



**Association of Chief Audit Executives of Banks in Nigeria**

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# Eagle Eye

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### Our Mission Statement

ACAEBIN is a non-profit making body that fosters interaction among CAEs in Nigeria and Strives to promote competence, ethical standards and professional behaviors amongst member organization.

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### Editorial

I welcome you to the 3rd Quarter 2023 of our flagship publication, the Eagle Eye Magazine. I am indeed honoured and humbled to assume the role of the Editor-in-Chief of this professional publication. I appreciate the trust and confidence reposed in me and the members of the Research and Publication Sub-Committee.

The Association had a training and study tour to Rwanda on the theme: The Imperatives of CAEs in the Digital Age, where members were exposed to cutting-edge technologies to enable them become more effective, efficient and valued-stakeholders

We are delighted to feature our immediate past Chairman, Felix Igbiosa on our Personality page where he talked about his career journey spanning over 3 decades in the banking industry - his experiences, challenges facing the internal audit Function, how ACAEBIN can improve its presence and relevance in the industry, amongst other issues.

The lead article for this edition is 'Personal Data Protection: Measures that Can Help Mitigate the Risk of Personal Data Breaches' and it focuses on the need for individuals and organizations to apply strong measures to safeguard their data. This has become imperative as remote working is increasingly gaining momentum. Report Writing is an essential part of Audit core job functions as such, our article, 'Winning the Writing Battle for The Risk Managers and Assurance Providers' provides

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insight into the general quality management rules that the assurance providers must pay attention to while writing reports.

The war against banking fraud continues to dominate discussions, the article 'Auditing beyond the numbers: the Importance of Behavioral Analysis' dwells extensively on the importance of incorporating behavioral analysis into uncovering fraudulent red flags to mitigate incidences of fraud. The menace of fraud is also highlighted in the article 'Venomous Vortex: Diving into the Murky Depths of Loan Fraud Schemes' which explores the types of loan fraud schemes, the red flags to watch out for, and the preventive and reparative measures that must be taken when faced with an instance of loan malpractice.

As the FinTech revolution and its impact continue to reverberate across the banking industry globally, the article on the 'Impact of FinTech Payment Systems on Tradition Banking in Nigeria' further highlights the need for traditional banking to wake up to the challenges and opportunities occasioned by the entrance of FinTechs in order to remain relevant in the banking landscape, while our Wellness page encourages readers on the need to drink their way to health.

Finally, as we go full throttle into the last quarter of the year, I, therefore urge you to continue to keep faith with us as we serve you with quality articles that will not only enlighten but also entertain. Continue to share the knowledge with family, friends and all within your social circle and do not forget to send us your comments to [info@acaebin.org](mailto:info@acaebin.org).

**Olusegun Famoriyo**  
Editor-in-Chief

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## Personal Data Protection: Measures that can help Mitigate the Risk of Personal Data Breaches

Personal data are any information which are related to an identified or identifiable natural person. A data breach refers to a security incident in which confidential or sensitive information is accessed, disclosed, or stolen by unauthorized individuals or entities. These breaches can occur through various means, such as cyberattacks, hacking, accidental disclosure, or insider threats.

Data breaches can impact various types of data, including personal information (e.g., names, addresses, social security numbers), financial data (e.g., credit card numbers, bank account details), healthcare records, intellectual property, and other sensitive information.

Data breaches have become a growing concern in the digital age, with far-reaching implications for personal and financial data protection. A data breach occurs when sensitive information is exposed to unauthorized individuals or entities. These breaches can happen due to various reasons, such as cyberattacks, system vulnerabilities, human error, or

insider threats

The consequences of data breaches can be severe for both individuals and organizations. Some potential consequences include:

- I. Identity theft:** Stolen personal information can be used to commit identity theft, leading to financial loss and damage to a person's reputation.
- II. Financial losses:** Data breaches can result in financial losses for businesses due to lawsuits, regulatory fines, and costs associated with remediation and recovery.
- III. Loss of trust:** Organizations that suffer data breaches often face a loss of trust from customers, clients, and partners, which can have long-term impacts on their reputation and business relationships.
- IV. Legal and regulatory consequences:** Data breaches may lead to legal actions and regulatory investigations, especially if there are violations of

data protection laws and regulations.

- V. Operational disruptions:** A significant data breach can disrupt an organization's normal operations and lead to downtime, loss of productivity, and additional costs to restore systems and processes.
- vi. Intellectual property theft:** Breaches involving intellectual property can result in the theft of valuable trade secrets and proprietary information, harming a company's competitive advantage.

- iii. Financial Fraud Mitigation:** Effective data protection safeguards individuals and organizations from financial fraud, such as unauthorized transactions or account takeovers.
- iv. Cybersecurity Measures:** Robust data protection practices enhance cybersecurity efforts, protecting against data breaches and cyber-attacks.
- v. Data Breach Impact:** Data breaches can result in reputational damage, financial losses, and legal



### 20 MEASURES THAT CAN HELP MITIGATE THE RISK OF PERSONAL DATA BREACHES

Personal data protection is crucial in the digital age, as our information is increasingly stored, shared, and utilized online. Here are 20 measures that can help mitigate the risk of personal data breach:

- i. Privacy Concerns:** The protection of personal and financial data ensures that individuals' private information is kept confidential and not accessible to unauthorized parties.
- ii. Identity Theft Prevention:** Robust data protection measures help prevent identity theft, where sensitive personal information is misused to commit fraud.

liabilities for both individuals and organizations.

- vi. Trust and Reputation:** Strong data protection measures enhance trust and credibility among customers and stakeholders, leading to positive brand reputation.
- vii. Compliance and Legal Obligations:** Many countries have data protection laws, and failure to comply can lead to severe penalties and legal consequences.
- viii. Data Minimization:** Data protection encourages the principle of data minimization, where organizations only collect and retain the necessary information for specific purposes.
- ix. Informed Consent:** Proper data protection

necessitates obtaining explicit and informed consent from individuals before collecting and processing their data.

- x. **Cross-Border Data Transfers:** International data transfers require compliance with various data protection regulations, such as the EU's General Data Protection Regulation (GDPR).
- xi. **Employee Data Protection:** Employers must safeguard their employees' personal and financial information to maintain trust and meet legal obligations.
- xii. **Data Encryption:** Encryption plays a critical role in protecting sensitive data, ensuring it remains unreadable to unauthorized parties.

- xvii. **Data Privacy Impact Assessments (DPIAs):** Conducting DPIAs helps identify and mitigate potential privacy risks in data processing activities.
- xviii. **Security Awareness Training:** Educating employees and users about data protection best practices can prevent accidental data exposure and improve overall security.
- xiv. **Consumer Rights:** Data protection laws often grant individuals rights, such as the right to access, correct, and erase their personal data.
- xv. **Data Protection Officer (DPO):** Appointing a DPO,



- xiii. **Data Access Controls:** Implementing strict access controls ensures that only authorized personnel can access personal and financial data.
- xiv. **Data Storage Security:** Safeguarding data during storage, both physically and digitally, is essential to prevent data breaches and unauthorized access.
- xv. **Data Sharing Practices:** Proper data protection necessitates responsible data sharing practices, especially when collaborating with third parties.
- xvi. **Data Deletion and Retention:** Organizations should establish clear policies for data retention and deletion to avoid keeping data longer than necessary

where required by law, ensures that an organization has a dedicated professional responsible for data protection compliance.

These implications underscore the importance of personal data protection in safeguarding individuals' privacy, financial security, and overall well-being in the digital age.

#### Conclusion

By following the above steps, you can significantly reduce the risk of personal data falling into the wrong hands.

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## Winning The Writing Battle For The Risk Managers And Assurance Providers

### Part 1 - General Quality Management Rules For Writing Winning Assurance Reports.

As a risk manager or an assurance provider, how do you rate your bosses' perception about your report-writing skills? How easily do you get started writing risk and control reports? Rate your answers on a scale of 1 to 6 where 1 is very poor and 5 is excellent.

A survey of over 250 working professionals showed that about 42% scored between 4 and 6, indicating they get started easily in writing reports, while the remaining 58% scored between 1 and 3 which suggests they struggle to get started easily.

If you think that your boss's perception is low and that

you are in the 58% category, don't get highly disappointed, because you are not alone in the struggle. If you think you think that your bosses' perception is high and you are in the 48 category, congratulations, but does everyone agree with you?

