

Compendium of Forensic Accounting and Investigation Standards

(As on February 1, 2021)



Digital Accounting and Assurance Board
The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

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E-mail : gdaab@icai.in

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Foreword

The Institute of Chartered Accountants of India (ICAI) is well recognised for its thought leadership and strives for perfection, integrity and assurance which make the word 'Chartered Accountant' synonymous with 'Excellence'. Since its inception, ICAI has emerged as the regulator and developer of trusted and independent world-class professionals having competencies in the areas of Accounting, Assurance, Taxation, Finance and Business Advisory Services. ICAI members have played a key role in the development of a robust Indian corporate sector and their glorious prominence at the global level.

With an increasing number of accounting, financial and loan irregularities being observed recently, ICAI has acknowledged a pressing need for proactive action in this area. Therefore, as a first step it has recognised that forensic accounting examinations and investigations need to be conducted in a highly professional manner such that evidence discovery can withstand the high level of scrutiny which is subject to in a Court of law.

Considering the above the Digital Accounting and Assurance Board (the Board) deliberated and decided to undertake the research work and develop world-class Standards in the area of Forensic Accounting and Investigation (FAI) to be issued by the ICAI. These Forensic Accounting and Investigation Standards (hereinafter called FAIS or "Standards") are designed to help our members to conduct high quality and highly credible assignments in this area, which would be worthy of the ICAI brand.

The ICAI is the only Institute in the accounting world which has developed a full set of Forensic Accounting and Investigations standards for its Forensic Professionals. These Standards will go a long way in raising the quality benchmark of such engagements and very helpful to the Forensic Accounting and Investigation Professionals in conducting highly effective engagements. FAIS will also be useful to the Law Enforcement Agencies, Corporates, Banks & Other stakeholders to appreciate the common practices and finer nuances of conducting Forensic Accounting & Investigation Engagements.

World Economic Forum report 2020, future of Jobs Survey reveals that the leading positions in growing demand are roles such as Data Analysts and Scientists, AI and Machine Learning Specialists, Robotics Engineers, Software and Application developers as well as Digital Transformation

Specialists. The emergence of these roles reflects the acceleration of automation as well as the resurgence of cybersecurity risks.

Chartered Accountants are fast emerging as the front runners in the area of Artificial Intelligence, Blockchain Technology, Cyber security, Data Analytics and forensic engagements, with their deep rooted experience and dominance in the areas of audit, financial analysis, understanding of commercial and other laws, skills in interpretation, ability to seek, obtain, comprehend and piece together tenable evidence in complex situations, ability to work with different clients and client departments, comprehensive yet precise reporting skills, and experience in representation before a wide variety of Regulators and Courts. A Chartered Accountant may contribute as the lead professional in a forensic assignment or may be one of the key members of the forensic team.

Forensic Accounting and Investigation Professionals will also be able to contribute effectively in Judicial Proceedings as an Expert with the help of these Standards. Also, various stakeholders like Directorate of Enforcement (ED), Central Bureau of Investigation (CBI), Serious Fraud Investigation Office (SFIO), Economic Offence Wing (EOW), Reserve Bank of India (RBI) and others will gain more confidence in their investigations by involving FAI Professionals having knowledge and supported by FAIS. Moreover, these Standards will enhance the role of the Professionals in the International Forensic Accounting and Investigation Services and create an opportunity for export of these services.

This Compendium contains principle-based Forensic Accounting and Investigation Standards as issued by the Board, till date, along with Preface, Framework and the Basic Principles of Forensic Accounting and Investigations.

At this juncture, I wish to place my appreciation to CA. Manu Agrawal, Chairman, DAAB, CA. Dayaniwas Sharma, Vice-Chairman and other members of the Digital Accounting and Assurance Board for introducing a unique idea of bringing out Forensic Accounting and Investigation Standards.

I am hopeful that the members working in this area will find these Standards immensely useful.

Wish you all a happy learning!

CA. Atul Kumar Gupta
President, ICAI

Preface

From Vision of our Institute to Dream of our Leadership, expectation of different regulators and society, we at Digital Accounting and Assurance Board (Board) have conceptualised Forensic Accounting and Investigation Standards (FAIS or “Standards”). The objectives of the FAIS are to codify best practices in the twin domains of Forensics and Investigations, set basic quality benchmarks for conducting assignments, and position the ICAI as a thought leader and regulator in these areas.

The scope of the FAIS is to give ICAI members an overview of the domains of Forensics Accounting and Investigations, how to undertake projects and assignments in these areas, how to conclude the work, and finally how to report findings to relevant stakeholders. The FAIS is proposed to be principle based and therefore will stipulate certain basic (but mandatory) requirements to be fulfilled by members who undertake such assignments. FAIS will also provide recommendatory guidance on the procedures which may be followed in completing such assignments.

The Board has brought out a number of Forensic Accounting and Investigation Standards, which in addition to outlining fundamental principles for the guidance of the members, also serve as performance benchmarks. Standards have been classified in the categories: Standards on Key Concepts (100 Series), Standards on Engagement Management (200 Series), Standards on the Executing Assignments (300 Series), Standards on Specialised Areas (400 Series), and Standards on Quality Control (500 Series). As a first step, the Board is issuing this Compendium of FAIS containing, Preface, Framework, Basic Principles of Forensic Accounting and Investigations and other 13 Standards.

At this juncture, we wish to place on record our sincere thanks to members of the study group viz., CA. Durgesh Pandey, CA. Uday Kulkarni, CA. Sailesh Cousik, CA. Muralikrishna Chevuturi, CA. Sandeep Baldava, CA. Satish Shenoy, CA. Dipak Singh, CA. Sampriti Mukherjee, CA. Vivek Agarwal, CA. Sri Gouri Mantrala, CA. Sanjay Poddar, CA. Sumit Makhija, CA. Jagvinder Brar, CA. Gaganpreet Puri, CA. Nikunj Shah, CA. Anand Prakash Jangid, CA. Srivatsan and CA. Naman Pipara for sparing time out of their pressing

preoccupations and contributing in developing the Standards and providing their valuable comments on the draft Standards.

We would like to express our deep gratitude to CA. Atul Kumar Gupta, President ICAI and CA. Nihar N. Jambusaria, Vice- President ICAI for their continuous support and encouragement to the initiatives of the Board. We must also thank our colleagues from the Council CA. Anil Satyanarayan Bhandari, CA. M.P. Vijay Kumar, CA. Aniket Sunil Talati, CA. Ranjeet Kumar Agarwal, CA. Dheeraj Kumar Khandelwal, and CA. Charanjot Singh Nanda for their invaluable guidance, support and their dedication to the various initiatives of the Board. We also wish to place on record our gratitude for all the Board members, Co-opted members and Special invitees for their invaluable guidance and support to various initiatives of the Board.

We also wish to extend our sincere thanks and appreciation to the stakeholders and number of other ICAI members for providing their high-quality time and inputs to make these standards live and realistic. We would also like to extend our sincere thanks to CA. Harish Dua, Advisor, Forensic Accounting and Investigation Standards, CA. Amit Gupta, Secretary, DAAB and their team for the efforts put in to develop the Forensic Accounting and Investigation Standards.

We sincerely wish that the Compendium would support the members in discharging their duties as highly valued, trusted advisors and groom them as stalwarts in the profession.

We urge all the Members to educate themselves with the Forensic Accounting and Investigation Standards with an open mind and a willingness to adapt and prosper with the help of these Standards.

CA. Manu Agrawal
Chairman, DAAB

CA. Dayaniwas Sharma
Vice- Chairman, DAAB

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SECTION I

PREFACE TO THE FORENSIC ACCOUNTING AND INVESTIGATION STANDARDS

PREFACE TO THE FORENSIC ACCOUNTING AND INVESTIGATION STANDARDS

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1.0 Introduction and Objectives

- 1.1 This Preface to the Forensic Accounting and Investigation Standards (referred to as “FAIS” or the “Standards”) facilitates the understanding of the scope and authority of the pronouncements issued by the Digital Accounting and Assurance Board (DAAB), under the authority of the Council of the Institute of Chartered Accountants of India (ICAI).
- 1.2 The Forensic Accounting and Investigation Standards, at a broad level, seek to provide:
- (a) the professionals, with the minimum standards for undertaking Forensic Accounting and Investigation (FAI) engagements;
 - (b) the users of FAI services, with an indication of the quality of service that can be expected from such engagements;
 - (c) the regulators and Governmental agencies, with an appreciation of what can be expected from FAI services; and
 - (d) in general, guidance on matters of implementation and related practical issues.
- 1.3 The Standards are principle-based, thereby providing adequate scope for professional judgment when applying such principles to unique situations and under specific circumstances. The unique nature of forensic assignments necessitates that, the application of forensic accounting and investigation skills and the use of technical tools and techniques, may vary depending on the nature of each specific engagement.

2.0 Digital Accounting and Assurance Board

- 2.1 The Council of the Institute of Chartered Accountants of India (ICAI or the “Institute”), constituted the Digital Accounting and Assurance Board (DAAB or the “Board”) as a non-standing Board of the ICAI, for fostering a cohesive global strategy on aspects related to digital accounting and assurance.
- 2.2 *The Board also reviews the existing and emerging accounting and related practices and identifies areas in which Standards need to be*

Preface to the Forensic Accounting and Investigation Standards

developed, and issued under the authority of the Council of the Institute.

- 2.3 The Board undertakes a continuous, collaborative approach in the formulation and development of the Standards. However, given the technical and unique aspects of the FAI domains, and the rapid developments underway, primarily driven by technology, the practices, tools and techniques keep evolving globally, necessitating an on-going FAIS development process.

3.0 Framework Governing Forensic Accounting and Investigations

- 3.1 Each of the Standards operate within a pre-defined framework which governs the domains of Forensic Accounting and Investigations (FAI). The framework seeks to ensure a consistent application of Basic Principles, Best Practices and Standards to achieve a high level of quality, consistent with the variety of objectives driven by the different types of forensic accounting and investigation engagements.
- 3.2 The FAIS framework is an overarching document to be read along with this Preface. It consists of the Definitions and the following four key components:
- (a) Basic Principles of FAI
 - (b) Key Concepts
 - (c) Standards on FAI, and
 - (d) Guidance.
- 3.3 These four components are based on the of Code of Ethics of the Institute. The full Framework is explained in a separate document titled ***Framework Governing Forensic Accounting and Investigations***.

4.0 Forensic Accounting and Investigation Standards (FAIS)

- 4.1 The Forensic Accounting and Investigation Standards are a minimum set of requirements that apply to all members of the ICAI

when conducting assignments in forensic accounting and investigation of any entity.

5.0 Mandatory Nature of Framework and Standards

- 5.1 The Council of the ICAI, at an appropriate time, decides to make the FAIS mandatory, and if deemed suitable, in a phased manner, from the effective date mentioned in each Standard.
- 5.2 The mandatory nature of the FAIS implies that while carrying out any forensic accounting and investigations, it shall be the duty of the Professional to ensure that they comply with the Standards, as read with this Preface, the Framework Governing FAIS, and the Basic Principles of FAI.
- 5.3 If, for any reason, and after reasonable efforts, the Professional is unable to comply with any of the requirements of the Standard, or if there is a conflict between the Standards and other mandates, such as a statutory or regulatory requirement, the FAI report (or such similar communication) shall draw attention to the material departures therefrom along with appropriate explanation.

6.0 Standard Setting Process

- 6.1 The Digital Accounting and Assurance Board (DAAB) develops and when appropriate, revises the Standards. Exposure Drafts are prepared and issued to various interest groups and public at large for their inputs, feedback and comments. DAAB reviews the comments and thereafter places the appropriately revised Standards before the Council of the ICAI for its deliberation. The Standards, once approved by the Council, are issued thereafter.
- 6.2 The detailed process is explained in **Annexure 1**.

7.0 Contents of the Standards

- 7.1. The FAIS is principle based and clearly outline the objectives of the Standard, along with essential requirements for its compliance. Professionals shall apply their best judgement in the implementation of FAIS. Implementation and Technical Guides issued by the Board provide guidance and clarification in this regard, and are recommendatory in nature.

Preface to the Forensic Accounting and Investigation Standards

- 7.2. Each Standard maintains a fixed six section format as follows:
 - 7.2.1 **Introduction and Scope:** Brief background and scope of the Standard and its applicability.
 - 7.2.2 **Objective:** Purpose of issuing the Standard and why it is required and essential.
 - 7.2.3 **Requirements:** The desired outcome and what is critical to achieve the objective of the Standard.
 - 7.2.4 **Explanatory Comments:** Explanation of certain parts of the Requirements which need clarity and elaboration, including defining key words or terms.
 - 7.2.5 **Documentation of Work Procedures:** Indicative list of the nature of documentation which may be expected to demonstrate conformance to the Standards.
 - 7.2.6 **Effective Date:** Date from which the Standard is to be applied and made mandatory.
- 7.3. The FAIS, as and when issued, are classified, and numbered in a series format, as follows:
 - 7.3.1 **100 Series:** Standards on Key Concepts.
 - 7.3.2 **200 Series:** Standards on Engagement Management.
 - 7.3.3 **300 Series:** Standards on Executing Assignments.
 - 7.3.4 **400 Series:** Standards on Specialised Areas.
 - 7.3.5 **500 Series:** Standards on Quality Control.

8.0 Guidance

- 8.1. Guidance Notes are primarily designed to provide non-mandatory guidance on matters of implementation or clarification on their applicability in certain circumstances. They also explain how the Standard may be put into practice.
- 8.2. The ICAI may issue the following guides (as appropriate):
 - 8.2.1. Implementation Guide: Best practices, methodologies, or approach on how best to apply the prescribed requirements to achieve the objectives of the FAIS.

