

Elevating **people**.
Elevating **business**.
Elevating **society**.

Advisory Services

Forensics e-book

December 2023

IBDO
Audit • Advisory • Tax

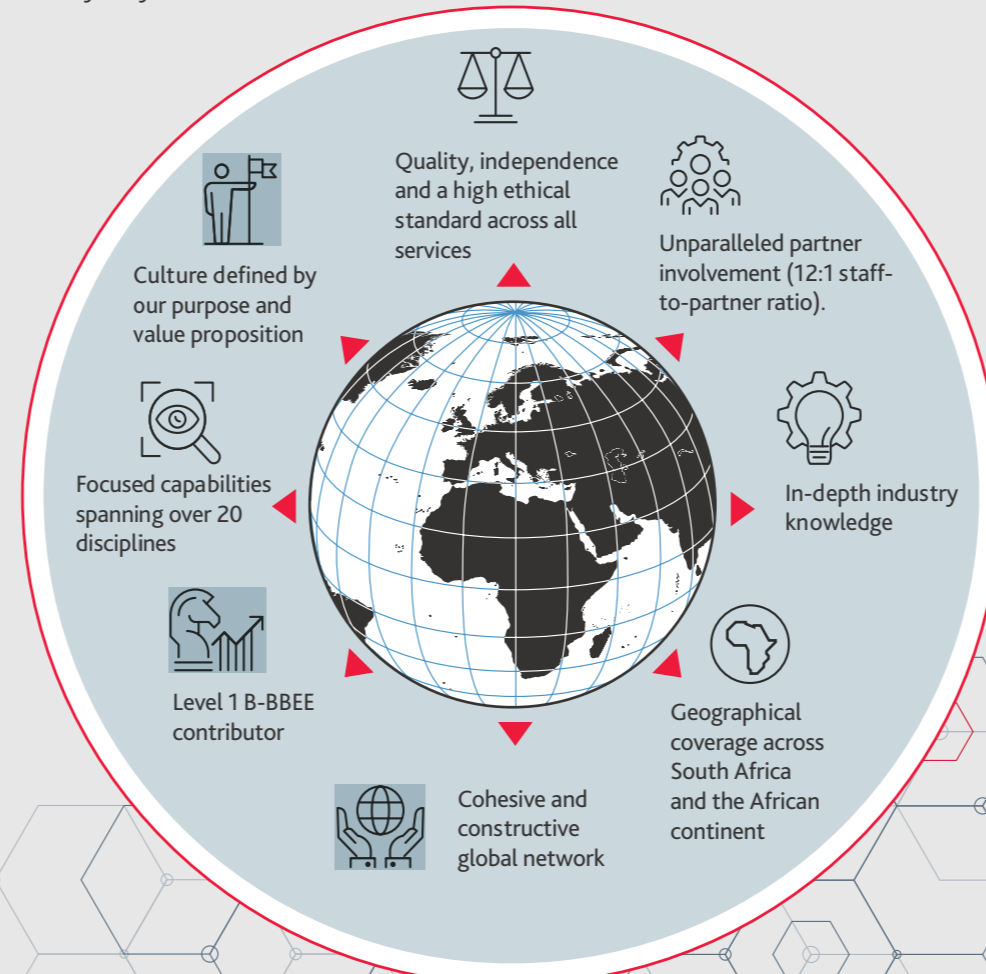
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About BDO

As one of the largest accounting firms, with 2,135+ professionals in 7 offices across South Africa, coupled with our global resources, responsiveness and a relationship-driven approach, we shine a unique lens on clients' businesses to see the people beyond the numbers and establish where they are going. A new and elevated perspective is what BDO wants to offer you. We serve 40 JSE-listed clients and over 158 internationally listed clients, who are clear on why they chose BDO:



Fast facts

	R1.65B	SA FEE INCOME March 2022
	135	SA PARTNERS & DIRECTORS
	7	SA OFFICES
	2,135+	SA STAFF
B-BBEE	LEVEL 1	SOUTH AFRICA'S B-BBEE RATING
	164	GLOBAL COUNTRIES & TERRITORIES
	1,803	GLOBAL OFFICES
	\$12.8B	GLOBAL REVENUE
	111,307	GLOBAL EMPLOYEES

Client service at the core

We have the lowest professional staff-to-partner ratios amongst our peers. This ensures a fully partner-led service approach throughout the year and ensures that a high-quality audit is delivered with no surprises.

BDO SA

12:1

OUR COMPETITORS

16:1

1. Foreword from our CEO Bonga Mokoena

A CLEAR PERSPECTIVE

At BDO, our values are embedded in our brand DNA. As such, we reinforce our values with our employees and clients on an ongoing basis, celebrating those that live those values and challenging those that do not. We believe this approach elevates our people, our business and our society.

This focus contributes to creating a market environment in which organisations and individuals hold themselves to the highest standard of business ethics. We realise that this is an audacious ambition – not least because there are many who choose not to live the ethical values we set ourselves at BDO.

We recognise, however, that it simply is not enough to provide clients with the tools and services necessary to ensure good business dealings: we have to walk the talk ourselves. The BDO Clarity Charter, launched in 2020, makes our internal intentions clear and contributes to strengthening the credibility of the auditing profession in South Africa, which has suffered significant setbacks in recent years.