Refreshing one's memory on the general quality management rules for writing risk and control reports is one of the key actions that are required to reinforce the experience and knowledge to improve the rating scores. This write-up provides insight into the general quality management rules that the assurance providers must pay attention to while writing reports. Risk Managers and others including the experts in

writing risk and control reports can benefit from these tips.

The part 2 of this writing will focus on a variety of templates for reporting risks and controls to the executive management, board and board committees. The part 2 will be available in the next publications.

The ethics and compliance functions, internal control, internal audit and risk management functions are part of the critical functions that provide assurance comfort over the management of the enterprise risk exposures. The effectiveness of these functions contributes to building well-governed organizations that stand the test of time in the achievement of the overall corporate goals and objectives. The COSO framework identifies the key categories of corporate objectives to comprise, Strategic, Operational, Reporting and Compliance objectives. COSO also identifies the categories of key risk exposures using the same nomenclatures as the corporate objectives.

Providing assurance over the management of the key risk exposures and achieving the corporate objectives within the specific categories requires that the assurance providers and risk managers will provide varieties of risk management and control assurance reports to meet the various reporting needs of the different stakeholders within and outside their organization. Certainly, most of the reports produced will be driven by different reporting templates as required by the different stakeholders that the assurance providers and risk managers serve, but the general principles for ensuring top quality for writing agile, value-add and risk-based reports still apply to all the assurance and risk management functions.

**Developing any report whether risk and control-related or not involves three distinct stages namely:**

- **Stage 1** – Planning Stage which includes the various preparations the report writer will make to get ready and ensure that efforts and resources are focused in getting the content and writing style to make sense to the end users of the reports
- **Stage 2** – Execution Stage refers to essential things that the report writer should pay attention to at the time of writing or developing the actual report.
- **Stage 3** – Presentation Stage is the nuggets report writers need to know to make impactful contributions in the course of discussing the reports with the target end users of the reports.

The above reporting writing stages have been adopted in the organization and presentation of the general rules. Presented below are the tips.

Tips For Writing Risk and Control Reports

**Planning Stage 1 – What To Do Before Writing Risk and Control Assurance Reports**

Areas of Focus	Some Key Pointers to Consider
<b>Understand your company and industry</b>	<ul style="list-style-type: none"> <li>✓ Business managers and leaders want to know the risk exposures in their business, how the risks are effectively and efficiently managed, and how the efforts and results are contributing to the achievement of the overall corporate goals and objectives.</li> <li>✓ Risk and Control reports can come from various sources, primarily, the risk managers and assurance providers.</li> <li>✓ Risk Management Officers and Assurance Providers are employed to provide value to their organizations and clients.</li> <li>✓ Business managers, leaders and governors are assumed to be smart individuals who know their jobs and understand the pain points very well.</li> </ul>
	<p><b>Understand the key business drivers including the following elements:</b></p> <ul style="list-style-type: none"> <li>✓ vision, mission, goals, objectives, core values, value propositions and strategies</li> <li>✓ inherent risk exposures in their business</li> <li>✓ cost-effective risk treatment actions to drive their company forward.</li> <li>✓ acceptable risk appetites and tolerance levels</li> <li>✓ specific actions to control the manageable risks</li> </ul>

Areas of Focus	Some Key Pointers to Consider
	<ul style="list-style-type: none"> <li>✓ effects of the risk responses on the risk exposures</li> <li>✓ differences between the specific residual risks and risk appetites and tolerance levels</li> <li>✓ further actions required on the residual risks to reduce them to acceptable levels</li> </ul>
	<p><b>Good risk management principles require</b></p> <ul style="list-style-type: none"> <li>✓ proper articulation of the known and emerging risk exposures and the required responses to control the risks,</li> <li>✓ continuous monitoring of the risks and controls across the three lines of defense,</li> <li>✓ periodic independent audits of the risks &amp; controls by the third line of defense level</li> <li>✓ presentation of work results, findings and SMART recommendations to the executive management, board and committees,</li> </ul> <p>Understand that the biggest challenges in articulating the risk exposures, risk responses and conducting the monitoring, auditing and reporting are:</p> <ul style="list-style-type: none"> <li>✓ knowing the best-fit methodologist to apply</li> <li>✓ understating the business needs and stakeholders expectations</li> <li>✓ producing value-add reports and providing SMART advice to the business managers, leaders and assurance teams.</li> <li>✓ having the right discipline to embed the best practices in the day-to-day operations across all levels in the organizations</li> </ul>
<b>Understand the end users and reporting needs.</b>	<p>Understanding the known and potential End Users of the Risk and Control Reports, their needs, expectations and reporting templates and styles. Typical end users of the risk and reports include:</p> <ul style="list-style-type: none"> <li>✓ Operational Management.</li> <li>✓ Senior Management.</li> <li>✓ Business Executive Management.</li> <li>✓ Company Board Directors.</li> <li>✓ Board Committees.</li> <li>✓ Regulators.</li> <li>✓ Shareholders.</li> <li>✓ Business Partners.</li> <li>✓ Investors</li> <li>✓ Clients</li> <li>✓ Lenders</li> <li>✓ Pressure Groups.</li> </ul> <p>Understand the Different Types of Risk and Control Reports and the templates which typically include:</p> <ul style="list-style-type: none"> <li>✓ Risk Management Route Map Plans and Implementation Status Reports.</li> <li>✓ Risk and Control Self-Assessment Reports – Risk and Control Registers.</li> <li>✓ Risk and Control Continuous Monitoring Reports.</li> <li>✓ Periodic Independent Audit Findings Reports.</li> </ul>

Stage 2 – Execution- Things to pay attention to while writing the actual

Areas of Focus	Some Key Pointers to Consider
Take a holistic view,	<ul style="list-style-type: none"> <li>✓ Think out of the box at the enterprise level, business department level, business process level and data level, issues level and solution level.</li> <li>✓ Understand the activity steps, workflows and resources involved – people, technologies, funds, timeline, complexities, efforts, techniques and tools</li> <li>✓ Find the common interfaces, hand-offs, differences, uniqueness, strengths and gaps</li> </ul>
Real Issues must be Key Risk-Based	<ul style="list-style-type: none"> <li>✓ Be pessimistic and optimistic think through the real issues to come up with a balanced view.</li> <li>✓ Think of the worst-case scenarios on every issue and likely sources</li> <li>✓ Focus on the key issues that keep the business managers, leaders and governors awake at night</li> <li>✓ Be accurate and factual</li> <li>✓ Clarify the key risk elements - Risk name and sizes – impact, probability, inherent value, current and target control effectiveness, current and target residual risk values, approved risk appetite and</li> </ul>
Dig deeper on the cause-effect relationships	<ul style="list-style-type: none"> <li>✓ Conduct root cause analysis</li> <li>✓ Understand why the issues happened, the source and consequences of every issue</li> <li>✓ Sources could be people, processes and others</li> </ul>
Quantify impacts	<ul style="list-style-type: none"> <li>✓ Determine the sizes of issues and recommendations,</li> <li>✓ Get the statistics, express in financial value, volume, duration and quantity of the real or potential impacts of the real issues,</li> <li>✓ Quote financial figures in millions and thousands,</li> <li>✓ Amounts above a million should be quoted in millions, example USD10,000,000 can be quoted as USD10m,</li> <li>✓ Amounts below a million should be quoted in thousands, -</li> <li>✓ Know when and where to use separators and decimals.</li> <li>✓ Avoid decimals when quoting in thousands and figures above one hundred million, example USD100,500,000 can be quoted as USD10m</li> <li>✓ Use one digit decimal when quoting figures lower than one hundred million, for example, USD55,500,000 can be quoted as USD55.5m.</li> <li>✓ Express financial values in one currency,</li> </ul>
Be optimistic, connect the dots, and find value-add solution	<ul style="list-style-type: none"> <li>✓ Ensure that headlines match up with the content areas to make the expected</li> <li>✓ Determine cost-effective preventive, detective and corrective solutions or recommendations to address the root causes of the identified issues.</li> <li>✓ Consider value protection and value creation recommendations.</li> <li>✓ Be precise and practical on issue descriptions and SMART on recommendations</li> </ul>
Prioritize Issues and Recommendations	<p><b>Match every issue with recommendations, Categorize the recommendation by</b></p> <ul style="list-style-type: none"> <li>✓ quick wins - those requiring immediate solutions within one month.</li> <li>✓ medium terms - those issues requiring solutions within three months.</li> <li>✓ long term - those issues requiring solutions from three months upward.</li> </ul>
Adopt organized structures	<ul style="list-style-type: none"> <li>✓ Use attractive reporting templates</li> <li>✓ Write with style -maintain logical flow focused on the key themes.</li> <li>✓ Clarity of linkages between issues, recommendations, derivable benefits and Key Performance Indicators (KPI).</li> <li>✓ Club together all issues related to the same them.</li> </ul>

