# An Assessment of Fraud and its Management in Nigeria Commercial Banks

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**Abstract**
This study aims at finding practical means of minimizing the incidence of fraud in Nigerian banks. During the course of the investigation efforts were made to identify various means employed in defrauding banks and at the same time determine the effects of fraud on the banking services. Findings revealed that so many factors contributed to incidence of fraud in the banks amongst which are poor management of policies and procedures; inadequate working conditions; bank's staff staying longer on a particular job, and staff feeling frustrated as a result of poor remunerations.

**Keywords:** Bank, Fraud, Environment, NDIC, CBN, Bankrupt, Internal control.

## Introduction

Fraud can be seen as the intentional misrepresentation, concealment, or omission of the truth for the purpose of deception/manipulation to the financial detriment of an individual or an organization (such as a bank) which also includes embezzlement, theft or any attempt to steal or unlawfully obtain, misuse or harm the asset of the bank. (Adeduro, 1998 and, Bostley and Drover 1972).

Fraud and management have been the precipating factor in the distress of banks, and as much as various measures have been taken to minimize the incidence of fraud, it still rises by the day because fraudsters always device tactical ways of committing fraud. This has become a point of great attention in the banking sector as well as every organization in Nigeria. Although this phenomenon is not unique to the banking industry or peculiar to Nigeria alone, the high incidence of fraud within the banking industry has become a problem to which solution must be provided in view of the large sums of money involved and its adverse implications on the economy.

Fraud in its effects reduces the assets and increases the liability of any company. In the case of banks, this may result in the loss of potential customers or crisis of confidence of banking public and in the long run end up in another failed bank situation.

It is instructive to know that many banking operatives have different reasons for joining various banks. Many have the intention of working for a short time in the banking industry (get what ever they could and find another job that is less demanding), some are in the industry because of their love for banking and all it stands for. While majority are there to enrich themselves by fraudulent means. Due to the upsurge of great viability in the banking sector, its dynamic and fast expanding level of activities, banks are faced with different kinds of challenges, among which is trying to prevent various fraudulent intentions of both staff and customers.

With the aforementioned problems, one cannot help but ask the following questions:

i. Are the fraud detection systems in operation in banks adequate and effective in preventing fraud?
ii. Does the recruitment method have a direct link with the rate of fraud in the banking sector?
iii. Can the banks ever operate without an incidence of fraud?

## Conceptual Framework

Fraud is one of the numerous enemies of the business world. No company is immune to it. It is in all works of life, in government, the export trade, shipping transactions, banking, insurance and every where. Special organizations have been formed to combat it and Interpol (International Police) tries to deal with at the international level, but it has not and cannot be eradicated (Nwankwo, 1991). Fraud is a universal phenomenon which has been in existence for so long. Its magnitude cannot be known for sure, because much of it is undiscovered or undetected and not all that is detected is published. It is known facts that no area of banking system is immune to fraudsters not even the security team designed to prevent it. Its management has become a central point in banking like the management of risk because of the above facts.

## Types of Bank Frauds

Bank frauds can be classified into three, that is: by flow, by victims and by act.

### a. Flow Frauds

It is described by the frequency and the value involved in the fraud. They are of two types:

i. Smash and Grab: these are frauds not frequently committed, but are high in value over a short period of time.
ii. Drip: this is large in number, small in value and repetitive over a long period.

### b. Victims Frauds

This is a classification based on the people affected by loss from fraud. This is also of two types:

i. Against the company (bank): In this case, the bank is the victim of any loss incurred through the fraud. ii. Against outsiders: The victim of the fraud is an outsider to the company or bank, that is, bank customers.

### c. Act Frauds

This is the action that takes place in cases of fraud, that is the people involved in the act and the methods or forms by which these people perpetrate fraud. The perpetrators could either be the bank's employees, executive management of board, armed robbers, or theft by outsiders perhaps in collusion with insiders.

## Methods by Which Fraud can be Perpetrated

There are various methods by which fraud can be perpetrated in the banks and other organizations. The list of methods is usually not exhaustive as new methods are devised with time. The most important and common methods according to Onkagba (1993) are: **a. Advance Fee Fraud**

This may involve an agent approaching a bank, a company or individual with another to access large funds at below market interest rates often for long term. This purported source of funds is not specifically identified as the only way to have access to it through the agent who must receive a commission “in advance”. As soon as the agent collects the fee, he disappears and the facility never comes through. Any bank desperate for fund especially distressed banks and banks needing large funds to bid for foreign exchange can easily fall victim of this type of fraud. When the deal fails and the fees paid in advance are lost, these victims are not likely to report the losses to the police or to the authorities.

