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Managing Bank Fraud and Forgeries Through Effective Control Strategies. A Case Study of Central Bank of Nigeria, Gombe Branch.

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ABSTRACT : *The increasing wave of fraud and forgery cases in the banking sector in recent time prompted this research. This problem is considered significant given the role of banking sector in the economic growth and development. The objective of the study is to identify ways of reducing or preventing frauds and forgeries by analyzing the causes and effect of frauds and forgeries, and prescribing effective control strategies for salvaging frauds in the banking sector. The study focus on the Central Bank of Nigeria (CBN) and some selected commercial banks in Gombe. The method employed is the survey design and sampling techniques. Although, fraud and forgeries is pervasive in the banking sector, it is recommended that solution of the problem of fraud in the banking sector should be the responsibility of the major players in the sector- the supervisory authorities such as the Central Bank of Nigeria (CBN), Nigeria Deposit Insurance Corporation (NDIC), the National Insurance Commission (NAICOM), Securities and Exchange Commission (SEC) etc and the management of banking sector through the adoption of a set of qualitative techniques, quantitative models and appropriate strategies.*

KEYWORDS: *fraud, forgery, risk, strategy, bank, control, managing.*

I. INTRODUCTION

Axiom about life and time is that, the end of one will always witness the beginning of the other. This seems to be true with what is happening with Nigerian banking system today. This is because policies are interwoven. It is also believed that the services provided by banks served as a tool for economic development. And for these services banking provided effectively and efficiently a sound and conducive banking environment or system must be adequately provided. Today the Nigeria banking system is not interesting rather a keeping money environment only. This is because the banking system is replete with lots of risks. The risk arises from the nature of the services provided by banks. The bank that is on the principle of avoiding all risks or as many of them as possible, will not be dynamic and may not adequately serve the credit needs of its customers and the demands of economic development (Nzotta, 1999). Of all the risks faced by banks, fraud risks are the most pervasive and the most destabilizing to banks.Fraud results in the largest single cause of bank failures and also the largest source of losses to banks in Nigeria because of the magnitude of the losses and the level of their impact on banking operations. Such frauds include defalcation of cash, forgeries on negotiable instruments, foreign exchange fraud and malpractices investment fraud, treasury fraud etc this has adversely hinder the progress and services provided by these banks as well as affecting the level of confidence which the public and government has in these banks. Therefore, effective supervisory, regulatory of bank frauds and forgeries is mandatory to eradicate and minimize these frauds and forgeries.

II. STATEMENT OF PROBLEMS

[1] Managing bank fraud and forgeries is associated with so many problems among which include:-
[2] Inability of the bank management to plan and implement effectively the policy and operational procedures of banks as ineffective establishment of accounting system and the mode of accounting information has encouraged perpetration of fraud and forgeries.
[3] Lack of adequate motivation of staff, particularly poor condition of service and other remuneration has led to fraud and forgeries.
[4] Weakness in the internal control measures such as lack of proper recorded keeping of the financial records and some lapses leading to fraud and forgeries.
[5] Poorly designed organizational structure, poor delegation of responsibilities and non-compliance of directives by subordinate officers.

[6] Ineffective supervision, evaluation and monitoring of banking operations by both the regulatory agencies or bodies and the bank management.

OBJECTIVES OF THE STUDY

The research is aimed at achieving the following objectives:

[1] To identify the categories of bank frauds and forgeries in Nigerian banking sector.
[2] To identify effective control strategies for managing banks fraud and forgeries in Nigerian banking sector.
[3] To find out the factors responsible for bank fraud and forgeries in Nigeria.
[4] To identify the role played by regulatory bodies in combating fraud and forgeries within banking industry.

SIGNIFICANCE OF THE STUDY

The study is significance in many ways as it will provide bank managers with a more effective ways of preventing or minimizing frauds and forgeries in the banking operations. And it will also raise the level of confidence which the public has on these banks.The research will also draw the government attention to finance and provide a consistent banking policy for sustainable development of our national economy as well as strengthening and to consolidate the Nigerian economy.Finally, the research will serve as a reference material to government, individual, students and other researchers.

SCOPE AND LIMITATIONS OF THE STUDY

The research work is limited to funds and is guided by a time frame and restricted to some selected banks within Gombe state so as to make the data collection and collation factually real. The experiment is poised to study the effective control strategies for managing banks frauds and forgeries in Nigerian banking sector. The project is covered by the Central Bank of Nigeria (CBN), Gombe.

STATEMENT OF HYPOTHESIS

Ho: managing bank frauds and forgeries through effective control strategies will not help in strengthening the banking industry.

Ho: Adequate financial control mechanisms and stiffer penalties do not help in managing bank fraud and forgeries.

