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Analysis of Frauds in Banks: Nigeria's Experience

Olaoye Clement Olatunji
Department of Accounting, Faculty of Management Sciences Ekiti State University, Ado-Ekiti, Nigeria
Dada Raphael Adekola
Department of Accounting, Faculty of Management Sciences Ekiti State University, Ado-Ekiti, Nigeria
Adebayo Adesodun Isaac
Department of Accounting, Faculty of Management Sciences Ekiti State University, Ado-Ekiti, Nigeria

Abstract:
This paper assesses the nature, causes, effects, detection and prevention measure for bank frauds in Nigeria. The methodology employed for data collection is only primary source, which involved the use of questionnaires, in which 100 questionnaire were administered to the selected bank staff, out of which 92 questionnaires were completed and returned. Also this study make use of Nigerian Deposit Insurance Corporation (NDIC) annual reports for data relating to total amount involved in frauds and forgeries, ten banks with the highest fraud cases and categories of bank staff involved in frauds and forgeries. The paper concludes that If fraud is discovered or there is a reasonable basis to believe that improprieties have occurred, the audit committee should be notified immediately and is responsible for ensuring that an investigation is conducted. in the fight for the prevention of fraud, banks should have in place sound/effective internal control mechanism/checks and balances. There should be steadfastness in punishing offenders and adoption of zero tolerance to corruption. The society should imbibe cultural value system of treating fraudsters with contempt.

Key words: *fraud, detection, prevention, NIDC, management fraud, Insiders fraud, KYC, SAS*

1. Introduction

In spite of the fact that the banking industry is the most controlled and regulated industry in Nigeria, fraud has continued to rear its ugly head in the industry. It has eaten deep into every unit and department in the banking sector. The level of fraud in the present day Nigeria has assumed an epidemic dimension. Nigeria with all its human and natural resources, tethers on the brink of failure because of fraud. Much of what we do is "cutting leaves" instead of dealing with the root problem. Generally, fraud takes its root from human heart. It is an axiom that the heart of man is deceitful above all things and is desperately wicked. Olisabu (1991), state that the banking sector has become one of the most critical sectors and commanding heights of the economy with wider implications on the level and direction of economic growth and transformation and on such sensitive issues as the rate of unemployment and inflation which directly affect the lives of our people. Today, the very integrity and survivability of these laudable functions of Nigerian banks have been called into question in view of incessant frauds and accounting scandals. Oseni (2006) opined that the incessant frauds in the banking industry are getting to a level at which many stakeholders in the industry are losing their trust and confidence in the industry. Corroborating the views of Oseni and Idolo (2010), stressed that the spate of fraud in the Nigerian banking sector has lately become a source of embarrassment to the nation as apparent in the seeming attempts of the law enforcement agencies to successfully track down the culprits. Fraud is the number one enemy of the business world. No entity or work is immune from it (Nwankwo, 1991). The fear is now widespread that the increasing wave of fraud in the recent years, if not prevented might pose certain threats to the economy and political stability and the survival of financial institution and the performance of the industry as a whole. Nwachukwu (1995), wrote that more money is stolen in or through banks by means of fraud committed with pen than through other means. Fraud may take the form of; theft of inventory assets, misuse of expense account, secret commission and bribery, false invoicing, electronic and telecommunication fraud, unauthorized use of information, cheque forgery, cheque clone, false financial statements, and so on, but whichever form it takes, the fundamental point is that the banking industry falls victim to fraudulent acts suffers and bears the brunt.

This study is designed to examine the factors that contribute to frauds, to evaluate the impact of internal control system in combating fraud in the banking industry, determine the effectiveness of the activities of an auditor and also the way by which it can be is prevented and controlled. To achieve the purpose of this study the following research questions are hereby formulated;

- What kinds of fraud committed in the banking?
- What are the causes of fraud in the banking?
- What categories of people are mostly involved in the act of fraud in the banking?
- How can the incidence of fraud be corrected?

2. Literature Review

2.1 Context of Fraud

The term ‘Fraud’ has been defined in different ways by different scholars and authors. According to the Collins English Dictionary, fraud can be defined as: "deceit, trickery, sharp practice, or breach of confidence, perpetrated for profit or to gain some unfair or dishonest advantage". Also, the Association of Certified Fraud Examiners defines fraud as “any illegal acts characterized by deceit, concealment or violation of trust. These acts are not dependent on the application of threat of violence or of physical force”. Frauds are perpetrated by individuals and organizations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage. Awe (2005) defines fraud as the intentional alteration of records accompanied by the defalcation of asset in order to deceive certain group of people for the benefit of the perpetrator. Although not all fraud are accompanied by the defalcation of asset but majority of frauds perpetrated by low and middle officers normally involve the defalcation of asset. In view of the incessant frauds in Nigeria banks and to equally safe guide the interest of customers on their deposit. Central Bank of Nigeria (CBN) formulated a policy that reduces the number of Nigerian banks from seventy three to twenty five, of which forty liquidated and licenses’ of seven banks were revoked

