

2007	60	3,029.00	18,174.00	3,654.00	23,312.00	3,423.00	23,423.00	345,534.00	564,523.00
2009	60	4,610.00	55,320.00	55,320.00	9,220.00	234,423.00	234,233.00	34,553.00	246,723.00
2011	60	2,619.00	31,428.00	31,428.00	31,428.00	31,428.00	534,457.00	45,573.00	3,442,344.00
2009	180	1,231.00	14,772.00	14,772.00	14,772.00	14,772.00	14,772.00	14,772.00	140,334.00
2011	180	1,264.00	15,168.00	15,168.00	15,168.00	15,168.00	15,168.00	15,168.00	114,744.00
2009	180	4,890.00	58,680.00	58,680.00	58,680.00	58,680.00	58,680.00	58,680.00	440,100.00
2007	180	1,142.00	13,704.00	13,704.00	13,704.00	13,704.00	13,704.00	13,704.00	69,662.00
2011	300	1,327.00	15,924.00	15,924.00	15,924.00	15,924.00	15,924.00	15,924.00	391,465.00
2009	300	4,250.00	51,000.00	51,000.00	51,000.00	51,000.00	51,000.00	51,000.00	1,122,000.00
2009	60	3,907.00	46,884.00	46,884.00	46,884.00	46,884.00	46,884.00	46,884.00	1,031,448.00
2009	60	3,156.00	37,872.00	37,872.00	37,872.00	37,872.00	37,872.00	37,872.00	833,184.00
			<b>480,091.00</b>	<b>512,600.00</b>	<b>550,009.00</b>	<b>3,955,090.00</b>	<b>2,000,000.00</b>	<b>1,835,094.00</b>	<b>12,938,520.00</b>

ARTICLE

# Forensic Practitioners Post COVID-19

## South Africa

Forensic practitioners will play a key role in the recovery of the South African economy post COVID-19.



Now with COVID-19 looming over the global economy, if South Africa is to attract the necessary capital to put the country's economy back on a growth path, it will need to reassure investors that the government is serious about combating corruption and that the private sector adheres to the highest standards of governance.

With numerous sectors experiencing financial distress and companies and individuals facing the increased likelihood of insolvency as a result of the economic disruption caused by COVID-19, forensic practitioners will play a key role in supporting South Africa's economic recovery.

Prior to lockdown, the country faced huge demand for the services of skilled and competent forensic practitioners - those with the technology, legal and accounting skills and capabilities to conduct large and complex forensic investigations - to build cases against those who had misappropriated fund in both the private and public sector. As the headlines in the daily news will attest, economic crimes hit record highs in 2019, with fraud, misappropriation of assets and cybercrime costing the state and South African economy billions of rand in lost revenues.

Despite the country's score in the 2019 Corruption Perceptions Index released by global civil society organisation Transparency International, improving marginally from 43 to 44 out of 100 during 2019, the country still ranks among countries that are perceived to have a serious corruption problem.

Much of the South African economic recovery depends on visible improvements such as successfully prosecuting criminal cases of fraud and corruption to win the trust of the public and investors alike.

*“Forensic practitioners will play a key role in supporting South Africa's economic recovery”.*

## Supporting Optimal Outcomes from Liquidations

In the weeks and months to come, liquidations are expected to steadily increase with many small, medium and large companies as well as individuals failing to survive the fallout from COVID-19.

*“It’s no longer just a threat if a record number of companies file for insolvency, as expected, the knock-on effect will ripple through South Africa’s economy, especially in sectors such as aviation, tourism, retail and manufacturing”.*

But while the downfall of these companies’ may have been hastened by the economic disruption caused by the pandemic, there may also be several other underlying factors such as pre-existing fraud or mismanagement which could have triggered the financial difficulties.

Since a liquidator has a duty to realise all the assets of a company, it is essential that they determine whether there are outstanding claims to be made and to determine whether financial irregularities had any role to play.

In these instances, forensic practitioners will work side-by-side with liquidators to identify the causes of insolvency and whether individual role players are responsible, to recognise all assets capable of being realised, bringing specialist legal, accounting and technological skills to the table, to facilitate the optimum outcome for all stakeholders concerned.