LITERATURE REVIEW

Fraud is one of the major problems facing most organizations of the business world. No company is immune to fraud. It is in all walks of life---in the government, in insurance, in export, in export trade, and in banking etc (Chibuzor, 2013). Everywhere special organisastions have been formed to combat it. Fraud can be described as a conscious premeditated action of a person or group of persons with the intention of altering the truth and or fact for selfish, personal monetary gains (Nzotta, 1999). Fraudulent actions here include forgery, falsification of document and the authorizing signatures, outright theft or misrepresentation of material fact. Another point of view contends that to defraud ordinarily means to deprive another person or business entity of something which is his or of something to which he is or might be entitled. Here fraud is an act of deliberate deception with the design of securing a personal benefit (Usually monetary gain) by taking advantage of another. Alashi S.O. (1994), argue that fraud is an act of dishonesty, deceit an imposture. He further said that according to Kirk (1995) any person who pretended to be something that he is not is a fraudster, a snare, a deceptive trick, a cheat and a swindle. By extension fraud could include embezzlement, theft or any attempt to steal or unlawfully obtain, misuse or harm the assets of the bank (Bank Administration ,1989).

Nwankwo G. O. (1991), described fraud as occurring when a person is in position of trust and responsibility, in defiance of prescribed norms, breaks the rules to advance his personal interest he has been entrusted to guard and promote. He argued further that fraud occurs when a person through deceit, trick or highly intelligent cunning, gains advantage he could not otherwise have gained through lawful, just or normal processes.International Auditing Guideline (lAG); defines fraud as a particular type of irregularities involving the use of deceits to obtain an illegal or unjust advantage.Statement of Accounting Standard (SAS) 53 defined fraud as intentional misstatement or omission of amounts or disclosure in financial statement also referred to as management fraud.The incidence of fraud and forgeries has been on increase in the banking system in Nigeria over the years, especially between 1990-2003. According to the Nigerian Deposit Insurance Corporation NDIC 2003 reports, fraud cases increased from N788.8 million by 1990 to N2655.7 million by 1994. In 2001 908 cases of fraud and forgeries were recorded by banks involving N2350 million out of which banks lost N931.4 million. By 2002, fraud cases had increased to more than Nl2 billion.

Experts are yet to accord Nigerian banks a clean bill of health. A magazine has categorized the 24 banks into three: the healthy, the not too hea1thy and the unhealthy. Already some banks are collapsing into each other. But there are fears that some may close shop outrightly. It would he recalled that in its annual report and statement of account published late last year, the Nigerian Insurance Deposit corporation (NDIC) had said that only four banks were sound. "Out of the 24 banks in the industry as at the end of 2007, four were rated sound", it said. It said in the same report that there were 1553 reported cases of attempted fraud and forgeries involving over N10 million in 2007.It has been reported that some banks are already into merger talks, while stronger banks have been buying into smaller ones as witnessed recently between Bank PHB/Spring Bank and Skye Bank/Wema, while Stanbic IBTC had solemnized their marriage soon after the 2005 recapitalization exercise. The merger plan between First Bank Nigeria Plc and Eco Transitional Incorporated (ETI) that will, according to them, create the strongest pan — African bank in the continent has reached its peak and may soon materialize. Earlier there were speculations about the merger plans between the Unity Bank ETI as well as Sterling Bank/ETI.

The speculation about the health of the country's banks is coming as the European Central Bank (ECB) warned that the crisis facing its banking sector is over. This is despite government efforts to support the banks in Europe. It said there was "no room for complacency" and banks would have to write off billions more dollars of bad debts in the next 18 months. These could amount to a further $283 billion by the end of 2010, it said.
In spite of skepticism by Nigerians of the good ratings of the banks by local and international rating agencies, three Nigerian banks made the Forbes list this year. They are: First Bank of Nigeria Plc, United Bank for Africa and Intercontinental Bank. First Bank was ranked 1,375; UBA and Intercontinental were ranked 1,560 and 1,798 respectively. But big-league rankings haven't stopped banks around the world from going under. The rankings and award are now being questioned.