S/N	Post-Consolidation	Pre-Consolidation	Capital Base in Billion(#)
1	First Bank Group	First Bank, MBC International, FBN Merchant Bankers Ltd.	44.62
2	Diamond Bank Group_	Diamond Bank, Lion Bank.	33.25
3	Oceanic Bank Group	Oceanic Bank International, International Trust Bank.	33.10
4	Intercontinental Bank Group	Intercontinental Bank, Global Bank, Gate way Bank, Equity Bank.	51.70
5	Fidelity Bank Group	Fidelity Bank, FSB International Bank, Manny Bank.	29.00
6	UBA Group	UBA, Standard Trust Bank.	50.00
7	FCMB*	FCMB, Coop Dev. Bank, Nig. American Bank Ltd.	30.00
8	Spring Bank Group	Citizen Bank International, ACB International, Guardian Express Bank, Oceanic Bank, Trans-international Bank, Fountain Trust Bank.	25.00
9	Access Bank Group*	Access Bank, Marina International Bank, Capital Bank International.	28.50
10	Unity Bank Group	Intercity Bank, First Interstate Bank, Tropical Commercial Bank, Centre Point Bank, Bank of the North, Societe Bancaire, Pacific Bank, NNB.	30.00
11	Equitorial Trust Bank Group	Equitorial Trust Bank, Devcom Bank.	26.50
12	Union Bank Group	Union Bank of Nigeria, Union Merchant Bank, Broad Bank, Universal Trust Bank.	58.00
13	First Inland Bank Group	First Atlantic Bank, Inland Bank, IMB, NUB.	28.00
14	Afribank Group	Afribank International (Merchant) Bank, Afribank of Nigeria, Trade Bank.	29.00
15	IBTC Chartered Group*	IBTC, Chartered Bank, Regent Bank.	35.00
16	Skye Bank Group	Prudent Bank, EIB, Bond Bank, Reliance Bank, Cooperative Bank.	37.00
17	WEMA Bank Group	Wema Bank, Lead Bank, National Bank of Nigeria.	26.20
18	Sterling Bank Group	Trust Bank, NBM Bank, Magnum Bank, NAL Bank, Indo Nigeria Bank.	25.00
19	Platinum Habib Bank	Habib Bank, Platinum Bank.	26.00
20	Zenith Bank	Alone	38.00
21	Nigerian International Bank	Alone	25.00
22	Ecobank*	Alone	25.00
23	Standard Chartered	Alone	26.00
24	Guaranty Trust Bank	Alone	34.00
25	Stanbic_Bank*	Alone	25.00

Table 1: Twenty five standing banks in Nigeria-Post Consolidation

- *IBTC Chartered bank recently merged with Stanbic Bank
- *Platinum Habib Bank has also acquired with spring bank
- *FCMB recently acquired FIN Bank formally first Inland Bank
- *Ecobank recently acquired Oceanic Bank
- *Access Bank Group recently acquired Intercontinental Bank

3 banks were nationalized namely; Spring Bank (Enterprise Bank), Afribank (Mainstream Bank), Bank PHB (KeyStone Bank) while Wema Bank was regionalized. (Cowry research desk, 2009)

2.1.1. The Licenses of the Following Banks Have Been Revoked

- Savannah Bank of Nigeria Plc, license revoked Feb. 16, 2002*
- Peak Merchant Bank Limited, license revoked Feb._28,_2003
- Eagle Bank Plc, license revoked Jan. 16, 2006, (NDIC appointed Provisional Liquidator)
- Fortune Bank Plc, license revoked Jan. 16, 2006, (NDIC appointed Provisional Liquidator)
- Liberty Bank Plc, license revoked Jan. 16, 2006
- Societe Generale Bank of Nigeria Plc, license revoked Jan. 16, 2006*
- Triumph Bank Plc, license revoked Jan. 16, 2006

*However, the CBN later restored the licenses of Savannah Bank of Nigeria Plc Societe Generale Bank of Nigeria Plc in 2009. (Cowry research desk, 2009)

According to KirkPatrick (1985), fraud means an act of dishonest, deceit and imposture. A person who pretend to be what he's not is a fraud, a snare a deceptive trick and a cheat. Fraud covers a range of irregularities and illegal acts characterized by intentional deception. It can be perpetrated for the benefit of or to the detriment of the organization and by persons outside as well as inside the organization. It can also be described as diverse means used by resourceful people to get an advantage over another by suppressing the truth, trickery misinformation, false suggestions, cunning, deceit, and other methods by which to cheat. By extension, fraud is clued embezzlement, theft, or any attempt to steal or unlawfully obtain the assets of banks. Employees, customers, in conjunction with others within and outside the Bank can commit fraud. Frauds are not new in banks; they are as old as the industry itself. Therefore, it is not surprising when it is realized that many Nigerians have chosen to become a sudden millionaires by engaged themselves in all sort of manna and activities that is constitutionally and traditionally wrong all in the name of becoming millionaire overnight, as a result of this fraudsters launch different attack on the bank with the wrong notion that the banking industry is one of the most buoyant and the most profitable sector of economy. It is believe that the banks make a lot of profit annually and is always liquid. Consequently, any amount of financial loss to bank will not materially affects its operation/existence however, this is not correct, because the published accounts of some banks show that some of their banks cannot even fully provide for losses sustained through fraud in their accounts. In view of this, management control systems aimed at preventing fraud and reducing fraud to its beeriest minimum.

Fraud has been classified in various ways and using various parameters. However for the purpose of this paper, we shall employ the perpetrators criteria stated by Adeyemo (2012)

- Management of the banks (otherwise referred to as management fraud)
- Insiders. These perpetrators are purely the employees of the banks.
- Outsiders. These include customers and/or non-customers of the banks.
- Outsiders/Insiders.This is a collaboration of the bank staff and outsiders as described.