Areas of Focus	Some Key Pointers to Consider
Validate Relevance of Management Actions	<ul style="list-style-type: none"> <li>✓ Management owns the management action plans to implement the recommendations.</li> <li>✓ Management action plans must be linked to the recommendations and real issues.</li> <li>✓ Implementation Responsibilities, timelines and deadlines must be realistic</li> <li>✓ Discuss gaps with management and provide suggestions and options to consider to stop the issues and improvement of the processes.</li> <li>✓ Consider management viewpoints.</li> <li>✓ Resolve every area of disparity, contractions and non-agreements.</li> </ul>
Executive Summary is critical	<ul style="list-style-type: none"> <li>✓ Write based on the audience or end users of the report</li> <li>✓ Provide highlights on the big picture.</li> <li>✓ Write with an open mindset and balanced view.</li> <li>✓ Avoid repetition, consider findings and observations from other assurance providers and connect with your own findings.</li> <li>✓ Apply attractive visual images – pictures, graphics, diagrams and bullet points</li> </ul>
Details are in the Appendices	<ul style="list-style-type: none"> <li>✓ Provide more context in the detailed reports</li> <li>✓ Write the facts and provide the evidences</li> </ul>
Mind Your Grammar, Tenses and Punctuations.	<p><b>The Don'ts</b></p> <ul style="list-style-type: none"> <li>✓ Avoid being subjective and judgmental, never generalize.</li> <li>✓ Never use names of individuals or initials or aliases.</li> <li>✓ Never use superlatives to describe quantities</li> <li>✓ Avoid being verbose or superfluous sentences and words</li> <li>✓ Never dwells on petty and trivial matters</li> <li>✓ Never use abbreviations or acronyms that have not been defined or described</li> <li>✓ Avoid long sentences</li> <li>✓ Avoid poor grammar, use of colloquial language, sentences and coined words.</li> <li>✓ Never leave coaching notes and comments uncleaned</li> <li>✓ Never use multiple date and currency formats</li> <li>✓ Avoid using wrong punctuation, manipulative, unprofessional, aggressive words and starting sentences with prepositions and conjunctions.</li> </ul>
Mind Your Grammar	<p><b>The Dos</b></p> <ul style="list-style-type: none"> <li>✓ Be objective, insightful and forward-looking.</li> <li>✓ Be specific and support statements with facts and examples.</li> <li>✓ Use the right designations, job positions, or job titles. Avoid aliases (a.k.a).</li> <li>✓ Use specific quantities for example more than 10 staff, or less than 10 staff or about 10 staff.</li> <li>✓ Use simple sentences and words but focus on the big picture.</li> <li>✓ Use acronyms only after they have been defined and described earlier in the report</li> <li>✓ Use correct English Grammar, tenses and proper punctuation marks</li> <li>✓ Check spellings, stick to one typeface, consult Thesaurus Dictionaries for synonyms and antonyms</li> <li>✓ Use a single currency and date formats</li> <li>✓ Optimize the features of digital office productivity tools in use such as Paging, spell checks, bullet points, pictures, tables, graphs and pictures.</li> <li>✓ Revalidate the target audience and expectations to ensure that the efforts, results and derivable benefits match up.</li> </ul>

Stage 3 – Presentation – things the report write should pay attention to after writing the reporting

Areas of Focus	Some Key Pointers to Consider
<p><b>Headlines</b></p>	<ul style="list-style-type: none"> <li>✓ Bear in mind that writing and speaking are two different activities. Speaking with impact is as important as writing with impact.</li> <li>✓ Learn the art of speaking with impact which includes contributing meaningfully during discussions, asking the right questions, observing body language and dressing for the occasion and audience.</li> <li>✓ Be prepared to answer tough questions and receive hot criticisms, and never think that they are signs of rejection or disapproval of the reports.</li> <li>✓ Take every comment from the target audience and others as lessons and experiences to improve one's skill, productivity and relevance at work.</li> <li>✓ No amount of practice or rehearsals before the meeting or presentation date is too much. You may start the practice with project teams as the target audience, rehearse in your memories and remember the privacy and data protection policy.</li> <li>✓ You can practice imagining yourself to be presenting to family members, friends and other non-privileged as target practice audience, but never use them for real-life practice.</li> <li>✓ Think of sharp and brief stories or quotes to kick-start the presentation.</li> <li>✓ Use only positive aliases (a.k.a) when necessary.</li> <li>✓ Know the channels through which the presentation meetings will be delivered.</li> <li>✓ Presentation meeting channels may be virtual or physical, know how to get to the location for a physical meeting.</li> <li>✓ Technology can mess you up – know how to use virtual tools such as Microsoft Team, skype, phone calls. Ask for help on time when needed.</li> <li>✓ Know the key contacts and learn the names of the principal participant</li> <li>✓ Speak with confidence, understand the generally acceptable culture for greetings and name calls but never appear condescending, arrogant or patronizing.</li> <li>✓ Getting the independent opinion of others about the report is not a bad idea at all. They may be helpful to provide value add perspectives.</li> <li>✓ Wrap Up, Next Steps, Q&amp;A and Thank You are important for closing the meeting.</li> <li>✓ Follow-Up on the agreed actions and prepare for the updates.</li> </ul>

By Sally

# Auditing Beyond the Numbers: The Importance of Behavioural Analysis in Uncovering Red Flags



**A**uditing beyond the numbers and incorporation of behavioural analysis is crucial in uncovering red flags that might not be evident through traditional financial analysis alone. While financial data provides important insights, it's often the behavioural indicators that shed light on potential irregularities, fraud, or other negative issues within an organization. Here is why behavioural analysis is important in the auditing process:

- i. Holistic Understanding:** Behavioural analysis complements financial information by offering a complete view of an organization's operations. It helps auditors understand the context in which financial transactions occur and identifies any misalignments between behaviours and reported numbers.
- ii. Early Detection of Red Flags:** Unusual behaviours among employees or management can be early warning signs of potential problems. Detecting these behaviours can allow auditors to investigate further and prevent issues from escalating.
- iii. Fraud Detection:** Fraudulent activities often involve behavioural changes which could be negative or positively arrogant. Behavioural analysis can help uncover patterns of behaviour that might indicate fraudulent activities, such as sudden changes in spending patterns, flamboyant dressing style, unusual relationships between

employees and vendors, or irregular approval processes.

- iv. Cultural Assessment:** Behavioural analysis can provide insights into an organization's culture and ethical climate. A misaligned culture can lead to unethical practices or noncompliance with regulations. Identifying these cultural issues can guide auditors in assessing risk and recommending improvements.
- v. Data Validation:** Behavioural analysis can help validate the accuracy of reported financial data. Inconsistencies between behaviours observed and the reported financial figures can indicate errors or intentional misstatements.
- vi. Risk Assessment:** By carrying out behavioural analysis of employees, auditors can quickly identify areas of high risk and vulnerability that might not be apparent from financial data alone. This helps auditors allocate resources effectively and focus on areas with the greatest potential for risks and vulnerability.
- vii. Uncovering Hidden Relationships:** Behavioural analysis can reveal connections between individuals and entities that might not be evident in financial records. These connections could point to conflicts of interest or other potential issues.
- viii. Adaptive Auditing Approach:** Incorporating

behavioural analysis allows auditors to adapt their approach based on the specific risks and characteristics of the organization being audited. This enhances the effectiveness of the audit process.

- ix. **Qualitative Insights:** Behavioural analysis adds qualitative insights to the audit process, helping auditors understand the motivations, intentions, and reasoning behind certain financial transactions or decisions.
- x. **Regulatory Compliance:** Some regulations and standards, such as the Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act, require a

transaction amounts, login times, geographic locations, device types, and more.

