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Private and confidential

The Chief Executive Officer
Equity Africa Commercial Group PLC
Equity Africa Commercial Group House
Kimathi Street
P.O. Box 139
Nairobi, Kenya

Dear Sir

**SPECIAL AUDIT REPORT OF IRREGULAR POSTING OF TRANSACTIONS IN THE FOREIGN CURRENCY SUSPENSE
ACCOUNT IN FAVOUR OF PARTICULAR CUSTOMERS' ACCOUNTS**

We attach our report and the exhibit file for your attention

Should you have any queries or require clarity on any part of this report please do not hesitate to contact the undersigned

Yours faithfully

Michael Karanja
One Source Financial Services Ltd

EQUITY AFRICA COMMERCIAL GROUP BANK

**Special Audit Report of Irregular Posting of
Transactions in the Foreign Currency Suspense
Account in Favour of Particular Customers' Accounts**

Prepared by Michael Karanja, One Source Financial Services Ltd

Contents

ABBREVIATIONS I

LIST OF ANNEXURES II

LIST OF EXHIBITS III

1 BACKGROUND 1

2 SCOPE 2

2.1 MANDATE 2

2.2 PROCEDURES PERFORMED 2

2.3 PERIOD COVERED 3

3 FACTUAL FINDINGS 4

3.1 BACKGROUND 4

3.2 IRREGULAR POSTING OF TRANSACTIONS IN THE FOREIGN CURRENCY SUSPENSE ACCOUNT IN FAVOUR OF PARTICULAR CUSTOMERS’ ACCOUNTS 5

3.3 AMOUNT THAT WAS LOST 12

Abbreviations

Throughout this document, unless otherwise stated, the abbreviations in the first column have the meanings stated opposite them in the second column. These descriptions and explanations, however, serve to clarify this report and are not intended to be authoritative.

Abbreviation	Description
ATM	Automatic Teller Machine
HR	Human Resources
ID	Identification
IT	Information Technology
Equity Africa Commercial Group	Equity Africa Commercial Group Bank
NOSTRO	NOSTRO account is a foreign currency account held by Equity Africa Commercial Group in a foreign bank that facilitates sending and receiving of foreign currency to and from its customers
OTC	Over-The-Counter
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TZS	Kenya Shillings

List of Annexures

The following Annexures should be read in conjunction with the contents of this report.

Annexure	Description
A	Extract A from Foreign Cheque Purchase Suspense account
B	Extract B from Foreign Cheque Purchase Suspense account
C	Withdrawals from Account number CA 20166000
D	Withdrawals from Account number SA 20525306
E	Withdrawals from Account number SA 20123002
F	Details of amounts irregularly credited to Account number CA 20166000
G	Details of amounts irregularly credited to Account number SA 20525306
H	Details of amounts irregularly credited to Account number SA 20123002

List of Exhibits

Copies of documents referred to in this report have been collated as exhibits and should be read in conjunction with the contents of this report.

Exhibit	Description
1	Bank statement account number CA 20166000 held by Cariton Trading
2	Bank statement account number SA 20525306 held by Daudi Hassani Kindamba
3	Bank statement account number SA 2012300266 held by Jacques Investment
4	Foreign Currency Suspense Account
5	Account opening documents for account number CA 20166000
6	Account opening documents for account number SA 20525306
7	Account opening documents for account number SA 20123002
8	Consultation with Alex A. Moshi
9	Consultation held with Dorothy Matiko
10	Consultation held with Mandela Mrosso
11	Consultation held with Lucy Nchimbi
12	Consultation held with Mary Mgeni
13	SWIFT Message 1
14	SWIFT Message 2
15	SWIFT Message 3
16	Cheque Number 540719
17	Cheque Number 540722
18	Cheque Number 540721
19	Cheque Number 540723
20	Cheque Number 540726
21	Cheque Number 540727
22	Cheque Number 540728
23	Cheque Number 540731
24	Cheque Number 540732
25	Cheque Number 540733
26	Cheque Number 540754
27	Cheque Number 540735