2.2. Management Fraud

Management fraud is frequently committed by management staff of a reporting entity, which comprises the director, general managers, and managing directors to mention but a few. The category of victims of management frauds are investors and creditors, and the medium for perpetrating the fraud is financial statement. The predilection for management fraud in most cases is to pull in more investment from both existing and potential shareholders to the organization. Another motivation for management fraud is to paint the bank in good light in the eyes of the regulatory authorities such as Central Bank of Nigeria (CBN), Nigerian Deposit Insurance Corporation (NDIC), Nigerian Accounting Standards Board (NASB) etc. Additionally management fraud can also be effectuated to secure tax advantage from tax authorities. Fakunle (2006), defines management fraud is the manipulation of records and the accounts, typically by the enterprise's senior staff with a view to benefiting in some indirect ways."OCPS Internal Audit Department" defines management fraud as fraud designed to benefit the organization generally produces benefit by exploiting an unfair or dishonest advantage that also may deceived an outsider. Deception and Deprivation are the two elements of fraud and management fraud meets the criteria. Accordingto "OCPS Internal Audit Department", the key elements of management frauds are:

Intentional, Improper representation or valuation of transaction, assets liabilities or income. Intentional, improper related party transactions in which one party receives some benefit not obtainable in the arm's length transaction. Intentional, failure to record or disclose significant information to improve the financial picture of the organization to the outsiders. Prohibited business activities such as those that violate government statutes, rules, regulations or contract.Tax fraud etc.

2.3. Insiders or Employees Frauds

This is the fraud perpetrated/committed by the employees of the bank or organization is also known as non-management fraud. According to "OCPS Internal Audit Department" is the fraud perpetrated to the detriment of the organization generally is for the direct or indirect benefit of an employee e.g. acceptance of bribes, diversion to an employee of a potentially profitable transaction that would normally generate profits for the organization, embezzlement, falsification of financial records, intentional concealment of event or data etc. Boniface (1991) identifies some of the typical manifestations of employee's frauds in the banks to include:

Cash thefts from the tills by banks' staff, Forgeries of customer's signature with the intention of illegally withdrawing money from the account with the bank, Use of forged cheques to withdraw money from the customer's accounts, Opening and operating of fictitious account to which illegal transfers could be made and false balance credited, Lending to fictitious borrowers effected through fictitious account opened at a branch, Claiming of overtime for hours not worked, Suppression of cash/cheques. 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. Computer Fraud: This type of fraud takes the form of alteration of the programmes or application packages and even bursting into the system via remote sensors. Diskettes and flash drives can also be tampered with to gain access to unauthorized domains or even give credit to accounts for which the funds were not ab initio intended. This kind of fraud can remain undetected for a long time.

2.4. Outsiders Frauds

These are frauds perpetrated by customers and non-customers at the detriment of the banks. This class of fraud includes the followings:

- Advance Fee Fraud
- Forged Cheques
- Cheque Kitting
- cheque cloning
- Account Opening Fraud
- Counterfeit finSecurities
- Money Transfer Fraud
- Letter of Credit Fraud
- loan fraud
- Clearing Fraud
- Duplicating or skimming card data, copying magnetic stripe information off a card for duplication.

2.5. Outsiders/Insiders Fraud

This is the types of fraud committed by outsiders (customers/non-customers) of the bank with effort of insider (bank staff). For this type of frauds to be successful there must be an insider providing with necessary information and other logistic in secret.

3. Causes of Bank Fraud

Alashi (1994) grouped the major causes of the bank fraud into two. These are institutional factors and environmental factors. Institutional factors are those traceable to the internal environment of the financial institution, while the environmental factors are those which result from the influence of the environment on the banking industry.

3.1. Institutional Causes of Fraud

The institutional factors or causes are those that are traceable to the in-house environment of the banks as stated by Ojo (2008).
Though the list of institutional factors is inexhaustible, the notable ones are:

- Weak accounting and internal control system;
- Inadequate supervision of subordinates;
- Disregards for "know your customers (KYC)" rule;
- Poor information technology and data base management;
- Hapless personnel policies;
- Poor salaries and conditions of services;
- General frustrations occasioned by management unfulfilled promises;
- Failure to engage in regular call-over;
- Employees' refusal to abide by laid-down procedures without any penalty or sanction;
- Banks reluctance to report fraud due to the perceived negative publicity or image. This is capable of engendering more fraud;
- Banking Experience of staff: frauds in banks occur with higher rate of recurrence among staff with little experience and knowledge in financial praxis. The more experience and knowledgeable a staff is, the less that frauds would pass such staff undetected unless with active support of that staff.
- Inadequate Infrastructure: Poor communication systems and power failure, result to a buildup of unbalanced postings, overcrowded office space etc, these encourage the committal of fraud in banks.

- Inadequate training and re-training;
- Poor Book-Keeping
- Genetic traits: - These are trans-generational (or inherited) attribute possessed by an individual that propels him to engage in frauds. For instance, a kleptomaniac who pathologically steals for the fun of it would naturally not do well as professional banker.
- Lack of security of tenure: the incessant downsizing of staffs in the banking industry which had rendered many jobless in the recent time has contributed to the perpetration of fraud.

3.2. Environmental/Societal Causes of Fraud

These have been identified as Follows

- Personality Profile of Dramatize Personae; most individuals with inordinate ambitions without qualm are prone to committing frauds. These kinds of individuals bent on making money by hook or crook and to them the end justifies the means.
- Societal Value: when the possession of wealth determines the reputation ascribed to a person, that society is bound to witness unnecessary competition for acquisition of wealth.
- Lack of Effective Deterrent/Punishment: this is a moot point because it is argued in some quarters that lack of effective deterrent such as heavy punishment could be a factor that contributes to the high perpetration of frauds in financial institutions.
- Fear of Negative Publicity: many financial institutions fail to report fraud cases to the authorities. They believe that doing so will give unnecessary negative publicity to their institutions. This is not only a chance for fraudsters to thrive; it is great challenge to a researcher as regards to data collection.
- Unemployment and High level of Poverty in Nigeria: Nigeria is one of the riches economies in the Sub Saharan Africa and indeed the world both in human and natural resources (oil) but 80% of the Nigeria youths especially university graduates are unemployed. Most of the politicians squirrel away the looted funds in foreign banks without been punished. This causes capital flight, unemployment, dearth in infrastructure which is not particularly good for a developing country like Nigeria. Directly or indirectly some Nigeria youths especially those with little ICT knowledge with special reference to those that find themselves in the banking industry with criminal intent engage in one bank fraud or the other in order to eradicate poverty. Most of them have some of their family members that depend on them for what to eat drink or even put in their pockets. All these make fraudsters to have the feeling that they are above the law and as such can get away with ill-gotten wealth unpunished.

