to the principle of safe and sound practices, maintain adequate and appropriate internal control measures to prevent incidence of frauds and forgeries and other financial malpractices to ensure stabilities and engaged public confidence in the financial system. This is why the regulator bodies (NDIC, CBN etc) are created to monitor and check the affairs of banks in order that they acquaint themselves with proper management of capital, asset etc. so as to curb incidence of frauds and achieve high degree of sanity in the segment.

The thrust of the project is to examine frauds and forgery in Nigerian banking industry and the effect of frauds and forgeries. The thesis shall take into account, type of frauds, why which frauds are committed, causes of bank frauds, effect of bank frauds and recommendations so as to avoid the similar pitfall banks went through in recent years.

A. Statement Of The Problem

Frauds and forgery in the banking industry are perfected through the falsification of entries in accounts of customers with a view to take benefits of the excess proceeds or shortfall. Forgery of signature of account holders and unlawful withdrawal of money from their accounts or defalcation involving cash debt by bank officials (cashier, cash officers etc.) has a way of hindering with achievement of laudable goals of economic growth and development of the financial system. This bad publicity has no doubt dented the Nigerian Banking industry's reputation and public image. For instance, press reports about frauds and forgery in the banking industry has made depositors to feel the insecurity of their assets or money deposited at the bank.

The fear is now ripe that the increasing wave of frauds and forgery in our banks in recent years, if no arrested may continue to pose threats to the stability and survival of individual banks and the performance of the industry as a whole. This problem rather than anything is the reason why his research is initiated.

B. Objective Of The Study

The aim of this research work is as follows:

- Examine the type of frauds and ways by which frauds are committed in banks.
- Trace the causes of bank frauds.
- Carefully look at the prevention and control measures of frauds in our banks.
- Examine the role of inspection in prevention of frauds in our banks.
- Examine the regulatory bodies controlling fraud in Nigeria and the criticism on the regulatory bodies.

It is however good to note that the consequences of frauds in banks are very grave that is why far reaching effort is made in the research work in order to find viable solution that will counter this malady.

C. Significance Of The Study

Frauds and forgeries affect banks, customers and even the financial system as a whole so there is need to give attention to the increasing level of frauds in the Nigerian Banking Industry. It has affected the Industry's public image. The increasing wave of frauds in recent years has led to the closure of affected banks.

For one thing, frauds result in huge financial losses, the depletion of shareholders' funds and banks capital base and as well loss of confidence in banks and their customers.

For another, the incidence of fraud could lead to closure of a bank as it happened in recent time in some parts of the country. Since fraud and forgeries could lead to the closure of a bank, it is therefore important to try and reduce and stop frauds in order to achieve the objective of growth and development through the financial system.

II. LITERATURE REVIEW

Where a signature on a bill is forged or placed there on without the authority of the person whose signature it purports to be, the forged or unauthorized signature is wholly not operative and has no right to retain the bill or to give a discharge thereof or enforce payment thereof against the party thereto who 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 to authority. "TCB News April/June 97." A person is guilty of forgery if he makes a false instrument, with the intention that he or another shall use it to induce somebody to accept it as genuine, and by reason of so accepting it to do or not to do some act to his own or any other person's prejudice.

Frauds in banks vary widely in nature, character and methods of perpetration. In general, it may be classified into two ways. The first is based on perpetrators, while the second is based on method.

A. Types Of Bank Frauds

a) Classification on the basis of perpetrators: On this basis, fraud may be grouped into three categories namely: internal, external and mixed. Internal frauds are those committed by members of staff, while external frauds relate to those committed by persons not connected with the bank. On the other hand, mixed frauds are those committed by outsiders in collusion with bank staff. It is useful for the bank authorities to be familiar with this classification and try to identify the category under which various frauds in their bank fall. A clear knowledge about the perpetrators will help management determine the best possible solution to proffer.

b) Classification on the basis of Method of Perpetration: This is the most common form of classification employed by banks. Under this approach, the list of types of frauds method is usually in exhaustive as new methods are devised with time by fraudsters.