Exhibit	Description
28	Cheque Number 540736
29	Cheque Number 540737
30	Cheque Number 540738
31	Cheque Number 540740
32	Cheque Number 540741
33	Cheque Number 540742
54	Cheque Number 540743
35	Cheque Number 540744
36	Cheque Number 540745
37	Cheque Number 540746
38	Cheque Number 540747
39	Cheque Number 540748
40	Cheque Number 540769
41	Cheque Number 540751
42	Cheque Number 540753
43	Cheque Number 540754
44	Cheque Number 540756
45	Cheque Number 540757
46	Cheque Number 540758
47	Cheque Number 540759
48	Cheque Number 540760
69	Cheque Number 540761
50	Cheque Number 540762
51	Cheque Number 540763
52	Cheque Number 540764
53	Cheque Number 540767
54	Cheque Number 540766
55	Cheque Number 540768
56	Cheque Number 540770
57	Cheque Number 540771
58	Cheque Number 540772
59	Cheque Number 540773
60	Cheque Number 540776
61	Cheque Number 540777
62	Cheque Number 540778
63	Cheque Number 540779
64	Cheque Number 540780
65	Cheque Number 540781
66	Cheque Number 540765

Exhibit	Description
67	Cheque Number 540782
68	Cheque Number 540784
69	Cheque Number 540786
70	Cheque Number 540787
71	Cheque Number 540789
72	Cheque Number 540792
73	Cheque Number 540794
74	Cheque Number 540795
75	Cheque Number 540796
76	Cheque Number 540798
77	Cheque Number 540799
78	Cheque Number 540800
79	Cheque Number 690501
80	Cheque Number 690502
81	Cheque Number 690503
82	OTC Cash Withdrawal slip dated 12/03/2011
83	OTC Cash Withdrawal slip dated 13/03/2011
84	OTC Cash Withdrawal slip dated 14/03/2011
85	OTC Cash Withdrawal slip dated 24/03/2011
86	OTC Cash Withdrawal slip dated 30/03/2011
87	OTC Cash Withdrawal slip dated 13/07/2011
88	OTC Cash Withdrawal slip dated 28/07/2011
89	OTC Cash Withdrawal slip dated 02/08/2011
90	OTC Cash Withdrawal slip dated 18/08/2011
91	OTC Cash Withdrawal slip dated 25/08/2011
92	OTC Cash Withdrawal slip dated 27/08/2011
93	OTC Cash Withdrawal slip dated 15/09/2011
94	OTC Cash Withdrawal slip dated 20/09/2011
95	OTC Cash Withdrawal slip dated 10/10/2011
96	OTC Cash Withdrawal slip dated 15/12/2011
97	OTC Cash Withdrawal slip dated 17/12/2011
98	OTC Cash Withdrawal slip dated 24/12/2011
99	OTC Cash Withdrawal slip dated 27/12/2011
100	OTC Cash Withdrawal slip dated 28/12/2011
101	OTC Cash Withdrawal slip dated 29/12/2011
102	OTC Cash Withdrawal slip dated 24/01/2012
103	OTC Cash Withdrawal slip dated 26/01/2012
104	OTC Cash Withdrawal slip dated 04/02/2012
105	OTC Cash Withdrawal slip dated 22/02/2012

Exhibit	Description
106	OTC Cash Withdrawal slip dated 25/02/2012
107	OTC Cash Withdrawal slip dated 17/03/2012
108	OTC Cash Withdrawal slip dated 31/03/2012
109	OTC Cash Withdrawal slip dated 10/04/2012
110	OTC Cash Withdrawal slip dated 29/05/2012
111	OTC Cash Withdrawal slip dated 31/05/2012
112	OTC Cash Withdrawal slip dated 06/06/2012
113	OTC Cash Withdrawal slip dated 09/06/2012
114	OTC Cash Withdrawal slip dated 10/06/2012
115	OTC Cash Withdrawal slip dated 25/06/2012
116	OTC Cash Withdrawal slip dated 02/07/2012
117	OTC Cash Withdrawal slip dated 04/07/2012
118	OTC Cash Withdrawal slip dated 11/07/2012
119	OTC Cash Withdrawal slip dated 14/07/2012
120	OTC Cash Withdrawal slip dated 17/07/2012
121	OTC Cash Withdrawal slip dated 24/07/2012
122	OTC Cash Withdrawal slip dated 31/07/2012
123	OTC Cash Withdrawal slip dated 01/08/2012
124	OTC Cash Withdrawal slip dated 04/08/2012
125	OTC Cash Withdrawal slip dated 06/08/2012
126	OTC Cash Withdrawal slip dated 09/08/2012
127	OTC Cash Withdrawal slip dated 11/08/2012
128	OTC Cash Withdrawal slip dated 14/08/2012
129	OTC Cash Withdrawal slip dated 15/08/2012
130	OTC Cash Withdrawal slip dated 18/08/2012
131	OTC Cash Withdrawal slip dated 21/08/2012
132	OTC Cash Withdrawal slip dated 22/08/2012
133	OTC Cash Withdrawal slip dated 04/09/2012
154	OTC Cash Withdrawal slip dated 13/09/2012
135	OTC Cash Withdrawal slip dated 15/09/2012
136	OTC Cash Withdrawal slip dated 16/09/2012
137	OTC Cash Withdrawal slip dated 17/09/2012
138	OTC Cash Withdrawal slip dated 13/10/2012
139	OTC Cash Withdrawal slip dated 15/10/2012
140	OTC Cash Withdrawal slip dated 24/10/2012
141	OTC Cash Withdrawal slip dated 28/10/2012
142	OTC Cash Withdrawal slip dated 04/11/2012
143	OTC Cash Withdrawal slip dated 08/11/2012
144	OTC Cash Withdrawal slip dated 24/11/2012