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- 8.2.2. Technical Guide: Clarifications as to what extent the FAIS applies in a certain situation, or in a specific industry or under unusual circumstances, considering the technical or operational uniqueness of the same and how best to achieve the objectives of the FAIS.
- 8.3. The Implementation and Technical Guides are recommendatory in nature. The Forensic Accounting and Investigation Professional should ordinarily follow these recommendations except where, under specific circumstances, it may not be necessary or appropriate to do so.

Annexure 1

DETAILS OF THE STANDARD SETTING PROCESS

1. Selection of Topics and Timelines

The Digital Accounting and Standards Board (DAAB), on a continuous basis, and in consultation with its key stakeholders, keeps identifying the broad areas in which the FAIS need to be formulated (including the review and revision of prevailing FAIS) and prepares a priority list with time lines for the issuance of the FAIS.

2. Formation of Study Group to Draft Standards

In the preparation and drafting of the FAIS, the DAAB constitutes a Study Group (SG) of professionals. In the formation of the SG, provision is made for the participation of a cross section of Members of the Institute. In certain situations, the DAAB may also consider having expert professionals in the SG, who need not necessarily be Members of the ICAI. The SG meetings are convened by DAAB and generally chaired by a Member of the DAAB. The SG is responsible for preparing and finalizing the Exposure Draft of the Standard for deliberation by the DAAB.

3. Review of Exposure Draft of FAIS by the Digital Accounting and Assurance Board (DAAB)

The Exposure Draft (ED) of the Standard is put up to the DAAB for their review, deliberation, and approval. While formulating the FAIS, the DAAB takes into consideration the applicable laws, customs and the business environment in India. The DAAB also, where appropriate, takes into consideration international practices in Forensic Accounting and Investigation, to the extent they are relevant and applicable to the requirements of the FAIS. Post deliberations of the DAAB, changes are made to the draft, and the final ED is made ready for exposure to a wide set of stakeholders for their comments.

4. Exposure Draft Open for Comments for 30 days

The Exposure Draft of the proposed Standard is issued for comments by the Members of the Institute. The ED is also open for comments by non-Members, including the regulators and other such

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bodies as well as the general public. The ED may also be published in the monthly Journal of the Institute and hosted on the website of the Institute wherefrom it is downloadable free of charge for comments by the Members, other professionals and the public. The ED is also circulated to all the Members of the Council of the ICAI, Regional Councils, and Branches of the Institute for their comments. The Exposure Draft is also circulated to other external stakeholders as listed in **ANNEXURE 2**.

The Exposure Draft is normally open for comments for a period of at least 30 (thirty) days from the date exposed, but may be extended if necessary.

5. Finalization and Submission to ICAI Council

After taking into consideration the comments received on the Exposure Draft, the DAAB will update the draft of the proposed Standard, take inputs of the SG (if required), and finalize the Standard for consideration by the Council of the Institute.

6. ICAI Council Deliberates and Approves FAIS

The Council of the Institute will consider the final draft of the proposed FAIS and, if necessary, modify the same. The FAIS will then be issued under the authority of the Council of the Institute, who may also mandate the date from when it would be effective for implementation.

Annexure 2

LIST OF EXTERNAL STAKEHOLDERS FOR INPUTS ON EXPOSURE DRAFTS

- 1) The Ministry of Corporate Affairs
- 2) The Ministry of Home Affairs
- 3) The Reserve Bank of India (RBI)
- 4) The Securities and Exchange Board of India (SEBI)
- 5) The Comptroller and Auditor General of India (CAG)
- 6) The Controller General of Accounts (CGA)
- 7) The National Cyber Coordination Centre (NCCC)
- 8) The National Crime Records Bureau (NCRB)
- 9) The Central Bureau of Investigation (CBI)
- 10) The Enforcement Directorate (ED)
- 11) The Economic Offences Wing (EOW)
- 12) The Serious Frauds and Investigations Office (SFIO)
- 13) National Company Law Tribunal (NCLT)
- 14) Insolvency and Bankruptcy Board of India (IBBI)
- 15) Computer Emergency Response Team- (CERT)
- 16) The Insurance Regulatory and Development Authority (IRDA)
- 17) The Data Security Council of India
- 18) The Central Board of Direct Taxes (CBDT)
- 19) The Central Board of Indirect Taxes and Customs (CBIC)
- 20) The Institute of Cost Accountants of India
- 21) The Institute of Company Secretaries of India
- 22) Recognised Stock Exchanges in India
- 23) The Indian Banks' Association
- 24) The Standing Conference of Public Enterprises (SCOPE)

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- 25) The National Bank for Agriculture and Rural Development (NABARD)
- 26) The Indian Institute(s) of Management (Various)
- 27) The Telecom Regulatory Authority of India (TRAI)
- 28) The Central Registrar of Co-operative Societies
- 29) Police Agencies and Cyber Crime Cells
- 30) National Forensic Sciences University
- 31) Industry bodies/associations, such as, The Confederation of Indian Industry, The Associated Chambers of Commerce and Industry, The Federation of Indian Chambers of Commerce and Industry, etc.
- 32) Any other body considered relevant by the Digital Accounting and Assurance Board, keeping in view the nature and requirements of the Forensic Accounting and Investigation Standards.

SECTION II

FRAMEWORK GOVERNING FORENSIC ACCOUNTING AND INVESTIGATIONS

FRAMEWORK GOVERNING FORENSIC ACCOUNTING AND INVESTIGATIONS

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1.0 Introduction and Scope

- 1.1 The Framework Governing Forensic Accounting and Investigations (the “Framework”) lays down the underlying principles and boundaries for undertaking such services. Its aim is to preserve and enhance the quality of practice of a Member and the Professional performing forensic accounting and investigation services. This Framework needs to be read in conjunction with the Preface to the Forensic Accounting and Investigation Standards (FAIS).
- 1.2 **Scope:** The Framework covers all types of forensic accounting and investigation services. The test of the Standard’s applicability is the purpose for which the service is being provided by the Professional to the service user. While the Standards are applicable in all cases where the engagement objectives are in line with the definition of Forensic Accounting and Investigations (FAI) as outlined in this Framework, the applicability of the Standards become much more critical where the engagement output may be used for possible litigation or prosecution. However, the Standards do not apply to a situation where a Professional performs forensic work-steps as part of an assurance assignment such as Statutory or Internal Audit or any other attest engagement.

2.0 Objectives

- 2.1 The main objectives of the Framework are to:
- 2.1 Provide an overall understanding of Forensic Accounting and Investigation (FAI) and its key components.
- 2.2 Outline the manner in which these components come together in an inter-related cohesive manner when providing FAI services.
- 2.3 Maintain and continuously improve the quality of FAI services.

3.0 Definitions

- 3.1 **Professional:** A professionally qualified accountant, carrying membership of a professional body, such as the ICAI, who practices as a forensic accounting and investigation expert undertaking assignments using accounting, auditing and investigative skills.
- 3.2 Forensic Accounting and Investigations is defined as follows:

Framework Governing Forensic Accounting and Investigations

- 3.2.1 **Forensic Accounting** is discovery and evaluation of evidence by a professional to interpret and communicate findings suitable for a Court of law.
- 3.2.2 **Investigation** is the systematic and critical examination of facts, records and documents for a specific purpose.
- 3.3 Brief explanation of the terms defined above is as follows:
 - 3.3.1 **Forensic Accounting:** The overriding objective of Forensic Accounting is to discover facts and evidence, especially in the area of financial transactions and operational arrangements, to help the Professional report findings, to reach a conclusion (but not to express an opinion) and support a legal case in a Court of law.
 - 3.3.2 **Litigation:** Litigation is a process of handling or settling a dispute in a Court of law or before a regulatory body. Litigation could include mediation and alternative dispute resolution mechanisms.
 - 3.3.3 **Investigation:** A critical examination of evidences, documents, facts and witness statements with respect to an alleged legal, ethical or contractual violation. The examination would involve an evaluation of the facts for alleged violation with an expectation that the matter might be brought to a Court of law or a regulatory body.
 - 3.3.4 **Fraud:** Fraud is any intentional or deliberate act to deprive another of property or money through deception or other unfair means.
- 3.4 The definition of Forensic Accounting and Investigation contained in Para 3.2 forms the overarching basis of all the Standards on Forensic Accounting and Investigation, issued by the ICAI.

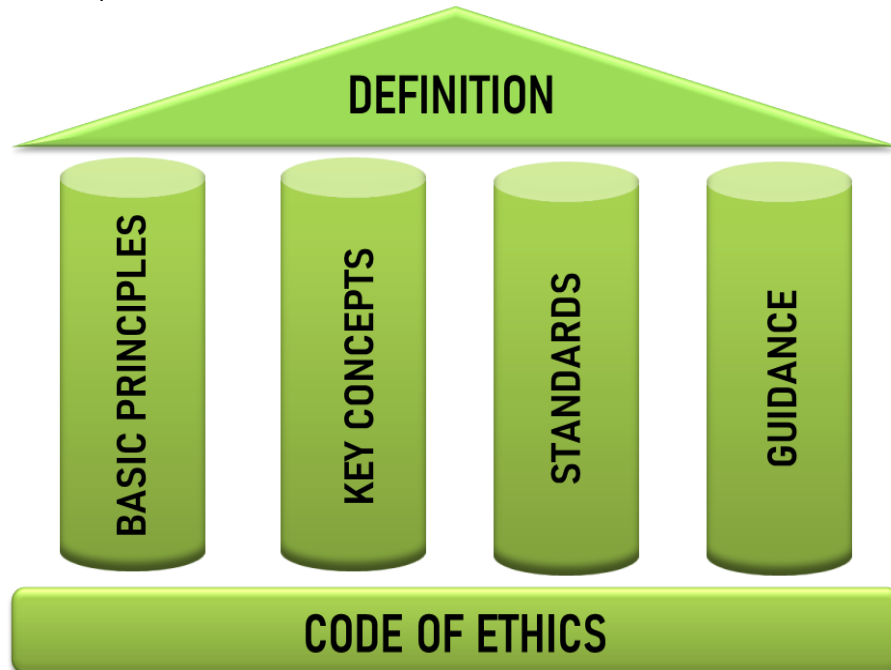
4.0 The Framework

- 4.1 The Framework establishes the structure which governs the domain of Forensic Accounting and Investigations (FAI). It comprises of the "Definition of Forensic Accounting and Investigation" (as defined under Para 3, above), four key components, and the underlying Code of Ethics. Each of the four components are inherent to FAI

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domain. As explained in the Preface, they are all mandatory in nature, except the Guidance which is recommendatory.

- 4.2 The four key components (forming the pillars) of the Framework are:
- (i) Basic Principles of Forensic Accounting and Investigations.
 - (ii) Key Concepts.
 - (iii) Standards on Forensic Accounting and Investigations.
 - (iv) Guidance.
- 4.3 A pictorial depiction of the Framework Governing Forensic Accounting and Investigations, in the form of a pantheon, is presented below.



5.0 Code of Ethics

- 5.1 Every Professional conducting a forensic accounting and investigation engagement is bound by a written Code of Ethics (or Conduct), issued by a professional body and/or an organisation of which he is a Member. This commits the Professional to the ethical Standards applied with utmost integrity and sincerity.

Framework Governing Forensic Accounting and Investigations

- 5.2 A Member of the Institute of Chartered Accountants of India, carrying out an FAIS engagement is, additionally, governed by the following:
- 5.2.1 The requirements of the Chartered Accountants Act, 1949.
 - 5.2.2 The Code of Ethics issued by the Institute of Chartered Accountants of India,
 - 5.2.3 Other relevant pronouncements of the Institute of Chartered Accountants of India.

6.0 Components of the Framework

6.1 Basic Principles of Forensic Accounting and Investigations

The Basic Principles of Forensic Accounting and Investigations are a set of core principles fundamental to the domain of conducting such engagements. The Basic Principles are critical to achieve the desired objectives as set out in the definition of “Forensic Accounting and Investigation”, and therefore, apply to all relevant engagements.

The principles can be summarised as follows:

1. Independence
2. Integrity and Objectivity
3. Due Professional Care
4. Confidentiality
5. Skills and Competence
6. Contextualisation of Situation
7. Primacy of Truth
8. Respecting Rights and Obligations
9. Separating facts from opinions
10. Quality and Continuous Improvement.

All the ten basic principles are explained in a separate document titled ***Basic Principles of Forensic Accounting and Investigations***.

6.2 Key Concepts

There are certain concepts which form an integral part of the forensic accounting and investigation domain and therefore, apply to most engagements. The key concepts are in the nature of (indicative list):

6.2.1 Nature of Engagement

6.2.2 Fraud Risk

6.2.3 Laws and Regulations

6.2.4 Applying Hypotheses

6.3 Forensic Accounting and Investigation Standards (FAIS)

The FAIS (or the “Standards”) establish uniform performance and evaluation criteria, methods, processes and practices. The Standards are pronouncements which form the basis for conducting all forensic accounting and investigation engagements. These pronouncements are designed to help the Professional to discharge their responsibilities when conducting such engagements.

Since they are principle based, they define the desired outcome, rather than prescribing a series of procedures or activities to be performed to get to the desired outcome. The Professional is expected to apply his best judgement with regard to the procedures and activities required to be conducted to achieve the desired outcome.

6.4 Guidance

These are a set of guidelines, which include Guidance Notes, Implementation Guides and Technical Guides. These guidelines are important for the implementation of the FAIS’s and provide clarification for their applicability under various circumstances. They also assist the Professional in designing the forensic accounting procedures and investigations work procedures to be conducted under various situations and circumstances.