B. Ways Which Frauds Are Committed In Banks

a) Forged Cheque: These are by far the commonest sources of loss to the banks and their customers. They occur mainly to company accounts and are invariably perpetrated by

staff within the company, who have access to the company's cheque book. They usually collide with dishonest staff of paying banker and defraud. "BON News April-June 1997".

In order to curb this serious menace, the signing officials of the banks must always acquaint themselves with the pattern of the activities on the account of prime customers, particularly large companies. This can be done through periodic examination of the computer printout of customers and comparing their transactions with those on their ledger cards, which will reveal the trend of entries, the average size and incidents of deposits and withdrawals. Customers should also be frequently advised and reminded on the safety ways of cheque books and cash. It is also advisable that the companies formally introduce all their authorities, signatories, cahiers and cash offices to the bank so that the bank officials know them personally. On the side of the bank, the verification and authentication of cheque remains the most potent tool for combating these categories of fraud. All amounts must be critically examined regardless of the customers. All signatories must be scrutinized carefully and efficiently. It is also of paramount importance for all bank staff to ensure that all transactions involving the payment of cheque, issuing of cheque books and opening of accounts are all handled with care. "Business World 27 Oct. 1997".

b) Computer Fraud: Computers are introduced with the view of making things easier for those who use them but it has become an avenue for the easiest fraud to take place in the whole world.

It has one Logo: "Garbage in – Garbage Out. With the introduction of computer into the banking systems, bank staff find it very easy to defraud the management. They usually do this by making internal transfers from the banks profit and loss account to their respective accounts; or by giving an unauthorized loan to themselves, which is just the case of debiting loan, and crediting their personal accounts. However, types of computer fraud are:

- Input manipulation
- Program alteration
- File alteration
- Data theft
- Sabotage

Each of these types of computer fraud is committed in different way. "TCB News April-June 1997".

c) Spurious Letters of Credit: Overseas suppliers have continue to receive spurious letters of credit from individuals in this country. Such letters of credit are usually accompanied with spurious bank draft on the reverse of which is fake endorsements, which guarantee payment. Overseas suppliers are becoming increasingly aware of this kind of fraud and are more careful in parting with their goods without receipt. "Export Guide: ICON Merchant Bankers".

d) Cross of Cheque or Kiting: Bank customers who are familiar with elementary banking procedures know that it takes some time (days) to clear a cheque through the banking system even when accounts are within the same clearing area.

The customer indulging in this kind of practice has two or more accounts at two or more different banks or branches. He draws a cheque on his account in "Bank A" knowing fully well that there are no funds in the account and deposits the cheque into an account with "Bank B". He then draws from the uncollected fund at "Bank B" and immediately deposit in "Bank A", another fund drawn from non-existing fund in his account in "Bank B". This is a simple example of kitting. Thus, a customer can fraudulently make use of bank funds without proper authority.

e) Loan Fraud: Within the operations of specialized institutions like the industrial, agricultural and cooperative banks, the area most vulnerable to fraud and forgeries are the procedures for granting, recording and monitoring of loans and advances to customers. The loan and advances granted to customers soon acquire the status "bad and doubtful debts and this is not altogether accidental". Loans granted sometimes gets bad from the onset. This is possible through manipulations of fraudulent bank staff that sometimes with the active and guided cooperation of borrowers creates or exploit loopholes. For instance, under this category of fraud, it was reported by the Business world newspaper of 27 October 1997 by the Nigeria Deposit Insurance Corporation (NDIC) boss, Alhaji S.Y. Kasimu who said; he baled banks. He gain stressed that an example is NERFUND woes, like the liquidated Alpha Merchant Bank, which owes NERFUND N120 Million, as a major culprit.

f) Telex Frauds: The telex network was a public switched network of teleprinters similar to a telephone network, for the purposes of sending text-based messages. Telex was a major method of sending written messages electronically between businesses in the post-World War II period. Its usage went into decline as the fax machine grew in popularity in the 1980s. This used to be one of the most serious kind of fraud in banking industry in 1980s and one that can threaten its existence. Telex fraud usually involves huge sum of money when it occurs.