- iii. **Set Thresholds and Parameters:** Define thresholds for each data point that, when surpassed, trigger a review or investigation. For example, if a user suddenly starts making significantly larger transactions than their historical average, it could be a red flag.
- iv. **Real-time Monitoring:** Implement real-time monitoring of user activities. This allows for immediate identification of potential fraudulent behaviour, enabling timely intervention and prevention.



deeper understanding of behavioural factors to assess compliance.

### How to Incorporate Behavioral Analysis in Uncovering Fraudulent Red Flags

Incorporating behavioural analysis into uncovering fraudulent red flags can be a valuable approach, as it focuses on identifying unusual patterns of behaviour that might indicate fraudulent activity. Here is a step-by-step guide on how to incorporate behavioural analysis into your fraud detection process:

- i. **Define Baseline Behaviour Patterns:** Begin by establishing what constitutes normal behaviour within your organization or system. This involves collecting data on typical user actions, transactions, and interactions. This baseline threshold will serve as a reference point for identifying deviations that could indicate fraud and other irregularities.
- ii. **Identify Key Data Points:** Determine which data points are most relevant for behavioral analysis. These could include transaction frequency,

- v. **Multivariate Analysis:** Consider analysing multiple data points together. Fraudsters often engage in complex behaviour that may not be apparent when analysing individual data points. Multivariate analysis helps uncover hidden connections.
- vi. **Peer Group Analysis:** Compare an individual's behaviour to that of their peer group or similar users. If someone's behaviour stands out significantly from their peers, it could be indicative of fraudulent activity.
- v. **Sequential Analysis:** Examine behavioural patterns over time. Sudden spikes in activity, changes in behaviour frequency, or unusual timing of actions might suggest fraudulent behaviour.
- vi. **User-Centric Approach:** Understand the context behind behavioural changes. Sometimes, legitimate reasons might explain deviations in behaviour. For instance, a customer's behaviour might change due to a life event like moving to a

new location.

- vii. **Feedback Loop and Refinement:** Continuously monitor the effectiveness of your behavioral analysis techniques and refine your models. Fraudsters are adaptive, so your system should evolve to detect new tactics.
- viii. **Integration with Other Signals:** Behavioural analysis should complement other fraud detection methods, such as rule-based systems, identity verification, and transaction monitoring. Integrating various signals provides a more comprehensive view of potential fraudulent activities.
- ix. **Human Review and Investigation:** While automated systems are powerful, human review

auditors with information to assess potential risks and vulnerability associated with the actions of employees, managers, and other stakeholders.

- iii. **Internal Controls:** By understanding how individuals interact with internal controls (bypassing or compromising controls), auditors can evaluate the effectiveness of these controls in preventing errors and fraud.
- iv. **Conflict of Interest:** Behavioural analysis can uncover conflicts of interest among individuals within an organization, thereby helping auditors to discover unethical conduct.
- v. **Material Misstatements:** Detecting behavioural inconsistencies can help auditors pinpoint areas



is essential for making nuanced judgments and investigating complex cases. Create a process for escalating flagged activities to a human investigator.

### 20 IMPORTANCE OF BEHAVIOURAL ANALYSIS IN THE AUDITING PROCESS

Behavioural analysis plays a crucial role in the auditing process as it helps auditors gain insights into the actions, decisions, and motivations of individuals within an organization. Here are 20 important reasons why behavioural analysis is essential in the auditing process:

- i. **Fraud Detection:** Behavioural analysis can help identify unusual patterns or activities that might indicate fraudulent behaviour within an organization.
- ii. **Risk Assessment:** Analysing behaviour provides

where there might be material misstatements in financial statements.

- vi. **Corporate Governance:** Auditors can evaluate the adherence to corporate governance standards by assessing whether behaviour aligns with these standards.
- vii. **Management Integrity:** Behavioural analysis assists in evaluating the integrity and ethical values of management and key personnel.
- viii. **Whistle-blower Investigations:** Understanding behaviour helps auditors address concerns raised by whistle-blowers and verify the legitimacy of their claims.
- ix. **Non-Financial Data:** Auditors can use behavioural analysis to interpret non-financial data, such as employee engagement, social



responsibility, social/peer group behaviour and sustainability efforts.

undergoes changes, behaviour analysis helps auditors assess how well employees adapt to new processes and systems.

- x. **Trend Analysis:** Behavioural trends can reveal changes in business operations, management style, or employee engagement that could impact financial performance.
- xi. **Process Efficiency:** Analysing behaviour can uncover inefficiencies in business processes and provide recommendations for improvements.
- xii. **Cultural Assessment:** Auditors can assess the

- xix. **Due Diligence:** In mergers and acquisitions, behavioural analysis provides insights into the target company's operations, culture, and potential risks.
- xx. **Predictive Insights:** By studying behaviour, auditors can make predictions about potential future issues, enabling proactive risk management.



organizational culture by observing how employees and management interact and take decisions.

### CONCLUSION

- xiii. **Compliance Monitoring:** Behavioural analysis helps auditors ensure compliance with laws, regulations, and industry standards by identifying deviations.
- xiv. **Training Needs:** By understanding behavioural gaps, auditors can recommend targeted training to improve employees' understanding of controls and procedures.
- xv. **Operational Risks:** Behaviour patterns can indicate operational risks, such as lack of adherence to procedures or improper delegation of authority.
- xvi. **Employee Misconduct:** Behavioural analysis can uncover instances of employee misconduct, such as harassment or discrimination.
- xvii. **Communication Effectiveness:** Auditors can evaluate the effectiveness of communication channels within the organization by analyzing how information flows and is received.
- xviii. **Change Management:** When an organization

Incorporating behavioural analysis into the auditing process enhances the depth and accuracy of audits, provides a more comprehensive understanding of an organization's operations, risks, and overall health.

Incorporating behavioural analysis into auditing involves a combination of techniques, including interviews, observations, data mining, and social network analysis. It's important for auditors to be trained in recognizing behavioural red flags and to collaborate closely with other professionals, such as forensic psychologists or investigators, when necessary.

Remember that while behavioural analysis is a powerful tool, it should be used in conjunction with other audit procedures to ensure a comprehensive and well-rounded assessment of an organization's financial health and ethical practices.

**Onwuemele Sunday Emeke CFE**  
**Head Office Audit**  
**United Bank For Africa Plc**

## 55th Quarterly General Meeting with theme: Assessing Organisational Risk with A Macro and Global Economic Lens- The Role of Internal Auditors held at Radisson Blue on wednesday, July 05 2023 and Hosted by Stanbic IBTC Plc



Training & Study Tour to Rwanda, on the theme; Imperatives of CAE's in the Digital Age held between September 04-09, 2023 at Ubumme Grande hotel, Kigali.



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**Training & Study Tour to Rwanda, on the theme; Imperatives of CAE's in the Digital Age held between September 04-09, 2023 at Ubumme Grande hotel, Kigali.**



**Wellness**

**Drink your way to Good Health**

We all know how important it is to get adequate nutrition during the day, but it's just as important to consider what you drink as well as what you eat. Your daily fluid intake provides not just your hydration requirements, but it's also a chance to increase your intake of vitamins, minerals and fiber, too. If you're smart about your choice of drinks and how you incorporate them into your daily routine, you could boost your skin and overall health without much stress.

Here are some of the best drinks you need to keep your bowels functioning properly as well as boost your skin health.

1. **WATER:** Water is the most essential fluid for your body. It prevents dehydration, constipation, and kidney stones. Plus, with no calories, it's the best beverage for your waistline. Drinking water whether bottled or from the tap, can help keep you well hydrated and maintain regular kidney and bowel function. For a bit of flavor and health benefits, try adding fresh mint, lemon, lime, or even cinnamon sticks to your water.
2. **SOY MILK:** From the day we are born, milk forms the most important part of our diet. As we grow older, the benefits of milk become no less important. Soy milk is a nutritious high-protein option. Almond milk is also a good low-cholesterol option, but it's much lower in protein.
3. **GREEN TEA:** Green tea is a great choice for its vitality benefits and experts say it may even aid in blood sugar regulation and metabolic health. If you are looking for an alternative to coffee, this might be your best bet. Green tea contains a lower dose of caffeine than coffee and helps you avoid side effects like jitters or headaches, but can still keep your energy

levels stable

4. **LOW FAT MILK:** Low-fat and fat-free milk are both budget-friendly and nutritionally complete beverages. In fact, milk is one of the best sources of calcium, which your body needs to support bone health. Apart from drinking it straight, you can make your own hot cocoa with milk.