Experts are cautioning about ratings without due diligence. For instance they point to high ranking foreign banks which were well rated before the global financial crisis but later went under.The former Central Bank Governor Sanusi Lamido Sanusi had also raised such fears during a book launch in Lagos recently. Mr. Sanusi said "for instance as at the last count, the banking sub-sector still accounted for about 65% of the capital market capitalization of the Nigerian Stock Exchange (NSE) about 90% of the financial assets domiciled in the sector, while the private sector credit of about N8.12 trillion as at February 2009, was more than the combined spending by the three tiers of government. In 2009, the federal and state government are expected to borrow about NI 6 trillion, the bulk of which will be coming from the banking sector" he added

Fraud and forgeries have serious effects on the growth and, survival of banks in any country. Fraudulent activities in banks resulted in financial losses which affect the profitability of banks. Fraud increases loss contingencies which affects the growth of bank incomes. Fraud also results in the loss of confidence by banking public. Banking business thrives on confidence and hence if confidence is eroded then the banking superstructure collapses (Lamido, 2009). A high level of fraud could also constraint the liquidity position of a bank especially if it involves defalcation of cash and near cash assets in large amounts. The Central Bank of Nigeria (CBN) had sacked the Chief Executive Officers of Intercontinental Bank Plc, Oceanic Bank International Plc, Fin-Bank Plc, Bank PHB and the Spring Bank Plc that came later after which the first three were sacked on August 14, 2009 for leading their banks to award bad loans to the tune of N780 billion. CBN also injected N420 billion into the banks, while the affected Chief Executive Officers have been charged to court for contravening several banking laws. Lamido (2009) added that "our primary focus is stability and confidence in the system". In the same vein, fraud leads to capital adequacy problems for a bank. For example, the NDIC reports of various years speculate that fraud and forgeries accounts for the major causes of capital inadequacy in banks. Fraudulent credits leads to large bad debt provisions which impair the capital adequacy. In every extreme case, fraud could lead to bank failures and eventual liquidation of the bank.Fraud and forgeries occur at all levels of banking operations in varying degrees. 'The magnitude however depends on the fraud prevention measures put in place by the bank management. For example, a 35 year old bank staff has appeared before an Abuja Magistrate Court for allegedly forging a customer's signature and withdrawing N58,000 from the customer's account without his consent as reported in the Daily Trust of Wednesday, September 2, 2009 under the heading "Bank Staff in Court Over Forgery, Breach of Trust".

CAUSES OF FRAUDS AND FORGERIES IN BANKING OPERATIONS

The causes of fraud in a bank are similar in all respect to the causes of fraud in business firms. Fraud is either perpetrated by staff, by outsiders or between outsiders with the connivance of the staff. Fraud could also be masterminded by the bank, its directors, or top management. The causes of fraud in any bank could thus be grouped into two major classes: Organizational (Institutional) and environmental.

ORGANIZATIONAL (INSTITUTIONAL) FACTORS

The major organizational factors that sustain frauds in most banks include:
Poor management control systems. For example, ineffective operational procedure, lapses in the operational systems and methods, poor supervision and control systems. Secondly,Inexperienced and poor quality management and staff could also arise from lack of adequate exposure or training on the part of bank staff or elevating a staff beyond the level of his competence. Thirdly, Poor security arrangement for documents and file especially in situations where these are poorly designed for security documents and financial instruments which are poorly secured, fraudsters exploit these weaknesses and perpetrate fraud. Fourthly, Poorly designed organizational structure, poor delegation of directives by the subordinate office. It is important to note that all the factors listed above are within the control of the management of the organisation. Thus, they are controllable to a large extent, and could be managed through effective control strategies.

ENVIRONMENTAL FACTORS

These factors are uncontrollable beyond the active manipulation of bank management. The societal values in nigeria which emphasize materialism, including the insatiable list by workers and society at large for material gains. This sustains fraudulent practices at all levels and also, ineffective supervision, evaluation and monitoring of banking operations by the monetary authorities. Ineffective or inefficient mechanisms necessary for detecting or prosecuting fraudsters with minimum delay, especially with the prevalence of an inefficient legal system and above all lack of effective deterrent punishments. Fraudsters are most times not adequately punished for their actions. The legal system is too slow to prosecute fraudsters.

MANAGING FRAUD AND FORGERIES IN BANKING OPERATIONS.

Managing fraud and forgeries in banking sector is based on the management internal control system in banks, which involves the functions of planning, organizing, directing, controlling, supervision, motivation and coordinating of the banking operation. It also embraces both internal checks and internal audits.Internal control system has been defined as not internal checks and internal audits, but the whole system of control function and otherwise, established by management in order to carry on business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard assets and secure as far as possible the accuracy and reliability of its records(Alashi, 1995)According to Millichamp (1987); internal control system is the day-to-day transactions, which operates continuously as part of the routine system whereby the work of one person is proved independently or as complementary to the work of another; the object being the prevention or early' detection of fraud and errors. It includes matters such as delegation and allocation of authority and the division of work, the method of recording transactions and the use of independently ascertained totals against which a large number of individual items can be proved.According to McNaughton (1994) any system of internal control should maximize financial goals of the bank with minimum risk, facilitate efficient performance within established operating policies, ensure the reliability, adequacy and timeless of financial information used for reporting and decision making, safeguard of assets of a bank, comply with generally accepted accounting principle and preventing or discourages errors and irregularities.