As all are aware, Nigerian banks are allowed to transfer funds abroad on the order or application of bank customer in settlement of financial obligation, after the necessary exchange contract approval must have been obtained. The system of transfer used by most banks in Nigeria is through coding of transfer messages which are transmitted for free through code speed conversion by western electric unit. Telex fraud occurs when among authentic messages which are to be tested and sent by banks telex officials, spurious telex messages are introduced.

Test keys are usually manipulated by fraudsters and are duly tested and transmitted abroad. As a result of the fake message, money is paid to a fictitious account abroad through a correspondent bank and is later cashed by the overseas collaborators or fraudsters. The correspondent bank without notice of the fraud would credit the fictitious account after decoding the telex machine

g) Cash Fraud: Cash frauds are numerous and it will be futile to attempt to enumerate them all. The most important ones include cases where cash lodgments by customers have been suppressed and been converted by fraudulent bank

Cashiers. However, every bank normally has internal control aimed at stamping out their.

h) Foreign Exchange Malpractice: In Nigeria the problem of foreign exchange is very much with us. Forex meant for importers and travelers abroad is mostly given to others who sell them at black market price in the country. It is done with the help of Forex offices at the bank. The usually forge photocopied documents, then write, "original sighted" on them and forward them to head offices for the release of the foreign exchange. Bank can reduce this type of fraud by insisting that all original documents required for the purchase of Forex are forwarded to head offices for their pursue. "Finance: D.P. Whiting and Export Guide: ICON Merchant Bankers".

i) Printing of bank stationary and carving of bank rubber stamp: Banks should indeed watch out for this type of fraud. Such forged papers and stamp are used by unscrupulous people to prepare to prepare forged letters of credit and other international trade instruments which are circulated all over the world with a view to obtain goods worth millions of Naira under false pretense "Chief Executive NDIC: John U. Ebhodaghe 1995".

C. Causes Of Bank Fraud

The cause of fraud are grouped into major classes. These are the institutional factors and environmental or societal factors. The institutional factors are those traceable to the internal environment of the bank while the environmental or societal factors are those, which result from the influence of environment or society on the banking industry.

a) Institutional Causes of Bank Fraud:

- Volume of Work: Could be so heavy that frauds could easily pass un-detected.
- Number of Staff: Where an official supervise quite a number of staff, fraud could easily pass un-detect.
- Lack of staff training: Lack of the knowledge of the form and ways of dealing with fraudulent practices in banks could affect even a honest staff in apprehending and avoiding the wills of fraudsters.
 - Nature of service
 - Banking experience of staff
 - Staff negligence
 - Recruitment system
 - Poor security arrangement for documents
 - Use of sophisticated accounting machines
 - Frustration
 - Inadequate infrastructure
 - Delay in procuring documents
 - Lapses in the management control system of corporate customers
 - Negligence of customers

b) Environmental/Societal Factors Facilitating Fraud:

- Societal values: It can be argued that the main cause of frauds in Nigerian banks is traceable to the general dishonesty in the society.
- Misplacement of societal values, the unquestioning attitude of society towards their sources of wealth, the rising societal expectation, inflation, and poverty are also contributory factors to fraud.
- Law Enforcement Agents: Inability of law enforcement agents to detect fraud and prosecute fraudsters with dispatch, encourages men of the underworld to target banks with all forms of devices and violent attacks.
- Lack of effective deterrent/punishment: Although this is a most point, it is argued that it could be a factor to the un-abating perpetration of frauds.