4. Extent of Frauds in the Nigerian Banking System

The incidence of frauds in our banking system has continued to be of grave concern to the Regulatory Authorities going by the magnitude of loss recorded by the system to the fraudsters over the years. Sections 35 and 36 of Nigerian Deposit Insurance Corporation (NDIC) Act 2006, mandates banks to render monthly returns of frauds and forgeries and also notify the corporation of any staff dismissed or whose appointment was terminated on accounts of frauds or financial irregularities. The incidence of frauds and irregularities in our banking system has continued to be of grave concern to the Corporation going by the magnitude of losses recorded by the system over the years. The experience with those banks that were closed in recent year clearly showed the trends as well as the damaging impact of frauds on the affected banks and the entire Nigerian financial services industry. See the below tables:

YEAR	Total No of Fraud Cases	Total Amount Involved (N' Million)	Total Expected Loss (N' Million)	Proportion of Expected Loss to Amount Involved (%)	Staff Involved
2002	796	12,919.55	1,299.69	10.06	85
2003	850	9,383.67	857.46	9.14	106
2004	1,175	11,754.00	2,610.00	22.21	383
2005	1,229	10,606.18	5,602.05	52.82	378
2006	1,193	4,832.17	2,768.67	57.30	331
2007	1,553	10,005.81	2,870.85	28.69	273
2008	2,007	53,522.86	17,543.09	32.78	313
2009	1,764	41,265.50	7,549.23	18,29	656
2010	1,532	21,291.41	11 ,679	54.85	357
2011	2,352	28,400.86	4,071	14. 33	498
2012	3380	17,965	4,517	25.14	531
TOTAL	17,831	221,947.01	49,689.04		3,911

Table 2: Total Amount Involved in Fraud and Forgeries
Source: Adapted from NDIC ANNUAL REPORTS (2002 – 2012)

This table reported 3,380 fraud cases in the year 2012 involving the sum of ₦17.97 billion with expected/contingent loss of about ₦4.52 billion. The expected/contingent loss had increased by ₦455 million (10.9%) over ₦4.072 billion reported in 2011. Notwithstanding the 43.7% increase in the number of fraud cases from 2,352 in 2011 to 3,380 in 2012, the amount of fraud cases decreased by 36.4% from ₦28.40 billion in 2011 to ₦17.96 billion in 2012 as shown in the Table. The increase in the number of fraud cases could be said to be as a result of rising fraud cases through ATM, internet banking and suppression of customers' deposits (NDIC ANNUAL REPORT 2012)

Group	2005		2006		2007		2008		2009		2010		2011		2012	
	Amount Involved (N' Million)	% Share	Amount Involved (N' Million)	% Share	Amount Involved (N' Million)	% Share	Amount Involved (N' Million)	% Share	Amount Involved (N' Million)	% Share	Amount Involved (N' Million)	% Share	Amount Involved (N' Million)	% Share	Amount Involved (N' Million)	% Share
Total for 10 Banks	9,373.74	88.38	2,512.73	51.77	2,565.01	25.64	34,311.72	64.11	37,179.90	90.10	10,874,680	51.08	24,730,044	87.1	15,478.31	86.16
Total for All Banks	10,606.18	100	4,832.17	100	10,005.81	100	53,522.86	100	41,265.50	100	21,291,417	100	28,400,855	100	17,965.00	100

Table 3: Ten Banks with Highest Fraud Cases
Source: Adapted from NDIC ANNUAL REPORTS (2005 – 2012)

The 10 banks with the highest number of reported frauds and forgeries cases, as presented in Table 2 above, were responsible for 90.10%(2009), 88.38%(2005), 87.1(2011), 86.16(2012), 64131%(2008), 51.77%(2006), 51.08(2010) and 25.64%(2007), of the total frauds and forgeries that were reported in the banking industry in the 8 eight years (i.e. 2005-2012) respectively. The year 2011 and 2012 have same but slit difference proportion of % share which are 87.1% and 86.16% respectively while the amount involved in 2012(15,478.31) was lower to that of 2011(24,730.044).