**b. Forged Cheques**

This is by far the commonest method by which the customers and the bank are defrauded. They occur mainly in company accounts and are invariably perpetrated by staffs within the company who have access to the company’s cheque book**.**

**c. Fund Diversion**

In this case, bank staff, for personal use, sometimes diverts customers’ deposits and loan repayment. Another case of this is the tapping of funds from interest in suspense accounts in the bank.

**d. Cheque Kitting**

This happens when a depositor utilizes the time required for a cheque to clear to obtain an authorized loan without interest charge. The goal of the cheque kitter may be to use these uncollected bank funds, interest fees for a short time to overcome a temporary cash shortage or to withdraw the funds permanently for personal use. Competition among banks in the era of deregulation encourages bank to make funds available before collection of customers’ cheque in order to attract special business accounts.

**e. Account Opening Fraud**

this involves the deposit and subsequent cashing of fraudulent cheques. It usually starts when a person not known to the bank asks to open a transaction account such as current and savings account with false identification but unknown to the bank.

**f. Counterfeit Securities**

Counterfeiting of commercial financial instruments is one of the oldest forms of crime. Modern photographic and printing equipment has greatly aided criminals in reproducing good quality forged instruments. The documents may be total counterfeit or may be genuine documents that are copied, forged or altered as to amount, payout date, pay or terms of payment. A common fraud is to present the counterfeit stocks or bonds as collateral for loan. The presenter would draw out the proceeds and disappear before the financial instruments are found to be counterfeit.

**g. Money Transfer Fraud**

Money transfer services are means of moving to or from a bank to beneficiary account at any bank point worldwide in accordance with the instructions from the banks’ customers. Some common means of money transfer are mail, telephone, over-the-counter, electronic process and telex. Fraudulent money transfer may result from a request created solely for the purpose of committing a fraud or altered by changing the beneficiary’s name or account number or changing the amount of the transfer.

**h. Letter of Credit Fraud**

This generally arises out of international trade and commerce. They stimulate trade across national boarders by providing a vehicle for ensuring prompt payment by financially sound institutions. Overseas suppliers continue to receive spurious letters of credit, which are usually accompanied by spurious bank drafts with fake endorsements which guarantee payments.

**i. Computer Fraud**

This type of fraud takes the form of corruption of the programme or application packages and even breaking into the system through remote sensors. Diskettes and flash drives can also be tampered with to gain access to unauthorized areas or even give credit to accounts for which the funds were not originally intended. This kind of fraud can remain undetected for a long time.

**j. Clearing Fraud**

Most clearing frauds hinge on suppression of an instrument so that at the expiration of the clearing period application to the instrument, the collecting bank will give value as though the paying bank had confirmed the instrument good for payment. Clearing cheques can also be substituted to enable the fraudster divert the fund to a wrong beneficiary. Misrouting of clearing cheques can also assist fraudsters to complete a clearing fraud. Asukwo, (1991) states that, a local clearing item can be routed to an up country branch; the delay entailed will give the collecting bank the impression that the paying bank had paid the instrument.

## Causes of Fraud

According to Adewunmi (1986), causes of fraud can be categorized into two that is, institutional factors and environmental/societal factors. He further categorized societal/environmental factors into socio economic lapses/inadequacies.

**a. Institutional Factors**

According to Nwaze (2008), the institutional factor or causes are those that can be traced to internal environment of the organization. They are to a great extent factors within the control of the management of the bank.

A major institutional cause of fraud is poor management. This comes in form of inadequate supervision. A junior staff with fraudulent tendencies that is not adequately supervised would get the impression that the environment is safe for the perpetration of fraud. Poor management would also manifest in ineffective policies and procedures, which a fraudulent minded operator in the system will capitalize on. Even where there are effective policies and procedures in place, fraud could still occur with sometimes deliberate skipping of these tested policies and procedures.