D. Prevention And Control Of Frauds

To counter this malady some banks like, Union Bank Plc, First Bank Plc etc have developed certain management control system to prevent fraud.

However, some measures put in place by banks to reduce and stop fraud are:

- Proper screening of bank staff on employment
- Periodic rotation of bank staff
- Circulation of names of customers whose account are used for fraud to other banks
- Only people having business with the bank should be allowed into the banking hall.
- Making sure of the need of cash before releasing it to cashiers
- More precaution should be exercised in foreign exchange transactions
- Regular follow-up of outstanding items
- Proper training of bank staff
- Referees should undertake to produce who they introduce to the bank when the need arise.
- Establish a dual control system
- Duties segregation
- Proper verification of all documents
- Taxing proper confirmation before funds are released
- Close watch on the lifestyle of staff
- Adherence to a system of coding, decoding and testing of telex messages
- Establish a system of effective reference of valuable documents
- Appropriate person policies geared towards rewarding performance and punishing poor and negligent performance
- Installation of time lock devices especially to cash vault and treasury areas of the bank.

- Instituting a system of micro-filming for documents of value
- Installation of close circuit televisions
- Establishment of inspectorate unit within the corporate organizational structure.
- Instituting a system of graduate lending limit
- Defining and adherence to a system of proper reporting relationship
- The use of Regiscope camera to photograph persons drawing large sums of money
- Establishment of code of conduct for all staff
- Getting rid of corrupted inspections and inspectorate department staff.

E. The Role Of Inspection In Prevention Of Fraud

According to the CBN and BOFI decree of 1991 every bank must maintain an efficient internal control system in order to safeguard resources, check the accuracy and reliability of accounting data, promote operational efficiency and ensure adherence to all corporate policies.

However, here are some control measures that are vital and necessary for corporate existence of a bank.

- There must be separation of duties throughout the organization to ensure that no single individual has sole control over a transaction. For example, the physical handling of a transaction must be separated from its recording and supervision: A cashier must not post ledger entries etc.
- Monitoring of branch operations on continuous basis to ensure the adequacy of administrative and accounting controls and currency of related written policies and procedures.
- Every bank must establish internal audit function which we all know as the inspection duties.
- Bank inspectors should review, evaluate and report on the adequacy of internal control measures of banks. They are also required to examine and evaluate the performance in relation to the bank laid down policies and report the extent of compliance to the management.
- To carry out systematic review and appraisal of all departments and branch operations for the purpose of advising management policies, practices and control.

F. Regulatory Bodies Controlling Fraud

It is obvious for every country in the world to regulate its financial system for the goal of promoting and ensuring an efficient, safe and sound financial system. In Nigeria, regulatory and supervisory activities of the finance industry are shared among the Central Bank of Niger (CBN) which is the apex of the industry, the Federal Ministry of Finance (FMF), the Nigerian Deposit Insurance Corporation (NDIC), the securities and Exchange Commission (SEC) and the Federal Mortgage Bank of Nigeria (FMBN) which oversees the mortgage institutions.

However, the basic goals of the regulatory bodies according to the NDIC decree No. 22 of 1988 section 15(2) are:

- To Protect Depositors
- Monetary Stability
- Consumer Protection
- Efficient and Competitive Financial System

The regulatory activities are however carried out through bank examination. It is good to note that the finance industry particularly the banking industry holds the bulk of money in circulation in the country and acts as a vehicle through which monetary in circulation in the country and acts as a vehicle through which monetary policies are implemented just as it intermediates between the surplus and deficit units. These sensitive and essential activities of gathering of funds and allocation of credits expose the industry to liquidity problem, frauds, risks etc. that might result to loss of public confidence in banks. This is why it is imperative but the industry be regulated. "Chief Executive NDIC: John U. Ebhodaghe 1995".