SECTION III

BASIC PRINCIPLES OF FORENSIC ACCOUNTING AND INVESTIGATIONS

BASIC PRINCIPLES OF FORENSIC ACCOUNTING AND INVESTIGATIONS

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1.0 Introduction and Scope

- 1.1 The domains of Forensic Accounting and Investigations (FAI) are highly specialized, and require particular emphasis to certain attributes and conduct of a Professional practicing in these areas. Under the aegis of the Digital Accounting and Assurance Board (DAAB), a non-standing Committee of the Institute of Chartered Accountants of India (ICAI), a set of Forensic Accounting and Investigation Standards (FAIS or “Standards”) are issued to harmonise the work undertaken by its Members. A separate document titled “Framework Governing Forensic Accounting and Investigations” defines FAI as well as provides an overview of these Standards.
- 1.2 In conducting FAI engagements, there are a set of core principles fundamental to the domains and the work procedures conducted by the Professional in these areas. These “Basic Principles” of forensic accounting and investigations, as outlined in this document, are critical to achieve the desired objectives.
- 1.3 With these basic principles, the stakeholders at large will have a point of reference to draw expectations of work undertaken, procedures conducted, record keeping and reporting when conducting FAI engagements.
- 1.4 **Scope:** All FAI engagements shall be performed based on these basic principles, and departures from these principles shall be appropriately disclosed in any engagement report or other similar communication issued by the FAI Professional.

2.0 Objectives

- 2.1 The main objectives of the basic principles are to ensure that:
- (a) The FAI engagement is undertaken after establishing the credibility of the Professional (see the principles under Para. 3.1 to 3.5).
 - (b) The FAI engagement is conducted with certain fundamental features designed to guide the Professional through the entire lifecycle of the engagement (see the principles under Para. 3.6 to 3.10).

3.0 Basic Principles

3.1 Independence:

The Professional shall be independent and neutral in, mind, conduct and appearance. Hence the Professional shall be free from any undue influence which forces deviation from the truth or influences the outcome of the engagement.

For Independence, the Professional needs to resist any pressure or interference in establishing the scope of the engagement or the manner in which the work is conducted and reported. The Professional engaged as an external service provider shall ensure that the appointment is made with due authority.

3.2 Integrity and Objectivity:

The Professional shall be honest, truthful and a person of high integrity. The Professional shall act in a highly ethical manner and be fair in all dealings. The Professional shall avoid all conflicts of interest and shall not seek to derive any undue benefits or advantages from their position.

The Professional shall conduct the work in a highly objective manner, especially in discovering evidence and evaluation of facts. The Professional shall not allow prejudice or bias to override their objectivity, especially in arriving at conclusions.

The Professional needs to plan and execute the engagement in an unbiased manner and accept the possibility of the outcome of any form or direction. The quest for truth and the objective outlined in the appointment should be the corner stone of the engagement.

3.3 Due Professional Care:

The Professional shall exercise due professional care and diligence while carrying out the engagements. "Due professional care" implies the following (indicative list):

- (a) that reasonable care has been exercised in carrying out the work to ensure the achievement of the planned objectives;
- (b) adequate focus and attention are given to matters of importance, along with diligence in time-management;

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- (c) measures are in place to comply with professional standards of work; and
- (d) steps are taken to ensure continuous communication to prevent any misunderstanding.

“Due Professional Care”, however, neither implies nor guarantees infallibility, nor does it require the Professional to go beyond the established scope of the engagement or exceed the brief without due approvals.

3.4 Confidentiality:

The Professional shall at all times, maintain utmost confidentiality of all information acquired during the course of the engagement. This includes the need to protect privacy rights of the suspect and to discover evidence in a manner which does not infringe upon the privacy rights of individuals. The Professional shall not disclose any such information to a party outside the team formed to conduct the engagement and the engaging management. Disclosures, if required, shall be on a “need to know basis”.

The Professional shall keep confidential information secured from others. Under no circumstance any confidential information shall be shared with third parties outside the organisation, without the specific approval of the Client or Competent Authority, unless there is a legal or a professional responsibility to do so. Reports prepared by the Professional shall be addressed to specified individuals and submitted only to those who appointed or engaged them.

3.5 Skills and Competence:

The Professional shall undertake only those engagements for which they have the requisite competence. Firstly, the Professional shall have the required qualifications to undertake FAI engagements. A Chartered Accountant qualification, supplemented with legal qualifications or post-qualification Certificate Courses are ideal. Global qualifications, certifications, and such similar credentials carry requisite weightage. Secondly, the Professional shall have sound knowledge, practical experience and professional expertise in forensic accounting and investigation domains to conduct a quality engagement.

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The Professional shall either have, or shall obtain, such skills and competencies, as are necessary for the purpose of discharging their responsibilities. Continuing Professional Education is a key part of this exercise. In addition to the basic technical skills, the Professional shall have the soft skills (such as interpersonal and communication skills) required to engage with a multitude of stakeholders.

Where the Professional lacks the expected expertise, the required skills shall be procured either through in-house experts or through the services of an outside expert, provided independence is not compromised. The objective is to ensure that the FAI team, as a whole, has all the expertise and skills required to execute the engagement successfully.

3.6 Contextualisation of Situation:

FAI engagements cannot be conducted in isolation. The context of the situation and the environment where the transactions or operations take place is important to understand the complete picture. Each forensic accounting or investigation assignment is unique. The nature of the business, the situation, the complexity of the environment, the circumstances at the time, and the manner in which all this comes together, plus the involvement of the people in the affairs, all need to be well understood to develop and execute the plan of action.

Also, any FAI engagement would require the Professional to act on predication, which is based on a review of the totality of circumstances and evaluating the probability of the occurrence of a fraud or some unlawful activity which requires to be examined. For example, presence of “red flags” or “Fraud Indicators” may be reasonable triggers to conduct a FAI engagement.

3.7 Primacy of Truth:

In any FAI engagement all the activities shall be centred around finding the truth. Therefore, the primary objective of any Professional is to unearth the reality behind every allegation or dispute, which in turn shall be based on facts, figures and reliable evidential matter.

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Establishing what actually occurred is of utmost and prime importance. Any deviation from this may lead the Professional away from the engagement objectives and what needs to be reported. The Professional should therefore always remain cautious of being misled in a direction which may sway them away from the truth.

3.8 Respecting Rights and Obligations:

Due to the nature of FAI assignments, it is critical to obtain and understand the views and standpoint of all parties. Just as much as the Professional has the right of examination to unearth the truth, the suspects have a similar right to defend their innocence. The Professional is expected to seek information and evidence from the suspects to understand their perspectives.

Ample opportunity should be given to all parties to present their evidences and perspectives. This however should be done at the right time and in the right manner, such as through written communication, for example, show-cause notice, written explanation etc. All FAI engagements need to adhere to the laws, including law of privacy to the suspect. The principles of natural justice, which give the other party full right to be heard with opportunity to present their version of the facts, should also be considered.

3.9 Separating Facts from Opinions:

Many times, in discovering evidential matters, interviews are sought from those who can provide important information to the Professional. Under such circumstances, there is a risk in the information getting “contaminated” with personal opinions of the source. Similarly, there could be other circumstances where “facts” not relevant to the examination, may introduce an element of bias. The Professional needs to guard against such situations where opinions and such bias may cause diversion from the main objectives. Nevertheless, opinions from reliable sources may be useful for developing hypotheses and should be given due consideration.

The FAI assignment is predominantly a fact-finding exercise. The Professional shall ensure that their personal judgement and biases find no place in this exercise. Personal perspectives shall be separated from professional judgement, which in turn shall not be

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clouded by “noise” in the evidence. This is particularly important when interviewing a witness or suspect.

3.10 Quality and Continuous Improvement:

The quality of work performed shall be paramount to the Professional since the credibility of the outcome depends on the reliability of findings. The Professional shall have in place a process of quality control to:

- (a) ensure factual authenticity of evidence obtained;
- (b) validate the accuracy of all findings; and
- (c) continuously improve the quality of the process followed and reports issued.

The Professional shall ensure that an assessment mechanism is in place to monitor performance of self and subordinates and also, any external experts on whom reliance is placed to conduct some part of the assignment. An appropriate peer review mechanism shall be implemented to examine conformance to the applicable pronouncements issued by the ICAI.

4.0 Effective Date

- 4.1 These Basic Principles are applicable for all engagements beginning on or after a date to be notified by the Council of the ICAI.

SECTION IV

STANDARDS ON KEY CONCEPTS (100 SERIES)

FORENSIC ACCOUNTING AND INVESTIGATION STANDARD NO. 110: NATURE OF ENGAGEMENT

Contents

	Paragraph(s)
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Requirements	3
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Effective Date	6

This Forensic Accounting and Investigation Standard 110, on “Nature of Engagement,” issued by the Council of the Institute of Chartered Accountants of India (ICAI) should be read in conjunction with the “Preface to the Forensic Accounting and Investigation Standards”, the “Framework Governing Forensic Accounting and Investigation Standards” and “Basic Principles of Forensic Accounting and Investigations” issued by the ICAI.

1.0 Introduction and Scope

- 1.1 This Forensic Accounting and Investigation Standard (FAIS or “Standard”) deals with the responsibility of the Professional in understanding the nature of the engagement prior to appointment so as to make a determination of the possible scope and approach.
- 1.2 Depending on their nature, the engagement undertaken may include any or all of the following elements:
 - (a) Forensic Accounting, which focuses on the ascertainment of facts and discovery of evidences to report findings of violations, deviations and breaches, acceptable in a Court of law.
 - (b) Investigation, which is the critical examination of facts, records, documents and other forms of evidence for a specific purpose, such as an alleged legal, ethical or contractual violation with respect to transactions or events.
 - (c) Litigation support, which may include mediation, alternative dispute resolution mechanisms or the provision of expert witness testimony.
- 1.3 **Scope:** This Standard applies to all engagements related to Forensic Accounting and Investigations, as envisaged by these Standards, and undertaken by the Professional.

2.0 Objectives

- 2.1 This Standard lays down the key concepts relating to nature of engagement and their relevance to the work to be performed by the Professional.
- 2.2 The main objectives of the Standard are to ensure that the Professional (and other stakeholders):
 - (a) Has clarity on the purpose of the engagement and what it seeks to achieve.
 - (b) Defines the appropriate forensic and investigation engagement scope and approach.
 - (c) Identifies any specialized skills or resources necessary for its quality execution.

3.0 Requirements

- 3.1 The Professional shall understand the mandate which is setting the requirements of the engagement. This mandate shall not be in the nature of an audit which has a different connotation, and where the Standards on Auditing shall apply. Hence no part of the engagement, or its report shall refer to an "Audit", such as "Forensic Audit" (refer Para 4.1).
- 3.2 Where the mandate requires the application of accounting skills to discover evidence and present these to the client, competent authorities or to meet the requirements of a Court of law, the concept of Forensic Accounting shall apply (refer Para 4.2).
- 3.3 Where the mandate requires the need to discover and evaluate evidence for a specific purpose, such as to help establish possible fraudulent intent, and to identify possible suspects of fraud, the concept of Investigation shall apply (refer Para 4.3).
- 3.4 All stakeholders shall have clarity on the nature of the engagement, which can be a Forensic Accounting engagement, an Investigation, Litigation support, or a combination of any of the aforesaid, but not an audit.

4.0 Explanatory Comments

- 4.1 **Concept of Audit (refer Para 3.1):** The objectives of audit vary in nature. Statutory Audit is undertaken to express an independent opinion over the truth and fairness of financial statements. Internal audits are designed to strengthen internal controls with a focus on system and process improvement and thereby mitigate risks. These audit activities can, at best, identify red flags or fraud indicators, which may act as the starting points for a Forensic Accounting and Investigation engagement.
- 4.2 **Concept of Forensic Accounting (refer Para 3.2):** Forensic Accounting aims to highlight any accounting or legal violations, regulatory deviations or contractual breaches through ascertainment of facts and discovery of evidences suitable for a Court of law. The focus area is critical examination of transactions, funds and balances in the books of account or with third parties.

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- 4.3 **Concept of Investigation (refer Para 3.3):** The purpose of the Investigation is to examine facts and circumstances and discover evidence to prove or disprove hypotheses formulated regarding alleged legal violations, unethical conduct or the possibility of a fraud by suspected individuals.

5.0 Documentation of Work Procedures

An indicative list of the nature of documentation expected to demonstrate conformance to the Standard is as follows:

- 5.1 Audit reports which highlight possible fraud indicators may provide information required to define the nature of the engagement.
- 5.2 Initial correspondence, minutes of meeting with stakeholders in respect of the engagement to be undertaken or any other communication leading to finalization of the nature of engagement will become part of the documentation for the purpose of this Standard.

6.0 Effective Date

- 6.1 This Standard is applicable for all engagements beginning on or after ... (a date to be notified by the Council of the ICAI).

FORENSIC ACCOUNTING AND INVESTIGATION STANDARD NO. 120: FRAUD RISK

Contents

	Paragraph(s)
Introduction and Scope	1
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Documentation of Work Procedures	5
Effective Date	6

This Forensic Accounting and Investigation Standard 120, on “Fraud Risk,” issued by the Council of the Institute of Chartered Accountants of India (ICAI) should be read in conjunction with the “Preface to the Forensic Accounting and Investigation Standards”, the “Framework Governing Forensic Accounting and Investigation Standards” and “Basic Principles of Forensic Accounting and Investigations” issued by the ICAI.

1.0 Introduction and Scope

- 1.1 This Forensic Accounting and Investigating Standard (FAIS or “Standard”) deals with the Professional’s responsibility to understand fraud risk concepts and how these may apply to engagements.
- 1.2 Forensic Accounting and Investigation (FAI) engagements generally involve the possibility of fraudulent events or suspicious transactions. Fraud is any intentional or deliberate act to deprive another of property or money through deception or other unfair means.
- 1.3 Typical characteristics of a “Fraud” involve an incentive or pressure to commit fraud, a perceived opportunity to do so, and some rationalization of the act. Therefore, the question of intent becomes critical as part of the engagement objectives. The concept of “Risk” is defined as the possibility of an unfavourable event or outcome, such as the presence of a fraud.
- 1.4 Fraud Risk is therefore the concepts of risk applied in a fraud scenario. This helps the Professional to focus and prioritise the work on areas of importance and with greater vulnerability to fraud.
- 1.5 **Scope:** This Standard applies to all engagements related to Forensic Accounting and Investigations undertaken by the Professional

2.0 Objectives

- 2.1 The main objectives of this Standard on Fraud Risk are to ensure that:
 - (a) The concepts of fraud risk are recognised when conducting FAI engagements.
 - (b) High risk and vulnerable areas of fraud (fraud indicators) are identified for prioritising work and assigning appropriate skill sets.
 - (c) Fraud risk-based evaluations are undertaken to establish the extent of emphasis required for reporting.