While primarily aimed at creating a culture of value- and ethics-driven behaviour within our business, our Clarity Charter represents a line in the sand in terms of what we expect from our people, clients and any stakeholders with whom we might engage. You can read more about the BDO Clarity Charter in Section 3. To further demonstrate our commitment to ensuring that value-driven practices remain at the centre of all our work, every two years we commission independent agency The Ethics Monitor to assess our organisation's ethical status, analysing our ethical behaviour and practices.

We are incredibly proud of the results of our most recent Ethics Survey, conducted in October 2021. Our results rank among the highest ever awarded by the agency. The Ethics Monitor measures two key concepts: behaviour, which ranges from very ethical to extremely unethical, as well as ethical boundaries, which measures inclusiveness or exclusiveness relative to stakeholders, i.e. corporate citizenship. These concepts echo two of the King IV focus areas, namely ethics and stakeholder inclusivity.

An organisation's overall ethics rating is rated on a scale from D to AAA, where AAA is the best result and D is the worst. BDO achieved an AAA rating - only the third company among all the Ethics Monitor surveys to achieve this result.

Simply put, this highly credible rating indicates that ethics matter to all of us at BDO, further strengthening the objectives of our Clarity Charter, our values-driven culture and our brand promise to elevate people, business and society.

Furthering our ambitions to drive ethical business practices in South Africa, in November 2021 we launched a fully integrated, free-to-download mobile whistleblowing app, BDO Tipoffs, which enables companies to promote and manage whistleblowing and tipoffs. This software solution provides a safe mechanism for employees to report irregularities without the fear of being exposed. The intention of this tool is to support those individuals that wish to highlight and eradicate criminal and fraudulent activity within their organisation, without fear of recrimination. Please read more about this pioneering app in Section 9.

Further closing the net on fraudulent and unethical behaviour, we have also bolstered our skills and services in digital forensics and investigation. As technology continues to develop rapidly, and artificial intelligence is increasingly introduced into daily business dealings, new opportunities for fraud and exploitation arise. The rise in hybrid and work-from-home models during the Covid-19 era has further highlighted the need to ensure the security of all digital channels.

With this in mind, we continue to build our in-house capacity to deliver full cyber forensic-investigation and intelligence-building capabilities for our clients. We are focused on building our services in advanced analytics, cyber forensics, digital forensics and forensic investigation services, as well as litigation support and e-discovery. Read more about our advanced cyber and digital forensics services offering in Section 7.

As we move forward, we at BDO are committed to maintaining a robust dialogue about the importance of ethics and ethical behaviour in the workplace.

As we move forward, we at BDO are committed to maintaining a robust dialogue about the importance of ethics and ethical behaviour in the workplace. We will continue to work closely with the international BDO team to ensure that we remain a leading torchbearer in the campaign to ensure the highest standards of ethics, both internally and for our clients.

Welcome to BDO's Forensics e-book, a useful resource in your objective of creating an organisation alert to fraud and corruption.



2. Message from our Head of Advisory Thuto Masasa

COMBATting FRAUDULENT CORPORATE ACTIVITY IN SOUTH AFRICA

While there remains a common perception in South Africa that the public sector is most in need of forensic investigation, our work has shown this not to be the case. The private sector is as beset by acts of fraud and corruption as our government departments and functions.

We have seen major failures in the private sector over recent years. While fraud and corruption are by no means new concepts in South Africa, we have observed a recent acceleration in the number of such incidents. I encourage private sector players to be more proactive by employing interventions such as those offered by BDO's Forensics team. With 238 years of collective experience, our thirteen-strong team offer varying skill sets, including expertise in law, digital forensic data analysis, technology, auditing and business analysis.

As part of our work, we develop proprietary tools and proactive services within BDO's Forensics department that allow organisations to better protect the assets and interests of their shareholders and capital holders. This includes the development of blockchain-drive solutions that can assist in improving transactional transparency and reducing fraudulent digital activity. In so doing, we at BDO seek to establish ourselves as part of the critical ecosystem required to combat fraud and corruption.

I encourage private sector players to be more proactive by employing interventions such as those offered by BDO's Forensics team.

In conclusion, this e-book will provide organisations with BDO's depth of forensic expertise, as demonstrated by our range of detection and preventative measures, available to combat fraudulent activity here in South Africa.



3. BDO's Clarity Charter

LET'S BE CLEAR

Well before the commencement of lockdown and the challenges of COVID-19, we were navigating with the role BDO can and must play in the future of the audit profession. Much of this conversation has centred around where we need to be clearer and what this means for our clients, our regulators and our staff.

Clarity unlocks positive behaviours and intensely powerful conversations. It takes away the unnecessary and replaces it with certainty. While we as a profession need to engage around the need to bring back trust, the only way we can do this is by creating certainty - and certainty comes when we are clear.

For us, this is a clear commitment to change, not simply lip service, but an active and practical shift in how we create value. This is our Clarity Charter.

Launched in July 2020, the BDO Clarity Charter has allowed BDO to move beyond awareness positioning to lead a powerful conversation that creates clarity within the sector and outlines its future aspirations. Being ethical, independent and quality driven is nothing new to us.