G. Criticism On The Regulatory Bodies

According to the Chief Executive NDIC, John U. Ebhodaghe; the challenges facing the regulatory bodies are intricately intertwined with the challenges facing the banking industry and they are:

- Most of our insured banks in the country are technically insolvent due to mismanagement, liquidity problem, fraud etc. Even some of these banks especially "the state-owned" ones were already recognized insolvent before the establishment of NDIC in 1988.
- Inadequate power to impose sanctions on banks: The present situation of frauds etc. in banks is a challenge to the regulatory bodies and an opportunity for them to exercise their statutory powers. Presently the issue of poor banking management is not the only problem-plaguing bank. Equally important are problem of "Huge bad and doubtful debts and frauds and forgeries". There is need to therefore put into force the provisions of the bankruptcy act 1979.
- Poor banking environment: To a reasonable extent our banking environment is still poor in many respect. First is the issue of banker/customer relationship. The services in most of our banks still leave much to be desired, this is quite evident in the long queues and crowd, which lies in most of our banks in the country. Secondly is the issue of inadequate infrastructure to the detriment of efficient management.

It is good if bank under and that, inadequate infrastructure and crowded offices are signs of inefficient management and could be an invitation or avenue for fraudsters to penetrate and take under advantage.

III. DATA ANALYSIS

Over the years the banking industry have undergone series of structural and institution changes. The system has moved from undeveloped system with few banks in 1960's to a more diversified system with many government financial institutions. As at the end of 1992 there were 66 commercial

banks and 54 merchants banks, 5 development banks and numerous non-bank financial institutions with objective of safeguarding deposits, boosting investment opportunities etc. in order to achieve economic growth and development through the financial intermediaries.

A. Commercial and Merchant Banks

Since the commencement of the deregulation by the federal government under SAP 1986, the banking sector has continued to witness rapid changes. As at the end of 1992 there were one hundred and twenty (120) of these banks in Nigeria, see table 1 below:

TABLE I. COMMERCIAL AND MERCHANT BANKS

	Financial Institution	1988	1989	1990	1991	1992
i.	Commercial Bank	42	47	58	65	66
ii.	Merchant Bank	24	34	49	54	54

^a. CBN and NDIC 1995. (Source)

Over years the banking sector operated under the conditions of increased competition for deposits, limited credit room, loan recovery difficulties and liquidity problem. Competition for deposits was further intensified by the admission of building societies into the market. Keen competition, which had characterized the industry intensified significantly, coupled with cases of frauds and misappropriation. All these increasingly continued until the liquidity mop up exercise of 1991 came to existence and 1992 the banking sector had more than its turmoil.

According to NDIC report, banks lost N375m to fraud in the beginning of 1996, that was an increase of N46m over the 1995 level which stood at N299m. It further said that, fraud cases jumped over 400% from 141% in 1995 to 606% by ending 1996 - "Vanguard Newspaper 11 August 1997". However, it has been reported that the increasing wave of fraud is more acute in commercial banks than in merchant banks.

According to the Nigerian Police Force and NDIC, for every case of fraud reported to the police, at least 10 other cases are being handled administratively without involving law enforcement agencies. Even as 22nd of October this year, it was reported that Thomas Cook euro-dollars of N1.3m was reported missing by the Central Bank of Nigeria. The records of NDIC on frauds and forgeries is just a tip of iceberg: NDIC is aware of this. This has led the "Vision 2010 Chairman, Chief Ernest Shonekan" to appeal to the regulatory bodies to make provisions for new rules to check frauds and other financial malpractices that has resulted to causing many individual banks becoming distress. A typical example; is the Alpha merchant bank, the notorious case of Jimmy Lawal and that of the Commerce Bank Plc.

Distress in many banks in the country has been as a result of the poor epileptic of management, fraud and other financial misappropriation. The recent cases of frauds and forgeries if not arrested may cause threats to the survival of the industry as a whole. At present an interim management board has been put in place to oversee the affairs of the banks as regards to prudent management, frauds and other financial malpractices.