3.0 Requirements

- 3.1 The Professional shall undertake a preliminary fraud risk

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understanding of the areas and processes relevant to the subject matter of engagement to understand the nature and complexity of the engagement and to assign appropriate skill sets.

- 3.2 During the course of the engagement, the Professional shall prioritise the work to identify fraud indicators. Given the sensitive nature and possible time constraints of the engagement, the Professional needs to focus on areas most vulnerable to fraud. This shall be conducted in line with FAIS 330 on “Conducting Work Procedures” (refer Para 4.1).
- 3.3 The Professional shall give due consideration to matters indicating fraud risk when reporting findings of the work completed. This shall be conducted in line with FAIS 370 on “Reporting Results”.

4.0 Explanatory Comments

- 4.1 **Fraud Indicators (refer Para 3.2):** The fact that fraud is usually concealed, can make it very difficult to detect. Nevertheless, the Professional may identify events or conditions that indicate an incentive or pressure to commit fraud (the motive) or provide the situations to perpetrate one (the opportunity). For example, frauds are generally driven by a motive to gain, combined with the exploitation of a weakness in the system and rationalised as acceptable.

5.0 Documentation of Work Procedures

An indicative list of the nature of documentation expected to demonstrate conformance to the Standard is as follows:

- 5.1 A document which explains the understanding of fraud risk and how it is applicable to the engagement shall be maintained.
- 5.2 Notes to summarise the fraud indicators observed, and how these may be relevant to the engagement, and finally how they were addressed.

6.0 Effective Date

- 6.1 This Standard is applicable for all engagements beginning on or after ... (a date to be notified by the Council of the ICAI).

FORENSIC ACCOUNTING AND INVESTIGATION STANDARD NO. 130: LAWS AND REGULATIONS

Contents

	Paragraph(s)
Introduction and Scope	1
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Documentation of Work Procedures	5
Effective Date	6
Annexure 1: Typical Statutory Framework for Forensic Engagements	

This Forensic Accounting and Investigation Standard 130, on “Laws and Regulations” issued by the Council of the Institute of Chartered Accountants of India (ICAI) should be read in conjunction with the “Preface to the Forensic Accounting and Investigation Standards”, the “Framework Governing Forensic Accounting and Investigation Standards” and “Basic Principles of Forensic Accounting and Investigations” issued by the ICAI.

1.0 Introduction and Scope

- 1.1 This Forensic Accounting and Investigating Standard (FAIS or “Standard”) deals with the Professional’s responsibility to understand the provisions of laws and regulations and how these apply to Forensic Accounting and Investigation (FAI) engagements.
- 1.2 Forensic Accounting and Investigation (FAI) engagements may arise either:
 - 1.2.1 where the Professional is appointed in accordance with some specific law or regulation (e.g., by a court of law or competent authority) – which may provide both, the mandate and the process, of conducting the engagement; or
 - 1.2.2 where the Professional is appointed by the client through a contractual arrangement – which may provide the mandate but is subject to the provisions of various laws and regulations and conducts the engagement within the framework of those laws and regulations.
- 1.3 Each engagement is unique and, in some cases, subject to relevant applicable statutes. The Professional is expected to adhere to those provisions in addition to general applicable laws which form part of any engagement. Hence the requirement to understand the law and discover suitable evidence in such engagements is critical.

2.0 Objectives

- 2.1 The main objectives of this Standard on Laws and Regulations are to ensure that:
 - (a) Engagements undertaken by the Professional are conducted as per the given mandate under the relevant laws and regulations.
 - (b) Work procedures are executed in line with the provisions of the prevailing laws and regulations.
 - (c) A process driven approach is taken to identify and report a violation of laws and regulations pertaining to the objectives of the engagement.

3.0 Requirements

- 3.1. The Professional appointed under any specific laws or regulations, shall ensure that the objectives of the engagement are in line with the provisions of those laws and regulations.
- 3.2. Any mandate, agreed with the stakeholders through a contractual arrangement, shall be consistent with the relevant laws and regulations.
- 3.3. When conducting an engagement, the Professional shall consider the provisions of various laws and regulations which stipulate the manner in which such engagement work needs to be conducted and the evidence or testimony needs to be presented (refer Paras 4.1 and 4.2).
- 3.4. The Professional shall implement a process driven approach (such as a customised checklist or an automated solution) to assist in identifying any significant deviations or non-compliances concerning laws and regulations impacting the subject matter of the engagement.
- 3.5. On complex and important matters, the Professional may seek expert legal advice in line with FAIS 230 on “Using the work of an Expert”.
- 3.6. Principle of Natural Justice: The Basic Principles of FAIS (refer Para 3.8 of that document) expect the Professional to respect the rights of all concerned. Hence, due importance shall be given to the Principle of Natural Justice which provides for a fair hearing to the other party.

4.0 Explanatory Comments

- 4.1 Direct impact laws (refer Para 3.3): Despite all laws being an integral part of the engagement, certain laws are specifically applicable to FAI engagements. These laws form an essential basis for the Professional to conduct the engagement.

As an example, there are certain statutes with provisions relating to white collar crime, corruption and money laundering, and certain contract or company related laws with specific provisions concerning frauds and irregularities. The Professional is expected to have a basic understanding of these direct impact laws to plan and conduct the engagements

- 4.2 **Engagement specific laws (refer Para 3.3):** In addition to the directly impacting laws mentioned above, there are certain specific laws which apply when engagements are planned and executed. These engagement specific laws shall govern the overall conduct of the engagements in such situations.

As an example, there are certain statutes with provisions concerning the information technology environment, privacy of individuals, some laws concerning insolvency and bankruptcy which codify the manner in which FAI procedures need to be conducted to discover evidence and laws concerning how evidence needs to be admissible in a Court of law. The Professional is expected to have a basic understanding of these engagement specific laws for proper conduct of work procedures

5.0 Documentation of Work Procedures

An indicative list of the nature of documentation expected to demonstrate conformance to the Standard is as follows:

- 5.1 Since the nature of engagement varies from case to case, the laws and regulations will also vary based on the terms of engagement. Nevertheless, the following documents should be maintained for demonstrating compliance:
- 5.1.1 Check list drawn under the applicable laws and regulations, along with the criteria for choosing the particular law or regulation.
 - 5.1.2 Compliance requirements conducted to ensure suitability of evidence for a Court of law.
 - 5.1.3 Documentation for Chain of Custody of the evidence discovered.
 - 5.1.4 Documentation for any specific deviation from laws and regulation relating to the engagement scope, along with any supporting evidence.
- 5.2 The engagement report shall give references to applicable laws and regulations that have been considered while conducting the engagement, in discovering evidence and drafting the report.

6.0 Effective Date

- 6.1 This Standard is applicable for all engagements beginning on or after ... (a date to be notified by the Council of the ICAI).

FORENSIC ACCOUNTING AND INVESTIGATION STANDARD NO. 140: APPLYING HYPOTHESES

Contents

	Paragraph(s)
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This Forensic Accounting and Investigation Standard 140, on “Applying Hypotheses,” issued by the Council of the Institute of Chartered Accountants of India (ICAI) should be read in conjunction with the “Preface to the Forensic Accounting and Investigation Standards”, the “Framework Governing Forensic Accounting and Investigation Standards” and “Basic Principles of Forensic Accounting and Investigations” issued by the ICAI.

1.0 Introduction and Scope

- 1.1 This Forensic Accounting and Investigating Standard (FAIS or “Standard”) deals with the Professional’s responsibility to understand the concept of hypotheses and how this applies to Forensic Accounting and Investigation (FAI) engagements.
- 1.2 A hypothesis is a provisional, unproven theory, supposition or proposed explanation, based on limited facts, assumptions and observations, the merits of which needs to be established through further examination and study of evidences.
- 1.2.1 In Forensic Accounting engagements, the hypothesis is generally verified by testing certain transactions and balances to prove or disprove the possibility of some exceptions.
- 1.2.2 In Investigation engagements, the hypothesis is generally developed considering the facts of the case, tested and revised to support or reject a possible modus operandi of fraud schemes.
- 1.3 In any Forensic Accounting and Investigation (FAI) engagement, it is necessary to have a clear and defined plan to achieve the given objective. At the same time, maintaining the basic principle of objectivity is also fundamental to the engagement. This is achieved by formulating various hypotheses for examining the subject matter, since this allows for a balance between professional skepticism and the need to maintain neutrality.
- 1.4 Applying hypotheses is a technique which makes the process of evidence discovery more methodical and effective. Although the hypothesis may not be referred to in the Report, the quality of the evidence discovered as a result of such application, makes the outcome more reliable and suitable for a Court of law.
- 1.5 **Scope:** This Standard applies to all Forensic Accounting and Investigation engagements where evidence is discovered to prove or disprove an assumption concerning the subject matter.

2.0 Objectives

- 2.1 The main objectives of this Standard on Applying Hypotheses are to provide the Professional with:
- (a) A need to evaluate the applicability of the concept of hypothesis.
 - (b) Help to develop and execute considered engagement plans.
- 2.2 This Standard provides for the need to test the evidences discovered on various objective parameters and to draw logical and reliable conclusions for proving or disapproving the hypotheses.

3.0 Requirements

- 3.1 The Professional shall understand and, if applicable, apply the concept of hypothesis to help validate the possibility of potential violations or exceptions which may (or may not) have been perpetrated.
- 3.2 The Professional shall design the forensic accounting and investigation methodologies in accordance with considered hypotheses while maintaining neutrality to ensure a methodical and reliable approach.
- 3.3 Hypotheses generated by the Professional shall be flexible, evolving and include new or alternate hypotheses to validate or reject them in order to prove or disprove a larger theory or assumption, such as the modus operandi.
- 3.4 After concluding an investigation, the Professional shall be in a position to either prove, disprove, or not prove the theory as formulated.

4.0 Explanatory Comments

- 4.1. In formulating the theory or explanation, which form the basis of the hypotheses, the Professional will keep an open mind and develop objective hypotheses, while maintaining professional scepticism.
- 4.2. As part of the evidence discovery exercise, the Professional shall gather all types of evidence related to the hypotheses, irrespective of whether it proves or disproves the hypotheses.

5.0 Documentation of Work Procedures

An indicative list of the nature of documentation expected to demonstrate conformance to the Standard is as follows:

- 5.1 Documents which demonstrate the formulation and application of the concept of hypotheses, how tested and rejected or accepted, both to be documented.
- 5.2 Chain of custody of evidence to be created and maintained for the engagement.

6.0 Effective Date

- 6.1 This Standard is applicable for all engagements beginning on or after ... (a date to be notified by the Council of the ICAI).

SECTION V

**STANDARDS ON ENGAGEMENT
MANAGEMENT (200 SERIES)**

FORENSIC ACCOUNTING AND INVESTIGATION STANDARD NO. 210: ENGAGEMENT OBJECTIVES

Contents

	Paragraph(s)
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Annexure 1: Indicative List of Nature of Engagement and Possible Objectives	

This Forensic Accounting and Investigation Standard Number 210, on “Engagement Objectives” issued by the Council of the Institute of Chartered Accountants of India (ICAI) should be read in conjunction with the “Preface to the Forensic Accounting and Investigation Standards”, the “Framework Governing Forensic Accounting and Investigation Standards” and “Basic Principles of Forensic Accounting and Investigations” issued by the ICAI.

1.0 Introduction and Scope

- 1.1 This Forensic Accounting and Investigating Standard (FAIS or “Standard”) deals with the Professional’s responsibility to clearly set the objectives of engagements.
- 1.2 Forensic Accounting and Investigating (FAI) engagements can be undertaken for different context or situations such as those provided in **Annexure 1**, where different possible objectives are also indicated depending upon the nature of engagement being undertaken. Therefore, a clear understanding is required about the purpose and objectives of the engagement, considering that the output of the engagement may be used in legal proceedings.
- 1.3 **Scope:** This Standard is applicable to all FAI engagements, covering the nature of engagement as indicated in Annexure 1. This Standard does not apply to situations where the outcome of the work is being used for Expert Testimony.

2.0 Objectives

- 2.1 The overall purpose of this Standard is to ensure that the Professional understands the broad purpose and expected outcome of the FAI engagement, and comes to an agreement with the stakeholders.
- 2.2 The supporting objectives of this Standard on Engagement Objectives are to ensure that:
 - (a) The Professional has clarity on the primary purpose of the engagement and the mandate (objective) issued by the Stakeholders.
 - (b) Scope of the engagement (along with any limitations) is consistent with the objectives, clearly defined and agreed with the Stakeholders.
 - (c) Nature of expected outcomes is discussed with stakeholders and consistent with the objectives and scope.

3.0 Requirements

- 3.1 Given the nature of the engagement to be either Forensic Accounting, an Investigation or Litigation support, the Professional

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shall fully understand and document the main purpose of the engagement.

- 3.2 The scope of the engagement shall be defined in line with the objectives so that it is clear as to what is included or excluded from the scope. For example, where Forensic Accounting activities go beyond the discovery of evidence, and includes the need to testify before competent authorities, this fact may be included in the scope.
- 3.3 The Professional shall ensure that the expected outcome is in line with the objectives and the defined scope and where there is any mismatch between any of these, clarity should be sought to get such ambiguity resolved.
- 3.4 The objective of any engagement shall not be designed to commit to any particular outcome, since the outcome is dependent on the discovery of facts and evidences. The Professional can however, help draw reasonable conclusions based on the evidence discovered, where this is part of the mandate.

