

FORENSIC ACCOUNTANT:
QUALIFYING CRITERIA,
PROFESSIONAL MEMBERSHIPS
AND EXPERIENCE

DRAFT FOR COMMENTS

Draft of February 2021



ACFETM

Association of Certified Fraud Examiners

MEMBERS OF THE FORENSIC ACCOUNTING FORUM

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ESAAG

IIA SA

IRBA

PAFA

SAICA

SAIGA

SAIPA

ACFE SA STANDARDS COMMITTEE

Jaco de Jager



Dear reader,

The South African Chapter of the Association of Certified Fraud Examiners (ACFE SA) established a Forensic Accounting Forum in 2018 to implement a specialist stream for Certified Fraud Examiners practising in investigative and forensic accounting. The Forensic Accounting Forum operates through a Committee made up of members of the ACFE SA with a specialised interest in investigative and forensic accounting representatives of various accounting professional bodies whose members are also involved in forensic accounting.

The mandate of the Forensic Accounting Forum includes the development of Standard Practices to improve the consistency and comparability of practice amongst Certified Fraud Examiners performing investigative and forensic accounting engagements (“Forensic Accounting engagements”) in their capacity as Forensic Accountants.

The primary purpose of these Standard Practices is to protect the public by ensuring consistency with a minimum standard of practice to be met by all Certified Fraud Examiners belonging to the South African Chapter of the ACFE in the performance of Forensic Accounting engagements. The Standard Practices also provide a framework for the application of professional judgment in Forensic Accounting engagements and prohibit offensive practices. These Standard Practices are not pronouncements of the Association of Certified Fraud Examiners whose Standards and Code of Conduct are set out in the Fraud Examiners Manual. They will be upheld through the ACFE Professional Standards and ACFE Code of Ethics.

These Standard Practices complement, rather than reiterate, the ACFE Code of Conduct. Because the ACFE Code of Conduct addresses various principles, including professionalism, diligence, integrity, confidentiality, conflict of interest, competence and independence as well as an obligation to testify truthfully and without bias or prejudice. These Standard Practices for Forensic Accounting engagements do not address these issues. Instead, they focus solely on those practice issues which are specific to the performance of Forensic Accounting engagements.

ACFE SA Standard: Forensic Accountant qualifying criteria, professional membership, and experience

All Certified Fraud Examiners performing Forensic Accounting engagements commencing on or after 1 January 2022, will be required to follow these Standard Practices. To the extent possible, all Certified Fraud Examiners who have Forensic Accounting engagements currently in progress on 1 May 2021 are also strongly encouraged to ensure that these engagements follow the Standard Practices.

The Forensic Accounting Forum and the Standards Committee of ACFE SA are grateful to the many individuals and groups who commented on the intermediary documents published during the development of these Standard Practices. We further want to thank all the other Regulatory and Professional bodies who helped us compile these standards and communicating these standards also to their members thereby ensuring that together we attain a one standard approach by all.

Sincerely



Jaco de Jager

04 February 2021

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DRAFT FOR COMMENTS

1. INTRODUCTION

This standard sets out the minimum qualifying criteria, professional memberships, and experience needed by a member of the South Africa Chapter of the ACFE to perform work as a Forensic Accounting practitioner.

Separate standards will be developed dealing with standard practices for forensic accounting engagements will be issued as the Forensic Accounting Forum progresses.

2. OVERVIEW OF THE REQUIREMENTS TO BE CONSIDERED A FORENSIC ACCOUNTANT

2.1 The Forensic accounting practitioner must:

- a. Be a Certified Fraud Examiner in good standing.
- b. Be a member in good standing of an accounting professional body which complies with the criteria set out in Section 3.
- c. Have at least two years post qualification experience in the accounting field.
- d. Have an accounting qualification that includes the minimum criteria as set out in Section 4.

3. MINIMUM CRITERIA FOR THE ACCOUNTING PROFESSIONAL BODY

3.1 The following are the minimum criteria for the accounting professional bodies whose designations will be considered for inclusion as qualifying professional bodies:

- a. The professional body must belong to the International Federation of Accountants (IFAC) / Pan African Federation of Accountants (PAFA) or ensure that its members subscribe to the IFAC Code of Conduct;
- b. They must either be a National Regulatory body, or a professional body registered with the South African Qualifications Authority (SAQA) (or international equivalent);
- c. They must have an NQF 8 qualification registered with SAQA / QCTO (or international equivalent) linked to the accounting designation;
- d. They must have a defined competency framework linked to the qualification;

- e. They must ensure that their members comply with Continuous Professional Development; and
- f. They must be able to discipline their members for breaches of ethics and standards.