## Contributing to Successful Restructuring and Business Rescue

For companies that remain viable despite the difficult trading conditions, business rescue or restructuring may provide an alternative to permanent closure, but much depends on the ability of the appointed business rescuer to turn the business around. To do this, they require a fuller picture of the financial health of a company.

*“Forensic specialists can provide a deep dive due diligence, with insights for multiple parties, including creditors, financial institutions and management in a business rescue situation”.*

Forensic specialists help to guide the dimensions of a restructuring package and strategic plan to help nurture an ailing company back to health.

## Regaining Public Trust for State-Owned Entities and Government Departments

Now more than ever, the South African government cannot afford to lose money because of corruption. The abuse of entrusted power for personal or private gain means public resources are misused by officials for self-enrichment and yet many corruption cases remain unresolved, with just a handful of prosecutions to date.

# R62,60 Bn

Prior to lockdown, South Africa already faced serious weaknesses in financial management at national and provincial government levels. According to the latest available Public Finance Management Act (PFMA) consolidated general reports, the country reported R62,60 billion in irregular expenditure in 2018-2019 alone.

# R2,33 Bn

This is likely far less than the actual amount since the office of the Auditor General could not audit an additional R2,33 billion worth of contracts due to missing or incomplete information.<sup>1</sup>

# 3694

Corruption Watch also reports that of the 3 694 whistleblower reports it received during 2019, 29% were at national government level, 26% local government and 20% at provincial level. A fifth of the reports pointed a finger at the private sector. The prominent forms of alleged corruption were bribery (17%), procurement corruption (16%) and mismanagement of funds (15%). These various forms of corruption principally related to the provision of basic services.

Apart from legacy cases, the state continues to investigate numerous ongoing and new instances of corruption across state entities and departments.

*“Forensic practitioners help not only deal with past cases, they set precedent for the future, helping to formulate the guidelines for ensuring state departments allocate resources efficiently and misappropriation of state funds is curtailed”.*

However, in order to prevent state funds being further expended on duplicated internal investigations and commissions of enquiry, the capabilities and capacity of forensic practitioners must be thoroughly assessed to ensure that funds spent on forensic investigations are able to result in actionable outcomes with good prospects of successful prosecution.

### Attracting Equity and Other Investors

To kickstart the economy, attracting investment from both international and domestic sources remains key. In a recent FTI Consulting survey, Private Equity Investors reported that there was a sense of optimism around opportunities that would arise out of this crisis, but that investors will adjust their risk planning and due diligence processes in future by conducting more extreme disruptive scenario testing.

Forensic specialists can provide the deep skills required to help potential investors to thoroughly investigate potential targets. This will assist them evaluate new investments, including the types and level of due diligence applied, and identify potential risks across different sectors.

1. <https://www.agsa.co.za/Portals/0/Reports/PFMA/201819/GR/2018-19%20PFMA%20Consol%20GR.PDF>
2. <http://ftiinsights.com/wp-content/uploads/2020/05/Business-Unusual-for-SA-PE-Case-Study-5.pdf>

### Combating Fraud and White Collar Crime

Exacerbated by a tightening in the provision of credit, the sombre GDP growth outlook, increased unemployment and general lack of liquidity, South Africa is likely to see increased white-collar criminal activity in the form of fraud and potentially money laundering post COVID-19.

As part of their risk management strategies, companies will need to ensure that they not only have the correct fraud risk management tools in place, but that they act on their fiduciary duty to their stakeholders to properly investigate instances of fraud and present prosecutable cases for remediation.

Ensuring that the forensic specialists they appoint have the requisite skills, capabilities and capacity to deliver a watertight case is essential given limited barriers to entry to the forensic market resulting in a plethora of small practices operating in the market.

As South Africa focuses on the difficult task of reversing the downward economic trajectory, both public and private institutions should view the specialist skills of forensic practitioners, not only as a tool to investigate once a financial crime has been committed, but as an essential part of the country's recovery plan, preventing unnecessary leakage from an already stressed financial system and improving efficiencies in a post COVID-19 reality.

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