The Clarity Charter formalises the way we choose to work. It shines a light on us and our work to remind us, and all our stakeholders, that what we do and how we do it is important to us all – as individuals, as a firm and as a profession.

The Clarity Charter is our firm's pledge to be ethical, independent and quality driven. We chose the word clarity because, by speaking truthfully, honestly and being transparent in our work, we can make a positive change in the profession: elevating people, elevating business, elevating society.

The Clarity Charter is executed in separate and unique Clarity Sessions, hosted on a quarterly basis. The Clarity Sessions are an online, engaging panel discussion on a new way forward for the auditing profession in South Africa.

[Click here to view the BDO Clarity Charter video](#)

Let's be clear. Let's say it right and do it right. Let's cut through the noise, say what we mean and act like we mean it. Clarity is not the opposite of complexity. Clarity does not mean there is only one answer. Clarity is not a shortcut. Instead, it is a process – a refining of all our thinking and doing. Until all that is left is the clearest articulation about who we are and how we work. Clarity is our line in the sand. Our non-negotiable, and our clear way forward. Let's be clear.



4. The BDO Forensics Team

LEADING FROM THE FRONT

Veterans of complex, high-stakes litigation, monitorships and investigations involving multi-national and multi-jurisdictional issues, BDO's forensics professionals have extensive experience in presenting before regulatory, governmental and international arbitration bodies in a concise and relatable manner.

Forensics by nature has information communication technology and documentary analytical components, as well as legal and compliance elements. It also requires accounting and auditing skills, combined with a focus on the format of reporting and the conveyance of evidence.

As a result, our team includes experts that hold the Certified Fraud Examiner (CFE) and Forensic Practitioner (FP/SA) designations. It is made up of forensic lawyers, auditors, accountants, digital examiners and database specialists, plus former members of law enforcement and government agencies and the fraud data examiners division. If required, we in-source specialised skills to ensure that we provide world-class service and quality to our clients.

As ex-prosecutors and ex-magistrates, members of our team have established relationships with the National Prosecuting Authority and the South African Police Services (SAPS). We have been appointed by the Directorate of Priority Crime Investigations (DPCI) to assist SAPS with investigations as and when required. We have also conducted various assignments in collaboration with the Hawks and have testified in criminal, as well as disciplinary, matters.

Our team has specialist experience in the investigation of economic and commercial crimes, which include a wide variety of offences. These offences are referred to as white-collar crime: acts of non-violent crime for financial gain committed by means of deception by persons whose occupational status is entrepreneurial, professional or semi-professional, using their special occupational skills and opportunities.

A further recognised definition of white-collar crime is: non-violent crime for financial gain utilising deception committed by anyone having special technical and professional knowledge of business and government, irrespective of the person's occupation.

Our team has conducted work at the following public sector entities:

- ▶ National Government Departments
- ▶ Provincial Government Departments
- ▶ State-Owned Entities
- ▶ The South African Reserve Bank
- ▶ National and Provincial Legislatures
- ▶ Provincial Treasuries (Limpopo and Gauteng)
- ▶ National Treasury
- ▶ Office of the Auditor-General
- ▶ National Prosecuting Authority
- ▶ DPCI of the South African Police Services
- ▶ Various Non-Profit Organisations.

Our team also has specialist expertise in the investigation of economic crimes in the following corporate sectors:

- ▶ Mining
- ▶ Information Technology
- ▶ Education
- ▶ Retail
- ▶ Financial
- ▶ Investment
- ▶ Insurance
- ▶ Medical
- ▶ Legal.

"The mission of the Association of Certified Fraud Examiners is to reduce the incidence of fraud and white-collar crime and to assist the members in fraud detection and deterrence."

— Association of Certified Fraud Examiners (ACFE)

Our forensic technology services practice leverages proven methodologies, as well as innovative and proprietary technologies, to evaluate, analyse and resolve clients' complex data and information challenges.

BDO's forensic practitioners are held to a high ethical standard and are subject to the ACFE Code of Professional Ethics. BDO holds corporate membership in the ACFE and supports the mission of the ACFE, as stated on their website: "The mission of the Association of Certified Fraud Examiners is to reduce the incidence of fraud and white-collar crime and to assist the members in fraud detection and deterrence". Practitioners at BDO are also members of the Institute of Commercial Forensic Practitioners (ICFP).

The ICFP Board has embarked on a process to develop professional standards for the ICFP. Membership of regulatory and other professional bodies appropriate to the industry is also essential. Depending on the field of qualification, these may include the South African Institute of Chartered Accountants (SAICA), the Independent Regulatory Board for Auditors (IRBA) and Legal Practice Councils.