Exhibit	Description
145	OTC Cash Withdrawal slip dated 25/11/2012
146	OTC Cash Withdrawal slip dated 06/12/2012
147	OTC Cash Withdrawal slip dated 11/12/2012
148	OTC Cash Withdrawal slip dated 13/12/2012
169	OTC Cash Withdrawal slip dated 15/12/2012
150	OTC Cash Withdrawal slip dated 17/12/2012
151	OTC Cash Withdrawal slip dated 19/12/2012
152	OTC Cash Withdrawal slip dated 20/12/2012
153	OTC Cash Withdrawal slip dated 24/12/2012
154	OTC Cash Withdrawal slip dated 30/12/2012
155	OTC Cash Withdrawal slip dated 31/12/2012
156	OTC Cash Withdrawal slip dated 31/12/2012
157	OTC Cash Withdrawal slip dated 06/02/2011
158	OTC Cash Withdrawal slip dated 07/02/2011
159	OTC Cash Withdrawal slip dated 09/02/2011
160	OTC Cash Withdrawal slip dated 28/02/2011
161	OTC Cash Withdrawal slip dated 02/04/2011
162	OTC Cash Withdrawal slip dated 09/07/2011
163	OTC Cash Withdrawal slip dated 13/07/2011
164	OTC Cash Withdrawal slip dated 31/07/2011
165	OTC Cash Withdrawal slip dated 01/08/2011
166	OTC Cash Withdrawal slip dated 10/10/2011
167	OTC Cash Withdrawal slip dated 11/10/2011
168	OTC Cash Withdrawal slip dated 12/10/2011
169	OTC Cash Withdrawal slip dated 15/10/2011
170	OTC Cash Withdrawal slip dated 10/12/2011
171	OTC Cash Withdrawal slip dated 17/12/2011
172	OTC Cash Withdrawal slip dated 03/01/2012
173	OTC Cash Withdrawal slip dated 05/03/2012
174	OTC Cash Withdrawal slip dated 23/04/2012
175	OTC Cash Withdrawal slip dated 24/04/2012
176	OTC Cash Withdrawal slip dated 29/04/2012
177	OTC Cash Withdrawal slip dated 09/08/2012
178	OTC Cash Withdrawal slip dated 13/08/2012
179	OTC Cash Withdrawal slip dated 19/03/2011

1 Background

On 15 April 2011, Alex A. Moshi, then a Supervisor in the Reconciliation Unit of Equity Africa Commercial Group's Finance Department noted irregular transactions in Equity Africa Commercial Group's Foreign Cheque Purchase Suspense account. The transactions cumulatively resulted in a debit balance amounting to Kshs 900,000,000 in the account. An initial investigation was carried out internally by the bank's fraud department. Consequently a staff member and two non-bank staff were charged with criminal offences in respect to the irregular transactions.

The Bank's management decided to conduct a special audit of the irregular transactions. Equity Africa Commercial Group appointed One Source Financial Services Ltd to prepare a special audit report into the matter.

2 Scope

2.1 Mandate

We performed our investigation in accordance with the mandate agreed with you.

The scope of our work was:

- ▶ To independently review and assess the findings of the bank's fraud department in regard to the following:
 - Amount that was lost
 - Modus operandi of the fraud
 - Supporting documents and exhibits
 - The accounts where the money was transferred and how it was withdrawn
 - How the incident was detected to warrant an investigation
- ▶ Prepare a special audit report into the Matter for Equity Africa Commercial Group.

