Analysis Of Frauds In Banks: Nigeria's Experience

OLAOYE, CLEMENT OLATUNJI,
DEPARTMENT OF ACCOUNTING, FACULTY OF MANAGEMENT SCIENCES, EKITI STATE UNIVERSITY, ADO EKITI. EKITI STATE , NIGERIA.

DADA RAPHAEL ADEKOLA
DEPARTMENT OF ACCOUNTING, EKITI STATE UNIVERSITY, ADO-EKITI, NIGERIA
aderalph@gmail.com

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 only 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 in the fight for the prevention of fraud, banks should have in place sound/effective 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 staffs should be discouraged. 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.

Keywords: fraud, detection, prevention, NIDC, management fraud, Insiders fraud, KYC, SAS

INTRODUCTION

In spite of the fact that 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 units 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 it 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 wide 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 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 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 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?

Literature Review

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) define 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.

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 (see also Bank Administration Institute 1989). 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.

1 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.

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.

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.

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.

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.

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:

A) Weak accounting and internal control system;
B) Inadequate supervision of subordinates;
C) Disregards for "know your customers (KYC)" rule;
D) Poor information technology and data base management;
E) Hapless personnel policies;

F) Poor salaries and conditions of services;
G) General frustrations occasioned by management unfulfilled promises;
H) Failure to engage in regular call-over;
I) Employees' refusal to abide by laid-down procedures without any penalty or sanction;
J) Banks reluctance to report fraud due to the perceived negative publicity or image. This is capable of engendering more fraud;
K) 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.
L) 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.
M) Inadequate training and re-training;
N) Poor Book-Keeping
O) 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.
P. 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.

ENVIRONMENTAL/SOCIETAL CAUSES OF FRAUD:
These have been identified as follows:
A. 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.
B. 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.
C. 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.
D. 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.
E. 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.

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:

Table N. 1: Total Amount Involved in Fraud and Forgeries

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

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)

Table N. 2: Ten Banks with Highest Fraud Cases

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*	10,874,68 0	51.08	24,730,04 4	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	21,291,41 7	100	28,400,85 5	100	17,965.00	100

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).

Table N. 3: Categories of Bank Staff Involved in Frauds and Forgeries

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	100.00	273	100.00	313	100.00	656	100.00	**357**	**100**	**498**	**100**	531	**100**

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:

a) It destroys the bank's reputation
b) It discourages banking habit among the banking public.
c) The bank ceases to meet up with staff welfare
d) The trust and understanding among staff is reduced
e) The bank will lack the ability to compete favourably with its competitors
f) Fraud reduces bank's profitability
g) 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.

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:

1) Personnel controls
2) Administrative controls
3) Accounting controls
4) Financial controls
5) Inventory controls
6) 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 fully 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:
1. 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.
2. Each audit must include procedures to identify related-party transactions that are material.
3. 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.

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 customer 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 others	50(54.3%)	11(12.0%)	2(2.2%)	23(25.0%)	6(5.5%)
5	Staffs 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	Siting 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	Whistleblowing 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%)

CONCLUSION

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. 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 discourage. 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.

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.

1. 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.
2. 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.
3. 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 procedure and a necessary sanctions should be melt out to an erring staff caught flouting the rules
4. 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.
5. The control units of all the branches should more fill with the qualified and competent staff in order to perform their functions effectively.
6. 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.

REFERENCES

Adewumi W. (1986): Fraud in Banks – An Overview. Landmark Publication Ltd. Lagos
Adeyemo, K.A. (2012): Frauds In Nigerian Banks: Nature, Deep-Seated Causes, Aftermaths And Probable Remedies, *Mediterranean Journal of Social Sciences Vol. 3 (2): 279-289*
Alashi S. O. (1994): Fraud Prevention and Control; Role of Government and Its Agents. Journal of the Institute of Bankers of Nigeria (July-December, 1994) pp.ll-15
Alleyne, P. & Howard, M. (2005): An exploratory study of auditors' responsibility for fraud detection in Barbados. *Managerial Auditing Journal*. 20(3):284-303.
Awe O. I. (2005). The Theory and Practice of Auditing. Adeyemo publishing house, Akure, Nigeria
Babatunde M. A. (2002): Practical Auditing. Al-Huda Educational Publishers.Osogbo, Nigeria.
Bank Administration Institute (1989): *"Fraud Prevention and Detection Series"* First Chicago (the First National Bank of Chicago)
Boniface, C. (1991). Fraud in the banking industry.The Nigerian Banker Oct.-Dec. 22&23.CIBN Press.
Fakunle, B. (2006), Audit Companion. 2nd Edition Lagos
Kirkpatrick, E. N. (1985), Chambers Universal Learners' Dictionary, Spectrum Books Limited, Ibadan.
Nwachukwu C.C (1995), *Modern Nigerian Business Law.* African Educational Service Owerri, Nigeria.
Nwankwo, G.O (1991): *"Bank Management"* Principle and practice Lagos Malthouse press Ltd, Lagos Nigeria.
NDIC: Nigeria Deposit Insurance Corporation "Annual Report and Statement of Account". Various Issues (2005 -2012), Lagos, Nigeria.
NDIC: Nigeria Deposit Insurance Corporation (2010)"Perspectives on the Nigerian Financial safety-net".
OCPS Internal Audit Department. https://www.net/sb/internalaudit/Documents/Fraud.pdf

Ojo, J. A. (2008). Effect of Bank Frauds on Banking Operations in Nigeria. International Journal of Investment and Finance. 1(1).
Olisabu, E. S. (1991). Banking in Nigeria: Sign post in the nineties. First Bank Quarterly Review June 1991 Edition.
Olufidipe, E.O, (1994), "Fraud in Nigeria and its Implication for Bank &Financial Institutions" Nigeria Institute of bankers Lagos July- Decembers Vol. 30 NO. 4pp7-10.
Oseni, E. (2006). Across the counter frauds in the Banking Industry and evaluation of some of the available controls. The Nigerian Accountant, January/March
Shongotla, I.O, (1994)."Fraud Detection and control" Nigeria institute of Bankers Lagos July- December VOi.30, NO.4 PP16-19.
Private Securities Litigation Reform Act of 1995.Pub. L. 104-67, Dec. 22, 1995, 109 Stat. 737.