4. The BDO Forensics Team

MEET THE MANAGEMENT TEAM



Annemari Krügel
(CFE, FP/SA)

Director: Head of Forensics

B. Juris Degree | Postgraduate Diploma in Human Rights | Postgraduate Diploma in Labour Law | Advanced Certificate: Fraud Examination | Master's in Labour Law (Cum Laude Dissertation) | Certificate in Fraud Risk Management (CFRM) (CFE and FP/SA) | A member of ICFP, ACFE, IOD, SAIIA and IAFCI



Lance Poon

Director: Forensics (FTS)

BCom (Marketing and Information Systems) | ACFE | ICFP | SANS GIAC (Certified Forensic Examiner) | NUIX Master (Data Discovery and Forensic Practitioner)



Rimo Shan Benjamin

Associate Director: BDO Advisory Services (Forensics)

BA Law | LLB | Postgraduate Diploma in Corporate Law | Certificate in Advanced Criminal Investigation | Investigators Course (SAPS) | Certificate of Recognition for 5 years of service (Directorate of Special Operations)



Kalpesh Dullabh

Senior Manager: (Forensics)

BCompt (Accounting Science) | Management Development Certificate | A member of ACFE



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5. Our Approach to Forensics

OUR FORENSIC CAPABILITY

At BDO, our forensic capability is integrated into our wider advisory services offering. We offer detection and monitoring services aimed at combatting emerging risks due to the increasing sophistication in fraud, corruption, other white-collar crime and cyber crime.

Our service offering is primarily aimed at the delivery of:




- ▶ Corruption and related investigations
- ▶ Fraud data analytics
- ▶ Cyber investigations
- ▶ Fraud-related investigations
- ▶ Lifestyle audits
- ▶ Probity litigation.

Our offering consists of both proactive and reactive forensics services.

Proactive forensics services are delivered to clients looking to embed a proactive approach in their security governance to detect potential and persistent attacks against their information systems. These attacks usually go undetected by normal behavioural-based security systems, such as anti-virus, intrusion protection systems and firewalls. The primary objective is to provide clients with a periodic forensic assessment against their existing infrastructure, including servers, workstations, laptops and mobile devices. This is aimed at the detection of advanced or customised malwares, which can reside in their network, and to provide mitigation and investigative solutions.

Reactive and remedial forensics services are available as per the table alongside.

BDO South Africa's Suite of Forensics Services

 PROACTIVE FORENSICS SERVICES	 REACTIVE FORENSICS SERVICES	 REMEDIAL FORENSICS SERVICES
Development of fraud prevention and detection strategies and policies	Forensic investigations	Assistance with matters referred to the SAPS and NPA
Litigation support services	Expert witness testimony	Assistance with civil, labour and criminal litigation
Organisational risk assessments	Litigation dispute services	
Legislative compliance	Forensic investigation and accounting (corruption, fraud, economic crime violations)	
Whistleblower services	Data and information governance	
Lifestyle assessments	Digital forensics and cyber investigations, document review including contract disputes, data analytics (fraud data analytics), lifestyle audits and due diligence processes, regulatory investigations, insurance claims investigations, support to the South African Police Services (including the DPCI, when required), support to the National Prosecuting Authority (NPA, when required) and global client forensics services	

6. Understanding and Managing the Risks

BDO IS ALWAYS A STEP AHEAD

Fraud

Fraud, a concept subject to legal nuances across countries, essentially revolves around deceptive practices aimed at personal gain through criminal means. Black's Law Dictionary eloquently describes it as 'the deliberate misrepresentation of truth or the concealment of vital facts, leading another to act to their detriment.' Typically, fraudsters execute an act, cover their tracks and divert the gains, whether for themselves or others.

Perpetrators and targets

Fraud can occur internally within a business or externally, with a cast of diverse actors. Internally, it's termed occupational fraud and defined as 'leveraging one's role for personal enrichment through the calculated misuse of an organisation's resources.' This can involve employees, managers or stakeholders. On the other side, external fraud involves customers and service providers.

Business vulnerabilities

Businesses face grave risks when economic crimes are committed for their benefit or when executives engage in fraud and corruption. Such scenarios often attract media scrutiny and can severely undermine a company's credibility.

Three primary categories of occupational fraud

The Report to the Nations Global Study on Occupational Fraud and Abuse in 2022 classifies occupational fraud into three core types:

- ▶ **Asset misappropriation:** This entails employees pilfering or misusing their employer's resources and accounts. This forms the majority (86%) of fraud cases.
- ▶ **Financial statement fraud schemes:** Employees intentionally manipulate financial statements, causing material misstatements or omissions. Although less frequent, this category is the costliest and represents only 9% of cases.
- ▶ **Corruption:** This category encompasses offences such as bribery, conflicts of interest and extortion. This constitutes 50% of the reported cases.

External fraud encompasses a range of schemes, from unscrupulous service providers to vendors engaged in bid-rigging or demanding bribes from employees and businesses alike. These activities pose significant threats to an organisation's integrity and financial well-being.

The ACFE has played a pivotal role in shedding light on these fraudulent practices. Since its inaugural 'Report to the Nations' in 1996, the ACFE has meticulously analysed over 20,000 case studies of occupational fraud, as reported by Certified Fraud Examiners (CFEs).

In response to the evolving landscape of fraud, the ACFE continues to investigate the mechanisms employed by fraudsters. Their focus extends to detecting fraud in the context of digital payments, remote work environments and technology-based organisations. This ongoing research is critical in adapting fraud prevention and detection strategies to contemporary challenges.