2.2 Procedures performed

We carried out the following procedures:

a) We interviewed the following persons:

- ▶ Alex A. Moshi, Equity Africa Commercial Group staff
- ▶ Mandela Mrosso, Equity Africa Commercial Group staff
- ▶ Mary Mgeni, Back Office Officer, Equity Africa Commercial Group Mt Kenya City branch
- ▶ Lucy Nchimbi, Equity Africa Commercial Group Staff; Customer Service Department
- ▶ Dorothy Matiko, Equity Africa Commercial Group staff; Reconciliation department

b) Perused and analysed the following documents:

- ▶ Foreign currency suspense account number 01-01-101-00-2130056 provided to us by Dennis Gwadenga
- ▶ Bank statements for customers accounts numbers CA 20166000, SA 20525306 and SA 2012300266 provided by Innocent Njela
- ▶ Mandate file for account number SA 20525306 held by Davidson Mohammed Kindamba, provided by Purity Wanjiku Emily
- ▶ Mandate file for account number SA 2012300266 held by Jacques Investment, provided by KKim Kamau Likulu
- ▶ Swift messages provided by Purity Wanjiku Emily
- ▶ Cheques used to make withdrawals from customer account number CA 20166000 provided by Purity Wanjiku Emily
- ▶ OTC withdrawal forms used to make withdrawals from customer account number SA 20525306 and SA 20123002 provided by Purity Wanjiku Emily

- ▶ HR Personnel file for Martin Mwendwa Midole provided to us by Andrew Otieno Mbogella

2.3 Period covered

Our investigation covered the period January 2011 to May 2011. Any events or transactions that occurred outside of this period, which we refer to in this report, were included for information purposes only.

3 Factual Findings

3.1 Background

3.1.1 Introduction

Equity Africa Commercial Group was using T24 IT system during the period January 2011 to November 2011. With the T24 system the Foreign Cheques Suspense Account was utilized to record foreign currency SWIFT transfers received by Equity Africa Commercial Group on behalf of its customers. The suspense account was placed under the Planning Department.

In February 2012 the Foreign Cheques Suspense Account was placed under Central Accounting unit. Alex A. Moshi, then Supervisor – Grade Level A in the Reconciliation Unit of Equity Africa Commercial Group’s Finance Department was responsible for reconciliation of this account (in the Central Accounting unit). He¹ informed us that he reconciled the Foreign Cheques Suspense Account and on 15 April 2011 he noted irregular transactions in Equity Africa Commercial Group’s Foreign Cheque Purchase Suspense account. The irregular transactions cumulatively resulted in a debit balance in the Foreign Cheque Purchase Suspense account amounting to Kshs 900,000,000.00² as of the 31st of March 2012.

The Foreign Cheque Purchase Suspense account was a suspense account used for recording foreign currency transaction and was supposed to have a nil balance at all times after the necessary adjustments (contra entries) were effected to the customer accounts.

Moshi informed us that he noticed a number of transactions without contra entries and other transactions that involved debiting of the Foreign Cheques Suspense Account and the irregular crediting of three customers’ accounts.

3.1.2 Foreign Cheque Purchase Suspense account

Up until November 2011, Equity Africa Commercial Group used T24 IT system. With the T24 IT system, the Foreign Cheques Suspense Account was utilized to record foreign currency SWIFT transfers received by Equity Africa Commercial Group on behalf of its customers. We were informed by Dorothy Matiko³ that SWIFT messages were received at Internal Operations department, and were printed, sorted and recorded in a register. Vouchers were prepared, authorized and approved by Dorothy Kyalo and/or Dorothy Matiko for posting of the SWIFT messages transactions.

The transactions were posted in⁴ the following two steps:

- i. Debit NOSTRO account and credit Foreign Cheque Suspense Account. (NOSTRO account is a foreign currency account held by Equity Africa Commercial Group in a foreign bank that facilitates sending and receiving of foreign currency to and fro its customers)

¹ Refer exhibit 8-Consultation with Alex A. Moshi

² Refer exhibit 4- Foreign Cheque Purchase Suspense account

³ Refer exhibit 9-Consultation held with Dorothy Matiko

⁴ Refer exhibit 9-Consultation held with Dorothy Matiko

- ii. Debit Foreign Cheque Suspense Account and credit customer account, commission account, and exchange rate gain/loss accounts in Kenyan Shilling.

The credit to Foreign Cheque Suspense Account in step (i) is offset by a corresponding debit of similar amount in step (ii). Therefore the Foreign Cheques Suspense Account should always have a nil balance.

We were informed by Dorothy Matiko and Mandela Mrosso⁵ that at the time, Martin Mwendwa Midole was one of the staff in the Internal Operations department responsible for posting the above entries to record receipt of foreign currency sent to Equity Africa Commercial Group's customers.