4.0 Explanatory Comments

- 4.1 The understanding of the mandate agreed with the stakeholder shall be incorporated in the Engagement Letter in line with FAIS 220 on “Engagement Acceptance and Appointment”. The objectives of the engagement, or the original scope might undergo changes while the engagement proceeds and hence the objectives and scope set in the beginning may have to be amended or modified during the course of the engagement.
- 4.2 Where the Professional is engaged to undertake forensic accounting work prior to the conduct of similar work planned by others (such as law enforcement agencies), such engagement shall be accepted with ethical safeguards. If there are any concerns that the work of the Professional may be misused for any unethical purposes, then the Professional may choose not to accept such an engagement, adequately documenting and communicating the reasons for the same.

5.0 Documentation of Work Procedures

An indicative list of the nature of documentation expected to demonstrate conformance to the Standard is as follows:

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- 5.1 Documentation to support the need of the engagement or prompting an examination (such as a notice by the regulator, or a whistleblower complaint), or a Letter of Appointment from competent authorities.
- 5.2 The initial correspondence, minutes of meeting in respect of setting the objectives of the engagement with stakeholders or any communication leading to finalization of the nature of engagement and its objectives.
- 5.3 Documentation regarding any amendment to the objective of the engagement and consequential changes or limitations to the scope, or access to reports.

6.0 Effective Date

- 6.1 This Standard is applicable for all engagements beginning on or after ... (a date to be notified by the Council of the ICAI).

Annexure 1

INDICATIVE LIST OF NATURE OF ENGAGEMENT AND POSSIBLE OBJECTIVES

(A) FORENSIC ACCOUNTING SERVICES:

POSSIBLE OBJECTIVE: Forensic Accounting aims to highlight any accounting or legal violations, regulatory deviations or contractual breaches through ascertainment of facts and discovery of evidences suitable for a Court of law. The focus area is critical examination of transactions, funds and balances in the books of account or with third parties.

NATURE OF SERVICES (Indicative List)

- 1 Financial Statement manipulations
- 2 Fund diversions/Asset tracing
- 3 Anti-Money laundering
- 4 Licence Fees/Dues/Tax Evasion
- 5 Related party transactions/valuations
- 6 Valuations/Estimations of loss/damage
- 7 Suspicious transactions under IBC (Insolvency and Bankruptcy Code)

(B) INVESTIGATION SERVICES:

POSSIBLE OBJECTIVE: The purpose of the Investigation is to examine facts and circumstances and discover evidence to prove or disprove hypotheses formulated regarding alleged legal violations, unethical conduct or the possibility of a fraud by suspected individuals.

NATURE OF SERVICES (Indicative List)

- 1 Fraud investigations (including Cyber frauds)
- 2 Insurance/Personal injury claims
- 3 Ethical/Code of Conduct violations
- 4 Whistle-blower complaints/POSH (Prevention of Sexual Harassment) allegations

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- 5 Asset theft/Bribery/Corruption
- 6 Data breach/theft of Intellectual Property

(C) LITIGATION SUPPORT SERVICES:

POSSIBLE OBJECTIVE: Provide testimony in a Court of Law, based on Forensic Accounting and Investigation (FAI) expertise and/or to help facilitate some resolution to legal disputes based on facts/circumstances and FAI expertise.

NATURE OF SERVICES (Indicative List)

- 1 Fact Witness
- 2 Expert Witness
- 3 Alternate Dispute Resolution

**FORENSIC ACCOUNTING AND INVESTIGATION
STANDARD NO. 220: ENGAGEMENT ACCEPTANCE
AND APPOINTMENT**

Contents

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Annexure 1: Typical Contents of Engagement Letter	

This Forensic Accounting and Investigation Standard 220, on “Engagement Acceptance and Appointment” issued by the Council of the Institute of Chartered Accountants of India (ICAI) should be read in conjunction with the “Preface to the Forensic Accounting and Investigation Standards”, the “Framework Governing Forensic Accounting and Investigation Standards” and “Basic Principles of Forensic Accounting and Investigations” issued by the ICAI.

1.0 Introduction and Scope

- 1.1 This Forensic Accounting and Investigation Standard (FAIS or “Standard”) deals with the responsibility of the Professional in agreeing the terms of the engagement during appointment.
- 1.2 Most Forensic Accounting and Investigation (FAI) engagements come with a degree of sensitivity and inherent risk. This Standard establishes the need to conduct preliminary procedures and due diligence when evaluating the conditions for appointment.
- 1.3 **Scope:** This Standard applies to all Forensic Accounting and Investigation engagements which are undertaken by members in practice.

2.0 Objectives

- 2.1 The main objectives of this Standard on Engagement Acceptance and Appointment are to ensure that:
 - (a) Preliminary and due diligence procedures are undertaken to evaluate the conditions of appointment prior to acceptance of the engagement.
 - (b) All key terms of the engagement, as agreed with the client, are documented in the form of a formal Engagement Letter.

3.0 Requirements

- 3.1 The Professional shall undertake preliminary procedures related to the proposed engagement prior to its acceptance. These procedures are aimed at getting an understanding about the nature and complexity of the engagement and to assess the ability of the Professional to undertake the engagement while adhering to the requirements of Basic Principles (refer Para 4.1).
- 3.2 The Professional shall conduct a due diligence directed to gain an assessment of the inherent risks of accepting the engagement. This due diligence requires communication at an appropriate level of the stakeholders to ascertain the risk parameters, especially the purpose of the engagement and the ultimate use of the outcome by the stakeholders (refer Para 4.2).

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- 3.3 The Professional shall identify all key stakeholders, the individuals covered under the scope and the direct and indirect users of the engagement report, such as law enforcement or regulatory agencies, lenders, other third parties (refer Para 4.2).
- 3.4 A written Engagement Letter shall be signed, or a Letter of Appointment (in the case of Government Agencies) obtained to confirm the terms of appointment (refer Para 4.4).

4.0 Explanatory Comments

- 4.1 **Procedures for Engagement Assessment (refer Para 3.1):** Preliminary procedures shall be conducted by the Professional prior to accepting a proposed engagement to understand the requirements of the engagement. These procedures shall be directed towards making an assessment as to whether the Basic Principles of Forensic Accounting and Investigations are adhered to. Examples of such procedures include an evaluation of independence, preliminary capability assessment with available resources and skills, complexity of relevant laws and regulations as well as any constraints or scope limitations. A determination shall also be made of the need to source appropriate skilled resources and time limitations specified for completion.
- 4.2 **Due diligence of engagement (refer Para 3.2 and 3.3):** The Professional shall, through discussion with the stakeholders and a review of available information, conduct an assessment of the engagement risks covering some of the following areas (indicative list):
- (a) Nature of engagement and its primary purpose;
 - (b) Scope of the engagement and any limitations imposed;
 - (c) Key stakeholders, their relationships and any conflict of interest;
 - (d) Execution challenges such as access to systems and availability of information;
 - (e) Requirement and availability of necessary skills and expertise;

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- (f) Nature and form of deliverables;
- (g) Intended users (both primary and secondary); and
- (h) Fees and costs.

Where the engagement risks are substantial with limited mitigations or safeguards, and the risk assessed is above the acceptable levels, the Professional may choose not to accept the engagement, and communicate the reasons for this action.

4.3 **Limitation on Scope Prior to Engagement Acceptance:** A limitation on the scope may sometimes be imposed by the stakeholders prior to engagement acceptance. For example, a bank may appoint the Professional to conduct a forensic review of loan fund utilisation, but the lender company has expressed an inability to support the Professional with some key information requirements. Where such limitations impose undue restrictions to the effective performance of the engagement, the Professional shall not accept such an engagement, and communicate the reasons for this action.

4.4 **Engagement Letter (refer para 3.4):** Acceptance of an engagement is complete when the appointing stakeholders have agreed to the terms of the engagement and signed the Engagement Letter, or issued a Letter of Appointment. Subsequent changes to the scope shall also be documented and agreed through an addendum to the Engagement Letter prior to the issuance of the deliverables. In the circumstances where the Professional is unable to agree to the revised terms of engagement, imposition of limits or change in scope, the Professional shall withdraw from the engagement, and communicate the reason for withdrawal.

5.0 Documentation of Work Procedures

An indicative list of the nature of documentation expected to demonstrate conformance to the Standards is as follows:

5.1 Once the engagement's nature, scope, coverage, purpose, timelines and other particulars are clearly understood and agreed upon, and no potential conflict of interest has been established, or duly resolved, the Professional may draft the Engagement Letter and obtain the written consent of the appointing stakeholders.

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- 5.2 Key contents of an Engagement Letter are those where both the appointing stakeholders and the Professional agree on. However, a suggested (indicative list) of relevant clauses is given in **Annexure 1**.
- 5.3 In situations where the appointing stakeholders represent a government agency (a law enforcement agency/regulatory body/adjudicating authority), the requirements of the Engagement Letter referred to in para 5.1 and 5.2 above, may be deemed to be complied with upon obtaining a written Letter of Appointment from the concerned appointing stakeholders.

6.0 Effective Date

- 6.1 This Standard is applicable for all engagements beginning on or after ... (a date to be notified by the Council of the ICAI).

Annexure 1

Typical Contents of an Engagement Letter

The form and content of Engagement Letters vary from one engagement to another, but they generally include some of the following key contents:

- A. Clauses concerning the nature of engagement (for example):
- The objective of the engagement, including a brief on the nature of the background, concerns and allegations.
 - Scope of coverage - including reference to applicable legislation, regulations, or pronouncements of professional bodies or any limitations.
 - Nature and form of deliverables, and the intended use and distribution of the report to be issued.
 - List of entities, functions, geographical regions, or sites which are to be covered.
 - Unresolved conflicts of interest, if any.
 - Project timeline and milestones.
 - Any special requirement, such as the need to testify to competent authorities.
- B. Clauses concerning the responsibilities of the Stakeholders (for example):
- Provision of unrestricted access to records, documentation and other information required in connection with the engagement.
 - Access to key personnel and officials.
 - Assistance in Third Party Verifications and such particulars.
 - Safeguards in use of Tools, techniques and Methods.
 - Specific logistical requirement, arrangements regarding the planning and performance of the engagement.
 - Arrangements concerning the involvement of other professionals and technical experts in some aspects of the engagement (if any).

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- C. Clauses concerning the responsibilities of the Professional (for example):
- Engagement team composition in terms of qualification, seniority, experience and involvement in the engagement.
 - Confidentiality and limitations in sharing workpapers, such as for Testimony, Quality control, or Peer Review purposes.
 - Form of reports or other communication of results of the engagement.
 - Details of any letters or special reports the Professional needs to issue.
- D. Clauses concerning other matters (for example):
- Billing and payments – Fee basis and any billing/payment arrangements.
 - Any restriction of the forensic professional's liability when such possibility exists.
 - Termination of Engagement or Situations that may warrant withdrawal from Engagement.

FORENSIC ACCOUNTING AND INVESTIGATION STANDARD No. 230: USING THE WORK OF AN EXPERT

Contents

	Paragraph(s)
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This Forensic Accounting and Investigation Standard 230, on “Using the Work of an Expert,” issued by the Council of the Institute of Chartered Accountants of India (ICAI) should be read in conjunction with the “Preface to the Forensic Accounting and Investigation Standards”, the “Framework Governing Forensic Accounting and Investigation Standards” and “Basic Principles of Forensic Accounting and Investigations” issued by the ICAI.

1.0 Introduction and Scope

- 1.1 This Forensic Accounting and Investigation Standard (FAIS or “Standard”) deals with the responsibility of the Professional regarding the use of an expert to assist in discovering reliable and sufficient evidence.
- 1.2 **Definition:** The following definition has been used in this Standard.
- Expert:** An ‘Expert’ is an individual or a person representing an entity, possessing special skills or domain expertise, along with relevant experience and expertise in a particular area, field or discipline for conducting Forensic Accounting and Investigations (FAI) engagements.
- 1.3 In conducting FAI engagements, the Professional may seek assistance, and place reliance on the work of an expert where the required skills are neither possessed by the Professional, nor available within the team. The work of the expert may be in the form of specific examination procedures covering a specialized area or field, (such as, Discovering Electronic evidence, Cyber security, Asset Valuations, Voice sampling, Signature verification) or advise from a Legal or industry specialist.
- 1.4 **Scope:** This Standard applies to all engagements where part of the work is completed by an expert and relied upon by the Professional. This Standard does not apply to situations where some part of regular FAI work is outsourced to third parties (non-experts) who are supervised by the Professional.

2.0 Objectives

- 2.1 The main objective of using the work of an expert is to ensure that:
- (a) Technical assistance from expert is sourced where the Professional does not possess the necessary knowledge, skills or expertise.
 - (b) Procedures conducted in complex and specialized areas meet standards on quality.
 - (c) Credible and reliable evidence may be gathered with the help of the Expert.

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- 2.2 The overall objective of this Standard on Using the work of an Expert is to specify the manner in which the Professional shall seek to place reliance on the technical expertise of experts to add credibility and reliability to the findings of the engagement.

3.0 Requirements

- 3.1 The Professional shall make an independent determination of using the work of an expert based on:
- (a) The nature and significance of the subject matter, including its complexity.
 - (b) The technicality of the subject matter and the complexity of procedures required to be performed.
 - (c) The understanding of fraud risk and vulnerabilities of the subject matter
 - (d) A comparison of the expertise required with the expertise available to the Professional.
- 3.2 The Professional shall seek the authority to select, appoint and engage the Expert. Where this authority does not rest with the Professional, procedures to evaluate the independence and objectivity of the Expert appointed by others shall be conducted. Any concerns observed in this regard shall be shared with those who appoint the Expert, and a determination made whether to engage the Expert (refer Para 4.1).
- 3.3 The Professional shall evaluate the qualifications and credentials of the Expert (refer Para 4.2).
- 3.4 Where the findings of the Expert will form part of the report, the Professional shall participate in defining the scope and expected deliverables for the work to be conducted by the Expert (refer Para 4.3).
- 3.5 The Professional shall evaluate the adequacy of the work conducted by the Expert to ensure that the procedures undertaken followed a due process and the evidence discovered constitutes sufficient and reliable evidence to support the overall conclusions being reported (refer Para 4.4).