Internal fraud case study

- ▶ A case in which senior officials in an organisation misappropriated company cards, to benefit themselves and their families with funds allocated to these credit cards by the organisation, is an example of internal fraud committed by employees.
- ▶ While the organisation made these cards available to employees to be used for company expenses, the manager responsible for the management of these cards and expenses failed to draft a policy to address the use of the cards and ensured that there was no audit trail to identify the users of the cards.
- ▶ There were no systems or controls in place that would allow the company to determine who used a specific card, detect which transactions were processed and trace the transaction documentation.

External fraud case study

- ▶ Service providers to a business entered into an agreement prior to the initiation of a tender process by a public sector entity. The service providers were aware of the exact tender specifications six months prior to the tender advertisement being published.
- ▶ The service providers colluded with certain employees of the public sector entity to be paid, despite the fact that they did not provide the required services.
- ▶ Invoices were submitted and paid without any verification by the public sector entity as to which services were provided.

6. Understanding and Managing the Risks

BDO IS ALWAYS A STEP AHEAD (CONT.)

Uncovering fraud

Fraud can be discovered in several ways, including:

- ▶ Via a tip or complaint
- ▶ An auditing procedure
- ▶ Monitoring mechanisms.

At BDO South Africa, we excel in helping clients uncover the truth, identify areas of concern and craft effective remedial strategies that eliminate risk and exposure. Our comprehensive approach encompasses investigations, meticulous analysis and evidence-based assessments, all conducted in strict compliance with the layered landscape of laws, rules and regulations.

We are your trusted ally in navigating complex challenges and safeguarding your interests.

We conduct forensic fraud investigations to assist clients in:

- ▶ Identifying improper conduct of employees and/or service providers and/or other individuals and/or legal entities
- ▶ Identifying the person/s responsible for improper conduct
- ▶ Halting illegal activities, such as fraud
- ▶ Determining the extent of potential liabilities or losses that might exist
- ▶ Facilitating the recovery of losses
- ▶ Preventing future losses
- ▶ Mitigating other potential consequences
- ▶ Strengthening internal controls.

Corruption

Corruption is the illicit pursuit of undue benefits by individuals or organisations, necessitating an unwavering commitment to guarding integrity within institutions. Formal corporate codes of conduct are essential foundational tools, identifying irregularities like conflicts of interest, misconduct, illegal payments and anti-competitive practices.

When unethical behaviour, such as corruption, arises, a resolute zero-tolerance approach must be taken. BDO frequently conducts thorough investigations into such misconduct, diligently applying remedies permitted by governing legislation, including the Prevention and Combating of Corrupt Activities Act, 12 of 2004 (PCCA). Concurrently, robust measures for prevention and detection should be enacted.

BDO's forensic team employs a comprehensive strategy, melding established investigative techniques with traditional accounting and auditing principles. Our investigations focus on scrutinising suspects' financial affairs, targeting money laundering and illicit gains. This encompasses asset forfeiture, financial analysis, scrutiny of suspicious transactions and financial profiling. Typically, suspects leave behind a trail of documentation and information that can be pivotal in the investigation.

Our forensic experts meticulously examine business records, identifying connections between suspects and known criminals, while assessing suspects' financial statuses. This encompasses investigation of income, expenditures, assets and liabilities. Such investigations may yield direct or circumstantial evidence of unlawful earnings or concealed assets, revealing disparities in subjects' lifestyles.

Vigilance regarding shifts in spending patterns, as well as insights gleaned from customers, employees and anonymous tips, often leads investigators to concealed assets. This profiling provides a financial portrait of the subject, forming the bedrock for asset tracing and recovery.

To mitigate economic fraud risk, corporate policies should encompass due diligence procedures, streamlined tip-off escalation, monetary controls, continuous monitoring, control management, meticulous record-keeping and efficient reporting processes.

BDO lifestyle assessment and audit processes

At BDO, we have designed a streamlined lifestyle assessment process to uncover potential conflicts of interest among employees engaging with external entities. We focus on undisclosed relationships that might impact your business, particularly in procurement processes, where conflicts often arise.

Additionally, our proactive and reactive lifestyle audit process serves as your safeguard against corruption, fraud and related offences. We meticulously analyse criminal records, state capture data and financial information, comparing income to expenditure and assets to liabilities. We also scrutinise declared financial data against publicly available information.

We are here to protect your assets and reputation, ensuring transparency and integrity in your business dealings.

"Much like criminals evolve, we recognise that we need to become smarter with our processes and methodology, so we are constantly working to bring new proactive solutions to our clients." – Kalpesh Dullabh: Senior Manager, Forensics

7. Managing Digital Fraud

SAFEGUARDING YOUR INTERESTS

Cyber forensics and investigation

In the ever-evolving landscape of digital evidence, BDO stands at the forefront, equipped with in-house capabilities to deliver comprehensive forensics and intelligence services. Our core expertise spans advanced analytics, cyber forensics, digital forensics, investigative services, litigation support and e-discovery.

We specialise in unearthing hidden threats, including the detection and investigation of malicious applications and custom-developed solutions. Our mission is clear: to recover digital information, both overt and covert, which is crucial to investigations and the subsequent prosecution of criminal activities.

In a world where digital evidence is paramount, BDO ensures you stay ahead, using cutting-edge resources and skills to safeguard your interests and uncover the truth.