To manage fraud and forgeries there should be establishment of an efficient organizational structure where responsibilities and duties are clearly specified. In addition, there should be an identifiable line of reporting and delegation of authority.Management should evolve positive policies towards safeguarding the bank's assets and ensuring that staff does not weak exploit weakness in internal control. The policy should stress the cardinal principles of separation of duties to ensure that one person does not originate and complete an assignment or entry. There must be authorization and approval by an appropriate person of the expenses, credit etc. The need for full compliance with established policies, rules and procedures with exceptional deviations duly and appropriately authorized and employee awareness of the risk attempting to defraud the bank and the action expected if caught. Board and management should be aware of the existence and responsibilities of the external auditors, the fact should be emphasized to them that it is not the responsibility of external auditors to detect frauds unless when are seriously enough to impinge on the truth and fairness of financial statements. Board and management must understand that they have the primary responsibility for managing, prevention and detection of errors and irregularities and that this can be achieved by an adequate internal control system. Appropriate supervision of all level of staff, This involves cross- checking all the facts sent in for approval, physical inspection at regular intervals and being present at the bank halls to cross-check the data and information received and monitoring the trend of operations. It also involves monitoring use of resources and applications, setting standards and using these as a basis for measuring performance. It should also emphasize dual control of sensitive areas such as strong rooms and locks to security documents.Proper motivation of staff to enables them perform creditably well. This includes pay, fringe benefits, managerial styles, policies and physical working environment. These factors are those that guarantee the satisfaction of a worker but the absence of which could lead to lack of motivation (Ekpechi, 2006). According to Herzberg; the motivators include achievement, advancement, recognition, responsibility and the work itself. This theory is important in appreciating what motivates a worker and how to enhance the level of productivity, reduce inefficiency, extract maximum performance and reduce fraud. A satisfied worker will seek to pursue group goals willingly and efficiency will be encouraged. Thus the possibility of managing fraud at all level.

STRATEGIES FOR PREVENTING FRAUDS AND FORGERIES IN THE BANKING SECTOR.
Management Control System

The first basic strategy open to bank management for preventing fraud is the installation of effective management control systems. Management control system consists of mechanism evolved by a bank to foster organizational efficiency and growth. They evolve the process set up to plan and control the activities and operations of the bank, These entail a good control process and also a feedback mechanism such that a bank is able to monitor all aspects of its operations and thus ensure the achievement of the goals of the bank. It calls for measuring and evaluating the departmental performances both in terms of resource use, the output and productivity.Management control systems essentially lead to cost control, effectiveness in the programming of activities and in the utilization of human and material resources. It assists in the establishment of standards and the measurement of performance and calls for the concerted efforts to ensure that the bank is moving towards it targets. It assists in early detection of frauds that may occur especially in the process of operationalizing the various tasks of the bank. The control process in any bank encompasses financial controls, process controls, personnel controls administrative controls, accounting controls, credit controls, cost controls and other controls.

[1] **Financial Control Strategy**
These controls ensure that the institution's financial resources are secured very efficiently and utilized effectively in the achievement of the bank's goals of profitability and liquidity. They entail the maintenance of cash limits, specification of signing powers, special security devices (e.g. franking machines) for sensitive instruments, use of special instruments (certified cheques, payment vouchers, etc) dual controls for cash and instruments, regular balancing of safe and cash till, maintenance of vault registers, cash movement registers etc, it specifies the procedures for cash movements between branches and with the central bank.

[2] **Personnel Control Strategy**
These controls seek to assist the bank recruit and maintain high quality staff. They ensure that there is in place proper recruitment procedures, proper postings and placements, good job description, defined authority and responsibility levels, job rotation, annual vocations, training programmes and proper remuneration and compensation packages and proper disengagement procedures.

[3] **Accounting Control Strategy**
This involves strategies on account classifications, data validation, posting of accounting transactions, balancing of accounts at regular intervals, call-over of posted entries, signatories to the vouchers, authentication and approvals, maintenance of budgets, standards and forecasts, regular variance analysis, periodic statistics and regular inter- branch reconciliations, Other aspects includes asset controls which entail ensuring the maintenance of assets registers, proper provision for depreciation, monitoring of asset transfers and disposals, asset acquisition, asset identification., stock registers, methods for valuation of stocks (stationary etc) stores controls and security.

[4] **Credit Control Strategy**
This affects the pre and post approval conditions of a credit, including issues relating to the monitoring of the credit to ensure that it remains qualitative satisfactory during the tenure of the facility. The controls specify conditions for hooking of credits, the authorization, the security package, perfection of securities disbursements, monitoring of the facilities, credit limits, pricing, repayments etc. the control also specify the method of discouraging any negative trends in the facility, issues relating to credit returns including the methods for the classification of the facilities, It also ensures that fraudulent credit are prevented, that there is a proper risk selection.