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- 3.6 The Professional shall retain ultimate responsibility for assignment conclusions of the Expert which are incorporated in the report. The report issued by the Professional shall clearly state the role of the Expert and reliance placed (if any) on the work conducted by the Expert.

4.0 Explanatory Comments

- 4.1 **Independence and Objectivity of the Expert (refer Para 3.2):** The Professional shall conduct procedures to assess the ability of the Expert to function in an independent and objective manner, such as the following (indicative list):

- (a) **Relationship of Expert:** Where there is any relationship of the Expert with those subject to scrutiny, or those who have some role in the subject matter being investigated, the objectivity of the Expert may get compromised.
- (b) **Personal Interests:** Where the Expert has any personal, financial or organizational interests with those subject to scrutiny (such as significant portion of their income is derived from the company), it may prevent the rendering of an unbiased and impartial report.

- 4.2 **Qualifications and Credentials of the Expert (refer Para 3.3):** The Professional shall validate the qualification and credentials of the Expert, with procedures, such as the following (indicative list):

- (a) Confirmation of educational and professional qualifications and membership of professional bodies.
- (b) Background and reference checks of the experience and/or professional reputation of the Expert.
- (c) Self-Certification by the Expert regarding their qualifications, Expertise, any conflict of interest or any pending disciplinary actions.

- 4.3 **Defining the Scope and Deliverables of the Expert (refer Para 3.4):** Where the Professional plans to incorporate the findings of the work of the Expert as part of the FAI Report, the Professional shall participate in defining the scope and expected deliverables, as follows (indicative list):

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- (a) Define the objective of the activities to be performed by the Expert.
- (b) Identify the subject matter to be reviewed, especially what is included or excluded.
- (c) Define any specific requirements or limitations of the work to be undertaken.
- (d) Define the nature, format and broad contents of expected deliverables.
- (e) Define the terms of reference, specifying the liability and responsibility (if any) for the work performed by the Expert.

4.4 **Evaluating the adequacy of the Work of the Expert (refer Para 3.5):** During and after completion of the work by the Expert, the Professional shall conduct an overall evaluation of the process followed and the outcome of the findings, to make a determination of the adequacy of the work performed and to validate the sufficiency and reliability of the findings, such as (indicative list):

- (a) A review of the process, report and findings, to evaluate whether any relevant technical standards or other professional or industry requirements were followed.
- (a) Assess overall reasonableness of any scope limitations, assumptions or other hurdles faced in completing the assignment, such as missing or insufficient information or access limitations, which may affect the level of reliance which can be placed on the evidence.

Where the determination is made that the work conducted by the expert is inadequate or insufficient, the Professional shall:

- (a) Agree with the expert on the nature and extent of further work to be performed by that expert; or
- (b) Perform alternative work procedures appropriate to the circumstances.

5.0 Documentation of Work Procedures

An indicative list of the nature of documentation expected to demonstrate conformance to the Standard is as follows:

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- 5.1 An Agreement with the Expert in place to define the scope and objective of the work of the expert, including adequate provisions for Confidentiality and Non-disclosure. For 'Scope and Objectives', the agreement may specify the nature of work or activity to be performed by the Expert or to assist the Professional from a technical or legal point of view etc., and that the Professional shall rely on the work of the Expert only for some specific aspect.
- 5.2 Documentation to support the details of work procedures conducted to:
- (a) validate the need of an Expert.
 - (b) validate the Independence and Objectivity of the Expert.
 - (c) verify qualification and credentials of the Expert.
 - (d) define the scope of work and expected deliverables from the work of the Expert.
 - (e) evaluate the adequacy and reliability of work completed.
- 5.3 An original signed final copy of the formal report issued by the Expert, along with supporting documents, if any, and evidentiary matters. Ideally, a copy of the full set of the work papers should be in obtained. However, where this is not possible, arrangements should be in place to have the workpapers available for review when required.

6.0 Effective Date

- 6.1 This Standard is applicable for all engagements beginning on or after ... (a date to be notified by the Council of the ICAI).

FORENSIC ACCOUNTING AND INVESTIGATION STANDARD NO. 240: ENGAGING WITH AGENCIES

Contents

	Paragraph(s)
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Effective Date	6
Annexure 1: Indicative List of Agencies	

This Forensic Accounting and Investigation Standard Number 240, on “Engaging with Agencies,” issued by the Council of the Institute of Chartered Accountants of India (ICAI) should be read in conjunction with the “Preface to the Forensic Accounting and Investigation Standards”, the “Framework Governing Forensic Accounting and Investigation Standards” and “Basic Principles of Forensic Accounting and Investigations” issued by the ICAI.

1.0 Introduction and Scope

- 1.1 This Forensic Accounting and Investigation Standard (FAIS or “Standard”) deals with the responsibility of the Professional when engaging with agencies.
- 1.2 Forensic Accounting and Investigations (FAI) engagements are highly specialized in nature and in many engagements, Professionals are required to interact, or work closely with, the Law Enforcement Agencies, Regulatory Bodies or Adjudicating Authorities (collectively referred to as “Agencies”). This interaction is either in their Professional capacity as a service provider, or in their official capacity of representing their organization.

1.3 **Definitions:** The following definitions have been used in this Standard.

- (a) **Law Enforcement Agencies** are typically Central or State Agencies mandated to enforce a particular law with the power to prevent, detect and investigate non-compliances with those laws. Their powers may be restricted by jurisdiction or by the law they are entrusted to enforce.
- (b) **Regulatory Bodies** are established to govern and enforce rules and regulations for the benefit of public at large.
- (c) **Adjudicating Authorities** refer to Tribunals or Judicial Authorities established to interpret the law and pass necessary judgements in case of disputes.

Note: Agencies may also include international bodies, in which circumstances, the engagement may be governed by rules and laws relevant to the particular agency or engagement.

An indicative list of Agencies is presented in **Annexure 1**.

- 1.4 **Scope:** This Standard covers the following type of engagements:
- (a) Engagements where the Professional is appointed by the Agency or on their behalf as a Consultant or Advisor.
- (b) Engagements where the Professional is called upon by the Agency in respect of the work carried out by them under the instructions of their employer, client or other stakeholders.

This Standard does not apply in situations wherein the Professional provides Expert Witness services in any proceeding before a Court of law.

2.0 Objectives

- 2.1 The main objectives of this Standard on Engaging with Agencies are to:
- (a) Define certain protocols, including legal aspects, which are to be followed while undertaking engagements involving Agencies.
 - (b) Clarify certain roles and responsibilities of Professionals when interacting with the Agencies.
 - (c) Take into account special considerations when called upon to testify by an Agency.
 - (d) Outline the manner in which the Professional can provide evidence to Agencies in relation to engagements carried out by the Professional.

3.0 Requirements

- 3.1 The Professional shall agree on the objectives, scope and planned procedures of the engagement with the Agencies through a suitable form of communication exchange, confirming the Terms of Engagement (refer Para 4.1).
- 3.2 The Professional shall have an understanding of the applicable laws and regulations governing the respective agency and the legal implications of the Professional's work (refer Para 4.2).
- 3.3 The Professional shall comply with Basic Principles with special emphasis on Independence, Objectivity, Integrity, Confidentiality and Neutrality (refer Para 4.3).
- 3.4 The Professional shall be aware of their roles and responsibilities in presentation of facts before the Agencies (refer Para 4.4).
- 3.5 Due professional care shall be taken with regards to communication with Agencies supported by adequate documentation trail (refer Para 4.5).

4.0 Explanatory Comments

4.1. Engagement Letter or Terms of Engagement (refer Para 3.1)

The Professional shall agree on the objectives, scope and planned procedures of the engagement with the Agencies either through a

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Letter of Appointment or Work Order issued by the Agency, or through an Engagement Letter issued by the Professional or some other suitable form of communication exchange confirming the Terms of Engagement. In this regard, the Professional shall adhere to FAIS 220 on “Engagement Acceptance and Appointment”.

If during the course of the engagement, there is a change in scope and objectives, the same shall be documented and agreed upon in the manner that is binding on both the parties. The Professional shall, in all cases, clearly communicate any changes to the concerned Agencies.

4.2. **Understanding of applicable laws and regulations (refer Para 3.2)**

The Professional may engage legal experts or seek appropriate legal advice as deemed fit to gain an understanding of applicable laws and regulations. Further, the Professional performing services in the nature of evidence discovery in the digital domain (as per FAIS 520), shall be aware of the procedures to be undertaken to maintain evidentiary value of the digital evidence.

4.3. **Special emphasis governing engagement with Agencies (refer Para 3.3)**

4.3.1. During the tenure of the engagement, the Professional may be privy to information which is highly confidential in nature. The Professional shall have in place adequate internal procedures to ensure strict confidentiality is maintained, and these procedures shall include periodic communication with team members on the importance of confidentiality and to share any information only on a “need to know” basis and with due authorizations.

4.3.2. The Professional shall take into account the protracted nature of the engagement and the need to be available later to explain their work and findings. Therefore, the Professional shall secure the evidence and documents to ensure suitability for the Court.

4.4. **Explanation on work carried out for other stakeholders (refer Para 3.4)**

When the Professional is called-upon by the respective Agency for

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clarifications regarding work performed, they shall ensure the following:

- (a) Their terms of engagement shall include clauses relevant to sharing of information with Agencies in line with FAIS 220 on “Engagement Acceptance and Appointment”.
- (b) Communication with respect to scope limitations and work procedures that may have impact on the engagement deliverables.
- (c) Professionals engaged by Agencies to testify shall assist the agencies while maintaining their objectivity and independence and inform the agencies on any matters outside their expertise.

4.5. Communication with Agencies (refer Para 3.5)

The Professional shall secure adequate documentation of correspondence with Agencies at appropriate stage of the engagement and ensure archival of such correspondence. In this regard, the Professional shall also ensure adherence to FAIS 250 on “Communication with Stakeholders”.

5.0 Documentation of Work Procedures

An indicative list of the nature of documentation expected to demonstrate conformance to the Standard is as follows:

- 5.1 Terms of Engagement with scope, objectives and procedures, including documentation recording any changes in the terms of engagement.
- 5.2 Chain of custody for physical/digital evidence.
- 5.3 Non-Disclosure undertaking from Professionals and team members involved in the engagement.
- 5.4 Retention of all correspondences including Reports and Working Papers in physical/digital form.

6.0 Effective Date

- 6.1 This Standard is applicable for all engagements beginning on or after ... (a date to be notified by the Council of the ICAI).

Annexure 1

Indicative list of Agencies in India

1. Law Enforcement Agencies:

- (a) Central Bureau of Investigation (CBI)
- (b) Enforcement Directorate (ED)
- (c) Economic Offences Wing (EOW)
- (d) Serious Frauds and Investigations Office (SFIO)
- (e) Insolvency and Bankruptcy Board of India (IBBI)
- (f) Directorate General of Income Tax Investigation (DGIT)
- (g) Directorate General of Goods and Service Tax Intelligence (DGGSTI)
- (h) Computer Emergency Response Team- (CERT)
- (i) National Crime Records Bureau (NCRB)

2. Regulatory Bodies:

- (a) Reserve Bank of India (RBI)
- (b) Securities and Exchange Board of India (SEBI)
- (c) Insurance Regulatory and Development Authority of India (IRDAI)

3. Adjudicating Authorities:

- (a) National Company Law Tribunal (NCLT)
- (b) Income Tax Appellate Tribunal (ITAT)

SECTION VI

STANDARDS ON EXECUTING ASSIGNMENTS (300 SERIES)

FORENSIC ACCOUNTING AND INVESTIGATION STANDARD NO. 310: PLANNING THE ASSIGNMENT

Contents

	Paragraph(s)
Introduction and Scope	1
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Documentation of Work Procedures	5
Effective Date	6

This Forensic Accounting and Investigation Standard Number 310, on “Planning the Assignment,” issued by the Council of the Institute of Chartered Accountants of India (ICAI) should be read in conjunction with the “Preface to the Forensic Accounting and Investigation Standards”, the “Framework Governing Forensic Accounting and Investigation Standards” and “Basic Principles of Forensic Accounting and Investigations” issued by the ICAI.

1.0 Introduction and Scope

- 1.1 This Forensic Accounting and Investigation Standard (FAIS or “Standard”) deals with the responsibility of the Professional when planning an assignment.
- 1.2 Planning the Forensic Accounting and Investigation (FAI) assignment involves understanding the objectives of the assignment and developing a strategy for its execution to achieve those objectives.
- 1.3 The extent and depth of planning required will depend on the nature and complexity of the assignment. The familiarity of the Professional with the stakeholders and the facts of the case will also impact the level of planning that is required.
- 1.4 **Definitions:** The following definitions have been used in this Standard.
 - (a) **Engagement:** An Engagement shall mean the overall contractual mandate between the Professional and the appointing stakeholder, stipulating the terms of reference, scope of work, coverage, and expected deliverables.
 - (b) **Assignment:** An Assignment shall mean some part of the engagement (such as a specific business or location), or a portion of the overall engagement (such as the IT or technical aspects) or a specific group of tasks (such as conducting interviews), undertaken by the Professional.
- 1.5 Planning the FAI assignment involves the following key elements:
 - (a) It is specific in nature and covers the subject matter of the assignment included in the scope (i.e., location, function, nature or legal entity, and third parties, where relevant).
 - (b) It is an ongoing activity, which is periodically reviewed during the course of the assignment.
 - (c) It is prepared by the Professional responsible for the assignment.
- 1.6 **Scope:** This Standard applies to all FAI assignments. Where only part of the engagement is outsourced to the Professional, this

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Standard shall apply to the extent the Professional needs to plan the activities of the outsourced part of the assignment only, as defined in the terms of engagement.