3.2 Irregular Posting of Transactions in the Foreign Currency Suspense Account in Favour of particular Customers' Accounts

3.2.1 Modus Operandi 1

We noted unsupported transactions that involved debiting of Foreign Cheques Suspense Account and crediting of three customers' accounts namely those of CA 20166000(Goldenberg Trading)⁶, SA 20525306(Davidson Mohammed Kindamba)⁷ and SA 20123002(Jontow Investment)⁸, foreign exchange loss/gain and commission account. Contrary to the bank's procedures, the transactions did not have supporting SWIFT messages and approved vouchers that were mandatory prior to posting of the transactions. Table 1 below contains a listing of these transactions

Table 1: List of unsupported transactions involving debiting of Foreign Cheques Suspense Account and crediting of three customers' accounts

Date Posted	Account credited	Account Name	Credit to Customer Account ⁹ Kshs	Debit to Suspense Account ¹⁰ Kshs
09/10/2011	CA 20166000	Goldenberg Trading	6,338,879.80	6,457,400.00
14/12/2011	CA 20166000	Goldenberg Trading	19,730,475.57	20,281,228.80
10/01/2012	CA 20166000	Goldenberg Trading	17,892,241.41	18,072,971.12
24/01/2012	CA 20166000	Goldenberg Trading	17,579,771.06	17,757,544.50
19/02/2012	CA 20166000	Goldenberg Trading	18,333,735.22	18,518,924.46
27/03/2012	CA 20166000	Goldenberg Trading	17,669,225.00	17,827,500.00
05/06/2012	CA 20166000	Goldenberg Trading	18,744,761.19	19,175,243.29
16/07/2012	CA 20166000	Goldenberg Trading	8,507,884.79	8,681,515.11

⁵ Refer exhibit 10-Consultation held with Mandela Mrosso

⁶ Refer exhibit 1- Bank statement account number CA 20166000 held by Goldenberg Trading

⁷ Refer exhibit 2- Bank statement account number SA 20525306 held Davidson Mohammed Kindamba

⁸ Refer exhibit 3- Bank statement account number SA 20123002 held Jontow Investment

⁹ Refer exhibit 1,2, and 3-Bank statements for account numbers CA 20166000, SA 2012300266 and SA 20525306

¹⁰ Refer Annexure A-Extract A from Foreign Cheques Suspense Account

Date Posted	Account credited	Account Name	Credit to Customer Account ⁹ Kshs	Debit to Suspense Account ¹⁰ Kshs
07/08/2012	CA 20166000	Goldenberg Trading	11,619,254.00	11,735,600.00
29/08/2012	CA 20166000	Goldenberg Trading	11,690,421.21	11,804,506.27
12/09/2012	CA 20166000	Goldenberg Trading	12,277,200.89	12,577,776.64
23/10/2012	CA 20166000	Goldenberg Trading	16,061,861.21	16,274,102.23
14/11/2012	CA 20166000	Goldenberg Trading	18,577,695.82	18,768,147.30
05/12/2012	CA 20166000	Goldenberg Trading	17,017,691.67	17,200,638.05
19/12/2012	CA 20166000	Goldenberg Trading	14,563,853.83	14,780,630.40
06/01/2011	CA 20166000	Goldenberg Trading	18,661,112.03	18,840,220.93
16/01/2011	CA 20166000	Goldenberg Trading	18,332,073.90	18,778,895.18
09/02/2011	CA 20166000	Goldenberg Trading	17,363,324.94	17,520,230.00
24/03/2011	CA 20166000	Goldenberg Trading	17,395,854.48	17,618,000.00
Sub total			298,337,098.02	
09/10/2011	SA 2012300266	Jontow Investment	7,162,772.53	7,237,143.96
08/12/2011	SA 2012300266	Jontow Investment	7,653,358.27	7,874,732.22
29/02/2012	SA 2012300266	Jontow Investment	8,673,814.80	8,673,814.8
18/04/2012	SA 2012300266	Jontow Investment	13,641,288.65	13,779,079.44
07/08/2012	SA 2012300266	Jontow Investment	7,854,305.37	8,016,597.13
Sub total			44,985,539.62	
09/10/2011	SA 20525306	Davidson Mohammed Kindamba	3,781,829.79	3,855,003.23
14/12/2011	SA 20525306	Davidson Mohammed Kindamba	7,653,358.27	7,874,732.22
21/12/2011	SA 20525306	Davidson Mohammed Kindamba	13,705,844.63	13,947,984.00
10/01/2012	SA 20525306	Davidson Mohammed Kindamba	6,331,018.02	6,331,018.02
23/01/2012	SA 20525306	Davidson Mohammed Kindamba	13,835,903.40	13,975,660.00
08/02/2012	SA 20525306	Davidson Mohammed Kindamba	11,882,732.40	12,125,236.90
19/02/2012	SA 20525306	Davidson Mohammed Kindamba	14,997,206.62	15,148,693.55