[5] **Cost Control Strategy**
This consists of cost control through the establishment of cost standards. This ensures that variances are determined, investigated and explained. Cost control assists a bank to check frauds and various irregularities and thus enhance their profit performance. Cost controls are thus important since they assist bank management in the realization of their goals.

[6] **Admnistrative Control strategy**
This strategy assists in preventing fraud which emanate from administrative lapses. They involve such critical issues like security device/test keys, fire/burglary alarms, franking machines etc, security personnel, segregation of duties, logs and registers for various activities, access` rights to documents and data, restriction devices to information, archival systems and controls. In addition, the controls require the installation and maintenance of security doors, secured and reinforced vaults.

[7] **Process Control Strategy**
This involves electronic data processing control devices that seek to protect and preserve data in the systems. These devices include various input/output validation devices, and programme controls etc. They specify the methods of effecting input validation and also the methods of having output. The process control will also ensure data security and is important for the prevention of fraud.

The Budgetary Control System

A budget is a numberised plan and expresses the target goals of a bank. While actual result express the corporate achievements. Thus, a comparison of the budget and actual performance provides a framework for evaluating the performance of a bank and hence assist in controlling future operations. A bank could establish budgets for various issues such as profits, deposits, general expenses, capital expenditure etc. This forms the basis for budgetary control. According to the association of costs and works accountants, budgetary control is the establishment of budgets, relating the responsibilities of the executive to the requirements of a policy and the continuous comparison of actual with the budgeted result either to secure by the individual’s action, the objective of that policy or to provide a basis for its revision. From the definition above, the fundamental principles of budgetary control are to establish plans or performance targets for all the departments of a bank so as to coordinate all the activities of the bank as a whole, record the actual performance, compare the actual performance with the established targets, determine the variance and analyze the reason for any observed variance and institute necessary remedial action.

THE ROLES OF GOVERNMENT IN PREVENTING FRAUDS AND FORGERIES IN THE NIGERIAN BANKING SECTOR

The roles of government in preventing fraud and forgeries in the Nigerian banking sector cannot be overemphasized. This can be achieved through the regulatory and supervision authorities such as the Central Bank of Nigeria (CBN) and Nigeria deposit Insurance Corporation (NDIC). The surveillance role of CBN and NDIC are critical to ensure the soundness and efficiency of banking sector in order to build up confidence and stability of the system.The CBN act, as amended, considerably strengthened the powers of the bank as an agency of government with the responsibility for maintaining monetary stability and a sound financial systems in the country while the Bank and other Financial Institutions Act (BOFIA), as amended, enhanced the bank’s power over the financial system with the aim of ensuring high standards of financial practice and sustained financial stability. Therefore, in order to avoid the pitfalls of the past, the Central Bank of Nigeria had taken a combination of measures to prevent frauds and forgeries in the banking system. Some of these measures are as follows:

[1] Enabling legal framework; the successive reviews of banking Act of 1990 in 1991, 1999 and the proposed amendments were intended to ensure a robust and more efficient and effective regulatory regime. For example, the power granted to CBN Governor to quickly take actions intended to address distress symptoms without seeking prior approval of the political authorities made a big difference.

[2] Review of requirements for appointment to the boards and top management of banks: - To promote the quality of management of banks, the Central Bank of Nigeria reviews upward the requirements for appointment into the boards and top managements of banks. Apart from the educational qualification and years of experience requirements as stipulated for prospective bank directors and top management, they are also expected to pass the “fit and proper” persons test.

[3] Additional responsibilities for bank directors: - The CBN ensure that bank directors abide by the code of conduct which is subscribed to by all director.

[4] Establishment of a credit bureau: - To minimize the incidence of non-performing credits, the Central Bank of Nigeria established the credit bureau to provide information on the system’s exposure to individuals borrowers in various banks. With this, the activities of multiple borrowers within the system are brought to focus, as the system provide a comprehensive report on each individual’s borrowing of Nl,000,000.00 and above in all the banks.

[5] Establishment of CBN/NDIC committee on supervision: - Arising from the system distress of 1990’s the CBN and NDIC jointly constitute a committee on problem banks, especially with a view to resolving the crisis in the system. By the year 2000, with the mandate of the committee having been substantially

fulfilled a refocused committee named "the CBN/NDIC committee on supervision came into being. The committee had an expanded mandate and was charged with the responsibility of putting in place pro-active policies and guidelines for the banking system as distinct from reacting to market situations as they occur. Some of the achievements of the committee include the issuance of the contingency planning framework for systematic distress in July 2002, the review of the capital adequacy computation format to bring it into full alignment with the basis standard.