2.0 Objectives

2.1 The objectives of this Standard on Planning the Assignment are as follows:

- (a) To ensure that the planning process is in line with the overall scope of work and terms of engagement and applicable regulations, if any.
- (b) To consider the risk factors, limitations or restrictions and the steps required to mitigate these.
- (c) Determine the appropriate work methodology to be deployed considering nature of the assignment.
- (d) To identify the diverse sources for discovery of evidences (such as public domain, representatives of the client, accounting systems, etc.).
- (e) Identify data and information owners, in particular, for information critical to the assignment.
- (f) Evaluate the resources, skills and timeline requirements with the availability to allocate appropriate resources to the assignment.

3.0 Requirements

3.1 Planning of the FAI assignment shall follow a laid down process (refer Para. 4.1), the outcome of which shall be duly documented (refer Para. 5.1).

3.2 The planning activities shall contain all the key elements required to help achieve the objectives of the assignment (refer Para. 2.1). These key elements shall include the following:

- 3.2.1 Knowledge of the relevant business and environment (refer para 4.2).
- 3.2.2 Risk considerations (refer Para 4.3).

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- 3.2.3 Discussion with the stakeholders (refer para 4.4).
- 3.2.4 Technology deployment (refer Para. 4.5)
- 3.2.5 Resource allocation (refer Para. 4.6).
- 3.3 Based on the key activities completed and the information gathered, the work methodology shall be established (including any hypotheses formulated), together with the depth and nature of procedures to be conducted, both of which shall be duly documented by the Professional (refer Para. 4.7).
- 3.4 Elements of the plan relevant to its effective execution shall be communicated to the identified stakeholders, on a need-to-know basis, prior to the commencement of the assignment procedures to ensure smooth conduct of the assignment.

4.0 Explanatory Comments

- 4.1 **The Planning Process (refer Para 3.1):** The Professional conducting the assignment shall use professional judgement for the process to be followed in completing the planning activities. The plan shall be flexible to accommodate changes in the scope, since such assignments are dynamic in nature. The Professional shall document the procedures and steps required to execute the plans and the nature of output to be delivered.
- 4.2 **Knowledge of the relevant Business and its Environment (refer Para 3.2a):** The Professional shall gather the information relevant for understanding the business environment, legal and regulatory environment, probable modus operandi and operating environment, in so far as it is related to the objectives of the assignment.
- 4.3 **Risk Considerations (refer Para 3.2b):** The Plan shall take into account the outcome of the Fraud Risk understanding conducted in line with FAIS 120 on “Fraud Risk” and any other risks and vulnerabilities highlighted after completing the due diligence mandated in FAIS 220 on “Engagement Acceptance and Appointment”.
- 4.4 **Discussion with Stakeholders (refer Para 3.2c):** A key element of planning involves discussion and deliberation with stakeholders as deemed fit by the Professional. Which stakeholder to approach, and

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at what point in time of the assignment, are key aspects in this regard, especially keeping in mind the confidentiality requirements. Their inputs are critical in understanding the intricacies of the assignment, in identification of information and data sources, certain matters of relevance and to align stakeholder expectations with the assignment objectives and expected outcome.

- 4.5 **Technology Deployment (refer Para 3.2d):** A key element at planning stage is to determine the usage and acceptability of technology tools to meet the assignment objectives, quality requirements and timely completion of the project. Some aspects in this regard that need to be considered are as follows (indicative list):
- (a) The extent of computerization and IT deployment.
 - (b) Insourcing and outsourcing of IT processes in the overall IT framework, such as use of cloud technologies, outsourced service providers, remote data processing, etc.
 - (c) Data analysis, data mining and digital forensic tools to be deployed by the Professional for discovering evidence during the assignment.
 - (d) Applicable data privacy regulations to be kept in mind while planning relevant technology deployment.
- 4.6 **Resource Allocation (refer Para 3.2e):** The Professional shall prepare a work schedule to estimate the time required for key procedures depending on the assignment objectives, scope, depth of coverage, and map these with available resources and competencies (knowledge, experience, expertise etc.) to ensure proper resource allocation. The Professional may use experts in completing parts of the assignment in situations where required skills are not available with the Professional, in line with FAIS 230 on “Using the work of an Expert”.
- 4.7 **Methodology and Coverage (refer Para 3.3):** The basic work methodology generally undertaken, involves discovery of different types of evidence to support the hypotheses, including oral, digital, physical and analytical evidence. Some of the aspects that need to be considered are, for example:
- (a) Nature of the assignment and risk involved.

- (b) Requirement as per engagement letter.
- (c) Compliance with applicable laws and regulations.
- (d) Evidence identification.

5.0 Documentation of Work Procedures

An indicative list of the nature of documentation expected to demonstrate conformance to the Standard is as follows:

- 5.1 Key steps undertaken in the planning process shall be documented to confirm their proper completion.
- 5.2 The following documents shall be maintained by the Professional:
 - (a) Planning process documentation (or checklists) and any tools used in the planning process.
 - (b) Documentation supporting the information gathered about the business and operations, systems and processes and any past or known issues.
 - (c) Summary of meetings and communication with key stakeholders, with a summary of their inputs.
 - (d) Summary of resource requirements and comparison with available resources, competencies and matching of skills with the assignment requirements.

6.0 Effective Date

- 6.1 This Standard is applicable for all engagements beginning on or after ... (a date to be notified by the Council of the ICAI).

FORENSIC ACCOUNTING AND INVESTIGATION STANDARD NO. 320: EVIDENCE AND DOCUMENTATION

Contents

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This Forensic Accounting and Investigation Standard Number 320, on “Evidence and Documentation,” issued by the Council of the Institute of Chartered Accountants of India (ICAI) should be read in conjunction with the “Preface to the Forensic Accounting and Investigation Standards”, the “Framework Governing Forensic Accounting and Investigation Standards” and “Basic Principles of Forensic Accounting and Investigations” issued by the ICAI.

1.0 Introduction and Scope

- 1.1 This Forensic Accounting and Investigation Standard (FAIS or “Standard”) deals with the responsibility of the Professional to discover appropriate and reliable evidence and maintain relevant and sufficient documentation.
- 1.2 Considering the nature of Forensic Accounting and Investigation (FAI) assignments, the engaging stakeholders often take a legal recourse for concluding the matters. Therefore, the Professional is expected to discover appropriate evidence and maintain sufficient documentation to conduct the assignment.
- 1.3 **Definitions:** The following definitions have been used in this Standard.
 - 1.3.1 **Evidence** refers to the information, written or oral, or contained in electronic form, relied upon by the Professionals to arrive at the conclusions on which the Professional’s report is based. Evidence includes information which is discovered both from work procedures conducted (such as observations, documentation and process reviews, data analysis, etc.) or gathered from internal or external sources (such as interviews, testimony, spoken recollections, etc.), to the extent suitable in the Court of law.
 - 1.3.2 **Documentation** refers to the aggregate of all evidences discovered along with written record of work procedures conducted, conclusions reached and reported. It includes electronic records and correspondence in digital format, and incorporates details of project plan, engagement team composition, analysis conducted, documents reviewed, quality review, etc.
- 1.4 **Scope:** This Standard applies to all FAIS engagements. However, the manner of discovery of evidence from the performance of investigation activities and testing procedures (e.g., Data analytics, conducting interviews, collection and review of electronically stored information, etc.) are not subject matter of this FAIS and the Professional shall refer to the relevant Standard on those subject matters.

2.0 Objectives

- 2.1 The objectives of the Standard on Evidence and Documentation are to ensure that:
- (a) the Professional discovers appropriate and reliable evidence, which can stand on its own and does not require any follow-up clarification or additional information to arrive at the same conclusion as drawn by the Professional.
 - (b) relevant and sufficient documentation is prepared and maintained to:
 - (i) facilitate a review and confirmation of procedures conducted by the Professional; and
 - (ii) validate the findings and support the basis on which observations are made and conclusions are drawn.

3.0 Requirements

- 3.1 The Professional shall obtain evidence from reliable sources and ensure that evidence discovered is appropriate to the objectives of the assignment and suitable in a Court of law. Evidence shall support the basis of findings and allows reasonable conclusions to be drawn from those findings (refer Para 4.1 and 4.2).
- 3.2 The Professional shall ensure that relevant and sufficient documentation is maintained explaining the manner in which the evidence was discovered, reviewed, recorded and stored. Where documentation is in digital or some other format, it should be reproducible as hard-copy documents suitable in a Court of law (refer Para. 4.3).
- 3.3 The ownership and custody of the documentation shall remain with the Professionals. Where the work is entrusted to a third party, a copy of the full set of documents shall be obtained, and mechanism be devised to ensure that the original evidences and documentation are readily available to the Professional and competent authorities, if and when required (refer Para. 4.4).

4.0 Explanatory Comments

- 4.1 **Reliable Evidence (refer Para 3.1):** The reliability of the evidence depends on its source (e.g., internal from the entity or external third party), type and completeness. For example, in situations where oral evidences have formed the basis of inquiry, these would require to be duly documented in the form of written statements to be considered reliable. In case where there are doubts on the reliability of evidence or its source, the Professional shall evaluate the necessity of identifying additional corroborative evidence and the need to modify or extend the procedures in order to resolve those doubts.
- 4.2 **Appropriate Evidence (refer Para 3.1):** The Professional shall ensure that the evidences collected through multiple sources are appropriate to the objectives of the assignment and important to the subject matter. The Professional shall ensure that the evidences, on the basis of which conclusions are drawn in the report, are suitable in a Court of law.
- 4.3 **Relevant and Sufficient Documentation (refer Para 3.2):** Documentation shall be relevant and sufficient. For example, it could, where appropriate, consist of details of procedures performed, hypotheses developed and tested, purpose and outcome of such procedure, information relied on, source of the information, chain of custody maintained, minutes of the meetings conducted during the course of the assignment, testimony of a witness, data analytical procedures performed, methodology followed for sample selection, review of documents and electronically stored data, key correspondence (including e-mail communication) with respect to the assignment.
- Documentation shall be maintained in a logical manner with appropriate references to the observations forming part of the report. All documentation shall be retained in accordance with the legal requirements and Professional's retention policy.
- 4.4 **Ownership and Custody of Documentation (refer Para 3.3):** Both ownership and custody of the documentation shall remain with the Professional. Where part of the assignment is outsourced to an external service provider or an Expert, documentation requirements

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of FAIS 230 on “Using the work of an Expert” are complied with (refer Para 5 of that Standard).

Considering the quasi-legal nature of investigation assignments, the Professional shall consider applicability of the privileged information and accordingly ensure that the details of evidence and documentation is shared only with those who have authorised access to them.

5.0 Documentation of Work Procedures

An indicative list of the nature of documentation expected to demonstrate conformance to the Standard is as follows:

- 5.1 Detailed working paper including details of evidences obtained (along with the name of source), name and date of reviewer, quality checks conducted, etc as detailed in this Standard.
- 5.2 Maintain the chain of custody for physical and digital evidence.

6.0 Effective Date

- 6.1 This Standard is applicable for all engagements beginning on or after ... (a date to be notified by the Council of the ICAI).

FORENSIC ACCOUNTING AND INVESTIGATION STANDARD NO. 330: CONDUCTING WORK PROCEDURES

Contents

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Annexure 1: Indicative List of Work Procedures	

This Forensic Accounting and Investigation Standard Number 330, on “Conducting Work Procedures,” issued by the Council of the Institute of Chartered Accountants of India (ICAI) should be read in conjunction with the “Preface to the Forensic Accounting and Investigation Standards”, the “Framework Governing Forensic Accounting and Investigation Standards” and “Basic Principles of Forensic Accounting and Investigations” issued by the ICAI.

1.0 Introduction and Scope

- 1.1 This Forensic Accounting and Investigation Standard (FAIS or “Standard”) deals with various work procedures required to conduct Forensic Accounting and Investigation (FAI) assignments.
- 1.2 Work Procedures refer to a number of FAI activities to collect, analyse and interpret data and information, discover reliable and appropriate evidence in order to prove or disprove formulated hypotheses.
- 1.3 Generally, in FAI assignments, Work Procedures are first conducted behind the scenes (Phase 1) where there is little interaction with the individuals involved, and thereafter (Phase 2), where there is a need to engage with the relevant stakeholders. Some engagements may not involve Phase 2, since the first phase may provide all the evidence required to meet the objectives of the assignment. An indicative list of the typical Work Procedures relevant in each phase is presented in **Annexure 1**.
- 1.4 **Scope:** This Standard applies to all Forensic Accounting and Investigation engagements and covers both the phases mentioned above.

2.0 Objectives

- 2.1 The main objectives of this Standard on Conducting Work Procedures are to ensure that:
- (a) The Professional develops planned Work Procedures to achieve the objectives of the assignment.
 - (b) The Professional conducts Work Procedures for effective execution of the assignment.
 - (c) There is clarity on activities to be undertaken to either prove, disprove or not prove the hypotheses as formulated by the Professional.
- 2.2 The overall objective is to ensure the effective and efficient performance of the Work Procedures.

