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FORENSIC AUDITING: MOVING FROM DETECTION TO ACCOUNTABILITY

INTRODUCTION

RSA does not suffer from a shortage of forensic reports. We suffer from a shortage of implementation, accountability, consequence management and institutional courage.

Our Fraud systematic flaws:

- ✗ Investigations are concluded but nobody is disciplined.
- ✗ Irregular expenditure is identified but not recovered.
- ✗ Fraud schemes repeat themselves annually.
- ✗ Whistleblowers exposed, while perpetrators remain protected.

THE SHIFT REQUIRED

Traditional forensic auditing focused on:

- Identifying fraud
- Quantifying losses
- Producing reports

Modern forensic auditing must additionally focus on:

- Enable prosecution
- Support disciplinary processes
- Recover public funds
- Prevent recurrence
- Protect whistleblowers
- Ethical leadership

COMMON CHALLENGES

Late Investigations

- ✗ Years after incidents occur
- ✗ After evidence has deteriorated
- ✗ After implicated officials have resigned

Consequences

- ✗ Weak evidence trails
- ✗ Reduced prosecution success
- ✗ Financial losses become irrecoverable

COMMON CHALLENGES

Poor Evidence Management

- ✗ Lack of chain-of-custody documentation
- ✗ Inadmissible digital evidence
- ✗ Weak interview documentation
- ✗ Missing source records

Consequence

- ✗ Cases collapse during disciplinary or criminal proceedings.

COMMON CHALLENGES

Lack of Independence

- ✗ Political interference
- ✗ Executive intimidation
- ✗ Scope limitation
- ✗ Conflicts of interest

Consequence

- ✗ Investigations become selective rather than objective.

COMMON CHALLENGES

Weak Integration Between Assurance Functions

- ✗ Internal Audit works in silos
- ✗ Risk Management is disconnected
- ✗ Labor Relations is engaged too late
- ✗ Legal services are reactive

Consequence

- ✗ Findings fail to transition into enforceable action.

KEY LESSONS

- ✘ Fraud thrives where consequence management is inconsistent.
- ✘ Repeat findings indicate governance failure, not just control failure.
- ✘ Tone at the top determines fraud tolerance.
- ✘ Whistleblower protection remains one of the weakest control environments in South Africa.
- ✘ Institutions focusing only on compliance often overlook behavioral and ethical risk indicators.

SHIFT TO ACCOUNTABILITY...

Evidence should precede Scrutiny

Forensic investigators *must* ensure:

- ✗ Proper evidence preservation
- ✗ Chain of custody integrity
- ✗ Legally admissible documentation
- ✗ Corroborated witness statements
- ✗ Secure digital evidence extraction

SQR RECOMMENDATION

A forensic report should be:

- ✗ FactUAL
- ✗ Objective
- ✗ Legally defensible
- ✗ Chronological

Nb!!supported by evidence

THE MAIN CHALLENGE

Many forensic reports identify wrongdoing but fail to:

- ✗ Link individuals to accountability
- ✗ Quantify recoverable losses
- ✗ Identify breached legislations and Acts
- ✗ Recommend disciplinary charges

LEGAL ENFORCEMENTS

Admin Accountability

- ✗ PFMA/MFMA contraventions
- ✗ SCM violations
- ✗ Internal policy breaches

Civil Accountability

- ✗ Recovery of financial losses
- ✗ Damages
- ✗ Asset forfeiture

LEGAL ENFORCEMENTS

Criminal Accountability

- ✗ Fraud
- ✗ Corruption
- ✗ Money laundering
- ✗ Financial misconduct

RECOMMENDATION TO ENFORCEMENT:

A forensic investigation report must consist of:

- ✗ Disciplinary process
- ✗ Criminal referral
- ✗ Civil recovery
- ✗ Control remediation
- ✗ Leadership accountability review

RECOVERY OF GOVT FUNDS

SOEs should enhance:

- ✗ Asset tracing
- ✗ Supplier recovery processes
- ✗ Blacklisting mechanisms
- ✗ Lifestyle audits
- ✗ Contractual provisions

FRAUD RECCURENCE

Why Do Repeat Findings Continue?

- ✗ Treat symptoms instead of root causes
- ✗ Ignore culture and ethics
- ✗ Fail to implement corrective actions
- ✗ Do not monitor remediation plans

SUSTAINABLE AUDIT MEASURES

Governance Reforms

- ✖ Strengthened oversight committees
- ✖ Continuous auditing
- ✖ Real-time fraud analytics

Ethical Reforms

- ✖ Leadership accountability
- ✖ Whistleblowing mechanisms
- ✖ Ethical culture assessments

Operational Reforms

- ✖ Segregation of duties
- ✖ Vendor vetting
- ✖ SCM automation
- ✖ Lifestyle audits

SQR PERSPECTIVE

Forensic auditing should:

- ✗ Protect institutions
- ✗ Protect whistleblowers
- ✗ Restore governance credibility
- ✗ Enable ethical leadership
- ✗ Strengthen public confidence

FUTURE OF FORENSIC AUDIT

The future auditor must become:

- ✗ Data-driven
- ✗ Digitally competent
- ✗ Ethically courageous
- ✗ Investigative-minded
- ✗ Governance-oriented

CONCLUSION

Forensic auditing must evolve

From reactive investigations

TO

Proactive governance intelligence.

CONCLUSION



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