5. **VIRGIN PUNCH JUICE:** A fruit and vegetable juice can help with your fluid intake as well as provide you with additional vitamins, fiber, and minerals. It's important to drink good-quality fruit and veggie juice. Fruity, with an instant power to boost up your energy levels, this juice recipe makes the most of fruits like apples, mangoes, oranges and some sparkling lemonade.

5. **GREEN GRAPE SMOOTHIE:** We all know breakfast is the most important meal of the day; however, some people don't have the time to sit down and enjoy a full spread. Drink your way to good health by preparing a smoothie to enjoy as you begin your day. Try the green grape smoothie. This delicious, healthy smoothie features spinach and kale, the cancer-fighting greens that keep you going as well as sweet grapes, pear, orange and banana. Place all ingredients in a blender, process until blended and enjoy.

6. **FRUIT JUICE:** A cup of no-sugar-added juice with breakfast or a snack is fine, but for kids and adults, it's best to eat fruits in its whole form and limit how much juice you get. If you just enjoy the taste, add a splash or two to a glass of water. Avoid juices with added sugar.

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# Personality Interview



## Auditors Must be Tactful and Factual in Balancing Conflict of Interest.

**F**elix Igbiosa is a seasoned Banker and has over two decades of Banking and Financial services experience across several areas such as Banking Operations and Information Technology, Corporate

Banking, Relationship Management, Branch Management, Project Management, Budgeting, Internal Control, Inspection, Corporate Services and General Administration.

*Tell us more about yourself – upbringing/family, journey through schools & careers?*

My journey in the industry started over two decades ago. I trained and worked as a Chartered Accountant in practice from 1984 to 1990, before joining Seven-UP Bottling Company Plc. as Senior Accountant/Deputy Chief Accountant later in 1990. I worked at Allstates Trust Bank Plc from 1991 to 1994 and then had a short stint at Perennial Savings and Loans Ltd between June 1994 and July 2005. Thereafter, I proceeded to work with Co-operative Development Bank Plc as Deputy Manager Finance and Accounts and Branch Manager for Abuja and Warri Branches between 1995 and 2000, before joining Continental Trust Bank Ltd as Head of Strategic Control in 2000.

I also worked at Omegabank Plc. between 2000 and 2006, rising to Assistant General Manager/ Group Head, Banking Operations & IT, before the Merger into Spring Bank Plc, where I was the pioneer Chief Inspector between 2006 and 2007. From there, I joined UBA Plc later in 2007 and served as Group Head, Special Duties, Group Executive Office of UBA, before his appointment as the Regional Audit and Control Coordinator for UBA WAMZ, covering Ghana, Sierra Leone, and Liberia. I was also the Divisional Head, Business Office Audits at UBA Plc. between April 2012 to December 2013 and Divisional Head, Group Internal Control at UBA PLC from January 2014 to May 2015.

As the DH, Group Internal Control at UBA PLC, I provided strategic direction and Internal Control oversight, for the Group's Operations in Nigeria, the 18 African Countries of presence, UBA CAPE (UK) and UBA New York (USA).

Until recently before retirement in July 2023, I was General Manager - Chief Audit Executive (CAE)/Cluster Head at Ecobank from June 2015 to July 2023 and also providing oversight of the Internal Audit function of Ecobank Software Centre Nigeria and Ecobank Development Corporation (EDC).

As Chief Audit Executive at Ecobank, I was responsible for the Internal Audit and Management Services Function of the Bank and reported directly to the

Board Audit Committee, Managing Director and Group Head Internal Audit and Management Services. At Ecobank I was privileged to work with four MD/CEOs and as you all know, it is not a joke to survive the dynamics and the intrigues.

I obtained a first degree in Business Management from the University of Sunderland (United Kingdom), HND (Accountancy) from Federal Polytechnic Auchi and an MBA from the Federal University of Technology Akure (FUTA), Nigeria. I am a Fellow of both the Institute of Chartered Accountants of Nigeria (ICAN) FCA and the Chartered Institute of Taxation of Nigeria (CITN) FCTI, Honorary Senior Member Chartered Institute of Bankers (CIBN) HCIB, member of Information Security Society Africa, Nigeria (ISSAN) and Platinum member Information System Audit and Control Ass. (ISACA). (USA).



*How would you describe your experience and challenges on the job in the last 20 years?*

The challenge is basically that the Auditor is at the receiving end, both from the management and the Board Audit Committee. First, you are branded as a non-businessperson and they want to do things without carrying you along, etc. However, the key to surviving the intrigues is to know your onion and ensure that you have a grasp of the issues. Stay with the facts and issues you can defend in your report, do your job professionally and not engage in sycophancy. When issues come up, there is always the dilemma of who you report to first. However, the way I have been able to go about it is that I take the matter to the MD/CEO first who is the issue owner and inform him so that he can prepare his defense ahead before going to the Board. That way, it does not look like I am

reporting him. In summary, ensure you maintain your professionalism and stay ahead of the issues.

***How would you describe the activities of the Association and her contribution(s) to the banking industry in line with its objective?***

The Association has come of age, and it is recognized in the industry, especially when in making inputs into policy documents. However, I would appreciate if the tempo is increased, especially input and contributions to exposure drafts and policy documents. Also, the EXCO should consider strengthening relations, engagements and collaborations with other stakeholders such as law enforcement agencies, and the Judiciary in particular, and build their capacities in adjudicating fraud cases in line with emerging technology issues in banking operations. The Association should be more visible in the public domain, particularly, the media space. It should ensure that her activities are well covered by the media, this is aside from the press releases by host banks, especially during our Quarterly General Meetings.

The Association should also create bonding activities for its members, so as to foster mutual trust, cooperation and information sharing.

***From your experience, do you think the Executive Management and the Board of Banks are doing enough to ensure that Auditors are genuinely independent?***

Honestly, that is a very tough one, however, one thing I can assure you is that the CBN is doing a lot in this regard and that is why policy vested the appraisal of the CAE on the authority of the Board Audit Committee. However, the way and manner some of the Board Members are appointed tends to jeopardize the independence of the Auditor. In some cases, the Board Audit Committee does not understand the importance of the Auditors Independence as they defer to the Managing Director on appraisal issue when they are supposed to be independent in appraising the CAE. Also, I think that the CBN should as a matter of urgency, review the minimum grade of the CAE from what it is currently. The implication of this, if not looked into, will degenerate to a level that the Auditor seemingly becomes an errand boy because he is way down the line in terms of grading. The truth of the matter is that this job requires some level of self-confidence and authority. ACAEBIN should champion this cause. Aside from engaging the CBN, the Association should also approach the Financial Reporting Council of Nigeria (FRCN) which oversees Governance Issues in the Industry to add weight to the advocacy.

***What is your take on the recent CBN Guideline Corporate Governance, especially where section 13.5 talked about the yearly review of the Internal Audit function?***

Sincerely, in my opinion, I think CBN was ill-advised on that matter because the review is a journey, and if I am correct, there are about 60 standards that the review is supposed to look at and for every review, they come up with the level of conformity with the standards and action points are generated to be resolved and you find out that by the time you are concluding one exercise, which you may not have even fully complied with, another one is due. It is not an easy task to be done yearly, meanwhile, this is contrary to the Governance Code by FRCN which specifies that such exercise should be carried out once every 3 years. I do not think there would be a value-add because it is a journey, looking at the 5 Internal Audit maturity profiles (Basic, Evolving, Established, Advanced and Leading) which the exercise is supposed to achieve as you improve your processes, systems and level of conformity with the IIA Standards. These things take time and shouldn't be hurriedly done so as to achieve the one-year timeline currently stipulated by CBN. So, I think that CBN should take a second look at this policy if the aim is to achieve effectiveness, efficiency and compliance.

***In addition to the revised policy on corporate governance release in 2023, how can the Regulators help to ensure that Auditors are independent and protected from Executive interference in the discharge of their duties?***

In as much as the apex bank is doing everything necessary to ensure the protection and independence of the Auditor, I think the reporting line on that document should be reviewed together with the hiring, appraisal and firing of the CAE. Appraisal of CAEs should be done by the Board and not the MD/CEO. However, on the issue of firing the CAE, you discover that the banks have smartly devised a way to indirectly incapacitate the Auditor by redeploying him/her to a unit where he/her lacks the capacity and skill to function properly so that it will be easy for them to ease him/her out of the system. So, in other words, CBN should equally mandate banks to defer to it before redeploying a CAE.