3.0 Requirements

- 3.1 The Professional shall develop Work Procedures to be performed

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- keeping in mind the agreed scope and objectives of the assignment (refer Para 4.1).
- 3.2 The Professional shall evaluate deploying relevant tools and techniques (such as Data Analysis, Digital Forensics), processes (such as conducting interviews), for the purpose of discovering evidence and to effectively perform the Work Procedures.
- 3.3 As part of the Work Procedures undertaken, the Professional shall pay due attention to any Fraud Indicators which are identified (refer Para 4.2).
- 3.4 Work Procedures shall consider the formulation and testing of hypotheses to discover reliable and appropriate evidences. Where required, hypotheses may need to be redesigned and reformulated and this shall be done in accordance with FAIS 140 on “Applying Hypotheses” (refer Para 4.3).
- 3.5 Based on the progress of the assignment, the Professional shall assess the need for any change in methodology (e.g., engaging experts) and accordingly make necessary modifications to achieve the agreed scope and required objective (refer Para 4.4).
- 3.6 The Professional shall duly document the details of the work performed, the outcome of each Work Procedure, limitations faced (if any), and the conclusions drawn thereupon in accordance with FAIS 320 on “Evidence and Documentation”.
- 3.7 The Professional shall communicate with the Stakeholders with respect to the progress of the assignment in accordance with FAIS 250 on “Communicating with Stakeholders”.

4.0 Explanatory Comments

- 4.1. **Developing Work Procedures (refer Para 3.1):** On the basis of a detailed plan and methodology developed in the planning stage in accordance with FAIS 310, and the preliminary analysis of the information gathered, the Professional shall develop Work Procedures for executing the assignment.
- 4.2. **Consideration of Fraud Indicators (refer Para 3.3):** Where any fraud indicators (also referred to as “Red Flags”), or suspicious transactions, or unusual circumstances are identified in the

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preliminary review (phase 1), they shall be further assessed and validated through a detailed review or investigation, in phase 2 of the assignment. The Professional shall take due precautions in discovering and securing the evidential matter, especially from a legal perspective.

- 4.3. **Testing Hypotheses (refer Para 3.4):** Fraud indicators (red flags) identified earlier, may be used to formulate a hypothesis. In most cases, the Professional is able to discover appropriate evidence to either prove or disprove the hypothesis formulated. However, at times, the Professional is not able to discover sufficient evidence (e.g., due to unavailability of source or destruction of evidence), and hence not able to prove or disprove the hypothesis. Also, the full modus operandi becomes complete only when multiple hypotheses are formulated and tested. Necessary Work Procedures need to be conducted to discover the required supporting evidence and conclude on the hypotheses.
- 4.4. **Changing Plan and Engaging Experts (refer Para 3.5):** During the course of the assignment, the Professional may require to modify the original plan to incorporate new developments. Such changes may require the need for expert services not anticipated at the time of planning. In such situations, the Professional shall take necessary measures to engage the services of an expert in accordance to FAIS 230 on “Using the work of Experts”.

5.0 Documentation of Work Procedures

An indicative list of the nature of documentation expected to demonstrate conformance to the Standard is as follows:

- 5.1 The Professional shall document the scope, plan and methodology and corroborate the same with the Work Procedures performed by the team.
- 5.2 All the relevant analysis, working papers, documentary and digital evidences along with proper chain of custody form.

6.0 Effective Date

- 6.1 This Standard is applicable for all engagements beginning on or after ... (a date to be notified by the Council of the ICAI).

Annexure 1

INDICATIVE LIST OF WORK PROCEDURES

During Phase 1 (Preliminary Review)

OBJECTIVES: The broad objective of this phase is to discreetly gather evidence to establish whether there is a prima facie case in the allegations or that some violations, irregularity or fraud indicators are present and merit further review. If possible, attempt will be made to understand the nature and quantify the severity of the irregularities.

WORK PROCEDURES (Indicative List)

1. Identify the nature of evidence required to confirm the allegations/possible violation.
2. Collect various data, information, facts and documents pertaining to the subject matter.
3. Look for fraud indicators (“red flags”) such as any unusual or suspicious circumstances, suspicious transactions, unusual trends or patterns, etc.
4. Collect available evidence using a regular “masked audit” approach.
5. Conduct discreet enquiries to corroborate evidence and identify those involved.
6. Evaluate allegations and segregate opinions from verifiable facts.
7. Perform basic financial analysis to quantify the extent of loss/damage.

During Phase 2 (Detailed Investigation)

OBJECTIVES: The broad objective of this phase is to prove/disprove the hypotheses postulated so as to establish the veracity of the evidences collected through direct engagement with the people involved. Where evidence for intent is required, this phase may require conducting interviews to collect written statements from key individuals. This phase helps to establish the full modus operandi.

WORK PROCEDURES (Indicative List)

1. Conduct physical verifications and other “field procedures” to verify/corroborate facts and information collected in phase 1.

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2. Identify key individuals involved (internal or external) and their personal and specific role relating to the subject matter.
3. Postulate hypotheses and collect evidences to prove/disprove and follow these up with additional hypotheses until there is clarity on the full modus operandi.
4. Seek clarification and written response from the individuals, including any third parties.
5. Interview relevant stakeholders with facts/evidence and record their written statements.
6. Analyse evidence and derive possible conclusions for reporting.

FORENSIC ACCOUNTING AND INVESTIGATION STANDARD NO. 340: CONDUCTING INTERVIEWS

Contents

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Effective Date	6

This Forensic Accounting and Investigation Standard Number 340, on “Conducting Interviews,” issued by the Council of the Institute of Chartered Accountants of India (ICAI) should be read in conjunction with the “Preface to the Forensic Accounting and Investigation Standards”, the “Framework Governing Forensic Accounting and Investigation Standards” and “Basic Principles of Forensic Accounting and Investigations” issued by the ICAI.

1.0 Introduction and Scope

- 1.1 This Forensic Accounting and Investigation Standard (FAIS or “Standard”) deals with the requirements for the Professional to conduct interviews with individuals.
- 1.2 **Definition:** The following definition has been used in this Standard.
- Interview** refers to a structured meeting with individuals, for eliciting information. While interviews are expected to be inter-personal interactions with multiple facets, they are generally well planned and conducted within the framework of existing laws, rules, norms and procedures.
- 1.3 Professionals primarily depend on documentary evidences, but may need to obtain substantial oral statements to corroborate the understanding of the documentary evidences. In addition, they may need to take written statements from individuals to record information discovered. This makes interviewing a necessary part of the overall FAI process.
- 1.4 **Scope:** This Standard is applicable to all Professionals who communicate or engage with individuals with a view to elicit any information directly or indirectly pertaining to an assignment.

2.0 Objectives

- 2.1 The overall objective of this Standard on Conducting Interviews is to seek information for corroborating evidences and, where appropriate, to record statements of admission by the concerned individuals.
- 2.2 The supplementary objectives, supporting this overall objective, are to:
- (a) emphasise the importance of effective planning and preparation, prior to conducting interviews;
 - (b) need to undertake a methodical approach and include certain necessary steps in conducting the interviews; and
 - (c) ensure that statements obtained can be presented as suitable evidence in a Court of law.

3.0 Requirements

- 3.1 Interviews shall be conducted after due preparation and planning (refer Para 4.1).
- 3.2 The interviewer shall develop a methodology, which includes certain essential steps to conduct an effective interview (refer Para 4.2).
- 3.3 The Professional conducting or participating in the interview shall maintain confidentiality regarding the details and outcome of the interview (refer Para 4.3).
- 3.4 Interviews shall be conducted within the defined scope of work. Any interviews considered necessary by the Professional, but excluded from the scope for any reason, shall be mentioned in the report in line with FAIS 360 on Reporting Results.

4.0 Explanatory Comments

- 4.1 **Preparation and Planning of Interviews (refer Para 3.1):** Prior to the interview, the interviewer shall undertake a scrutiny of relevant and available documents and evidences. The planning may include preparing a questionnaire and a sequence in which questions could be asked. However, the interviewer shall be flexible and modify the questions, or the sequence thereof, on the basis of the interviewee's responses.
- 4.2 **Interview Methodology, with certain essential steps (refer Para 3.2):** While the methods and modalities of the interview are left to the best judgment of the Professional, certain essential steps shall be considered for the interview, such as the following (indicative list):
 - (a) A clear purpose for the interview methodology.
 - (b) A list of key themes (or hypotheses) on which information is sought.
 - (c) Relevance of information sought to the overall investigation objectives.
 - (d) Independence, impartiality, objectivity and expertise of the interviewer.

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- (e) Presence of senior representatives at the interview (where possible), and where an interviewee is a woman, the representative shall either be a woman or accompanied by a woman.
- (f) The interview evidence should be collected without any inducement, threat or promise.

4.3 **Maintaining Confidentiality (refer Para 3.3):** The Professional shall maintain confidentiality over the content and outcome of the interview.

- (a) Unless necessary, the interviewer team shall not reveal any information discovered during the interview.
- (b) In cases where the engagement is covered under legal privilege, the interviewer has an additional duty of care towards complying with privileged information requirements.

5.0 Documentation of Work Procedures

An indicative list of the nature of documentation expected to demonstrate conformance to the Standard is as follows:

- 5.1 The content and outcome of each interview shall be documented for subsequent reference and for any legal proceedings.
- (a) Minutes of the interview may be circulated to chosen participants (on a need-to-know basis) and receipt duly acknowledged.
 - (b) A declaration or signed statement may be taken from the Interviewee as a safeguard against any subsequent claim of use of inducement, threat or promise.

6.0 Effective Date

- 6.1 This Standard is applicable for all engagements beginning on or after ... (a date to be notified by the Council of the ICAI).

FORENSIC ACCOUNTING AND INVESTIGATION STANDARD No. 350: REVIEW AND SUPERVISION

Contents

	Paragraph(s)
Introduction and Scope	1
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Effective Date	6

This Forensic Accounting and Investigation Standard Number 350, on “Review and Supervision,” issued by the Council of the Institute of Chartered Accountants of India (ICAI) should be read in conjunction with the “Preface to the Forensic Accounting and Investigation Standards”, the “Framework Governing Forensic Accounting and Investigation Standards” and “Basic Principles of Forensic Accounting and Investigations” issued by the ICAI.

1.0 Introduction and Scope

- 1.1 This Forensic Accounting and Investigation Standard (FAIS or “Standard”) deals with exercising due professional care through a process of review and supervision towards effective assignment conduct.
- 1.2 **Definitions:** The following definitions have been used in this Standard.
- Review,** refers to the examination of planning and work procedures, discovery of evidence, conclusions drawn therefrom and documentation of working papers.
- Supervision,** refers to the oversight of the activities conducted by the team and the provision of overall guidance for achievement of assignment objectives.
- 1.3 **Scope:** This Standard is applicable to all assignments where the Professional uses the work of a team of individuals and experts to conduct work procedures.

2.0 Objectives

- 2.1 The objectives of this Standard on Review and Supervision are to ensure that:
- (a) The work procedures are being performed effectively and efficiently in line with the terms of the engagement and applicable regulations, if any.
 - (b) The process of discovering evidence, information, data is comprehensive and reliable to help achieve the objective of the assignment.
 - (c) The progress of the assignment is monitored as per the plan and the plan is updated, if required, based on the work completed and resources allocated.
 - (d) The procedures undertaken, the evidence discovered, and the documentation gathered are evaluated to ensure their relevance and adequacy to derive necessary conclusions.

3.0 Requirements

- 3.1 The Professional shall use best judgement for the process to be followed for review and supervision. The periodicity and extent of the review shall be planned considering all relevant factors of the assignment (refer Para 4.1).
- 3.2 While the nature of review and supervision required will vary, the Professional shall exercise oversight on the activities being performed to ensure that these are in line with the assignment plan and requirements (refer Para 4.2).
- 3.3 The Professional shall also review the plan during the course of the assignment to evaluate if circumstances have changed significantly to revisit the plan in accordance with FAIS Standard 310 on “Planning the Assignment” (refer Para 4.3).
- 3.4 The work procedures conducted, and the working papers prepared, shall be reviewed by the supervisor to ensure the completion of work procedures in accordance with the assignment plan and objectives.
- 3.5 Depending on nature of the assignment, the Professional shall identify matters for consideration in the review process and that consultations are held with experienced team members or experts in line with FAIS 230 on “Using work of Experts” (refer Para 4.4).

4.0 Explanatory Comments

- 4.1 **Extent of Review and Supervision (refer Para 3.1):** The extent of review and supervision varies for each assignment, and depends upon various factors such as the nature and objectives of the assignment, its complexity, extent of digitisation, applicable laws and regulations, involvement of government agencies, competency of the team, time and budget constraints etc.
- 4.2 **Nature of Review and Supervision (refer Para 3.2):** Review and supervision includes various matters such as (indicative list):
 - (a) Tracking the progress of the assignment in line with the plan, time lines, budget etc.
 - (b) Confirming the competence and capabilities of individual members of the assignment team to meet planned objectives.

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- (c) Ensuring the completion of planned work procedures and evidence discovered is appropriate, reliable and sufficient.
- (d) Work procedures being conducted conform to the relevant Standards and laws and regulations, especially in meeting suitability of evidence.

4.3 **Change in circumstances (refer Para 3.3):** The Professional shall reassess the adequacy of supervision when the objectives, the scope or terms and circumstances change significantly during the course of the assignment and to ensure that individual members of the team continue to:

- (a) have the necessary skills and competence to perform the assigned work;
- (b) have sufficient time to perform the assigned tasks; and
- (c) understand the assigned work procedures.

4.4 **Matters for consideration (refer Para 3.5):** The Professional shall evaluate the matters for considerations arising from the review process for significance and seek consultations or inputs from experienced peers or subject matter experts, where necessary and permissible.

5.0 Documentation of Work Procedures

An indicative list of the nature of documentation expected to demonstrate conformance to the Standard is as follows:

- 5.1 Key steps undertaken in the review and supervision process shall be documented depending on the factors such as nature of assignment, applicable regulations if any, to ensure conformance.
- 5.2 Where appropriate, the review should be evidenced in writing with initials of the reviewer.

6.0 Effective Date

- 6.1 This Standard is applicable for all engagements beginning on or after the date (to be notified by the Council of the ICAI.)