[6] Increased supervisory surveillance in banking system: - Apart from the above measures, the CBN has continued to hold regular meetings with individual bank's board and management to discuss issues relating to their operations and performance.

[7] Issuance of guidelines to redirect the operations of banks: - The CBN has issued various guidelines to banks to moderate their exposure to several forms of risks, achieve uniformity/standardization in reporting formats and comply with international best practices. Some of the recent guidelines issued by CBN are:-

[1] The contingency planning framework for banking systemic crisis: -
The framework consists of a set of identified policies, actions and processes necessary for the prevention, management and containment of banking systematic crisis. Its implementation would enable the supervisory authorities to reduce the likelihood of the occurrence of a systemic distress by sharpening supervisory processes and including self-regulation among bank management.

[2] Know your customer (KYC) guidelines: - The KYC guidelines is intended to serve as a further guide to banks and other financial institutions in Nigeria on the procedures necessary for the proper knowledge of their customers. There is no doubt that having sufficient information about your customer and making use of that information is the most effective weapon against being used to launder the proceeds of crime. In addition to minimizing the risk of being used for illicit activities, it provides protection against fraud, reputation and financial risks and enables individual financial institutions to recognize suspicious activities.

In view of these roles played by the Central Bank of Nigeria in order to prevent frauds and forgeries in the banking sector, also the Nigeria Deposit Insurance Corporation (NDIC) has major role to play in this process. The Nigerian Deposit Insurance Corporation (NDIC) was established by Decree 22 of 1988, and began operations in February 1989. Its primary responsibility is to provide protections for banks deposit in order to promote confidence in the banking industry and ensure stability of the system. It supports the regulatory authorities in ensuring sound banking practice and fair competition in the banking industry.In carrying out this major function, the NDIC insures deposit liabilities of licensed banks operation in Nigeria, assists- banks to overcome temporary liquidity problems in the interest of the system, guarantees payments to insured depositors of up to a maximum of N50,000 per depositor.In addition to the offsite surveillance of banks and affairs, such inspections provides the supervisor with useful information about the ways and manner banks are being operated that could affect the stability of banks and financial system. By assessing a bank's board and management processes, internal controls, credit creation and disbursement, capital, liquidity, information systems and compliance with banking laws/regulation, the supervisor makes recommendations towards improving the health status of insured banks. The faithful implementation of examiner's recommendations can make quite a difference between survival and insolvency of a banking institution. The continual survival and profitability of banking institution can significantly contribute to the stability of banking sector and by extension to the stability of the financial system.

The NDIC has at the instance of CBN performed the function of receiver/liquidator of terminally distressed banks. It uses the proceeds from the sale claims of depositors and other creditors including claims of depositors in excess of N50,000 in recent years, the NDIC has worked relentlessly with the CBN to stem the problems of distress in the banking industry and thereby ensure financial sector soundness and stability in Nigeria.

III. BANKING SERVICES AND ECONOMIC DEVELOPMENT

The roles of the financial system in the economy is appreciated in the light of the important functions which it performs, namely financial intermediation and capital formation, management of the payment systems and facilitating the effectiveness of monetary policy. The most important function of the financial system is financial intermediation which facilitates the mobilization of resources from those who have (surplus unit) and their transfer to those who do not have (deficit units), thus influencing savings and investments and facilitating the achievement of the growth object of economic policy. Banks constitutes the payment system, which consists of rules, institutions and technical mechanisms for the transfer of money for the settlement of personal and business transactions.

It is well known that the services provided by banks served as a tool for economic development. This is acknowledged by the roles played by different types of banks such as the Central Bank of Nigeria (CBN), commercial banks, merchant banks, development banks etc to enhance and promotes the economic growth of the nation.The Central Bank of Nigeria (CBN) is the apex regulatory authority in Nigerian financial sector. The CBN was established 11958 and commence operation in 1959. The responsibilities of the CBN are defined by the banks and other financial institution's Act (BOFIA) of 1991 and the subsequent amendments. Among its primary functions, the bank issues legal tender (currency) and maintains Nigeria's external reserves to safeguard the international value of the domestic currency. It also serves as a banker and financial adviser to the federal government as well as banker to other banks in the country. The CBN promotes the development of money and capital markets through the establishment of relevant institutions and has responsibility of formulating and implementing monetary and exchange rate policies in Nigeria. The CBN was at the centre of the creation of money market institutions and instruments, following its establishment in 1959, in the effort to facilitate the conduct of monetary policy and liquidity management by bank.