3.2 Professional bodies and Regulators who qualify to date include:

- a. ACCA
- b. CIMA
- c. SAICA
- d. SAIPA
- e. SAIGA

4 MINIMUM ACCOUNTING QUALIFICATIONS

4.1 The following is the minimum criteria for the accounting qualification to be held by the forensic accountant as per the International Education Standards (IES 2 - 5):

4.2 IES 2 - Technical Knowledge

- a. Financial accounting and reporting (intermediate)
 - (i) Apply accounting principles to transactions and other events.
 - (ii) Apply International Financial Reporting Standards (IFRSs) or other relevant standards to transactions and other events.
 - (iii) Evaluate the appropriateness of accounting policies used to prepare financial statements.
 - (iv) Prepare financial statements, including consolidated financial statements, in accordance with IFRSs or other relevant standards.
 - (v) Interpret financial statements and related disclosures.
 - (vi) Interpret reports that include non-financial data, for example, sustainability reports and integrated reports.
- b. Management accounting (intermediate)

- (i) Apply techniques to support management decision making, including product costing, variance analysis, inventory management, and budgeting and forecasting.
 - (ii) Apply appropriate quantitative techniques to analyse cost behaviour and the drivers of costs.
 - (iii) Analyse financial and non-financial data to provide relevant information for management decision making.
 - (iv) Prepare reports to support management decision making, including reports that focus on planning and budgeting, cost management, quality control, performance measurement, and benchmarking.
 - (v) Evaluate the performance of products and business segments.
- c. Financial Management (intermediate)
- (i) Understand the various sources of financing available to an organisation, including bank financing, financial instruments, and bond, equity and treasury markets.
 - (ii) Analyse an organisation's cash flow and working capital requirements.
 - (iii) Analyse the current and future financial position of an organisation, using techniques including ratio analysis, trend analysis, and cash flow analysis.
 - (iv) Evaluate the appropriateness of the components used to calculate an organisation's cost of capital.
 - (v) Apply capital budgeting techniques in the evaluation of capital investment decisions.
 - (vi) Explain income, asset-based, and market valuation approaches used for investment decisions, business planning, and long-term financial management.
- d. Taxation (intermediate)
- (i) Explain national taxation compliance and filing requirements.
 - (ii) Prepare direct and indirect tax calculations for individuals and organisations.
 - (iii) Analyse the taxation issues associated with non-complex international transactions.
 - (iv) Explain the differences between tax planning, tax avoidance, and tax evasion.
- e. Audit and assurance (intermediate)

- (i) Describe the objectives and stages involved in performing an audit of financial statements.
 - (ii) Apply relevant auditing standards (for example, International Standards on Auditing), and applicable laws and regulations to an audit of financial statements.
 - (iii) Assess the risks of material misstatement in the financial statements and consider the impact on the audit strategy.
 - (iv) Apply quantitative methods that are used in audit engagements.
 - (v) Explain the key elements of assurance engagements and applicable standards that are relevant to such engagements.
- f. Governance, risk management and internal control (intermediate)
- (i) Explain the principles of good governance, including the rights and responsibilities of owners, investors, and those charged with governance; and explain the role of stakeholders in governance, disclosure, and transparency requirements.
 - (ii) Analyse the components of an organisation's governance framework.
 - (iii) Analyse an organisation's risks and opportunities using a risk management framework.
 - (iv) Analyse the components of internal control related to financial reporting.
- g. Business laws and regulations (intermediate)
- (i) Explain the laws and regulations that govern the different forms of legal entities.
 - (ii) Explain the laws and regulations applicable to the environment in which professional accountants operate.
- h. Information technology (intermediate)
- (i) Analyse the adequacy of general information technology controls and relevant application controls.
 - (ii) Explain how information technology contributes to data analysis and decision making.
 - (iii) Use information technology to support decision making through business analytics.

- i. Business and organisational environment (intermediate)
 - (i) Describe the environment in which an organisation operates, including the main economic, legal, political, social, technical, international, and cultural forces.
- j. Economics (foundation)
 - (i) Describe the fundamental principles of microeconomics and macroeconomics.
 - (ii) Describe the effect of changes in macroeconomic indicators on business activity.
 - (iii) Explain the different types of market structures, including perfect competition, monopolistic competition, monopoly, and oligopoly.
- k. Business strategy and management (intermediate)
 - (i) Explain the various ways that organisations may be designed and structured.
 - (ii) Explain the purpose and importance of different types of functional and operational areas within organisations.
 - (iii) Analyse the external and internal factors that may influence the strategy of an organisation.
 - (iv) Explain the processes that may be used to implement the strategy of an organisation.
 - (v) Explain how theories of organisational behaviour may be used to enhance the

4.3 Typically, learning outcomes in a competence area focus on:

- a. Defining, explaining, summarizing, and interpreting the underlying principles and theories of relevant areas of technical competence to complete tasks while working under appropriate supervision;
- b. Performing assigned tasks by using the appropriate professional skills;
- c. Recognizing the importance of professional values, ethics, and attitudes in performing assigned tasks;
- d. Solving simple problems, and referring complex tasks or problems to supervisors or those with specialized expertise; and

- e. Providing information and clearly explaining ideas, using oral and written communications;
- f. Learning outcomes at the foundation level relate to work situations that are characterized by low levels of ambiguity, complexity, and uncertainty.