“With the recent passing of the Cyber Crimes Act, government is now required to provide specific procedures that are required for digital forensics under the Standard Operating Procedures section. We currently rely on standards set by international bodies to guide us on how digital forensics should be conducted.” – Gilchrist Mushwana: Director, Cyber Security



Identification and seizure

- ▶ Primary stage, where the first responder to arrive at a crime scene identifies and collects evidence relevant to a digital investigation.



Acquisition

- ▶ Digital evidence collected from a device is acquired either by obtaining a forensic image – a binary copy of the flash memory – or a logical extraction of data stored on a device such as a handset or SIM card.



Analysis

- ▶ Processes and procedures performed on the forensic evidence to examine, locate and extract information relevant to the incident. Search for potential evidence using advanced techniques and tools to isolate the most relevant electronic data. Files that are encrypted, password-protected, hidden or deleted, but not yet overwritten, can be recovered.



Reporting

- ▶ Documents presenting the findings of the analysis performed on the forensic evidence, which details the elements of the crime, usually in a chronological, concise manner.

These services are supported by trained and dedicated BDO staff locally and globally, together with partners who can offer forensic and legal support to aid clients in any investigation. We are able to perform advanced analyses such as chip-off forensics (extractions); spyware detection to determine if surveillance software is installed on a device; as well as operating system and application artefact recovery (via internet history, emails and tweets).

We can also use localisation services to determine a device's location.

In the case of mobile devices, our mobile forensics engineers are able to conduct a thorough examination of all data found on a cell phone's SIM card, the cell phone body itself and any memory cards such as call logs, text messages, chat messages, emails, address books, images and graphics, as well as location history.



7. Managing Digital Fraud

SAFEGUARDING YOUR INTERESTS (CONT.)

Data analytics

In the dynamic landscape of IT systems, the threat of data manipulation and fraud looms larger than ever. This is where the power of forensic data analytics comes into play, providing businesses with the assurance that their data is not just digital but complete, accurate, reliable and valid.

BDO leads the charge with a comprehensive suite of services, including meticulous payroll analysis, procurement scrutiny, journal entry testing, sales and accounts reviews – and more. Our team of data scientists is intent on ensuring data integrity, leveraging their expertise in data mining, cleansing, migration and management.

What sets us apart is our cutting-edge analytics platform, InterroData. It grants our clients instant access to an array of solutions, from procurement optimisation to revenue enhancement, risk management, asset depreciation evaluation, transactional insights and claim segmentation.

But perhaps the standout feature of InterroData is its ability to network data entities, unveiling hidden connections and relationships that might elude surface-level scrutiny.

In a world where data is king, BDO stands as your guardian, securing your data's integrity and unleashing its full potential.

"In an era of digital transformation, companies should view digital tools as strategic imperatives. We are able to implement continuous monitoring controls that ensure compliance with existing processes and systems to avoid potential fraud. These tools are game changers in that they are able to monitor risk in real time. You need such security to protect what is critical to your business."

– Gilchrist Mushwana: Director, Cyber Security



8. Procurement Pitfalls

NAVIGATING FRAUD AND CORRUPTION

Procurement, a universal function in both the public and private sector, comes under the spotlight in forensic investigations. Procurement is the process of appointing service providers to meet specific business needs. Despite common beliefs, procurement fraud is a threat as prevalent in the private sector as it is in the public sector.

The linchpin of fraud prevention lies in safeguarding the integrity of the procurement process, encompassing:

- ▶ Defining tender requirements: crafting precise bid specifications
- ▶ Bid committee evaluation (public sector): rigorous evaluation by the bid committee
- ▶ Bid adjudication committee evaluation: scrutiny to ensure transparency
- ▶ Selection of service provider: the pivotal moment.

Fraud and irregularities can strike at any point during the procurement process, with the bid specification phase being particularly vulnerable to manipulation favouring specific service providers.

BDO provides invaluable advice for a safer procurement journey. We will:

- ▶ Conduct due diligence: gain a comprehensive understanding of your business partners
- ▶ Detect conflicts of interest: uncover any connections between bidders and your organisation
- ▶ Verify service capability: ensure bidding companies can fulfil the required service without subcontracting risks
- ▶ Craft robust contracts: address needs, appointments, measurable deliverables and penalties from the outset
- ▶ Promote inclusive decision-making: involve multiple employees in the procurement process

In a world where procurement can be a breeding ground for fraud and corruption, BDO's guidance ensures your path remains marked by integrity and efficiency.

"It is incredibly important that a clear and thorough description of the services required by a client is stated up front. The segregation of duties within a business is so important and employees should be clearly mandated to do specific work with a specific delegation of authority." – Annemari Krügel: Director, Head of Forensics



9. Empowering Ethical Vigilance

WHISTLEBLOWING FOR A TRANSPARENT TOMORROW

In the ever-evolving landscape of corporate ethics, the Protected Disclosures Act (No 26 of 2000) (PDA) has emerged as a guardian of truth and integrity. It provides a sanctuary for employees who choose to expose unlawful or corrupt behaviour within their organisations. Under its protective umbrella, whistleblowers are shielded from occupational reprisals, ensuring their voices can be heard without fear.