The central bank is pivotal in the management of the national economy. Its role is not only to regulate and monitor the financial system, but also to ensure its development, prevent financial distress which could undermine confidence in the system as well as facilitate sustained growth. The pervasive role of the central is in fact appreciated in the light of its continuous monitoring of the domestic and international economies. Its knowledge of the economic environment is the major source of information for economic planning. On the other hand, the commercial banks because of the special nature of some of the services which they provide and no other banks render, the commercial bank differ from other banks and are much closer to the various strata of society than other financial institutions. They accept savings and current accounts deposits from retails and corporate customers, pay and collect cheques. Similarly, the contributions of commercial banks to the economic development of the national development plans and credit facilities made available to the priority sectors such as agriculture and agro-allied industries, transport and communication and credit to government.In addition, the commercial banks have made significant contributions to the industrial and manufacturing sector while their credit to the "production" sub-sector has continued to grow. It is encouraging to recognize the fact that the commercial have shifted from their traditional short-term and overdraft facilities to long-term loans and debentures for capital investment,

Overall, there has been a substantial growth in credit facilities provided by commercial banks to the indigenous business in the last ten (10) years. However, most of the banks have naturally found it easier to deal with large, rather than the small scale indigenous and have generally done better than in CBN's credit guidelines for distributive trade (commerce), than in their sectoral allocations to agriculture, export, mining, and manufacturing.

IV. RESEARCH METHODOLOGY

Sources of Data Collection

Like most research, two sources of data collection were employed in this research study — the primary and the secondary data which are collected for the purposes for which they are needed.

a. The primary data
b. The use of primary data means data collected specially for the research work needed at hand and it involves data which are not available in published form or in the department's records, The bulk of data used in this project work comes from primary data which was generated through questionnaire administration. The questions were structured and respondents' opinion were gathered and recorded.
c. The Secondary Data:
d. This refers to existing published information which may be useful for the purpose of specific survey. The sources are journals, text books, seminar papers, articles, magazines, company documents and related publications.

Research Instrument

The research instrument of this study is a questionnaire designed to solicit for relevant information for the research. The questionnaire was more appropriate as it covers the bank's top, middle and lower level employees to freely respond.

Population of the Study

The population of this research work is the staff of the Central Bank of Nigeria, Gombe. The responses of the staff in the bank will give required information for use in managing banking fraud and forgeries and other institutions

Sampling Technique

The technique the researcher employed in gathering data in this research study is simple random sampling method.

Sampling Size

The sample size of this research is selected from the staff of the Central Bank of Nigeria (CBN), Gombe who constitute the population of the study. A total number of twenty (20) respondents were selected randomly and served with questionnaires to fill.

V. METHOD OF DATA ANALYSIS

The study employed tools such as simple percentage and chi-square method to analyze the formulated hypothesis. It is represented by the formulae:

$$X^2C = \Sigma \frac{O-E}{E}$$

Where: X^2c = chi-square value

Σ = Summation of frequencies, O = Observed frequencies, E = Expected frequencies

Degree of Freedom

This is the number of 'N' (Independent observation) in the sample minus the number of universal parameters obtained from the sample. Thus, (n — 1) and which is calculated as:

d/f= (K—l) (R—l)

Where: d/f = the degree of freedom, K = Number of columns, R = Number of rows.

Note that in this study 5% level of significance will be used.

Decision Rule:

The calculated and tabulated chi-squares are compared which are shown in statistical tables. If the calculated chi-square (X^2c) is less than the tabulated chi-square (X^2) then the null hypothesis (Ho) will be accepted. On the other hand, an alternative hypothesis (Hi) will be accepted if the calculated chi-square (X^2c) is greater.

Thus, Accept Ho when $X^2c < X^2$ Accept Hi when $X^2c > X2$

The presentation and interpretation of the data collected was by the use of statistical table and statements. This is to provide for a simple and effective understanding of the data presented. Twenty three questionnaires were distributed and filled but only twenty were used in this research work.

EFFECTIVE CONTROL STRATEGIES HELPS IN STRENGTHENING BANKS

RESPONSES	FREQUENCY	PERCENTAGES (%)
Yes	19	95%
No	1	5%
Total	20	100%

Source: Survey Questionnaire

The table shown that 95% agreed that effective control strategies helps in strengthening the banking sector while only 5% disagreed. This means that banks should employ effective control strategies to manage fraud and forgeries.

ADEQUATE FINANCIAL CONTROL MECHANISMS HELPS MANAGE BANK FRAUDS

RESPONSES	FREQUENCY	PERCENTAGES(%)
Yes	17	85%
No	3	15%
Total	20	100%

Source: Survey Questionnaire

85% of the respondents agreed that using adequate financial control mechanisms and stiffs penalties helps in managing bank fraud. The remaining 15% disagree. So, ade3quate financial control mechanisms and stiffs penalties help manage bank frauds.