Inexperienced operators are susceptible to committing unintentional fraud by falling for numerous tricks of fraudsters. An inexperienced operator is unlikely to notice any fraud attempts and take necessary precautionary measures to checkmate the fraudster or set the detection process in motion. Overstretching is another reflection of poor management. This can aid perpetration of fraud to a large extent. A staff that is overstretched is not likely to perform at optimum level of efficiency.

Ordinarily, the longer a man stays on the job, the more proficient he is likely to be. An operator who has spent so long on a particular job may be encouraged to think that no one else can uncover his fraud. The existence of this kind of situation in a bank is clear evidence of poor management and such situations encourage fraudulent practices.

Poor salaries and poor conditions of service can also cause and encourage fraud. Employees that are poorly paid are often tempted to fraudulently convert some of the employers' monies to their own use in order to meet their personal and social needs. This temptation is even stronger on bank employees who on daily basis have to deal with cash and near cash instruments. In our society, it is argued that greed rather than poor working conditions or poor salaries is what lures most people into fraudulent acts. This explains why fraud would still exist in the banking sector, which is reputed to be one of the highest paying sectors. Some people have an insatiable appetite to accumulate wealth and would therefore steal irrespective of how good their earnings are.

Frustration could also lead to fraud. Where a staff feels short-changed in terms of promotion and other financial rewards, they become frustrated and such frustration could lead to fraud as such employee would attempt to compensate himself in his own way. Among the internal causes of fraud, the Nigerian Deposit Insurance Corporation (NDIC 1999), states that prevalence of fraud and forgeries are an indication of weakness in bank internal control system.

### b. External Factors/Environmental Factors

Environmental factors are those that can be traced to the banks immediate and remote environment. If the whole society of which the bank is a part is morally bankrupt it will be difficult if not impossible to expect the banks to be insulated from the effects of such moral bankruptcy.

The banking industry is not immune from the going on in its external environment. Our present society is morally bankrupt. Little or no premium is put on things like honest, integrity and good character. The society does not question the source of wealth. Any person who stumbles into wealth is instantly recognized and honoured. It is a fact of our time that fraud has its root firmly entrenched in the social setting where wealth is honoured without questions. Ours is a materialistic society which to a large extent encourages fraud. The desire to be with the high and mighty caliber of the society, extreme want that is often characterized by need, cultural demands or the cultivation of a life too expensive for the legitimate income of the individual. With reference to fraud, criminal motivation is said to be pathological when the state of mind of the criminal disposes and impels him to commit fraud even though he is not in dire need of the resources.

Also, worth mentioning is lack of a call-over system in the banks, lack of regular and unnotified rotation of clerks, doing more than one job which is incompatible and so on as major causes of fraud. A call-over system is a system where all bank transactions are verified for accuracy authorization and reliability. It is a system where previous day's transactions are reviewed in order to ascertain validity.

## Effects of Fraud on Nigerian Banks

Fraud is perhaps the most fatal of all the risks confronting banks. The enormity of bank frauds in Nigeria can be inferred from its value, volume and actual loss. A good number of banks' frauds never get reported to the appropriate authorities, rather they are suppressed partly because of the personalities involved or because of concern over the negative image effect that disclosure may cause if information is leaked to the banking public The banks' customers may lose confidence in the bank and this could cause a set back in the growth of the bank in particular.

Fraud leads to loss of money, which belong to either the bank or customers. Such losses may be absorbed by the profits for the affected trading period and this consequently reduces the amount of profit, which would have been available for distribution to shareholders. Losses from fraud which are absorbed to equity capital of the bank impairs the bank's financial health and constraints its ability to extend loans and advances for profitable operations. In extreme cases rampant and large incidents of fraud could lead to a bank's failure.

Fraud can increase the operating cost of a bank because of the added cost of installing the necessary machinery for its prevention, detection and protection of assets. Moreover, devoting valuable time to safeguarding its asset from fraudulent men distracts management. Overall, this unproductive diversion of resources always reduces outputs and low profits which in turn could retard the growth of the bank.

It also leads to a diminishing effect on the asset quality of banks. The problem is more dangerous when compounded by insider loan abuses. Indeed, the first generation of liquidated banks by NDIC was largely a consequence of frauds perpetrated through insider loan abuses. If this problem is not adequately handled, it could lead to distress and bank failures.

