

Forensic Accounting Investigation (FAI)

Business and government have a responsibility to introduce and implement frameworks within their respective environments that serve as a mechanism to protect our economy from economic crime - all of which if left unchecked, will continue to exacerbate our problems associated with economic and social decay. To this end, with the escalating prevalence of fraud and increasing sophistication of fraud schemes within the global economy, it is crucial for members of all organizations to become familiar with Forensic Accounting Investigations in terms of responding to cases of fraud and implementing effective fraud prevention programs.

Most organisations, however, are simply not doing enough to deter fraud - they are simply unaware of the value a Forensic Accountant can bring to an organisation, including the difference between the roles played by internal and external auditors and the defined role of a Forensic Accountant. Furthermore, there is general apathy toward white-collar criminals as compared to a rapist or murderer. This can be explained by the fact that the fraudster lives by a completely non-physical approach and is driven by deception and devoid of violence - he is usually well educated, respected by his peers, and has typically been employed as a trusted employee for many years within the organisation. In comparison to his counterpart, his crime appears not to have caused physical or personal harm to others and therefore his crime is perceived differently and is naively afforded leniency. Truth be told, the actions and impacts of a fraudster can be fatal and has been the cause of many disrupted lives worldwide. Whilst in South Africa there is no clear statistics on fraud, estimates tally anything between R40bn and R150bn losses in white collar crime per annum. Moreover, surveys from Ernst & Young and KPMG show that fraud is on the increase and is most often perpetrated by employees.

Ironically, it is not the external auditors who first discover the fraud - the perpetrators are detected mostly by tip-offs, internal controls and by management. It is essential that auditors, more specifically internal auditors, treat fraud as one of the most significant business risks facing their organisations and where appropriate strategies and policy be implemented to ensure that management is adequately addressing the problem.