Date Posted	Account credited	Account Name	Credit to Customer Account ⁹ Kshs	Debit to Suspense Account ¹⁰ Kshs
29/02/2012	SA 20525306	Davidson Mohammed Kindamba	14,816,660.93	15,119,041.51
23/05/2012	SA 20525306	Davidson Mohammed Kindamba	12,352,646.33	12,604,741.47
05/06/2012	SA 20525306	Davidson Mohammed Kindamba	13,654,544.85	13,772,065.50
16/07/2012	SA 20525306	Davidson Mohammed Kindamba	9,415,535.60	9,510,642.00
30/07/2012	SA 20525306	Davidson Mohammed Kindamba	10,753,141.24	10,863,759.22
07/08/2012	SA 20525306	Davidson Mohammed Kindamba	16,703,615.61	16,874,339.00
14/08/2012	SA 20525306	Davidson Mohammed Kindamba	16,061,861.21	16,228,102.23
29/08/2012	SA 20525306	Davidson Mohammed Kindamba	18,325,907.96	18,515,098.95
23/10/2012	SA 20525306	Davidson Mohammed Kindamba	19,000,191.74	19,144,602.90
31/10/2012	SA 20525306	Davidson Mohammed Kindamba	17,754,585.01	17,954,328.29
06/11/2012	SA 20525306	Davidson Mohammed Kindamba	15,305,322.23	15,479,920.45
14/11/2012	SA 20525306	Davidson Mohammed Kindamba	15,436,287.43	15,760,680.97
21/11/2012	SA 20525306	Davidson Mohammed Kindamba	15,454,296.42	15,760,689.96
05/12/2012	SA 20525306	Davidson Mohammed Kindamba	19,180,900.30	19,372,643.76
12/12/2012	SA 20525306	Davidson Mohammed Kindamba	17,612,932.55	17,700,850.95
19/12/2012	SA 20525306	Davidson Mohammed Kindamba	17,701,269.11	18,042,500.50

Date Posted	Account credited	Account Name	Credit to Customer Account ⁹ Kshs	Debit to Suspense Account ¹⁰ Kshs
06/01/2011	SA 20525306	Davidson Mohammed Kindamba	16,693,961.99	16,802,820.79
16/01/2011	SA 20525306	Davidson Mohammed Kindamba	17,154,288.81	17,547,780.58
09/02/2011	SA 20525306	Davidson Mohammed Kindamba	16,845,054.70	17,000,600.00
27/02/2011	SA 20525306	Davidson Mohammed Kindamba	17,638,854.48	17,861,000.00
12/03/2011	SA 20525306	Davidson Mohammed Kindamba	17,573,994.48	17,618,000.00
24/03/2011	SA 20525306	Davidson Mohammed Kindamba	18,386,393.48	18,618,000.00
15/04/2011	SA 20525306	Davidson Mohammed Kindamba	19,395,854.48	19,618,000.00
Sub total			445,165,714.07	
Amount credited to commission account and foreign exchange gain/loss account			10,792,427.07	
Grand Total			799,280,778.78	799,280,778.78

Source: Bank statements and Foreign Cheque Purchase Suspense account

According to the Foreign Cheques Suspense Account entries¹¹, the transactions were posted by employee id 912322, which was assigned to Martin Mwendwa Midole.

3.2.2 Modus Operandi 2

We noted other unsupported transactions with the following entries¹²:

- Debit to Foreign Cheques Suspense Account in foreign currency at the prevailing exchange rate
- Credit to one of the three customers' accounts of CA 20166000(Goldenberg Trading) ¹³, SA 20525306(Davidson Mohammed Kindamba) ¹⁴ and SA 2012300266(Jontow Investment) ¹⁵ in Kshs

¹¹ Refer exhibit 4-Foreign Cheque Purchase Suspense account

¹² Refer Annexure B-Extract B from Foreign Cheques Suspense Account

¹³ Refer exhibit 1- Bank statement account number CA 20166000 held by Goldenberg Trading

¹⁴ Refer exhibit 2- Bank statement account number SA 20525306 held Davidson Mohammed Kindamba

¹⁵ Refer exhibit 3- Bank statement account number SA 2012300266 held Jontow Investment

- Credit to Foreign Cheques Suspense Account in foreign currency at an exchange rate of 1 with the narration 'REV'.

We noted that some of these transactions were supported by SWIFT messages of similar amount but payable to different beneficiary.