## Controls of Fraud in Banks

In view of the gravity of fraud in banks, the management of various banks have employed different measures, such as establishment of internal control unit, fraud alerts, security measures etc. Yet fraud has continued in an upward trend, and this has called the effectiveness of these measures into question (Okubena, 1998). Though details may differ from one bank to another, it all depends on size, location and general environment nationally and internationally. Nwankwo (1991) was of the opinion that general procedures for the control should normally involve identification and detection, then lastly management.

### a. Fraud Identification

Every bank is to be aware of and identify the types of frauds prevalent in the society, including the international society, the causes and modalities of the frauds and the potentials and prospects of some of them occurring in the bank. This will be a function of volume, types and concentration of the banks operations and the management control systems.

There are the internal and external management controls. Internal management controls are carried out on the inside of the company while external controls are carried out on the outside. Internal management control is classified into two major groups: Internal Checks and Internal Audit. Internal checks are the operational controls, which are built into the banking system to simplify the processing of entries in order to secure prompt services, to help in minimizing clerical errors and to act as insurance against collusion.

Internal Audit on the other hand involves the review of operations and records undertaken within a business by specifically assigned staff, which is usually the Internal Auditor. There are people called external auditors too who examine the books of the bank to determine its truth and fairness. This kind of audit is mostly statutory in nature, which is called for by the law (Onkagba 1993).

### b. Fraud Prevention and Detection

The process of identification of frauds will enable the bank to access its susceptibility and identify which types it has to address particularly. Having done so, the next stage would be to evolve measures to prevent the occurrence of such frauds. The existing control systems can be classified into two, those aimed at prevention and those aimed at detection. Ekechi (1990) stated that measures aimed at fraud prevention include dual control, operational manual, graduated limits of authority, lending units, reporting systems, close circuit television, establishment of inspectorate units, referencing on presentation of document of value, segregation of duties, verification of signatures, controls of dormant accounts, detection of passport sized photos, close watch on the lifestyle of staff and coding/decoding and testing of telex messages.

Measures aimed at fraud detection include checking of cashiers, call-over, reconciliation and balancing of accounts at branches, interbank at head office levels, periodical submission of statement of accounts, stock taking of security items and cash in the vaults and inspection by bank inspectors (Ojeigbede, 2000).

The CBN as the supervisor and regulator of the banking systems is interested in ensuring that banks put in place comprehensive and effective internal control systems to minimize the incidence of frauds and whenever they occur to ensure that they are detected. From the point of view of supervisors, a good internal control system must have the following attributes: dual control, segregation and rotation of duties, an effective and independent inspection functions, clearly defined levels of authority and responsibility, existence of an efficient Audit Committee and adequate fidelity insurance cover.

It is also the responsibility of the supervisor to determine banks' compliance with rules and regulations through exhaustive review of their internal audit reports. They ensure that appropriate steps are taken by the board and management of banks to address issues raised in the audit reports. It is also their duty to ensure that fraudulent bank directors and staff are sanctioned with such report being duly circulated among banks and also that banks take advantage of Risk Management System (credit bureau) to monitor fraudulent customers and accomplices (CBN, 2000).

The supervisors are also to cooperate with the external auditors of banks to ensure that the internal audit programme of banks is comprehensive, adequate and effectively executed. The supervisors should also conduct an in-depth investigation into activities of a bank when put on enquiry. In order to enhance the ability of supervisors to carry out their responsibility effectively, they must be adequately trained and equipped with modern tools for supervision.

### c. Fraud Management

In devising the general preventive measures, the bank should appreciate the main feature of fraud, one of which is that fraud is rapidly increasing and it is a highly profitable industry. According to Ekeiqwe (2000), computer technology facilities and accentuates the growth. Other features are that frauds involve misappropriation of assets and manipulation or distortion of data and most frauds result from basic failure and inadequacies of internal controls. This was rightly confirmed in a report by the NDIC 1999 annual reports and statement of accounts, where it said that most frauds are committed by insider usually in collusion with outside third parties, and mostly are discovered by accident or tip offs rather than internal and external auditors.

It was suggested by Nwankwo (1991) that on the discussion of the anatomy of frauds, management should evolve positive attitudes towards safeguarding the banks assets and ensuring that staff does not exploit the weakness in internal control. He further said that the policies should stress the cardinal principles of separation of duties to ensure that one person does not originate and complete an assignment or entry. The policy should also emphasize dual control of sensitive areas such as strong rooms and locks to security documents and account, the need for daily balancing of account and the various precautions which include necessary references for opening of accounts.