Rank	2005		2006		2007		2008		2009		2010		2011		2012	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Supervisors & Managers	169	44.70	118	35.64	84	30.76	48	15.33	94	14.32	92	25.77	89	17.87	78	14.89
Officers, Accountants & Executive Assistants	124	32.80	90	27.19	89	32.60	127	40.58	137	20.88	79	22.13	126	25.30	89	16.76
Clerks & Cashiers	54	14.28	50	15.10	34	12.45	48	15.33	200	30.49	115	32.22	163	32.73	117	22.03
Typists, Technicians & Stenographers	16	4.23	16	4.83	21	7.69	20	6.39	64	9.76	23	6.44	7	1.41	5	0.95

Messengers, Drivers, Cleaners, Security Guards & stewards	12	3.17	7	2.11	-	-	-	-	11	1.68	15	4.20	35	7.03	16	3.01
Temporary Staff	3	0.79	50	15.10	45	16.48	70	22.37	150	22.87	33	9.24	78	15.66	226	42.56
TOTAL	378	100	331	100	273	100	313	100	656	100	357	100	498	100	531	100

Table 4: Categories of Bank Staff Involved in Frauds and Forgeries
Source: Adapted from NDIC ANNUAL REPORTS (2005 – 2012)

Table 3 shows the status and number of banks' staff involved in frauds and forgeries from 2005 to 2012. Within the eight years, a total of 3,337 were reported to have been involved in frauds and forgeries, while in 2011 and 2012 the total of 1,029 members of bank staff were reported to have taken part in financial impropriety, this statistics accounted for 30.83% of the whole figure, the numbers of the staff involved has been increasing since the last three years. According to NDIC 2011 report, the banking industry performance and the level of soundness were a bit affected in 2011. DMBs are usually categorized into five levels of soundness, namely: A-Very Sound;B-Sound; C-Satisfactory; D-Marginal, and E-Unsound. The Banking Industry performance and level of soundness during the year ended 31st December, 2011 indicated that five (5) banks were in Category B, thirteen (13) banks in Category C and two (2) banks were in Category D. There were no banks in Categories A& E as at 31stDecember, 2011. The combined Total Assets of the two (2) banks in Category D stood at ₦560.02 billion or 3.07% of the Industry Total Assets (NDIC 2011).Undoubtedly, frauds leads to loss of money which belongs to either the bank or customers. This loss results in a decline of productive resources available to the bank. Adewunmi (1986), identified the under listed effects of bank frauds and forgeries:

- It destroys the bank's reputation
- It discourages banking habit among the banking public.
- The bank ceases to meet up with staff welfare
- The trust and understanding among staff is reduced
- The bank will lack the ability to compete favourably with its competitors
- Fraud reduces bank's profitability
- It places emotional and psychological burdens on the fraud victims.

Others include:
Increased operating expenses, reduced operational efficiency, damage to credibility, public criticisms, endangered bank's plans and strategies, bank's liquidation, a decrease in foreign direct investments (FDI) and foreign investors, depletion of shareholders' funds and banks' capital base, and bad national image. Summarily, it can be said that the Cost of Fraud in Banks = Instantaneous loss due to fraud + Cost of fraud preclusion and exposure + Cost of lost business + Opportunity cost of fraud avoidance and uncovering + deterrent effect on spread of e-commerce.

5. A Comprehensive Approach to Controlling Fraud

According to Keller and Owens (2013) Fraud is a significant potential problem for all organizations. The AICPA and a consortium of professional associations issued Management Antifraud Programs and Controls, Guidance to Help Prevent and Detect Fraud. In its preface, the document stated "that some organizations have significantly lower levels of misappropriation of assets and are less susceptible to fraudulent reporting than other organizations because they take proactive steps to prevent or detect fraud. It is only those organizations that seriously consider fraud risks and take proactive steps to create the right kind of climate to reduce its occurrence that have success in preventing fraud." The foundation for a comprehensive approach to controlling fraud rests on an antifraud policy set by the board of directors. Setting the Tone at the Top For starters, management, including directors and officers need to "set the tone at the top" for ethical behavior in an organization. Management must show employees through its words and actions that dishonest or unethical behavior will not be tolerated, even if the result of the action benefits the organization. Additionally, it should be evident that all employees will be treated equally, regardless of their position. Assessing Fraud Risks and Responses Organizations should be proactive in reducing fraud opportunities by (1) identifying and measuring fraud risks, (2) taking steps to mitigate identified risks, and (3) implementing and monitoring appropriate preventative and detective internal controls and other deterrent measures. Management should implement both financial and non-financial systems and controls to detect and prevent fraud. Among the financial controls management can implement include:

- Reconcile accounts – reconcile bank accounts as well as fundraising assets such as raffle tickets and cash receipts. A person who doesn't authorize transactions or have custody of the assets should perform the reconciliations.
- Perform ratio analysis – compare number of donors with contributions, compare number of employees with payroll expense.
- Review all general ledger adjustments.
- Institute job rotation and mandatory vacations.
- Conduct surprise audits. The organization should consider using the following non-financial controls, among others:

- Pre-screen potential employees.
- Communicate often with current employees so you will know when they are feeling pressured.
- Communicate the consequences of committing fraud.
- Set a good example by following the rules.
- Provide a hotline.
- Conduct anti-fraud training for managers and employees.
- Implement an anti-fraud policy.

6. The Antifraud Teams

The audit committee is the board's primary direct representation on the antifraud team. The audit committee's antifraud role is one of both oversight and participation. The audit committee should constantly challenge management to enforce the antifraud policies of the board. It should regularly evaluate management's identification of fraud risks and their responses to those risks, including of the adequacy of the organization's internal financial controls. It should support and assess management's creation of a culture with a "zero tolerance" for fraud. The audit committee should also assess the risk of fraud by management and develop appropriate responses to those risks. Among other things, the audit committee should:

- Remain alert to factors that might indicate management fraud, including changes in life-style.
- Consider periodically reviewing management travel and other expenses.
- Carefully review unusual and complex financial transactions.
- Consider periodically reviewing significant nonstandard journal entries, especially those near year-end.
- Monitor compliance with the organization's general code of conduct and conflict of-interest policies.
- Identify and assess the propriety of related party relationships and transactions at all levels.
- Monitor the adequacy of the organization's information management system and other physical security measures required to protect the entity from fraud and abuse.
- Ensure that every employee or volunteer is aware that the committee is the contact point for reporting suspected fraud or abuse and that the "whistleblower" will be protected.
- Take the lead in investigating suspected fraud and abuse, including communicating appropriate matters to legal counsel and governmental authorities.
- Review the adequacy of insurance coverage associated with fraud and abuse.
- Communicate with external auditors regarding the audit committee's assessment of fraud risks, the entity's responses to those risks and any suspected or actual fraud and abuse reported to it during the year.
- Oversee the internal audit function or perform certain internal audit functions if needed.