***You may have been faced with the challenge of balancing conflict of interest at some point in your career as a Chief Audit Executive (CAE), how did you find a balance without compromising your independence?***

I have said it earlier that when issues arise, CAE should endeavour to defer to the issue owner - the MD/CEO,

however, that does not mean that he/she should not escalate such issue to the Board, no matter what the issue is because if the matter boomerangs, it will sweep everybody. So, you let the management know the implication of the issue on the ground while also escalating to the Board as your job demands. Let everybody know that you know what you are doing, and you are not trying to witch-hunt anybody but simply, doing your professional job as expected. So, in summary, inform the Management who are the issue owners and escalate to the Board as demanded but please, do not take any issue to the Board without informing the management so that there will be no surprises or seen to be taking sides. Stay with this issues.

***The disposition of auditees towards Auditors varies from one extreme of acceptability to outright hostility. Do you think Internal Auditors have the right emotional balance to handle these challenges in the field and what do you recommend?***

Auditors need to be trained in Emotional Intelligence and such training can never be too much so as to balance their dealings with the Auditees. However, the best way to deal with such is to stay with the facts - do not try to embellish the report, and don't call somebody a thief even when he/she has stolen as that might become the issue for discussion rather than focusing on the real facts on the ground. Auditors should be empathetic and try to see things from the side of the Auditees. It will also be nice if the Auditor mentions the steps the Auditee is taking to address the issues. So, there is a need to balance things. Also, Auditors should ensure that the quality of recommendations is of value and of benefit to the institution and there is the need to avoid mentioning names in the report.

***Recently, there has been a high rate of attrition of audit professionals, otherwise known as the 'Japa syndrome' that is affecting almost every facet of our national life, the banking industry inclusive. In your own opinion, how can this malaise be addressed to avoid brain drain in the industry?***

There is nothing the industry can do about the 'japa' syndrome as you call it because the economy is getting tight, and even the old people are also leaving, how much more of the young ones. However, the only way to deal with this is to redevelop the pipeline, train and retrain people, and review the standards like the

employment policy of recruiting only those with high grades. Management on a continuous basis should engage and close vacancies as much as possible.

***What is your take on the revised CBN FX policy and its impact on banks?***

Again, I also think that the policy was not thought through. The government is juggling so many things at the same time, inflation is rising at over 24 percent. You cannot be doing exchange parity when we do not earn enough foreign exchange. Also, Diaspora remittances cannot come because the alternate banking is higher and



that is one source of foreign exchange that is being missed. Again, because of the volatility and the upward trajectory, most people are waiting for the rate to get to N1000/\$1 before they will bring money into the system. So, the government must resolve the issue of remittances coming to the banking sector rather than the black market. Also, petroleum import is a major consumer of our Foreign Exchange. Government must deal with the foreign exchange supply gap to stem the tide.

***In conclusion, what would be your advice to your colleagues in the Association and the younger Auditors in the post-pandemic era?***

They should continue to be independent and focus on the facts of what they are doing. Knowledge empowerment is very key, especially in the IT space.



# Impact of Fintech Payment Systems on Traditional Banking in Nigeria Introduction

Financial technology company popularly referred to as “Fintech” disruption has had a significant impact on traditional banking in Nigeria, as it has in many other parts of the world. Fintech is the use of technology to provide innovative financial services and solutions. Here’s how fintech has disrupted traditional banking in Nigeria:

- i. Digital Payments and Mobile Banking:** Fintech companies in Nigeria have introduced innovative digital payment solutions and Mobile Banking Apps that allow users to perform various financial transactions such as money transfers, bill payments, and online shopping. These solutions have gained popularity due to their convenience and accessibility, challenging traditional banking's dominance in these areas.
- ii. Financial Inclusion:** Fintech has played a crucial role in increasing financial inclusion in Nigeria. Many Nigerians who were previously excluded from the formal banking sector now have access to basic financial services through mobile money platforms and digital wallets.
- iii. Alternative Lending Platforms:** Fintech companies have introduced peer-to-peer lending

platforms and online loan services that provide quicker and more accessible lending options compared to traditional banks. This has made it easier for individuals and small businesses to access funding.

- iv. Robo-Advisors and Wealth Management:** Fintech has brought automated investment advisory services (robo-advisors) to Nigeria, allowing individuals to access investment advice and manage their portfolios more efficiently and cost-effectively.
- v. Blockchain and Cryptocurrencies:** The rise of blockchain technology and cryptocurrencies has disrupted traditional banking's control over cross-border payments and remittances. Cryptocurrencies provide an alternative method for transferring funds internationally, potentially reducing fees and processing times.
- vi. Regulatory Challenges:** The rapid growth of fintech in Nigeria has presented a lot of regulatory challenges. Regulators need to strike a balance between fostering innovation and ensuring consumer protection, financial stability, and compliance with existing regulations.

- vii. Competition and Collaboration:** Fintech companies have introduced competition to the banking sector, prompting traditional banks to innovate and improve their services to retain customers. Some banks have chosen to collaborate with fintech firms to leverage their technological expertise and reach a wider customer base.
- viii. Disintermediation:** Fintech has the potential to remove intermediaries in financial transactions, making processes more streamlined and efficient. This could impact traditional banks' revenue streams related to intermediary services.
- ix. Customer-Centric Approach:** Fintech companies often prioritize user experience and convenience, leading to a more customer-centric approach. Traditional banks are now under pressure to enhance their digital offerings to meet customer expectations.
- x. Cybersecurity Concerns:** With increased digitization and online transactions, there are concerns about cybersecurity and fraud. Both fintech companies and traditional banks need to invest in robust security measures to protect customer data and financial transactions.
- xi. Financial Inclusion:** Nigeria has a significant unbanked and underbanked population. FinTech has played a crucial role in extending financial services to these underserved segments through mobile money, digital wallets, and microloans. This has helped promote financial inclusion and provides previously excluded individuals and businesses with access to formal financial services.
- xii. Efficiency and Cost Reduction:** FinTech solutions have the potential to streamline processes and reduce operational costs for both customers and banks. Automation of various banking tasks, such as account management, transaction processing, and customer service, can lead to operational efficiency and cost savings.
- xiii. Lending and Credit Scoring:** FinTech has revolutionized lending by introducing alternative credit scoring methods. Through data analytics and machine learning, FinTech platforms can assess the creditworthiness of individuals and businesses that may have been overlooked by traditional credit evaluation systems. This has expanded access to credit.
- xiv. Cross-Border Transactions and Remittances:**

FinTech has made cross-border transactions and remittances faster and more cost-effective. Blockchain technology, for example, has enabled secure and efficient cross-border money transfers, reducing the need for intermediaries and associated fees.

- xv. Regulatory Challenges:** The rapid growth of FinTech has posed regulatory challenges for governments and traditional financial institutions. Regulators need to strike a balance between encouraging innovation and ensuring consumer protection, financial stability, and adherence to existing regulations.
- xvi. Collaboration and Partnerships:** In response to the FinTech disruption, many traditional banks have opted for collaboration and partnerships with FinTech startups. This allows banks to harness the innovation and agility of FinTech while leveraging their existing customer base, infrastructure, and regulatory knowledge.

## PRODUCTS OFFERED BY FINTECH PAYMENT SYSTEM IN NIGERIA

Fintech payment systems in Nigeria offer a wide range of products and services to cater to the needs of individuals, businesses, and the overall financial ecosystem.

- i. Mobile Wallets:** Fintech payment systems often provide mobile wallet services, allowing users to store funds digitally, make payments, transfer money to other users, and sometimes even access basic financial services like savings and loans.
- ii. Peer-to-Peer (P2P) Payments:** FinTechs enable individuals to transfer money directly to each other using their mobile phones or other digital devices, often without the need for a traditional bank account.
- iii. Online Payments:** These systems facilitate online transactions, allowing users to make payments for goods and services on e-commerce platforms, bill payments, and more.
- iv. QR Code Payments:** Some FinTechs offer QR code-based payment solutions, where users can scan a QR code to make payments quickly and securely. This is commonly used in retail stores and small businesses.
- v. Remittances:** Fintech payment systems can streamline international and domestic remittances, making it easier and more cost-effective for individuals to send and receive

money across borders or within the country.