In this era, every organisation should foster a culture that not only encourages employees to report suspected fraud, corruption and theft but also takes decisive disciplinary action against those who turn a blind eye to such violations. This proactive stance serves as a bulwark against financial losses and reputational damage.

This is where whistleblowing or tipoff tools are vital as an arsenal of modern ethics. They stand as one of the most potent instruments for unearthing organisational wrongdoing. These tools empower employees to raise their voices anonymously, regardless of the hour, shedding light on irregularities that may otherwise remain concealed.

BDO, standing at the vanguard of ethical governance, has initiated a range of processes on behalf of employers. We have presided over numerous disciplinary and criminal hearings, championing transparency and accountability in the corporate world.

In an age where transparency is the currency of trust, whistleblowing isn't just a tool: **it's the cornerstone of a more ethical tomorrow.**

The 2020 Report to the Nations Global Study on Occupational Fraud and Abuse, and research by the ACFE, indicated that 50% of occupational fraud was detected through tipoffs, with 48% of the reports submitted by employees.

BDO Tipoffs – empowering whistleblowing with confidence

BDO Tipoffs is a cutting-edge mobile application designed by BDO South Africa, which is revolutionising whistleblowing management for companies. This app not only ensures complete anonymity but also establishes continuous, secure communication with whistleblowers, keeping them updated on the progress of their reports.

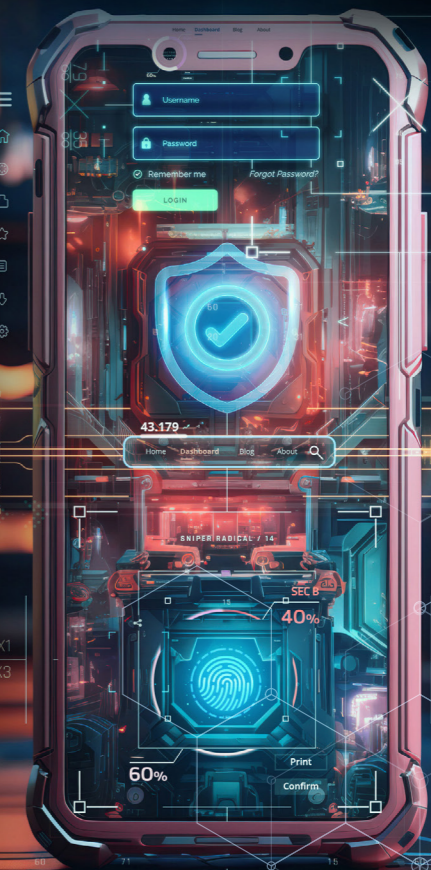
User-friendly and versatile, the app allows for the upload and transmission of video files, photos, documents, locations and various forms of evidence — all without the fear of exposure. Moreover, it offers the capability to broadcast notifications to an entire company's user base. Most importantly, BDO Tipoffs is free to download on Android or Apple devices. It provides employees with a secure channel to report irregularities, shielding their identity without compromise. The system is meticulously designed to leave no trace — no IP addresses, no telephone numbers — ensuring sender anonymity.

Once a report is submitted, users receive an automated confirmation, triggering a swift response from moderators/administrators. The system maintains utmost discretion, registering only a random incident number on the dashboard, with no whistleblower details. Feedback is also provided to whistleblowers on the status or outcome of their report.

In an era where integrity and transparency reign supreme, BDO Tipoffs empowers whistleblowers with confidence, ensuring that ethical concerns are heard and addressed without fear.

“We see considerable value in people helping to ensure that wrongdoing is reported in the workplace. The value of people who are willing to report wrongdoing, especially in the financial environment, is extremely important, as this can also benefit our economy.”

— Annemari Krügel: Director, Head of Forensics



10. Investigative Rights, Policies and Ethics

NAVIGATING THE LEGAL LANDSCAPE IN FORENSIC INVESTIGATIONS

In the realm of forensic investigations, adherence to the law of evidence is paramount and is overseen by reputable bodies like the ICFP and the ACFE. The law stipulates that all evidence crucial to an investigation must be meticulously sourced in ways that meet legal requirements, ensuring its admissibility in a court of law.

This law pertains particularly to obtained documentation and data that are deemed relevant and admissible.

BDO's mission is clear: secure a client mandate, source evidence in strict accordance with the law of evidence and craft a report tailored for the intended purposes, whether disciplinary, criminal or civil. We believe in fairness, engaging with implicated individuals or organisations to gather their perspective.

Our mandates are rock solid, designed to withstand legal scrutiny and align seamlessly with jurisdictional laws. Hearsay evidence, recognised as potentially fallible, finds its place in our investigations, provided it has a basis and can be substantiated by documentation or data. Implicated parties always have the opportunity to contest such evidence.

It is worth noting that the nuances of the law of evidence can shift, depending on the jurisdiction in which the investigation unfolds, or whether the client is a public or private entity. In this intricate legal landscape, BDO stands as your unwavering guide, ensuring ethical and legal integrity throughout the investigative journey.

"Our work is incredibly law-intensive and the compliance side is very important for us. Legal issues are complex but we also do not express legal opinions in our reports, if we are appointed as fraud examiners."