In fulfilling its responsibilities, the audit committee should carefully document its actions and periodically report to the full board. The External Auditors The most recent study by the Association of Certified Fraud Examiners reported that less than 10% of the frauds included in the study were discovered as a result of an audit by an independent CPA firm. Despite the belief of many organizations and the users of their financial statements, the standard financial statement audit is not designed and should not be relied upon to detect fraud. Most fraud is discovered by others within an organization or reported by outside parties who become aware of inappropriate situations. Preventing and detecting fraud is the responsibility of the organization. However, the accounting profession has taken steps to help the organization with its responsibility to prevent and detect fraud. The Institute of Chartered Accountants of Nigeria has promulgated professional standards designed to provide guidance to auditors in the area of fraud detection during the course of a normal audit. These standards require auditors to set aside time for assessing fraud risks, and planning and implementing procedures to improve the likelihood that the auditors will detect material misappropriation of assets or material misstatements of financial statements due to fraud. In addition, the external auditors should be expected to communicate the following matters to the organization, usually through its audit committee:

- Unusual accounting principles used or reporting practices followed.
- The basis for estimates used in the organization's financial statements and the reasonableness of those estimates.
- Significant audit adjustments that management needs to make in order to make the organization's financial statements fairly stated in all material respects.
- Unrecorded differences found in the audit that were notable, but not material to the financial statements individually or in the aggregate.
- Any fraud, regardless of size, that was discovered or suspected during the course of the audit.
- Illegal acts or instances of material noncompliance with laws or regulations.
- Weaknesses (known as significant deficiencies) in the design or operation of the
- organization's internal financial controls that if undetected could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.
- Any disagreements with management or difficulties encountered during the audit.

While the primary responsibility for fraud prevention and detection remains with the board and management, the external auditors can be a significant part of the organization's antifraud team. The Internal Audit Process The 2003 Fraud Survey published by KPMG, the international accounting and consulting firm, found that "almost two thirds [of organizations surveyed] reported discovery [of fraud] by internal audit." The results of this and similar studies suggest that while an internal audit process doesn't prevent misappropriation of assets or misrepresentation of financial statements from happening, it does (a) increase the probability of detecting fraud and (b) detect fraud earlier, resulting in smaller losses. The internal audit process is similar to that of the external audit with at least one important difference. The external audit is designed to obtain reasonable assurance that the organization's financial statements are free of material misstatement. As a result, the external audit generally focuses on larger transactions. However, the internal auditor can examine 100% of the activity in an area. This is what makes the internal audit process so valuable. Besides looking at detailed transactions, the internal auditor can assist the audit committee with many of its tasks. While some organizations are able to afford an internal audit staff to help detect fraud and assess the efficiencies of operations, funding constraints prevent most from using this antifraud resource. However, given some useful tools and diligent volunteers almost all organizations can realize the antifraud (and operational) benefits of the internal audit process. The internal audit process should be under the direction of and report exclusively to the audit committee so that they can convey any concerns about management's commitment to the organization's code of conduct, management's success in establishing and enforcing strong internal controls as well as report suspicions or allegations of fraud involving senior management.

Certified Fraud Examiners a certified fraud examiner will be of assistance to audit committee with aspects of the oversight process and/or with the direct fraud investigation. They can provide extensive knowledge and experience and more objective insight into management's analysis of fraud risk and its implementation of antifraud policies and controls. The certified fraud examiner can also conduct examinations to resolve allegations or suspicions of fraud and act as expert witnesses in any legal proceedings. Other Members of the Antifraud Team both charity watchdogs and government agencies can also be a part of the fraud prevention and detection team. Organizations such as the Evangelical Council for Financial Accountability and the BBB Giving Wise Alliance set standards for charitable accountability. These oversight organizations periodically evaluate charitable organizations through onsite visits or analytical procedures to ensure that donors and potential donors have a higher level of confidence as they dispense their charitable dollars. Government agencies also aid in the accountability process. For example, the Internal Revenue Service reviews the annual information returns of many not-for-profit organizations for such things as reasonable relationships between donations and fund-raising costs. When no fundraising expenses or unusual relationships are found and the organization is found to be filing inaccurate returns, significant penalties may be assessed. Many other federal, state and local government agencies conduct onsite examinations of organizations within their jurisdiction. The threat of economic loss, legal sanctions or discovery of wrongdoing can be a significant deterrent to fraud.

7. Prevention and Control of Bank Frauds

Fraud prevention and control involved series of control activities put in place by the management of the bank to discourage fraud amidst their staffs. There is no gainsaying that the control and prevention of banks fraud is a collaborating effort that involves management of the banks, government and its agencies and the society. The ability of the management to prevent and control frauds in the bank depends deeply on the quality of the staff employed and the soundness of internal controls system in place. Babatunde (2002) define internal control system thus:This is the whole system of controls financial or otherwise, established by management in other to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the asset and secure as far as possible the completeness and accuracy of the records. It is the responsibility of management to install and maintain reasonable system of internal control to protect the entity from loss through fraud or error. However, management's responsibility for internal control does not stop at installation and maintenance alone. Management should demonstrate a concern for effective control by actions and also motivate personnel to take responsibility for the control and hold them accountable for their actions for the best of control can be impair by the actions and the reactions of the management. The usual measures, which ensure timely prevention and control of bank frauds, are categorized by Shongotola (1994) as:

- Personnel controls
- Administrative controls
- Accounting controls
- Financial controls
- Inventory controls
- Process controls

Under personnel controls, we have proper recruitment and proper disengagement procedures, posting and placement, job rotations, enforced holidays and annual vacations, and training programmes.