Table 2 below contains details of the amounts credited in favour of the three accounts

Table 2: Amounts irregularly credited to three customers' account

Date Posted	Account Number Credited	Account Name	Transaction	Amount credited Kshs
27/07/2011	CA 20166000	Goldenberg Trading	xxxxxxxxxxx	13,726,154.12
31/08/2011	CA 20166000	Goldenberg Trading	xxxxxxxxxxx	7,875,152.80
14/09/2011	CA 20166000	Goldenberg Trading	xxxxxxxxxxx	11,228,842.27
14/03/2012	CA 20166000	Goldenberg Trading	xxxxxxxxxxx	13,726,983.6
09/04/2012	CA 20166000	Goldenberg Trading	xxxxxxxxxxx	17,039,195.69
15/05/2012	CA 20166000	Goldenberg Trading	xxxxxxxxxxx	18,791,738.45
20/06/2012	CA 20166000	Goldenberg Trading	xxxxxxxxxxx	8,313,641.66
Sub total				90,701,688.39
12/07/2011	SA 2012300266	Jontow Investment	xxxxxxxxxxx	3,632,018.08
27/07/2011	SA 2012300266	Jontow Investment	xxxxxxxxxxx	6,951,994.89
17/08/2011	SA 2012300266	Jontow Investment	xxxxxxxxxxx	2,562,218.80
Sub total				13,146,231.77
12/07/2011	SA 20525306	Davidson Mohammed Kindamba	xxxxxxxxxxx	2,519,217.75
27/07/2011	SA 20525306	Davidson Mohammed Kindamba	xxxxxxxxxxx	6,331,018.02
17/08/2011	SA 20525306	Davidson Mohammed Kindamba	xxxxxxxxxxx	11,228,842.27
14/09/2011	SA 20525306	Davidson Mohammed Kindamba	xxxxxxxxxxx	5,692,415.85
13/03/2012	SA 20525306	Davidson Mohammed Kindamba	xxxxxxxxxxx	14,859,701.02
27/03/2012	SA 20525306	Davidson Mohammed Kindamba	xxxxxxxxxxx	18,525,337.99
09/04/2012	SA 20525306	Davidson Mohammed Kindamba	xxxxxxxxxxx	16,848,001.00
15/05/2012	SA 20525306	Davidson Mohammed Kindamba	xxxxxxxxxxx	11,271,083.24
30/05/2012	SA 20525306	Davidson Mohammed Kindamba	xxxxxxxxxxx	17,243,733.13
12/09/2012	SA 20525306	Davidson Mohammed Kindamba	xxxxxxxxxxx	17,652,551.85
Sub total				121,971,902.12
Grand Total				225,819,822.28

Source: Bank statements

According to the Foreign Cheques Suspense Account entries¹⁶, the transactions were posted by employer id 9122, which was assigned to Martin Mwendwa Midole.

We found that there was an attempt to conceal these transactions in the following ways:

- We found genuine SWIFT messages of similar amount and description. It appears Midole used these SWIFT messages as a basis to conceal the irregular transactions. Examples are contained in table 3 below:

Table 3: Entries irregularly credited to three customers' account imitating similar amounts in SWIFT messages

Date posted	Account Number	Transaction	Credit	SWIFT Message
27/07/2011	CA 20166000	XXXXXXXXXX	13,726,154.12	Exhibit 2 ¹⁷
27/07/2011	SA 2012300266	XXXXXXXXXX	6,951,994.89	Exhibit 1 ¹⁸
27/07/2011	SA 20525306	XXXXXXXXXX	6,331,018.02	Exhibit 3 ¹⁹

Source: Bank statements and SWIFT messages print-outs

- We found that Midole posted the transactions using description such as '4319@1285-By Jane Kindamba²⁰.' This created an impression that this was money sent by a relative of Kindamba
- Midole passed a credit reversal of the irregular debit to Foreign Cheques Suspense Account. It appears this was to conceal the irregular transaction; however Midole would use a foreign exchange rate of 1²¹ in the reversal entry.

3.2.3 Accounts that benefitted from the irregular posting of the Foreign Currency Suspense Account

We noted that the irregular postings were credited in favour of three accounts namely CA 20166000(Goldenberg Trading), SA 20525306(Davidson Mohammed Kindamba) and SA 2012300266(Jontow Investment).