– Annemari Krügel: Director, Head of Forensics

Ethical vigilance: BDO's commitment

At BDO, our commitment to ethical excellence is unwavering. In the event of a conflict of interest, we do not hesitate – we declare it and promptly inform the client. Our rigorous conflict of interest process, including client onboarding, ensures that every team member diligently assesses potential conflicts.

Operating under the framework of the Promotion of Administrative Justice Act, we champion the principles of lawful, reasonable and procedurally fair administrative actions.

Throughout our forensic endeavours, we maintain an impenetrable Chinese wall, segregating advisory, audit and forensics functions. This ensures the highest level of independence and integrity in our work.

In cases where criminal proceedings become necessary, our forensics team collaborates with the client. We then refer the matter to relevant regulatory authorities such as the National Prosecuting Authority, the Hawks or SAPS. These authorities meticulously review the evidence, adhering to the Criminal Procedures Act.

At BDO, ethical standards are not just a policy; they are our guiding light, ensuring our investigations are conducted with the utmost integrity and fairness.



10. Investigative Rights, Policies and Ethics

NAVIGATING THE LEGAL LANDSCAPE IN FORENSIC INVESTIGATIONS (CONT.)



Recovering ill-gotten gains: your path to justice

Reclaiming monetary losses can involve various avenues:

- 1. Pursuing criminal proceedings:** When an investigation justifies criminal action, clients can take this route. Companies outline factual monetary losses and make a Criminal Procedures Act application for court-issued repayment orders. While effective, this may not always be the most cost-efficient option.
- 2. Exploring plea settlements:** Collaborating with the National Prosecuting Authority (NPA), we facilitate plea settlements with agreed-upon repayments. BDO excels in quantifying these claims, providing a powerful means to rectify losses.

Strong law enforcement ties

BDO maintains robust relationships with key law enforcement agencies, including the SA Police Services, Hawks, Specialised Commercial Crime Units and the National Prosecuting Authority. Our mission is clear: helping clients recover ill-gotten gains through strategic, ethical and effective means.

“The LRA does not prescribe any format that these hearings should follow, but at BDO we believe there is a balance that needs to be struck between a swift process and a robust process – one that allows an employee and an employer to fairly state their case or pursue prosecution.”

– Riaaz Essa: National Head of Centre of Expertise, People and Culture

Navigating labour law and dismissal: a clear path forward

When considering dismissal during a forensics investigation, a meticulous approach is crucial. We align with internal company policies and the Labour Relations Act to ensure a fair process.

- ▶ **The fair dismissal process:** Prior to deeming a dismissal fair, the implicated party has the right to a disciplinary hearing where all evidence is presented, and they can respond. BDO's priority is preserving the company's reputation and integrity throughout. Employees are suspended with pay until the hearing.
- ▶ **Impartial chairperson:** We appoint an independent chairperson to ensure fairness. As disciplinary hearings prioritise swift justice, legal representation is not permitted at this stage.
- ▶ **Determining guilt or innocence:** Following the hearing, the chairperson independently assesses the guilt or innocence of the implicated party. If found guilty, additional sessions establish appropriate sanctions, considering factors like financial obligations and remorse levels for fairness. The party may then appeal their sanctions to the CCMA.

At BDO we guide you through labour law complexities, ensuring a fair and current dismissal process.

11. Anticipating the Future

A VISION FROM ANNEMARI KRÜGEL



In recent years, the landscape of corporate forensics has seen a profound transformation. The spotlight has shifted from merely responding to incidents to deploying proactive mechanisms that can spot wrongdoing before it inflicts financial or reputational harm. While reactive forensics remains essential, the business world must increasingly embrace proactive measures.

In our line of work, we often engage in discussions with business leaders who believe their existing controls are sufficient, downplaying the necessity of proactive tools like whistleblower channels. However, it is imperative for businesses to establish robust oversight controls to avert the scenarios outlined in this guidebook.

Businesses do not operate in isolation; they are part of a complex web of interactions, trade and collaborations with various entities. Within this intricate network lies inherent risk, underscoring the urgency of proactive measures to shield businesses from exploitation.

But it is not just about tools; it is about fostering a corporate culture steeped in integrity and accountability. This culture is primarily sculpted and driven by leadership. Business owners must ensure that their employees wholeheartedly embrace a culture of honesty and responsibility. An indispensable component of an effective proactive strategy is a secure channel through which individuals and employees can report instances of fraud or mismanagement, with the assurance of safety and protection.

Looking ahead, we hold out hope for the establishment of a Schedule 9 public institution, akin to the Public Protector, championing the rights, privileges and anonymity of whistleblowers in South Africa.

Until then, we are committed to guiding businesses towards a future where integrity, resilience and foresight reign supreme – and the elevation of the protection of people, business and society remains paramount.

“Until then, we are committed to guiding businesses towards a future where integrity, resilience and foresight reign supreme – and the elevation of the protection of people, business and society remains paramount.”

– Annemari Krügel: Director, Head of Forensics

**FOR A CLEAR PERSPECTIVE,
PLEASE CONTACT:**

ANNEMARI KRÜGEL
DIRECTOR, HEAD OF FORENSICS
T +27 82 538 4480
E akrugel@bdo.co.za

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