Under administrative controls, we have segregation of duties, security devices e.g. Regiscope Cameras, passwords, etc. and franking machine. Under accounting controls, we have data validation, prompt posting of transactions, balancing of accounts, reconciliation, and proper identification of authorization and approvals. Under financial controls, we have cash limits, signing power and specialized stationer. Under inventory controls, we have physical checks and counts and bin cards, stock receipt notes, stock issued voucher, etc.

Under process control, we have input/output validation and program controls. Although all the controls are used in every aspect of bank operations as fraud antidotes or prevention techniques, special attention is given to the accounting controls as their proper application is very vital to the system's efficiency and effectiveness against bank frauds. Bank's financial operations are reviewed at regular intervals by means of interim account and report. Shongotola (1994) summarizes how frauds are prevented and controlled in the following words:

… if every voucher is properly checked and due approval confirmed, if proper postings are made and posted entries promptly called over, if balancing and reconciliation exercises are regularly performed, if figures are measured against projections/standards and variances are analyzed, if statistics are monitored and appropriate returns are sent and received on time, the possibility of fraud occurrence or non-detection would be quite remote.

Bank Managers pay particular attention to means of payment and customer's accounts. There are rules for cash movement, such as physical checks and balancing of cash, agreeing the Vault Book with the Bullion Officer's Cash Control Book, paying surprise visit to Cashiers and daily exchanges of tills and till books. Special attention is also paid to the non-cash payment instruments such as cheques, bankers' payment, etc. When it comes to clearing, care is taken to prevent substitution, loss or destruction of clearing documents. Government has promulgated appropriate statutes and established relevant institutions that will ensure that incidence of frauds in banks and other financial institutions are eliminated. These statutes include the CBN Decree, BOFI Decree, NDIC Decree, CAM Decree, SEC Decree, FMBN Decree and the Money Laundering Decree. The institutions include Securities and Exchange Commission (SEC), Nigerian Deposit Insurance Corporation (NDIC), the Central Bank of Nigeria (CBN) and the National Drug Law Enforcement Agency (NDLEA). All these statutes and infrastructure are put in place to ensure safe and sound banking operations and good financial system. The altitude of the general public (Society) toward the preventing and controlling of fraud in the society has not been encouraging as we continuing to celebrate the fraudsters knowing full well that their source is not genuine. The society should tailor their altitude toward discouraging and exposed the fraudsters.

Under SAS No. 82, the auditor has the responsibility to plan and perform an audit to obtain reasonable assurance about whether financial statements are free of material misstatement. The auditor is required to consider forty-one risk factors relating to fraudulent financial reporting and misappropriation of assets when designing an audit plan. Furthermore, the plan needs to be continuously modified during the audit on the basis of information gathered concerning these factors. It is also important that the auditor exercise a degree of skill and care in the performance of his assignment because if it is proved that the auditor failed to exercise reasonable skill and care as a result of which fraud or other irregularities which should have been discovered were not discovered and the client sustained financial losses, the auditor may be liable. The SAS has provided examples of conditions that would require reconsideration of an initial risk assessment. However, auditors must still use subjective judgment in analyzing the many risk factors. For example, one risk factor to be assessed by the auditor is "management displays a significant disregard to regulatory authorities" (SAS 82 1997). However, the auditor must use "professional judgment" in conducting an audit where risk factors such as this are present and must document these risk factors in the work papers (SAS 82 1997).

Similarly, the Private Securities Litigation Reform Act of 1995 imposes some of the same requirements on public company auditors. The requirements are as follows:

- Audits must include procedures designed to provide reasonable assurance of detecting illegal acts that would have a direct and material effect on financial statement amounts.
- Each audit must include procedures to identify related-party transactions that are material.
- Each audit must include an evaluation of the ability of the issuer of financial statements to continue as a going concern.

As a part of measure to combat and prevent fraud in the banks, Central Bank of Nigeria as designed “whistle blowing policy”. Whistle blowing process is a mechanism by which suspected breaches of the bank’s internal policies, processes, procedures and unethical (like fraud) activities by any stakeholder (staff, customers, suppliers and applicants) are reported for necessary actions.

It ensures a sound, clean and high degree of integrity and transparencies in order to achieve efficiency and effectiveness in our banks. The responsibility to protect the bank from any persons or act that might jeopardize its reputation is rest on both staffs and customers.

8. Methodology

The primary data used for this study were obtained through the administration of well-designed questionnaire to respondents. The questionnaire is adapted from that used by Alleyne and Howard (2005). Using convenience sampling methodology, the questionnaire was handed to respondents in Nigeria. The respondents were staffs of selected bank, 100 questionnaires were administered while 92 questionnaire were returned, yielding a 92 per cent response rate.