Ekechi (1990) was of the opinion that, in order to attain the objective of fraud management, there is need for full compliance with established policies, rules and procedures. Also employees should be made aware of the risks of attempting to defraud the bank and the action expected if caught. Finally the policy should incorporate and emphasize investigation and possible prosecution of suspected frauds.

In controlling fraud in the banks, the boards of directors play a major role because the leadership responsibilities must be clearly spelt out and formally explained to them. This responsibility should include the directing of the overall policy and management of the bank, fiduciary duty to act honestly and with utmost good faith, and exercise of skill and care in discharging the statutory obligations of the bank. In particular, the board has the collective responsibility of the members to ensure that suitable security systems exist, there are adequate accounting records and internal control measures and there are adequate precautions to prevent falsification of accounting records and facilitate the discovery of any falsification (Asukwo, 1991 and Oyeyiola, 1996).

The CBN plays its own role in helping banks manage fraud through its monetary policy and guidelines. CBN demands that banks should make provisions for loss through frauds from its gross profit. This policy was enacted to safeguard the depositor's money since it is obvious that depositor's money will be lost when there is an incidence of fraud. According to the Monetary Policy Circular No. 36 of 2002/2003, CBN requires banks to make a provision of 10% on amounts involved in fraud cases up to 6 months old of which police investigation are still on. A minimum of 50% provision should be made on outstanding fraud cases of 6 to 12 months old with slim chances of full recoveries. Finally, a full provision (100%) should be accorded to outstanding fraud cases of over 12 months with protracted litigations that is, cases that are pending in court.

## Objectives of the Study

The main aim of this study is to find a practical means of minimizing the incidences of fraud in Nigeria banks. While specific objectives are to:

1. Identify various means employed in defrauding banks.
2. Determine the effects of fraud on the banking business.
3. Determine the magnitude and frequency of fraud in banks. 4. Suggest measures of reducing the incidence of bank fraud.

## Hypothesis

**$Ho_1$:** Poor salaries and inadequate working conditions do not induce bank staff to commit fraud.

**$Ho_2$:** Inadequate fraud detection systems in operation in banks cannot be the cause of frequent fraud in the industry.

## Methodology

The instrument adopted for this study is the questionnaire. The questionnaires were designed for the four designated personnel in each of the selected banks (Branch Manager, Branch Accountant and the Operation Manager). Hence, three respondents were selected from the ten banks in the study area totaling thirty (30). Although, there are twenty five (25) banks in Nigeria presently, however, in this study the researcher looked into ten (10) banks that are located in Ogbomoso town. The entire bank branches in the study area were selected in order to have good representation, that is, the researcher is of the opinion that those branches can serve as a reasonable representation of the entire branches as the same operating policies govern every branch nationwide.

## Analysis and Discussion

Hypothesis one was tested using chi square, the result revealed that $\chi^2$ calculated was 22.62 as against $\chi^2$ tabulated at 0.01 significance level which was 26.12. Hence the null hypothesis which stated that, poor salaries and inadequate working conditions do not induce bank staff to commit fraud was accepted.

**Table 1:** Respondents by salary and working conditions

| Response | Branch Manager | Branch Accountant | Operation Manager | Total | Percentage |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Yes | - | 3 | 15 | 18 | 60 |
| No | 7 | 3 | 2 | 12 | 40 |
| **Total** | **7** | **6** | **17** | **30** | **100** |

**Source:** Author's field work (2019).

This can further be substantiated with the table in the appendix I on bank's staff involved in frauds and forgeries.

Going by the data collected on securities in the study area, 75% agreed that banks with security lapses in the management control and negligent customers is always bound to be a victim of fraud. Hypothesis two was tested using both parametric and nonparametric correlation. For instance, Pearson Product Moment Correlation Coefficient (PPMCC) at 0.01 level of significance was 97.5% and Kendall's tau at 0.05 was 81%, Spearman's rho at 0.01 as 89.3%. Since the Correlation Coefficient values revealed positive and high relationship, it goes to confirm that inadequate fraud detection devices in bank operations can be part of the causes of frequent fraud in the industry, hence, this made it imperative for us to reject the null hypothesis and consequently accept the alternative hypothesis that stated that inadequate fraud detection systems in operation in banks can be the cause of frequent fraud in the industry. The implication of this is that, the more the fraud detection devices, all things being equal, the less the rate of fraud in the banking industry.