Thanks to the CBN and BOFI Decree of 1991 (the liquidity mop up exercise) with which it has a great deal of autonomy

and is now placing banks in better position to stop fraud and ensure prudent management in their dealings and practices.

B. Specialized Banks

In this category are the Peoples Bank of Nigeria and Community Banks. They came into being in 1989. These banks aim at increasing the lot of low income. The operations and laws of these banks differ from the conventional banks. Table II below shows the number of specialized banks as at 1992 ending.

TABLE II. SPECIALIZED BANKS

	Financial Institution	1988	1989	1990	1991	1992
i.	Community Bank	-	-	-	94	402
ii.	Peoples Bank (Branches)	-	26	169	200	228

^b CBN and NDIC 1995. (Source)

Frauds and other financial misappropriation also affected this category of banks, only that it is not as devastating as that of the commercial and merchant banks.

The CBN and BOFI decree of 1991 enforced on loan recovery and ensuring that laid down rules are being respected and obeyed in the specialized banks. The situation of frauds and forgery in the specialized bank seem to be at hand with the intervention of the law enforcement agencies. See: SEC on Frauds-Vanguard 27 October 1997.

C. Development Banks

Development banks in Nigeria are Nigerian Industrial Development Bank (NIDB), Nigeria Bank for Commerce and Industry (NBCI), Federal Mortgage Bank of Nigeria (FMBN), Nigerian Agricultural and Cooperative Bank (NACB), Nigerian Export and Import Bank (NEXIM), Nigerian Education Bank (NEB) and the Urban Development Bank (UOB). They provide medium and long-term funds to Agriculture, industry, commerce and other productive sectors of the economy. The problems of frauds and forgeries are not acute here.

According to "NERFUND's Chief Executive, Chief Moses, high number of projects have been benefitting from the development banks". He further said that, with the present distress syndrome in banks, the development banks are doing alright.

To the Chief Executive, the distress syndrome in the Banking Sector has created problem for NERFUND. He explained that well implemented projects could waist away due to lack of working capital. He explained that banks owe only NERFUND over N1billion.

D. Impact of Fraud and Forgery in Nigerian Banking Industry

Distress in banks in the country mostly accounted to frauds and other financial malpractices. According to the New Nigerian Newspaper of 6th November, 1997 about 124 banks licensed were revoked by the regulatory agencies. The problem (of frauds in our banks) is deep seated in that there is increasing suspect of linkage between bank staff and robbers reading banks. According to the police investigations most robbers are masterminded from inside.

The NDIC and the other regulatory agencies must work hard in other to ensure sound and prudent management in banks. A clear example of this distress syndrome can be seen in Broad Sheet Lagos. Broad street use to harbor greatest number of banks in the country with array of insurance houses, securities and bonds, bureau de change, investment houses and financial intermediation, which altogether are over 30 in number.

The tribulations of trusting all banks in broad sheet were replayed when the DISTRESS QUESTION became more pronounced quite frankly, more distress was recorded in broad sheet than anywhere else. In fact all the banks that started business in Broad street died, except 6. "Business world 3rd November, 1997".

However, the impact of fraud and forgery in Nigerian Banking Industry does not need any rigorous or scientific analysis to ascertain the maladjustment that affects the banks. The impact of frauds and forgeries are:

- Fraud and forgery can hinder or cause threats to stability and survival of a bank. See the closure of Alpha Merchant Bank, Commerce Bank Plc and others by Regulatory agencies.
- Frauds cause huge financial losses, depletion of shareholders fund and capital base.
- Frauds results to bank incurring lot of bad and doubtful debts.
- Fraud could in the limit lead to the closure of effected Bank. See the CNB and BOFI decree 24 and 24 of 19191 that closed Alpha Merchant Bank, Commerce Bank Plc and others due to financial malpractices.
- The above effects of fraud in Banks can affect the finance industry and as a result can boomerang at the Nigerian economy and put it to internal and external shocks.

