BEST PRACTICE GUIDE

Corporate Due Diligence

A Best Practice Guide for South African Organisations

Due diligence is the disciplined process of verifying what you are told before you commit, whether you are appointing a supplier, entering a partnership, acquiring a business, or hiring into a senior role. Done well, it turns assumptions into evidence and protects your organisation, its people and its reputation.

Why it matters

Most losses that surface later were visible earlier, in a record nobody checked or a relationship nobody mapped. In South Africa the exposure is real: the average internal-fraud case in Southern Africa runs to roughly R2 million (BusinessTech, 2023). A structured check before you sign is far cheaper than a recovery after the fact.

The six types of due diligence

- **Financial.** Audited financials, solvency and liquidity, tax standing with SARS, and the reasonableness of what the numbers claim.
- **Legal and regulatory.** Company registration and status (Companies Act 71 of 2008), directorships, litigation history, licences and sector permits, for example PSIRA registration for security providers.
- **Operational.** Whether the business can actually deliver: capacity, key-person dependence, and continuity.
- **Reputational and background.** Adverse media, sanctions and politically-exposed-person (PEP) screening, and verification of the people you will rely on.
- **Ownership and beneficial ownership.** Who really owns and controls the entity, including the ultimate beneficial owners now recorded on the CIPC register.
- **B-BBEE.** Verification of a valid certificate or affidavit where empowerment status is relied upon.

A practical process

1. **Scope.** Match the depth of the check to the value and risk of the decision.
2. **Collect.** Gather documents and public records; ask for what should exist and note what is missing.
3. **Verify.** Confirm independently, not on the counterparty's word alone.
4. **Assess.** Weigh the findings against the decision, and cluster the concerns.
5. **Report and decide.** Record what you found, what you could not confirm, and the recommendation.

> **POPIA note.** Background and screening checks process personal information. Collect only what is relevant, have a lawful basis and, where required, informed consent, and keep the information secure and purpose-limited.

Red-flag checklist

- Reluctance to provide standard documents, or documents that cannot be independently verified
- Opaque ownership, undisclosed related parties, or a beneficial owner who cannot be identified
- Recent, unexplained changes of directors, auditors or bankers
- A pattern of litigation, tax disputes, or lapsed licences and registrations

- Adverse media, sanctions or PEP matches that are not adequately explained
- Figures or claims that do not reconcile with independent records

When to bring in a professional

Where the value is high, ownership is complex, or something does not reconcile, an independent investigator can verify identities and records, map relationships, and gather findings that hold up if the matter is ever tested. That verification is the difference between a checklist and a defensible decision.

Talk to Trio Data

Trio Data Special Services provides corporate intelligence, undercover audits, and forensic and fraud investigations across South Africa. For a confidential, no-obligation discussion, contact +27 21 949 4440 or office@triodatacape.co.za.