**Table 2:** Respondents by fraud detection systems

| Response | Branch Manager | Branch Accountant | Operation Manager | Total | Percentage |
|---|---|---|---|---|---|
| Agree | 8 | 10 | 6 | 30 | 75 |
| Disagree | 3 | 1 | 2 | 7 | 17.5 |
| Undecided | - | 1 | 2 | 3 | 7.5 |
| **Total** | **11** | **12** | **10** | **40** | **100** |

**Source:** Author's field work (2019).

**Table 3:** Perception Of Bank's Staff On Frequency Of Frauds In The Banking Sector

| Variables | Most often | Often | Once in a while | Undecided | Never |
|---|---|---|---|---|---|
| Advance Free Fraud | 6 | 4 | 3 | 0 | 0 |
| Forged Cheque | 1 | 11 | 1 | 1 | 0 |
| Fund Diversion | 2 | 6 | 2 | 0 | 0 |
| Cheque Kitting | 3 | 4 | 2 | 1 | 0 |
| Account Opening Fraud | 2 | 8 | 1 | 0 | 0 |
| Counterfeit Securities | 4 | 3 | 3 | 0 | 0 |
| Money Transfer Fraud | 6 | 2 | 2 | 2 | 0 |
| Letter of Credit | 0 | 4 | 1 | 3 | 0 |
| Computer Fraud | 1 | 7 | 2 | 0 | 0 |
| Clearing Fraud | 1 | 0 | 8 | 1 | 0 |

It was revealed that greed rather than poor salaries is what makes people to commit fraud and that poor salary is not an excuse to commit fraud. This leads to the acceptance of the null hypothesis that states that, poor salaries and inadequate working conditions cannot induce bank staff to commit fraud. However, if a man earns so little he is likely to commit fraud to meet his ever increasing needs. Hence, poor salaries and poor working conditions may be an inducement to commit fraud.

One can then say that majority of the highly paid staffers of the bank especially the middle level and top management staff are more likely to swindle their employers (Appendix I). This corroborated Ojei (2000) which states that, since they have greater access to large sums of money; and that this strata defraud their bank in a more sophisticated manner, that is, by collecting large amount of benefits which do not accrue to them or by collection of large amount of loans which they do not have any intention of paying back.

Similarly the magnitude and frequency of fraud in banks under study, the data collected revealed that there exists an inverse relationship between often and once in a while, that is -.684 at 0.05 level of significant (see appendix III).

## Conclusion and Recommendations

Fraud in the banking sector has become a phenomenon which needs a drastic resolution so as not to cripple that sector of the economy. The battle to prevent and detect and punish offenders must be fought on two broad fronts. One is to reduce the temptation to commit fraud and the second is to increase the chances of detection. Based on the findings of this study, good salary structure and excellent working conditions which can help to a great extent to reduce the temptation to commit fraud need to be put in place. In addition, management should not hesitate to come to the aid of employees, any time there is a genuine financial request particularly in emergency situations. Such assistance not only eliminates the tendency to defraud the organizations, it helps to cultivate a group of dedicated and highly productive workforce.

Another issue to be considered in reducing the incidence of fraud in Nigerian banking sector is the issue of fraudsters. The way they are treated affects the incidence of frauds. Banks are reluctant to report frauds because it would seem like washing its dirty linen in public. It has been known that victims are too embarrassed to come forward and admit they have been ripped off, they will rather prefer a secret sacking to public prosecution. In this vein banks should have a good hiring and training policy as a first step in the battle to prevent fraud. This is because it has been established that the character and integrity of an individual are the essential deterrent to crime. A prospective employee's background should therefore be thoroughly checked to ascertain if that prospective employee has previous criminal record or has dubious background or connections.

Also employee's lifestyle should be closely monitored to determine whether such staff is living beyond his/her legitimate income. Where an employee is considered living beyond the means known to the bank, further investigation should be carried out to determine the source of the extra income.

In support of Ekeiqwe (2000) assertion, another angle to fraud prevention is the adoption of computer aids as tool for fraud prevention and control. That is, the involvement of management information system (MIS). Good computer software will allow the auditor to cover more grounds in less time and will also enhance the production of a more accurate report.