S/N	Variables	SA	A	U	D	SD
1	Does Fraud actually occur in bank	43(46.7%)	15(16.3%)	20(21.8%)	12(13.0%)	2(2.2%)
2	Banks staff and customers do collide to fraud?	15(16.3%)	40(43.5%)	17(18.5%)	12(13.0%)	8(8.7%)
3.	Fraud really affect the capital base of the bank	37(40.2%)	26(28.3%)	5(5.4%)	20(21.8%)	4(4.3%)
4	Management fraud have more effect on banks than other type of fraud.	50(54.3%)	11(12.0%)	2(2.2%)	23(25.0%)	6(5.5%)
5	Staff downsizing increase fraud in the bank.	77(83.7%)	12(13.0%)	_	2(2.2%)	1(1.1%)
6	Effective internal Control actually prevent fraud .	19(20.7%)	39(42.4%)	13(14.1%)	16(17.4%)	5(5.4%)
7	Establishing Control Unit in all branches will reduce the level of fraud.	21(22.8%)	27(29.3%)	9(9.8%)	20(21.3%)	15(16.3%)

8	Whistle blowing policy is effective in our bank	25(27.2%)	33(35.9%)	22(23.9%)	10(10.9%)	2(2.2%)
9	Staff recruitment procedure should be done strictly	43(46.7%)	37(40.2%)	2(2.2%)	8(8.7%)	2(2.2%)
10	Upward review of staff remuneration will reduce fraud	26(28.3%)	20(21.7%)	11(12.0%)	23(25.0%)	12(13.0%)

Table 5
Authors' Computation (2013)

From the above table, the following are the results of the analysis

- That fraud usually occur in the bank with 46.7% respondents strongly agreed
- Banks staff and customers at time collide in perpetrating fraud: 43.5% respondent agreed to this fact.
- Frauds do affect the capital base of the bank negatively. 40.2% respondents agreed to it
- Management frauds have negative effect on banks operation.
- That the staff downsizing increase fraud in the bank. 83. 7% strongly agreed to it.
- It was agreed with 42.4% that effective internal control will prevent fraud in the bank.
- Establishing of control unit in all branches may reduce the level of fraud in the banks with 29.3% in agreement with it.
- 35.9% of respondents agreed that whistle blowing policy will likely reduce fraud.
- It was strongly agreed with 46.7% respondents that staff recruitment procedure will reduce the level of fraud if strictly adhere to.
- Upward review of staff remuneration will reduce number of staff perpetrating fraud. 28.3% respondents strongly agreed to it.

9. Conclusion

9.1. When Fraud Is Discovered

Fraud can be suspected or discovered by many sources, such as employees, internal auditors, vendors and others. If fraud is discovered or there is a reasonable basis to believe that improprieties have occurred, the audit committee should be notified immediately and is responsible for ensuring that an investigation is conducted. If necessary, external auditors, internal auditors or certified fraud examiners may need to be engaged to assist the audit committee with the investigation. The audit committee should also consider the following actions, among others:

- Consult legal counsel on the prudent steps to take in order to protect the rights of the accused and ensure the rights of the organization.
- Inform the organization's insurance carrier of the suspected or discovered fraud loss in accordance with the terms of the insurance policy.
- Preserve the documents or other evidence that may be needed in proving the fraud.
- Repair the breach in internal controls, policies and procedures that made the fraud possible.
- In certain cases, inform law enforcement or appropriate government authorities.
- The appropriate handling of such situations can minimize the harm done to the organization, the people involved and public impact of the experience. The 2006 ACFE study reported the following actions taken against the perpetrators:
- The matter was referred to law enforcement 70.6% of the time primarily when the median loss was $200,000 or more.
- Prosecution resulted in 88.3% guilty pleas or convictions with 11.7% of the cases rejected by legal authorities.
- Only 23.5% of the matters resulted in a civil suit filed by the victim organization, generally when the median loss was $1.2 million or more. The victim organization received a judgment in nearly 60% of the cases with another 38.5% of the cases ending in a settlement.
- Judgments were rendered in favor of the perpetrator in 2% of the civil suits reported.

In view of getting and amassing quick and sudden wealth in Nigeria, misplaced value judgment and prevailing harsh economic environment, big time frauds are on the increase and the banks are losing amounts running into millions of naira to fraudsters almost every day. Fraudsters are busy devising new methods for their nefarious activities. We should in like manner devise preventive, controlling and counter measures to check them. In line with Olaoye (2009) Organizations should have in place sound internal control mechanism/checks and balances and provide adequate remuneration and reward for excellence and good conduct while the incessant and periodic downsizing of bank staff should be discouraged. There should be steadfastness in punishing offenders and adoption of zero tolerance to corruption. The society should imbibe our cultural value system of treating fraudsters with contempt.

10. Recommendation

Having considered the nature, causes, types, detecting methods, measures for controlling and the effects of frauds, the frequency and level of frauds can therefore be minimized if the recommendations given below are strictly adhered to.

- The staff should be properly screened before they were employed and satisfactory references must always be obtained. Name, offence, state/local government of origin, institution and even the amount involves of terminated or dismissed staff of banks should be circulated among the other banks and published inside the national daily news.
- Staff should not be allowed to stay on one function for long a period; they should be periodically rotated in order to avoid the possibility of exploring existing operational loopholes and short comings for personal gains.procedure and a necessary sanctions should be melt out to an earring staff caught flouting the rules.
- Management should designed a software that will enable them to know the username used to checked both the running and dormant accounts with huge balance more than a time in a day. Reactivation of dormant accounts with huge balance should go beyond the normal laid down
- The control units of all the branches should more fill with the qualified and competent staff in order to perform their functions effectively.
- It is recommended that banks should watch out for the printing of bank stationeries and carving of bank rubber stamps. Such forged papers and stamps are used by corrupt staffs/customers to defraud banks and innocent customers.
- Incessant downsizing of the staffs in the banking industry should be lay to rest as this will allay fair of unknown from the banks staff. This will not only reduce the level of fraud in our banks but help the staffs to be more committed to the job.

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