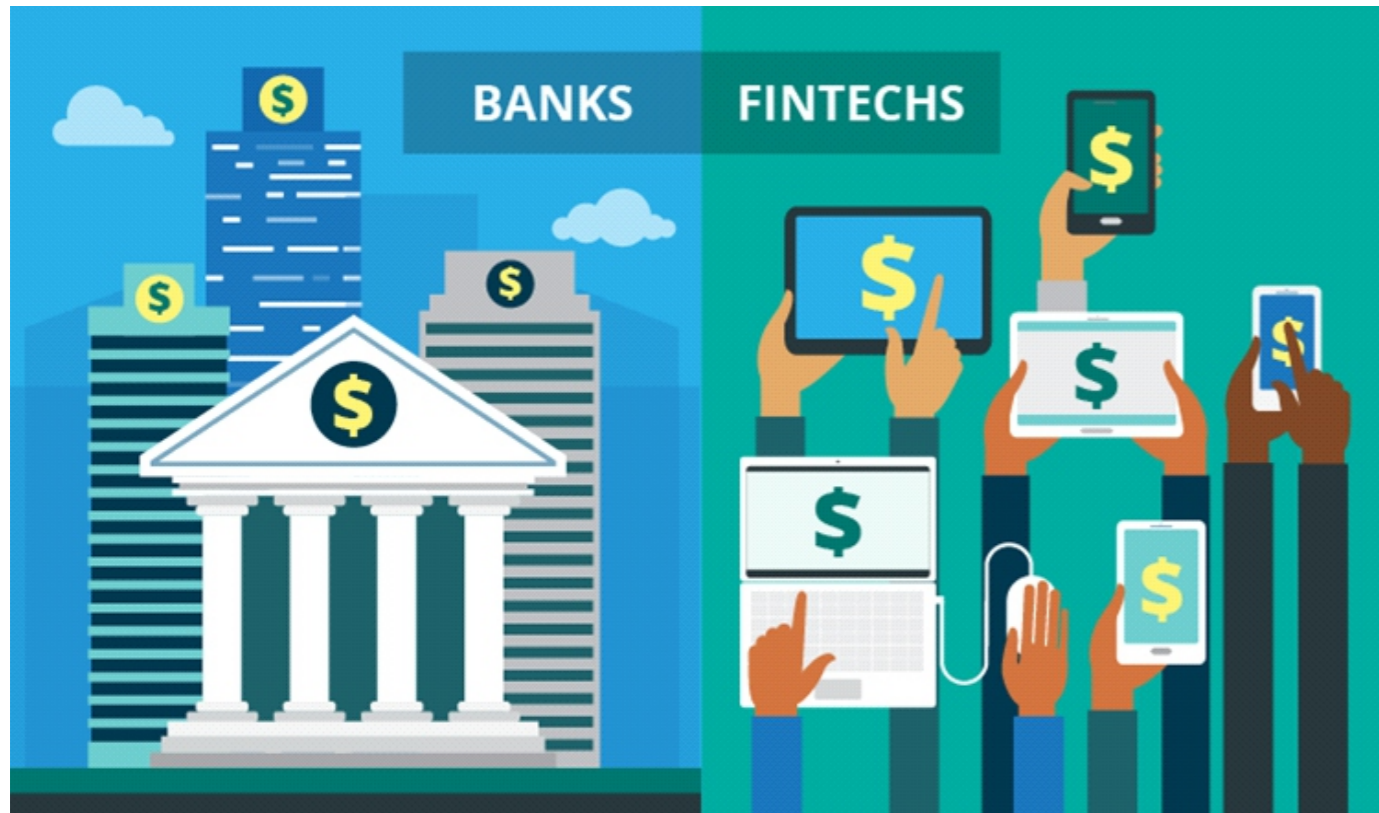
**vi. Digital Lending:** Some FinTechs offer digital lending platforms that provide quick and easy access to short-term loans for individuals and small businesses, often using alternative data sources for credit assessment.

**vii. Personal Finance Management:** FinTechs may offer tools and apps that help users manage their personal finances, budgeting, expense tracking, and financial goal setting.

**xii. Investment and Wealth Management:** Certain FinTechs provide investment platforms for individuals to invest in various financial products, including stocks, bonds, mutual funds, and other assets.

#### CONCLUSION

In summary, fintech disruption in Nigeria's traditional banking sector has brought about increased access to financial services, enhanced competition, and technological innovation. While this disruption has



**viii. Business Payment Solutions:** FinTechs cater to businesses by offering payment solutions for invoices, employee salaries, and other business-related transactions.

**ix. APIs and Integration Services:** Some fintech payment systems provide APIs (Application Programming Interfaces) that businesses can integrate into their own applications to enable payment processing and other financial services.

**x. KYC and Identity Verification:** FinTechs often provide services for Know Your Customer (KYC) compliance and identity verification, helping businesses onboard customers securely.

**xi. Digital Currency Services:** Some FinTechs in Nigeria may have ventured into digital currencies and blockchain-based solutions, offering users the ability to buy, sell, and store cryptocurrencies.

brought benefits, it also presents challenges that regulators, financial institutions, and fintech companies must navigate to ensure a balanced and secure financial ecosystem.

In conclusion, the impact of FinTech disruption on traditional banking in Nigeria has been transformative, leading to increased competition, digitalization, financial inclusion, efficiency gains, and changes in lending practices. While traditional banks face challenges, they also have opportunities to adapt, innovate, and collaborate to remain relevant in the evolving financial landscape.

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## The Venomous Vortex: Diving into the Murky Depths of Loan Fraud Schemes.

In his eBook, *A History of the World: From Prehistory to the 21<sup>st</sup> Century*, Jeremy Black revealed that only 24.4% of the entire African population had access to the Internet as of 2018. More recent studies suggest that the growth in that number has been anything but significant. This, being a damning indictment of the developmental policies put in place by most African states, is a sorry tale of how far behind the rest of the world Africa remains in terms of internet penetration (and this is a story for another day).

The natural expectation, therefore, would be that Africa would rank lower than most parts of the world in terms of internet fraud and indeed, sharp practices of any kind, involving the internet. Unfortunately, this is not the case as several reports have indicated that Africa, especially, West Africa, has the worst fraud figures worldwide and is projected to remain so for the foreseeable future. This assertion, as damaging as it may be for the reputation of the continent of Africa, is, unfortunately, the bleak reality faced by the former dark continent. Suffice it to say, therefore, that fraud fighters and policymakers have got to step up.

Every effect has a cause – so says the Englishman. In like manner, the menace of fraud in Africa is made

worse by the emergence of several fraud schemes. These schemes are the many different forms fraud may take. One of these forms is the increasingly pervasive 'loan fraud schemes'.

Loan fraud schemes are a disturbing reality that individual lenders and financial institutions must be wary of. They have been an unrelenting demon for ages, and they have continued to evolve as technology has continued to give. Indeed, technology will continue to give, therefore, they will continue to evolve. As a consequence, we must not relent in our efforts against these spanworms. Loan fraudsters typically engage in their dark dealings by stealing an individual's personal information or privileged information from an organization and using them to obtain a loan typically with no intention to pay back, leaving the individual or organization with decreased, and in worse cases, damaged credit score or credit ratings respectively.

This article explores the types of loan fraud schemes, the red flags to watch out for, and the preventive and reparative measures that must be taken when faced with an instance of loan malpractice.

## Types of Loan Fraud Schemes

The Association of Certified Fraud Examiners (ACFE), in its 2022 exam review course workbook, classified loan fraud schemes into the following:

- i. Double-Pledging Collateral
- ii. Residential Loan Fraud
- iii. Reciprocal loan arrangement
- iv. Construction loans

- Double-Pledging Collateral: Double-pledging



collateral is said to have occurred when a borrower (the debtor) uses the same collateral (e.g house, car, insurance policy, etc) to secure loans from different lenders (the creditors) or when a borrower (the debtor) uses the same collateral to secure two or more loans from the same lender (the creditor). Quite simply, to double pledge a collateral is to use the same collateral to secure multiple loans without the knowledge of the lenders. This swindling action can result in lenders unwittingly sharing the same collateral. The danger here is that, if the borrower defaults on one or more of the loans, disputes may arise between the different lenders, leaving each lender jostling for the same collateral. These disputes, if not managed amicably, can descend into legal battles as each lender tries to win priority position in terms of their right to the collateral.