There should be regular job rotation for the employees in the banks. The idea of keeping a staff in a unit/section of the bank for too long will expose/encourage that staff to fraud. The staff may think because of his/her experience it may be difficult for any fraud perpetuated by them to be discovered. This can be done by employing adequate strategic planning to cub staff excesses.

In the final analysis banks should endeavour to avoid the following lapses:

a. Lack of daily balancing of transactions.
b. Lack of deterrent punishment of staff involved in fraud.
c. Doing more than one job which are incompatible
d. The use of passwords by unauthorized personnel.

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## Appendix I

Bank's staff involved in frauds and forgeries

| | **Number** | **%** | **Number** | **%** | **Number** | **%** |
|---|---|---|---|---|---|---|
| Supervisors and Managers | 55 | 36.18 | 16 | 18.80 | 25 | 23.58 |
| Officer, Accountant, Executive assistants | 60 | 39.49 | 48 | 56.50 | 41 | 38.68 |
| Clerks and Cashiers | 30 | 19.74 | 13 | - | 25 | 23.58 |
| Typists, Technicians and Stenographers | - | - | - | - | - | - |
| Messengers, Drivers. Cleaners, Security Guards, Stewards | 5 | 3.29 | 4 | 4.70 | 7 | 6.60 |
| Temporary staff | 2 | 1.32 | 4 | 4.70 | 8 | 7.55 |
| Uncategorized staff | - | - | - | - | - | - |
| **Total** | **152** | **100.00** | **85** | **100.00** | **106** | **100.00** |

**Source:** Bank Returns (NDIC Report, 2003).

# Appendix II

Correlations

| | | AMTINV | ACTEXLOS |
|---|---|---|---|
| AMTINV | Pearson Correlation<br>Sig. (2-tailed)<br>Sum of Squares and Cross- products<br>Covariance<br>N | 1.000<br>15086759<br>2514459.8<br>7 | .975**<br>.000<br>1116213.894<br>186035.649<br>7 |
| ACTEXLOS | Pearson Correlation<br>Sig. (2-tailed)<br>Sum of Squares and Cross-products<br>Covariance<br>N | .975**<br>.000<br>1116213.9<br>186035.65<br>7 | 1.000<br>86901.789<br>14483.631<br>7 |

**Note:** ** Correlation is significant at the 0.01 level (2-tailed).

Nonparametric Correlations

| | | | AMTINV | ACTEXLOS |
|---|---|---|---|---|
| Kendall's tau_b | AMTINV | Correlation Coefficient<br>Sig. (2-tailed)<br>N | 1.000<br><br>7 | .810*<br>.011<br>7 |
| | ACTEXLOS | Correlation Coefficient<br>Sig. (2-tailed)<br>N | .810*<br>.011<br>7 | 1.000<br><br>7 |
| Spearman's rho | AMTINV | Correlation Coefficient<br>Sig. (2-tailed)<br>N | 1.000<br><br>7 | .893*<br>.007<br>7 |
| | ACTEXLOS | Correlation Coefficient<br>Sig. (2-tailed)<br>N | .893*<br>.007<br>7 | 1.000<br><br>7 |

**Note:** *Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

# Appendix III

One-Sample Statistics

| | N | Mean | Std. Deviation | Std. Error Mean |
|---|---|---|---|---|
| most often | 10 | 2.600 | 2.119 | .670 |
| often | 10 | 4.660 | 3.340 | 1.056 |
| once in a while | 10 | 3.100 | 2.923 | .924 |
| undecided | 10 | .700 | 1.059 | .335 |

| | | | | |
|---|---|---|---|---|
| never | 10 | .000 | .000 | .000 |

**Note:** a t cannot be computed because the standard deviation is 0.

One-Sample Test

| | Test value=0 | | | | | |
|---|---|---|---|---|---|---|
| | t | df | Sig. (2-tailed) | Mean Difference | 95% Confidence Interval of the Difference | |
| | | | | | Lower | Upper |
| most often | 3.881 | 9 | .004 | 2.600 | 1.084 | 4.116 |
| often | 4.412 | 9 | .002 | 4.660 | 2.271 | 7.049 |
| once in a while | 3.354 | 9 | .008 | 3.100 | 1.009 | 5.191 |
| undecided | 2.090 | 9 | .066 | .700 | -5.781E-02 | 1.458 |