IV. SUMMARY

This research work has been done using adequate analysis of fraud and forgery that had happened up to as at 1998 in recent time in the Nigerian Banking Industry. It has been noticed in the research work that reports on frauds and forgeries if not arrested will hinder with the future dreams of the financial sector.

Without surprise frauds and forgeries in our banks has led to the closure of many affected banks. We should however note that the more banks are trying to protect their customers and investment, the more people of the underworld are learning new dubious methods and devices to beat the security system of the banks.

It can finally be said that, the causes of frauds and forgeries in our banks has been as a result of institutional and environmental/societal factors.

V. RECOMMENDATION

In the course of conducting this research work the following recommendations will be useful in combating frauds in our banks.

- Establish a system of checking cashiers on regular basis and on un-programmed basis. Bank inspectors carry surprise check on the books and tills of cashiers in addition to the regular office checking routine.
- Establish a system of call-over, reconciliation and balancing of account at branch, inter-branch and head office levels.
- Ensure that statement of account are periodically submitted to customers and accord customer the privilege to call for their statement of accounts for verification when necessary.
- Bank inspectors should establish a system of stocktaking of scrutiny items and cash in volts.
- It is also vital and important that proper books of account to record transactions and vouchers are used and maintained always.
- Name of staff dismissed on the grounds of fraud should be circulated to other banks with immediate effects.
- Police personnel should be trained in basic banking principles and practices through manual and formal instructions available in the police college and at financial institutions training Centre.
- Chief Inspector of Commercial banks must endeavor to work hand in hand with the police during investigations of fraud and other financial malpractices.
- Group of inspectors at the clearinghouse should critically examine inward and outward clearing cheque.
- However, frauds emanating from collusion between branch managers and accountants are traceable to dishonesty. Therefore, differed annual leaves should be discouraged and relief managers should always come from outside the branch.
- It is also important to stress the need for all banks to comply with the statutory requirement for the effectiveness of the policy measures put in place.
- CBN and NDIC should be more regulatory on examining the banks and affairs of banks. They must also exercise their powers to deal with grave misconduct discovered on fraud committed by either customer, staff of the or regulatory authority.

However, most of these recommendations have been discussed and ratified by the committee of Chief Inspectors and passed on to the Bankers Committee but if banks can use this recommendations, control and preventive measures provided in this research project the activities of the men of the underworld will be reduced considerably in perpetrating frauds in our banks.

CONCLUSION

Evidence from recent bank report to NDIC regarding frauds and forgeries in our banks has revealed that the phenomenon has been on an upward trend in the banking system despite the control measures put in place by individual banks.

The subject has accordingly gained increasing attention of the monetary and supervisory authorities in view of the fact

that frauds result in huge financial losses to banks and their customers, the depletion of shareholders fund and banks capital base and loss of confidence in banks, which may ultimately precipitate bank failure, and eventually the closure of a bank.

Since the causes of bank frauds are traceable to institutional and environmental/societal factors the measure of controlling them must therefore take into account the need for collaboration amongst the banks, their customers and the regulatory bodies of the government. It is in this regard that the role of CBN and NDIC becomes significant. As the regulatory agents of Government, they should be more regulatory on carrying examination of books and affairs and banks must be able to exercise certain powers to deal with grave misconduct discovered among the board management and staff of the bank and that of the regulatory bodies. CBN and NDIC should as a matter of urgency arrest the problem of corruption while inspecting banks and the reports sent to them by banks to be able to detect frauds and forgeries and curtail the situation.

It should also be noted that the large interest if trade, commerce and economic prosperity demands that a clear, stable and viable banking industry be preserved through legislative and institutional methodologies at once dynamic, regulatory, and always motivated and moderated by the felt necessities of time.

This done, the present will bequeath the future a banking legacy where bankers and customers will unit as partners in progress in discharging their reciprocal obligations to one another, safe in the knowledge that the purest treasurer mortal time can afford is spotless reputation.

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