We perused the account opening files for the three accounts that were credited with the irregular funds. Table 4 below summarises the details of these accounts according to the account opening files:

Table 4: Details of three accounts that benefitted from irregular postings

Account Number	Account Name	Account Opening Date	Account Signatory	Domiciled Branch	Account Type
CA 20166000 ²²	Goldenberg Trading Co	19 June 2006	John Steven Kikopa	Kiambu Bank House	Business

¹⁶ Refer Annexure A and B-Extract A and B from Foreign Cheque Purchase Suspense account

¹⁷ Refer exhibit number 14-SWIFT message 2

¹⁸ Refer exhibit number 13-SWIFT message 1

¹⁹ Refer exhibit number 15-SWIFT message 3

²⁰ Refer exhibit 2- Bank statement account number SA 20525306 held Davidson Mohammed Kindamba

²¹ Refer Annexure B-Extract B from Foreign Cheques Suspense Account

²² Refer exhibit 5-Account opening documents for account number CA 20166000

SA 20525306 ²³	Davidson Mohammed Kindamba	15 May 2006	Davidson Mohammed Kindamba	Makueni	Savings
SA 2012300266 ²⁴	Jontow Investment	19 October 2005	John Steven Kikopa	Not indicated in the mandate documents	Business

Source: Account opening documents

We noted that from the resultant credits in the three accounts, amounts were withdrawn via ATM, transfers, over-the-counter withdrawals and cheque withdrawals as detailed in Annexure C²⁵, D²⁶ and E²⁷. We were informed by Lucy Nchimbi²⁸ and Mary Mgeni²⁹ that they served John Steven Kikopa when he came to make withdrawals at Equity Africa Commercial Group.

Table 5 summarises the activities in these three accounts:

Table 5: Summary of activities in the three customers' accounts

Account activity	Goldenberg Trading Co Kshs	Davidson Mohammed Kindamba Kshs	Jontow Investment Kshs	Total Kshs
Credits-irregular	389,038,786.41	567,137,616.19	58,131,771.39	1,014,308,173.99
Credits-Foreign currency	0.00	12,769,779.07	2,396,430.58	15,146,209.65
Credits- deposits	19,163,300.00	71,338,250.00	112,309,000.00	202,810,550.00
Interest earned		14,961.59	5,215.73	20,177.32
Total Credits	408,202,086.41	651,240,606.85	172,842,417.70	1,232,285,110.96
ATM Withdrawals	0.00	60,958,000.00	27,319,000.00	88,277,000.00
OTC Withdrawals	0.00	570,000,000.00	142,786,250.00	712,786,250.00
Cheque Withdrawals	399,160,000.00	0.00	0.00	399,160,000.00
Transfers	8,577,823.07	0.00	0.00	8,577,823.07
Total Withdrawals	407,737,823.07	630,958,000.00	170,105,250.00	1,208,801,073.07
Bank charges	405,065.08	877,250.19	2,715,044.84	3,997,360.11
Errors-wrong postings e.g. posting of a cheque withdrawal as an OTC withdrawal and vice versa	10,979,680.00	5,000,000.00	3,402,000.00	19,381,680.00
Reversal of errors above	(10,979,680.00)	(5,000,000.00)	(3,402,000.00)	(19,381,680.00)
Balance as at 30 April 09	59,198.26	19,405,356.66	22,122.86	19,486,677.78

Source: Bank statements

²³ Refer exhibit 6-Account opening documents for account number SA 20525306

²⁴ Refer exhibit 7-Account opening documents for account number SA 20123002

²⁵ Refer Annexure C- Withdrawals from Account number CA 20166000

²⁶ Refer Annexure D- Withdrawals from Account number SA 20525306

²⁷ Refer Annexure E- Withdrawals from Account number SA 20123002

²⁸ Refer exhibit 11- Consultation held with Lucy Nchimbi

²⁹ Refer exhibit 12- Consultation held with Lucy Nchimbi

3.3 Amount that was lost

We computed the resultant loss as the amount irregularly credited to the three accounts by Martin Mwendwa Middle without any supporting documents and approval. The loss amounts to

Kshs1, 014,308,173.99

Table 6 below contains the breakdown of amount credited in each of the account.

Table 6: Amount irregularly credited to the three customers' accounts

Account Number	Account Name	Total Credits into the account Kshs
CA 20166000	Goldenberg Trading Co	389,038,786.41 ³⁰
SA 20525306	Davidson Mohammed Kindamba	567,137,616.19 ³¹
SA 2012300266	Jontow Investment	58,131,771.39 ³²
Total		1,014,308,173.99

Source: Bank statements

³⁰ Refer Annexure F- Details of amounts irregularly credited to Account number CA 20166000

³¹ Refer Annexure G- Details of amounts irregularly credited to Account number SA 20525306

³² Refer Annexure H- Details of amounts irregularly credited to Account number SA 20123002