- Residential Loan Fraud: Residential loan fraud occurs when a borrower deliberately misrepresents information or intentionally omits important details on a mortgage loan application so as to appear qualified for, and to successfully obtain a loan for a property they are otherwise not qualified for. It may involve providing false

employment information, understating debt or other financial obligations, providing false residency information, or inflating one's income. Whatever form it takes, the aim, for the fraudster, is usually clear and simple - to trick lenders into granting a loan that the borrower may not be able to repay or to secure a loan with better repayment conditions.

- Reciprocal loan arrangement: This type of loan arrangement sees two parties agree to lend money to each other on predetermined terms that

are mutually binding. While it is not exclusive to companies and organisations, it is generally understood that reciprocal loan options are more commonly sought by companies rather than by individuals. This is because companies and organisations have bigger and more complex financial commitments than individuals. Companies engaging in this type of loan arrangement often keep their level of scrutiny and due diligence at a minimal due to perceived trust between their reciprocal partner. Reciprocal loan fraud may come in the form of one party taking advantage of this trust to deliberately overvalue their collateral in order to qualify for loans of higher amounts than they would otherwise be qualified for.

- Construction loan fraud: Construction loans are a type of short-term loan designed to help fund building or renovation projects. It can be accessed by individuals and organisations alike. Construction loan fraud may occur when an individual or organisation misrepresents information or provides false documentation in order to obtain a construction loan. To pull off this type of loan fraud, construction loan tricksters

would typically falsify documents, misrepresent the purpose of the loan and in the specific case of building, overstate the value of the property to be completed. The aim for them is basic and straightforward – get as much funds in loan as they can possibly get and only utilize parts of it for the project they presented in their application documents.

Other types of loan fraud schemes are;

- **Advance Fee Fraud:** This is a scheme where the fraudster convinces the borrower (the victim) to pay a fee upfront before the loan can be granted. After the fee is paid, the fraudster disappears, and the intending borrower is left reeling.
- **Identity Theft:** Here, the fraudster steals the identity of a legitimate borrower and uses it to apply for a loan. The fraudster then disappears, leaving the legitimate borrower scratching their head.
- **Phantom Debt Collection:** This is a scheme



where a fraudster poses as a debt collector and demands payment for a loan that the victim never obtained or has already paid.

- **Loan Modification Scam:** In this scheme, the fraudster convinces the borrower to pay them to renegotiate the terms of their loan. The fraudster takes the money and disappears, leaving the borrower with the same terms and a loss of money
- **Asset-Based Loan Fraud:** This scheme involves the fraudster using inflated or fake collateral to secure a loan or in some cases pose as owners of an asset in a bid to obtain a loan. Once the loan is granted, the fraudster disappears, leaving the lender with nothing.

- I. **Red Flags to Watch Out for:** To avoid falling victim to loan fraud schemes, it is essential to

watch out for the following red flags:

- ii. **Little or zero checks for Credit Worthiness:** Checks for creditworthiness are a critical part of any loan application process. This absence of this should set the alarm bells ringing.
- iii. **Upfront Fees:** Legitimate lenders do not ask for upfront fees before granting a loan. If a lender asks for an upfront fee, chances are, you are staring down the barrel of a loan fraud.
- iv. **Unsolicited Loan Offers:** If you receive an unsolicited offer for a loan, be cautious. Legitimate lenders do not send unsolicited offers.
- v. **Unsecured Websites:** If the lender's website is not secure, it is a red flag. Legitimate lenders use secure websites to protect their borrowers' personal and financial information.
- vi. **Coercive Sale tactics:** If the lender uses high-pressure sales tactics to convince you to take out a loan, it is a red flag. Legitimate lenders do not pressure you to request and take a loan.
- vii. **Unrealistic Promises:** If the lender promises unrealistic interest rates or loan terms, it is a red flag. Legitimate lenders offer realistic terms based on your creditworthiness and financial situation.

## PREVENTIVE MEASURES

The following preventive measures should be taken to avoid falling victim to loan fraud schemes:

**Perform Background Checks on Lenders:** Before applying for a loan, research the lender. Check their website, reviews, and ratings. Legitimate lenders have a strong online presence and positive reviews.

**Check for Accreditation:** Legitimate lenders are accredited by relevant regulatory bodies. Check if the lender you are considering is accredited.

**Read the Fine Print:** Read the loan agreement carefully before signing it. Ensure you understand all the terms and conditions before agreeing to the loan.

**Verify the Lender's Contact Information:** Verify the lender's contact information before applying for a loan. Legitimate lenders have phone numbers that can be verified.



**Use Secure Websites:** Only apply for loans on secure websites. Look for the padlock symbol in the address bar and the "https" in the URL.

**Embrace Biometric Authentication:** Leverage Biometric Authentication like fingerprint and facial recognition as against the slowly but steadily dying PIN and password authentication methods.

✓ **Take Advantage of Knowledge-based Authentication:** Knowledge-based Authentication is another authentication method that works well if used the correct way. It works by asking specific questions based on personal information known only to that individual.

✓ **Reparative Measures**  
If you have fallen victim to a loan fraud scheme,



the following reparative measures should be taken:

- ✓ **Report the Fraud:** Report the fraud to the relevant authorities, including the police.
- ✓ **Seek legal advice:** If you have fallen victim to loan fraud, quickly engage the services of your lawyers.
- ✓ **Notify Your Bank:** Notify your bank in good time once you notice or suspect that you have fallen into the claws of loan fraudsters. This would enable them to take action to limit the damage.

**Conclusion** Loan fraud schemes are a growing menace that can have far-reaching consequences if not given as much attention as is necessary to curb it. According to reports from several reputable sources, individuals, businesses, and entire economies lose

substantial parts of their finances to fraud with loan fraud accounting for a significant portion of those losses.

The Federal Trade Commission, an American civil anti-trust law enforcement agency, has reported in the past that loan fraud constitutes the fourth most popular identity theft scheme in the United States, noting also that personal and business loan frauds top the list of the most prevalent loan fraud with 3,103 reports in the year 2021. Such is the potency of the threat posed by this scourge of a fraud scheme. From unrealistic promises to unsolicited loan offers, demanding an advanced fee for loan processing and high-pressure sales tactics, the red flags to watch out for are numerous.








To be safe, keep your eyes peeled for these red flags. More than just being wary of falling victim to loan fraud, it is important that we acquaint ourselves with the various ways loan fraudsters operate. This, therefore, means that the best way to prevent fraud generally is to live in the heads of these fraudsters. Stay suspicious of every term and/or condition not clearly defined and end every conversation that brews more ambiguity than clarity. The economic effects of a poorly executed loan fraud prevention campaign on the books of

companies can be debilitating. Every organization must always have experts and fraud fighters on the ground to both prevent loan fraud and take actions where loan fraud has occurred. As an individual, never be so carefree as to ignore the threats posed by these thoughtless individuals or organizations whose only aim is to devastate you and your finances with their ever-evolving loan tricks.

By all means, do not take actions that'll leave you at the mercy of loan fraudsters who would never recognize the evil of their ways. Guard your creditworthiness like a tigress guards her cubs. It is always better to be safe than sorry. In the midst of the shifting sands of loan fraud, we must fortify our defenses, for only by exposing the shadows can we truly light up the path to a safer financial future.

**Saliu Braimah**  
**TajBank Limited**



  <b>July 10</b> <b>Joshua Ohioma</b>	  <b>July 21</b> <b>Felix Igbinosa</b>	  <b>July 25</b> <b>Musefiu Olalekan</b>
  <b>August 02</b> <b>Dr Romeo Savage</b>	  <b>August 03</b> <b>Monday Edward</b>	  <b>August 29</b> <b>Kunle Onitiri</b>
  <b>August 31</b> <b>Olusemore Adegbola</b>	  <b>Sept. 09</b> <b>Lanre Kasim</b>	  <b>Sept. 13</b> <b>Dare Akinnuoye</b>
  <b>Sept. 15</b> <b>Saheed Adeluoa Ekeolere</b>	  <b>Sept. 30</b> <b>Olusegun M. Famoriyo</b>	<div style="border: 2px solid green; padding: 10px; text-align: center;"> <p>We your colleagues join your families and friends to wish you long life in good health of mind and body.</p> </div>



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