VI. HYPOTHESIS TESTING

For testing our hypothesis in this research work, chi square (X^2) method is employed as stated earlier to compare and make decisions as to whether to accept or reject the hypothesis. The following terms are used:
Ho= Null hypothesis
Hi=Alternative hypothesis

The formula for calculating the chi square (X^2) is given as:

$X^2c=\frac{(O-E)^2}{E}$ where

X^2=calculated chi square, O=Observed frequency, E= Expected frequency
Degree of freedom = (r-1 (c-1), Where: r=number of rows, C=columns.
Hypothesis I:
Ho: Managing banks frauds and forgeries through effective control strategies will not help in strengthening the banking industry.
Level of significance =0.05 (5%) and x=20.

S/N	ALTERNATIVE	O	E	O-E	$(O-E)^2$	$\frac{(O-E)^2}{E}$
1	Yes	19	10	9	81	8.1
2	No	1	10	-9	81	8.1
χ^2	Total	20	20	0	$\chi^2c=$	16.2

20/2=10
Degree of freedom = (r-1) (c-1), R=3, C=2
Therefore, (2-1) (2-1), 1X1=1, D/f=1
Hence, χ^2 Tabulated figure =2.841, (using table)
χ^2c (calculated figure) = 16.2 as shown in the table.

VII. DECISIONS

The values of chi-square (χ^2c) calculated as 16.2 is greater than the tabulated (χ^2) value 3.841. Therefore we should accept (H_i) and reject (H_o). Thus managing banks frauds and forgeries through effective control strategies will help in strengthening the banking industry
Hypothesis (2)
Ho: Adequate financial control mechanisms and stiffer penalties do not help in managing bank frauds and forgeries.
Level of significance =5%=0.05, X=20.

S/N	ALTERNATIVE	O	E	O-E	$(O-E)^2$	$\frac{(O-E)^2}{E}$
1	Yes	17	10	7	49	4.9
2	No	3	10	-7	49	4.9
X^2	Total	20	20	0		9.8

$E=\frac{N}{2}$ $E=\frac{20}{2}=10$
Degree of freedom = (r-1) (c-1)
Where r=2, C=2, So, it should be (2-1) (2-1), =1X1=1
Therefore D/f=1

The tabulated X^2=3.841, The calculated value (ie X^2c)=9.8 (in the above table),
Decisions rule: Since our chi-square (X^2c) is calculated as 9.8 and the tabulated figure is 3.841 (i.e 9.8>3.841) then we should accept Hi and reject the Ho. It means that adequate financial control and stiffer penalties helps in managing bank frauds and forgeries.

VIII. CONCLUSION

According to NDIC, frauds and forgeries in commercial and banks has been on the upward trend despite the control measure put in place by more acute in commercial banks than in merchant banks. This is because of retailing in which commercial banks are mainly involved. The subject has accordingly gained the increasing attention of the fact that fraud result in large financial losses to banks and their customers, the depletion of shareholders fund and banks' capital base and loss of confidence in banks which may ultimately precipitate banks failure. It is important to stress the need for all banks to comply with statutory requirement of rendering returns for effectiveness of all the policy measures which the monetary and supervisory authorities might design.The observed delay in the disposal of fraud cases by the law enforcement agents is disturbing and disappointing. They should also put a strong internal control system that will ensure every staff adhered to the bank's hand book. Similarly, the inspection department of the bank should be up in carrying out their assignment in a bid to dictate fraud or forgeries attempt earlier. Apart from these, the service of external auditor should be undertaken regularly to examine and stabilize the books of the bank. It is also necessary to warn bank management to stop protecting their fraudulent staff because of adverse publicity on their operations.

IX. RECOMMENDATION

To ensure smooth operation of the banking industry banks should ensure efficient system of internal controls and that adequate internal control measures be put in place to safeguard the assets of the bank against theft, misuse or improper disbursements, ensure that all accounts are reliable and accurate. A good internal organization should be put in place by banks. This will ensure that proper delegation exists, duties and job, are clearly divided and that jobs do not overlap. Similarly, staff members should not have unlimited access to sensitive machines and instruments like cheques, and official stamps. Data security should be ensured at all times. The bank however, should make it a point to take good care of their staff through fringe benefits and incentives Jobs at the bank should be constantly rotated, so that no staff stays in one position for too long. Banks management must also know their staff thoroughly well including their background and antecedence. Banks should also know their customer very well and proper documentation must be kept on all customers. Activities in the cash area in banks must be monitored on a massive scale through the installation of a close circuit television. The bank management should ensure that qualitative technique of control is practiced. Techniques such as constant inspection, security control, enhanced remuneration, reassignment of staff, penalties, fraud detecting equipments, banking education, seminar, electronic monitoring equipments and use of adequate supervision of dormant account.

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