4.4 Typically, learning outcomes in a competence area focus on:

- a. Independently applying, comparing, and analysing underlying principles and theories from relevant areas of technical competence to complete work assignments and make decisions;
- b. Combining technical competence and professional skills to complete work assignments;
- c. Applying professional values, ethics, and attitudes to work assignments; and
- d. Presenting information and clearly explaining ideas, using oral and written communications, to accounting and non-accounting stakeholders.

4.5 Learning outcomes at the intermediate level relate to work situations that are characterized by moderate levels of ambiguity, complexity, and uncertainty.

4.6 Typically, learning outcomes in a competence area focus on:

- a. Selecting and integrating principles and theories from different areas of technical competence to manage and lead projects and work assignments, and to make recommendations appropriate to stakeholder needs;
- b. Integrating technical competence and professional skills to manage and lead projects and work assignments;
- c. Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;
- d. Assessing, researching, and resolving complex problems with limited supervision;
- e. Anticipating, consulting appropriately, and developing solutions to complex problems and issues; and
- f. Consistently presenting and explaining relevant information in a persuasive manner to a wide range of stakeholders

4.7 Learning outcomes at the advanced level relate to work situations that are characterized by high levels of ambiguity, complexity, and uncertainty.

4.8 IES 3 - IPD - Professional Skills

ACFE SA Standard: Forensic Accountant qualifying criteria, professional membership, and experience

a. Intellectual (Intermediate)

- (i) Evaluate information from a variety of sources and perspectives through research, analysis, and integration.
- (ii) Apply professional judgment, including identification and evaluation of alternatives, to reach well-reasoned conclusions based on all relevant facts and circumstances.
- (iii) Identify when it is appropriate to consult with specialists to solve problems and reach conclusions.
- (iv) Apply reasoning, critical analysis, and innovative thinking to solve problems.
- (v) Recommend solutions to unstructured, multi-faceted problems.

b. Interpersonal and communication (Intermediate)

- (i) Display cooperation and teamwork when working towards organisational goals.
- (ii) Communicate clearly and concisely when presenting, discussing and reporting in formal and informal situations, both in writing and orally.
- (iii) Demonstrate awareness of cultural and language differences in all communication.
- (iv) Apply active listening and effective interviewing techniques.
- (v) Apply negotiation skills to reach solutions and agreements.
- (vi) Apply consultative skills to minimize or resolve conflict, solve problems, and maximize opportunities.
- (vii) Present ideas and influence others to provide support and commitment

c. Personal (Intermediate)

- (i) Demonstrate a commitment to lifelong learning.
- (ii) Apply professional scepticism through questioning and critically assessing all information.
- (iii) Set high personal standards of delivery and monitor personal performance, through feedback from others and through reflection.
- (iv) Manage time and resources to achieve professional commitments.

- (v) Anticipate challenges and plan potential solutions.
- (vi) Apply an open mind to new opportunities.
- d. Organisational (Intermediate)
 - (i) Undertake assignments in accordance with established practices to meet prescribed deadlines.
 - (ii) Review own work and that of others to determine whether it complies with the organisation's quality standards.
 - (iii) Apply people management skills to motivate and develop others.
 - (iv) Apply delegation skills to deliver assignments.
 - (v) Apply leadership skills to influence others to work towards organisational goals.
 - (vi) Apply appropriate tools and technology to increase efficiency and effectiveness and improve decision making

4.9 IFAC - IES 4: IPD - Professional Values, Ethics, and Attitudes

- a. Professional scepticism and professional judgment (Intermediate):
 - (i) *Professional Scepticism*: An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence.
 - (ii) *Professional Judgment*: The application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement.
 - (iii) Apply a questioning mindset critically to assess financial information and other relevant data.
 - (iv) Identify and evaluate reasonable alternatives to reach well-reasoned conclusions based on all relevant facts and circumstances.
- b. Ethical principles (Intermediate)
 - (i) Explain the nature of ethics.

- (ii) Explain the advantages and disadvantages of rules-based and principles-based approaches to ethics.
 - (iii) Identify ethical issues and determine when ethical principles apply.
 - (iv) Analyse alternative courses of action and determine the ethical consequences of these.
 - (v) Apply the fundamental ethical principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour to ethical dilemmas and determine an appropriate approach.
 - (vi) Apply the relevant ethical requirements to professional behaviour in compliance with standards.
- c. Commitment to the public interest (Intermediate)
- (i) Explain the role of ethics within the profession and in relation to the concept of social responsibility.
 - (ii) Explain the role of ethics in relation to business and good governance.
 - (iii) Analyse the interrelationship of ethics and law, including the relationship between laws, regulations, and public interest.
 - (iv) Analyse the consequences of unethical behaviour to the individual, the profession, and the public.

4.10 The following designations include the above criteria

- a. ACCA
- b. CA(SA)
- c. CIMA
 - (i) ACMA - CGMA
 - (ii) FCMA - CGMA
- d. CPA
- e. Professional Accountant (SA)
- f. RGA(SA)